

S-38.3041 Operator Business

Each question is worth max 6 points. Answers must be short and concise. Note that you can take part in the exam only if you have already participated the obligatory mobile operator business game session.

1. Explain the following economic terms briefly (max 5 sentences per term).
 - a. Price taker
 - b. Natural monopoly
 - c. Long-run incremental cost
 - d. Metcalf's Law
 - e. Tatonnement
 - f. Utility function

2. The present value of a customer to an operator equals her switching cost. Assume that operator has a variable monthly cost of 10 EUR per customer. Further, it costs a customer 60 EUR to switch from one operator to another. Supposing a monthly interest rate of 1%, what is the equilibrium price setting for a monthly subscription. At equilibrium, operators are profitable and customers don't have incentive to switch operators.

3. What does price discrimination mean? What are the three required conditions for price discrimination to take place?

4. Explain the theory of two-sided markets. What is the impact of this theory on regulatory thinking and on platform strategies?

5. How does flat-rate pricing create social waste? Demonstrate schematically. Why is flat-rate popular in spite of this social waste?