

Simulating Discount-Pricing Strategies for the GSM-Mobile Market

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Abstract

The article analyzes network effects on the German GSM mobile telephony market. The authors use an ACE-approach to examine how a new competitor can successfully gain ground in the market with a discount-pricing strategy. In particular they study the impact of several elements of a mobile phone contract like on-net-, landline- or off-net-fees on the competitor's market share. It turns out that it is possible to successfully enter the market with a prepaid contract using a discount-pricing strategy where the single fees only marginally exceed the termination rates, which have to be transferred to foreign network operators.

Keywords

Network effects – Mobile telecommunication – Agent-based computational economics – Pricing strategies

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