Overview of the Internet Domain Name Industry

Regional Workshop on Arabic Domain Names and Internet Governance
14 November 2009, Sharm El Sheikh

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The Business of Domain Names

- The domain name industry is currently shaped following a gradual build-up since the formation of IANA in 1972 to the formation of ICANN in 1998.
- The market structure includes several entities:
  - **Registry**: authoritative master database of all domain names registered in a certain TLD, it enters into an agreement with ICANN;
  - **Registrar**: is an organization or commercial entity which manages the reservation of Internet domain names;
  - **Reseller**: a party that has entered into an agreement with an ICANN Accredited Registrar to register domain names on its behalf;
  - **Registrant**: the individual, company or organization holder of the domain name.

The TLD Industry

- The TLD industry emerged as a revenue-making industry as a result of increasing demand for new registrations.
- User demand increase is a result of growth of Internet users worldwide and consideration of TLDs as “landmarks”.
- Internet users have increased to over 1.7 billion by September of 2009. A 380% increase since the year 2000.
- Competition amongst registrars has been the driving force behind promotions and campaigns.
- In the gTLD space, over 900 ICANN Accredited Registrars currently operate in the domain registration business worldwide.
Growth of the TLD Industry

- At mid 2009, domain name registrations reached 184 million across all TLDs (9% growth over one year).
- .com (a gTLD) remains the leader in the number of registrations followed by .cn (China’s ccTLD) and .de (Germany’s ccTLD), then .net and .org (both gTLDs).
- This same order remains the same as one year ago.

Growth of New Registrations

- Around 11.8 million new domain names were registered in all TLDs in Q1 of 2009.
- Leading the way are .com and .net.
Competition Between gTLDs & ccTLDs

- gTLDs and ccTLDs are no longer studied separately. Both compete in one market seeking to acquire more registrations and maintain steady growth.
- .com remains the biggest in terms of gTLD registrations, with over 80 million registered domain names.
- The pricing schemes adopted by registrar’s are open, thus allowing for varied options, packages and costs of registration.

ICANN Revenues

- All actors in the TLD industry are revenue-making, to varying degrees.
- Registry-ICANN payments as well as Registrar-Registry payments are governed by agreements.
- The following table shows ICANN revenues in US$.

<table>
<thead>
<tr>
<th></th>
<th>FY09 Budget</th>
<th>FY08 Budget</th>
<th>FY08 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>gTLD Registrar</td>
<td>30.9 million</td>
<td>26.7 million</td>
<td>28.0 million</td>
</tr>
<tr>
<td>gTLD Registry</td>
<td>25.1 million</td>
<td>19.7 million</td>
<td>19.7 million</td>
</tr>
<tr>
<td>RIR</td>
<td>0.8 million</td>
<td>0.8 million</td>
<td>0.8 million</td>
</tr>
<tr>
<td>ccTLD</td>
<td>2.3 million</td>
<td>1.8 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>Other</td>
<td>1.5 million</td>
<td>1.3 million</td>
<td>1.2 million</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>60.7 million</td>
<td>50.3 million</td>
<td>51.0 million</td>
</tr>
</tbody>
</table>

Source: ICANN Adopted FY09 Operating Plan and Budget for the fiscal Year Ending 30 June 2009
ICANN Revenues from Registries

<table>
<thead>
<tr>
<th>gTLD</th>
<th>Fixed Fee</th>
<th>Fee per Trans</th>
<th>Trans Volume</th>
<th>Trans Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>.com</td>
<td>12,000,000</td>
<td>-</td>
<td>88,039,476</td>
<td>-</td>
<td>12,000,000</td>
</tr>
<tr>
<td>.pro</td>
<td>121,900</td>
<td>6,283</td>
<td>-</td>
<td>121,900</td>
<td></td>
</tr>
<tr>
<td>.tel</td>
<td>50,000</td>
<td>n/a</td>
<td>-</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>.aero</td>
<td>5,000</td>
<td>7,331</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>.coop</td>
<td>5,000</td>
<td>3,510</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>.museum</td>
<td>500</td>
<td>n/a</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>.cat</td>
<td>10,000</td>
<td>$1.00</td>
<td>15,349</td>
<td>15,349</td>
<td>25,349</td>
</tr>
<tr>
<td>.jobs</td>
<td>10,000</td>
<td>$2.00</td>
<td>19,374</td>
<td>38,748</td>
<td>48,748</td>
</tr>
<tr>
<td>.travel</td>
<td>10,000</td>
<td>$2.00</td>
<td>38,225</td>
<td>76,450</td>
<td>86,450</td>
</tr>
<tr>
<td>.net</td>
<td>-</td>
<td>$0.75</td>
<td>13,108,660</td>
<td>9,870,060</td>
<td>9,870,060</td>
</tr>
<tr>
<td>.biz</td>
<td>-</td>
<td>$0.15</td>
<td>2,114,845</td>
<td>317,173</td>
<td>317,173</td>
</tr>
<tr>
<td>.info</td>
<td>-</td>
<td>$0.15</td>
<td>5,557,897</td>
<td>833,691</td>
<td>833,691</td>
</tr>
<tr>
<td>.name</td>
<td>-</td>
<td>$0.15</td>
<td>299,271</td>
<td>44,891</td>
<td>44,891</td>
</tr>
<tr>
<td>.org</td>
<td>-</td>
<td>$0.15</td>
<td>7,996,500</td>
<td>1,004,475</td>
<td>1,004,475</td>
</tr>
<tr>
<td>.mobi</td>
<td>-</td>
<td>$0.75</td>
<td>610,789</td>
<td>456,092</td>
<td>456,092</td>
</tr>
<tr>
<td>.asia</td>
<td>-</td>
<td>$0.75</td>
<td>182,862</td>
<td>137,147</td>
<td>137,147</td>
</tr>
</tbody>
</table>

Source: Adopted FY09 Operating Plan and Budget for the fiscal Year Ending 30 June 2009

ICANN Decision for New gTLDs

- Limited number of available gTLDs limit market dynamics and affect new registration growth.
- The .com gTLD has become overcrowded.
- It is assumed that assigning new gTLDs will re-stimulate demand.
- A latent demand for new gTLDs is perceived as follows:
  - demand from cities, regions and regional organizations (similar to the .cat sTLD for the Catalan culture and language);
  - demand from countries, communities and organizations that use non-Latin script, in order to adopt gTLDs and ccTLDs in IDN formats;
  - demand from the domain name industry itself, and more in particular certain categories of domain name registrars and resellers;
  - demand from companies or organizations planning to roll-out more innovative uses of the DNS (similar to the launch of .TEL sTLD end of 2008).
- The opportunity for “.arab” must thus be seized in view of market and industry opportunities.
Registrar’s Regional Perspective

• Registrars function as middlemen between the TLD registries on the one hand and the registrants – or domain name owners – on the other;
• They act on a regional basis reaching out to locations worldwide to achieve larger market access;
• Not all regions have sufficient numbers of accredited registrar’s to accommodate the new wave of gTLDs. In the Arab region, for example, only two ICANN accredited registrars are available;
• The opportunity is thus available for:
  – Establishing new registrar’s to accommodate the wave of new gTLDs;
  – Enabling ccTLDs are able to assume the role of domain name resellers for new gTLDs;

<table>
<thead>
<tr>
<th>Company</th>
<th>Website</th>
<th>Location</th>
<th>Total Domains</th>
<th>GMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO DADDY</td>
<td><a href="http://www.godaddy.com">www.godaddy.com</a></td>
<td>USA</td>
<td>26,173,278</td>
<td>25.7%</td>
</tr>
<tr>
<td>ENOM INC</td>
<td><a href="http://www.enom.com">www.enom.com</a></td>
<td>USA</td>
<td>8,638,636</td>
<td>8.5%</td>
</tr>
<tr>
<td>NETWORK SOLUTIONS</td>
<td><a href="http://www.networksolutions.com">www.networksolutions.com</a></td>
<td>USA</td>
<td>6,645,246</td>
<td>6.5%</td>
</tr>
<tr>
<td>TUCOWS INC</td>
<td><a href="http://www.tucows.com">www.tucows.com</a></td>
<td>CANADA</td>
<td>6,449,293</td>
<td>6.3%</td>
</tr>
<tr>
<td>MELBOURNE IT</td>
<td><a href="http://www.melbourneit.com">www.melbourneit.com</a></td>
<td>AUSTRALIA</td>
<td>4,948,804</td>
<td>4.9%</td>
</tr>
<tr>
<td>KuwaitNET</td>
<td><a href="http://www.kuwaitnet.net">www.kuwaitnet.net</a></td>
<td>Kuwait</td>
<td>1910</td>
<td>0.002%</td>
</tr>
<tr>
<td>TAGIDOMAINS</td>
<td><a href="http://www.tagidomains.com">www.tagidomains.com</a></td>
<td>Jordan</td>
<td>797</td>
<td>0.001%</td>
</tr>
</tbody>
</table>

Recent Initiatives

Overview of recent new gTLD launches:
• .EU (2005): > 3 million domain names
• .MOBI (2006): close to 1 million domain names
• .ASIA (2007): about 240,000 domain names
• .TEL (2009): about 250,000 domain names

Important success factors:
• Robust technologies and policies, strong vision of the registry
• Access to key distribution channels
• Awareness of the TLD and user adoption
• Aftermarket
Outlook

• **gTLDs**
  – Expansion as of 2010 / 2011: ICANN’s New gTLD Program
  – Extensions in Standard Latin Script + Internationalised Domain Names (IDNs)

• **ccTLDs**
  – ICANN’s ccTLD Fast Track: implementation of IDNs at the top level finalised (commenced three weeks ago, during ICANN’s Annual Meeting in Seoul)

• **New initiatives can be taken**
  – by countries: extensions in familiar scripts
  – by regions, cities and language communities: community-based gTLDs
  – by others: companies, organisations, brand owners, …

The .ARAB Initiative

• **Initiative taken by the League of Arab States, in close collaboration with UN ESCWA**

• **Extension for Arabic language community**
  – .ARAB in Standard Latin script + Arabic (عربي)

• **Pre-feasibility study by UN ESCWA**
  – ICANN Application and Evaluation Process
  – Arab identity in the domain names space
  – Strategic posture and market considerations
  – Implementation related issues
  – Financial estimates
  – Proposed milestones and time-plan
The .ARAB Initiative

- Legal aspects
- Local considerations
- Governance structure
- Organisational structure, management and staffing
- Technical setup
- Infrastructure

- Looking at previous similar initiatives
  - .EU
  - .ASIA

Thank You