Report of Public Comments

Title: Phase 1 Assessment of the Competitive Effects Associated with the New gTLD Program

Publication Date: 28 September 2015
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Section I: General Overview and Next Steps
The Phase 1 Assessment of Competitive Effects Associated with the New gTLD Program was published to help establish a baseline of competitive forces in the domain name marketplace both prior to and in the initial months of the New gTLD Program, beginning with the first new gTLD to be delegated as part of the New gTLD Program in October 2013. The Phase I Assessment considered pricing and registration volume data from a sample of legacy gTLDs that existed prior to the New gTLD Program. ICANN has contracted with Analysis Group to undertake a Phase 2 Assessment to compare data points one year after the Phase 1 Assessment began. Comments received on the Phase 1 Assessment will inform any changes to the approach used in the Phase 2 Assessment. The feedback will also be provided to the Competition, Consumer Trust and Consumer Choice Review Team (CCT RT) which is expected to convene in late January 2016.

Section II: Contributors
At the time this report was prepared, a total of [number] (n) community submissions had been posted to the Forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor’s initials.

Organizations and Groups:

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<tr>
<th>Name</th>
<th>Submitted by</th>
<th>Initials</th>
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<tr>
<td>Business Constituency</td>
<td>Steve DelBianco</td>
<td>BC</td>
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<td>Google Registry</td>
<td>Stephanie Duchesneau</td>
<td>GR</td>
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<td>Coalition for Online Accountability</td>
<td>Steven Metalitz</td>
<td>COA</td>
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Individuals:

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<tr>
<th>Name</th>
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<tr>
<td>Dirk Krischenowski</td>
<td>dotBERLIN</td>
<td>DK</td>
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<td>John Poole</td>
<td>DomainMondo.com</td>
<td>JP</td>
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Section III: Summary of Comments
General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff
ICANN's summary

ICANN received comments from multiple perspectives. The five commenters spoke to a range of issues related to the Phase 1 Assessment of Competitive Effects Associated with the New gTLD Program. Because the issues were disparate, there was little consensus on the points raised in the comments, though several commenters agreed with Analysis Group that the paucity of transaction-level data was a challenge for drawing conclusions about competitive effects, as well as a general note from several commenters that it may be too early in the introduction of new gTLDs to draw any conclusions at all.

All five commented on the nature of the data that were used in the Phase I Assessment. BC agreed with Analysis Group’s conclusion that the lack of transaction-level data made it difficult to reach conclusions about price as a competitive factor and noted that such data is critical to a thorough analysis. GR suggested looking beyond pricing data to consider other factors that may influence market activity, such as surveys of user and registrant behavior, and other market research that explores the impact of the New gTLD Program. COA suggested looking beyond retail and wholesale prices and examining instead larger questions related to whether investments in new gTLDs result in more innovative business models and better-served communities.

COA also suggested that ICANN review the principles outlined in the 2010 study, “Economic Framework for the Analysis of the Expansion of Generic Top-Level Domains.” The issues highlighted in this report, COA stated, should take a much higher priority than a comparison of pricing data in new gTLDs. COA emphasized four points it made in its comments on the 2010 study: an “open-entry” process may not lead to an optimal number of new gTLDs; the largest sources for potential benefits from new gTLDs would come from community applications, IDNs, and innovative new business models; ICANN should prioritize those TLDs that may have a net social benefit; the potential for consumer confusion; and costs imposed on those beyond registries, like rights protection costs for trademark holders.

Similarly, GR suggested establishing a methodology that recognizes how other players affect the market. It recommended a more nuanced assessment of price-based factors. For example, GR suggested that the report fails to account for the perceived lack of “high-quality” names in legacy TLDs. One approach GR suggested was to look at a small number of second-level domain names and check for availability across TLDs. It also recommended exploring the impact of price caps on legacy gTLDs.

DK suggested focusing some of the analysis on categories of TLDs, particularly the geographically focused strings. DK wrote that geographic TLDs deserve to be analyzed separately because they often faced stricter restrictions, are operated in the public interest, and may have been priced higher due to fees required from local governments. DK cited this category of TLDs as a successful model, which requires more attention. DK also suggested that the next report differentiate between categories of TLDs. Similarly, GR suggested that the methodology should treat similar TLDs the same. For example, do closed, restricted access, and sponsored TLDs deliver more value to registrants? Price comparisons within a set of such similar TLDs may be more apt. Furthermore, in the study, ccTLDs are grouped in

" recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted)."
comparison sets with legacy gTLDs and GR suggested this may not allow for a fair comparison.

JP submitted a comment citing several blog pieces critiquing the report’s premise, which JP described as the idea that there are no longer good second-level domains available for registration. The comment went on to cite news articles and other media pieces critiquing various aspects of the New gTLD Program.

Section IV: Analysis of Comments

General Disclaimer: This section is intended to provide an analysis and evaluation of the comments received along with explanations regarding the basis for any recommendations provided within the analysis.

Analysis Group’s analysis of comments

We (Analysis Group) appreciate and agree with many of the comments noted above. As such, our Phase II Assessment will strive to address these comments to the extent it is possible to do so.

Regarding the paucity of transaction level data, we will continue to reach out to registrars and secondary market facilitators to obtain more detailed data. Additionally, we would welcome any suggestions for sources of such data, and invite anyone with such data to participate. With such data, Phase II would be able to answer important questions regarding consumer substitution patterns across TLD types, and in particular, of the impact of new gTLDs on legacy TLD registrations.

Concerns raised by DK regarding geographically focused TLDs will also be taken into consideration. We agree that treating these TLDs separately from all new gTLDs will be a valuable exercise, and will include these breakdowns in the Phase II Assessment. Additionally, we feel that broadening the set of regional analyses conducted will be beneficial and to the extent we are able to obtain sufficiently detailed registrant information, we will utilize these data to examine registration patterns at a more geographically detailed level. More specifically, such data could be utilized to examine how new gTLD registrations are distributed across countries and regions, and within each relevant area, what percentage of registrations are accounted for by Geo-TLDs. Moreover, if historical records are available we can examine the extent to which Geo-TLDs and other new gTLDs affected legacy registration rates by registrants within specific areas. Lastly, such data would allow us to examine the extent to which new gTLDs with IDN capability have been registered across various countries or regions.

While transaction-level data would be optimal, detailed registrant information would also allow us to conduct various analyses focusing on specific second-level strings. For example, it would be useful in addressing GR’s suggestion to look at the registrations of “high-value” strings in legacy vs. new gTLDs. More specifically, given an appropriate set of high-value strings, it would allow us to examine the percentage of such second-level strings which are registered in legacy TLDs and compare that to the percentage registered in new gTLDs. Additionally, registrant information would allow us to examine the frequency with which these strings are registered by the same registrant across various TLDs.

Regarding the comment made by BC suggesting to compare the cost of registration and the volume of registration in sunrise periods versus general availability, we agree a more thorough investigation beyond comparing wholesale prices would be of value. Such an endeavor would be made more feasible with additional transaction-level data and with WHOIS registration data. Thus, to the extent
additional data are available, we will strive to include analyses addressing this issue in Phase II.

We also agree that price data is not the only metric which should be considered. As mentioned above, Phase II will work to incorporate a broader set of information to gauge competitive effects of the new gTLD program, including more detailed transaction-level and registrant information. In addition to the advantages noted above, these data would allow for more closely examining registrant behavior as new gTLDs have entered the marketplace. We note that conducting consumer surveys is beyond the scope of Phase II. However, to the extent it is relevant, Phase II will incorporate findings from past ICANN studies which address registrant behavior.

We also believe it is important to recognize that the Phase I and II Reports are only part of a larger overall evaluation of ICANN’s New gTLD Program, and as such, their purpose and scope is narrower compared to the overall evaluation’s goals. Specifically, our goal is to build an understanding of the competitive effects of the New gTLD Program by evaluating competition in the past, present, and future. As a crucial part of this, the primary goal of Phase I was to establish various baseline measurements to be used later in Phase II. Finally on this note, we recognize that the New gTLD Program is still at an early stage, and the results of Phase I are very preliminary. Phase II will be conducted a full year after Phase I, and will have given the DNS marketplace more time to evolve.

Finally, several commenters suggested incorporating information from other related studies. GR suggested looking at industry reports compiled by organizations such as Verisign and Sedo. We agree with this suggestion, and will review such reports and allow them to inform analyses in Phase II. Regarding COA’s comments on the 2010 study, “Economic Framework for the Analysis of the Expansion of Generic Top-Level Domains”: these are beyond the scope of the Phase II work, but as noted above, we will work to include a broader set of information to gauge competitive effects of the new gTLD program.

We would like to note that there are other studies currently being conducted, such as the recent Nielsen global consumer and registrant surveys, which more directly examine some of these issues. Lastly, regarding comments on the general progression of the New gTLD evaluation process, while we cannot speak for ICANN directly, it is our understanding that discussions will continue to take place within the community to determine whether additional studies should be commissioned.