Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	**Martin Žofka**
Advisor:	**Ing. Ivo Koubek**
Title of the thesis:	**Strategic Behaviour upon Market Entry**

OVERALL ASSESSMENT _(provided in English, Czech, or Slovak):_

In the thesis of 40 pages (excluding appendices and table of contents) the author addresses the behavior of firms when the possibility of entering multiple markets arises. The first two sections serve as an introduction to market entry modeling with an extension to multiple-market and variable market size cases. In section 3, the author concerns other possible applications of the previous results to models with restricted access to markets or model with collusive behavior of firms. The main contribution of the thesis can be found in section 4 where the author presents and describes a computer simulation program (developed in C++) for modeling of market entries of two firms.

I have the following concerns:

- The mathematical notation used in the thesis is not properly explained.
- Presentation of results is sometimes quite confusing, e.g., on page 7 line 2 from below, the author refers to a 6x6 matrix and yet only list of 5 rows follows.
- On many occasions the author demonstrates poor English skills. E.g., on page 13 one can find a sentence „The reason, why these expected profits are calculated as shown above is, because we have identical and independent markets, so the choice is determined by probabilities". This sentence does make sense from neither grammar nor mathematical point of view. Unfortunately, sentences of this kind are quite frequent in the thesis.
- Clearly, the author has also poor knowledge of English mathematical terminology. On several occasions he refers to integers as „whole numbers" (e.g. page 16 line 13 from above), wants to „optimalize" instead of optimize (page 6 line 20 from below) and states that „functions meat" instead of intersect (page 41 line 5 from above). The list could go on.
- The author works with outdated references. The paper by Berry and Tamer (2006) is already published in _Advances in Economics and Econometrics,_ Vol2, Cambridge University Press, 46-85. Also the paper by Ciliberto and Tamer that the author refers to as working paper from 2003 got published in _Econometrica_ 77(6), 2009, 1791-1828. Text of these papers could contain serious mistakes and could have been heavily revise. Moreover, the author does not use a unified method for references and writes first name initials of the authors sometimes prior, sometimes after the second name and sometimes not at all.

Overall, despite the fact that the author does not use any advanced mathematical constructions and all mathematical operations are quite clear, the factors mentioned above make the text for the reader hard to follow. Often the explanation and reasoning of a crucial step is so „elaborate" and „fuzzy" that it is hard to understand its role in the model. On the other hand, the computer simulation is impressive and the programming skills required exceeds the standard knowledge of a bachelor student of economics.

Suggested questions for the defense are:

- "In your thesis you concern a lot of generalizations of the initial model and often use reasoning for being closer to reality. However, at the very start you make an assumption that all cost functions and inverse demand function are linear. How realistic is this assumption and can you generalize the model for, say, piecewise-linear or strictly quadratic functions?"
- „On page 8 there is a list of profits of a firm that is the only one entering the market. One would expect that the choice whether to behave as a monopoly, Cournot or Bertrand oligopoly or Stackelberg leader or follower has no affect on the maximized profit in the absence of an opponent. Why is it not the case there?"

Based on the comments above and the summary below, I recommend **"dobře" (satisfactory, 3)**, however, in the case of a well prepared presentation and overall successful defense, I recommend **"velmi dobře" (good, 2)**.

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SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY	POINTS
Literature *(max. 20 points)*	10
Methods *(max. 30 points)*	20
Contribution *(max. 30 points)*	20
Manuscript Form *(max. 20 points)*	7
TOTAL POINTS *(max. 100 points)*	**57**
GRADE *(1 – 2 – 3 – 4)*	**3**

NAME OF THE REFEREE: RNDr. Michal Červinka, Ph.D.

DATE OF EVALUATION:25.8.2010

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	*Average*	*Weak*
20	*10*	*0*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong	*Average*	*Weak*
30	*15*	*0*

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong	*Average*	*Weak*
30	*15*	*0*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong	*Average*	*Weak*
20	*10*	*0*

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	**1**	= excellent	= výborně
61 – 80	**2**	= good	= velmi dobře
41 – 60	**3**	= satisfactory	= dobře
0 – 40	**4**	= fail	= nedoporučuji k obhajobě