GNSO Registries Stakeholder Group Statement

Issue: gTLD Marketplace Health Index Proposal

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The Registries Stakeholder Group (RySG) provides the following comments on the gTLD Marketplace Health Index Proposal.

We believe that further clarification should be provided about the purpose and application of the indicators, and that follow-on processes should be put in place to ensure that such indicators remain relevant to their purpose. Nonetheless, we offer the following suggestions to make ICANN's proposed indicators more meaningful and robust. Our recommendations are broken out across ICANN's suggested performance areas: robust competition, consumer trust, and non-technical stability.

I. Robust and Competitive gTLD Marketplace

Number of Countries with an ICANN-accredited Registrar

As a registrar may provide high-quality service to many countries, we do not believe that the number of countries with an ICANN-accredited registrar is, in itself, a useful indicator of competition. There are scenarios like the European Community where getting registrar services from another country in the region is much easier than it would be in Latin America or Africa where payment methods, taxes and language could be challenging for getting such services from outside of the country.

A more meaningful approach would be to measure domain registration volumes across different countries and then to cross-segment this data by registrar and by registry and study the distribution. This would better capture overall global market penetration, whether providers were competing effectively in these marketplaces, and whether registrants were offered widespread choice in service provider regardless of where they reside.

We also note that only RAA-2013 registrars should be considered for this analysis, since RAA-2009 registrars don't allow for registry competition since they can't carry 2012-round gTLDs.

Average Number of Registrars Offering Each gTLD

While we believe this metric is a somewhat useful measure of competition, the figure should be adjusted to exclude gTLDs that have qualified for Specification 13 (".Brand TLDs") or for an exemption to the Registry Operator Code of Conduct (ROCC). .Brand gTLDs are contractually limited from onboarding more than three ICANN accredited registrars; similarly, all registrations in ROCC-exempt gTLDs are limited to the registry or one of its affiliates, limiting the incentive for registrars to onboard with these “closed” gTLDs. Including these gTLDs in the overall study would artificially lower this figure and suggest that competition was less robust than if the study looked exclusively at open gTLDs, in which choice of registrar is most significant.

We also note that Geo and Community TLDs, while open in nature to their constituents, both require more technical integration work and appeal to smaller audiences, resulting in less interest from registrars than the purely generic strings. Such comparisons should probably be avoided or at least be done both globally and by category, in order to allow for meaningful analyses.

Moreover, we feel that the term *Average Number of Registrars Offering Each gTLD* is actually misleading. We suggest that traditional measures used by retailers in all sorts of industries be used instead. There are two main measures. The first is called Numeric Distribution. Applied to the gTLD marketplace, this would be defined as the percentage of registrars offering a given gTLD within the set of registrars offering at least one gTLD. Because the registrar market is concentrated, with the top 10 representing more than three quarters of all SLD registrations, this item should be brought together with the other common indicator used to measure consumer markets: Weighed Distribution. This measures how much registrars selling one gTLD contribute to the total number of registrations. For example: if one registry sells through 10% of accredited registrars only, then its Numeric Distribution is 10%, and if that registry sells 50% of what the market sells, then its Weighted Distribution is 50%.

Number of Registrars Offering Internationalized Domain Name (IDN) Registrations
We do not believe that a simple count of the number of registrars offering IDN registrations meaningfully captures competition in the sale of IDNs. We believe that a better measure would be to look at the overall volume of registration for IDN domains, and then to cross-segment this volume by registrar and registry. This would better capture trends in the overall demand for IDNs, and give a sense of the extent of competition in this segment of the domain name marketplace. Figures could be further broken out by script for an even more detailed picture of competition as it affects specific non-English user categories.

Ratio of Registrars to Registrar Families/Ratio of Registries to Registry Families
The existence of registry and registrar families is an important consideration in assessing competition within the domain name marketplace; however, the ratio of registries and registrars to families is not a meaningful competition indicator in itself. A better approach would be to consolidate registry and registrar families when looking at the other competition indicators.

gTLD Renewal Rates
This indicator would be more useful if measured alongside gTLD registration volumes. Looking solely at renewal rates would fail to fully capture the actual demand for a particular gTLD.

The Renewal Rate should also take into account the age of a domain name registration. Renewal rates have been shown to grow with time. Incumbent gTLDs show that renewal rates after 2 years are higher than after 1 year and so on, with rates strengthening the longer the gTLD has been in service. As the eldest of the new gTLDs have at best going on for two years of existence, adding this level of refinement to this indicator will bring a more representative of the state of the market as a whole.

Further to the issue of registrations, it would be preferable to focus on new registrations in various TLDs, and not specifically registrations in legacy gTLDs and renewal of "old" registrations. This would present a more timely picture of the marketplace, vs. taking into account an over-weighted view of legacy gTLD registration and renewal rates.

Innovation and Introduction of New Services

We recommend that this metric be eliminated as it is overly vague and, unlike the other indicators proposed, is difficult to measure and track in a meaningful way.

Other Proposed Indicators

We also recommend that ICANN take into account at the following as possible indicators of marketplace health:

- *Percentage of Domains Associated with a Website*: As indicated in Phase 1 of the Analysis Group Report, the "purpose of obtaining a domain name registration is often the creation of a final website that contains content placed there by the purchaser of the domain name." While this does not hold true for all domains, it is a strong indicator of the prevalent use case for the Internet as a whole. This indicator could be further segmented by registry and registrar.
- *Dispersion of New Registrations:* There is likely to be a degree of stickiness in a registrant's choice of domain names. As such, a useful measure of competition would be to look at the breakdown of new registrations in gTLDs. Observing patterns in new registrations would be particularly useful in assessing the potential impacts of new gTLDs on overall, long-term competition in the domain name marketplace.
- *Relationship Between gTLD Wholesale Price and Registration Volume*: There is likely a relationship between new registration and the price of a TLD. It would be useful to measure the relationship between price and volume in gTLDs to identify whether particular gTLDs were competing primarily on price or non-price-based factors. Failing to consider domain name price points when assessing competition in the domain name marketplace might wrongly suggest that higher-priced gTLDs, appealing to more niche market segments are not competing or, conversely, overstate the competitive impact of gTLDs that offer low or no-cost registrations.
- *Dispersion Across Backend Registry Providers:* Despite the large expansion in new registry operators that followed the 2012 New gTLD Program, the field of unique backend registry service providers remains relatively concentrated. Another useful indicator for measuring competition in the gTLD marketplace would be to look at the number of backend registry operators and whether this figure evolves, as well as to

study registration dispersion across backend providers (in addition to by registry and registry family).

- *Dispersion Across Retail Price*: So to be able to establish price comparisons, price spreads amongst registrars for the same gTLD and a price segmentation of the existing range of gTLDs, this indicator would highlight the diversity of the gTLD models, from low cost to premiums.

II. Trusted gTLD Marketplace

The indicators proposed for measuring trust in the gTLD marketplace are very narrowly targeted such that it unlikely that they would directly impact overall trust in the gTLD marketplace or even be perceptible to average registrants and users. An alternative approach would be to rely on surveys and studies of registrants and users to identify what signals they rely upon when determining whether they trust a particular gTLD, registry operator, registrar or reseller, as well as directly poll their level of trust in the domain names supply chain as a whole (provided some qualifying questions are included to assess each respondent ability to differentiate the chain constituted of ICANN, registries, registrars and resellers from other players of the digital industry like hosting providers) . Such surveys and studies could and should also consider whether qualification as a .brand TLD has an impact on user trust.

ICANN could then carry out a longitudinal study of whether the factors that were shown to affect user trust changed over time, as well as to understand shifts in their trust in particular industry players.

ICANN could also look at malicious registrations identified in a particular gTLD or sponsored by a particular registrar. Malicious registrations would be more likely to adversely affect users than other factors proposed (e.g. RRDRP, UDRP, or URS decisions; breach notices; or WHOIS complaints) and therefore more likely to affect user trust; some of the factors like UDRP and URS are also outside of what registries and registrars can do to mitigate malicious conduct, since they can’t deny registrations of trademarks outside Sunrise periods.

III. Stable gTLD Marketplace

The report refers to “perceived non-technical stability,” while the proposed indicators appear to cover technical functions. More generally, we believe that stability-related issues in the domain name marketplace do not exist at the registry and registrar level and, thus, that these indicators should be excluded from study.

Industry Efforts

Finally, the RySG acknowledges and encourages industry-led efforts to continually evolve a healthy domain name ecosystem. The Domain Name Association, the industry’s trade group, has developed the Healthy Domains Initiative as a method for establishing a network of industry partners to communicate and collaborate and to develop industry-accepted policy guidelines, best practices and success metrics that provide tangible ways of identifying and promoting standards for healthy domains. The RySG looks forward to the positive benefits of such a collaboration.