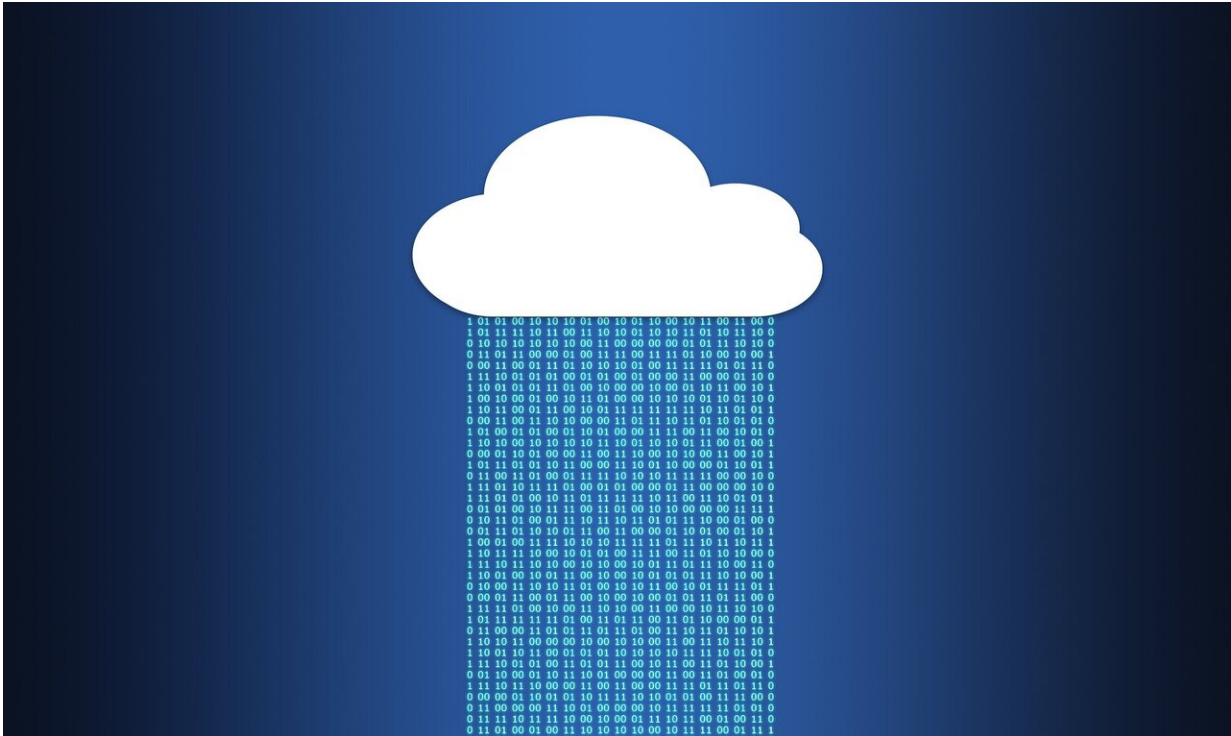


The cost of cloud services

May 26 2022, by David Bradley



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There are millions of people around the world who now use remote computer systems to store and even process their files. There are many providers offering cloud services in a highly competitive market. In order to differentiate themselves, the companies have to offer something innovative or unique to putative customers. One such strategy is to have a two-stage pricing offer. However, this might come at a cost to the

company and other users in terms of reduced security and privacy breaches where malicious third parties can create free, unvalidated accounts and use those to exploit loopholes in the system, such as faults and bugs. The issues are discussed in detail in the *International Journal of Sensor Networks*.

Mengdi Yao of Wuhan University of Science and Technology and Donglin Chen of Wuhan University of Technology, both in Wuhan, China, explain that a two-stage approach to [pricing](#) can entice new customers but comes with the aforementioned risk. They have now devised a two-stage pricing approach that greatly reduces the risk from malicious third parties to other users during the free trial phase. The work addresses both risk-neutral and risk-averse users to devise two approaches within the strategy.

Fundamentally, the team has shown five characteristics of the two-stage pricing strategy. The first, is that for a fixed-term free trial, the cloud [security risk](#) coefficient is low. Secondly, if the free trial period is flexible, then cloud security risk is low and subsequent profit increases at first but then decreases with longer free periods. Thirdly, as the security coefficient rises, so the free trial period can be shortened. Fourthly, if the [security](#) risk is low, then improvements in quality will boost profits. Finally, for risk-averse users, a shorter free period and better-perceived value will ultimately lead to greater profits.

The team points out that planning and marketing at cloud storage companies must consider the above, especially in the face of competitors who may not offer two-stage pricing at all.

More information: Mengdi Yao et al, Two-stage pricing strategy for personal cloud storage: free trial and the cloud security risk, *International Journal of Sensor Networks* (2022). [DOI: 10.1504/IJSNET.2022.122980](https://doi.org/10.1504/IJSNET.2022.122980)

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