

## **The Adoption of Network Goods: The Spread of Mobile Phones in Rwanda**

Daniel Björkegren

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- Mobile internet
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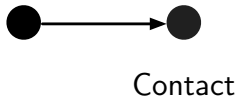
**How to attain a critical mass of users?**

**How should industry be regulated?**

## Benefits from adopting a network good

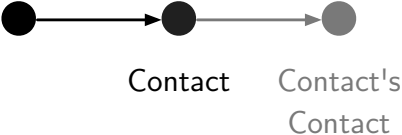


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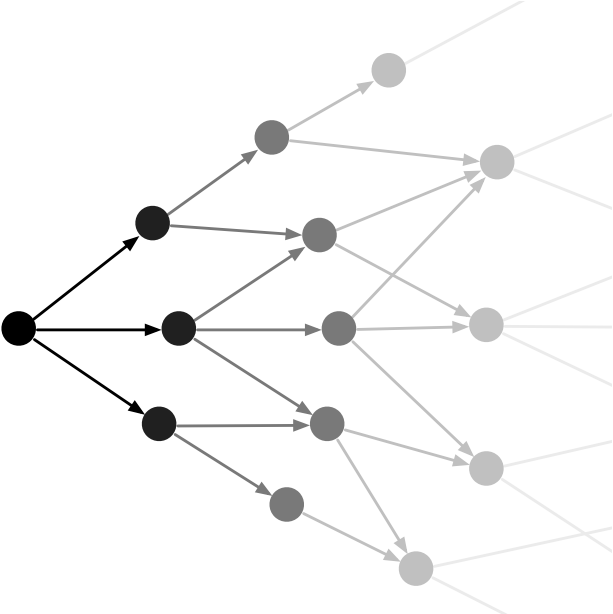




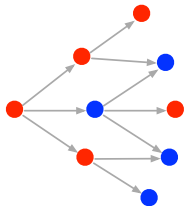
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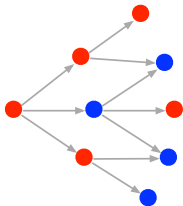
# Firms may not fully internalize network effects



Competitive

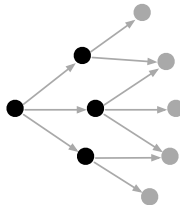
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may spill over into  
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Competitive

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Monopolistic

May underprovide if  
there are limits to  
price discrimination

# Achieving efficient adoption of network goods

Careful policies needed by both firms and governments

## 1. Substantial theoretical work

- Rohlfs 1974, Katz and Shapiro 1986, Farrell and Saloner 1985

## 2. Little empirical work

- Difficult to gather **data** on entire network
- Difficult to **identify** network effects
- Difficult to **simulate** effects of policies

# This project

Method to estimate and simulate adoption of a network good

Use 5 billion transaction records

from nearly the entire Rwandan cell phone network:

- Estimate structural model of adoption
- Simulate policies
  - Alternate tax policies
  - Government requirement to serve rural consumers

# Regulating Mobile Phones

## **Public finance opportunity:**

- Contributed 7% of government revenue in sample of sub-Saharan Africa countries in 2007 (GSMA)

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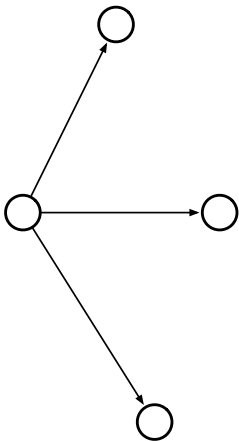
- Contributed 7% of government revenue in sample of sub-Saharan Africa countries in 2007 (GSMA)

## **Expansion and universal access:**

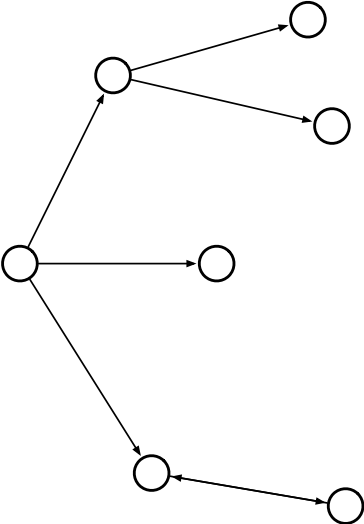
- “Extending telecommunications services to rural and low income areas has been a paramount concern.” - Mohsen Khalil, former Director of ICT at World Bank



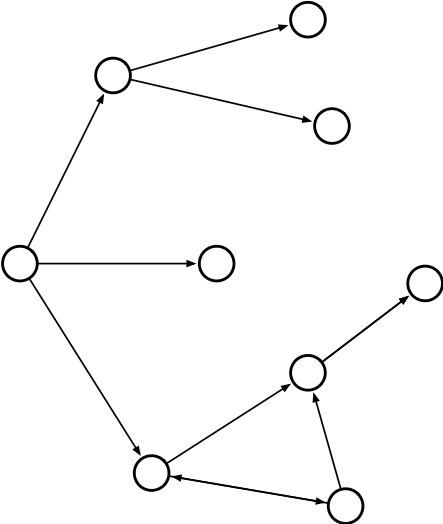
## Revealed Network



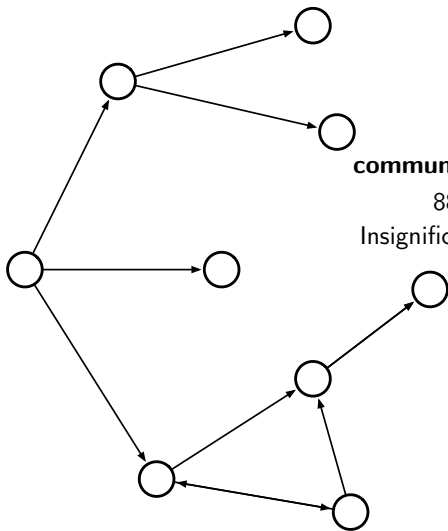
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## Rwanda: A Convenient Setting

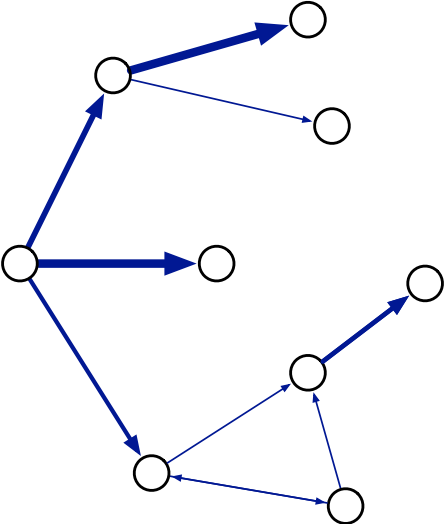


**Nearly all remote  
communication in Rwanda:**

88% of mobile phones  
Insignificant landline network

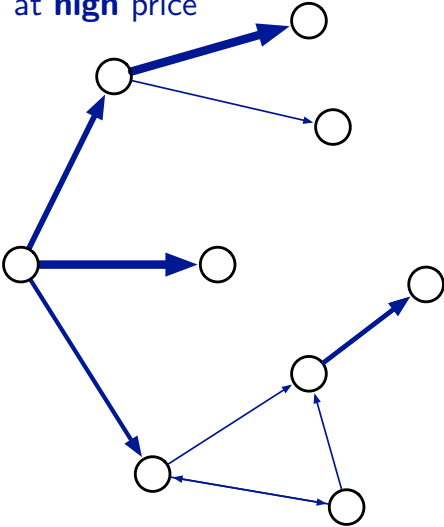
# Rwanda: A Convenient Setting

Duration



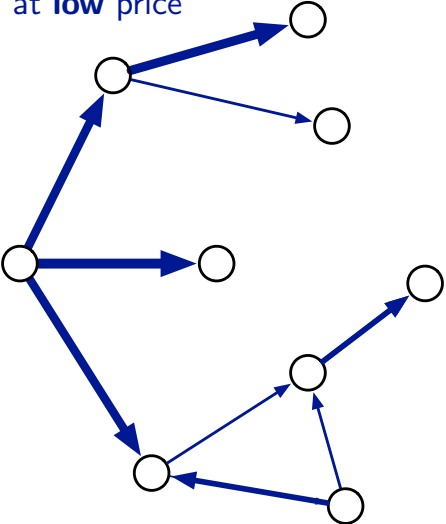
# Rwanda: A Convenient Setting

Duration at **high** price



# Rwanda: A Convenient Setting

Duration at **low** price



## Empirical Approach: Value of the Network

**What is the value of a link,  $\theta_{ij}$ ?**



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**What is the value of a link,  $\theta_{ij}$ ?**

## **Traditional Approach**

$i$  adopts if the value exceeds the cost:

$$a_i = I(\theta_{ij}a_j + \eta_i \geq \text{cost})$$

If  $i$  is only linked to  $j$ .

But unobserved shocks  $\eta_i$  are likely correlated (Manski 1993).

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## **My Approach**

A link provides value because it enables calls:

$$\theta_{ij} = u_{ij}(p_t, \phi_t)$$

Response to usage costs identifies value of link

(Has parallels with Ryan and Tucker 2012)

# Empirical Approach

Estimate model of adoption and usage,  
as a function of coverage and prices

Simulate effect of three policies:

1. Alternate tax policies

Baseline taxes impose welfare costs up to 3.11 times the revenue raised

Alternative taxes could have reduced burden on the poor

2. Government requirement to serve rural areas

Improved welfare

Benefits dispersed

# The Spread of Mobile Phones

Context and Data

Model

Estimation

Simulation

Application: Optimal Telecom Taxation

Application: Incentives to serve rural areas

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Rwanda: \$70 (2005) → \$20 (2009)
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# The Spread of Mobile Phones

Mobile phone subscriptions in developing economies:

250 million (2000) → 4.5 billion (2011)

- **Handset prices declined**  
Rwanda: \$70 (2005) → \$20 (2009)
- **Regulators allowed competition**
- **Operators adapted to reach poorer consumers:**
  - Coverage expanded  
Rwanda: 60% of country (2005) → 95% (2009)
  - Calling prices reduced  
Rwanda: Reduced over 50% 2005-2009



## Rwandan Households

	All 2005	With mobile phones	
		2005	2010
Fraction of households		5%	40%
Rural	85%	23%	75%
Consumption per capita	\$264.81	\$925.14	\$429.77

Source: Government Survey. Prices deflated to 2006.

# Mobile phone usage

## **Adopting entails...**

### **marginal calling charges:**

- Prepaid: no monthly fee
- Caller pays by the second, receiving is free

### **and a high fixed cost:**

- Handsets sold at retail price

# Mobile phone usage

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- Handsets sold at retail price

## **What are phones used for?**

Main purpose of last 10 calls was **social** for 92% of subscribers

# Data

## Call Detail Records - with Nathan Eagle (Jana Inc.)

Anonymous transaction records from dominant operator,  
2005-2009

Transaction	Amount	ID.From	ID.To	Tower	Timestamp
Call					
Call attempt					
SMS					

IDs map to account and handset for sender and recipient.

No other characteristics on subscribers.

5.3 billion transactions

▶ Industry

# Simplifications

**Focus on domestic calls.** Omit:

- SMS: data issues (16% of transaction volume)
- Missed calls

Call utility a proxy for total communication

Mobile Internet not in use, mobile money not yet available.

Model calls between accounts. In the presence of phone sharing, model implies surplus of shared calls accrues to account owner.

# The Spread of Mobile Phones

Context and Data

**Model**

Estimation

Simulation

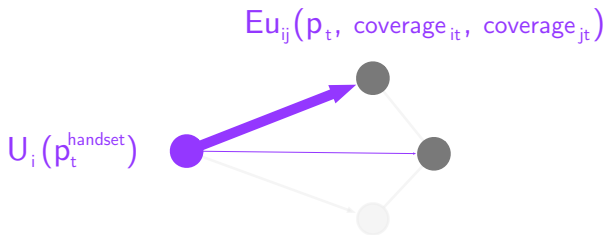
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# Model

Adoption Decision

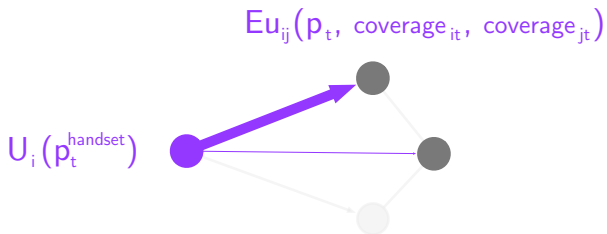
Call Decision



# Model

Adoption Decision

Call Decision



**Identification:**

Geographical and policy instruments

Within-link changes in price and coverage

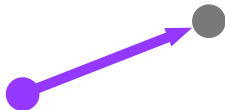


# Model: Call Decision

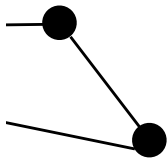
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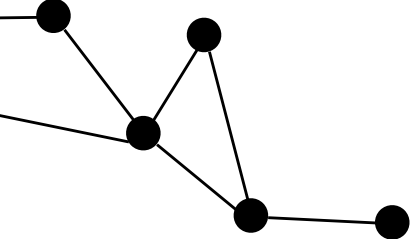
$$Eu_{ij}(p_t, \text{coverage}_{it}, \text{coverage}_{jt})$$



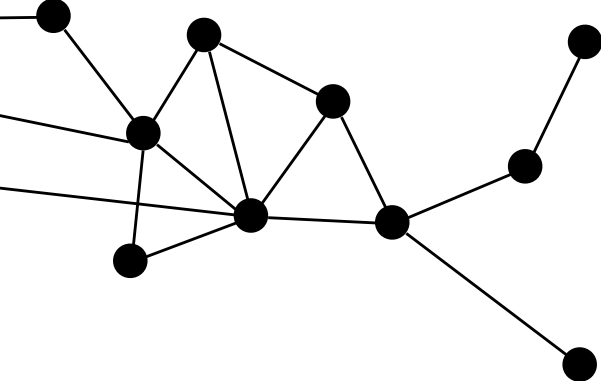
# Communication graph



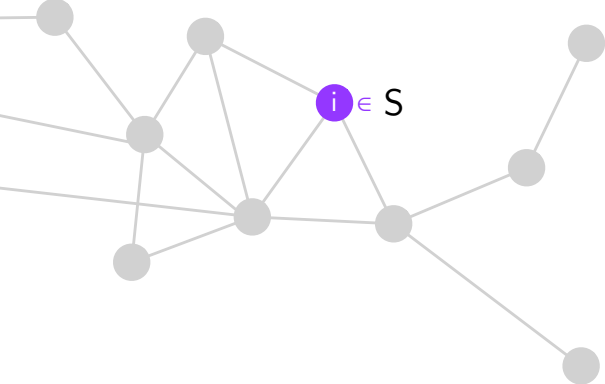
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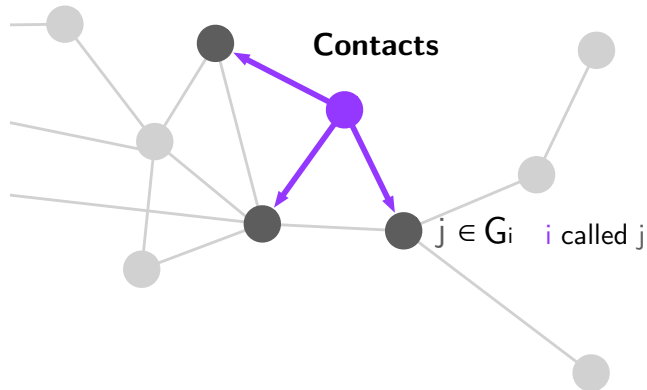


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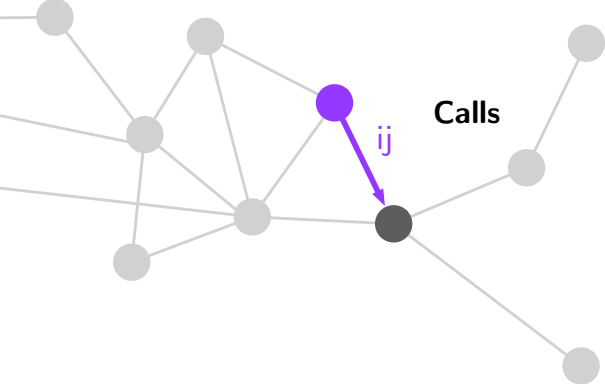


# Communication graph

1.5m accounts  
415m links



# Communication graph






## Coverage

Computed from towers live at time  $t$

## Individual Locations

Use improved Isaacman et al. (2011) clustering algorithm

## Individual Coverage $\phi_{it}$

Kernel weighted average around each individuals' most used locations 



11/3/2008


## Coverage

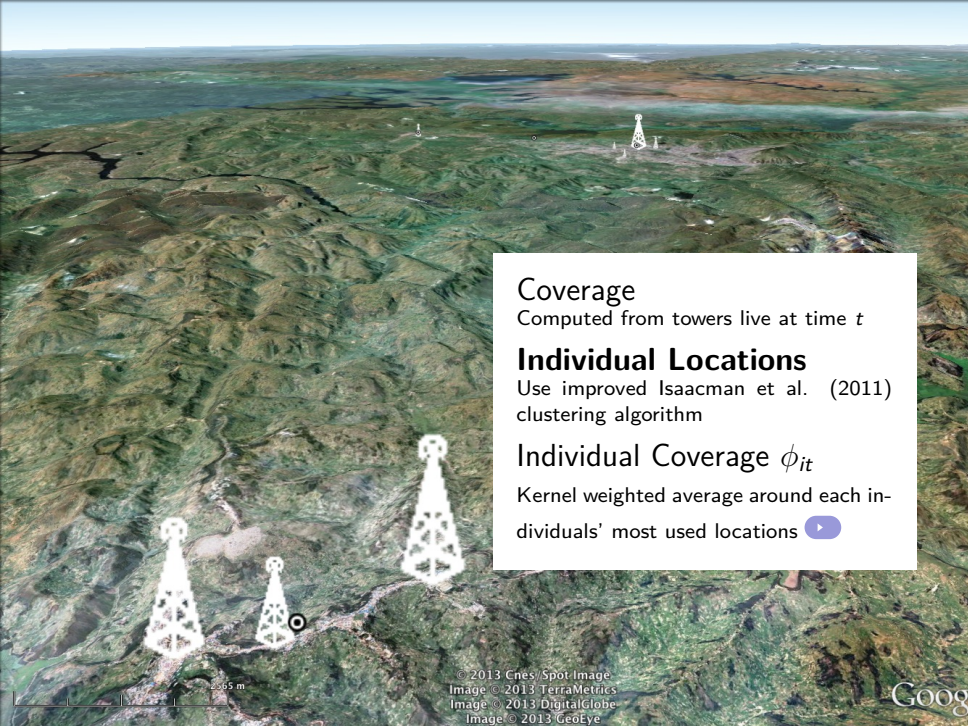
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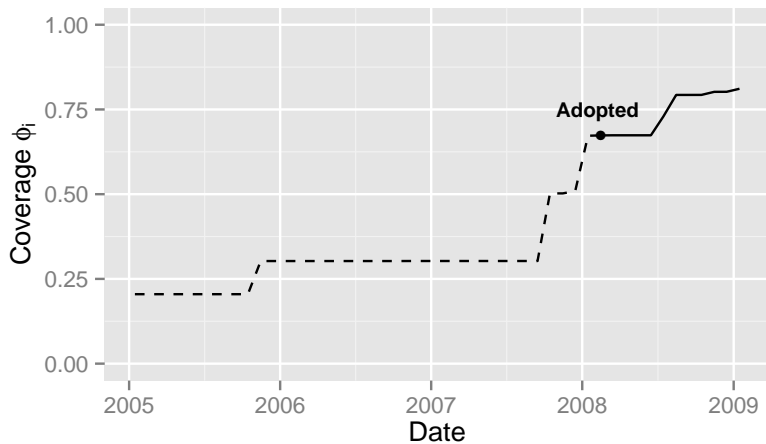
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## Individual Coverage: Example



# Demand for Calls

Conditional on owning a handset

Each month,  $i$  draws a shock  $\epsilon_{ijt}$  for each contact  $j \in G_i \cap S_t$ , and chooses a total duration for that month:

$$u_{ijt} = \max_{d \geq 0} \left[ \frac{1}{\beta_{cost}} v_{ij}(d, \epsilon_{ijt}) - d \cdot c_{ijt} \right]$$

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$$v_{ij}(d, \epsilon) = d - \frac{1}{\epsilon} \left[ \frac{d^\gamma}{\gamma} + \alpha d \right]$$

---

$v$  chosen to satisfy 8 intuitive properties.

- $\gamma$ : diminishing returns
- $\alpha$ : cost-dependent censoring
- $\beta_{cost}$ : price sensitivity

► Functional form

# Demand for Calls

Conditional on owning a handset

Based on shock  $\epsilon_{ijt}$  drawn,  $i$  chooses a duration:

$$u_{ijt} = \max_{d \geq 0} \left[ \frac{1}{\beta_{cost}} v_{ij}(d, \epsilon_{ijt}) - d \cdot c_{ijt} \right]$$

$$c_{ijt} = p_t + \beta_{coverage} \phi_{it} \cdot \phi_{jt}$$

---

Per second cost:

- calling price  $p_t$
- hassle of obtaining coverage  $\phi \in [0, 1]$

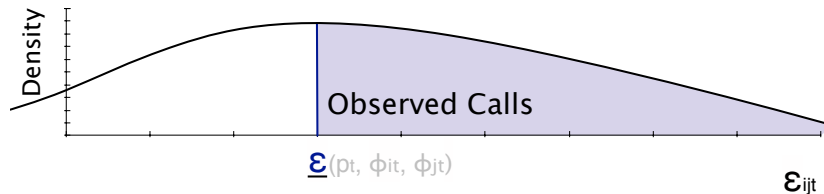
# Demand for Calls

If shock is low, no call:

$$\epsilon_{ijt} < \underline{\epsilon}(p_t, \phi_{it}, \phi_{jt})$$

If shock is high enough, call:

$$\epsilon_{ijt} \geq \underline{\epsilon}(p_t, \phi_{it}, \phi_{jt})$$

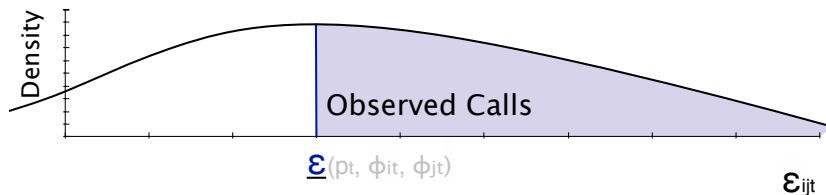


$$\underline{\epsilon}(p_t, \phi_{it}, \phi_{jt}) = \frac{1 + \alpha}{1 - \beta_{cost}(p_t - \beta_{coverage} \phi_{it} \cdot \phi_{jt})}$$

## Demand for Calls

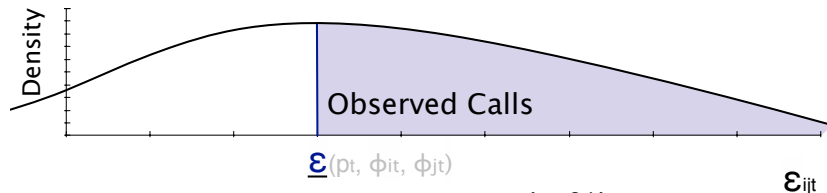
Higher shocks lead to longer total duration:

$$d_{ijt}^*(\epsilon) = [\epsilon (1 - \beta_{cost}(p_t - \beta_{coverage} \phi_{it} \cdot \phi_{jt})) - \alpha]$$



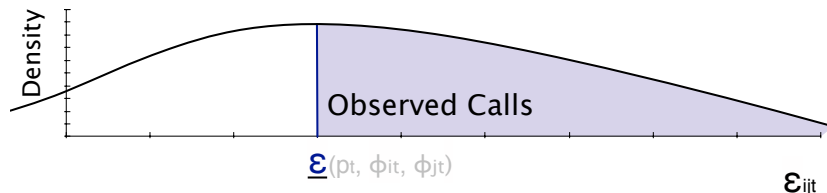


## Distribution of $\epsilon$



1. **Most of density is to the left of  $\underline{\epsilon}$  (93%):**  
Use mixture distribution:  $\log N(\mu_{ij}, \sigma_i)$  and  
Bernoulli cost-independent censoring  $1 - q_i$

## Distribution of $\epsilon$



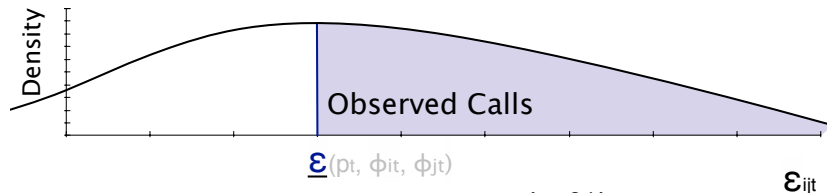
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Over time, prices  $\downarrow$  and less talkative individuals subscribe  
Allow shock distributions to be link-specific

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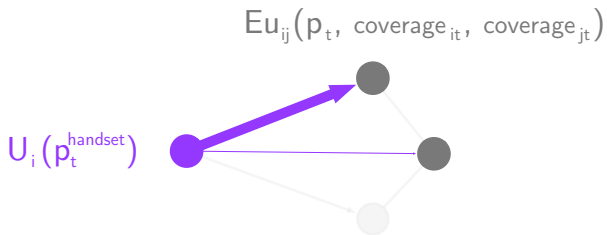


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- 2. Selection:**  
Over time, prices  $\downarrow$  and less talkative individuals subscribe  
Allow shock distributions to be link-specific
- 3. Interested in expected utility  $E_t u_{ijt}(p_t, \phi_{it}, \phi_{jt})$**   
Assume  $\epsilon_{ijt}$  is i.i.d. over time, independent over links

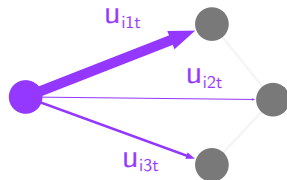
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Adoption Decision

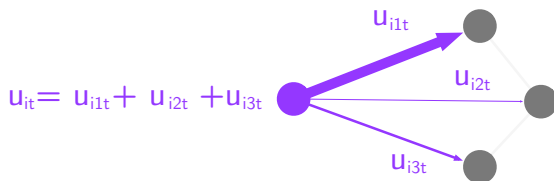
Call Decision



## Expected utility from communication



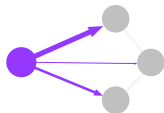
# Expected utility from communication



## Utility from owning a handset

Each month owning a handset,  $i$  receives expected utility:

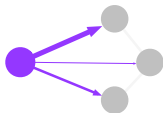
Outgoing Calls



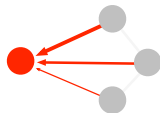
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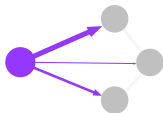




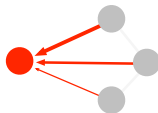
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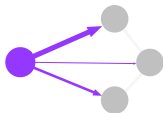
Unobserved



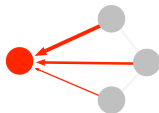
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(Incoming Calls)



Unobserved



$$Eu_{it} = \sum_{j \in G_i, x_j \leq t} [E_t u_{ijt}(p_t, \phi_{it}, \phi_{jt}) + w \cdot E_t u_{jit}(p_t, \phi_{jt}, \phi_{it})] + \eta_i(1 - \delta)$$

$G_i$ :  $i$ 's contacts

$\tau_j$ :  $j$ 's adoption month

$w \in \{0, 1\}$ : include utility from received calls

$\eta_i$ : idiosyncratic benefit of having a phone

## Adopting a handset: an optimal stopping problem

At time  $t$ ,  $i$  expects that adopting in period  $x$  yields utility:

$$E_t U_i^x(\mathbf{x}_{G_i}) = \delta^x \left[ \sum_{s \geq x}^{\infty} \delta^{s-x} E u_{is}(p_s, \phi_s, \mathbf{x}_{G_i}) - E_t p_x^{\text{handset}} \right]$$

---

$\mathbf{x}_{G_i}$  expected contacts' adoption

$p_x^{\text{handset}}$ : expected handset price index from sales records

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$i$  adopts at first month  $x_i$  where adopting preferred to waiting:

$$\min_{x_i} s.t. \left[ E_{x_i} U_i^{x_i}(\mathbf{x}_{G_i}) \geq \max_{s > x_i} E_{x_i} U_i^s(\mathbf{x}_{G_i}) \right]$$

---

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# The Spread of Mobile Phones

Context and Data

Model

**Estimation**

Simulation

Application: Optimal Telecom Taxation

Application: Incentives to serve rural areas

# Estimation

## 1 Call Decision

Estimate shape and sensitivity parameters

$\gamma, \alpha, \beta_{cost}, \beta_{coverage}$

and shock distribution parameters (4.5 million)

$\mu_{ij}, q_i, \sigma_i$ .

using maximum likelihood

↓ compute  $E_t u_{ijt}(p_t, \phi_t)$

## 2 Adoption Decision

Back out  $\eta_i$ . Check  $\beta_{cost}$  using moment inequalities.

## Call Model Parameter estimates

		Estimate
Diminishing returns	$\gamma$	2.289
Cost-dependent censoring	$\alpha$	97.897
Cost sensitivity	$\beta_{cost}$	0.200
Coverage sensitivity	$\beta_{coverage}$	-3.845
	$N_{nodes}$	8,000
	$N_{links}$	1.3m
	$N_{link-months}$	39m

For tractability, unified parameters estimated on 0.5% subsample of nodes and their complete set of links.

# Estimated shock distributions

Structure  $\mu_{ij} = \mu_i + \mu_{\max(x_i, x_j), \overline{\phi_{it} \phi_{jt}}}$

Parameters:	Quantile:	0.05	0.25	0.50	0.75	0.95	Number
Fixed Effects	$\mu_{\max(x_i, x_j), \overline{\phi_{it} \phi_{jt}}}$	-1.71	-1.45	-1.12	-0.65	0.00	519
	SE	0.31	0.31	0.31	0.32	0.32	
Node	$\mu_i$	1.95	3.01	3.66	4.95	6.83	1.5m
	SE	0.37	0.32	0.32	0.33	0.34	
	$\sigma_i$	0.80	1.30	1.62	1.98	2.58	1.5m
	SE	0.04	0.02	0.02	0.03	0.06	
	$q_i$	0.06	0.27	1.00	1.00	1.00	1.5m
	SE	0.00	0.01	0.03	0.00	0.00	

$N_{link-months} = 15$  billion

---

Shock distributions estimated imposing unified parameters. Node likelihoods are separable conditional on unified parameters; standard errors assume unified parameters are estimated without error.



# Estimation

## 1 Call Decision

Estimate shape and sensitivity parameters

$\gamma, \alpha, \beta_{cost}, \beta_{coverage}$

and shock distribution parameters (4.5 million)

$\mu_{ij}, q_i, \sigma_i$ .

using maximum likelihood

↓ compute  $E_t u_{ijt}(p_t, \phi_t)$

## 2 Adoption Decision

Back out  $\eta_i$ . Check  $\beta_{cost}$  using moment inequalities.

## Handset Adoption: Revealed Preference

Observe  $i$  bought a handset at time  $x_i$ ,  
not  $K$  months later:

$$\sum_{s=0}^{K-1} \delta^s E u_{i x_i + s}(p_{x_i + s}, \phi_{x_i + s}, \mathbf{x}_{G_i}) + (1 - \delta^K) \eta_i \geq p_{x_i}^{handset} - \delta^K E_{x_i} p_{x_i + K}^{handset}$$

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Similarly, at time  $x_i - K$   $i$  chose to wait, so must have preferred some adoption time  $\tilde{K}$  months later:

$$\sum_{s=0}^{\tilde{K}-1} \delta^s E u_{i, x_i-K+s}(p_{x_i-K+s}, \phi_{x_i-K+s}, \mathbf{x}_{G_i}) + (1 - \delta^{\tilde{K}}) \eta_i \leq p_{x_i-K}^{\text{handset}} - \delta^{\tilde{K}} E_{x_i-K} p_{x_i-K+\tilde{K}}^{\text{handset}}$$

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**Back out**  $[\underline{\eta}_i, \bar{\eta}_i]$

Set  $K = 2$ ,  $\delta = \left(\frac{1}{1.07}\right)^{1/12} \sim 0.9945$  (World Bank)


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Check if network value implied by call decision corresponds with that implied by adoption, using a traditional approach.

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- Number of contacts receiving subsidized handsets

Need only be orthogonal to  $\eta_i$ , not observed usage.

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**\$1 of call utility = \$1.02-1.17 of handset price**

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Implies that if recipients do not value incoming calls ( $w = 0$ ):

**\$1 of call utility = \$1.02-1.17 of handset price**

If recipients also receive the surplus from incoming calls ( $w = 1$ ):

\$1 of call utility = \$0.27-0.31 of handset price



# The Spread of Mobile Phones

Context and Data

Model

Estimation

**Simulation**

Application: Optimal Telecom Taxation

Application: Incentives to serve rural areas

# Adoption Equilibrium

Compute new equilibrium based on change to the environment.

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Compute new equilibrium based on change to the environment.

- Over 1 million interconnected adoption decisions
- Usage decisions across 415 million links

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Compute new equilibrium based on change to the environment.

**Equilibrium**  $\Gamma(\eta)$ :

Each  $i$  adopts at  $\min x_i$  s.t.  $[E_{x_i} U_i^{x_i}(\mathbf{x}_{G_i}) \geq \max_{s > x_i} E_{x_i} U_i^s(\mathbf{x}_{G_i})]$

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- Apart from constant forecast error (in  $\eta_i$ ), anticipates:
  - Contacts' adoption dates  $\mathbf{x}_{G_i}$
  - Changes in call prices and coverage
  - Forecasts handset prices to follow deterministic trend

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- Apart from constant forecast error (in  $\eta_i$ ), anticipates:
  - Contacts' adoption dates  $\mathbf{x}_{G_i}$
  - Changes in call prices and coverage
  - Forecasts handset prices to follow deterministic trend
- May not condition strategy on actions of others

## Simulation Method: Iterated Best Response

1. Propose a candidate adoption path  $\mathbf{x}^0$
2. Allow each individual to optimize their decision, holding fixed the adoption path of others:<sup>1</sup>

$$x_i^{k+1} = \min t \text{ s.t. } \left[ U_i^t(\mathbf{x}_{G_i}^k) \geq \max_{s>t} E_t U_i^s(\mathbf{x}_{G_i}^k) \right]$$

3. Iterate until the equilibrium converges:  $x_i^{k+1} = x_i^k$  for all  $i$

## Multiple Equilibria

For each individual, back out types  $[\underline{\eta}_i, \bar{\eta}_i]$  consistent with adoption choice.



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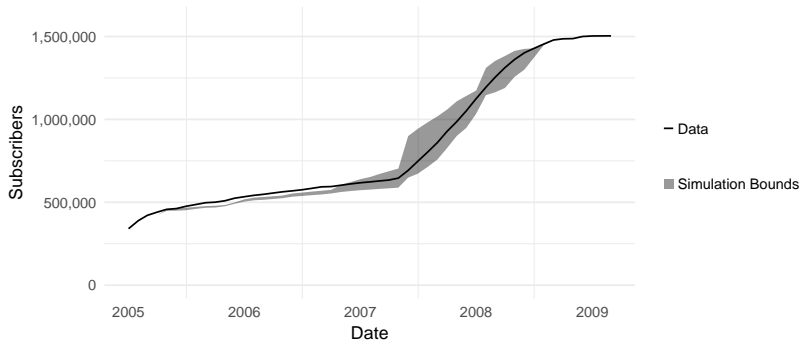
Game has strategic complements; equilibria form a lattice.

Individual bounds  $[\underline{\eta}_i, \bar{\eta}_i]$  and bounds on expectations  $\mathbf{x}^0 \in [0, \bar{T}]^N$  imply bounds on set of equilibria:

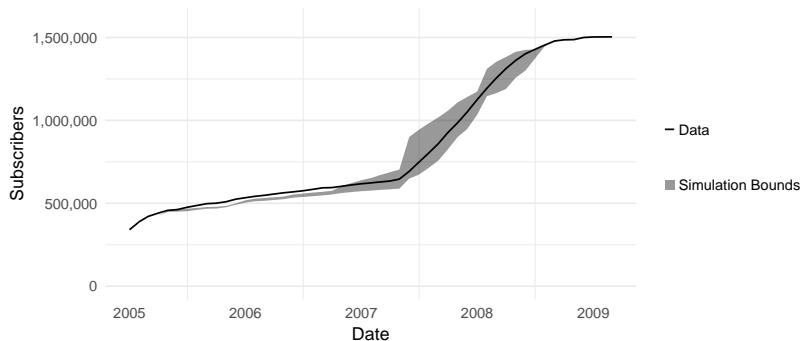
$$\underline{\Gamma}(\underline{\boldsymbol{\eta}}) \leq \Gamma(\boldsymbol{\eta}) \leq \bar{\Gamma}(\bar{\boldsymbol{\eta}})$$

(Topkis 1978, Milgrom and Shannon 1994)

# Simulation Fit



# Simulation Fit



Total welfare benefit [\$474m, \$530m]

Split among operator (35%, gross), government (14%), and consumers (51%, net)

[▶ Details](#)

[▶ Results](#)

# The Spread of Mobile Phones

Context and Data

Model

Estimation

Simulation

**Application: Optimal Telecom Taxation**

Application: Incentives to serve rural areas

## How, and how much, to tax?

### **Average Taxes in sub-Saharan Africa (2007):**

- 31% on handsets (48% in Rwanda)
- 20% on airtime (23% in Rwanda)
- Network equipment
- Corporate taxes and spectrum fees

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- Rwanda (2010)
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## **Countries removing handset tax:**

- Kenya (2009-2013)
- Rwanda (2010)
- Senegal (2009)

## **Theoretically:**

- How does incidence overlap with network effect?



# Simulating Alternative Taxation

Conservative estimate:

- People outside the data may adopt sooner
- Assume complete passthrough of airtime taxes (no passthrough shown in paper)

# Taxation

Tax Handset	Revenue (\$m)		Consumer Surplus (\$m)	Avg. Welfare Cost per Dollar of Public Funds
	Telecom	Government		
<b>Baseline: 48%</b>	<b>[165, 187]</b>	<b>[65, 73]</b>	<b>[244, 270]</b>	
<b>Impact of removal</b>				
Total Effect	15, 17	-12, -12	21, 21	\$2.94, 3.11

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Total Effect	15, 17	-12, -12	21, 21	\$2.94, 3.11
... proximal effect	7, 7	-14, -16	10, 10	\$1.22, 1.06
... ripple effects	8, 11	2, 3	10, 11	

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... ripple effects	8, 11	2, 3	10, 11	

- Estimates of MCF in sub-Saharan Africa \$1.21 (1.37 Rwanda), Auriol and Warlters 2012
- Network effects account up to 61% of revenue effect

# Taxation

Tax Regime		Sample Split	Revenue (\$m)		Consumer
Handset	Usage		Telecom	Government	Surplus (\$m)
<b>Baseline</b>					
48%	23%	All	[165, 187]	[65, 73]	[244, 270]
		Above Q60 usage	[140, 160]	[47, 54]	[238, 264]
		Below Q60 usage	[25, 27]	[18, 19]	[6, 6]

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<b>Impact of changing taxation</b>					
0%	23%	All	15, 17	-12, -12	21, 21
		Above Q60 usage	12, 15	-2, -1	17, 18
		Below Q60 usage	3, 2	-10, -11	4, 3

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		Above Q60 usage	12, 15	-2, -1	17, 18
		Below Q60 usage	3, 2	-10, -11	4, 3
0%	30%	All	-5, -6	2.75, 4.18	1, -1
		Above Q60 usage	-5, -5	11, 13	-1, -3
		Below Q60 usage	0, -1	-8, -8	2, 2

## Toward an optimal tax

- Marginal users bear a large portion of handset taxes
- Encouraging network adoption:
  - Can shift to marginal usage taxes
  - Can tax initial adoptions that allow access to a new network (e.g., smartphones) lower than upgrades



# The Spread of Mobile Phones

Context and Data

Model

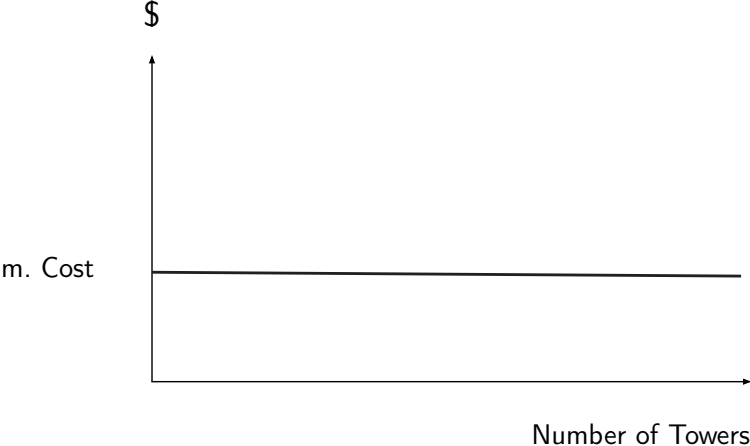
Estimation

Simulation

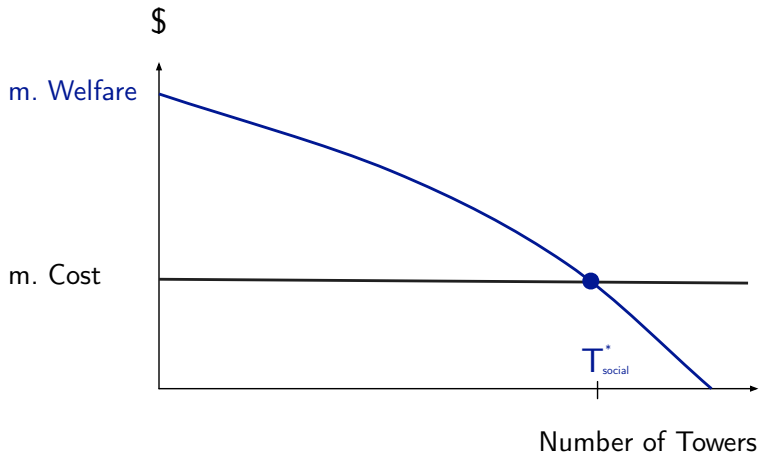
Application: Optimal Telecom Taxation

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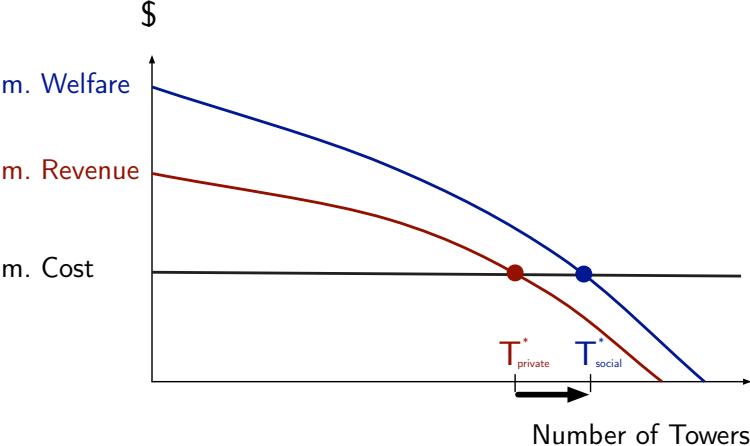
# Cost of expanding towers



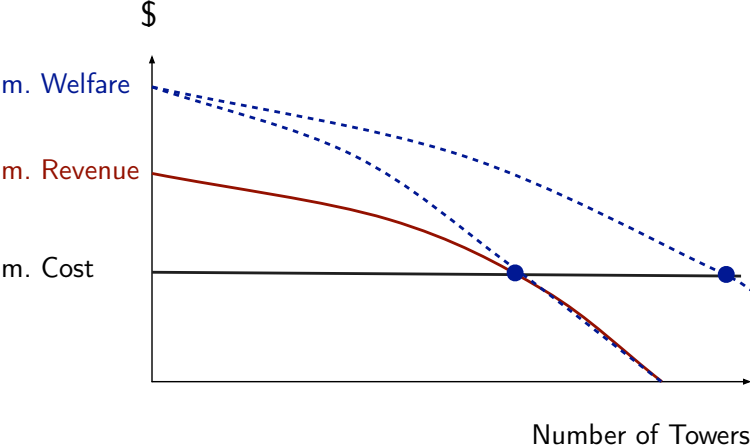
# Optimal coverage



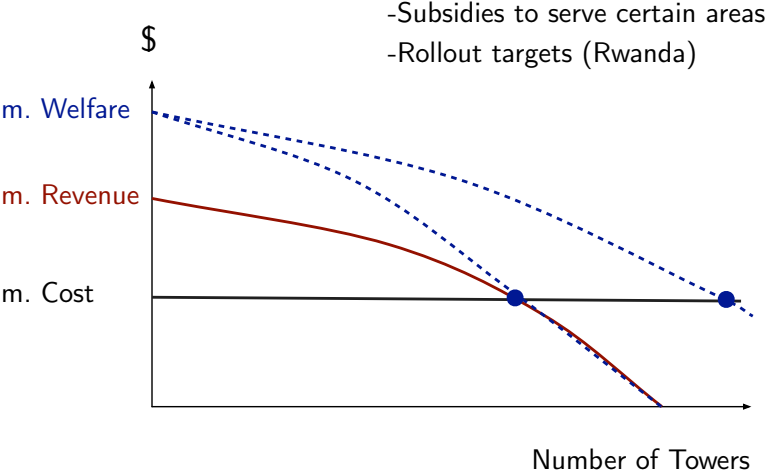
# Private returns from coverage may differ



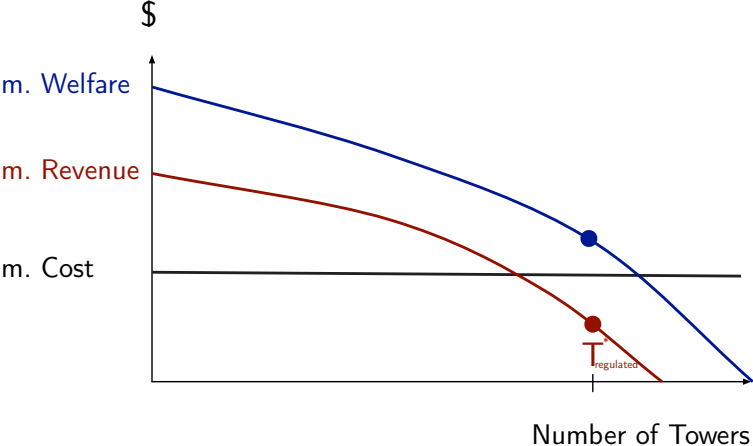
# Effect of policy depends on shape of welfare and revenue



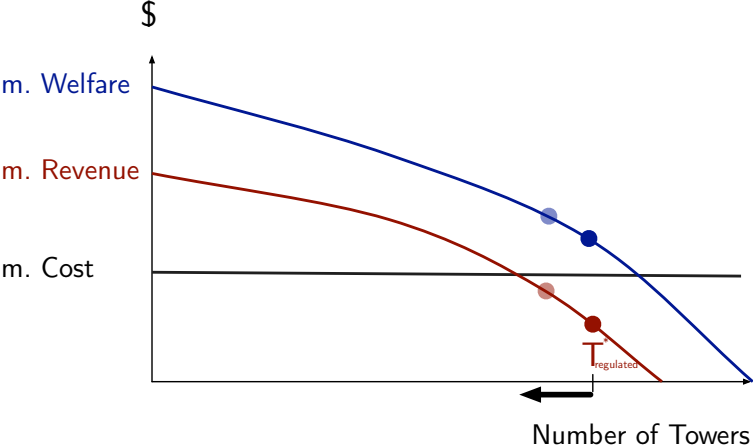
# Universal Access Policies



# Counterfactual: Coverage in Absence of Regulation

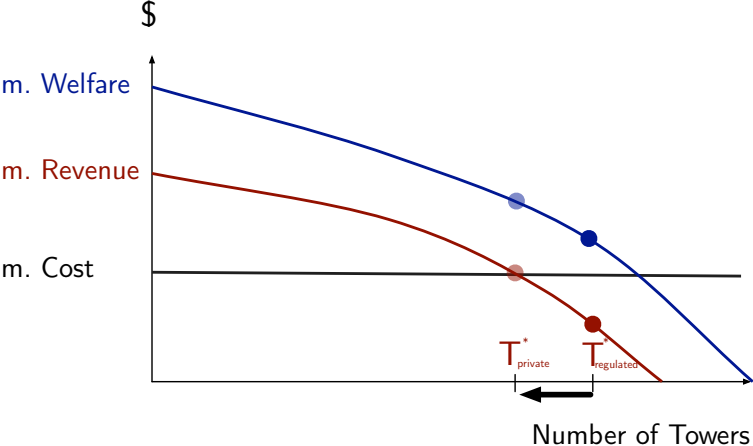


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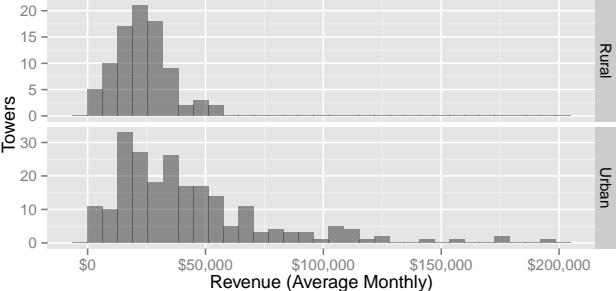




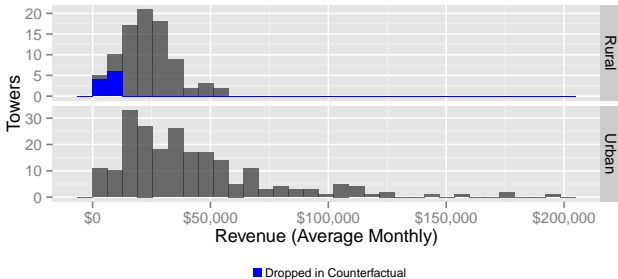
# Counterfactual: Coverage in Absence of Regulation



# Peel back tower construction (based on realized revenue)



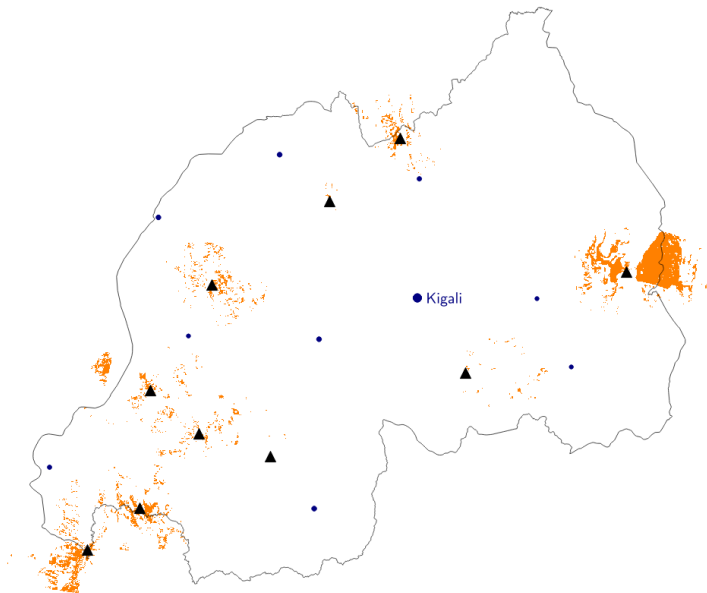
# Peel back tower construction (based on realized revenue)



- Don't build the 10 lowest revenue rural towers (11%)
- Save \$271,356 in annualized build and operation costs

# Difference in final coverage

January 2009



## Impact of rural coverage expansion

### **Revenue (million \$)**

Baseline with expansion [165.06, 187.39]

Effect of expansion 0.09, 0.11

## Impact of rural coverage expansion

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Expansion cost 0.27

**Profit \$-178,634; -166,231**

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Expansion cost 0.27

**Profit \$-178,634; -166,231**

### Consumer Surplus (million \$)

Baseline [243.55, 269.79]

Effect of expansion 0.36, 0.37

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### Consumer Surplus (million \$)

Baseline [243.55, 269.79]

Effect of expansion 0.36, 0.37

### Government Revenue (million \$)

Baseline [65.29, 73.08]

Effect of expansion 0.03, 0.03

**Net welfare effect \$209,734; 236,365**



# Impact of rural coverage expansion

	All Nodes	Nodes in areas where coverage	
		affected	unaffected
N	1.5m	82,523	1.42m
<b>Effect (million \$)</b>			
Revenue	0.09, 0.11	0.02, 0.02	0.07, 0.08
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# The Spread of Mobile Phones

Method to estimate and simulate adoption of a network good

Use data from nearly the entire Rwandan cell phone network:

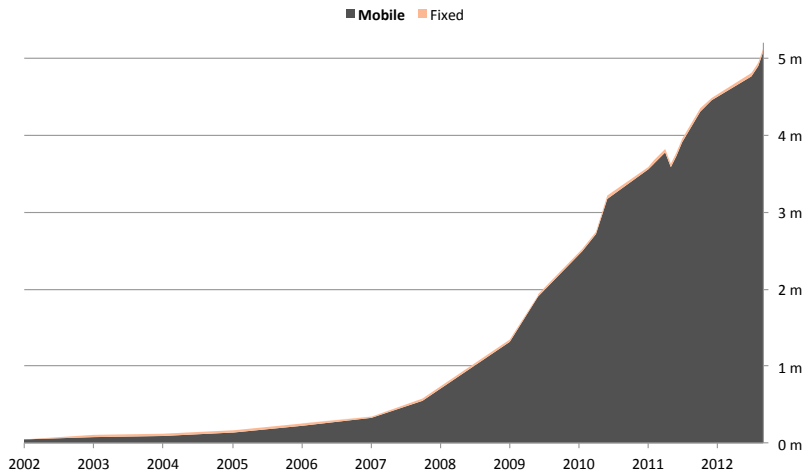
- **Estimate structural model of adoption**  
as a function of each individual's social network, coverage, and prices
- **Simulate policies**  
Alternate tax policies  
Government requirement to serve rural consumers: improved welfare



# Appendix

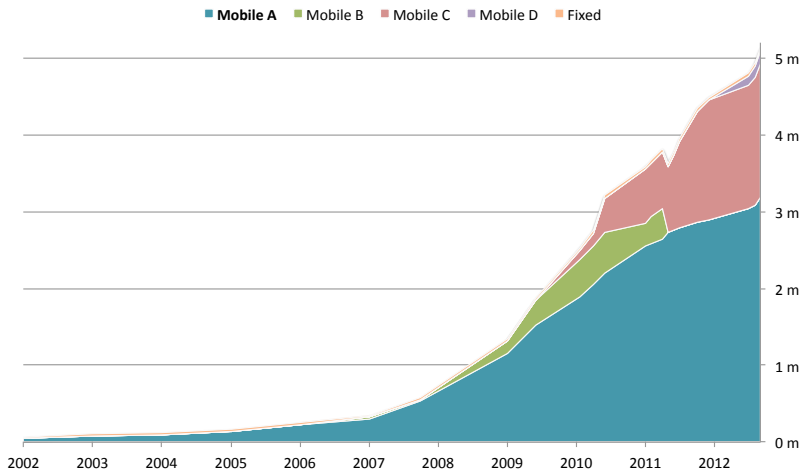
# Telecom in Rwanda

Population 11m



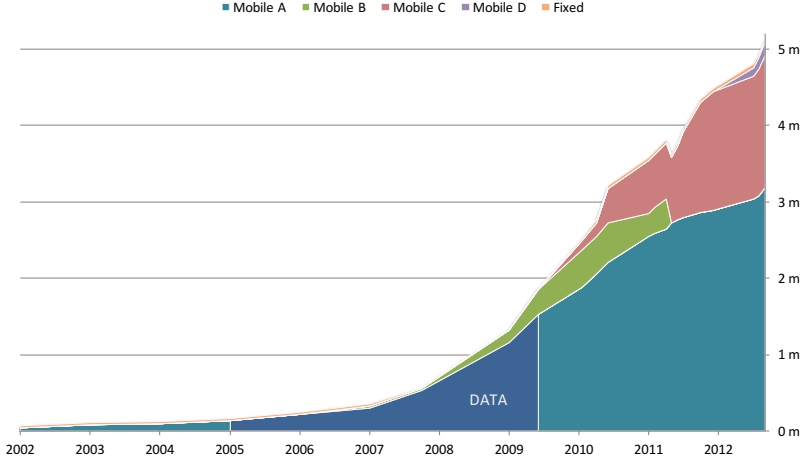
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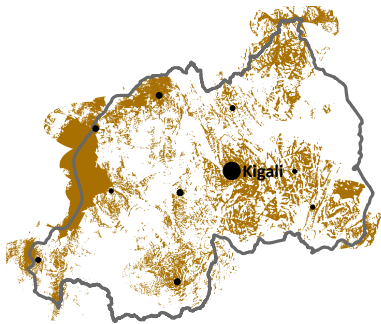
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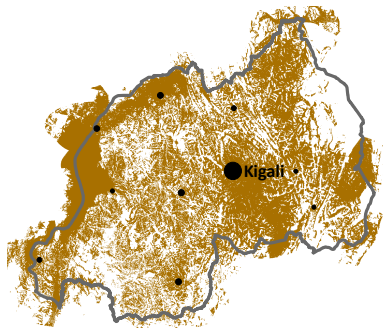
## Coverage expanded



2005

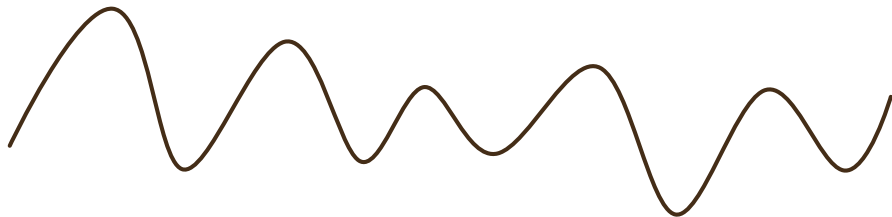
▶ Back to context

▶ Back to counterfactual



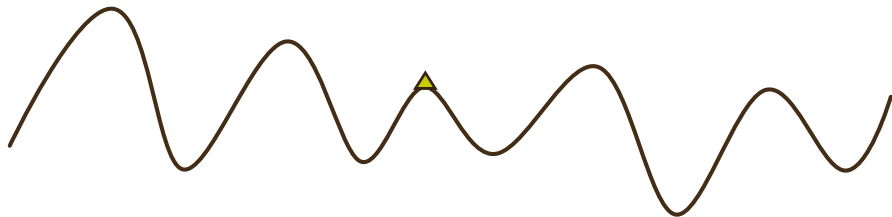
2009

Rwanda is hilly



▶ [Back to model](#)

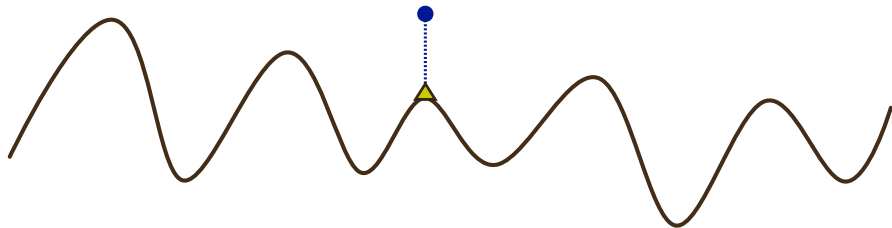
## Interaction of topography and electric grid



▶ [Back to model](#)

# Interaction of topography and electric grid

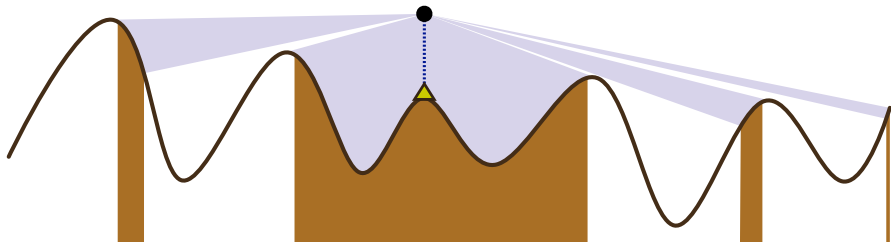
Makes it cheaper to build towers in certain locations



▶ [Back to model](#)

# Interaction of topography and electric grid

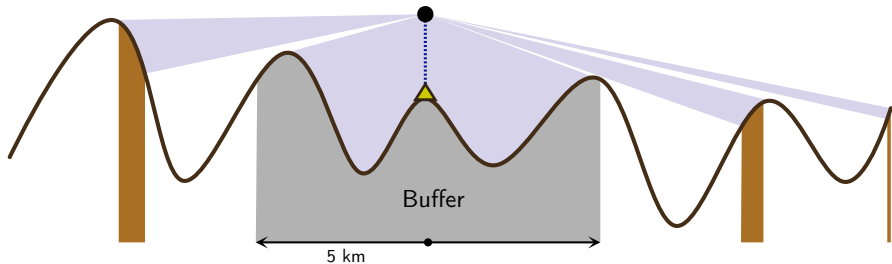
Generates differential costs of serving nearby areas



▶ [Back to model](#)

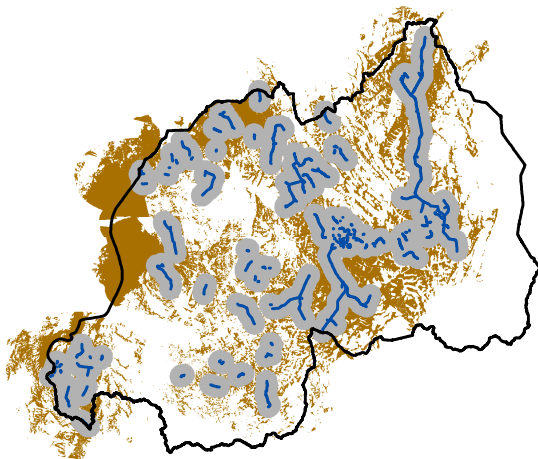
# Interaction of topography and electric grid

Generates differential costs of serving nearby areas



Use variation in coverage that would arise from building hypothetical towers along entire electric line.

## Instrument: incidental coverage from electric lines



▶ [Back to model](#)

## Functional form of utility: properties

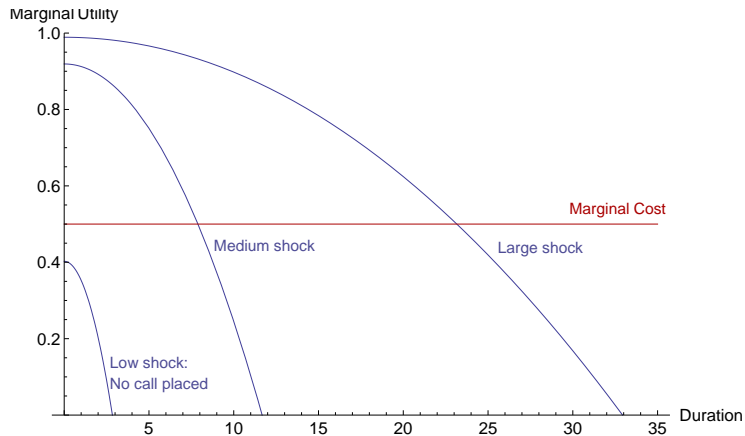
$$u_{ijt}(d, \epsilon) = v_{ij}(d, \epsilon) - c \cdot d$$

1. Cost is separable across contacts
2. Zero duration yields zero utility
3. Diminishing returns to duration
4. For some values of  $\epsilon$ , calls are placed
5. Even if calls were free, you wouldn't talk forever
6. Changing the cost affects the extensive decision to call
7. Changing the cost of a call affects longer calls more than shorter calls
8. There is an analytic, one to one mapping between  $d^*$  and  $\epsilon$
9. Relationships with higher information flows provide higher utility



# Functional form of utility

$$v_{ij}(d, \epsilon) = d - \frac{1}{\epsilon} \left[ \frac{d^\gamma}{\gamma} + \alpha d \right]$$



An aerial 3D topographic map of a mountainous region. The terrain is rendered in shades of green and brown, showing a complex network of ridges and valleys. A prominent river system flows through the landscape, with several tributaries. The background shows a vast, flat plain extending to the horizon under a clear sky.

Individual location  $i$ ;  
Algorithm Isaacman et al. 2011

[▶ Back](#)

© 2013 Cnes/Spot Image  
Image © 2013 TerraMetrics  
Image © 2013 DigitalGlobe  
Image © 2013 GeoEye

Goog

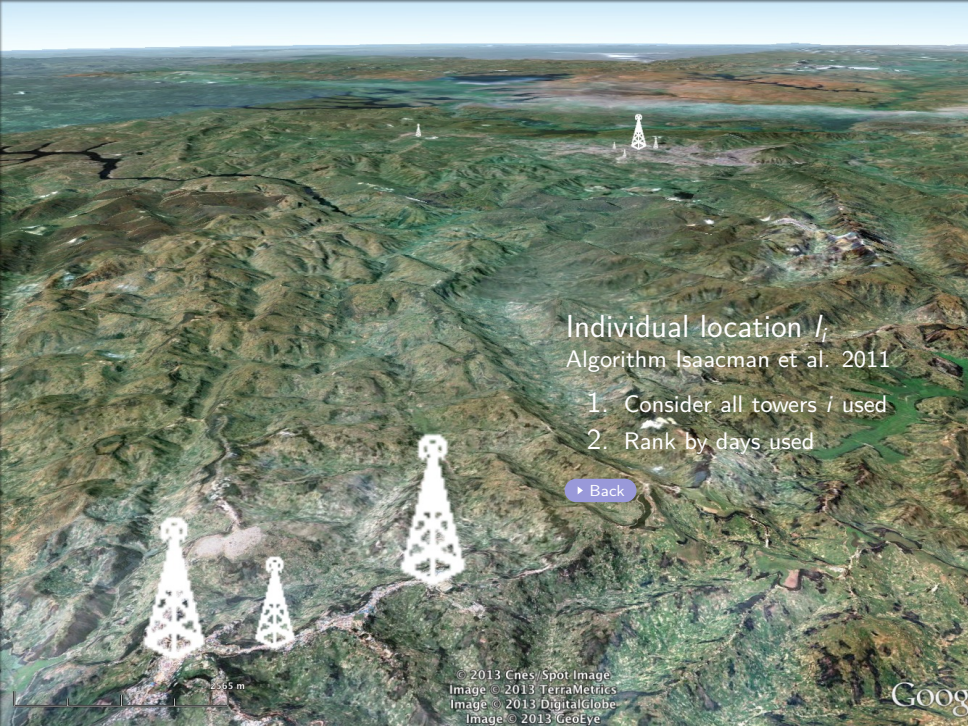
2.565 m

Individual location  $i$ ;  
Algorithm Isaacman et al. 2011

1. Consider all towers  $i$  used

▶ Back

2.565 m

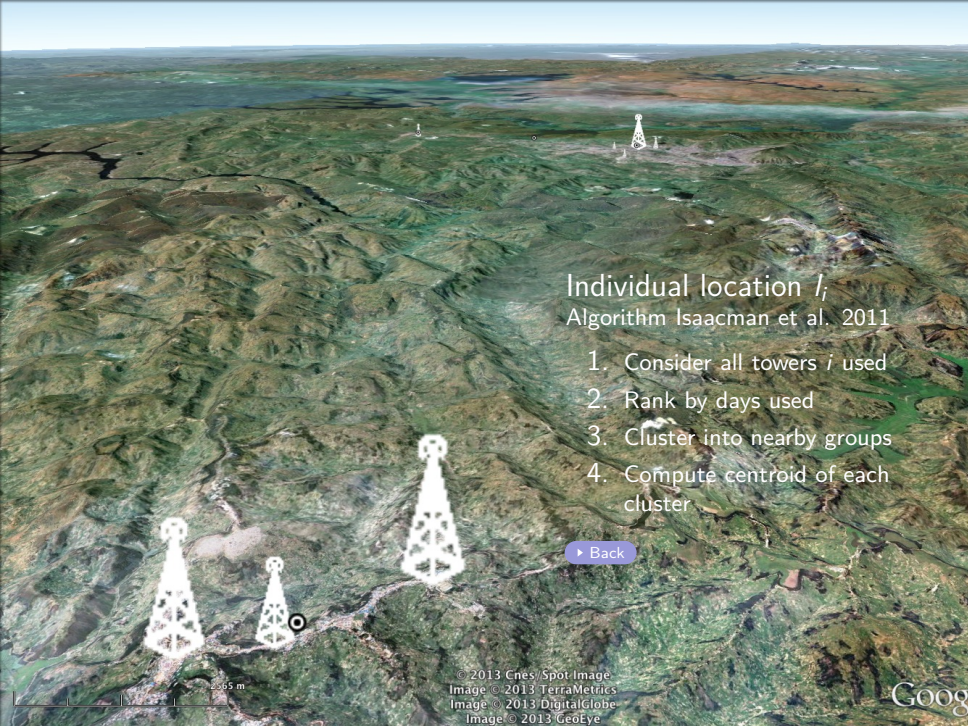


Individual location  $l_i$   
Algorithm Isaacman et al. 2011

1. Consider all towers  $i$  used
2. Rank by days used

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Individual location  $i$ ;  
Algorithm Isaacman et al. 2011

1. Consider all towers  $i$  used
2. Rank by days used
3. Cluster into nearby groups
4. Compute centroid of each cluster

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An aerial 3D topographic map of a mountainous region. The terrain is rendered in shades of green and brown, showing deep valleys and ridges. A river flows through the center of the image. In the lower-left quadrant, a specific location is marked with a white circle containing a black dot. In the upper-right quadrant, three smaller white circles with black dots are visible. The sky is a clear, light blue.

Individual location  $i$ ;  
Algorithm Isaacman et al. 2011

1. Consider all towers  $i$  used
2. Rank by days used
3. Cluster into nearby groups
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1/29/2005

## Coverage $\phi$ , 2005

Estimated from viewshed of towers live at time  $t$ .

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11/3/2008

## Coverage $\phi$ , 2008

Estimated from viewshed of towers live at time  $t$ .

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2,565 m

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11/15/2008

## Coverage $\phi_{1,2008}$

Estimated from viewshed of  
towers live at time  $t$ .

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2565 m

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1/29/2005

## Coverage $\phi_1, 2005$

Estimated from viewshed of towers live at time  $t$ .

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2565 m

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