RySG
gTLD Registries
Stakeholder Group

Presentation to the ICANN Board

Registry Market Place

2 November 2019

Donna Austin
Chair, RySG

Registries Stakeholder Group

- The primary role of the RySG is to represent the interests of the gTLD registry operators that are currently under contract to ICANN in the ICANN multi-stakeholder community.

- To be a member of the RySG you need to have a Registry Agreement with ICANN.

- We currently have 85 members representing almost 700 gTLDs of 1200+.

- Membership grew considerably as a result of the 2012 new gTLD program, increasing our diversity on a number of levels including geographic, business model and type of TLD.

  - 33 North America

  - 35 Europe

  - 12 Asia/Australia/Pacific

  - 2 Latin America/Caribbean
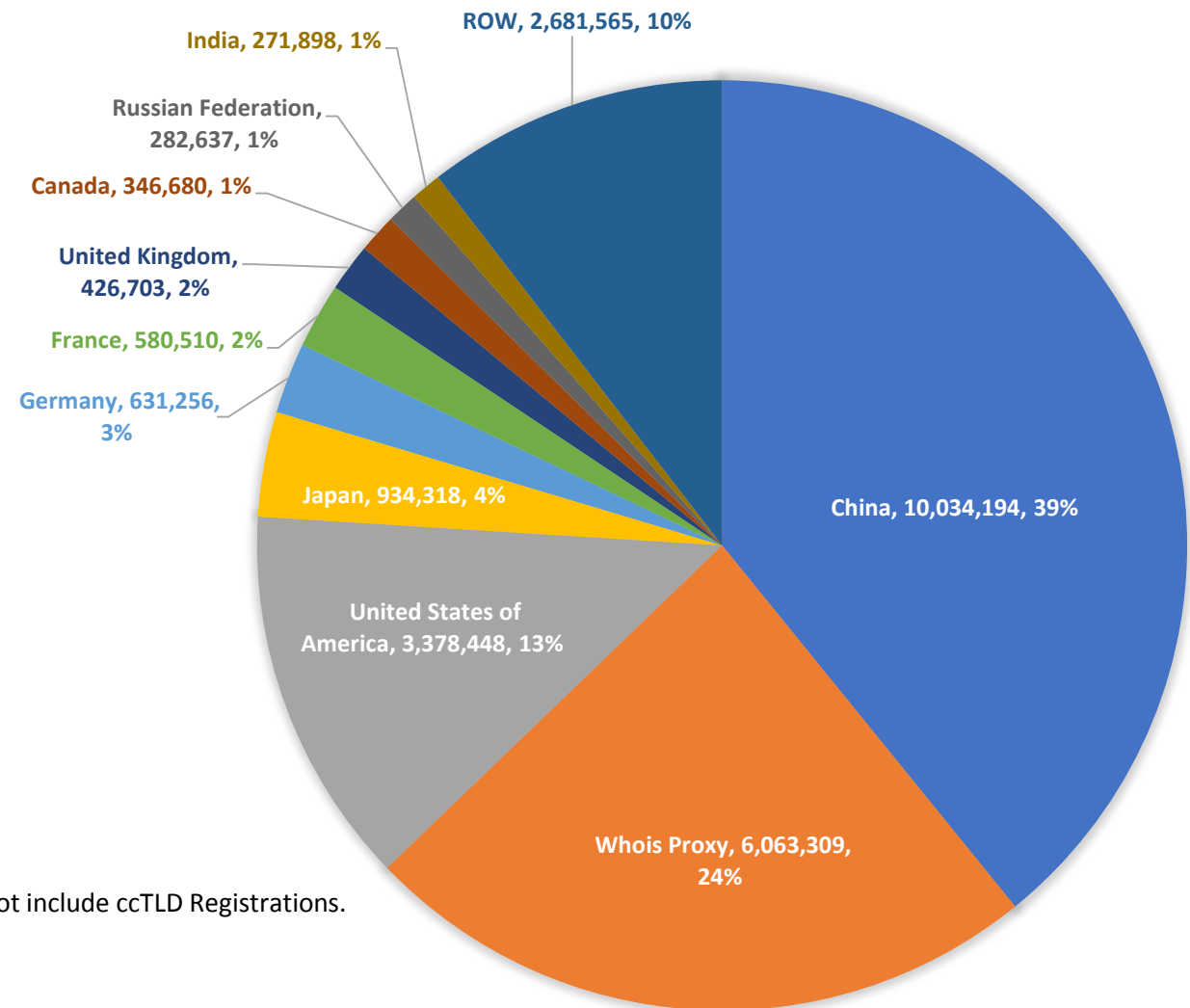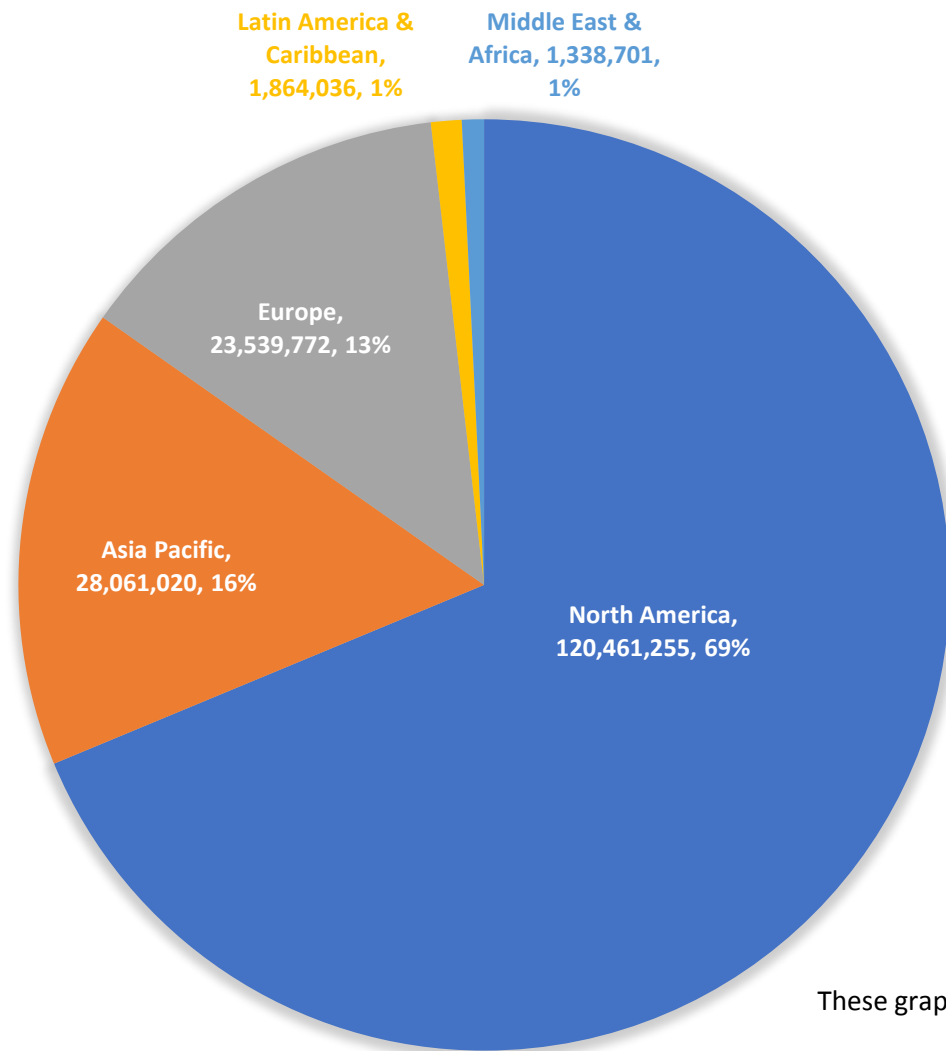
  - 1 Africa

REGISTRY MARKET
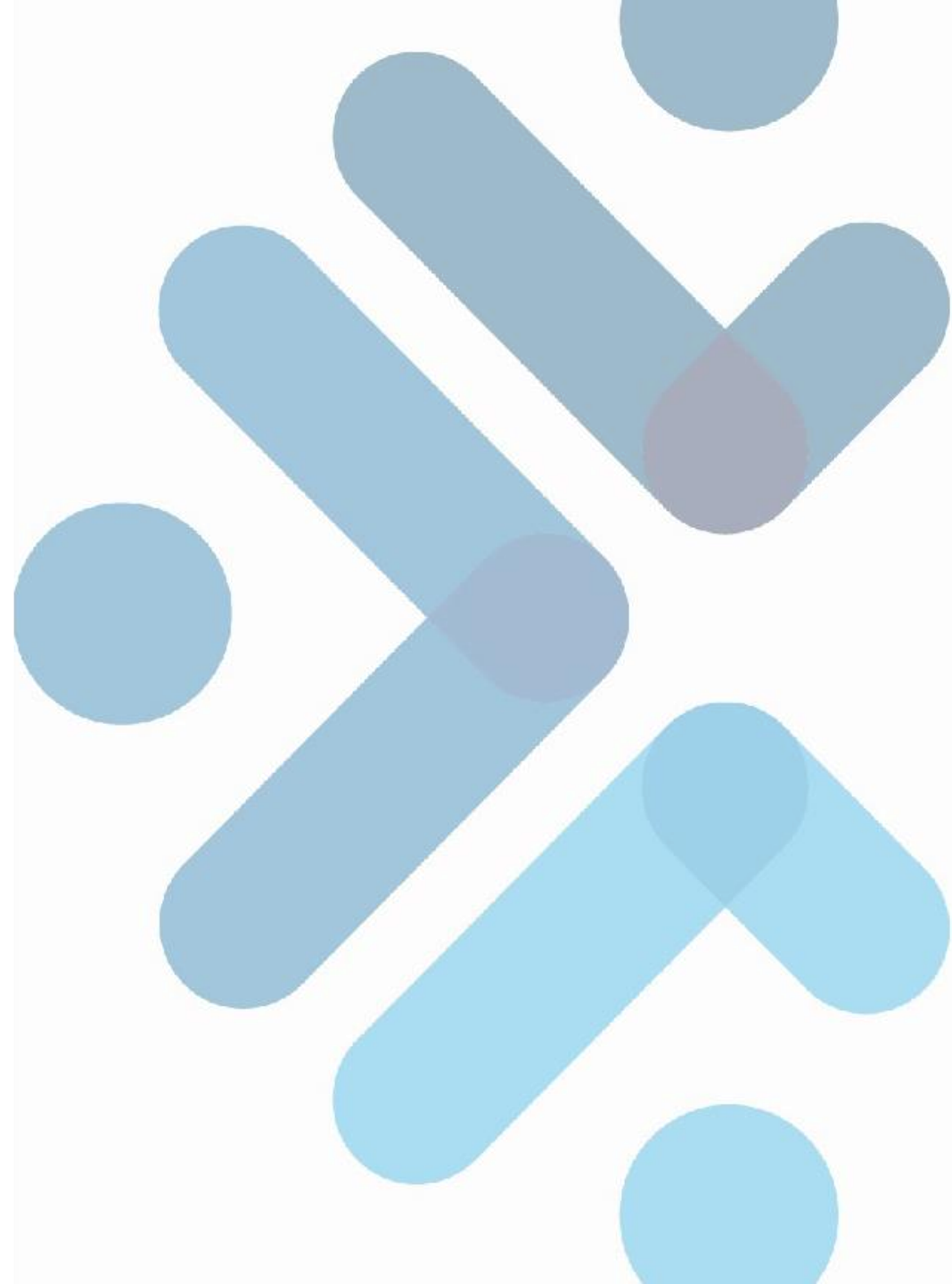
Introduction

- ICANN's Mission and Core Values include: "enabling competition" and "introducing and promoting competition in domain names". At the time ICANN was established a small number of gTLDs existed including: .com, .net and .org

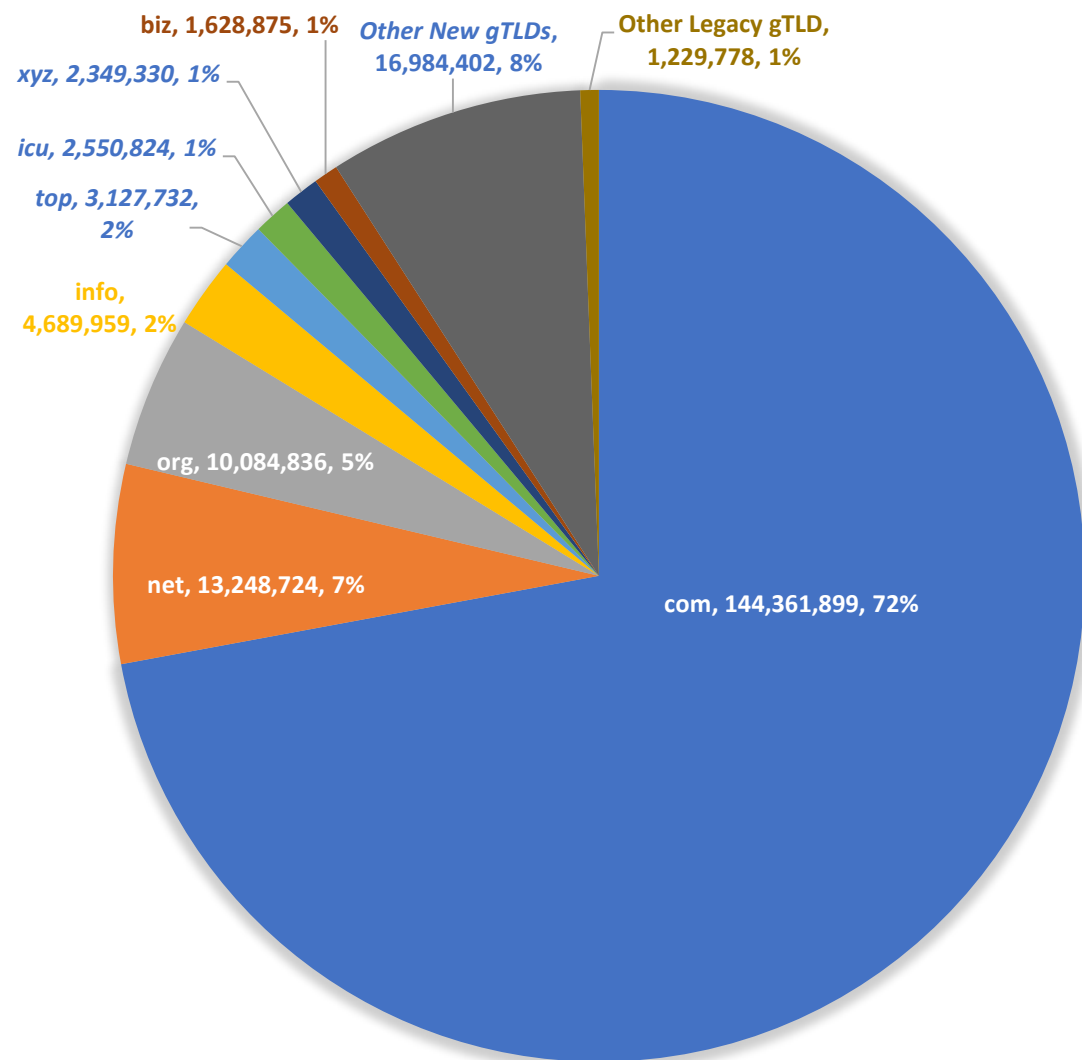- ICANN has introduced gTLDs in three successive rounds:

    2001 (e.g. .biz, .info)   2004 (e.g. .jobs, .mobi, .post, .tel, .xxx & .travel)   2012

- Since 2012 round, 1200+ gTLDs have been added to the root zone and brought to market; the "**New gTLDs**"

- This presentation will provide an overview of the registry market landscape and include the following key points:

    - All gTLD registry operators have a contractual relationship with ICANN

    - The success of the new gTLD program should not merely be measured by domains under management

    - A number of different TLD types and business models have emerged post 2012

    - New gTLD Registry Operators still face a number of issues and challenges
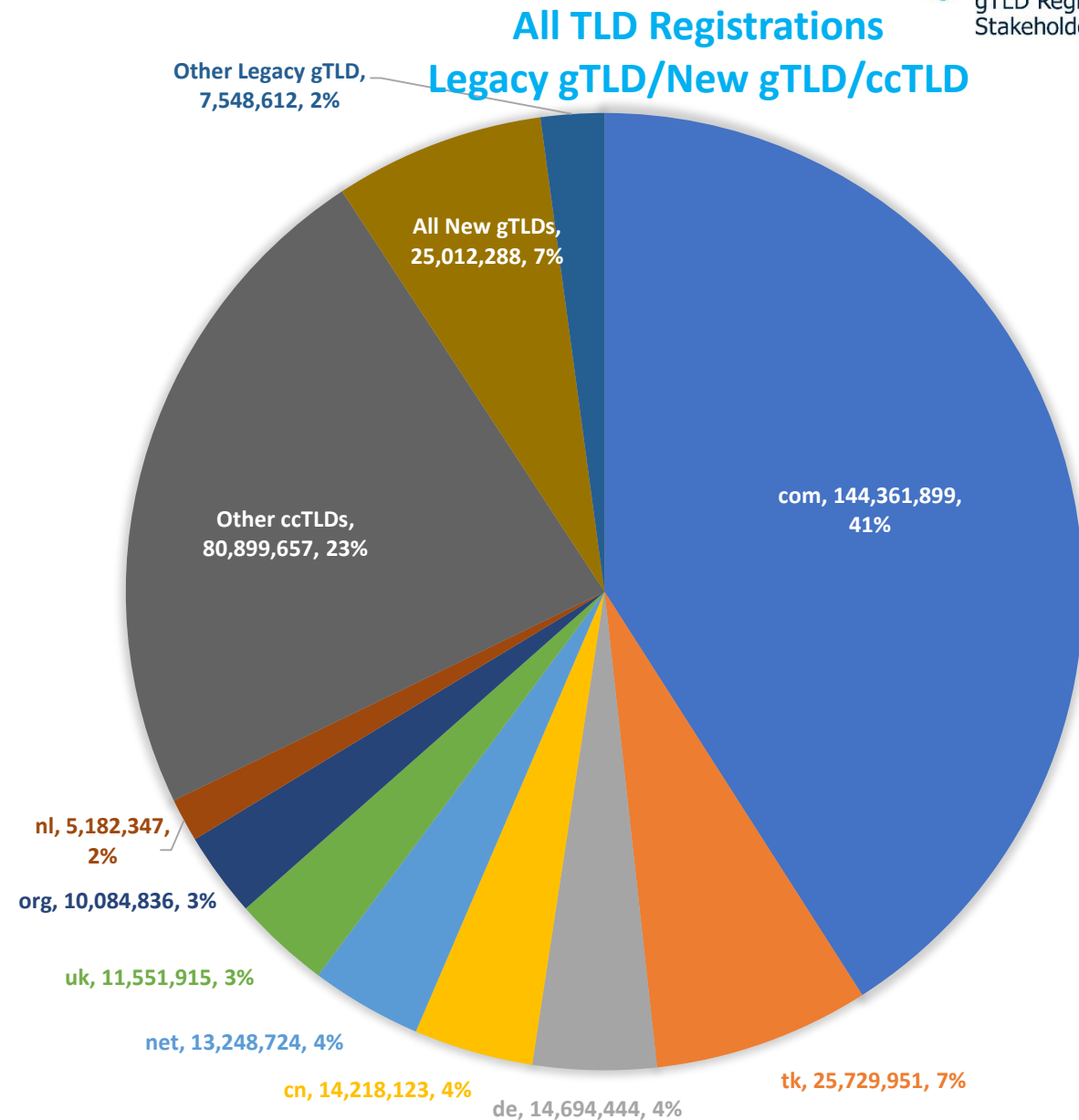
Registry Market Landscape by Geography

Left pie chart (Sources: HosterStats.com - March 2019):

- Latin America & Caribbean, 1,864,036, 1%
- Middle East & Africa, 1,338,701, 1%
- Europe, 23,539,772, 13%
- Asia Pacific, 28,061,020, 16%
- North America, 120,461,255, 69%

Right pie chart (Sources: nTLDstats.com - October 2019):

- India, 271,898, 1%
- ROW, 2,681,565, 10%
- Russian Federation, 282,637, 1%
- Canada, 346,680, 1%
- United Kingdom, 426,703, 2%
- France, 580,510, 2%
- Germany, 631,256, 3%
- Japan, 934,318, 4%
- United States of America, 3,378,448, 13%
- Whois Proxy, 6,063,309, 24%
- China, 10,034,194, 39%

These graphics do not include ccTLD Registrations.

RySG
gTLD Registries
Stakeholder Group

Registry Market Share

gTLD Registrations Legacy gTLD/New gTLD (left pie chart)

- biz, 1,628,875, 1%
- xyz, 2,349,330, 1%
- icu, 2,550,824, 1%
- top, 3,127,732, 2%
- info, 4,689,959, 2%
- org, 10,084,836, 5%
- net, 13,248,724, 7%
- *Other New gTLDs, 16,984,402, 8%*
- Other Legacy gTLD, 1,229,778, 1%
- com, 144,361,899, 72%

All TLD Registrations Legacy gTLD/New gTLD/ccTLD (right pie chart)

- Other Legacy gTLD, 7,548,612, 2%
- All New gTLDs, 25,012,288, 7%
- Other ccTLDs, 80,899,657, 23%
- com, 144,361,899, 41%
- tk, 25,729,951, 7%
- de, 14,694,444, 4%
- cn, 14,218,123, 4%
- net, 13,248,724, 4%
- uk, 11,551,915, 3%
- org, 10,084,836, 3%
- nl, 5,182,347, 2%

Sources: domaintools.com October 2019

RySG
gTLD Registries
Stakeholder Group

Registry Market Growth

Legacy gTLD ■ New gTLD

gTLD Growth:Legacy gTLD/New gTLD

New gTLDs represent 13% of all gTLD domains, but 50% of gTLD growth since 2014 when the first new gTLDs launched.

Sources: ICANN.org Registry Reports From Jan 2012 until Jun 2019 (latest available)

Contractual Relationship with ICANN

- All gTLD registry operators have a contract with ICANN known as the Registry Agreement

- Registry operators agree to abide by consensus policies current at the time of signing AND any consensus policies approved in the future.

- Consensus polices are developed within the GNSO in a GNSO Council managed structured process – the Policy Development Process

- ICANN bylaws define what can and cannot be the subject of consensus policies. Contracted parties often refer to this as the "picket fence" – it is critically important in providing a minimum of business certainty.

- Conversely ccTLD registry operators – controlling nearly 50% of the domain name market - do not have a comparable contractual arrangement with ICANN and as such consensus policies cannot be applied.

TLD Types

It is important to recognize the spectrum of TLD types that now exist along with a variety of approaches to their management/operation.

Type of TLD	String	Example Characteristics
Pure generics	.com, .biz, .xyz	No registration restrictions
Generic with meaning	.org, .club, .vote	Open TLD with a specific meaning
Niche/vertical market	.design, .art, .bot	Targetting registrants in a specific market
Verified TLDs	.bank, .pharmacy	Strict registration and verification requirements
Brand TLDs	.google, .sncf, .canon, .fox	No registration of domains to third parties*
GeoTLDs	.paris, .berlin, .cymru	Support from government and generally has nexus requirement

Business Models

A number of different business models, and businesses, have emerged, particularly as a result of the 2012 new gTLD program.

- A number of entities hold a portfolio of TLDs, most notably Donuts

- A number of registry operators provide their own back-end registry infrastructure, while most engage a third party provider.

- A small number of Registry Services Providers (RSP) are supporting the bulk of the new gTLDs; many of which are also registry operators.

- Brand TLDs have adopted a number of different approaches to using their TLD.

- Some registrars have also become registry operators
  (Vertical Integration that was originally prohibited by ICANN)

Success Indicators

The expansion of the name space and the different approaches to operation mean that success is no longer measured solely by domains under management (DUMS).

Other indicators of success include:

- Renewal rates
- Usage rates
- Continued growth in use by target market
- Trusted and secure online locations
- Value to the intended community

- Public visibility of domain names
- Customer awareness
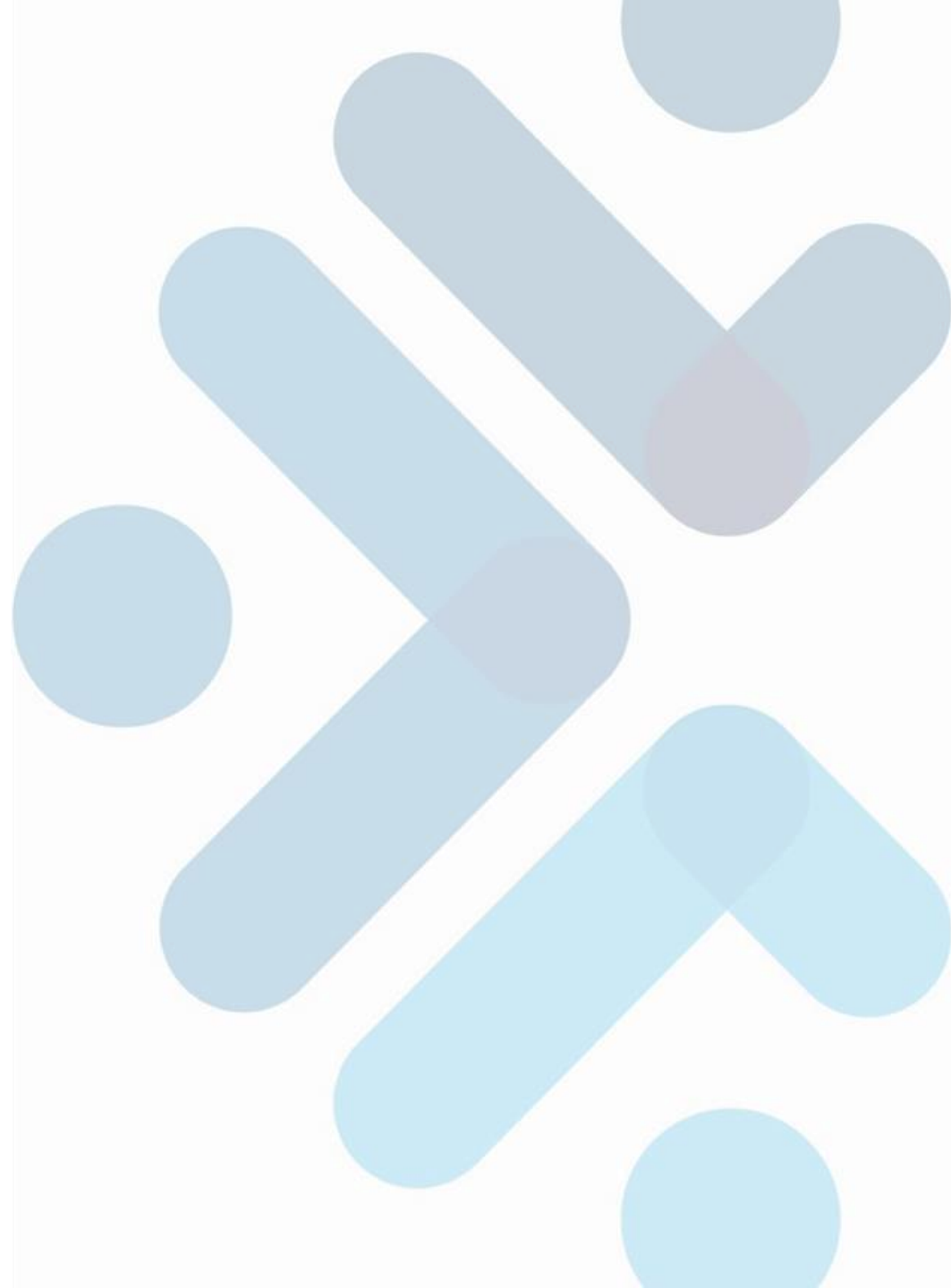- Brand owner adoption
- Innovation
- Profitable
- Realising original vision

ISSUES & CHALLENGES

Awareness & Acceptance

Barriers to Success

Compliance

ICANN Fees

Awareness & Acceptance

- **Universal Awareness** and education is required to ensure that internet users worldwide understand that more than 1200 new domain name extensions exist and are a trusted online resource.

- This is distinct from **Universal Acceptance** focused on removing all technical barriers that might hinder a user from accessing any name in any TLD from any web browser, email client, or other internet application on any computer or electronic device.

- ICANN Org has allocated significant funds and resources to the problem of universal acceptance, but has been reluctant to do the same for awareness.

- Users / developers / entrepreneurs disfavor new gTLDs or IDNs due to lack of awareness and therefore de-prioritize adoption of domains

Barriers to Success

- Registrar Support – point of sale
  - Poor discoverability - registrars were slow to update search algorithms - even now, perfect name for customer is sometimes not offered
  - Scarce / costly Registrar "shelf space" for TLDs.
  - No mutual "level playing field requirement"
  - Limited support for non-traditional TLD types (e.g. .bank, .law)

- Registries representing non-traditional models for use of a TLD face many obstacles to operating. The current system:
  - is optimized mainly for registries with a focus on the sale of domain names for "traditional" uses and
  - serves to inhibit the innovative uses.

- Letters of Credit & EBERO – a substantial per domain tax that addressed a never-realised fear

- Names Collision - kept many of the best names out of circulation for registry launches, hurting initial uptake; this can be addressed earlier

Compliance

- Need to separate the role of Compliance (100% compliance with contract) from other ICANN objectives achieved through the policy development and contract negotiation processes (e.g. reduction in DNS Abuse, introduction of competition, choice and innovation, contract interpretation)

- Good news:
  - Essentially all registries passed the recent audit, i.e. all registries use reputation reporting systems to indicate potential abuse and report same to registrars, who have the customer relationship
  - Across the board, registry operators are competent, seasoned business people, earnestly operating a service intended to bring value to internet users

- The Final Audit Report also calls for a dialogue between registries and ICANN org about the requirements of Specification 11 3(b)

ICANN Fees

Registration fees	Fixed Fees	Total
$54MM	$31MM	$85MM (62%)
	ICANN Total Budget	$136MM

- *Source: https://www.icann.org/en/system/files/files/fy19-unaudited-financials-30jun19-en.pdf*

- New gTLD registries all are required to pay an annual $25,000 "registry fixed fee."

- In addition, new gTLD registries that complete over 50,000 transactions in any quarter, or over four consecutive quarters, must pay a "transaction fee" of $0.25 per name.

- The fees paid to ICANN are not insignificant, but it's important to appreciate these are just a portion of the overall costs incurred to operate a registry. For example, many new gTLDs rely on service providers to operate their registry, considerable expenses are incurred for marketing and innovation development.

COLLABORATION &
CALL TO ACTION
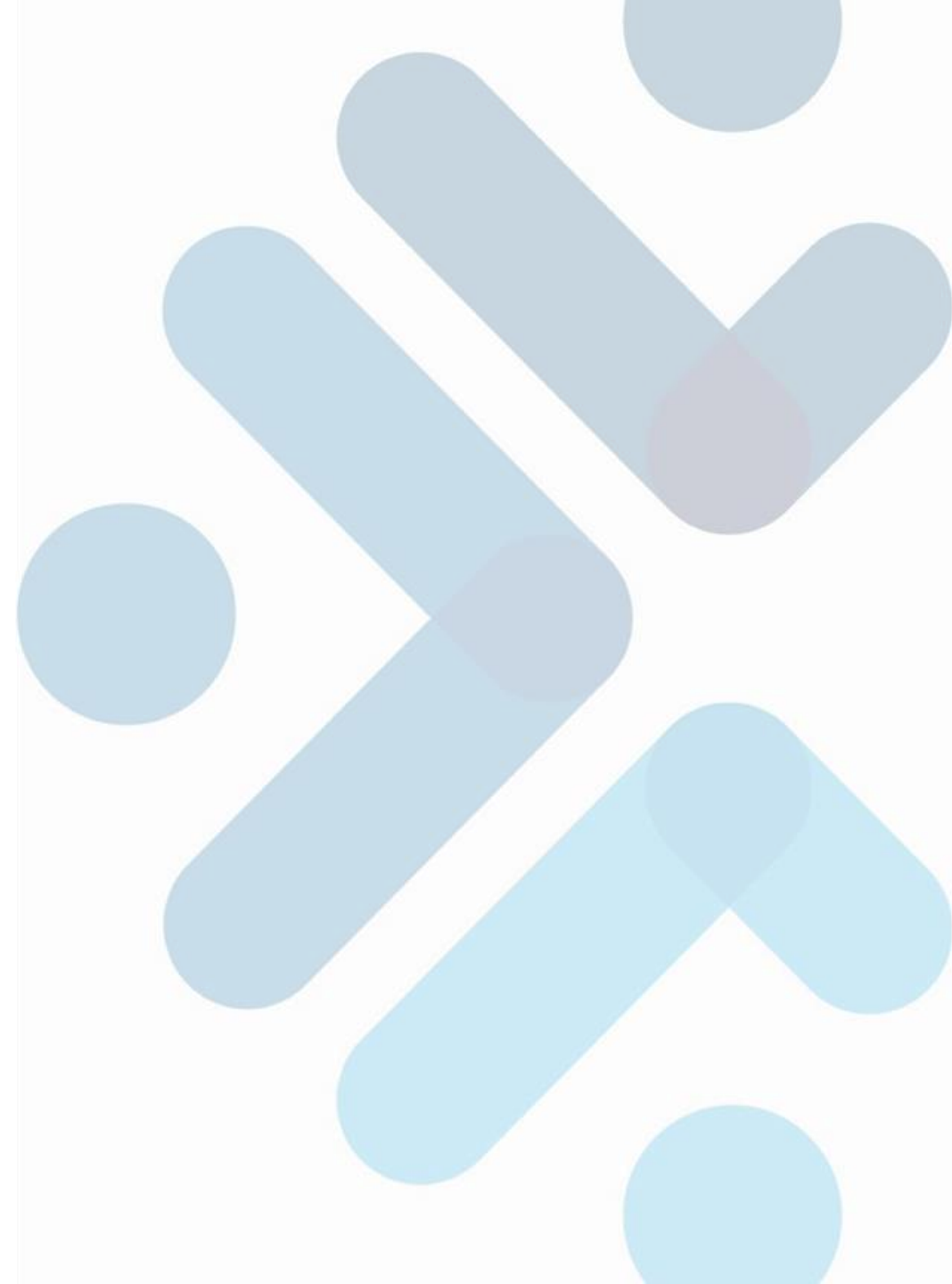
Collaboration / Call to Action

1. For the Board and staff to work collaboratively on the issues and challenges in order to promote the health of the domain name industry (and consequently, the multi-stakeholder model)

2. Carefully balance the costs of increased regulation (e.g., to combat DNS abuse, promote underserved regions) with the benefits that might (or might not) ensue

3. Consider a program for promoting awareness of domains as the best way to participate online - these types of communications are in-line and support the ICANN mission

4. As TLDs continue to evolve, work to loosen the one-size-fits-all approach to contracting in order to promote innovation

DISCUSSION
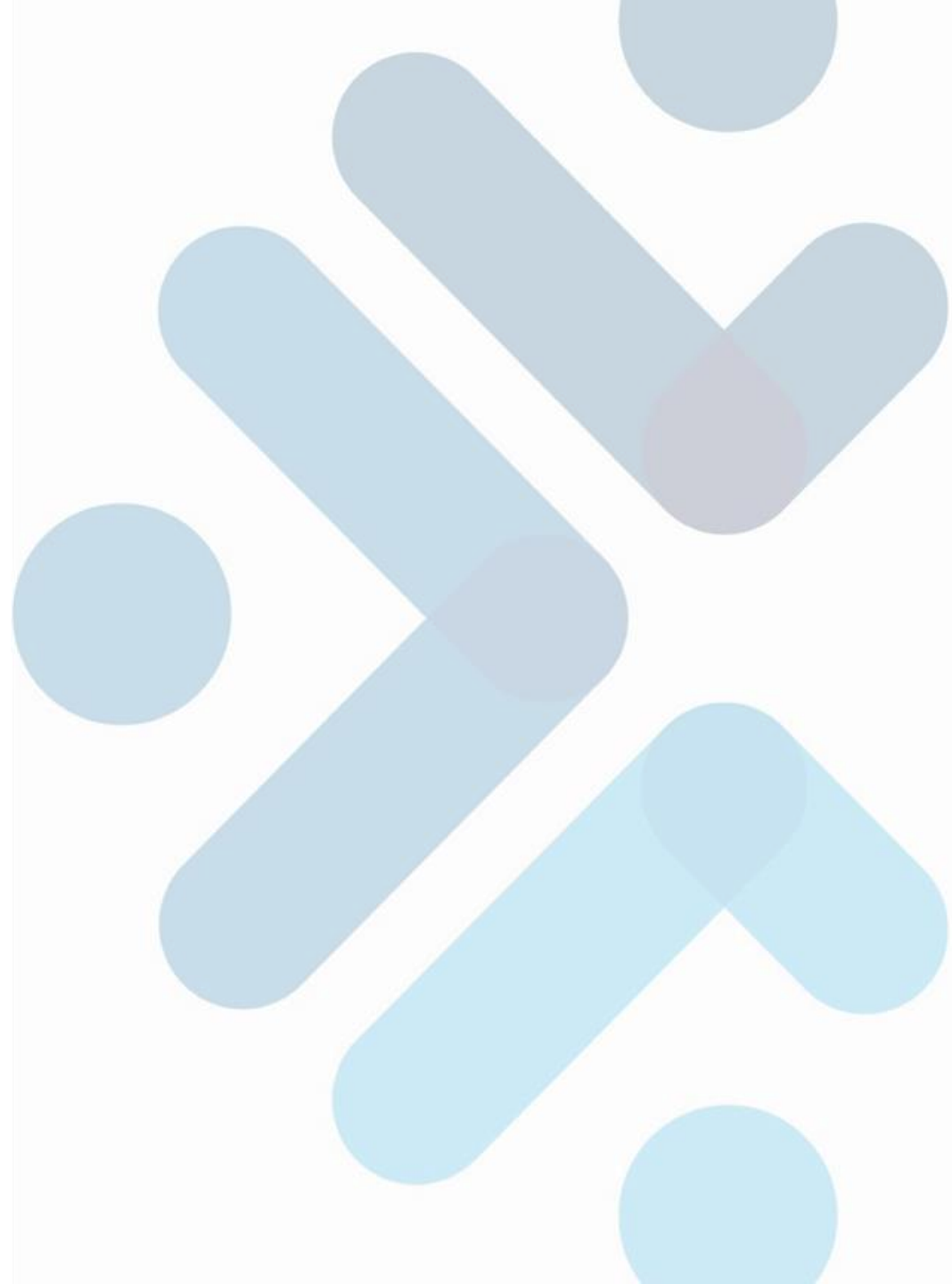
Registrars

Introduction & Ecosystem

Overview

- Ecosystem: Where do Registrars operate in the DNS?
- What is a Registrar?
  - How big and where?
- Registrar Stakeholder Group
- Registrar Types: Retail, Wholesale, Brand
- Market Dynamics
  - Scale & Renewals
- Contracts

The DNS (Domain Name System)

Registries

- CIRA: .ca
- Donuts: .bike, .cafe, .capital
- .在线 (.online)

Registrars

- GoDaddy
- Tucows
- HiChina

Registrants

- Individuals
- Businesses

What is a Registrar?

A storefront/service provider that allows Registrants to register domain names

Introduced to allow for competition, innovation and to encourage growth of market

Retail: maintains the customer relationship, contractual relationship with Registrant

Wholesale: maintains contractual relationship with Registrant

Stats

- 2541 Registrar Accreditations
- 440 Registrar families
  - Largest family has 1252 accreditations
  - Next largest has 479
  - 59 Registrars with more than 1 credential and 8 with more than 10.
  - Multiple creds come from acquisition, or for drop catching
- 66 Countries
- Provides 35% of ICANNs revenue from registration and application fees.

Registrars by Size

Registrar	Country	Total
GoDaddy	🇺🇸	59,573,092
Tucows	🇨🇦	9,700,041
NameCheap	🇺🇸	7,604,654
HiChina	🇨🇳	7,438,901
Network Solutions	🇺🇸	6,896,604
eNom	🇺🇸	5,615,457
1 & 1 INTERNET	🇩🇪	4,830,774
XinNet	🇨🇳	4,668,419
PublicDomainRegistry	🇮🇳	4,222,120
GMO Internet	🇯🇵	3,936,772
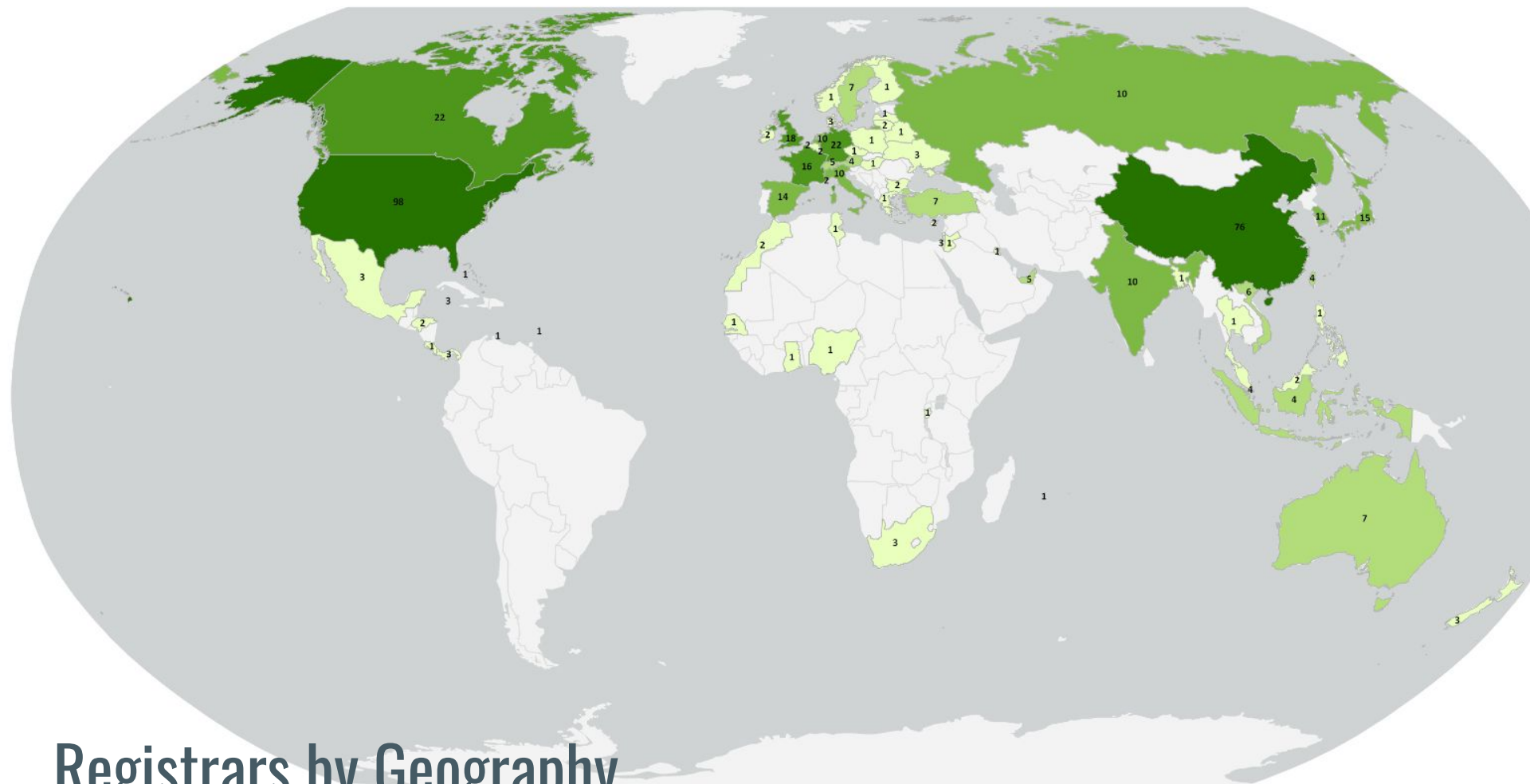
Registrars by Geography

Registrar Stakeholder Group

- Must have an ICANN accreditation
- 103 members (¼ or so of accredited Rr families)
- ~85% of registered gtlds
- 1 registrar with a full time ICANN policy person
- 13 or so active participants, including 3 GNSO councillors and 5 elected positions

Types of Registrars

Retail

- GoDaddy, Name.com, Blacknight, HiChina

Wholesale

- Tucows, Realtime Register, KeySystems

Brand/Corporate:

- MarkMonitor, SafeBrands, CSC

Aftermarket:

- NameJet, Afternic

Retail

Registrars that sell direct to the public.

Typically competing on price, most revenue from value added services like: email, hosting, SSL, website builders

Wholesale & Resellers

Resellers sell domains, but aren't directly accredited. Allows the scaling without complexity, or offering of domains as an element of the service, but not as core service. Outsourcing of business processes.
Customers are often:

- Hosting companies
- Website builders
- Web developers
- Advertising/Marketing firms
- Real Estate
- Brand Managers/Lawyers

Wholesale & Resellers Cont.

Tucows has over 40,000 resellers around the world. Geographic representation is considerably more diverse than Registrars.

Single point of contact.

Registrar is responsible for contractual compliance, but does not necessarily have a direct relationship with the customer.

Brand/Corporate Registrars

- Focused on providing registration services to businesses
- Provides white glove services with multiple layers of security
- Low volume, high cost
- Often includes brand or trademark monitoring services

Aftermarket Registrars

- Built to hold and sell portfolios of domains
- Dropcatching
- Auction platforms and escrow

Market Dynamics

1000 new gTLDs

100s of Registry Operators

10s of registry backend providers

Frequent changes to technical and regulatory requirements, contracts, market dynamics

Competition

Domain registration as a product is essentially the same across registrars

Compete on:

- Price
- Service
- Additional services

Scale

Cost to Registrar for .generic domain is $8.03 ($7.85 to registry, $0.18 to ICANN)

With a once-a-year registration fee at $9.99, the registrar makes $1.96 a year. This means it requires 40,816 transactions to pay an engineer in a small market. Wholesale registrars will make even less.

Any support, compliance, or customer interaction regarding a domain will cost more than domain generates.

There are far more resellers than Registrars, as registration is complicated, and domains aren't primary drivers of revenue for most companies.

Consolidation as industry matures

Renewals

- Renewals are typically the core of a Registrars business.
- Renewal rates between 60% and 80%
- Usage is a key factor in renewal rates - does the name resolve?

If: a domain normally sells for $10, your margin is $2, your renewal rate is 80%

And: you sell the first year for $5

Then: you'll break even in year 4, and make about $3.93 per domain over 10 years

But if: Promotion lowered Renewal Rate to 60%, you're $-0.03 per domain over 10 years

Webhosts & Sites

The companies that serve the physical files that make up websites.

Registrars are often hosts first and registrars second: Web.com, Endurance, 1&1.

Hosts are not bound by ICANN contracts or by any rules beyond national law and thus have far more discretion, less obligation, and more diversity.

New New gTLDs

- Shrug!
- Considerable work not visible to existing new gtlds in isolation
- Innovation at registry often competes with the value added services provided by Registars
- Different registry requirements often require custom code, deep backlogs and limited resources
- No one has solved search as it's a substantial data science problem

Primary ICANN Contractual Requirements

RAA: 2013 Registrar Accreditation Agreement

- Last negotiated ahead of new gTLD round
- Currently amending to include RDAP SLAs
- Section 4.1 requires Registrars to comply with new and existing ICANN consensus policies
- Portions overwritten by Temporary Specification due to GDPR

Food for Thought

- Is the increasing complexity of operating a Registrar preventing innovation and new actors from entering the market?
- Does this impact the global south disproportionally?