
Strategy Tool

How To Calculate a Scale Curve or Experience Curve

Imagine that you work for a wireless phone carrier that is trying to decide how much money it should invest in marketing and advertising in order to grow its number of subscribers. Calculating a scale curve will let you determine the extent to which increases in the number of subscribers result in corresponding decreases in the cost

per subscriber. The faster that costs per subscriber drop with increases in the number of subscribers, the more money the company can afford to spend to acquire new subscribers.

To calculate a scale curve for a particular product or service, you need the following data: Cost per unit (in this case, the unit = one subscriber) at different levels of company volume (in this case, volume = total number of subscribers).

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