

Competition and Consumer Choice Findings

Guide

Plaintext - Factual summary of analysis.

Italics - Information included in this summary currently not reflected in projects.

Bold - Jordyn's attempt to draw subjective conclusions from the data.

Industry Structure

- The existence of registrars (as a retail channel) and backend providers (to provide most a registry's technical operations) facilitates the entry of new gTLDs into the market.
 - Although there are several hundred registrars offering new gTLDs, there are only a handful of backend providers. However, six backend providers each service at least one million second level domains (SLDs) under the gTLDs that they support.
- 90% of new gTLDs have fewer than 10,000 registrations, even excluding .BRANDs.
- *So far, only a single TLD has ceased operations. A handful of other TLDs have been sold post-launch, possibly due to an inability to sustain standalone operations.*
- **Most gTLDs have only modest numbers of registrations, but we have seen only one failure very few failures, so the structure of the industry may make it possible for many small gTLDs to continue to operate even with low registration volumes.**
- **Kaili version: The mass majority of new gTLDs have a modest number of registrations. Thus, as the time period of their existence is still limited, and as their cost structure are to be further explored, it remains to be seen how many of them will survive over a longer period of time.**

Commented [1]: Jordyn, if we are in a competition review, "sold" is not enough. Are we talking about mergers? Acquisitions by other similar players? this a relevant fact we have to make clear, about the critical mass for a stand alone new gTLD.

Commented [2]: Waudo is looking to do some more nuanced analysis of this point.

Commented [3]: Modification from Kaili

Commented [4]: or it may be too soon to exclude failures due to long term structural inefficiencies.

Commented [5]: I guess this sentences is about new gTLDs. I like the suggestion, if we plan to discuss critical mass further. Brands can keep them alive forever without registrations. Parking can also survive for a long time. But "continued operations" should be based on some measure of change to my mind.

Market Structure

- New gTLDs represent about half (50%) of the increase in gTLD registrations since the end of 2013, and about a third (32%) of the increase in total domain name registrations (including ccTLDs).
- **In aggregate, new gTLDs represent a significant portion of the growth in domain names since the launch of the program, roughly equivalent to either legacy gTLDs or ccTLDs.**

Commented [6]: I love this one!!!! I hope it remain a clear trend over time.

Concentration

- By all standard measures of market concentration, the "new gTLD market" is significantly less concentrated than the "overall gTLD market".
- Using USDOJ's interpretation of HHI's, the new gTLD market would be considered not concentrated, whereas the overall gTLD market is highly concentrated (the HHI of the overall gTLD market, at 6,360, is extremely high).

Commented [7]: Comment from Jamie Hedlund: Need explanation of the calculation (and cite) as well as context of the significance (or lack thereof) of HHI as an indicator of completion.

Commented [8]: Comment from Jamie Hedlund: Need to define what this is, whether it includes cc's, and what the figures are for both g's and g's plus c's.

- Concentration amongst registrars within the new gTLDs is not significantly different than the overall gTLD market, and are generally in the range considered to be not concentrated.
- [The market for registry backend services (for new gTLDs) is relatively concentrated, with an HHI of 1735 and an 8-firm concentration of .95.]
- **New gTLDs have decreased concentration in the gTLD market, but because the program is relatively new and the existing base of registered domains is large, the overall effect has been modest.**
- Kailli version: Although new gTLDs have decreased the concentration in the gTLD market, put this is only natural due to the significant increase of available gTLDs. It does not necessarily lead to the conclusion of an increase of competition in the market place. Furthermore, as there is no evidence of a lowering in price (the retail price of new gTLD registrations are found to be no lower than legacy ones), whether the new gTLDs have increased competition is still a question to be further studied.

Commented [9]: Comment from Jamie Hedlund: Suggests this market is not competitive when the intro says the opposite. Again, context missing and there is a misleading emphasis on HHI.

Commented [10]: I miss here the difference between registries and registrars (analysis group II)

Commented [11]: Carlos, this is addressed two bullets up. Basically, with regards to registrars: "not much changed".

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Commented [12]: Comment from Jamie Hedlund: Subjective opinion.

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Commented [13]: Comment from Jamie Hedlund: why?

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Commented [14]: Comment from Jamie Hedlund: Price is only one indicia of competition. There are many others. Where is the data that shows prices have not declined? Where is the analysis of the impact of price-capped legacy TLDs on new g pricing? Without these at a minimum we should not lead with the suggestion that in fact there is no new competition.

Trademarks

- As with previous expansions of the gTLD space, some trademark holders engage in defensive registrations.
- In a sample studied by Analysis Group, 54% of trademarks registered in .com were registered in one or more of the new gTLDs.
- Most trademarks are only registered in a small number of gTLDs (median of 3), although a small number of trademarks are registered in many of gTLDs. 4% of trademarks were registered in over 100 new gTLDs, and one trademark was registered in 406 gTLDs.
- **The cost of the new gTLD program for most trademark holders has been relatively low; however, a small fraction of trademark holders are likely incurring significant costs in defensive registrations.**
- Kailli addition: Regardless of the costs for such defensive registrations, this is an obvious unwanted effect of new gTLDs that is especially of concern to the business community and Internet end-users. Thus, together with reportedly significant volume of parked new registrations suspected for speculation, the benefit and drawbacks of new gTLDs need to be carefully weighed against each other, and policies to prevent such drawbacks need to be formulated before further advancing the new gTLD program.

Commented [15]: like it. Any relation with the global reach of the trademark holders?

Commented [16]: Probably, but we don't know which marks are the ones registering in many TLDs based on the data that we have available.

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Commented [17]: Comment from Jamie Hedlund: This is subjective opinion not backed up by data. It does more than suggest that further studies will show that the program was an abject failure. That is opinion and has no place in the report.

Commented [18]: I agree. We can't just say something is "obvious"; there needs to be some substantiation.

Choice

- This is particularly true in IDN TLDs. In some IDN TLDs, >60% of SLDs registered are available as exact matches in .COM.
- The vast majority (92%) of new gTLD registrations could have been registered in .COM instead in the form SLDTLD.COM. (e.g., users pick BIGSHOTS.PHOTOGRAPHY even though BIGSHOTSPHOTOGRAPHY.COM was available)
 - For many gTLDs, this is true despite the fact that the retail price for the gTLD is typically higher than for .COM.

Pricing

- **In general, we are missing important data to draw strong conclusions. In particular, we are missing transactional data from registrars, wholesale pricing from most legacy gTLDs, and data on resale prices of domain names.**
- Most of the data we do have is inconclusive.
 - On average, new gTLDs are priced no lower than the price caps for legacy gTLDs, but it is unclear what prices the legacy gTLDs would charge in the absence of the price caps.

Commented [19]: My first reading about Analysis Group II report is that we can at least make a better statement at the wholesale level. Will go back to the report.

Commented [20]: Yes, they make a stronger statement, but we haven't been convinced by their approach.

Regulation

- Most of top 30 registries (90%) have published Privacy policy.
- Two thirds of these registries would not share those data with third parties, except in cases prescribed by law and regarding to Whois policy.
 - 43% of these registries have strict obligation in their policies that they will take reasonable measures to provide the security of personal data.
- No jurisdiction requirements, except for .nyc.
- All of these registries have compliance procedure for abusive behavior or other violation of policy.
- No TLDs have policies related to "parked domain names" related.