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AT&T attacks heavy mobile data users with end of unlimited pricing

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U.S. telco introduces tiered pricing for data; analyst suggests tiers will not be 'just right' for many customers.

AT&T on Wednesday made good on its promise to introduce measures to curb excessive mobile data usage on its network.

The U.S. telco has ditched its unlimited pricing plans for data and replaced it with a two-tier system, effective 7 June, that requires users to pay extra for exceeding their data cap.

The top level gives users 2 Gigabytes of data per month for \$25, an allowance it says is sufficient for 98% of its smartphone customers. Translation: 2% of AT&T's smartphone customer base uses a large amount of data per month and will now be required to pay extra for the privilege. \$10 per GB, to be precise.

In addition to the 2 GB "DataPro" tariff, AT&T is introducing "DataPlus", which it describes as "a \$15 per month entry plan". Users get 200 Megabytes of data per month and pay another \$15 for an additional 200 MB if they exceed that cap.

AT&T claims that currently 65% of its smartphone customers use less than 200 MB of data per month.

"We're breaking free from the traditional 'one-size-fits-all' pricing model and making the mobile Internet more affordable to a greater number of people," said Ralph de la Vega, president and CEO of AT&T Mobility and Consumer Markets.

But while the telco insists the new plans will be cheaper for many users, analysts are unconvinced.

"This tiering is clearly designed for a maximum likelihood of either overage charges, or uncertainty prompting upgrade to the next tier," Dean Bubley, founder of Disruptive Analysis told *Total Telecom*.

He estimates that an average active iPhone user consumes 200 MB-600 MB of data per month, making it difficult for many to choose the lower-tier plan.

"It's the sort of pricing plan that possibly maximises revenue, but also increases customer frustration," Bubley said. "It's a Goldilocks plan - either 'too much' or 'too little', but not 'just right'.

AT&T hit the headlines late last year when customers began complaining about poor network quality as increased smartphone – iPhone in particular, since the telco still has exclusivity in its home market – usage caused capacity bottlenecks. In December, de la Vega revealed the company would introduce a series of incentives to encourage users to cut back their data consumption.

However, it could be some time before AT&T feels the benefit of its tiered plans. Existing customers are not required to switch to the new tariffs, and very heavy data users are unlikely to give up their unlimited tariffs. Furthermore, if, as Bubley suggests, many customers err on the side of caution and go for the upper tier plan despite being relatively low users, where is the incentive for them to be careful with how much data they use?

In addition to the two tariff plans, AT&T also introduced a tethering tariff. For an additional \$20 per month, smartphone (including iPhone) users can hook their handsets up to a laptop or other computing device and use it as a modem.