



# Myth & Fact: New gTLDs, Registries & Registrars

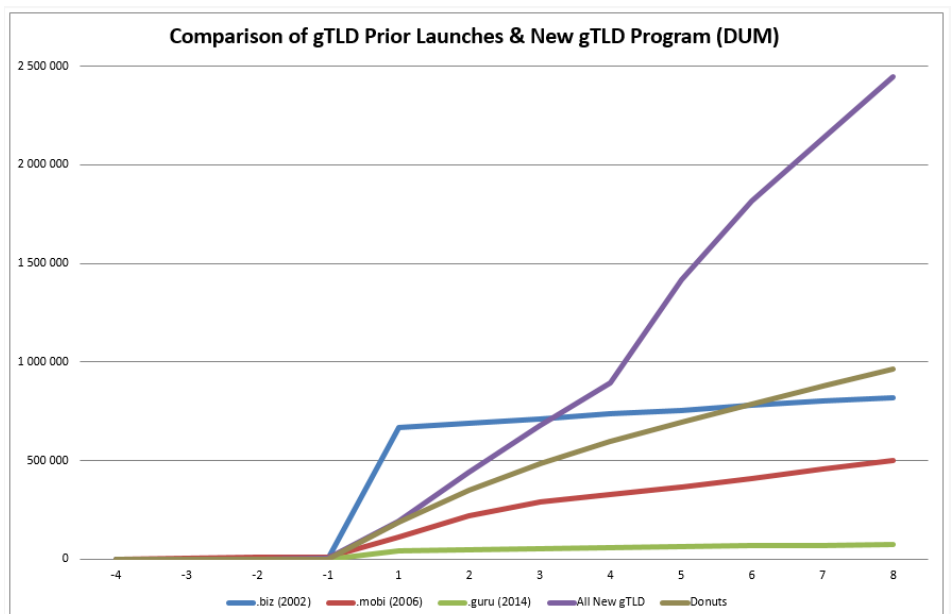
By Architelos Inc. – Sponsored by CENTR  
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**Introduction:** In August of 2014, CENTR commissioned Architelos to conduct a study documenting the new gTLD sales channel and registry-registrar dynamic. The goal of the study was to review the most prevalent beliefs and predictions prior to the launch of new gTLDs and determine what if any had thus far proven to be accurate, and draw lessons learned from each. The agreed approach was to document the top expectations by or concerning the registrar channel for new gTLDs and determine nine (9) months into the program, which were borne out by facts thus far, which had proven to be a myth, and which were simply too early to tell. We labeled the study “Myths & Fact: New gTLDs, Registries & Registrars”. As part of the analysis, we undertook independent research, conducted ten (10) one-on-one interviews with C-Level executives at prominent registrars and new gTLD registries, as well as asked CENTR to conduct a survey of its membership. The following is an initial summary of our findings. We identified six widely held or prominent predictions, none of which has been borne out by facts thus far. Of the six almost all are judged to be a myth, save two, which we deemed too early to call. We note that there are many moving parts and variables in the program and welcome discussion and feedback on the material presented.

## Setting the context

This is not the first time that new gTLDs have been launched, so to set the context we compared some current and prior gTLD launch data, to see if there is any correlation with the current launches, and why or why not. The graph below contains five launch curves: .biz (2002), .mobi (2006), .guru (2014), all Donuts’ strings (2014) and all new gTLD strings combined(2014). The data spans nine months of performance. The marked contrast in the different slopes of the launch curves is notable. The wide-subject generic .biz registry launched in 2002 and within the first month exceeded 600,000 domains registered before settling into a slow but steady growth pattern of 3% month over month. Whereas the narrow-subject generic .mobi launched four years later with substantially less domains within the first month or 100,000 but then grew an average 26% month over month to almost 500,000 by month 8, but it still lags 40% below .biz in total volume.

We then compared these launch profiles to .guru, possibly the highest volume new gTLD in which (we believe) all domains have been purchased. Although hard to discern from the scale of the graph, the growth curve is generally similar in profile, but not volume to .biz or .mobi, in that the first month saw over 40,000 domains and 9% average month over month growth has been steady up to over 70,000 domains by month 8.



Graph 1

If we look at the entire new gTLD program, the new strings have resulted in almost 2.4M domains in eight months with an average growth of 47% month to month. The Donuts strings in total are almost 1M domains, with an average growth of 28% month-to-month in the same time. When one looks at the aggregate view, 2.4M domains would rank the total new gTLD program as 18<sup>th</sup> largest TLD by domain volume between Poland (.pl) at 2.5M and Canada (.ca) at 2.3M domains. Similarly, Donuts would rank around 31<sup>st</sup> largest TLD between South Korea (.kr) and South Africa (.za) by our estimates. Are these impressive achievements? Perhaps not, since measuring success by domain name volume alone can be misleading.

### **#1: “Brand Registrars will sell a lot of defensive registrations.**

Several organizations (American Advertising Association (ANA), Fairwinds/CADNA, IP and the Trademark lobby and others) predicted that brands would have to spend a considerable amount of money to protect their trademarks and brands within the new gTLDs. ANA even went so far as to quote the cost to brands at “billions of dollars”<sup>1</sup>. The Trademark Clearing House was likewise built to accommodate hundreds of thousands of registrations. Yet today it can claim roughly 30,000 registrations, far below expectations.

At the time of our analysis in September 2014, CSC and MarkMonitor each had roughly 10,000 domains registered. It is unclear how many TLDs each covered, but if it was 100 TLDs that is an average of 100 brand registrations per new gTLD, or if 200 TLDs, then an average of 50 registrations per new gTLD. So what happened? The answer is nothing other than what we should have expected if we had looked at past trends. A 2009 study<sup>2</sup> showed that among the seven most common legacy gTLDs, less than 200,000 names were registered across all the TLDs — but only three percent were registered by the same entity, or about 6,000. In other words, the vast majority of trademark holders are not registering their trademarks in all the current legacy gTLDs, let alone *all* the TLDs, so why would they change that approach for new gTLDs? Brands learned long ago that the volume of relevant traffic is the main determinant of whether to purchase names in a TLD or not. Lacking the incentive of capturing traffic or the threat of missing out on it, brands did not register in the volumes or numbers that had been predicted.

For those brands still concerned about registrations Donuts, the largest portfolio applicant, offered the trademark community an innovative and easy alternative. Building on the .xxx approach of domain blocking, the Donuts Protected Marks List (DPML) allowed a brand to pay for a domain to be not activated in the TLD. Brands could “register” their trademarks in DPML to block their marks across 150+ Donuts TLDs for 5 years at \$445/year/mark,<sup>3</sup> or \$2,225. The equivalent market cost for an otherwise defensive registration across the same TLDs would be \$22,500 at \$30 per/year in 150 TLDs for 5 years. The DPML solution was effectively 10 % of the traditional alternative, saving those brands that elected to block their brands over 90%. **Judgment: “Myth”**

### **#2: “Domain pricing will have to be similar or less than .com to compete”**

New TLDs were expected to offer one wholesale price for the TLD, with prices anticipated to be low to compete with .com. In addition, premium name programs were predicted, which would allow registries to cash-in early. In reality, most new gTLDs are priced at 2-3 times the cost of .com with some at \$1,000 (.luxury) or even some rumored to be over \$100,000 per name. Tiered pricing has been introduced where a TLD does not have one uniform price, but rather up to eight tiers of pricing that carries through upon renewal. Premium name auctions have been disappointing, as evidenced by recent auctions such as .global that raised \$69,530 by selling 35 of 82 names<sup>4</sup>. Other new gTLDs such as .Berlin and .xyz have opted to give away domain for free. The effectiveness of this strategy will be apparent when these domain names come up for renewals. **Judgment: “Myth”**

<sup>1</sup> Dan Jaffe testimony at Senate hearings on “ICANN Expansion of Top Level Domains” Dec 8, 2011  
[http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord\\_id=22f4a71e-93e9-4711-acc3-3ed7f52277cc&ContentType\\_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group\\_id=b06c39af-e033-4c3a-9221-de668ca1978a](http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=22f4a71e-93e9-4711-acc3-3ed7f52277cc&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4c3a-9221-de668ca1978a)

<sup>2</sup> [http://www.circleid.com/posts/20090202\\_analysis\\_domain\\_names\\_registered\\_new\\_gtlds/](http://www.circleid.com/posts/20090202_analysis_domain_names_registered_new_gtlds/)

<sup>3</sup> [http://www.enom.com/brand-protection/?utm\\_campaign=adwDPML&utm\\_source=googlers&utm\\_medium=search&utm\\_content=DPML](http://www.enom.com/brand-protection/?utm_campaign=adwDPML&utm_source=googlers&utm_medium=search&utm_content=DPML)

<sup>4</sup> <http://www.domainnews.com/global-auction-results-35-domain-names-sold.html>

### #3: “The path to market is through us – the registrars”

Some registrars believe that they own the customer relationship and registries will have to accept their commercial terms. From their perspective, the ownership of the customer is determined by whoever bills the customer, and/or communicates with the customer for account maintenance and service purposes. Many of these registrars expected that they would be able to pick and choose which gTLDs they would list, exacting a placement fee (“pay to play”) for premium listing space. After nine months the results are mixed. There has been a strong battle between new registries and registrars on commercial terms – with a slight nod to registries securing pricing flexibility. Larger registrars have been reported to be more choosy, while smaller registrars are less so and therefore lacking focus on any specific segment or niche. There does not appear to be much “pay to play”, but large players such as GoDaddy can expect to derive either a hefty ad placement fee and/or heavy discounts in return for being featured. As a whole however, registrars do not appear able to service niche industry or market sectors such as those required for narrow-subject new gTLDs. Still, 2.4M names have been “registered”. The battle for who owns the customer is in full swing. **Judgment: “Too early to tell”**

### #4: “Registrar New gTLD share will follow prior gTLD industry market share”

It was expected that it would be difficult for smaller registrars to integrate many new gTLDs, as it would take several weeks of technical integration per TLD. It was also expected that the larger .com/.net/.org registrars will be better positioned to sell new gTLDs. Table 1 shows the top 15 registrars based upon two rankings: 1) .com/.net/.org share and 2) new gTLD share. As can be seen from the rankings, only five of the top 15 C/N/O Registrars are in the top 15 for new gTLDs. NetSol takes the rank 1 position in new gTLDs, primarily due to their .xyz promotion campaign. That means that 10 of the top 15 new gTLD registrars are newcomers (Uniregistrar), or finding greater proportional success in new gTLDs. **Judgment: “Myth”**

<u>Registrar</u>	<u>C/N/O</u>	<u>New gTLD</u>	<u>Registrar</u>	<u>New gTLD</u>	<u>C/N/O</u>
GoDaddy	1	2	NetSol	1	3
eNom	2	3	GoDaddy	2	1
NetSol	3	1	eNom	3	2
TUCOWS	4	11	1&1	4	5
1&1	5	4	United	5	Not in Top 15
MIT	6	Not in Top 15	PSI	6	Not in Top 15
Wild West	7	Not in Top 15	GMO	7	Not in Top 15
Register.com	8	Not in Top 15	Uniregistrar	8	Not in Top 15
Resellerclub	9	Not in Top 15	Hexonet	9	Not in Top 15
Key-Systems	10	Not in Top 15	XinNet	10	Not in Top 15
Moniker	11	Not in Top 15	TUCOWS	11	4
FastDomain	12	Not in Top 15	RESERVED	12	Not in Top 15
StratoAG	13	Not in Top 15	Name.com	13	Not in Top 15
Onamae	14	Not in Top 15	Mesh	14	Not in Top 15
OVH	15	Not in Top 15	101Domain	15	Not in Top 15

Table 1

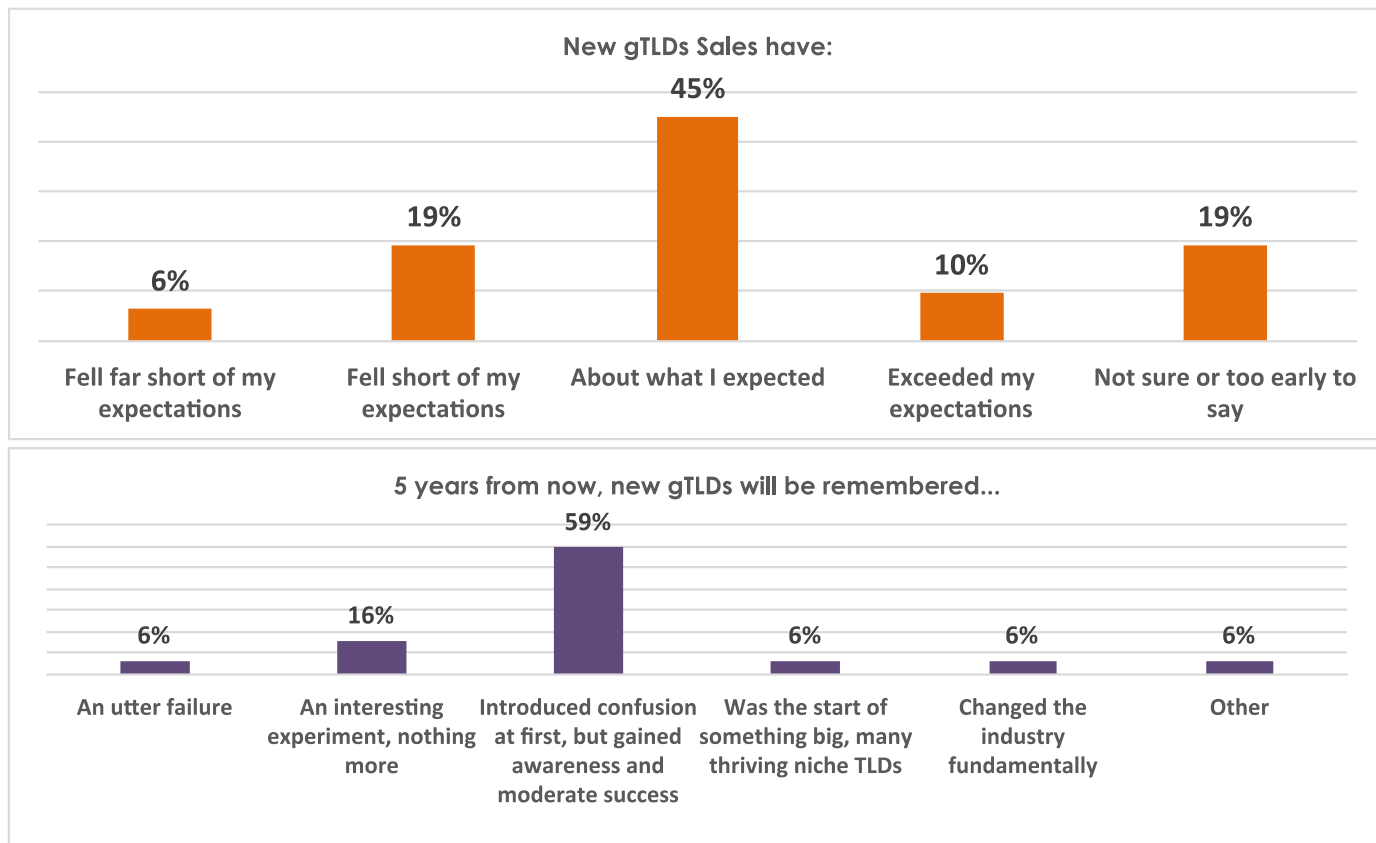
### #5: “Registrars will dictate standards of technical integration for new gTLDs”

“If you want to sell through us, make it easy for us to integrate your TLD into our existing registrar platform”. This makes eminent sense at face value. The challenge is that each new gTLD is pursuing a commercial strategy that is uniquely dictated by their investment strategy and return targets. The new gTLDs have seen that premium auctions would not deliver the revenues they erstwhile expected. To cope with that and extract as much revenue from their domain inventory as early on as possible, some new gTLDs have introduced tiered pricing or “Early Access Pricing”. Each of these pricing models requires non-standard technical solutions to allow large volumes of registrations at scale. Out-of-band or one-off pricing tables and caching solutions have been rapidly implemented to enable registrars to meet the variable pricing models of many TLDs. The variety of new gTLD pricing methods reflects the

systemic pressures that occur when “regulated” industries begin the process of “deregulation”. More collaboration is needed to define “new pricing standards”. **Judgment: “Myth”**

**#6: Survey: New gTLDs will \_\_\_\_\_ (fill in the blank)**

There were (are) about as many opinions about the new gTLD program as there are applicants. In an effort to uncover some initial data on how expectations and opinions have progressed in the first nine months, we asked CENTR to submit a survey with two questions to its membership: 1) How have new gTLD sales met your expectations? and 2) Five years from now, how will this round of new gTLDs be remembered? Approximately thirty respondents completed the survey. Graph 2 presents the results.

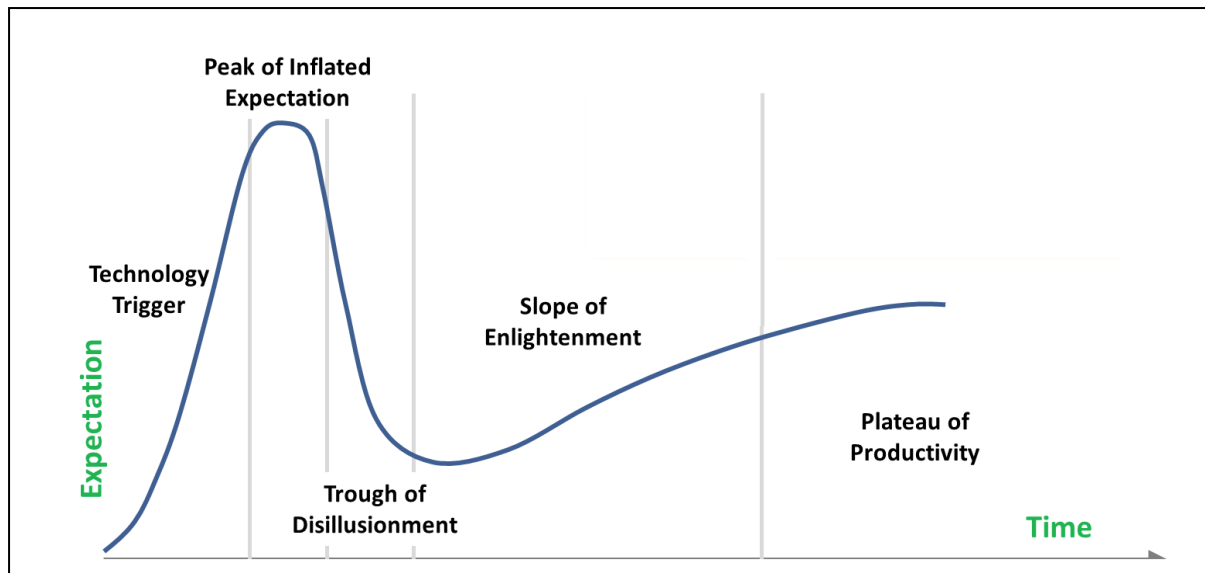


**Graph2**

Regarding the first question of have new gTLD sales met expectations. Forty five percent responded “About what I expected” with another 19% responding that new gTLD sales “Fell Short of my expectations” and another 19% “Too Early to Tell”. The aggregate read is that the program is below expectations, but the jury is still out. On second question, how will the program be viewed in five years, the vast majority (59%) responded “Introduced confusion at first, but gained awareness and moderate success”. **Judgment: “Too early to tell”**

**Summary Observations**

At Architelos we believe that although history may not repeat itself exactly, but it does follow familiar trends and curves. The hype surrounding the new gTLDs prior to launch and the relative disappointment now, 9 months into the program very closely resemble the Technology Adoption Hype Cycle, first introduced by Gartner.



**Graph 3**

Although the graph is simplistic it does describe where we may be: somewhere along the trough of disillusionment. Incidentally the hallmark of entering such a cycle is negative press, followed by failures and consolidations. Already there is consolidation and M&A activity among the new gTLDs. Applicant Auction, the company behind many of the private auctions has already announced an upcoming private auction of non-contention (failing?) new gTLDs. The survey answers also confirm that we may be somewhere along the “trough of disillusionment”. If the curve hold true, we still have some ways to go before we see some measurable successes.

Speaking of measurable success, using old metric such as DUM volumes as the only means of measuring success are becoming increasingly misleading. Declaring winners and losers on early name volumes is interesting, but not insightful. New gTLDs are about the long-game. The industry will need to define new measures of success that are positively correlated with increased revenues and margins.

At Architelos, we have always tried to express the following three points: 1) the success of many ccTLDs is a fair predictor of the success of sector or geo new gTLDs 2) successful new gTLDs will reflect the economic, geographic and social affinity groups that naturally emerge in society and 3) this is the long-game and there will be under-capitalized applicants that cannot survive to play. We are only nine-months into a program that has been in the planning for almost a decade. But already, several early held myths appear to be invalid. As other industries have found, deregulation allows asymmetrical commercial forces to enter a previously “stable” market – unforeseen outcomes occur. We look forward to an engaging dialogue on the topics discussed here and others.

Architelos would like to thank CENTR for sponsoring this early assessment of one narrow, but fascinating, aspect of the new gTLD market.

### **About CENTR**

CENTR is the European association of Internet Country Code Top Level Domain Registries such as .uk in the United Kingdom and .es in Spain. The organisation has a European focus, but there are no geographical restrictions to membership. CENTR has more than 50 members who manage a total of 70 million domains.

CENTR provides a forum to discuss matters of policy affecting ccTLD registries and acts as a channel of communication to Internet governing bodies and other organisations involved with the Internet. It promotes the interests of ccTLDs and lobbies on their behalf.

CENTR also facilitates collaborative projects on technical, managerial and legal issues affecting ccTLDs.

More information about the organisation and its publications: <https://www.centri.org/>

### **About Architelos**

Architelos, Inc. provides strategic consulting, managed services, and SaaS-based TLD solutions for clients in the domain name (DNS) industry. SaaS products include NameSentry, a patent-pending abuse detection and mitigation service and NumberSense, a financial solution for TLD deferred revenue reporting. Architelos is unique in having over 30 years of experience in building, launching, and managing multi-million name gTLDs. Clients include new gTLDs, as well as existing generic Top Level Domain (gTLD) and Country Code (ccTLD) registries. Architelos has locations in Leesburg (VA), Los Angeles, (CA), Toronto (Canada) and Dublin (Ireland), as well as data centers in Toronto and Los Angeles.

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