A Critical Review of Pricing Strategies for Online Business Models

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Abstract

As the Internet grows rapidly, managers will face new challenges and opportunities in developing innovative marketing strategies to sell their products. What kind of pricing strategy will adapt to this dynamic market? How do online companies attract more consumers through new pricing strategies? These are the typical questions that an online business manager has to address. Most of the online companies go beyond simply presenting products and services on the Internet. They create unique ways of interacting with and selling to online customers. For example, *Accompany.com* created a simple concept: volume-buying, which links small buyers into groups to obtain volume discounts. Similarly, *Priceline.com* allows buyers to propose prices of airline tickets.

We believe that a satisfactory buying experience will be one of the key factors for online shoppers in making purchasing decisions on the Internet. We know that online shoppers are more and more concerned with such important issues as security, service, and convenience. Hence, marketing managers must not only think about providing the best prices, they must also create a satisfactory buying experience for online shoppers.

In this paper, we present seven business models in the cyber market. The common link between these eight models is that all of them employ unique pricing strategies that are uncommon in traditional business models. In this paper, we try to explore how various business models use different pricing strategies to affect consumers' decision-making. This paper will help e-business executives to understand how online pricing strategy influences the success or failure of online business models.

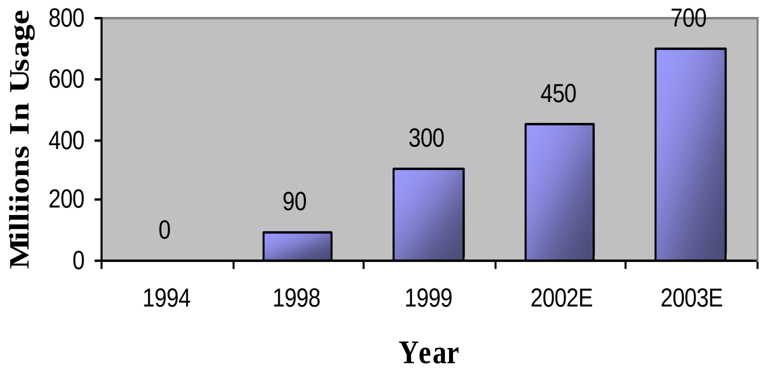
We start with a brief introduction of the major online pricing strategies. We then present a general description of each pricing strategy and explain how it works. Next we identify the advantages and disadvantages of each strategy. Finally, based on this analysis, we predict trends in online pricing strategies in the future.

Introduction

There is no doubt that e-commerce has changed our lives in many ways, such as online shopping, online games, and distance education. When reading the newspaper or watching daily news, people are bombarded with the new things that e-commerce brings. Organizations, too, are facing challenges from e-commerce, and companies realize that they will be left behind if they ignore it. As a result, a flood of venture capital is flowing to build up Internet-based companies in a variety of areas, such as online trading and online shopping. These bright ideas and interactive Internet applications accelerate new economic growth in a very noticeable way. Consider the success story of computer manufacturer Dell (Buxmann & Gebauer, 1998) as an example. In the beginning, Dell experienced exponential growth by selling its computer products directly to customers. Recently it has also gained a lot by selling on the web (online). Another example is the auto giant Ford's new e-business strategy (Kerwin, 2000) by which consumers can order customer-assembled cars, and track the progress of their assembly on the Internet. Ford will have billions of dollars of potential savings from this digital marketplace.

Figure 1 below shows the Internet usage growing in an accelerated manner year by year. Undoubtedly, going online is becoming an intrinsic part of people's daily lives.

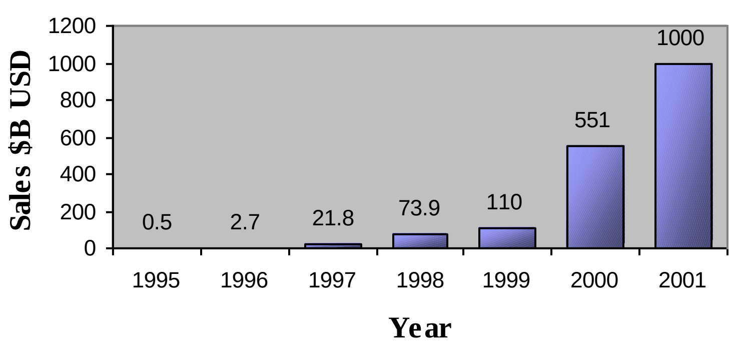
Figure 1
Internet Usage By Year



* Figures for 2003 and 2002 are estimates.
(Source: E-Commerce: A Global Perspective, Lloyd. F. Southern, Robert G. Schwartz, Sricharan Veeramachaneni, 1998).

Furthermore, the exciting news for business executives and others is the Internet's unlimited capacity, hence endless potential for business opportunities. Historical and estimated sales figures for Internet sales (see Figure 2) indicate rapid growth.

Figure 2
Internet Sales



(Source: E-Commerce: A Global Perspective, Lloyd. F. Southern, Robert G. Schwartz, Sricharan Veeramachaneni, 1998)

Although the foreseeable future is bright for Internet-based companies, their promise is still dependent on revenue-generating capability. Most of the Internet-based public companies are likely to face a shortage of cash flow in a few years. Thus, it is common for stock analysts to suggest that companies not discard traditional valuation measurements to predict the value of e-commerce related stocks, especially direct Internet-based stocks, such as *Amazon.com, Ebay.com,* and *Ivillage.com*. It does make sense that investors be cautious about high prices of stocks, because an Internet-based company does not always guarantee managerial excellence or future business success. However, when considering the facts, and not the hype, we cannot ignore that Internet-based companies have grabbed a lot of market share from their traditional competitors in the bricks-and-mortar world. There are some successful businesses running out there, for instance, the combination of AOL/Time Warner seems to have created the new Media Company concept, that are increasingly built on the Internet. Only time will tell how profitable it will be. The point is that the Internet not only creates a new marketplace for online consumers, but also brings something dynamic to this world.

One important thing the Internet has brought from the marketing perspective is the weakening role that distributors play. Figures 3 and 4 below show two typical distribution channels: indirect and direct distribution channels, respectively.

Figure 3

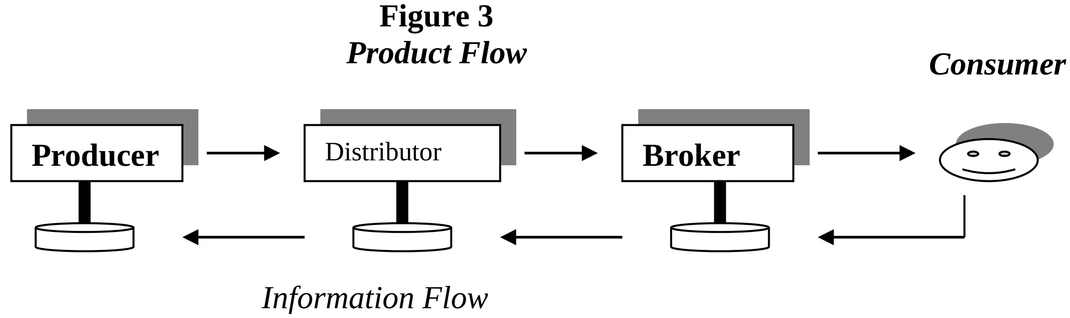
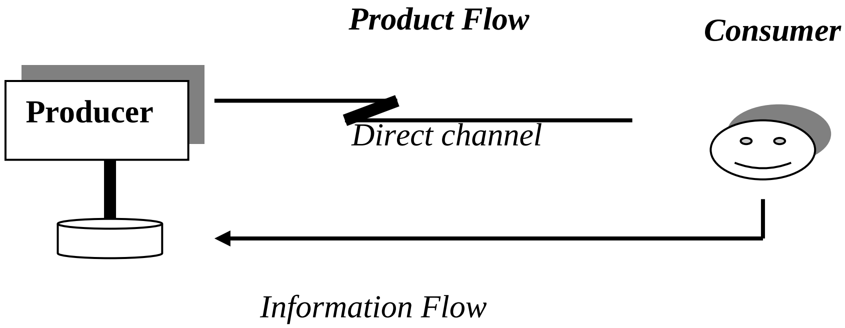


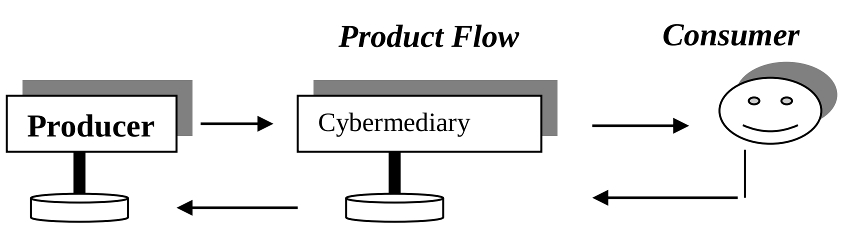
Figure 4



(Source: Principles of Internet Marketing, Ward Hanson, 2000)

As shown in Figure 4, the Internet typically offers a direct distribution channel. However, this is true to a certain extent. When the Internet eliminates one thing, it evokes another: cybermediary or infomediary, which refers to the substitutes of distributors and brokers in a traditional indirect distribution system. The so-called cybermediary or infomediary is more powerful than distributors or brokers, given the Internet's capacity. In our opinion, the online distribution channel should be similar to what is depicted in Figure 5 below:

Figure 5



Online distribution channel

Those cybermediaries or infomediaries play critical roles in accelerating the flow of information and facilitating transactions. They are the main topics of this paper. We will critically analyze how these cybermediaries use innnovation to add value by creating demand and facilitating the supply chain.

In general, cybermediaries serve the following purposes:

1. They bring buying power from sellers back to buyers by reducing costs and providing abundant merchandise information. Customers can switch to other suppliers just by double-clicking a mouse in a fraction of a second.

2. They reduce transaction costs and facilitate transactions by establishing closer links with consumers. For example, people now can enjoy the low prices and convenience of buying air tickets online. Without the Internet, they would have to go out to search for information and then buy tickets by themselves or through travel agents at an additional fee.

3. They weaken the important role that a distributor or broker plays in a traditional world. Manufacturers can use the cybermediaries to eliminate retailers from the existing value chain system. According to Benjamin and Wigand (1996), manufacturers in the high quality shirt market can reduce the retail price by more than 60% by bypassing the intermediary in the traditional value system. While surfing on the web, we can also find many sites playing a similar role in this cyber market. For example, *Priceline.com* provides a service to match the supply and demand of different products and services. Currently, such featured sites are becoming the mainstream in the digital marketplace.

Based on the fact that customers are exposed to instant and bountiful information and buyers and sellers are interactive participants in this cyber market, it is necessary that traditional business be transformed to accommodate itself to this new reality. Generally speaking, we know that some businesses operate in a traditional market by producing goods and selling them to consumers. They gain profit when revenues exceed costs. These types of business models are simple and easily understood by ordinary people. However, will this type of model survive this cyber market when consumer behavior becomes more uncertain? The answer is "No". Along with the rapid adoption of the Internet, online consumers are likely to accept other new things. For example, online auctions are very popular with online surfers. Auction participants can experience competitive active bidding even in such prestigious houses as Sotheby's. In addition, they will have in-depth information and can join in the auction from anywhere. The fact is that many dynamic online business models are estimated to be profitable in the future because they are used to reach consumers more effectively.

Although there are a wide variety of online business models conducted, we can see that these business models have similar focus on pricing, as evident from their slogans. Therefore online business managers can get a general picture about current pricing strategies in E-commerce business models. Hence, they will use them as references when targeting niche markets. We outline, in Table 1, the major online business models and their slogans.

Table 1

Model types	Examples	Slogans
Demand collection Model	*Priceline.com*	*Name your own price and save!*
Search agent model	*Dealtime.com*	*Let us deal with it!*
Bargaining model	*Hagglezone.com*	*Where everything is negotiable!*
Membership model	*Netmarket.com*	*Members get more!*
Bartering model	*BigVine.com*	*Barter to grow your business!*
Volume-buying Model	*Accompany.com*	*Prices fall as more people buy!*
Discount pricing model	*Half.com*	*Everything is at least 50% off!*

From Table 1, we can see these business models focus on providing low prices to online shoppers because low price strategy is still considered as playing an important role in the cyber market. However, business strategies evolve on a regular basis in the market. In fact, the speed and frequency of change is such that managers and management systems often cannot cope. What occurs is a sort of internally generated shock, which is rooted in managers' inability to see the strategic impact of possible changes and therefore make the changes necessary to adjust the organization's strategy to its environment.

One key point is that business executives need to manage such continuous environmental changes in terms of consumers' responding to marketing factors. Lack of vision to respond to consumer needs will lead to failure. In an attempt to evaluate the success of these online business models, we examine 7 business models - as outlined in Table 1 - for "click and mortar" companies and analyze their characteristics. Finally, we forecast future trends and draw conclusions on online business models.

1. Demand Collection Model

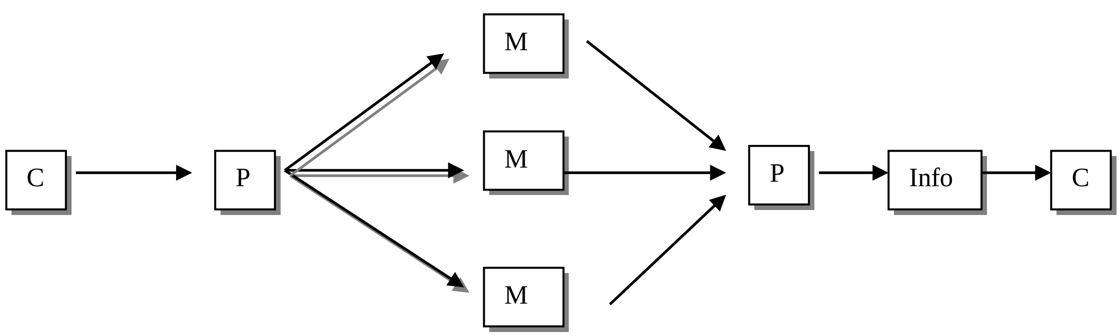
The demand collection model enables customers to name their own prices. As more online shoppers adopt E-commerce, this business model will grow in popularity. *Priceline.com* is a typical site that uses this model. However, this model cannot be imitated because business models are defined within the context of patent law (Rappa 1999).

Priceline.com

Priceline.com, which is a leading online server, achieves its success through the "…revolutionary new buying service where you can save money by naming your own price for things you need" (see *Priceline.com* homepage). In other words, its pricing strategy represents a patented Internet pricing system that enables customers to achieve significant savings by naming their own prices. According to the "patented business models" (*http://ecommerce.ncsu.edu*), *Priceline.com* has its "reverse auction" protected under the law. This unique pricing strategy is based on a so-called "demand collection system" *(*see *priceline.com* web page for details), which collects consumers' demands (in the form of individual customer offers guaranteed by credit cards) for a particular product or service at a price set by the consumers. It then communicates that demand directly to participating suppliers or to their private databases. (This process is exactly opposite to the normal auction process; hence the name "reverse auction.") As it says on *Priceline.com*'s homepage: "Airlines fly with over 500,000 seats empty every day, and thousands of hotel rooms go unsold every night." There are many such unfulfilled offers existing, for which manufacturers still have to carry fixed costs; manufacturers may accept a very low price to cover at least some of these costs. Further, nowadays, the transmission speed of information is so rapid that people can learn what is happening on the other side of the world immediately. Therefore, the combination of unfulfilled offers and the transmission speed enables *Priceline.com* to provide such innovative service to customers successfully.

Under this system, consumers agree to hold the offers open for a specified period of time to let *Priceline.com* fulfill the demand. Once fulfilled, offers generally cannot be cancelled. The fee is the spread between the bid and fulfillment price, and perhaps a processing charge (Rappa, 1999). The whole buying process for *priceline.com* is expressed in Figure 6 shown below:

Figure 6



Note: C: Customers; P: *Priceline.com*; M: Manufacturers

In this model, customers ("**C**") go shopping on *Priceline.com* ("**P**"). *Priceline.com* works like a broker who searches participating suppliers and manufacturers, "**M**", for merchandise or services that match consumers' requirements (e.g.: named prices, volume, brand names, etc.). Customers don't need to choose matching merchandise by themselves; *Priceline.com* works for them. This means that *Priceline.com* filters out related but irrelevant information and then chooses the most matched one for end-users. That is why in

Figure 6 all the arrows go back to “**P**”, *Priceline.com*, and are processed into the most useful information needed by “**C**”, the consumers.

Advantages of this particular model can be generalized as follows:

1. Throughout the whole shopping experience, customers will save searching costs. In the traditional shopping experience, people have to go shopping in big malls and search for what they intend to buy.

2. In naming their own prices and empowering *Priceline.com* to fulfill their offers, customers get what they want at relatively cheap prices, which they set themselves. It is thus possible for consumers to get good prices.

3. *Priceline.com* also offers coupons, which are provided by their sponsors, such as VISA and many other organizations, which solicit new members. Customers can take advantage of these coupons to enlarge their search range or upgrade their shopping target for free. For example, if the original price a customer set is $25 for a no-name hotel room, and this customer accepts a GM VISA card company as a sponsor, (that is, he will apply for a GM VISA card,) then *Priceline.com* will search for a hotel room priced at $50 for him/her. The GM VISA card company will pay the $25 difference for the customer. This is really attractive, since people often feel shy about using coupons or other promotions when shopping. In addition, customers do not have to carry store coupons or to meet salespersons to redeem them.

Although the advantages of *Priceline.com* are numerous, the disadvantages of this model are also worth emphasizing:

1. When people register with *Priceline.com* to shop online, they have to submit their E-mail address and credit card numbers. Although *Priceline.com* guarantees security, people know that hackers can access this confidential information easily. Every day we receive unsolicited mail from all kinds of business units. Undoubtedly, some of the mail addresses are sold out and some are intercepted on the Internet. Thus when comparing online shopping sites with traditional supermarkets, risk-averse customers would prefer the

traditional transaction process to the online process, since they usually don't need to present any private information.

2. In *Priceline.com*, once fulfilled, offers generally cannot be cancelled (*www.priceline.com*), but in traditional supermarkets, customers are allowed to exchange merchandise, or even to cancel orders entirely.

Princeline.com is a patented price system; however, there are many online shopping centres that employ similar but different price systems. A good example is *Dealtime.com*, to which the next section is devoted.

2. Search Agent Model

In this model, an agent (i.e., an intelligent software agent or "robot") is used to search-out the best price for a good or service specified by the buyer, or to locate hard to find information. Typical search agent models are *DealTime.com*, *EvenBetter.com* (previously *DealPilot.com*), *MySimon.com, RoboShopper.com*, and *ShopFind.com*. Table 2 provides a comparison of these four models in terms of the types of merchandise they carry and affiliate programs they support. Among these search agents, *Dealtime.com* is one of the most successful ones.

Table 2

Examples	Merchandise Categories	Afflitate Program
DealTime.com	Appliances, books, computers, health & beauty, sports, garden, toys	YES
EvenBetter.com	Books, music and movies	NO
MySimon.com	Appliances, books, computers, health & beauty, sports, garden, toys, groceries	YES
RoboShopper.com	Books, computer, electronics, healty, movies, music, videos	NO
ShopFind.com	Appliances, books, computers, health & beauty, sports, garden, toys, automotives, apparel, arts, religion…	NO

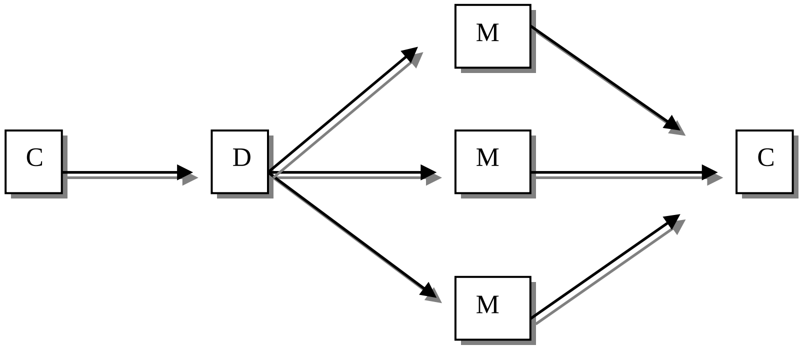
Note: The affiliate program is a kind of incentive (such as money earning) to attract online browsers.

I. Dealtime.com

Dealtime.com, as promoted in its home page, is an Internet comparison-shopping service that searches online stores, auctions, classified advertisements, and buying groups for items consumers want to buy at the prices they are willing to pay. *DealTime.com* is one of the most comprehensive online comparison shopping services searching over 7,300 online and offline merchants, online auctions, and group buying sites (see www.DealTime.com for details).

DealTime.com employs a similar strategy to that of *Priceline.com*, in that it acts as a search agent that looks for whatever customers intend to buy. *Dealtime.com*'s system is outlined in Figure 7 below:

Figure 7



C: Customers; D: *Dealtime.com*; M: Manufacturers

In this model, the first two steps are identical to those of *Priceline.com* (see Figure 6). However, the last step of *Dealtime.com* is to return all the matching merchandise or services information to customers in order to allow them to make their final choice, unlike *Priceline.com*, which just gives final selected price information. This apparently minor difference should not be ignored. What *Priceline.com* does is to make the purchasing process easy. However, its efforts take away some purchasing pleasure from consumers. By only providing selected information, it leaves less selecting space to customers. *Dealtime.com*, on the other hand, lists all matching items and presents multiple options for customers to sort by merchants, merchants ratings, products, and of course, prices. Obviously, this is another type of online site, one in which consumers enjoy shopping within their price range or among their brand name preferences, but with more autonomy than offered by *Priceline.com*. Unlike *Priceline.com*, *Dealtime.com* provides more options to customers, such as editing, postponing, and deleting deals. This strategy makes people feel free to choose whatever they like and they get more flexibility.

Dealtime.com have a number of unique advantages:

Track keeping service This service is to keep track of whatever customers have ordered. The customers can receive information about their orders by E-mail, so, they don't need to check the items' prices now and then. "Track Keeping Service" acts as a messenger to deliver updated information to customers.

Affiliate Program *DealTime.com'*s "Affiliate Program" enables member Web sites to offer a free, sophisticated comparison-shopping service to their users, at the same time, earning 10¢ for every click generated from their site. With this incentive method, customers are encouraged to click more frequently to browse online in *Dealtime.com*. Consequently, the more clicks users make, the longer the time they are exposed to online information. Thus, they will more likely select online products or services. We can say that this Affiliate Program enhances business opportunities.

Search deal options Customers can have options on deal types such as auctions, online stores, consumer-to-consumer auctions or classified advertisements, and so on. Different customers have different preferences for making deals. Some are good at auctions and others are loyal fans to certain brand names. *Dealtime.com* offers such options to make customers' shopping experiences comfortable.

Sort function Once entire search results are available, *Dealtime.com* sets a sort function button to allow customers to sort the results on merchants' ranks, deal types, or prices. This makes the purchasing process more clear and convenient. Easy comparisons accelerate customers' information process, thus facilitate purchasing.

However, dealtime.com has several limitations as well:

Noise Although track-keeping service will make customers more informed about their orders, this detailed assistance will also make some customers feel annoyed since they receive numerous mails everyday if the items they want to buy are traded actively.

Complexity in finalizing deal Customers will have more choices regarding to deal types of their favor. Meanwhile, to provide more options will certainly stretch purchasing process, which leads to time consuming. Consequently, some customers will find it difficult to finish a deal when they expect a simple one.

II. MySimon.com

MySimon.com is another large online searching agent. It provides consumers with comparison shopping for products at more than 2,000 online stores, access to over 32,000 off-line services, and in addition, access to financial services.

Similar to other searching agents, *MySimon.com* releases updated news to online shoppers. For instance, at the time of the 72nd Annual Academy Awards on March 26th, *MySimon.com* provided "Entertaining Supplements to Your Oscar Night Experience" including soundtracks of Oscar-nominated film music, scripts of Oscar-nominated movies, and videos (*www.mysimon.com/holiday_and_seasonal/oscars/ index.anml*). In addition, it offers consumers instant relief for tax day: comparing prices on everything from software and books to calculators, and even products for stress relief. These are powerful promotion tools to attract public attention. Furthermore, these efforts give the public an impression that *MySimon.com* always cares about customers' needs and is ready with something in advance to meet those demands.

The strength of the *MySimon.com* model is that by catering to social activities, *MySimon.com is able to build up its* reputation as a customer-oriented search agent. It makes their customers feel that *MySimon.com* is committed to providing a satisfactory service to them.

These extra services do help to attract more customers during Oscar Awards period or Grammy Awards period. However, these efforts will do harm to *MySimon.com*'s professional fame to be an online search agent.

III. RoboShopper.com

RoboShopper.com is analogous to *Dealtime.com* with a slight difference. In addition to regular searching functions, *RoboShopper.com* enables customers to select listed merchandise and start searching within a particular brand name. Customers get more options during purchasing process and they will feel more flexible and ease.

RoboShopper.com also offers other services that will influence purchase decisions including shipping costs/options, sales tax, in-store promotions, and the availability of special services such as gift-wrapping.

Unfortunately, similar to *Dealtime.com*, *RoboShopper.com*'s services also stretch the purchasing process and hence can be very time-consuming. Time-sensitive customers would not like to spend too much time in this kind of purchasing.

IV. Shopfind.com

Shopfind.com is not a search agent by strict definition since it only offers general searching results without any value-added operations. A good search agent should help customers avoid aimless wandering online and find exactly what they want. From this point of view, *Shopfind.com* lacks the sophisticated functions of locating and classifying. However, *Shopfind.com* surpasses others in its capacity and the wide variety provided by its *Yahoo.com* background. This is a valuable advantage among cyber space competitors. Whenever customers feel they need relatively unpopular merchandise, they will switch to *Shopfind.com*.

In conclusion, these online search agents not only compare prices, but also show product availability, shipping specifications, and other useful information. They often provide free services to customers. Their profits come from advertisements. For instance, *MySimon.com* offers a few spaces on its home pages for advertisers, and it provides them with several ways to deliver their messages to customers. With the development of digital technology, these kinds of search agents will provide more and more useful information to help customers get what they want.

3. Bargaining Model

A Bargaining Model enables online dealers to bargain with customers and to negotiate prices. Given this characteristic, there is only one company in this category to date: *Hagglezone.com*.

Hagglezone.com, the sole representative bargaining model web site, uses the slogan "Where everything's negotiable!" Customers can negotiate with so-called hagglers who actually are salespersons for *Hagglezone.com*. Hagglers (usually six of them) appear on screen when customers begin the buying process. "Hagglezone's six personalities are all distinct types, with a range of facial expressions and comments and haggling styles. It's not just about a shopping experience, it's also about entertainment" (see www.*Hagglezone.com*).

Customers can choose one of the hagglers with whom to start bargaining. At the beginning, there will be a list price and customers are encouraged to offer their prices. Then, hagglers will make counter offers. This process continues back and forth several times. In the end, the hagglers will surrender at a certain price and customers are able to get a good deal. Quite often, hagglers will accept customers' prices offered, unless these prices are much lower than suggested list prices.

This is similar to a price discrimination strategy, which is a practice of charging different prices to consumers for the same good. By bargaining with customers, hagglers charge each customer the maximum price he or she would be willing to pay for each unit of the good purchased.

Bargaining models of this type have several advantages and disadvantages:

Advantages:

Innovation Having had many online shopping experiences with auctions and search agents (e.g., *Dealtime.com*, *MySimon.com,* and so on), consumers may find it refreshing to bargain with hagglers. Not only will this pricing strategy give them a good deal, but also they can enjoy the bargaining process itself.

Real-time interaction Further, the Hagglers, with their different personalities, make customers feel the experience is real when shopping online. This will likely impress them given the fact that the whole world is becoming more and more digital, and nowadays face-to-face communication among people is decreasing. *Hagglezone.com* grasps peoples' desire to engage once more in this old fashioned way of shopping and profits from it.

Disadvantages:

Revealing the bottom line Price discrimination strategy, by its nature, needs salespersons to know precisely the maximum price each consumer is willing and able to pay. Once online, the hagglers in *Hagglezone.com*, unlike their real-life sales counterparts, can't get subtle information from facial expressions, clothes, and speech styles to judge customers' social positions and reap maximum profit on sales. What's more, smart customers can detect the lowest price by bargaining for the same product several times by changing their user names. They control of the bargaining process on the Internet. For example, if one is interested in a specific computer, he or she can log in *Hagglezone.com* under several user names. Then he or she can bid different prices for the same computer using these different names. He or she get will then pay the lowest price the hagglers will accept. In this situation, the hagglers have no chance when dealing with such smart consumers.

Repetition of routine At the beginning, customers would no doubt feel it is amusing to bargain with hagglers and make deals. However, due to the design of this model, people will soon become bored since the same hagglers are always exhibiting the same characteristics, the same virtual dress, and even making the same greetings.

Limitation of imitation Although *Hagglezone.com* imitates real bargaining, in the end it can only copy the format, not the intrinsic spirit of bargaining in real life, which is far more flexible and uncertain, and thus, to some shoppers, more enjoyable.

Despite the above disadvantages of the price discrimination strategy employed by *Hagglezone.com*, the bargaining strategy still appears in many similar online shopping agents.

The main difference between *Priceline.com* and *Hagglezone.com* is that the latter offers a unique opportunity to bargain. With *Priceline.com* if you get an airline ticket (or groceries, or hotel rooms) for the price you offered, you have already committed yourself with your credit card to buying it.

Compared to *Priceline.com* or *Dealtime.com*, *Hagglezone.com* offers real-time bargaining instantly. Some orders on *Priceline.com,* such as the booking of air tickets, require a couple of days for confirmation with matched suppliers, while in *Hagglezone.com*, customers know their purchasing status within a few seconds.

4. Membership Model

A membership model is a club-style online shopping mall that offers lower prices and customer services only to their registered members; non-registered customers can buy items at higher prices. However, online browsers can neither buy nor enjoy customer service. Below we describe two of the most popular models of this type: *netmarket.com* and *NYTimes.com*.

I. Netmarket.com

Netmarket.com, like the Sam club, (a membership-only shopping mall division of Wal-Mart,) provides the membership concept to serve online shoppers. Simply speaking, Netmarket.com is a one-stop shopping site, in which members and non-members can browse in 8 diverse superstores to find more than 800,000 brand name products at large discounts. Members enjoy extra benefits including free extended warranties, cash back on quality purchases, and a low price guarantee. Online shoppers can register as members, as registered guests, or as non-registered customers. Registered members submit annual fees to maintain membership and enjoy all the benefits of *Netmarket.com*, such as low price guarantees, two-year warranties and "call for price" exclusive pricing. In contrast, registered guests can only buy products or services at guest prices, which are higher than club prices. As for non-registered customers, they can only browse through *Netmarket.com*, but are not allowed to place an order. The difference in benefits is outlined in Table 3 given below:

Table 3

Status	Price	Info
Registered members	Discount (lower) price, Warranty, cash back, etc.	Available
Registered guests	Guest (higher) price	Available
Non-registered customers	Purchasing not permitted	Available

There are several advantages of this type of membership model.

High customer retention By having a membership policy, *Netmarket.com* can maintain higher customer retention, because consumers register as members; that is, they go through the whole registration process, which may cost them time and effort. They also have to pay an annual fee. Although they can quit at any time and receive a refund of the unused portion of that year's membership fee, people usually remain with the club to avoid the extra effort of switching to other online shopping sites.

High customer satisfaction Customers who have registered as members take advantage of lower prices, latest information, and warranties. All of these will enable them to have a better shopping experience on *Netmarket.com*. Actually *Netmarket.com* posts prices that are comparatively cheaper than those posted on other sites. *Netmarket.com* offers over 800,000 products—virtually all at savings of 10%-50% off the MSRP (Manufacturer Suggested Retailing Price). *Netmarket.com* is so confident about its lower price that it offers a "matching policy" and provides an extra 35% off the original price as a bonus. This means that once a customer finds an identical item that is cheaper than the one he or she bought in *Netmarket.com* elsewhere, *Netmarket.com* will pay back the difference and give 35% of the original price as an added bonus. It is difficult for customers to find identical products or services, so in fact, the matching policy works mostly as a promotion.

After-sale investigation When registering, members will fill in a form to submit their general individual information including their gender, habits, preferred brand names and so on. To marketers, this is the valuable information they need to find their target markets. In addition, checking members' files will enable marketers to track particular members' shopping patterns. These after sale investigations are highly valuable for finding out what customers want and enabling *Netmarket.com* to serve them better.

Despite these benefits of membership club shopping centres, there are also a number of disadvantages, which keep consumers away.

Less choice Club members have to shop on the same web site for a relatively long period. This also means they will lose the opportunity to find cheaper items and easier-to-use websites other than *Netmarket.com*; people may think they will lose the pleasure of browsing other useful web sites. This possibility is pretty high because nobody knows what will come to us tomorrow via the Internet.

Membership fee Another disadvantage is the annual membership fee: $69.79 for *Netmarket.com*. Maybe *Netmarket.com* has the confidence that customers' benefits will be sure to exceed the annual fee, but some consumers may think otherwise. There are many other online shopping sites that offer the same services as *Netmarket.com* for free. *Netmarket.com's* problem will be how to convince consumers that it is worthwhile for them to register as members and to take advantage of *Netmarket.com.*

II. NYTimes.com (New York Times)

NYTimes.com, analogous to *Netmarket.com*, gets its revenue from the investigation of detailed consumer behaviors when people view its web sites. However, *NYTimes.com* is entirely different from *NetMarket.com* because the former is a kind of media while the latter is an online shopping mall.

NYTimes.com provides online browsers free membership and offers numerous value-added services such as:

Special offers This is an announcement from customers that empowers *NYTimes.com* to send mail with special offers from companies that advertise with *NYTimes.com* on the web.

My points program This is a program that rewards customers for being on the Internet (see www.mypoints.com). This reward program will attract potential customers and encourage loyal customers to stay. As a matter of fact, it works in the same way as Air Miles rewards.

Yes-mail program Yes Mail and The New York Times on the Web have joined to bring information on subjects customers choose. By simply selecting the categories that interest them, customers will be sent special offers and promotions in just those areas from high-quality merchants by e-mail, free of charge. They can cancel Yes-mail delivery at any time.

Simply put, all these programs are designed to track customers shopping patterns for the purpose of finding out the target market. By selling this information to merchants and selling advertisements, *NYTimes.com* can serve customers for free. The driving force behind all these programs is advertisement.

5. Bartering Model

The bartering model, as its name implies, is a kind of exchange method to facilitate business without the appearance of money. Simply put, bartering is to buy merchandise from others and pay out another kind of merchandise of one's own in exchange. The key feature is that no money is involved in transactions. For example, one can get one computer from another person with the sacrifice of 10 printers. Both sides of the transaction don't need to spend cash. Bartering is an old fashioned pricing strategy, but it seems to have found its place in the cyber market.

There are many types of online web sites that use the barter model, such as *BigVine.com*, *Ubarter.com*, *Bartertrust.com*, *TradeRewards.com,* and so on. The idea with barter sites is to allow firms sell excess goods and services while conserving cash. Bartering can take place in business-to-business (B2B) as well as business-to-consumer (B2C) transactions. Table 4 below captures the general idea about barter groups and their types.

Table 4

Example	Currency substitute	Barter type
BigVine.com	Trade dollars (T$)	B2B
Ubarter.com	Ubarter dollars	B2B
Bartertrust.com	Bartertrust dollars (BT$)	B2B
TradeRewards.com	TradeRewards$$	B2B, C2C

Among all bartering sites, *BigVine.com* is regarded as the leader in this particular field. We will use it as an example to describe the barter service in depth.

I. BigVine.com

To participate in the barter market through *BigVine.com*, a company must register free of charge with *BigVine.com* to become a member. As part of the registration process, a member (say member A) is required to submit some basic business information necessary to conduct transactions on the exchange. The next step is to list goods or services for sale. Then, the member can choose whether to buy or sell in *BigVine.com*. When another member (say member B) agrees to the price or makes an offer that member A accepts, member A will make a sale. It is up to the member A to contact the buyer (i.e., member B) to arrange shipping of the goods. The buying process is similar. First, the member should choose from a vast array of goods and services to find exactly what he or she wants. Or if he or she has only a rough idea, he or she can browse the categories first. When the member has made a decision, he or she just clicks to buy it or posts an offer. Both parties will be charged a fee and the seller will contact the buyer to discuss the terms of delivery.

The key point here is that all merchandise listed in BigVine.com is in "trade dollars," which is the currency used in BigVine.com and its value equals one $1 (one trade dollar equals one U.S dollar). In other barter service web sites, the name of the currencies varies depending on each individual barter server. For instance, currency in Ubarter.com is "Ubarter dollar." Prices can be fixed or negotiable.

The profits from BigVine.com come from the fees charged on successful transactions. Generally both buyers and sellers share the fee. Table 5 below shows the current transaction fees charged in *BigVine.com*:

Table 5

Current Transaction Fees:

Selling Price	Buyer's Fee	Seller's Fee
T$ 1 to 5,000	4%*	4%*
T$ 5,001 and up	3%	3%

(Source: www.BigVine.com)

The rationale of bartering is straightforward. It is almost as old as commerce itself, yet it seems that it is deeply rooted in the new E-commerce economy. Barterers online, however, simply list items on the sites and assign cash equivalents, "Trade Dollars" or "Ubarter Dollars," to each item, while in real bartering, business people have to find someone willing to trade and then bargain on the volume and price. Undoubtedly, bartering online facilitates and accelerates the transaction volume and quality. Therefore, bartering seems to hold a lot of promise in online trading.

II. TradeRewards.com

Generally speaking, *TradeRewards.com* uses the same strategy of online bartering as *BigVine.com*. The main difference between *TradeRewards.com* and other barter websites is that *TradeRewards.com* includes individual bartering in its profile. As we know, individual (C2C, B2C) online bartering is far less attractive than company online bartering (B2B) because of capacity and scale issues. To include individual bartering is a selling point of *TradeRewards.com*. It works as a promotion to let people know *TradeRewards.com*'s brand name and thus draw shoppers' attention to barter in *TradeRewards.com*.

In summary, Bartering Models offer several advantages:

Decreased cash storage expenditures Since online bartering doesn't involve cash during the transaction process and cash appears only if participants have a deficit in their accounts, firms don't need to have cash available. All they have to do is to credit their accounts in these bartering web sites. This is highly attractive, since cash outflows can seriously affect companies' operations. Release of cash flow pressure makes firms more flexible.

Increased sales, market share, and transaction quality Online bartering embodies the high speed of modern business. Through the Internet, firms can take advantage of abundant information and fast exchanges. In addition, online bartering provides concise and accurate information that is traceable and reliable. Consequently, online shoppers can benefit from this and speed up their buying decisions. In summary, online bartering can increase sales, market share, and transaction quality.

Open marketplace for products and services Compared to traditional bartering, a door to global business is opened. On the Internet, the marketplace is open anytime and anywhere. Manufacturers can list their merchandise instantly in this marketplace. This aggregated information extends the variety and availability of goods.

Dedicated marketing and technical support Firms are able to make detailed marketing efforts to advertise and promote their products to the target market. Because every participant has registered during the login process, his or her bartering patterns can be tracked and collected for investigation. Armed with this useful data, bartering web sites will be able to focus on their target market. Further, sophisticated technical support enables firms to do business faster and better.

Decreased surplus inventory from under-utilized capacity The online barter market results partly from surplus supplies and idle capacity, which often leads to lower costs of products (because suppliers want to cover fixed costs, they will provide products at lower prices) and contributes more profit than regular products and services do. Consequently, firms can get more cash inflows, which are of critical importance to them.

In spite of several unique advantages, Bartering Models do have a few limitations also:

Difficulty of finding targets among varieties of merchandise To take advantages of the Internet, online barter servers often list a host of categories to their web sites. Participants, however, find it difficult to pick out specified items they want to sell and buy.

Hard to match Given the items listed by sellers and buyers, in which the volume, quality, and prices (listed in "trade dollar" or "Ubarter dollar" or the like) are highly specified, it is hard to exactly match the items sellers want to sell and buyers want to buy.

6. Volume-buying model

A volume-buying model aggregates demands for the same purchases of a single product in real time in order to offer lower prices to buyers. Sellers pay a small percentage of each sale on a per transaction basis. *Wal-Mart* is a good example of volume buying in the traditional market. *Wal–Mart* procures huge quantities of products at low prices from different suppliers and then sells them to customers at competitively lower prices. Obviously, Wal-Mart performs competitively and consumers are able to save money. In addition, club packs sold in supermarkets also show the same advantage: the more you buy, the cheaper the price will be. This concept can be described in Figure 8 shown below. In a traditional retail store, consumers gain nothing from others' purchases in terms of individual buying power. With the volume-buying model, the more people join in the buying pool, the greater buying power they will have. As a result, each participant will enjoy lower prices as a group in a large-volume buying.

Figure 8

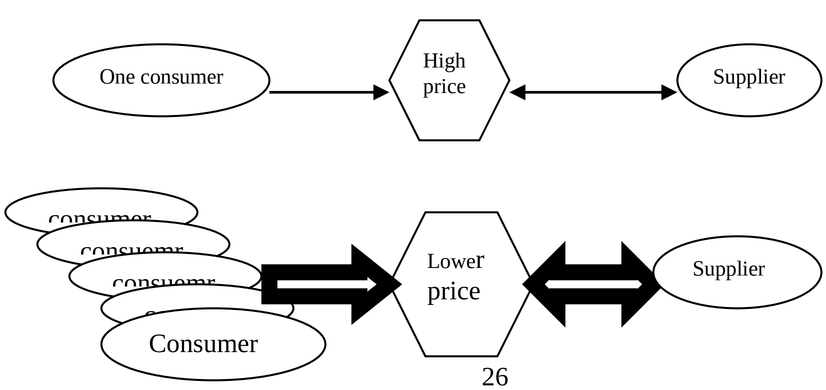


Table 9 below gives a brief summary of related sites that follow the principles of volume-buying model:

Table 6

Example	Charges	Product	Required quantity	Type
Accompany.com	Charges on sellers	Computer hardware & software, Auto, electronics, movies	Limited	B2B&B2C
Mercata.com	N/A	Electronics, tools, luggage, Appliance	Unlimited	B2C
Nextag.com	Free for consumers	Computers, software Electronics, books	Unlimited	B2C
Shop2gether.com	Service charge on consumers	Vehicle, electronics Business gifts, furniture	Limited	B2B& B2C
Pointspeed.com	N/A	Business product	Unlimited	B2B

In the following section, we describe two popular sites - *accompany.com* and *mercata.com* - that uses the volume-buying model.

Accompany.com

Accompany.com was launched in 1998. This site serves as the middleman between suppliers and consumers. It pools Internet shoppers' demand for certain products and services in real time. At the same time, it negotiates lower prices with interested suppliers or manufacturers. Thus, the more shoppers who join the pool, the more discounts they will get. Individual Internet shoppers are happy to buy items at lower prices as a group.

For instance, a recent sale at Palm Computing offers the Palm V hard case at the starting price of $39.95. The site points out that 41-60 committed buyers have ordered this product. If more interested shoppers enter the buying cycle, the price will be driven down to $20.95, which seems like a good deal for consumers. However, Accompany.com offers less diverse categories of products. But with its strong growth, this company is gradually expanding its range of goods categories. In addition, it has also started to focus on the home office and the small-office market.

In the *Accompany.com* volume-buying model, each tier is limited to a certain number of people. If the item cannot attract more buyers, the committed buyers will have to stay at the current level with relatively higher price offers. As a result, they cannot reach another lower price level and must buy the item at the current higher price.

In this business model, we find that decreasing price percentages and volume tiers designed in a sophisticated manner. As a matter of fact, *Accompany.com* negotiates with suppliers or manufacturers to set up appropriate schedules of volume discounts. Additionally, pricing of different items depends on their underlying value and popularity in the current market. For instance, an NEC 15-inch flat-screen monitor drops to 9% of the MSRP (starting price); however, the first order price of a Citizen color LCD TV/monitor is 40% lower than its MSRP (From *Accompany.com* homepage).

Mercata.com

Mercata.com is another "online middleman" using the volume-buying concept with a variation. *Mercata.com* has a broader range of products than *Accompany.com* has, but, *Mercata.com* doesn't provide the MRSP to Internet shoppers. It only shows the current price of the product on a rolling board indicating the dropping price. In contrast, *Accompany.com* not only puts on the MRSP, it also graphs the pool with each price. In practice, this allows Internet shoppers to understand the process easily. Regarding other related information about merchandise provided, *Mercata.com* helps consumers know the products well by building a "buyers' guide center," which provides various types of products and their detailed key features.

Other examples

1. *Nextag.com* is a preliminary model. It helps an individual negotiate with multiple sellers, which are well-known retail stores or online sellers, such as *Egghead.com* and *Buy.com*. In fact, these sellers prefer to give larger discounts for large quantity orders than for individual orders.

2. *Shop2gether.com* is another featured site that enables members to join large-volume buying groups. Meanwhile, suppliers will bid for business depending on how large a group is. Thus, *shop2gether.com* runs in this manner to attract as many shoppers as possible to acquire bargains. In addition, this site focuses on educational institutions and small and mid-size businesses. Thus its categories are in related fields, such as office and educational equipment, and promotional items.

3. *Pointspeed.com*'s core business is also to offer volume discounts to mid-size and small businesses. It aggregates individual business demand to negotiate a large discount with its suppliers. Individual business gains by leverage. In exchange, suppliers lower their acquisition costs.

Theoretically speaking, the volume-buying model gives more benefits to consumers by offering lower prices. However, pricing is the source of revenue for sellers and the cost of the benefits for buyers. So, in practice, how much discount buyers can gain depends on suppliers' considerations. Suppliers may not go further into deep discounts if the bottom line appears negative, although suppliers' profits can be compensated by sales in large quantities. Compared to other dynamic online business models, this model clearly attracts more consumers. However, unlike other business models, consumers have little influence on the price setting process in this model.

For volume-buying models, individual demand is aggregated into one strong buying power by the e-merchants. Jim Rose, one of the founders of *Accompany.com*, claimed that, "*Accompany.com* is not a retailer. We are a network. We are the glue that holds the transaction together" (see www.mobshop.com/press release*).* This type of "hybrid merchant" facilitates sales by setting up a virtual community, bringing buyers and sellers together, but it doesn't sell anything. Profits come from a percentage of transactions.

There is no doubt that this innovative model will prevail because price is one of the most important criteria in consumer decision-making. Buying decisions of online consumes are driven by price, as are those of real world consumers. Furthermore, the concept of “bringing back buying power to people” is an attractive one. Consumers enjoy great value by buying items on the Internet because corporations purchase these items in large volume from suppliers at lower prices. In addition, on account of the model having been translated from the traditional market successfully, suppliers can also facilitate stocks efficiently. As a result, they will save more in operating expenses in inventory and through consumers’ lower acquisition costs. Most importantly, suppliers’ revenue increases as well, since suppliers have recognized a potential “group”, which might have been ignored in the traditional market.

Fortunately for consumers, online business models have been evolving gradually, and the volume-buying model surpasses other net-based models. The cyber market is full of individual buyers. How to gather all buyers alike to share costs is important to Internet-based businesses, and volume buying does just that. Furthermore, it brings more buying power to customers. As we have seen, it depends on aggregated purchasing power, which allows Internet shoppers to bid on the same product as one big buyer to suppliers. This model emphasizes cooperation rather than competition for consumers to obtain lower prices.

7. Discount pricing model

A site uses a discount-pricing model when it provides items with lower prices by offering discounts. According to the Cyber Dialogue survey, 79% of online surfers agree that online shopping sites are more attractive if they offer lower prices (Silicon Valley Journal, *http://tech.ccchome.com* 03/01/00). Survey results also indicate that lower price is one of the key factors influencing online shoppers.

The discount pricing model has several advantages. First, it shortens the selling process. A complex selling process clearly discourages sellers. Sellers will be more likely to choose a simple and convenient process to sell their goods. As a result, the more sellers that accept this selling process, the greater the variety of items that can be offered to buyers. So here, we want to demonstrate that in a cyber market, the more sellers who sign up to sell, the more buyers will be attracted to that site. Consumers will shop where they can find a wide selection of quality goods at good prices. In terms of price, the more items that are provided on the supply side, the more prices will go down. In contrast to online auctions, consumers have to compete with other surfers for popular items. The end-price usually appreciates due to intensified bidding. However, the compelling feature of the discount model (such as *Half.com*) is that all the items are listed at a discount of 50% at least. Consumers are certainly willing to visit a shop offering goods with deep discounts and good conditions. Table 10 outlines the differences between four typical discount-pricing models.

Table 7

Example	Type	Categories of items	Price	Displaying items
Amazon.com	B2C	Books, electronics, toys, music…	Various discounts	Auction, catalog
Overstock.com	B2C	Electronics, jewellery, luggages	Average 50% off	Catalog
Half.com	C2C	Music, books, movies and CDs	At least 50% off	Catalog
Ebay.com	C2C	Various items of goods	Bidding price	Auction style

1. Amazon.com

In July of 1995, *Amazon.com* launched its creative business as a cyber discount bookstore. It offers up to 40% off on millions of books. Now it has grown into a competitive e-retailer through the cyber market. In terms of discount sales, *Amazon.com* consistently provides low prices on an entire catalog of books, CDs, videos, DVDs, toys, and electronics.

2. Overstock.com

Overstock.com operates in a different way from *Amazon.com*. It buys products at liquidated prices through its suppliers' networks. From this perspective, *Overstock.com* can be considered as a business-to-consumer model. Similarly, *Overstock.com* is known for its large discounts. It announces, "Hot deals at close-out prices." What surprises online surfers is that the average discount is often over 50%.

3. Half.com

Half.com was founded in July 1999. It is a kind of person-to-person marketplace, where Internet visitors can connect with each other by *Half.com* when they want to buy and sell used and remainder items. Does it operate like online auction sites? It is true that *Half.com* provides a platform for selling old items. However, *Half.com* runs differently from those bidding sites. As its slogan says, "No bidding, and no auction" (see *http://www.half.com/help/tour/intro.cfm*). The homepage also features the slogan "Everything is at least 50% off." *Half.com* provides a marketplace for sellers of used items by using the online catalog format, in which available inventory is listed.

How online volume buying is different from online auctions

In comparison with online auctions, sellers on these sites spend less time and go through a more simple process to put their items on the virtual market. For example, to sell goods on *Half.com*, a seller only needs to input the ISBN or UPC code number of the product he or she wants to sell. By contrast, *EBay.com* operates by allowing consumers to sell items in an auction process; sellers have to go through the whole process. They have to set up a selling account first, then gather related information, fill in the selling form, and jot down the related bidding information.

Needless to say, lower price is still one of the most effective strategies to draw consumers' attention. For example, if one is looking for the paperback book of "Eaters of the dead," *Half.com* might surprise you by its low listed price, which is only $5.00 for the 1993 edition. On the famous book-selling sites such as *Bn.com* and *Amazon.com*, it is sold at $8.00 in the same format.

Consider what role this discount model plays. It acts as a middleman, similar to online auctions. For example, *Half.com* provides a virtual market place for sellers and buyers, and it will handle financial transactions between sellers and buyers. If buyers purchase an item on the *Half.com* site, *Half.com* will charge the buyers' credit card and send email to sellers with instructions to send items to buyers. After the above process, once the buyers receive the item, *Half.com* will send sellers a check minus a 15% commission.

From the above analysis, we can see how the Internet affects pricing strategies of different business models. In order to survive and withstand the changing business environment, online business models try hard to implement innovative pricing strategies to raise potential customers' awareness. As a result of this, consumers may be better off and online business may increase profits. But what is the future of online pricing strategy? Based on our forgoing study of the online business models, and the feedback of industry experts, we project the following trends in online business practices:

Future trends

(1) Future business models will strive to improve customer satisfaction

An important reason for shopping online is that consumers can save money. Generally speaking, such savings may come from reduced shipping costs, reduced taxes, and discounts provided by suppliers. Therefore, it is not surprising that the prices of some items are lower than the same items in traditional stores. Consider the above-mentioned fact: lower price is still an important factor in changing consumers' decisions. However, consumers' decisions online are influenced partly by other factors, such as exceptional service and availability of products. A mixture of various factors will overwhelmingly influence consumers' experience. A satisfactory purchase experience usually leads consumers to accept prices easily.

Consider *Amazon.com* as an example. Each page of its online store offers a search button for consumers. During a purchase process, consumers find it convenient to complete a purchase since the search button allows customers to search for all the items that they want. Thus, there is no doubt that consumers are likely to continue their shopping experience next time because amazon.com pays attention to what consumers need and provides convenient service to comfort their shopping process. Consequently, *Amazon.com* will enhance added value of retentive customers by providing a more individually tailored shopping experience.

Another example is online shopping malls. They provide an attractive option for shoppers who look for variety and ease of price comparisons. Online shoppers can consolidate purchases and make payments within one transaction. As a matter of fact, they prefer to spend a little more in only one online store rather than to visit various online stores paying separately even at cheaper prices.

(2) Creating community will be the key to business success

Online surfers can be considered as mobile individuals on the Internet. Some of them are consumers while others are not. Potential consumers may not become actual consumers because of worries about online security, product quality, or lack of information. How can online business develop such potential customers? Some success stories have proved that building a community is good for creating lasting consumer relationships. For example, *Barnesandnoble.com* and *1-800-flowers.com* create cohesive consumer relationships by offering a community that reflects the specialized content of their products and services. As a result, many online shoppers can be well informed in this specific community. In turn, such a community can promote online sales as well. Therefore, the most important challenges for online business is how to create a community and transform communities of users into communities of values. Another example comes from the online auction model. As Armstrong and Hagel (1996) argue, there are four types of online communities: transaction, interest, fantasy, and relationship. Online auctions meet three of them, providing communities of transaction (buying or selling), interest (a variety of collectors share interests with others), and relationship (such as the café at the Bn.com website).

(3) Discount models may not work

In terms of deep discounts, this policy might not be a good strategy for all the items sold online. It is true that price-sensitive consumers are easily attracted to the sites offering lower prices. However, we must remember that there is also a group of service-sensitive online shoppers; cutting prices may not completely quicken their purchasing decisions. Additionally, in fact, the price cutting power of some online discount business largely comes from discount prices provided by suppliers. How can suppliers bear such a low price -- by ignoring their bottom line? Furthermore, they cannot offer low prices for a long period of time. Typically, most of the items provided by suppliers are excess inventories. Suppliers are forced to sell off excess inventories to reduce storage costs from the financial and strategic perspectives. As a result, they can provide discounted items to online business. However, excess inventories have limited varieties. This is another factor that should also be taken into consideration: a narrow variety of items truly is a hurdle when it comes to attracting potential consumers. Variety often rules when it comes to shopping. The more varieties dealers offer, the more enjoyable and worthwhile the shopping experience consumers will have. So it is not wise to keep a long-term, deep-discount policy in online business.

(4) Innovative selling techniques will create a unique identity for online companies

In the future, online businesses have to realize that they should differentiate themselves in a market of copycats. The trend of online business shows us that every business is merging to a similar form. Most of the recent online businesses simply present products and services over the Internet with similar pricing and service policies. Shoppers want to find a site that offers a unique way of selling. Therefore, online businesses must develop innovative techniques to interact with customers. *Priceline.com* is a good example. It has a differentiated system, which allows buyers to propose prices for airline tickets. According to its home page, more than 2 million people have used its unique system (*www.priceline.com).* Therefore, a difference in selling techniques becomes the key to Internet-based business success.

On the other hand, managers also should realize that it is important to meet consumers' needs better than their competitors do. In a world of exponential choice, consumers are no longer passive recipients. They are evolving with the changes in the business environment. Their preference and choice have become more diversified as well. Many online businesses get into trouble when they ignore what their existing and potential customers need and how their customers benefit from online business. Therefore, managers should keep in mind that online business models have to differentiate and focus efforts on targeting online shoppers by pricing. A simple and compelling pricing strategy will acquire consumers, because they can quickly understand the value they will get, thus accept the concept and would love to stay with it.

Conclusion

We have introduced seven popular business models in the cyber market each with its own unique characteristics. Each business model employs a different pricing strategy to attract online shoppers. Although we have outlined seven models in terms of their characteristics, we cannot easily distinguish one from another. In fact, many firms may combine different models as part of their pricing strategies. They can implement their strategies in a variety of ways to try to differentiate themselves from other competitors. In general, online business models can be classified under three broad categories:

1. Membership Models

Although we have included a membership model and introduced its main characteristics, the membership concept can be found in many other models. For instance, *Half.com* is known for its discount feature, but online shoppers still need to register as members first before going further to enjoy the benefits of deep discounts. Another example, *BigVine.com,* falls into the bartering category. However, to begin bartering in *BigVine.com*, participating merchants should apply for a membership. As we can see, all these examples follow a similar rationale: register as a member, form a pool, and share resources just like a community does.

2. Search Agent Models

The Search Agent refers to the specific model which functions as a middleman between customers and suppliers. To a broad extent, things become interesting. On the home pages of every online shopping mall, there is always a "search" button. Using this button, customers will be able to find what they want within a particular category. The rationale between the "search" button and the Search Agent is almost identical: shoppers decide what they need, use the search engine, and get the result.

3. Discount Models

The critical advantage of shopping online is to buy high quality merchandise at a low price. Therefore a low price plays an important role in the shoppers' decision-making. The

Discount Model surpasses others because of its deep discount strategy. Nevertheless, online auctions and bargaining are operated in a similar way to the lower-prices policy (Bandyopadhyay, Lin and Zhong 2001, Bandyopadhyay and Westall 2000). For this reason, we may conclude that the "low price" quality is embodied everywhere in the cyber market.

Now we may reach the conclusion that in the new era of cyber-marketing, a business model may combine various pricing strategies to better cater to online shoppers. One model may mix a search agent model and a membership model together to differentiate itself from competitors. Similarly, another will integrate an auction model with a discount model to promote its attractive low prices. Hence, it becomes difficult to create the distinct categories of online business models. Though no one can predict the new models will come into use on the Internet in the future, one thing is clear: new models will be more convenient and more reliable for shoppers, because convenience and reliability are the elements that make the Internet colorful and diverse.

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