

STATE OF THE DOMAIN™

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SnapNames compiles data in the public domain in order to present information on industry trends.

The editors assume that readers are already familiar with the industry and its terminology — for readers who are not, we recommend the www.ICANN.org site as a starting point for definitive historical documents and technical resources.

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Message from the Publisher

(Music fades, cue host) ...And, we're back. Good to see you again.

We last talked on August 7, when we let you know we were migrating State of the Domain to a quarterly publication schedule to accommodate some directional changes (which you'll see reflected in this issue). During that time, we've had some very productive discussions with many of you about the utility of the publication and the data and content you'd like to see moving forward. Thank you, as always, for your input.

The first thing you'll notice in the *Third Quarter 2002* edition is a scale-back of data detail from the exhaustive to the merely informative. This is quite intentional. The purpose of this publication is to give a picture of the full industry and help you interpret trends therein from a high level, not necessarily to show you every granular detail. Accordingly, you'll see some streamlined data here, particularly with regard to registrar market share, and some new data that will be very relevant to assessing other, vital areas of the industry (utilization of domain names, ccTLD totals, etc.).

Editorially, we'll review some of the changes in the industry, including two contributions from our colleague Len Bayles: first, some interesting data on a one-year study of domain name registration and re-registration activity, and the resulting business opportunity that may not be immediately obvious to some but exists in spades; also, an FYI update about the new redemptions grace period (RGP) and a new copy of our "domain name life cycle" graphic. We also have our usual roundup of relevant news and information from the industry.

Finally, in a reprise of the interview format we used last quarter to profile Go Daddy's Bob Parsons, we turn the feature spotlight on ourselves this time around. Why? We'd like you to know exactly where we stand as a company, what our direction is and how we can work together. We hope it's informative and helpful.

Thanks again for reading. Get in touch at publisher@sotd.info with questions or suggestions.

Best regards,

Mason Cole
Publisher / Managing Editor

WWW.SOTD.INFO

Q3 2002 Market Overview

Stability At Last?

by **Mason Cole**, Publisher & Managing Editor

It took a full year, but it looks like we may have reached calm water. The hurricane that was the COM, NET and ORG (CNO) zone file slowly downgraded itself to a tropical storm, then a depression, then a rainstorm. Now, the sky is partly cloudy and the seas are back to a light chop.

In the *Second Quarter 2002* edition, we reported growth in the zone file (during the month of July) for the first time since September 2001. What a sigh of relief that brought to many in the industry – until August, when net CNO shrank by a cool 55,000. That shrinkage was entirely on the back of COM, which slid by more than 72,000 names, while NET and ORG saw growth, albeit anemic. COM activity came back around in a late summer rally, though, leaping ahead by almost 200,000, causing a quarterly zone file change of 215,000 in the plus column. Growth activity has been steady enough since July to officially call this a trend.

Viewing the total generic top-level domain (gTLD) namespace, the third quarter was pretty healthy. On the heels of nice growth in CNO, BIZ added almost 68,000 names, keeping pace with their previous average monthly add rate of 22-23,000. INFO picked up some speed with over 86,000 names – a monthly add pace of almost 30,000. NAME saw quarterly adds at just under 8,200.

NeuStar is probably pleased with the adoption of names under the repurposed US TLD – for the fourth straight month, average adds have outpaced (though not by much) adds to BIZ. This may be thanks to registration term flexibility introduced to the registrar channel (see the news brief in this issue about NeuStar's plans to continue the one-year registration program). If trends continue, US will break the 400,000 total by year's end.

Registrar Market Shares

This quarter, we've scaled reporting to the information that best represents the area of most intensive activity in the full namespace; thus, we're listing the top 25 registrars in CNO and CNOBIN activity.

Since we last reported, the top ten has shifted quite a bit. Still easily the most rapidly expanding registrar (even without counting registrations from its Wild West Domains reseller operation, which, get this, went from 0 to #60 at the end of Q3 with over 22,000 names added), Go Daddy ramped to #6 on both the CNO and CNOBIN charts, adding more than a quarter million names in Q3 and bringing its total to almost 1.3 million. These guys are doing it right.

eNom is fast on Go Daddy's heels, however, in an effort to regain the #6 slot. The Seattle-area registrar added another impressive set of names to its total in Q3 – also in the quarter million neighborhood. eNom is only a few thousand behind Go Daddy, though Go Daddy's pace of additions has steadily outpaced eNom's by 2-4,000 per month.

Table 1: Total Registrations per gTLD (2002)

gTLD	Registrations		Change Net
	Q2	Q3	
COM	21,198,557	21,414,179	215,622
NET	3,586,124	3,620,894	34,770
ORG	2,328,690	2,370,717	42,027
CNO Total	27,113,371	27,405,790	292,419
BIZ	700,962	768,857	67,895
INFO	864,457	951,018	86,561
NAME	77,448	85,633	8,185
Totals	28,756,238	29,211,298	455,060
US	269,233	341,136	71,903

Global Name Registry reported a total of 63,700 e-mail address registrations as of Sept. 30, 2002.

Table 2: Monthly Total Registrations per gTLD, July to September

gTLD	Registrations				
	Jul	Change	Aug	Change	Sep
COM	21,307,157	(72,699)	21,234,458	179,721	21,414,179
NET	3,592,348	7,849	3,600,197	20,697	3,620,894
ORG	2,343,285	9,811	2,353,096	17,621	2,370,717
CNO Total	27,242,790	(55,039)	27,187,751	218,039	27,405,790

VeriSign Registrar bled off another few market share percentage points over the quarter with a net loss of about two thirds of a million names, and #3 player Register.com treaded water with a total net add of just under 10,000. No registrar in the top five traded positions, though BulkRegister also had a rough month with 85,000 losses. Tucows continues to impress, widening its lead over Register.com to almost 150,000 names.

Toward the bottom of the top ten, only CoreNIC had trouble over the quarter, continuing last quarter's trend by shedding 33,000 names – Core now rests at #12, down from the #10 position.

ccTLD Registrations

We're introducing coverage this quarter of ccTLD registrations, with the help of our colleagues at DomainsWorldwide. This is the initiation of coverage, so we'll leave full interpretation until next issue.

Utilization

In July, Afiliast published very interesting information on utilization of its namespace as a way to help the registrar channel formulate its sales strategies to end-users. Its findings, as of the end of May:

- 24% Dedicated INFO sites (live, unique sites)
- 9% Redirected sites (redirected to another URL)
- 12% Parked sites (returned a placeholder page displayed by registrar)
- 35% Inactive
- 25% Other active sites

This was the first data of its kind to point directly to how registrations were being put to use. Taking this cue, *State of the Domain* did a similar study for other gTLDs. (Disclaimer: Afiliast's study was scientifically conducted by a full audit of all active registrations and falls within normal statistical margins of error. Our study is based on sampling of 1,000 domain names from each TLD and should not be considered a full and rigorous examination of the namespace.)

Our findings are detailed in Table 3.

A word about the categories:

- Under construction: Site signals that the registrant intends to populate the site shortly.
- Inactive: Non-productive (e.g., 404 Error)
- Live site: unique, live site, populated with content
- Parking page: returned placeholder page displayed by registrar
- Protected: live site, password required for access beyond URL opening page
- Redirected: redirected to another URL

The results are interesting, but not necessarily very surprising:

- In terms of pure active utilization, COM, NET and ORG lead the pack – not surprising given their tenure of availability.
- NET's inactive names outpace live sites, however, and redirect percentages are higher than any TLD except for INFO, suggesting a likely high degree of defensive registrations.
- Inactive names for BIZ, INFO, NAME and US also approach or surpass a third of totals.
- Active use of ORG names approaches that of COM, underlining the wide assumption that ORG users have a dedicated purpose for their registrations, and the name is less a fertile ground for defensive registration activity.
- Parking page use for NAME is very high, perhaps because it just takes time for a person to get around to building a personal web site.

Overall, COM is still solidly in place as the preferred gTLD. As others continue to build their credibility, it will be interesting to see if the "live site" category grows apace.

Table 3: Utilization of gTLDs

gTLD		Under Construction	Inactive	Live Site	Parking Page	Protected	Redirected
.com	count	81	252	441	195	9	10
	percent	8.20%	25.51%	44.64%	19.74%	0.91%	1.01%
.net	count	102	328	304	225	8	24
	percent	10.29%	33.10%	30.68%	22.70%	0.81%	2.42%
.org	count	124	262	408	161	10	19
	percent	12.60%	26.63%	41.46%	16.36%	1.02%	1.93%
.biz	count	172	332	257	217	7	11
	percent	17.27%	33.33%	25.80%	21.79%	0.70%	1.10%
.info	count	157	312	266	185	13	57
	percent	15.86%	31.52%	26.87%	18.69%	1.31%	5.76%
.name	count	216	344	47	377	n/a	6
	percent	21.82%	34.75%	4.75%	38.08%	n/a	0.61%
.us	count	127	302	157	383	3	15
	percent	12.87%	30.60%	15.91%	38.80%	0.30%	1.52%

Top 25 Registrars by Market Share: CNOBIN / Q3 2002

Company	Rank		Market Share		Registrations		Change
	Q2	Q3	Q2	Q3	Q2	Q3	Net
<i>Verisign Registrar*</i>	1	1	32.99%	30.13%	9,480,463	8,795,276	(685,187)
<i>Tucows</i>	2	2	10.31%	10.43%	2,962,370	3,044,787	82,417
<i>Register.com</i>	3	3	9.93%	9.81%	2,853,144	2,863,004	9,860
<i>MelbourneIT</i>	4	4	5.48%	5.55%	1,574,740	1,619,257	44,517
<i>Bulkregister</i>	5	5	5.07%	4.70%	1,458,441	1,372,454	(85,987)
<i>GoDaddy</i>	7	6	3.55%	4.42%	1,021,591	1,290,309	268,718
<i>eNom</i>	6	7	3.64%	4.42%	1,045,548	1,289,099	243,551
<i>Schlund.de</i>	8	8	2.35%	2.60%	674,367	758,113	83,746
<i>DirectNIC.com</i>	9	9	2.18%	2.40%	627,926	701,597	73,671
<i>DotRegistrar</i>	11	10	2.06%	2.18%	591,166	635,835	44,669
<i>Dotster</i>	12	11	2.00%	2.04%	573,764	594,947	21,183
<i>CoreNic</i>	10	12	2.12%	1.98%	610,328	577,042	(33,286)
<i>Joker.com</i>	13	13	1.61%	1.64%	463,006	477,554	14,548
<i>Domain Discover</i>	14	14	1.43%	1.44%	409,689	419,182	9,493
<i>GANDI</i>	15	15	1.18%	1.21%	338,305	353,017	14,712
<i>ItsYourDomain</i>	16	16	1.03%	1.08%	294,665	315,376	20,711
<i>OnlineNIC</i>	17	17	0.78%	0.97%	222,830	283,345	60,515
<i>Domain Bank</i>	19	18	0.73%	0.70%	210,032	203,693	(6,339)
<i>Stargate</i>	20	19	0.66%	0.66%	189,608	191,293	1,685
<i>EasySpace</i>	18	20	0.76%	0.62%	217,217	180,219	(36,998)
<i>YesNIC</i>	23	21	0.51%	0.53%	147,231	154,262	7,031
<i>Discount Domain</i>	24	22	0.50%	0.51%	142,800	148,635	5,835
<i>Ascio</i>	25	22	0.47%	0.51%	136,496	148,635	12,139
<i>DomainPeople</i>	22	23	0.52%	0.50%	149,031	145,139	(3,892)
<i>NameSecure</i>	21	24	0.53%	0.46%	152,332	135,115	(17,217)
			92%	91%	26,547,090	26,697,185	150,095

*(Network Solutions accreditation only. Does not include NameSecure, SRS Plus and Name Engine registrations.)

Top 25 Registrars by Market Share: CNO / Q3 2002

Company	Rank		Market Share		Registrations		Change
	Q2	Q3	Q2	Q3	Q2	Q3	Net
<i>Verisign Registrar*</i>	1	1	33.88%	30.96%	9,180,197	8,479,227	(700,970)
<i>Tucows</i>	2	2	10.44%	10.57%	2,830,042	2,895,984	65,942
<i>Register.com</i>	3	3	9.95%	9.84%	2,695,422	2,693,754	(1,668)
<i>MelbourneIT</i>	4	4	5.50%	5.57%	1,489,761	1,525,388	35,627
<i>Bulkregister</i>	5	5	5.20%	4.81%	1,408,526	1,316,818	(91,708)
<i>GoDaddy</i>	7	6	3.57%	4.47%	967,441	1,223,841	256,400
<i>eNom</i>	6	7	3.63%	4.44%	983,616	1,216,309	232,693
<i>DirectNIC.com</i>	8	8	2.13%	2.36%	576,085	645,483	69,398
<i>DotRegistrar</i>	9	9	2.08%	2.21%	563,994	605,608	41,614
<i>Schlund.de</i>	12	10	1.92%	2.09%	521,548	571,348	49,800
<i>Dotster</i>	11	11	2.03%	2.07%	549,075	567,442	18,367
<i>CoreNic</i>	10	12	2.06%	1.89%	557,880	517,363	(40,517)
<i>Joker.com</i>	13	13	1.54%	1.56%	417,655	428,550	10,895
<i>Domain Discover</i>	14	14	1.45%	1.46%	392,196	399,455	7,259
<i>GANDI</i>	15	15	1.21%	1.24%	328,568	340,698	12,130
<i>ItsYourDomain</i>	16	16	1.02%	1.08%	277,261	295,213	17,952
<i>OnlineNIC</i>	17	17	0.80%	1.01%	217,089	276,572	59,483
<i>Stargate</i>	20	18	0.70%	0.70%	189,608	190,896	1,288
<i>Domain Bank</i>	19	19	0.72%	0.68%	195,074	187,333	(7,741)
<i>EasySpace</i>	18	20	0.76%	0.61%	204,829	166,695	(38,134)
<i>Discount Domain</i>	22	21	0.49%	0.51%	133,888	138,608	4,720
<i>YesNIC</i>	24	22	0.49%	0.50%	131,824	137,964	6,140
<i>Paycenter</i>	26	23	0.43%	0.48%	115,251	132,436	17,185
<i>DomainPeople</i>	23	24	0.49%	0.47%	132,569	127,734	(4,835)
<i>NameSecure</i>	21	25	0.54%	0.46%	145,131	127,131	(18,000)
			93%	92%	25,204,530	25,207,850	3,320

*(Network Solutions accreditation only. Does not include NameSecure, SRS Plus and Name Engine registrations.)

ccTLD Registrations

ccTLD Registrations (as of October 16, 2002)

.de	5,459,604	Germany
.co.uk	3,080,659	UK Commercial
.it	681,779	Italy
.nl	617,045	The Netherlands
.cc	581,147	Cocos Island (Keeling) ¹
.tv	473,168	Tuvalu ¹
.com.ar	463,571	Argentina
.ch	442,512	Switzerland
.br	406,355	Brazil
.co.kr	403,556	Republic of Korea
.dk	378,996	Denmark
.us	315,215	United States ¹
.ca	272,071	Canada
.com.au	254,168	Australian Commercial
.ws	253,029	Samoa ¹
.co.jp	231,478	Japan Commercial
.org.uk	220,162	UK Organization
.be	189,634	Belgium
.cz	161,478	Czech Republic
.at	156,492	Austria
.fr	154,067	France
.pl	139,085	Poland
.ru	137,504	Russia
.co.nz	132,264	New Zealand Commercial
.ga.jp	130,237	Japan Registry

¹ These ccTLDs have been re-purposed for commercial markets

Source: Domains Worldwide

Quarterly Report

Notes From All Over

by **Mason Cole**

There's been zero reduction in the pace of news from the industry in the past quarter (and in the entertainment value, for that matter). Last quarter, we gave you updates on ICANN rhetoric, product utilization, persistent iconoclast Karl Auerbach, and trademark outrages. And, don't forget the Nigerian plea for help unfreezing bank accounts, which, inexplicably, has gone unanswered.

In Q3, we saw some very innovative product introductions, warnings against new frauds, registry operations changing hands, and, yes, finally an update on the Nigerian situation.

Internet Society Wins Control of '.Org' Domain

Winning the business from a field of eleven, the Internet Society (ISOC) received the nod from ICANN as the new manager of the ORG top-level domain on October 14. ISOC will begin management of the domain in 2003, according to ICANN.

The ICANN board voted 11-1 to endorse an August staff recommendation to award the registry operation to ISOC. Karl Auerbach was the sole dissenter. VeriSign will surrender operations for ORG as a part of its deal with ICANN to maintain control of COM and NET registrations. VeriSign also said it would provide \$5 million in seed capital to any nonprofit successor.

More information: www.icann.org

Go Daddy Sister Company Launches Anonymous Domain Registration

In September, Go Daddy founder Bob Parsons (see profile, *State of the Domain, Second Quarter 2002*) launched Domains By Proxy Inc. — essentially a Go Daddy reseller — that will substitute its own contact information for the registrant's in new domain name registrations. The service is targeted to those wanting to avoid heavy spam loads, or to registrants who want to shield registration data for privacy reasons.

To mollify the intellectual property community, which ardently supports an accurate and complete Whois database for easy resolution of trademark conflicts, Domains By Proxy mandates compliance with Uniform

Dispute Resolution Policy tenets. Registrant identity can be revealed in the event of an infringement.

Parsons once again did his homework to ensure no conflict with ICANN contracts prior to launch and is confident that his new service is on solid ground.

More information: www.domainsbyproxy.com

NeuStar shops BIZ Promote and PostMinder

September was also a busy month for NeuStar as they pushed two new services, BIZ Promote and PostMinder, to the channel.

BIZ Promote is a search engine submission service designed to help enterprises improve the flow and quality of traffic to their web sites. The service is available in three packages, differentiated by degrees of functionality:

- BIZ Plus: URL submission to search engines, with monthly activity reports;
- BIZ Performance: Submission and reporting, along with support for up to five keywords or phrases. There's also an online user interface for monitoring spidering and referrals;
- BIZ Premium: Same as the intermediate package, but ups the number of keywords and phrases to 20.

More information: www.bizpromote.biz

PostMinder bills itself as "an enhanced certified e-mail service." Senders can track sent mail and be flagged when recipients receive and view messages. NeuStar says digital certification technology gives "certifiable" proof that mails have been sent, received and viewed. PostMinder is available for \$49 per year.

More information: www.postminder.biz

Mancini Joins GNR as New CEO

Global Name Registry, operator of the NAME gTLD, appointed former Global Crossing executive Chuck Mancini to CEO, replacing Andrew Tsai, who

maintains an advisory role at the company. Mancini also has taken a board seat at GNR. Before joining GNR, Mancini oversaw Global Crossing's European web hosting business. His resume also includes stints with Frontier Corp., Coopers & Lybrand and SunTrust.

More information: www.name

Interesting Data from NeuStar On .US Registrations

NeuStar executive Richard Tindal reported to registrars two weeks ago the following interesting notes on one-year registrations of US names:

- 20 registrars are offering the one-year term
- Name volume for participating registrars is up, according to NeuStar, by 135%

That's enough to convince NeuStar to continue the one-year registration program beyond the end of 2002.

NeuStar also did a quick breakdown of US registrations by state. The leaders:

California	52,231
Florida	30,835
New York	28,037
Texas	16,995
Washington	15,270

Lowest total? In the 50 states, North Dakota is the caboose with 171. The territory of Guam packed in a big 21.

Finally, some miscellany:

<u>Average registration terms</u>	
BIZ	2.14 years
US	2.75 years

Note: US average terms could be higher due to the five-year minimum registration period at land rush.

More information: www.neustar.us

Watch for .EU Fraud

The EU TLD isn't scheduled for launch until 2003, but as usual, that schedule hasn't stopped dodgy operators from trying to fraudulently pre-sell registrations. Pre-land rush applications for names in a new TLD is nothing new, but some registrars are sounding the alarm that end-users need to read the fine print when considering an early registration bid. Canadian

registrar NameScout urges users to look carefully at demands for prepayment, intellectual property conflict capabilities, and ICANN accreditation status in solicitations for EU registrations.

More information: www.namescout.com

NetNation Will Absorb Your Hosting Operation

Late last month, Vancouver, BC-headquartered NetNation announced its availability as a backstop for struggling hosting companies. The Hosting Acquisition Program will acquire outright, place into its reseller program, or provide the business back-end to hosting companies that need to restructure operations or exit the industry outright.

More information: www.netnation.com

Heeeyyy....Wait A Minute. Online Schemes from Nigeria?

Last quarter, we noted that Dr. Mariam Abacha, wife of the late Nigerian military head of state, had within her reach somewhere in the neighborhood of \$50 million. She would cut us in on the stash if only we could take steps in helping her unfreeze the account. Russians and a steel plant were somehow involved. Can you believe our luck??

Now comes word from the IDG News Service's Southern Africa bureau that the good doctor may not be what she represents. To quote from the September 24 story:

"Online schemes operating out of Nigeria that have defrauded victims out of tens of millions of dollars have become so pervasive that the U.S. government has given the West African country until November to take steps to decrease such crimes or face sanctions.

Financial fraud is now reportedly one of the three largest industries in Nigeria, where the anonymity of the Internet is being used to give crime syndicates a windfall. One oft-used form of fraud is known as "419," a reference to Article 419 of the Nigerian criminal code, and involves scam artists sending unsolicited e-mail, fax or letter proposing either an illegal or a legal business deal that requires the victim to pay an advance fee, transfer tax or performance bond or to allow credit to the sender of the message.

Victims who pay the fees are then informed that

"complications" have arisen and they are asked to send more payments, according to The 419 Coalition Web site, which explains the scam, offers rules for doing business with Nigerian companies and individuals and provides specific instructions for recourse to residents of Canada, the U.S., the U.K. and South Africa. The global scam, which has been going on since the early 1980s, had defrauded victims out of \$5 billion as of 1996, according to the Web site.

The 419 scams and other online fraud are causing damage to the budding Internet markets of West Africa because consumers are wary of doing business with Nigerian companies and those in neighboring countries. Europeans have been victimized more by the fake online investment deals than have others, according to government and media reports.

The U.K. National Crime Intelligence Service has counted more than 78,000 letters linked to online schemes sent to London residents. The letters have defrauded residents there out of more than £24 million (US\$37.2 million)."

What a break to see that story, huh?? Close one.

SnapNames: The Look Forward

Interview by **Mason Cole**

Ray King (along with Ron Wiener) co-founded SnapNames in late 2000, after a successful entrepreneurial career in New York. In May of 2002, he assumed the CEO's role and since that time his focus has been on building and maintaining partnerships in the industry and positioning SnapNames as the preferred and trusted provider of domain name back-ordering services. From his office in the historic Old Town section of downtown Portland, Oregon, Ray talked last week about SnapNames' history, near term objectives, its current product focus, and the way the company sees the big opportunity in front of the industry.

How would you characterize the domain name industry right now?

Still pretty young — the Internet's distributed structure is a technical marvel, but still no one could have predicted its amazing impact on our lives, or how businesses would embrace it so fervently. As a result of this rapid growth, the domain name industry — which provide the mechanisms for making our way around the net — is naturally facing some growing pains and will need to evolve.

In what ways?

Well, in general, most users are still mystified about domain names. They understand how to register a name, but they don't know how to manage, track or transfer a name, and most importantly for us, don't know how to try to get a name that is likely to delete.

Aren't there service providers who handle a lot of those functions separately?

Yes, and in fact, many registrars are improving these services as we speak — and just the variety of new services being introduced to help end-users is impressive. Beyond the basics of hosting, forwarding, offering more TLDs, etc., we're seeing innovations in e-mail tracking, search engine optimization, anonymous whois, brand protection, you name it. All of this is great, and bodes well for the industry to succeed financially while serving the public better.

What's the driving force?

Services that directly improve what a person can actually do with a registered name are flourishing, because each registrar is free to innovate its own product lines for its own clients. Where the industry gets stuck is in failing to provide services that, for technical and sometimes policy reasons, require the cooperation or agreement of multiple firms in the industry.

Like domain name redistribution?

Sure. There are others, too. Whois tools, for example.

What about the redistribution function?

When the domain name was first offered for commercial registration, the only method that made sense was fixed price and first-come, first-served. It was designed to treat all users equally. I doubt, at that time, anyone gave much thought to extending those tenets to redistribution of deleting names.

So, much of SnapNames' business has been created by, first, filling in the gaps — literally, creating an infrastructure where none existed and doing so with first-come, first-served services. It's been hard to get agreement in the industry on the expansion of some of those services.

With that as context, what's happening at SnapNames?

We're spending our energy today focusing on what we do best. In a young industry with so many opportunities, like this one, it's easy to bite off more than you can chew and we've certainly been guilty of that. So we continue to remind ourselves to stay focused on what we're optimized to do, and that's back-ordering.

How is that demonstrated?

We tell our partners and our staff that we have two primary objectives: First, to create great service offerings that our partners can bring to end-users and second, to work within the industry in such a way that it's a big win for everyone. It's really that simple.

You just said that there's a lot of opportunity in the industry. Why is back-ordering your main focus?

I believe there are two main reasons: first, people love the value a domain name can bring a person or a company. Second, I know getting a name that works for you or your business is highly frustrating. Prior to starting SnapNames, I and other friends I knew had all struggled to get the right name, checking availability manually and making calls to strangers. By the time we understood the deletion cycle, and had written a program to do the availability checking automatically, we figured that others would want the same.

The redistribution problem hasn't been fully solved, and there's a big opportunity to improve the process and create an income opportunity for the industry at the same time. So, yes, there are plenty of other things to do, but back-ordering is where we want SnapNames to focus.

How do partners play a part in your solution?

It almost goes without saying, but they're critical. Registrars and resellers are customer-facing, and of course play their part by leading customers through the products and services, and ensuring a good user experience. Registries can help by creating an environment that supports the fair re-distribution of names. Our offerings complement these channel capabilities.

Is there really a market for back-orders?

Yes. The market is far from being fully capitalized.

Take a look at some of the numbers: Conservatively, if only two back-orders are sold for every 100 names under registration, then, in a worldwide market of 50 million registered domains, there's a market for 1 million back-orders per year, across all TLDs. Our one-year data shows that in just COM, NET and ORG, close to 3 million or so names deleted and were re-registered, so the ratio of back-orders to registrations could be much higher. The back-order simply needs to be exposed more broadly and the market will grow naturally.

What's the value of back-ordering to consumers today?

The current retail price for a back-order is USD \$69. Most users find this pricing reasonable. We've also had some very good feedback from registrars on pricing

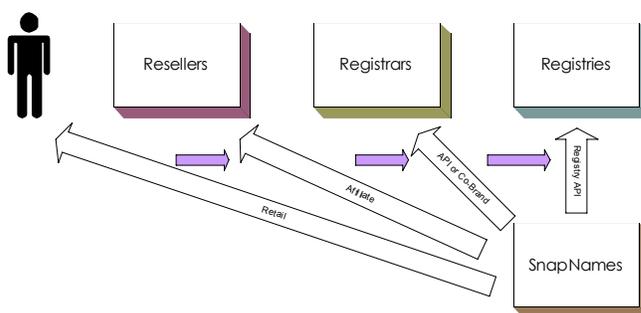
and features that would be attractive to end users, and are taking that into account as we move more toward a wholesale model.

Speaking of wholesale and retail, aren't you competing with your channel partners by having a retail presence?

Part of our near-term strategy is to minimize any channel conflict by migrating away from the SnapNames retail site. We're already moving the majority of our customers away from our retail service and towards our registrar partners. We've got two ways to do that currently: our direct API, and our co-branded pages solution. In either case, customers remain completely on our partners' sites. Eventually, our retail site will be closed for taking orders, and will be more of a "corporate site", with links to our partners.

How will you make that transition?

Good question. We started two years ago with just a retail site, and, at the end of the process, our goal is to be a registry level provider — that's how the industry and end-user will get maximum value out of the back-order. Let me draw you a quick picture:



Last year, we signed up quite a few "affiliates", who installed a button on their sites, and refer customers to us. Many of these companies were either domain name resellers or registrars. Shortly after launch, some of our registrar partners expressed the desire to have more control over the user experience.

Since our goal is to be a wholesale infrastructure provider, that made sense, and we created both the API and the co-branded pages solution. At the same time, we still believe that a registry-based solution ultimately serves end users best.

Hence, we have found ourselves working at multiple levels of the same channel structure, and in the end, that's likely to be confusing and inefficient. Our long-term objective is to work directly with registries, who will in turn provide our products to registrars, who will sell them to the end user. In all cases, as we move further back in the chain, we'll work closely with our partners to make the transition a very smooth process.

How long will this "back-order market" last?

The imagination is infinite, and that's why we have so many domain names — because people just keep thinking up new businesses or new ways to use names. More people discover the Internet every day, so there will always be a turnover in domain names. Our mission is to create solutions to the re-distribution problem that work for the industry, because expanding cooperation throughout the distribution channel provides the best outcome for the consumer.

Secondary Market Turnover Study

by Len Bayles

We've produced a lot of reports over the years, but we've yet to take a granular-level look at deleting names, and what happens to them over time. So recently, we decided to study a 365-day period of time and compare the .com, .net and .org (CNO) zone files from before and after, with a specific eye towards the deleting names. Here are our summarized results:

While all of the numbers for deleting names are high this year, we believe the trends in the above ratios will continue. The fact that only 20% or less of the deleting names in our sample were re-registered speaks volumes about market inefficiency. Many highly desirable names that could have been re-sold with improved customer awareness and presentation of products that allow customers to place a standing order for a name.

	August 31, 2001 Zone Total	August 31, 2002 Zone Total	Previous Years sum of daily deletes	Names added that didn't exist before	Domains that remain out of zone 1 year later	Domains re-added to zone sometime during year	% that didn't come back	% renewed by someone else
Com	23,099,020	21,250,306	11,282,177	7,163,386	9,012,100	2,270,077	80%	20%
Net	4,445,939	3,602,986	2,332,140	1,136,418	1,979,371	352,769	85%	15%
Org	2,879,707	2,354,887	1,442,937	735,854	1,260,674	182,263	87%	13%
	30,424,666	27,208,179	15,057,254	9,035,658	12,252,145	2,805,109	81%	19%

As you can see from the first two columns, the zone file as a whole shrunk about 10% since last August, but that seems to be the bottom – it's grown since then. One would also guess that because there were so many names added in 1999 and early 2000 ("the bubble"), that there would be an extraordinary number of names deleting in this past year. That is certainly reflected in these results – a full 50% of the names deleted!

Most mainstream users are completely unaware of the huge number of domain names that expire and become available daily. Most assume that if the name they truly want is unavailable today, it will never be, and they give up hope. The good news is, that many users could get their first choice name within 18 months or so. Educating users about these facts and making back-ordering services available represents a huge opportunity for everyone in the industry.

Conclusions from this data:

- Of these 15 million names that deleted, only 2.8 million were eventually re-discovered by those who were interested in them and re-registered. That's an interesting number, given that a much greater percentage of the 15 million represent good back-order candidates.
- Replacing the other 12 million that were not re-registered was a brand new 9 million names never previously registered. This is also fascinating because it shows that either:
 - the names people chose are more unique than we thought, or
 - some good names don't get re-registered simply because end-users don't know that they've become available again.

FYI: The Effect of RGP On the Deletion Cycle

by Len Bayles

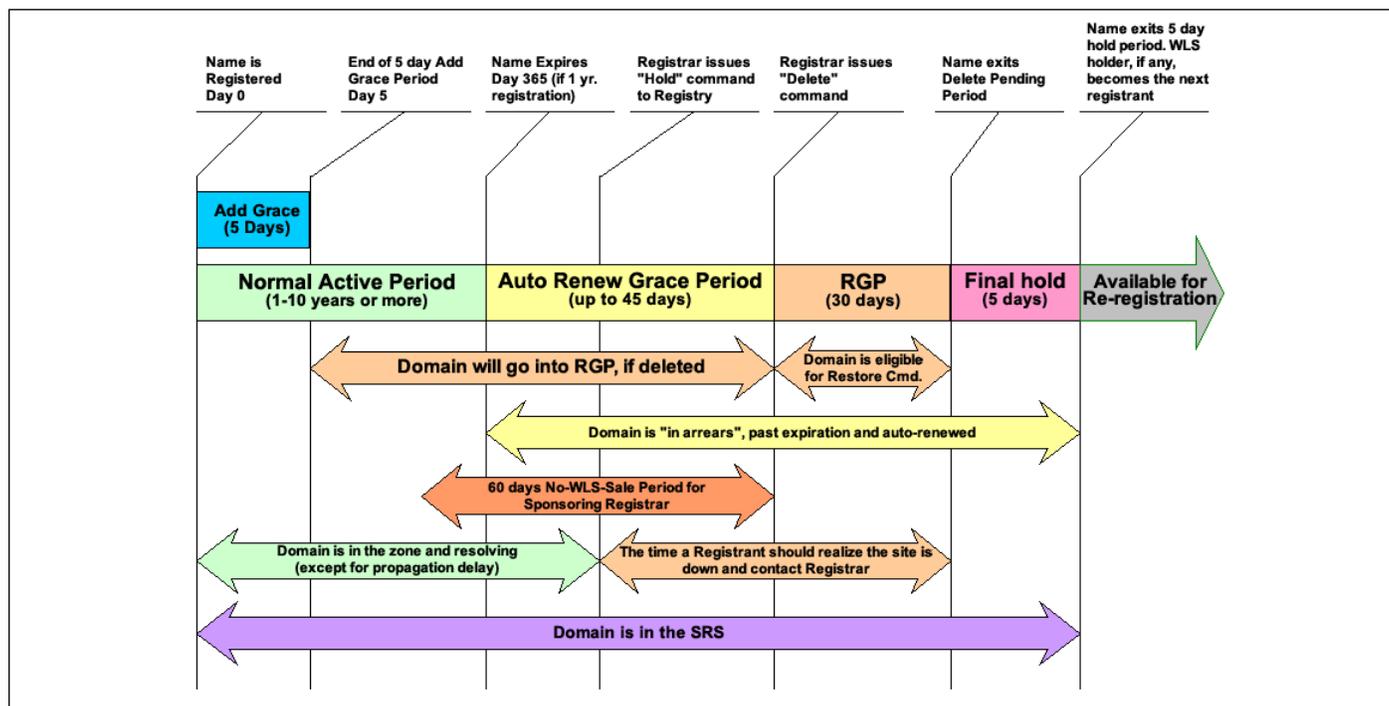
A new, recent wrinkle: ICANN has mandated changes to the deletion timeline that will affect the availability of a deleted domain. The result is the addition of a "redemptions grace period", or, in this acronym-mad industry, the *RGP*.

When the RGP goes into affect, its primary goal will be to offer a method to restore an accidentally deleted domain to the original registrant. Currently, depending on when the hold and delete commands are issued, a registrant may have only five or fewer days to notice that a domain has stopped resolving as an active website. The RGP adds an additional 30 days after deletion during which a registrant, with the help of the sponsoring registrar, may restore an unintentionally deleted name.

The diagram below shows the various stages of the deletion cycle, including with the new RGP in place:

- a fee, and one that's higher than a normal registration, and
- the requirement that the registrar issuing the restore command provide adequate documentation showing the reason for the restoration and the registrant's entitlement to the name and a statement documenting the legitimacy of the restoration process as performed.

Of course, there could be unintended consequences, as well. One may be that registrants simply begin receiving a much stiffer penalty when registrations fail to renew on time. For example, with the RGP in place, registrars may feel it's no longer necessary to wait until the end of the 45 day auto-renew period before deleting a name. If a registrar were to delete on the first day of the auto-renew period, there would still be plenty of time to correct a mistake via the restore command during RGP. The registrant would have to pay the RGP cost, with appropriate markup.



The intention of this change is to allow the registrant a greater time window to realize the registration has lapsed, thus further lessening the already low rate of accidental deletions. The "restore" command is likely to be accompanied by two things:

There also are revenue impacts for registrars and registries. If registrars continue to delete towards the end of the auto-renew period, then the total number of days that a name can be "unpaid" and not in circulation is 80 (45 days during auto-renew, 30 days during RGP

and five days during final hold). This will result in both registries and registrars earning less revenue across the board.

One interesting interaction between the RGP and the future VeriSign Wait Listing Service (WLS) will be the "60 day no-WLS sale" requirement, a mandate preventing a registrar from selling the WLS position on a name the registrar is currently sponsoring if the order is made within 60 days of anticipated deletion. This rule will be difficult, perhaps impossible, to implement and enforce, for a number of reasons:

- It's not possible to predict when a registrant will renew a domain, and thus if it will delete. Perhaps registrars can work around this by disabling sale of WLS on names that are "possibly within" 60 days of a deletion.
- There are also cases that do not involve the domain name's anniversary date. For example, suppose a domain name has been registered for five years. In year two, a UDRP case or court order causes the current registrant to surrender and to delete the domain name. What would happen if the rightful trademark owner had taken a WLS subscription from the same registrar days before this deletion occurred, knowing the name was going to be deleted? Would the trademark owner-WLS subscriber lose it to someone else? This creates a paradox that can be solved only by blacking out all domain names from WLS subscriptions, because it is impossible to predict when a deletion will occur.
- If, on the other hand, registrars delayed their deletion commands regardless of customer actions, they could get around the blackout condition and be able to sell WLS subscriptions at any time, so long as they were willing to possibly pay the \$6 renewal. In this way, the system could easily be gamed.

While the value of well thought out policy is clear, it's also important that the user be kept in mind. It will be very difficult for a registrar to explain why it can't sell a WLS to an end-user, but its competitor can.

As the industry moves forward, it will be important to strike a good balance between setting policy that satisfies multiple constituencies and keeping technical functionality clean and understandable.

Methodologies & Statistical Accuracy

SnapNames' domain name industry data is generated using domain names listed in the COM, NET, ORG, BIZ, INFO, NAME and US zone files. Only active domain names appear in the zone file, although a domain name does not have to be attached to a web site to be considered active. It is possible that a registrar could have domain names that are on hold, or domain names that do not have name servers listed, thus causing our report-generating process not to "credit" the registrar with such domain names. Overall industry reports are run monthly from zone files produced on the first calendar day of each month. Because some domain names may be transferred, expire, or expire and be re-registered by another registrar during the report production period, it is possible for those names not to be included in the report.

Daily reports are the result of the difference between two zone files monitored 24 hours apart. A domain name appears on or disappears from a zone file if:

- It was just registered and is being placed into the zone file;
- Its status is being changed from registrar or registry "hold" to "active";
- It is being placed on hold in the normal process of expiration;
- It is being placed on hold because of a dispute;
- Its name servers are being permanently disassociated from the domain; and

- Name server changes are made during the cycle when the zone file is generated.

Often registrars will report numbers of current registrations and percentages of market share that are larger than those documented in this report. This may be due to a number of reasons, including, but not limited to:

- Transfer of names from one registrar's accreditation to another's (perhaps the result of an acquisition);
- Allocation of names from a reseller (operating under another registrar's accreditation) to its own accreditation (in order to avoid double-counting, in this report's compilations, each registration is assigned to the actual registrar of record as documented in the zone file, regardless of the reseller that technically sold the name and manages the customer); or
- Inclusion of ccTLD registration totals or other types of names.

The above information is accurate to the best of SnapNames' knowledge and within reasonable margins of error. SnapNames is not liable for any reliance on this information. Persons with corrections or other comments are encouraged to immediately bring them to SnapNames' attention. Please forward comments or questions to publisher@sotd.info.

Errata

The editors offer the following updates to the Second Quarter 2002 edition:

- Stargate was mistakenly omitted as an active registrar for INFO names. As of the end of Q2 2002, Stargate had 74 active INFO registrations.
- On pp. 25-26, the totals for total NAME namespace registrations (domains and e-mail registrations) for each registrar were incorrectly added. That chart has not been recalculated for this edition; however, registrations and total namespace are correctly documented in Table 1 in this edition.
- We also erroneously reported the nature of the promotional campaigns by the Domain Registry of Canada that lay at the heart of a group of lawsuits and counter-claims between DROC on the one hand, and

Tucows (and now Register.com) on the other. DROC's promotional campaigns are not conducted using email; rather, DROC employs only mail of the sort handled by post offices.

The editors regret the errors.