Answer on Question #41544, Economics, Microeconomics

Two-part pricing is one of many strategies used by firms that have market power. In a two-part pricing system firms charge a fixed fee for the right to use their goods and then charge a per unit fee for each unit purchased. The benefit of two part pricing for firms with market power is that it allows them to garner larger profits than they normally would at the monopoly price. Essentially firms are extracting more of the consumer surplus and turning it into direct profit. The ultimate two-part pricing scheme would charge a fixed fee equal to the total consumer surplus, thus extracting the most value out of the consumers. Source: Baye, Michael. *Managerial Economics and Business Strategy*. 2006. The chart below illustrates the two part pricing scheme:

Two Part Pricing When Consumer Demand is Homogenous