Data For Sale: $10 Per GB

Talk of shared data plans always stirs up debate in this industry. In fact, any tinkering with how data is priced and managed, including the much maligned (at least amongst end users) practice of "throttling," which sounds an awful lot like corporal punishment.

In mid-May, Andrew Sherrard, senior vice president of marketing for T-Mobile USA, posted a blog [1] on the company's website that refutes the wisdom of shared data plans, calling them a "one-size-fits-all approach" to be avoided. Sherrard argues that "consumers today do not want a 'one size fits all' approach to shared family data plans, nor would they benefit from that model."

To summarize, the crux of Sherrard's argument hinges on free hotspot functionality in conjunction with throttling, the practice of reducing the speed of a user's connection after they have exceeded their allotted data for the month. T-Mobile currently offers 5 and 10 GB allotments, after which users are slowed to a crawl.

"So rather than needing to account for each device on a shared family data plan, customers can use their existing data plan to power multiple devices, while still saving hundreds of dollars annually," Sherrard argues, referring to hotspot functionality.

Calling these "unlimited" plans is disingenuous and ignores the fact that even 10GB is not really a lot of data when you're talking about running a smartphone, tablet and laptop over that connection. And when the user exceeds that cap, they're left to surf the Web at what many claim is a nearly unusable crawl.

T-Mobile isn't alone in this practice. AT&T has implemented a strict throttling policy for its unlimited customers once they've exceeded just 3GB.

T-Mobile's Ultra plan features unlimited talk and text and costs $229 for 10GB shared between two lines. Users can add an additional line with unlimited talk and text to that plan for $30. T-Mobile's next step down is the Premium plan, which features everything included in the Ultra plan but only 5 GB of data instead of 10 GB. So figure 5GB of T-Mobile data costs about $60.

Verizon Wireless currently offers 5GB of data for $50 per month, or 10GB of data for $80, with each additional 1GB of data costing $10. There's no throttling here. Users just pay for what they use and it's all at the same speed.

I've argued against the shared data plan as well, but when I really stop and consider Sherrard's argument, I think I'd rather pay by the bit and get what I pay for. The fact of the matter is that given the spectrum crunch, data really is a limited resource and we can expect to be charged for what we use, same as with any utility, whether

it be water, electricity or data.

Bottom line: For now at least, the going rate on data is right around $10 per GB and carriers will be incentivizing and differentiating off of that industry average. Over the next 12 months, I'm guessing we're going to see similar promotions to those we saw around texting and voice minutes. And who knows? We might even see content providers subsidizing bandwidth in order to attract customers.

When I think about throttling, my mind inevitably goes to analogies that are not pleasing. What if you exceed your annual miles on a leased vehicle and the car was suddenly governed at 25 mph? I don't know too many people who would be OK with that deal, and I'm not sure T-Mobile will be able to get away with the one they're offering for very long either. As for AT&T, I think the throttling is just unpleasant enough it might push a good majority of its unlimited customers onto tiered plans.

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