

# FLIGHTS OF FANCY

*Since the launch of Priceline.com in Asia, frequent flyers have been getting what they bargained for.*

*By Tim Metcalfe*



**B**ook yourself an air-ticket through Priceline,” said the editor. “Find out how it works.”

To anyone who has already purchased something online, this may sound like the simplest of assignments. To me, and indeed to the vast majority of us in Asia who lag behind Americans and Europeans in e-commerce transactions, it was a bold step into the unknown.

Would I be able to follow the *priceline.com.hk* website instructions correctly? Was it wise to give out a credit card number on the Internet? Would I receive a ticket in my hands or would it reside somewhere in cyberspace?

The questions didn't stop there. What exactly does it mean to “bid” for your ticket, or as Priceline puts it: “Name Your Own Price” to save? And at what cost could I discount up to a third from the “market price”? Would it require a 2am departure and 11pm arrival – perhaps, aboard a dangerous airline, inclusive of a nine-hour stopover in some unwholesome airport in the middle of nowhere?

There had to be a catch.

Yet the prospect of significant savings was a welcome novelty – especially out of Hong Kong, where flights today are among the priciest in the world. Priceline's widely advertised promise to “empower” the long-suffering public with more affordable travel seemed worth the effort of venturing into this revolutionary ticket-purchasing service.

How do you start? First, Priceline strongly encourages customers to “do your research”. Establish how much you would pay elsewhere before submitting your offer for a ticket or hotel room, recommended at around 20-30% below the average price.

The second golden rule for acquiring rock-bottom prices is also obvious: fly off-peak, which for regional destinations means avoiding the weekend rush hours. For the very best bargains, focus your travelling time on weekdays.

The final key for the bargain-hunter is flexibility. If you're not fussy about precise travel dates, choose several, and you're maximising your chances of being on to a serious winner.

My schedule, however, only permitted a Thursday-Sunday long weekend, which in Priceline terms meant possibly greatly reducing my chance of a big discount. A peak holiday season departure on August 1 did not help much either. Priceline was being put to a tough test!

The destination was Bangkok, which coincidentally has also proved to be the most popular choice for Priceline customers since the service was launched a few months ago. This may or may not be related to the abundance of fine golf courses around the city, which was my personal objective.

Research was simple. My trusty travel agency of many years quoted HK\$2,943 (including HK\$160 tax) aboard Cathay Pacific, HK\$2,560 on



name your own price ... and save!<sup>SM</sup>  
\$  .00  
[priceline.com.hk](http://priceline.com.hk)



Thai Airways and HK\$2,353 with Gulf Air (which is famously cheaper due to a 10am departure from Bangkok, requiring an early rise).

In the circumstances, an initial offer of HK\$1,300 (approximately US\$166) with Priceline was ambitious – and not surprisingly rejected. You can name your own price, but it won't necessarily be accepted.

For obvious reasons, not least frivolous time-wasters potentially increasing their offers by HK\$1 at a time, offers have to be raised by a minimum sum of HK\$150. Within a few minutes, I had made an offer which was accepted at a total of HK\$1,846. But I had no idea of the flight times or the airline. Priceline reckons it usually acquires direct flights for regional routes, but I couldn't be 100% sure of that either.

Did I wish to confirm? Yes; and within minutes I learned that my booking had been confirmed, with flight details instantly revealed. I had feared my journey might be aboard an ancient aircraft via a string of out-of-the-way landing strips, so in the circumstances the itinerary was comfortingly unremarkable. I was booked direct both ways aboard Thai, departing Hong Kong at 3.30pm (good) and returning from Bangkok three days later at 3.20pm (even better – enough time for a final round of golf in the morning).

#### SATISFIED CUSTOMER

Despite my relatively inflexible and rather peak-time travel requirements I had saved HK\$714, which was more than a 25% discount. It was worth about 3,700 baht in Bangkok and so, with newfound confidence in the Priceline system, I proceeded to book a hotel room.

I was able to specify the star rating of the hotel I required (two-star) and was also given the option of choosing a specific area within Bangkok. Again, I started ludicrously low (HK\$200) and again my offer was rejected (Priceline only partners with international-brand hotels). But at HK\$350 I hit the jackpot, with an upgrade to a room on the top floor of a three-star boutique hotel that turned out to be comfortable, friendly and conveniently located.

With the saving of around HK\$700 on my air ticket, the room effectively cost me only HK\$236 for three nights. Better still, all I had to do was make a printout of the booking, which I then presented to hotel reception on arrival. And they *were* expecting me.

The air-ticket never drifted in cyber-



space, as feared, and was instead promptly delivered to my door the morning after booking. (Priceline also offers an option of e-ticketing, where available.) Although its sophisticated computer programme is about as safe as Fort Knox, concerns over making direct purchases through the Priceline website can be overcome by phoning a dedicated call centre to provide your details, including credit card information.

Due to a typically late check-in for departure from Hong Kong, aboard an unusually full flight, I was upgraded to business class on the trip to Bangkok – which just goes to show that Priceline seats are as good as any.

So Priceline passed with flying colours for me, just as many others are discovering.

In fact, my peak-season deal to Bangkok was somewhat ordinary. One happy customer contacted Priceline to report that in June she had secured two tickets to Bangkok on Finnair for only HK\$1,000 each. Not only that, she stayed at a five-star hotel for just HK\$480 per night.

But even high-season routes can yield serious savings. Alfred Tsoi, Yahoo! Hong Kong's general manager, acquired two return tickets aboard United Airlines to Tokyo for the World Cup final for a total of HK\$4,710. His travel agency had quoted HK\$4,000 each, virtually twice the price. "I couldn't believe it," he recalls. "I knew tickets would be hard to get and I figured I'd have to pay a high price to get them."

Another satisfied customer, business-



man Leon Wu, travels frequently to Shanghai. "I booked a hotel room through Priceline because I was tired of hopping from one website to the next to compare prices," he says. "The site was straightforward and understandable – just three stages. And Priceline was very fast to accept an offer – just five or 10 minutes. Convenience was also a big extra, with Priceline staying open 24 hours a day, seven days a week. I like to shop around, but that is time-consuming. Priceline did all that for me."

### WINNING FORMULA

Such experiences are refreshingly new in Asia but Priceline is something of an e-institution in the US, where annual turnover has topped HK\$8 billion after just four years in business. As such, it's among top Internet brands like e-Bay, Amazon and Yahoo! – and is one of the few e-businesses that are genuinely profitable.

"They have a formidable reputation," says Hutchison-Priceline CEO, Alfredo Gangotena. It was against this background of proven success that Hutchison and Cheung Kong (Holdings) together became both the biggest shareholder in the US operation, with a stake now worth nearly 35%, and also entered into a 65-35 alliance to extend the concept to Asia.

Priceline launched in Hong Kong in April 2002 and in Singapore soon after with Taiwan the next port of call. But these are just the start. The operation has rights to extend from Japan to New Zealand, China to India, covering a population of more than three billion people.

As one business magazine recently put it: "Hong Kong's pre-eminent deal-maker is at it again. As most investors write off e-businesses as dot-bombs...

Hutchison Whampoa is shopping for bargains in the wreckage, betting that once the shakeout in those industries ends, Hutchison will be positioned to reap the rewards."

But it is Priceline's business model, not the attractive share price, which holds the most appeal for Hutchison.

"The fundamentals haven't changed," noted Hutchison Group Managing Director Canning Fok. "We believe in this model. If other people don't like it, so much the better for us."

One of the more interesting of these fundamentals is that online travel today

*"Lower prices introduce new customers who would otherwise remain outside the market."*

accounts for 35-40% of e-business in the United States. Another, that Priceline is a global market leader.

Conceived by visionary inventor and entrepreneur Jay Walker, and now maturing into an international network, Priceline is certainly a unique and revolutionary idea.

"Once you realise how it works, the model is blindingly obvious," says Gangotena. "For decades the travel industry has been trying to solve an endemic problem: what to do with empty airline seats and hotel rooms?"

Planes and hotels have a fixed size, but demand varies and there are days and even times of day when these are sometimes full, and other times not. But once the plane takes off, or the night is over, the potential revenue is lost forever."

The facts bear this out. Both airline load factors and hotel occupancies generally average around 70-75%.

The law of supply and demand rationalises that these empty seats and rooms could be sold at a lower price. But of course such price-cutting would compromise the initial 70-75% of sales at the market price. "The pricing and branding would collapse," notes Gangotena.

So instead the industry has satisfied itself with "yield management" – maintaining load factors and room occupancy at the highest possible rate, making the maximum possible profit in the inevitable circumstances.

"But the challenge has always continued – to sell those empty seats and rooms," Gangotena adds, "and the dilemma was finally resolved by Priceline."

Since buyers aren't told the name of the airline or hotel selling surplus airline seats or hotel rooms until their offer is accepted, neither individual brands nor respective pricing policies are compromised. Only the Priceline customers ever know the airlines they fly aboard, the hotel where they stay, or the prices they pay.

In the meantime, airlines and hotels fill empty spaces, because the prospect of lower prices introduces a new group of potential customers who would otherwise remain outside the market. Research indicates that two-thirds of Priceline customers would not otherwise have travelled.



They are making trips purely because the price is right. At the market price, they wouldn't go and they are willing to accept a few flexibilities in return for a bargain.

"This is the Priceline niche," observes Gangotena. "We're the match-maker. We're not in a market that suits most businessmen, who prefer precise flight schedules and like to choose where they stay. So Priceline is not for everyone or every occasion. It's for the flexible and holiday traveller to make a trip on a whim, not a 'must do' trip."

That said, any business or individual can book specific itineraries through Priceline and be sure to get the best deals available at the time.

### READY FOR LIFT-OFF

For "flexible" travellers, the options are as broad as a map of the world.

Priceline's computer system can match-make offers with nearly 9,000 hotels, plus 32 Asian and international airlines.

Destinations cover the Asia-Pacific, Europe, North America, the Caribbean and Mexico, with more being added.

These are early days for Priceline in Asia, but the initial response has been heartening, with sales leaping each month.

Leading global Internet research group, NetValue, revealed that Priceline's websites were the most visited in both Hong Kong and Singapore in the first two months.

"Overall, growth is healthy," says Gangotena. "More people are getting to know about Priceline all the time – and the more satisfied customers we have, the more they will recommend us by word-of-mouth. At the same time, Asia is getting used to the idea of shopping from home. We're open 24 hours a day, seven days a week, so it's extremely convenient."

The convenience extends to significant adaptations of the US version for Asia. Priceline is Asia's first multi-language, multi-currency B2C (Business to Consumer) operation, and these local innovations mean it can move easily into other regional markets.

"I'm confident the model will prove extremely successful in Asia," adds Gangotena. "It fits the culture, where bargaining and securing discount deals is a matter of pride – and at the same time it encourages more people to fly." 



## SMART TIPS FOR BARGAIN-HUNTERS

**B**E FLEXIBLE WITH YOUR TRAVEL details. For airline tickets, choose multiple arrival and departure dates, or multiple arrival airports so Priceline® can widen its search for savings.

- Follow suit for hotels. You always choose your hotel star rating, and Priceline seeks upgrades whenever possible. But let Priceline expand its search for your savings by choosing a variety of areas to stay in the city of your choice.

for fares for your specific itinerary before bidding. Call a travel agent or research on the Internet. When you're ready to Name Your Own Price, go to [www.priceline.com.hk](http://www.priceline.com.hk) (Hong Kong) or [www.priceline.com.sg](http://www.priceline.com.sg) (Singapore) and bid a reasonable amount 20%-30% below market rates.

- Be aware of Priceline's system. For air tickets, you choose your destination, dates of travel and desired price. Priceline chooses a major airline and flight times. For hotel rooms, you specify desired dates, desired areas of a city, the quality of hotel desired and, of course, the price. Priceline then picks the international-brand hotel.

- Be savvy about the Internet. Priceline's encryption technology means no one else can read your credit card or personal details during transmission. It's safer to buy online than to give your details to a waiter or shop assistant.

- Be quick to call if you need help. Priceline's Customer Service Department agents are available at (852) 3163-0808 from 8am until 12 midnight. For your convenience, you can also call in your credit card details 24 hours a day.

- Be ready for speedy service. Priceline is open 24 hours a day and seven days a week. It will e-mail you within one hour to tell you if you've succeeded in getting your price. Paper airline tickets will be delivered within three working days.

- Be ahead of the rest. Priceline's special hot deals and promotions mean you'll save even more on your next trip. Just register at [www.priceline.com.hk](http://www.priceline.com.hk) or [www.priceline.com.sg](http://www.priceline.com.sg) to get the latest news first.

