

Registries Stakeholder Group Statement

Issue: Phase II Assessment of the Competitive Effects Associated with the NewgTLD Program

Date statement submitted: December 5, 2016

Reference URL: <https://www.icann.org/public-comments/competitive-effects-assessment-2016-10-11-en>

Background:

- Phase I (published in Sept 2015) established metrics to assess competition on the domain name market, made an assessment based on data from Nov 2014 vs. March-April 2015.
- Phase II evaluates changes in competition on the domain name market, based on data from March 2016.

Main Conclusion of Phase II:

“While we are unable to draw conclusions about whether the New gTLD Program has caused a change in competition in the domain name marketplace, we have observed some changes in the past year that are consistent with what one would expect to see in a marketplace with increased competition.”

RySG Comment:

The RySG welcomes the opportunity to comment on the Phase II Assessment of the Competitive Effects Associated with the New gTLD Program. It shares the opinion that it is still relatively early in the introduction of new gTLDs to draw conclusions and that it is complex to compare data while new gTLDs are still being introduced on a regular basis.

The RySG is of the opinion that research helps to better understand the dynamics of the market. The report’s conclusions do not mention a follow up or next steps. The RySG suggests that, on a periodic basis, ICANN continues to assess the competitive effects associated with the new gTLD program. The following comments on the Phase II report are intended to contribute to further refine the methodology and develop a baseline for future reporting.

The RySG notes that ccTLDs are not included in the assessment of the effects of the new gTLD program on the domain name marketplace. This limitation is not clearly indicated in the report - only footnotes 5 and 11 clarify that ‘legacy TLDs exclude ccTLDs’ and showing ccTLDs in Figure 1 gives the impression that ccTLDs are taken into account by the researchers.

The RySG wants to draw attention to some issues with the data that is being used to draw conclusions in the current paper. A pricing analysis is a complex and complicated matter. The study fails to appropriately acknowledge areas where the data may not sufficiently characterize the market. Aside from the limited availability of both retail and wholesale pricing data the study should also acknowledge that these two data points fail to capture all of the dynamics that impact end users, registrars and registries. For example, the retail price methodology does little to capture short-term or selective promotional pricing, which is frequently used to stimulate demand during targeted times, via specific mediums (i.e. search or display advertising) or within selected regions. The wholesale pricing analysis fails to account for ways that wholesale pricing can be offset for channel distribution partners by using volume based tiers, rebates or registry funded shared marketing. In addition, over-reliance on pricing and registration volume to measure competitive impact overwhelms consideration of other potentially useful metrics, such as usage (which is admittedly difficult to determine). And ICANN must take diligent care when considering competition data if it is to be invoked as a component of policymaking.

Furthermore, the RySG wants to point out that some of the tables could be misleading when viewed in isolation. In particular the use of the word "All", for example for the values reported in the columns "Share of All Registrations" in Table 2 and "Shares of Registrations, All TLDs, Phase I and II" in Table 2A, creates the impression that the denominator in the share calculations is the entire universe of registrations. It is not clear from the table alone:

- that a sample of gTLDs is used and not all gTLDs;
- whether the universe of registrations that is being used to compute shares is worldwide or limited;
- that ccTLDs are excluded from the calculations;
- whether the universe of registrations includes all TLDs or just those that are open without restrictions.

The RySG advises the researchers to be cautious when defining subgroups or market segments where direct competition could be expected and be conscious, for example, of the fact that some TLDs have more restrictive registration policies than others, or the fact that non-English and IDN TLDs may be more, or less, meaningful for users, depending on the language(s) that is (are) frequently used in their region.