

History of Internet Pricing

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Introduction

- Landmarks
 - Early 19th century: Mail services
 - Early 20th century: Telephone services
 - 1991:
 - NSF lifts restrictions on commercial use of NSFNET.
 - Commercial services on GSM
 - Military parted ways. WWW browser comes into existence.

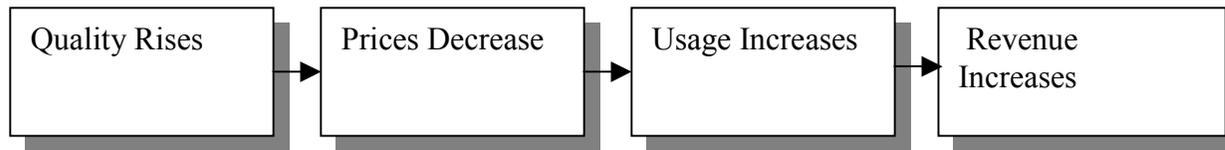
Evolution of Pricing

- Pricing Trends: In Retrospect
 - Legacy systems [Mail & POTS]
 - Moves from complicated to a flat model.
 - Cost, an initial impediment for POTS.
 - Time of day variation, distance dependence.
 - Fixed Internet
 - Residential Access
 - Combination of flat and time-based model until 1996.
 - Emails charged.
 - Majority currently follows flat pricing model.
 - Leased lines
 - Based on Static contract parameters, dynamic parameters.
 - Prices are distance independent.
 - International circuit priced higher than domestic ones.
 - Bursty rate model.

Evolution of Pricing cont'd

- Interconnection
 - Peering Agreements
- Services
 - Advertising Pricing Model
 - Subscription models, eg: e-journals
- Mobile (Internet) services
 - Metered/Usage-based
 - Pre-Paid and Post-Paid
 - Block Pricing
 - I-mode Pricing
 - Message pricing

- Service Life Cycle



- Pricing models: Proposed

- Paris Metro pricing
- Edge Pricing
- Congestion-based pricing

- Observations

- Flat pricing model is dominant
- Customers need simplicity
- Lack of content-based pricing.

Observations cont'd

- Mobile vs Fixed Internet
 - Mobile services have personal focus and are location sensitive.
 - Relationship between value and pricing required.
 - Co-branding of content.
 - Walled Garden approach unsuccessful
 - Virtual community based services
 - Trust: Advantage Mobile
 - Tiered Pricing
 - Pre-paid service customers
- Open Issues
 - Flat vs Usage-based pricing?
 - Carriers: Dumb pipes?
 - Revenue sharing models?