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(12) **United States Patent**
Gorelik et al.

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(54) **METHOD AND APPARATUS FOR
AUTOMATIC PRICING IN ELECTRONIC
COMMERCE**

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(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 1340 days.

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(21) Appl. No.: **09/568,001**

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(51) **Int. Cl.**
G06F 17/00 (2006.01)

ABSTRACT

(52) **U.S. Cl.** **705/400; 705/1.1; 705/7.29; 705/7.35; 705/26.1; 705/26.61**

An automatic pricing method and apparatus for use in electronic commerce environments is described. Automatic pricing uses live price testing to estimate and measure demand for specific products—taking into account where appropriate, a vendor selected segmentation scheme. The results of live price testing are compared using a vendor selected goal function, e.g. profit maximization, to select a new price. A goal function that balances short term gains versus long term gains based on customer lifetime value is described. The live price testing approach used is designed to minimize losses due to price testing through statistical methods. Additionally, methods for distributing price testing across time so as to avoid problems caused by too many ongoing tests as well as side effects from testing are described. The selected price is a win for both purchasers and vendors as the automatic price will approximate the efficiency of a reverse auction without the inconvenience of the auction format while being goal maximizing for the vendor. For example, a vendor that normally sets prices of items for sale to customers can use embodiments of the invention to great effect.

(58) **Field of Classification Search** **705/400, 705/1.1, 7.29, 7.35, 26.1, 26.61**
See application file for complete search history.

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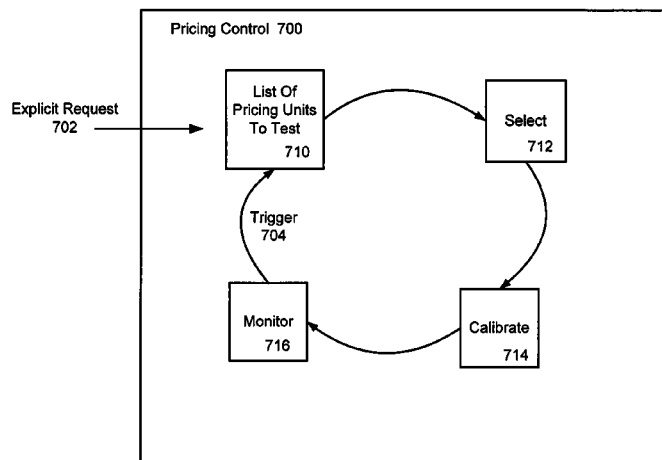
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62 Claims, 7 Drawing Sheets



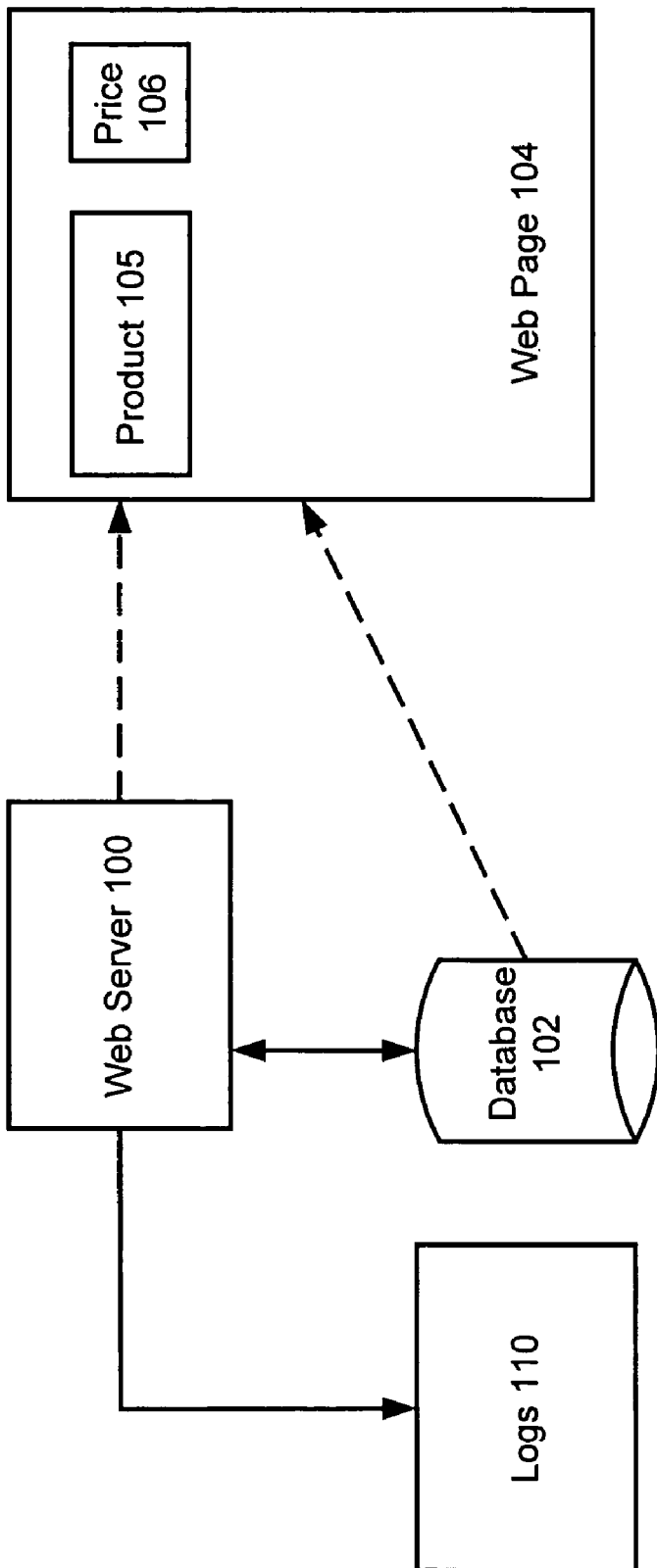


FIG. 1
(Prior Art)

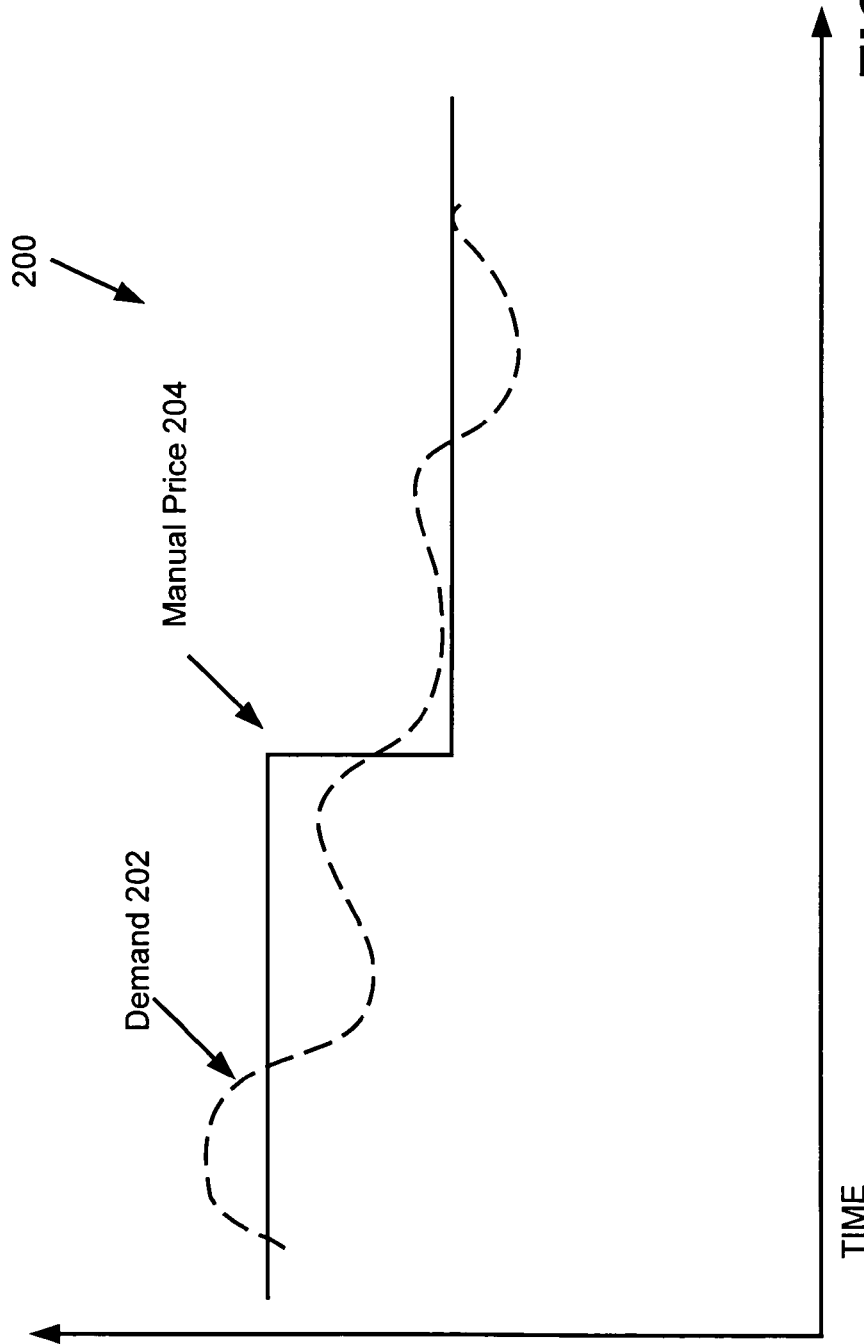


FIG. 2
(Prior Art)

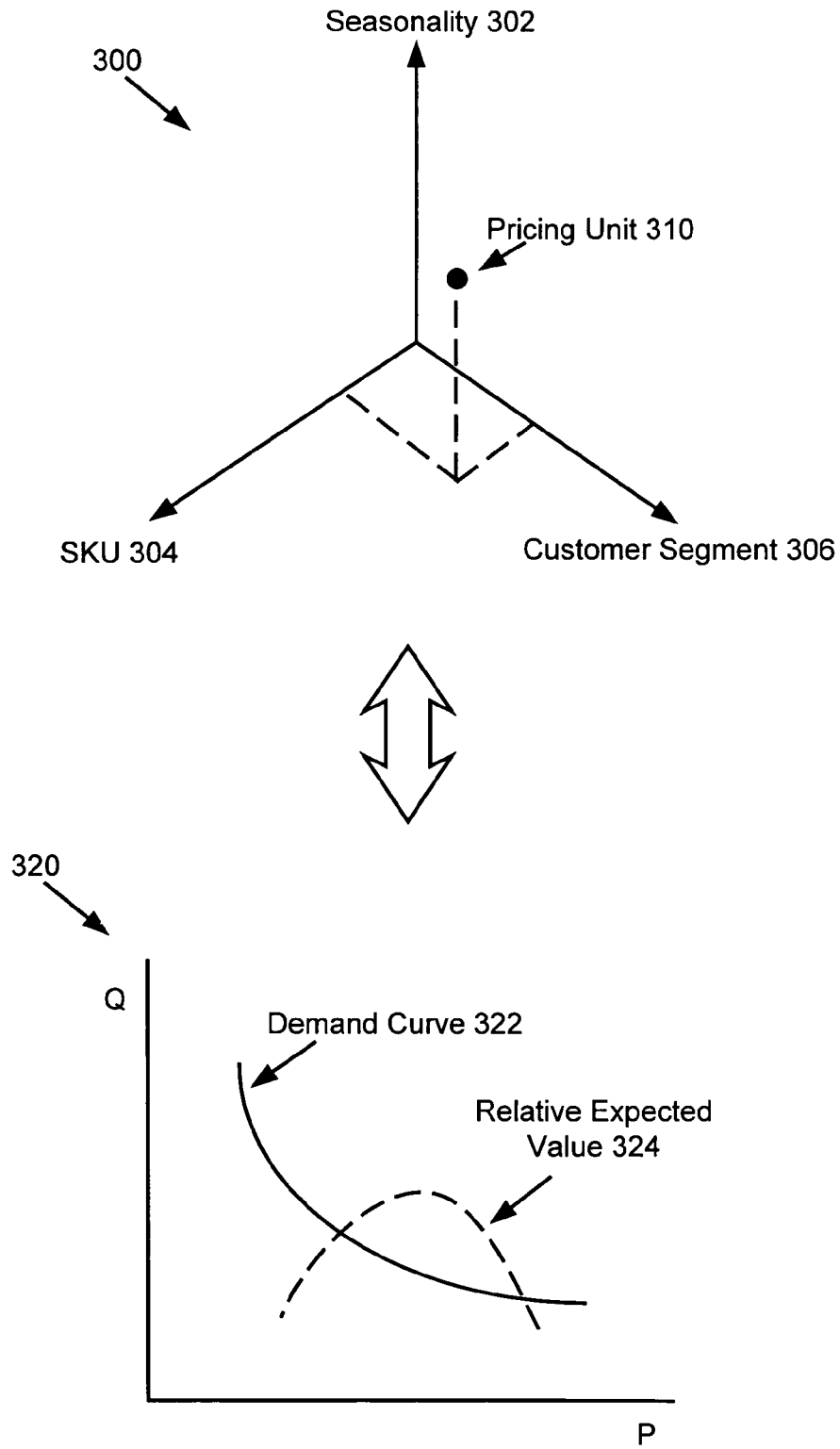


FIG. 3

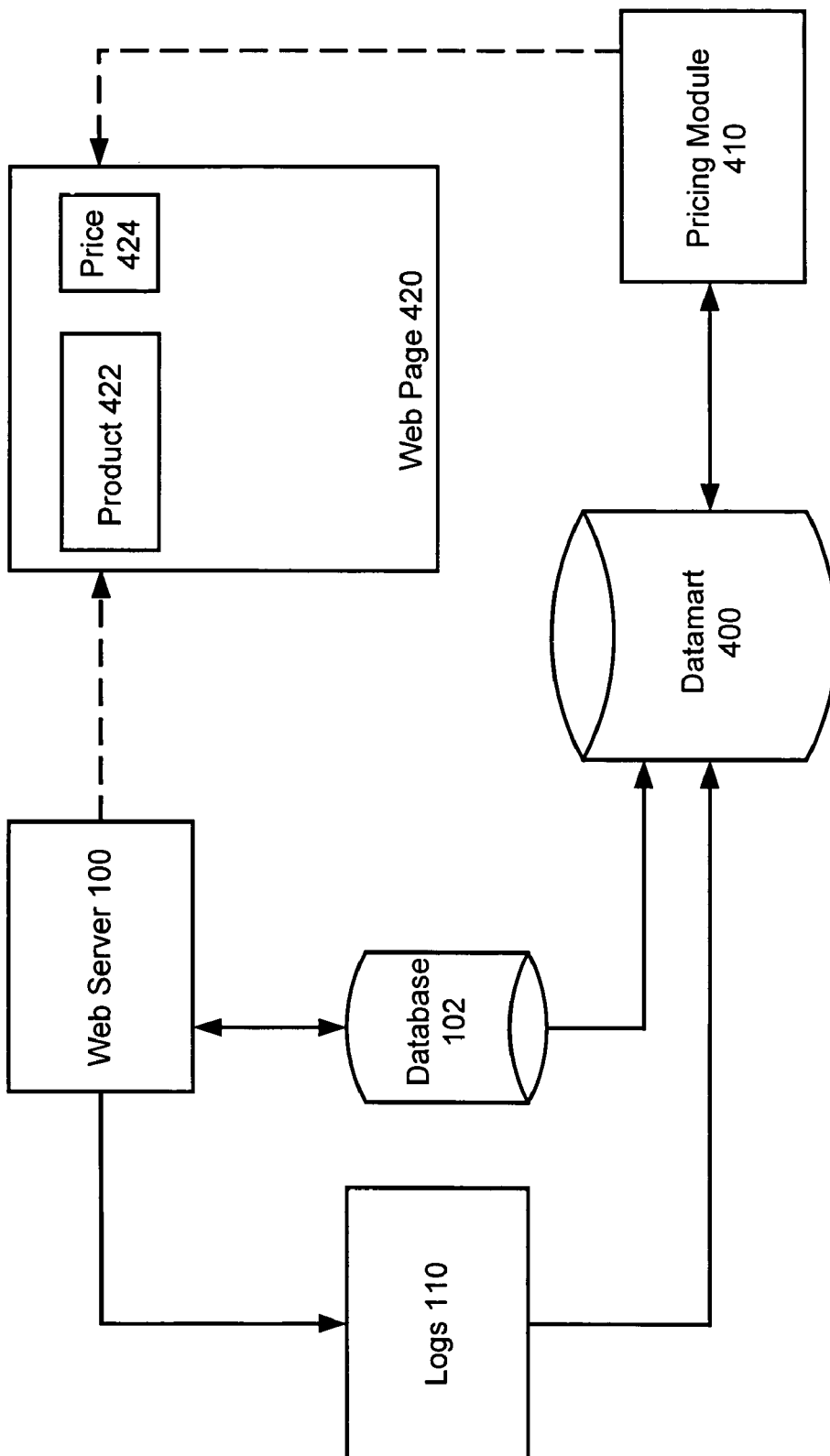


FIG. 4

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