



## Priceline Research Summary

### Company Overview

The Priceline Group is composed of five primary brands - Booking.com, priceline.com, agoda.com, KAYAK and rentalcars.com, and several ancillary brands. The Priceline Group provides online travel services in over 200 countries and territories in Europe, North America, South America, the Asia-Pacific region, the Middle East and Africa and has 8,000 employees across the globe.

Booking.com, provides online hotel reservation services on a worldwide basis with approximately 425,000 properties in 190 countries and territories available in 42 languages.

Agoda.com, an Asia-based online hotel reservation service available in 38 languages; and rentalcars.com that offers car rental services in approximately 6,000 locations worldwide. It also provides reservation services for hotel rooms, airline tickets, rental cars, vacation packages, and cruise trips under the priceline.com brand through its Name Your Own Price service; KAYAK Websites and mobile apps allow people to compare hundreds of travel sites at once; and travel insurance services.

Priceline has grown steadily, with annual revenues approaching \$7 billion, 35.5% increase in Revenue in last 12 months. Kayak has proven to be a significant addition to Priceline's travel properties. Its customers include users looking for travel products/deals for leisure as well as for business purposes.

Booking.com accounts for 65% revenue sales and only does hotel rooms. Priceline sells hotel rooms; car rental and flights, and revenue delivery in that order. (Hotel only no hostel or B+B). 80% of Priceline's total business is international, 15% domestic. They have 16% US market share and 31% of international market share.

They offer customers the ability to make hotel reservations on a worldwide basis primarily under the Booking.com and Agoda brands internationally and primarily under the priceline.com brand in the United States.

They recently bought a restaurant booking online company Open Table. When asked if they intend to sell events/attractions the answer was no interest in booking attraction or events as the margins are too low.

Priceline enables its customers to purchase travel services under the traditional price disclosed model and/or via the opaque pricing model. Under the traditional price disclosed model, the company earns a commission on every transaction made on its website. While under the opaque pricing model, users bid for services at discounted prices and Priceline earns the difference between the price an individual is willing to

pay and the price charged by the travel service provider. In addition, the company makes money from advertisements placed on its websites.

Accounting for 97% of Priceline's revenue and contributing around 83% to its total gross booking, hotel bookings is the most important division in Priceline's portfolio. Hotel bookings offer around 23% revenue margin which also makes it the most profitable division compared to airlines (3%) and car rentals & cruises (9%).

## **Research Highlights**

### **Technical Developments**

Priceline do offer an extranet service for merchant model and GDS systems, similar in feature to booking.com. It provides analytics, data and ability to manage your account.

### **Commission and Membership costs**

Merchant Model: In the US, Priceline operates primarily under the merchant model, where the users bid for services and pay up front. The booking is completed on Priceline's website itself. The merchant model offers scope for charging higher margins.

Agency model: the agency model in which Priceline net revenues are generated in the form of commissions and bookings fees, resulting in lower revenue margins.

Commission is higher than 15% and depends on the model you choose to feature. It depends on many factors volume to sell, popularity of your brand, value (not price), service levels etc. You need to sign a contract with rate agreement and permission to sell.

Agency model is approx 16%+ and Merchant models is approximately 18%

Note: Name your price is not popular for international market, bigger investment by customer in terms of time and money to travel to Europe so want some guarantees.

Information required: Same as booking.com at minimum:

1. Imagery 3 x each room type with bathroom included and outside of hotel
2. Public areas, the more the better some properties have 40+ images

### **Seasonality of business**

Essentially none – the channel has experienced 40 % growth year to date in bookings through the channel so there appears to be no trough period.

### **Preferred Rate Structure on this channel-**

Channel recommends, BAR, and Multinight length of stay rates  
Rates can include breakfast or not.

They contract on the basis of value offered and rate parity.

### **Trends in Mobile Bookings**

Currently they are experiencing a huge increase in mobile bookings and expect that in total over 40 % of bookings this year will be delivered via mobile applications.

### **Marketing and Promotions.**

Customers can do advertising on the site and sponsor listings (same as preferred listings with booking.com i.e. buy your way to the top.)

### **Property sequencing on site**

Algorithm for display is based on the following

1. Popularity
2. Value
3. Service reviews
4. Availability = 365 days
5. Lookers to bookers – Conversion rates
6. Rate parity
7. Guest reviews
8. 14month profile

These are not in order of how they are weighted.

Price comparisons are based on algorithm which calculates actual rate over last 2 weeks, this gives the strike out rate i.e. property cannot cheat the system, algorithm maintains integrity of booking.com

### **Lead times**

Booking window depends on booking type, the local short term booking window is getting even shorter, it can be hours and international is much longer - 5 months.

### **Key challenges**

Getting properties to understand value versus price and to focus on Rate growth.

### **Other learning's**

Priceline have done work on path to purchase and define themselves as not inspirational more transactional. Customers look at a number of destinations and choice is made based on convenience for air travel and cost of trip. For the US customer time and money is key. (US customer time is more precious than money due to the short vacation days).

This is good for Ireland as we are easy and quick to get to (easier and quicker than many places in the US), feedback is we don't key this message as much as we should. Yes price/value is key but ease is too, i.e. near where all the things they want to do. The reality is Ireland is often not the first choice, London and Paris are more culturally significant the exception is Irish Ancestry which we could tap into more.