

Economic Theory in Practice

Description

Economics is a funny science. Many of the theories do not seem to work in daily life. But customer lock-in & switching costs is one aspect in which economists have been proved more than right. The use of Oracle products by customers is one of the best examples in this regard.

Oracle's customers are generally locked into consumption of Oracle products. And the cost of consumption (& thus revenue to Oracle) continues to increase annually.

Also, I have called it customer lock-in & not vendor lock-in. There is a difference, though subtle. It is the customer & market network effects that have led to the lock-in. These are tough to break. Reasons & anecdotal evidence for the lock-in and the immense switching costs are discussed multiple times in the book

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