Pricing a Gig

TONY WORTHINGTON

How to price a gigabyte of data is a dilemma confronting India's mobile operators as they steadily build up their 3G subscriber bases.

They are not alone in this dilemma. Operators worldwide have been scratching their heads for the past decade in an attempt to decide the optimal pricing model for data.

The consensus seems to be that they still haven't got the pricing right. CEOs such as Vodafone's Vittorio Colao remark with frustration that heavy data usage congests networks with users often paying less than their monthly voice and SMS contracts.

To put things in perspective, let's look back a decade when many of us were looking to justify the very high prices of 3G licences in Europe and North America. We produced models showing 3G subscribers would pay around $10 to watch a football or cricket match on their tiny 3G handsets (which barely existed then). What a load of nonsense that proved to be.

But that period of frenzied financial modelling started a pricing debate which is still raging today.

A decade on, we now have a range of versatile and powerful devices from which we can enjoy data and video. In addition to the 3G mobile handset and laptop, we now have the broad range of tablets, led by the iPad, which are fuelling data growth.

Instead of watching streamed football matches, we are now watching video on demand via YouTube and accessing practically any Internet site in the world at a time of our choosing.

For the operator, the download of bandwidth intensive data can congest networks which, as users in the likes of Mumbai and Delhi know, are often clogged at peak times just with voice and SMS traffic.

The rollout of 3G infrastructure over the past year by India's leading operators has helped alleviate congestion somewhat but as the rate of 3G subscriber growth accelerates, networks will start to become congested once more.

Thus the dilemma facing operators price a gigabyte of data to attract subscribers and stimulate usage but not to the extent of clogging networks.

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REUTERS

A woman walks next to a 3G phone advertisement in Bangkok.

Today in India, the 3G players seem to be pricing 2GB of data per month at a price of around 750 rupees ($17). This rate seems reasonable in the UK for example my data tariff with Vodafone is £12.50 per month ($19).

In Hong Kong a very mature and highly competitive market it is now possible to obtain an unlimited data package for US$14 per month.

There are differences between the UK/Hong Kong and India 3G markets though. The UK market is mature, with around 36 million 3G subscribers as at April 2011. Hong Kong had 6 million subscribers at the same date. India's 3G market only started in early 2011.

Here is where the dilemma kicks in. The UK and Hong Kong operators should theoretically be aiming to cool off usage through edging up data tariffs whereas their Indian peers should be stimulating usage. Yet the tariff packages are broadly the same.

These prices are for domestic data usage. When travellers want to use their devices on overseas travel, data tariffs can be incredibly high similar to international voice charges 20 years ago.

As an example, I was surprised to have been charged £25.50 ($39) per day by Vodafone for a maximum of 500MB of data when on a recent business trip to South Africa. And this was over VodaCom Vodafone's 65 percent owned subsidiary.

So Vodafone are probably underpricing me in my home market but grossly overcharging me when I travel overseas.

India's operators are busy analysing relatively mature 3G markets internationally for pricing guidance. But as the above example shows there are still substantial inconsistencies in supposedly mature markets.

The message for potential 3G subscribers in India is get signed up now. Network operators want your business and tariff levels compare reasonably on an international basis.

Be careful though when using your device overseas for mobile data as your bill for daily usage will dwarf your domestic monthly bill, at least for now.

The writer is the global head, telecoms, media and technology at Standard Chartered. The views expressed are the author's own.

Caviar makes itself at home in the oil-rich UAE desert

AFP, *Abu Dhabi*

Far away from the Caspian Sea, sturgeon are raised in ponds cooled in the heart of the Gulf desert of Abu Dhabi, carrying in their wombs a form of black gold strange to these countries -- caviar.

Production of the desert-grown caviar will begin later this year and by 2012, consumers in the oil-rich Gulf region will begin savouring the "food of the kings".

"Abu Dhabi is an ideal location for distribution of the world's growing markets for high-quality caviar and sturgeon fillet. In fact, in the UAE alone, demand is around 14 tonnes per year," said Robert Harper, Group Commercial Director at the Royal Caviar Company.

The first stock of fish was brought in to the United Arab Emirates from Germany and the factory, which will breed its own fish in future, aims eventually to produce 35 tonnes of caviar per year.

In the 50,000-square-metre (538,000 square feet) factory, in the Abu Dhabi's industrial zone, special equipment is used to clean water using a biological filtration system with a semi-automated feeding system.

The group also plans to finally produce its own fish food.

In another room, technicians in lab coats in carefully place the anaesthetised female fish on a marble slab, where she undergoes an ultrasound test to check for the presence of caviar, the results of which could either show no eggs, white eggs or the precious black caviar eggs.

"In this micro-environment, the sturgeon has no natural predators, and its mortality rate is extremely low," says Harper. "Caviar lovers can enjoy legally and ethically produced caviar."

Meanwhile, Ahmad al-Dhaheri, CEO of Bin Salem Holding group, which owns the The Royal Caviar Company, told reporters: "The sturgeon are threatened with extinction in its natural habitat in the Caspian Sea and by producing it here, we are helping protect this species of fish."

The waste water will be used to water green areas in the desert emirate of Abu Dhabi, said Dhaheri.

The project costs $115 million, according to the chief financial officer of the parent company, Michel Nassour.

The UAE-made caviar will be sold at prices between four and six dollars per gram, said Harper, similar to the prices of Caspian Sea caviar.

The factory will also produce up to 700 tonnes of fresh and smoked sturgeon meat every year.

"Genuine" caviar is prized worldwide as a luxurious and highly expensive product due to the scarcity of the sturgeon and the long time it takes to the fish to carry the sought-after black eggs.

A sturgeon does not yield caviar until after four-and-a-half years, when its weight reaches around 10 kilogrammes, one-tenth of which would be pure caviar, said Christoph Hartung, chairman of United Food Technologies, the German partner in the project.

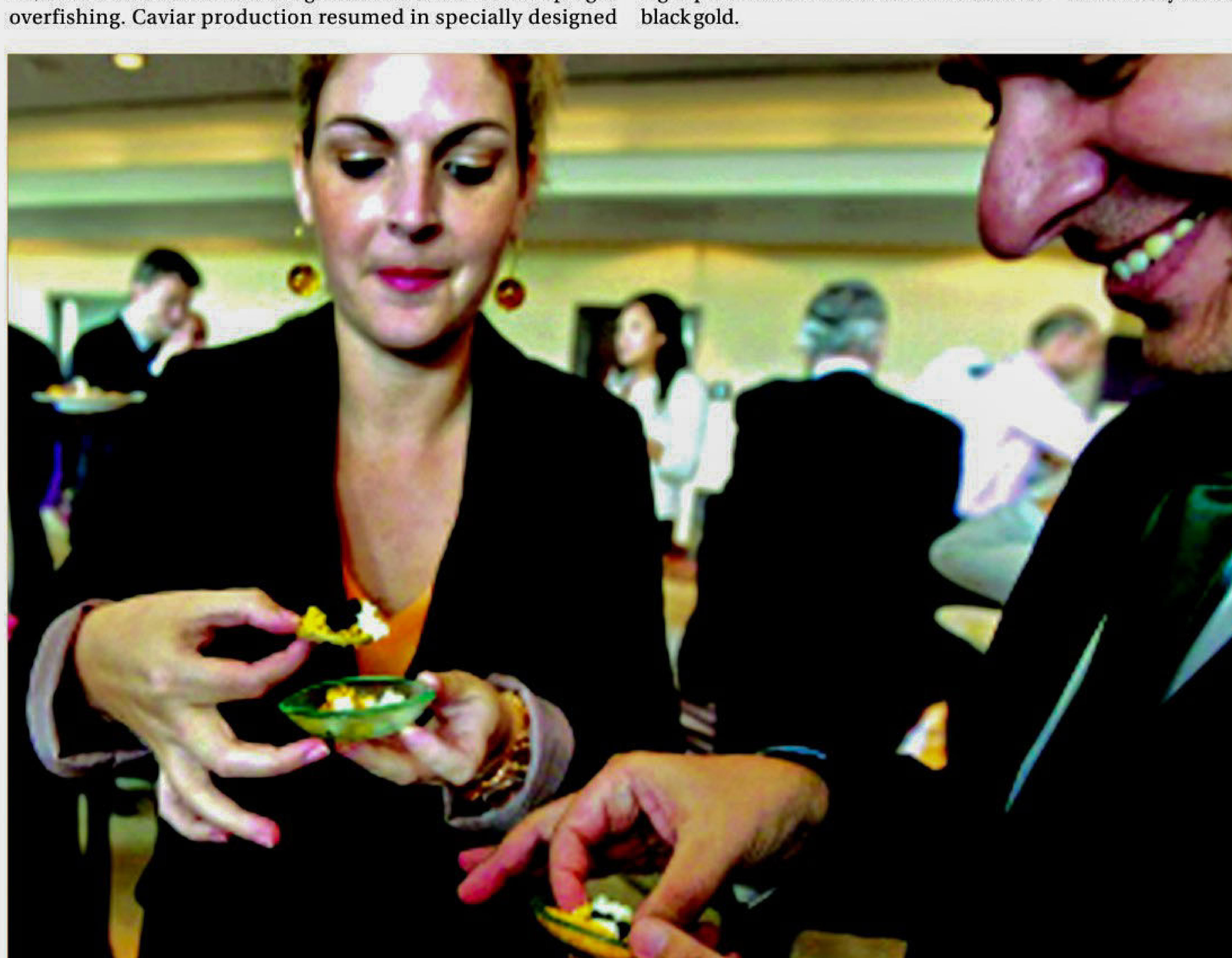
"The caviar of the desert will be excellent," said Hartung.

The finest caviar comes from the Caspian Sea, where Iran is a leading producer.

Russia, the world's second-largest official producer of caviar, banned the harvest of sturgeon caviar in 2006 to help fight overfishing. Caviar production resumed in specially designed farms in 2010.

The Abu Dhabi-based factory, which began operations in 2008, currently has nearly 18 tonnes of fish with 124 more tonnes to arrive this year.

They will give birth to what the company says is the "first generation of local" sturgeon in the Emirati capital, which sits on almost eight percent of the world's reserves of oil -- the country's other black gold.



AFP

Guests taste samples of caviar produced by the Royal Caviar Company owned by UAE's Bin Salem Holding following a press conference in Abu Dhabi on June 7. Bin Salem Holding announced the launch of the Royal Caviar Company, the Middle East's first and largest caviar farm.

The UAE-made caviar will be sold at prices between four and six dollars per gram, similar to the prices of Caspian Sea caviar. The factory will also produce up to 700 tonnes of fresh and smoked sturgeon meat every year