STATE OF THE DOMAIN

Second Quarter 2001

Publication Date: August 8, 2001

SnapNames™
Secure Your Domain™

SnapNames is a provider of back-ordering and buyer aggregation infrastructures for use by registrars and resellers in the secondary domain name market.

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Message From The Publisher

Welcome to the Second Quarter 2001 report.

To say this industry is dynamic is an understatement. There's much to report. So, to allow ourselves enough latitude to accommodate quality coverage and commentary, and to ensure this report stays on desks as a useful tool, we've made some updates to *State of the Domain*.

First, the report has the same look and feel but employs different formatting—the primary difference is that you'll find industry data up front, with our commentary to follow. Thus, when you get to the commentary section, we'll all be appropriately versed in the numbers. We've also added a new section featuring Alexa rankings of domain name related web sites that we hope you find interesting—please let us know.

A minor but not insignificant reference issue as the volume of these editions continues to grow: the quarterly edition of this report is the big one and includes commentary, trend interpretation, and hard data. These editions will be titled by the quarterly period covered therein (*e.g., State of the Domain, Second Quarter 2001*).

The monthly editions in between are much shorter and focus on providing an industry snapshot primarily through data. In parallel to the quarterly issue, monthly editions will be titled by the month reported on (*e.g. State of the Domain, July 2001*). This should help keep your library organized.

This is a young industry and we certainly don't rule out other changes. Your feedback has played a big role in developing this report; please keep it coming. Reach the editorial team by e-mail at the addresses noted at the end of this document.

As the newly hired Publisher for the *State of the Domain* report, part of my mission is to supply analysts outside this industry with a comprehensive data book for quick familiarization with the domain name business. If you know of editors, analysts, industry leaders, or anyone else who you think would enjoy a free subscription to the report, please have them send a blank e-mail to stateofthedomain@snapnames.com

Sincerely,

Mason Cole
Director of Corporate Marketing

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Quarterly Registrar Data Review

I.   On the Limitations of Raw Data

"What's in a name? A rose by any other name would smell as sweet." So said Juliet, and though the Bard would turn in his grave to hear us do it, we might just as well say she's a good source for a common view on domain names. Is not one registration that we report on the same as any other? In other words, do not our statistical reports of names won and lost tell the whole story?

Well, to turn Gertrude Stein on her head, no. It's certainly *not* the case that a name is a name is a name.

A.   Is Your Margin Wafer-Thin?

For example, some domain names are sold for substantially higher margins than others. While up-and-coming registrars like GoDaddy are selling a lot of domain names, they are doing so at margins that may be as many as a dozen times smaller than the margins of Network Solutions and Register.com. Our reports, needless to say, will not capture such details. Are the registrations of registrars with such widely disparate business plans truly created equal, such that they can be simply counted up and conclusions about a company's business drawn? It would be a dangerously unreliable method, and necessarily incomplete.

B.   Would You Like Hosting or E-mail With That?

Our reports also do not inquire—we have no means to inquire—into the value-add services that registrars may sell with their domain names. To simply look at a list of domain names sold, without knowing whether the low margins on the names or the reduction in names sold is more than compensated for by the profit ancillary services, is to be unable to draw any conclusions about the health of the registrar's business.

C.   Shell Games On The Back-End

Some registrars, like TUCOWS, are credited with having fewer names registered than their revenues would suggest. Why? Because such registrars still provide the back-end infrastructure or even ancillary services for other registrars who receive credit for the name's registration – but who see little profit beyond the registration itself.

So a domain name, while still the fundamental unit of domain industry matter, does not exist in a vacuum—it is not the only atom in the molecule—and therefore the limitations of blindly counting up domain names should always be kept in mind.

At no time has this been truer than during the past quarter. The changes you'll see inside this report show several marked shifts in the industry. The market-related stories of the quarter are:

D. Promotions' Aftermath

Some registrars are now showing losses that could not, this quarter, be papered over by the sort of promotions that temporarily prevented leakage in the past. In prior quarters, companies sold $1 domain names, or gave them away at the end of the quarter, or offered below-cost transfers. Yet another ran a promotion saying, in essence, you've bought the dot-com name from us; now we'll give you net and org for free. "Doing all kinds of kooky stuff," as an industry CEO put it to SnapNames. "They were trying to artificially pump up their market share, but it wasn't a real value-add to their bottom line." Many registrars who initially showed good numbers of registrations following a big sales effort found that the quality of customers attained was not high – after sales efforts that appealed strongly to impulse buyers, the registrars found the customers unwilling to pay (or renew), once their excitement had died down.

E. Product Differentiation Still Minimal

Up-and-coming registrars have quickly leveraged high market share from at least one, perhaps both, of two tactics: (1) cut-rate prices, (2) widespread dissatisfaction with competitors' customer service. If customer service is truly a reason, then the cut-rate registrars have greater viability. However, if price is the main reason, then one must be careful what one asks for, one might just get it: a customer interested only in the initial purchase of a domain name. One registrar CEO explained to SnapNames his idea of the more pertinent metric: What is the name being used for? That's the question. The most valuable name is one being used to host a website, to run email through—not one for warehoused speculation. In his view, people who want a cheap domain are either cheap spenders or speculators. And speculators don't renew, or rarely do, and they certainly don't buy hosting and email and other add-ons.

In other words, in the views of some registrars who have kept their prices up, it is a mistake to focus on low pricing. Low-price registrars, under this view, tend to draw customers who don't make up the margin in other places. Higher-priced registrars are therefore focusing on support, administrative features, and ease of use – this is what attracts a customer who is actually using the name for a business and has to manage many names. That is, not just mass registration, but mass administration. However, the lower-priced registrars may well show whether a loss-leader on domain pricing is an even more effective way to draw in related business, such as hosting.

II.   Registrars: Market Share

A.   Top Five

The market share of VeriSign Registrar (formerly Network Solutions) fell only slightly in Q2, and does not, of course, reflect VeriSign, Inc.'s ownership of registrar NameSecure and its recent purchase of Registrars.com. There was some minor jostling among the other four registrar heavyweights, with the most significant shift being BulkRegister's inventory fall-off of 14%.

	Q1 2001	Q2 2001
Network Solutions/VeriSign	49.80%	48.27%
Register.com	12.22%	11.77%
OpenSRS/TUCOWS	8.34%	8.31%
BulkRegister	6.72%	5.63%
InternetNamesWW (Melbourne IT)	3.68%	4.05%

B.   Top Ten vs. The Rest

Rather than consolidate upwards as some would expect in a "maturing" market, the domain name industry went in the other direction yet again, continuing to spill out of the top ranks into the lower echelons.   This trend is relatively glacial, however: only 12.2% of names were registered through the bottom 71 active registrars.
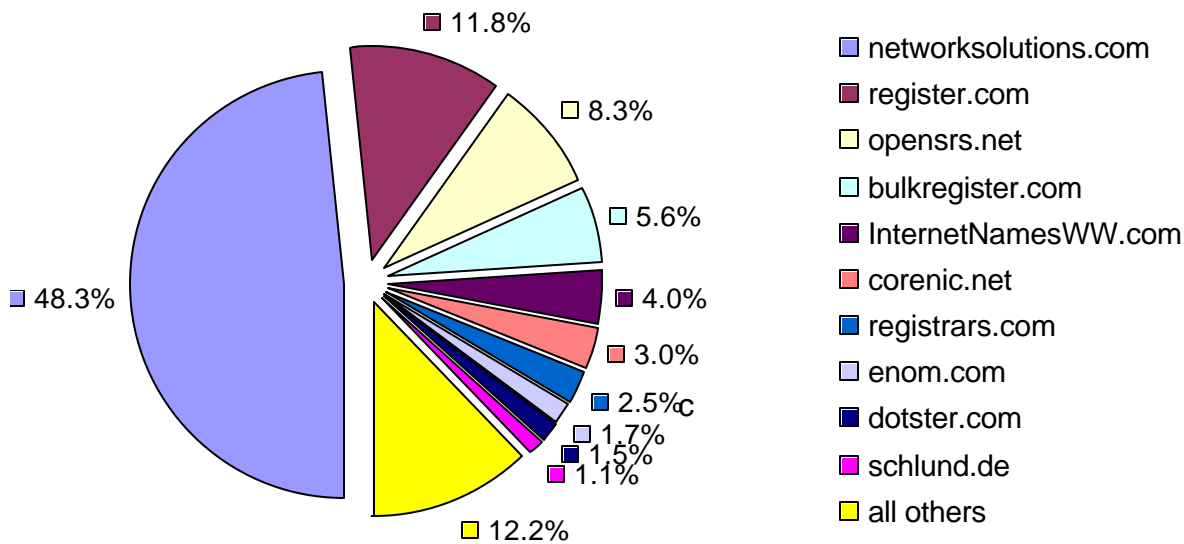
III. All Registrars: Market Share by Total Active Registrations

In this quarterly edition of the *State of the Domain* we detail the May-June comparison, along with a comparison of Q1 and Q2.

A. Registrars by Market Share of Current Registrations: May-June 2001

(.com, .net, .org)

Company	Ranking		Market Share		Registrations		Change
	May	Jun	May	June	May	June	
networksolutions.com	1	1	48.5%	48.3%	14,398,665	14,437,953	39,288
register.com	2	2	11.8%	11.8%	3,498,691	3,521,401	22,710
opensrs.net	3	3	8.3%	8.3%	2,477,432	2,485,487	8,055
bulkregister.com	4	4	6.5%	5.6%	1,916,022	1,684,130	-231,892
InternetNamesWW.com	5	5	3.9%	4.0%	1,164,580	1,210,367	45,787
corenic.net	6	6	3.1%	3.0%	917,536	895,966	-21,570
registrars.com	7	7	2.5%	2.5%	728,511	735,749	7,238
enom.com	8	8	1.6%	1.7%	482,364	514,630	32,266
dotster.com	9	9	1.5%	1.5%	451,935	454,305	2,370
schlund.de	10	10	1.1%	1.1%	320,609	338,881	18,272
namesecure.com	11	11	0.8%	0.8%	249,496	252,953	3,457
gandi.net	12	12	0.8%	0.8%	245,006	250,726	5,720
easyspace.com	13	13	0.8%	0.8%	244,567	249,330	4,763
dotregistrar.com	16	14	0.7%	0.8%	204,508	237,981	33,473
domaindiscover.com	15	15	0.7%	0.8%	212,634	233,136	20,502
domainbank.net	14	16	0.8%	0.8%	225,550	229,218	3,668
joker.com	17	17	0.6%	0.7%	172,221	204,097	31,876
godaddy.com	20	18	0.4%	0.6%	129,404	181,870	52,466
itsyourdomain.com	18	19	0.5%	0.5%	134,767	147,380	12,613
domainpeople.com	19	20	0.4%	0.4%	131,894	131,412	-482
names4ever.com	21	21	0.4%	0.4%	106,397	106,735	338
discount-domain.com	22	22	0.3%	0.3%	99,189	102,603	3,414
directnic.com	27	23	0.2%	0.3%	64,350	102,187	37,837
OnlineNIC.com	24	24	0.3%	0.3%	85,610	90,020	4,410
nameit.net (aitdomains.com)	26	25	0.2%	0.3%	66,727	89,037	22,310
yesnic.com	23	26	0.3%	0.3%	89,472	89,001	-471
stargateinc.com	29	27	0.2%	0.2%	60,681	71,748	11,067
doregi.com	25	28	0.2%	0.2%	71,267	70,149	-1,118
ibi.net (netpia.com)	28	29	0.2%	0.2%	63,317	66,368	3,051
gkg.net	31	30	0.2%	0.2%	47,691	52,314	4,623
paycenter.com.cn	32	31	0.2%	0.2%	47,639	52,190	4,551
namesdirect.com	33	32	0.2%	0.2%	45,202	51,077	5,875
dotearth.com	30	33	0.2%	0.2%	48,778	49,636	858
Signaturedomains.com	35	34	0.1%	0.1%	41,536	43,927	2,391
awregistry.net	34	35	0.2%	0.1%	44,934	40,235	-4,699
alldomains.com	36	36	0.1%	0.1%	30,809	37,712	6,903
speednic.net	37	37	0.1%	0.1%	30,679	33,679	3,000
name7.com	40	38	0.1%	0.1%	26,031	32,532	6,501
activeisp.com	38	39	0.1%	0.1%	27,744	29,448	1,704

enterprice.net	39	40	0.1%	0.1%	26,324	28,946	2,622
domaininfo.com	41	41	0.1%	0.1%	25,468	26,211	743
psi-domains.com	42	42	0.1%	0.1%	23,006	23,940	934
iaregistry.com	47	43	0.1%	0.1%	15,060	22,625	7,565
naame.com	45	44	0.1%	0.1%	15,535	17,359	1,824
nordnet.net	44	45	0.1%	0.1%	15,661	16,540	879
oleane.net	46	46	0.1%	0.1%	15,149	15,813	664
tmagnic.net	48	47	0.0%	0.0%	13,076	14,950	1,874
catalog.com	49	48	0.0%	0.0%	12,895	13,898	1,003
is.domainregistry.com	50	49	0.0%	0.0%	12,435	12,290	-145
e-names.org	51	50	0.0%	0.0%	9,984	10,944	960
totalnic.net	52	51	0.0%	0.0%	9,097	10,010	913
1stdomain.net	53	52	0.0%	0.0%	8,847	9,390	543
domainsite.com	54	53	0.0%	0.0%	8,018	9,146	1,128
totalregistrations.com	57	54	0.0%	0.0%	6,646	8,264	1,618
interdomain.net	56	55	0.0%	0.0%	6,658	7,717	1,059
domini.it	55	56	0.0%	0.0%	6,790	7,103	313
namebay.com	58	57	0.0%	0.0%	5,127	5,733	606
worldnet.net	59	58	0.0%	0.0%	4,589	4,873	284
nominate.net	61	59	0.0%	0.0%	3,643	4,196	553
netnames.com	64	60	0.0%	0.0%	2,655	3,971	1,316
secura-gmbh.de	60	61	0.0%	0.0%	3,671	3,897	226
omnis.com	62	62	0.0%	0.0%	3,507	3,852	345
compuserve.com	63	63	0.0%	0.0%	3,240	3,390	150
nameengine.com	66	64	0.0%	0.0%	2,503	3,015	512
enetregistry.com	65	65	0.0%	0.0%	2,580	2,154	-426
eastcom.com	67	66	0.0%	0.0%	1,883	2,037	154
mrdomreg.com	68	67	0.0%	0.0%	1,816	1,898	82
interaccess.com (hosting.com)	69	68	0.0%	0.0%	1,613	1,680	67
nominalia.com	70	69	0.0%	0.0%	1,116	1,476	360
domainzoo.com	71	72	0.0%	0.0%	1,055	1,209	154
planetdomain.com	74	73	0.0%	0.0%	899	1,159	260
webex.net (007names.com)	75	74	0.0%	0.0%	789	897	108
shop4domain.com	77	75	0.0%	0.0%	589	649	60
pasia.com	76	76	0.0%	0.0%	609	612	3
123registration.com	78	77	0.0%	0.0%	365	527	162
vi.net	80	79	0.0%	0.0%	141	301	160
trustnames.net	82	80	0.0%	0.0%	111	198	87
namesystem.com	81	81	0.0%	0.0%	130	134	4
idregister.com	83	83	0.0%	0.0%	12	37	25
talk.com	84	84	0.0%	0.0%	4	4	0

B.   Registrars by Market Share of Current Registrations: Q1-Q2 2001

Registrars by Market Share of Current Registrations

Company	Ranking		Market Share		Registrations		Change
	Q1	Q2	Q1	Q2	Q1	Q2	
networksolutions.com	1	1	49.80%	48.27%	14,464,721	14,437,953	(26,768)
register.com	2	2	12.22%	11.77%	3,549,347	3,521,401	(27,946)
opensrs.net	3	3	8.34%	8.31%	2,422,191	2,485,487	63,296
bulkregister.com	4	4	6.72%	5.63%	1,951,142	1,684,130	(267,012)
InternetNamesWW.com	5	5	3.68%	4.05%	1,069,105	1,210,367	141,262
corenic.net	6	6	3.33%	3.00%	968,481	895,966	(72,515)
registrars.com	7	7	2.35%	2.46%	682,802	735,749	52,947
enom.com	9	8	1.47%	1.72%	428,244	514,630	86,386
dotster.com	8	9	1.57%	1.52%	457,291	454,305	(2,986)
schlund.de	10	10	0.96%	1.13%	279,832	338,881	59,049
namesecure.com	11	11	0.83%	0.85%	242,096	252,953	10,857
gandi.net	13	12	0.79%	0.84%	229,967	250,726	20,759
easyspace.com	12	13	0.81%	0.83%	234,348	249,330	14,982
dotregistrar.com	15	14	0.55%	0.80%	160,312	237,981	77,669
domaindiscover.com	16	15	0.55%	0.78%	159,687	233,136	73,449
domainbank.net	14	16	0.72%	0.77%	209,349	229,218	19,869
joker.com	20	17	0.32%	0.68%	93,031	204,097	111,066
godaddy.com	28	18	0.17%	0.61%	48,291	181,870	133,579
itsyourdomain.com	18	19	0.38%	0.49%	109,452	147,380	37,928
domainpeople.com	17	20	0.48%	0.44%	139,186	131,412	(7,774)
names4ever.com	19	21	0.36%	0.36%	104,425	106,735	2,310
discount-domain.com	21	22	0.31%	0.34%	91,329	102,603	11,274
directnic.com	76	23	0.00%	0.34%	58	102,187	102,129
OnlineNIC.com	23	24	0.27%	0.30%	78,460	90,020	11,560
aitnames.com	24	25	0.27%	0.30%	77,558	89,037	11,479
yesnic.com	22	26	0.27%	0.30%	79,834	89,001	9,167
stargateinc.com	32	27	0.14%	0.24%	39,386	71,748	32,362
doregi.com	25	28	0.25%	0.23%	72,492	70,149	(2,343)
ibi.net	26	29	0.19%	0.22%	54,506	66,368	11,862
gkg.net	34	30	0.12%	0.17%	36,142	52,314	16,172
paycenter.com.cn	30	31	0.14%	0.17%	40,412	52,190	11,778
namesdirect.com	33	32	0.13%	0.17%	36,556	51,077	14,521
dotearth.com	29	33	0.16%	0.17%	46,063	49,636	3,573
signaturedomains.com	31	34	0.14%	0.15%	39,981	43,927	3,946
awregistry.net	27	35	0.17%	0.13%	48,962	40,235	(8,727)
alldomains.com	36	36	0.08%	0.13%	24,042	37,712	13,670
speednic.net	35	37	0.08%	0.11%	24,206	33,679	9,473
name7.com	41	38	0.06%	0.11%	16,193	32,532	16,339
activeisp.com	38	39	0.08%	0.10%	23,062	29,448	6,386
enterprice.net	40	40	0.06%	0.10%	18,438	28,946	10,508
domaininfo.com	37	41	0.08%	0.09%	23,766	26,211	2,445
psi-domains.com	39	42	0.07%	0.08%	20,262	23,940	3,678
iaregistry.com	50	43	0.02%	0.08%	6,772	22,625	15,853
naame.com	44	44	0.04%	0.06%	11,752	17,359	5,607
nordnet.net	42	45	0.05%	0.06%	13,986	16,540	2,554

oleane.net	43	46	0.05%	0.05%	13,908	15,813	1,905
tmagnic.net	47	47	0.03%	0.05%	8,386	14,950	6,564
catalog.com	46	48	0.04%	0.05%	10,691	13,898	3,207
domainregistry.com	45	49	0.04%	0.04%	11,464	12,290	826
e-names.org	51	50	0.02%	0.04%	6,379	10,944	4,565
totalnic.net	49	51	0.02%	0.03%	6,897	10,010	3,113
1stdomain.net	48	52	0.03%	0.03%	7,782	9,390	1,608
domainsite.com	52	53	0.02%	0.03%	6,055	9,146	3,091
totalregistrations.com	56	54	0.01%	0.03%	3,881	8,264	4,383
interdomain.net	54	55	0.01%	0.03%	4,284	7,717	3,433
domini.it	53	56	0.02%	0.02%	5,444	7,103	1,659
namebay.com	57	57	0.01%	0.02%	3,549	5,733	2,184
worldnet.net	55	58	0.01%	0.02%	3,885	4,873	988
nominate.net	62	59	0.01%	0.01%	2,424	4,196	1,772
netnames.com	74	60	0.00%	0.01%	293	3,971	3,678
secura-gmbh.de	58	61	0.01%	0.01%	3,235	3,897	662
omnis.com	60	62	0.01%	0.01%	2,655	3,852	1,197
compuserve.com	59	63	0.01%	0.01%	3,144	3,390	246
nameengine.com	67	64	0.00%	0.01%	1,066	3,015	1,949
enetregistry.com	61	65	0.01%	0.01%	2,621	2,154	(467)
eastcom.com	63	66	0.01%	0.01%	1,573	2,037	464
mrdomreg.com	65	67	0.00%	0.01%	1,244	1,898	654
interaccess.com	64	68	0.00%	0.01%	1,346	1,680	334
nominalia.com	66	69	0.00%	0.00%	1,124	1,476	352
domainzoo.com	68	70	0.00%	0.00%	731	1,209	478
planetdomain.com	73	71	0.00%	0.00%	410	1,159	749
webex.net	70	72	0.00%	0.00%	518	897	379
shop4domain.com	72	73	0.00%	0.00%	422	649	227
pasia.com	69	74	0.00%	0.00%	548	612	64
123registration.com	78	75	0.00%	0.00%	27	527	500
vi.net	79	76	0.00%	0.00%	14	301	287
trustnames.net	77	77	0.00%	0.00%	37	198	161
namesystem.com	75	78	0.00%	0.00%	107	134	27
idregister.com	80	79	0.00%	0.00%	12	37	25
talk.com	81	80	0.00%	0.00%	3	4	1

IV.   Gains and Losses in Net Registrations for June 2001

This table shows which registrars are gaining or losing market share the fastest, based on net registrations (names sold, transferred in or renewed, <u>minus</u> expirations and transfers to other registrars) between May 31st, 2001 and June 30th, 2001. As with the ***State of the Domain***, there were once again many interesting twists and turns in the competitive landscape. For the third month in a row, deep discounter GoDaddy.com made a dramatic climb – this time all the way to first place. INWW (Melbourne IT) continued its strong ascent, doing almost as well as it did in May and holding second place just behind GoDaddy.

NSI flipped from being the largest loser in May to the third largest gainer – we often see such radical swings in NSI's +/- trends due simply to the sheer size of their 14.4M name database. The same goes for Register.com, who along with the smaller NameIt.net Registrar, also leapt from the bottom tier to the top tier of the chart this month.

The largest change of the quarter was BulkRegister's. In late June and early July, BulkRegister suffered a net loss of more than 200,000 domains from the accounts of only two customers, both speculators. In one case, the customer did not renew approximately 100,000 domains, and they were released. BulkRegister remains 4th in overall active registrations, still a fair distance ahead of vigorous Down Under competitor INWW, which is in 5th place.

On a consistent decline also continue to be: Corenic (a union of smaller registrars, some of whom may be leaving the fold), DoRegi, AWregistry, DomainPeople and enetregistry (whose site has apparently featured for some months a sort of "gone to lunch, back whenever" sign).

A.   Registrar Gains & Losses: June 2001

Registrar	% of June's Net Registrations Percent	Actual +/- Change In Net Registrations Count
godaddy.com	22.53%	52,466
InternetNamesWW.com	19.66%	45,787
networksolutions.com	16.87%	39,288
directnic.com	16.25%	37,837
dotregistrar.com	14.37%	33,473
enom.com	13.86%	32,266
joker.com	13.69%	31,876
Register.com	9.75%	22,710
nameit.net	9.58%	22,310
domaindiscover.com	8.80%	20,502
Schlund.de	7.85%	18,272
itsyourdomain.com	5.42%	12,613
stargateinc.com	4.75%	11,067
opensrs.net	3.46%	8,055
iaregistry.com	3.25%	7,565
registrars.com	3.11%	7,238
alldomains.com	2.96%	6,903
name7.com	2.79%	6,501
namesdirect.com	2.52%	5,875
gandi.net	2.46%	5,720
easyspace.com	2.05%	4,763
gkg.net	1.99%	4,623
paycenter.com.cn	1.95%	4,551
OnlineNIC.com	1.89%	4,410
domainbank.net	1.58%	3,668
namesecure.com	1.48%	3,457
discount-domain.com	1.47%	3,414
ibi.net	1.31%	3,051
speednic.net	1.29%	3,000
enterprice.net	1.13%	2,622
signaturedomains.com	1.03%	2,391
dotster.com	1.02%	2,370
tmagnic.net	0.80%	1,874
Name.com	0.78%	1,824
activeisp.com	0.73%	1,704
totalregistrations.com	0.69%	1,618
netnames.com	0.57%	1,316
domainsite.com	0.48%	1,128
interdomain.net	0.45%	1,059
Catalog.com	0.43%	1,003
e-names.org	0.41%	960
psi-domains.com	0.40%	934
Totalnic.net	0.39%	913
nordnet.net	0.38%	879
dotearth.com	0.37%	858

domaininfo.com	0.32%	743
oleane.net	0.29%	664
namebay.com	0.26%	606
nominate.net	0.24%	553
1stdomain.net	0.23%	543
nameengine.com	0.22%	512
nominalia.com	0.15%	360
omnis.com	0.15%	345
Names4ever.com	0.15%	338
domini.it	0.13%	313
worldnet.net	0.12%	284
planetdomain.com	0.11%	260
secura-gmbh.de	0.10%	226
123registration.com	0.07%	162
vi.net	0.07%	160
domainzoo.com	0.07%	154
eastcom.com	0.07%	154
compuserve.com	0.06%	150
webex.net	0.05%	108
trustnames.net	0.04%	87
mrdomreg.com	0.04%	82
interaccess.com	0.03%	67
shop4domain.com	0.03%	60
idregister.com	0.01%	25
namesystem.com	0.00%	4
pasia.com	0.00%	3
talk.com	0.00%	0
is.domainregistry.com	-0.06%	(145)
enetregistry.com	-0.18%	(426)
yesnic.com	-0.20%	(471)
domainpeople.com	-0.21%	(482)
doregi.com	-0.48%	(1,118)
awregistry.net	-2.02%	(4,699)
corenic.net	-9.26%	(21,570)
bulkregister.com	-99.58%	(231,892)

B.   Registrar Gains & Losses: Q1-Q2 2001

Registrar	% of Q2's Net Registrations *Percent*	Actual +/- Change in Net Registrations *Count*
INWW	16.29%	141,262
godaddy.com	15.41%	133,579
joker.com	12.81%	111,066
directnic.com	11.78%	102,129
enom.com	9.96%	86,386
dotregistrar.com	8.96%	77,669
domaindiscover.com	8.47%	73,449
opensrs.net	7.30%	63,296
schlund.de	6.81%	59,049
registrars.com	6.11%	52,947
itsyourdomain.com	4.37%	37,928
stargateinc.com	3.73%	32,362
gandi.net	2.39%	20,759
domainbank.net	2.29%	19,869
name7.com	1.88%	16,339
gkg.net	1.87%	16,172
iaregistry.com	1.83%	15,853
easyspace.com	1.73%	14,982
namesdirect.com	1.67%	14,521
alldomains.com	1.58%	13,670
ibi.net	1.37%	11,862
paycenter.com.cn	1.36%	11,778
OnlineNIC.com	1.33%	11,560
aitnames.com	1.32%	11,479
discount-domain.com	1.30%	11,274
namesecure.com	1.25%	10,857
enterprice.net	1.21%	10,508
speednic.net	1.09%	9,473
yesnic.com	1.06%	9,167
tmagnic.net	0.76%	6,564
activeisp.com	0.74%	6,386
naame.com	0.65%	5,607
e-names.org	0.53%	4,565
totalregistrations.com	0.51%	4,383
signaturedomains.com	0.46%	3,946
psi-domains.com	0.42%	3,678
netnames.com	0.42%	3,678
dotearth.com	0.41%	3,573
interdomain.net	0.40%	3,433
catalog.com	0.37%	3,207
totalnic.net	0.36%	3,113
domainsite.com	0.36%	3,091
nordnet.net	0.29%	2,554
domaininfo.com	0.28%	2,445

names4ever.com	0.27%	2,310
namebay.com	0.25%	2,184
nameengine.com	0.22%	1,949
oleane.net	0.22%	1,905
nominate.net	0.20%	1,772
domini.it	0.19%	1,659
1stdomain.net	0.19%	1,608
omnis.com	0.14%	1,197
worldnet.net	0.11%	988
domainregistry.com	0.10%	826
planetdomain.com	0.09%	749
secura-gmbh.de	0.08%	662
mrdomreg.com	0.08%	654
123registration.com	0.06%	500
domainzoo.com	0.06%	478
eastcom.com	0.05%	464
webex.net	0.04%	379
nominalia.com	0.04%	352
interaccess.com	0.04%	334
vi.net	0.03%	287
compuserve.com	0.03%	246
shop4domain.com	0.03%	227
trustnames.net	0.02%	161
pasia.com	0.01%	64
namesystem.com	0.00%	27
idregister.com	0.00%	25
talk.com	0.00%	1
enetregistry.com	-0.05%	(467)
doregi.com	-0.27%	(2,343)
dotster.com	-0.34%	(2,986)
domainpeople.com	-0.90%	(7,774)
awregistry.net	-1.01%	(8,727)
networksolutions.com	-3.09%	(26,768)
register.com	-3.22%	(27,946)
corenic.net	-8.36%	(72,515)
bulkregister.com	-30.80%	(267,012)

V.   New Coverage: Alexa Rankings

In this issue, we begin a new section reporting the Alexa rankings for both Registrars and non-Registrar domain-related sites. Alexa rankings create an ordinal ranking of the relative number of page views of websites; the rankings mean nothing outside of their comparison to each other. All other things being equal, page views may be roughly assumed to correspond to visitors, but for some business models (e.g., a news site), this is not the case. In any event, a site ranking of 12,569 suggests the site is more frequented by visitors than all but 12,568 other sites in the world. Such a site will most likely have more traffic than a site with a ranking of 13,000, but the ranking itself will not suggest how much more. You can learn more about the system and methodology at www.alexa.com. You can also load the Alexa site meter into your browser by visiting their site, and then take your own spot-readings of the relative traffic of any site on the web.

Some caveats are in order. Alexa is only one metric of a site's activity. Not all business models depend on a high number of site visitors (or page views); some, like TUCOWS, BulkRegister and INWW (Melbourne IT) have relatively low Alexa rankings, because they rely on high volumes of registrations by a small number of visitors. On the other hand, the rankings of some smaller registrars may be significantly higher than their registrations alone would suggest, simply because they offer other services (e.g. hosting, free e-mail) that account for the bulk of their traffic. In these cases we've tried to isolate the domain-related traffic by measuring pages one or two levels down, such as the whois search page, but this is not always a reliable method, so some guesswork is involved. Also, a handful of sites completely block out Alexa rankings.

A.   Registrar-to-Registrar Comparison by Alexa Ranking

The following table ranks all active registrars by their July 29th, 2001 Alexa ranking. Not surprisingly, NSI and Register.com lead the rankings; both have a relatively high ratio of retail to wholesale traffic, and both run well-financed international marketing campaigns. That's where the correspondence between registrar rankings by market share and Alexa rankings ends -- only 4 of the top 10 Registrars rank in the top 10 Alexa scores.

	Alexa Rankings	June Registrar Rankings		
	July 29th, 2001	Rank	Mkt Share	Names
networksolutions.com	276	1	48.27%	14,437,953
register.com	649	2	11.77%	3,521,401
doregi.com	4,950	28	0.23%	70,149
lbi.net (netpia.com)	7,097	29	0.22%	66,368
directnic.com	9,763	23	0.34%	102,187
itsyourdomain.com	13,072	19	0.49%	147,380
yesnic.com	13,263	26	0.30%	89,001
opensrs.net	13,367	3	8.31%	2,485,487
compuserve.com	15,772	63	0.01%	3,390
registrars.com	17,881	7	2.46%	735,749
domainbank.net	18,671	16	0.77%	229,218
easyspace.com	19,234	13	0.83%	249,330
godaddy.com	20,316	18	0.61%	181,870
bulkregister.com	22,462	4	5.63%	1,684,130
dotster.com	22,603	9	1.52%	454,305
namesecure.com	23,386	11	0.85%	252,953
netnames.com	24,904	60	0.01%	3,971
catalog.com	26,294	48	0.05%	13,898
InternetNamesWW.com	36,299	5	4.05%	1,210,367
alldomains.com	39,203	36	0.13%	37,712
gandi.net	42,208	12	0.84%	250,726
activeisp.com	59,863	39	0.10%	29,448
enom.com	62,590	8	1.72%	514,630
names4ever.com	69,038	21	0.36%	106,735
dotregistrar.com	74,090	14	0.80%	237,981
stargateinc.com	80,213	27	0.24%	71,748
signaturedomains.com	80,547	34	0.15%	43,927
gkg.net	85,941	30	0.17%	52,314
domini.it	88,520	56	0.02%	7,103
omnis.com	89,761	62	0.01%	3,852
onlineNIC.com	91,099	24	0.30%	90,020
domaininfo.com	91,892	41	0.09%	26,211
webex.net (007names.com)	92,528	74	0.00%	897
domainpeople.com	94,775	20	0.44%	131,412
e-names.org	106,195	50	0.04%	10,944
domaindiscover.com	106,576	15	0.78%	233,136
nordnet.net	110,016	45	0.06%	16,540
name7.com	111,457	38	0.11%	32,532
domainsite.com	125,384	53	0.03%	9,146

worldnet.net	127,460	58	0.02%	4,873
planetdomain.com	131,419	73	0.00%	1,159
totalnic.net	132,172	51	0.03%	10,010
iaregistry.com	133,857	43	0.08%	22,625
vi.net	136,632	79	0.00%	301
nominalia.com	140,110	69	0.00%	1,476
discount-domain.com	142,006	22	0.34%	102,603
oleane.net	150,851	46	0.05%	15,813
schlund.de	155,885	10	1.13%	338,881
paycenter.com.cn	168,946	31	0.17%	52,190
interaccess.com (hosting.com)	172,693	68	0.01%	1,680
namesdirect.com	173,793	32	0.17%	51,077
1stdomain.net	177,187	52	0.03%	9,390
123registration.com	220,637	77	0.00%	527
totalregistrations.com	229,398	54	0.03%	8,264
joker.com	248,050	17	0.68%	204,097
nameengine.com	249,048	64	0.01%	3,015
mrdomreg.com	271,231	67	0.01%	1,898
psi-domains.com	282,152	42	0.08%	23,940
awregistry.net	310,014	35	0.13%	40,235
naame.com	360,102	44	0.06%	17,359
enterprice.net	361,745	40	0.10%	28,946
idregister.com	369,244	83	0.00%	37
is.domainregistry.com	385,329	49	0.04%	12,290
domainzoo.com	391,722	72	0.00%	1,209
namebay.com	401,877	57	0.02%	5,733
nameit.net (aitdomains.com)	442,738	25	0.30%	89,037
eastcom.com	485,267	66	0.01%	2,037
enetregistry.com	512,319	65	0.01%	2,154
shop4domain.com	543,837	75	0.00%	649
namesystem.com	548,247	81	0.00%	134
dotearth.com	575,502	33	0.17%	49,636
nominate.net	662,013	59	0.01%	4,196
tmagnic.net	1,980,736	47	0.05%	14,950
corenic.net	NA	6	3.00%	895,966
speednic.net	NA	37	0.11%	33,679
interdomain.net	NA	55	0.03%	7,717
secura-gmbh.de	NA	61	0.01%	3,897
pasia.com	NA	76	0.00%	612
trustnames.net	NA	80	0.00%	198
talk.com	NA	84	0.00%	4

Registrars indicating "NA" were either Registry names that did not match their actual customer site URLs, or were inoperative at the time of the survey. Several Registrars operate multiple sites under different URLs. In some cases it is possible that the Alexa score is not representative of their sites' aggregate traffic.

B.   Other Domain-Related Sites by Alexa Rankings

The editors also track the Alexa rankings of certain non-registrar sites – a mix including some secondary market sites, deleting-domain monitoring sites, lexical tools sites, registries and others.

Site	Alexa Rank 8/8/01
Afternic.com	1,162
GreatDomains	4,954
Dot-TV	6,210
BuyDomains	6,402
SnapNames	11,096
NameBoy	15,502
Dot-CC	31,383
DeletedDomains	31,006
DomainsBot	38,171
HitDomains	46,239
Dot-WS	46,394
Dot-LA	58,473
Localwhois	59,137
Shoutloud	79,275
Dndata	82,053

The three domain-name classified-listing powerhouses, Afternic, GreatDomains and BuyDomains would rank as the 3rd, 5th and 6th highest trafficked sites by Alexa ranking if merged into the registrar rankings table.

The newly emerging category of "deleting domain reporting" sites (e.g. DomainsBot and LocalWHOIS) is beginning to show up with rankings that rival some of the top-10 Registrars, as speculator fever does anything but subside in the blooming secondary market.

C.   Alexa Rankings: Trends

The following table shows the changes in Alexa ratings for several of the larger industry players. The trends here correlate fairly well with the movements in the new monthly registrations data for the past few months…

Site	Alexa Ranking on July 29 2001	Alexa Ranking on May 18 2001	Diff	Gain/Loss
NSI	276	227	(49)	21.6%
Register.com	649	563	(86)	15.3%
Afternic.com	1,128	846	(282)	33.3%
GreatDomains.com	4,848	3,724	(1,124)	30.2%
Dot-TV	5,846	3,429	(2,417)	70.5%
NameProtect	8,797	7,342	(1,455)	19.8%
SnapNames	11,726	24,686	12,960	52.5%
ItsYourdomain	13,072	13,123	51	0.4%
OpenSRS	13,367	12,467	(900)	7.2%
NameBoy	15,560	13,584	(1,976)	14.5%
Registrars.com	17,881	15,426	(2,455)	15.9%
Easyspace	19,234	16,893	(2,341)	13.9%
GoDaddy	20,316	30,610	10,294	33.6%
BulkRegister	22,462	21,403	(1,059)	4.9%
Dotster	22,603	18,936	(3,667)	19.4%
NameSecure	23,386	19,060	(4,326)	22.7%
INWW (MelbourneIT)	36,299	34,777	(1,522)	4.4%
DomainsBot	37,818	36,511	(1,307)	3.6%
Names4ever	69,038	44,207	(24,831)	56.2%
Signature Domains	80,547	84,662	4,115	4.9%
DomainPeople	94,775	102,931	8,156	7.9%
DomainDiscover	106,576	151,393	44,817	29.6%

Dot-TV's precipitous decline is actually contemporaneous with a significant increase in their distribution through registrars rather than on their own site alone. (Nevertheless, as more and more new TLDs appear, it begs the question of when TLD fatigue will begin.)

The only significantly sized registrar with a truly huge gain in site traffic during this 10-week period was GoDaddy.com, which has taken the fast track to the top of all the charts with its $8.99 retail pricing. DomainDiscover (Tierranet) also made a big leap in this period, though a percent improvement in the 100,000 ranks is far easier to achieve than in the 20,000 ranks.

In future reports we'll have trend data for all the registrars being tracked in *State of the Domain*.[1] Nevertheless, this sample group tells an interesting story that simple domain name sales tables only begin to explain. Please let us know if you find these Alexa reports useful.

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[1] Our apologies… only a sample of registrar and non-registrar sites were measured in May as the editors continued to evaluate the meaningfulness of the Alexa ranking method.

VI. Publicly Held Registrars: Market Performance

In the Q1 report we tracked five publicly-held registrars. Troubled Network Commerce (NWKC), which acquired Registrars.com only two quarters ago, turned around and sold it to VeriSign this past quarter, and so they leave our chart. In the Q1 list we inadvertently left off NetNation Communications (NASDAQ: NNSI), which owns DomainPeople, and so we're still counting five public companies in the domain name space.

The reverse merger of TUCOWS into Infonautics (NASDAQ: INFO) has had some positive impact on the share price, yet trading volume remains relatively thin making its price somewhat volatile. On June 21st the NASDAQ moved the stock off of the SmallCap Market over to the OTC Bulletin Board, for failure to maintain a share price over $1.00 for a period of more than 30 days (INFO's momentum was headed that way long before the TUCOWS merger). The company claimed in an August 1, 2000 press release that it is now the second-largest registrar (based on new registrations, plus back-end registration transactions it processed on behalf of other accredited registrars, plus "transfers in" during Q2).

To clarify, the methodology used by TUCOWS differs from this report, which counts only the "net" change in registrations present in the zone file. In our report, the total change in registration (accounting as well for expirations and transfers out, not just new registrations and transfers in) is denoted for each accredited registrar, regardless of whether they do their own back-end processing or contract it out to others. As most analysts tracking this space are well aware, TUCOWS isn't the only registrar to report registration statistics in its own way. This report exists, in part, to offer a basis for unbiased apples-to-apples comparison.

Registrar	Rank	Market/Symbol	Price 3/30/00	Price 6/29/01	52 Week High (8/8/00 – 8/8/01)	52 Week Low (8/8/00 – 8/8/01)
Network Solutions / VeriSign	#1	NASDAQ: VRSN	$35.44	$60.02	$214.38	$26.25
Register.com	#2	NASDAQ: RCOM	$6.28	$15.48	$22.63	$5.00
TUCOWS / Infonautics	#3	NASDAQ: INFO	$0.78	$0.75	$4.19	$0.40
Melbourne IT / InternetNamesWW	#5	DE: BMBD (Currency: Euro)	€ 0.44	€ 0.31	€ 2.70	€ 0.25
DomainPeople/ NetNation Communications	#20	NASDAQ: NNCI	$3.47	$2.55	$4.97	$1.02

Methodologies and Statistical Accuracy

SnapNames' domain name industry data is generated using domain names listed in the .com, .net, and .org 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 day of each month. Because some domain names may be transferred, expire, or expire and be re-registered by another registrar while the report is being produced, 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 dissociated from the domain.
    Name server changes are made during the cycle when the zone file is generated.

Oftentimes, registrars will report larger numbers of current registrations and larger percentages of market share than the numbers shown in this report. This is because many registrars were resellers for Network Solutions or some other ICANN-accredited registrar prior to themselves becoming ICANN-accredited. In order to avoid double-counting, in the compilations you'll find in this report each registration is to the actual registrar of record in the zone file, regardless of the reseller that technically sold the name and manages the customer.

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 bring them to SnapNames' attention.   Please forward comments to publisher@snapnames.com.

Quarterly Commentary

The Big Story, Q2: Thar's Gold in Them Thar Used Names

The coming of the after-market was something we discussed in *State of the Domain, First Quarter 2001* (issued on May 4, 2001). In that first report, we discussed the greatly increasing number of about-to-delete domain names, and the large secondary market that such a number implied. At the same time, we pointed out that the number of registrations per day had only been falling, and for several months. The inescapable conclusion we drew then (and had drawn in other media over a year earlier) has only been confirmed in the three months since our report.

A funny thing happened on the way to the third quarter: the industry woke up to the after-market for domain names. It's hard to believe that much of it was spawned, like 3M's Post-It Notes, by an attempt to do something entirely different.

Re-registrations of "pre-owned" domain names owe their existence to two policies instituted by what was then Network Solutions' Registry:

- The first policy started with the Registry's institution of a 45-day extension, or grace period, after a name's expiration date, during which the registrant was permitted to renew an expired name. Most registrars have an incentive to ask the Registry to delete the name *within* that 45-day period, because once it's over, the Registry charges registrars another $6.
- The second policy is the real progenitor of the secondary, or re-sale market for domain names: to guard against an accidental deletion by a registrar during the term of registration, the Registry built in a 120-hour safety period between any delete request by the registrar and the actual purge of the name from the central database.

While some methodology of purging expired and deleted names from the Registry was inevitable, it is this particular combination of policies that has given rise to today's after-market, as we know it. Together, the two policies mean that for most domain names currently deleting, would-be registrants can (1) determine when to start keeping an eye on a domain name nearing its expiration date – that is, about 45 days *after* its listed expiration date; (2) watch (or write a software program or script to watch) the WHOIS for the name to see when it goes blank – that is, when the original registrant's contact information has been deleted pursuant to the registrar's delete request; and (3) estimate that within 120 hours of the blank WHOIS, the domain name will be purged by the Registry to become available for registration.

For a few milliseconds.

This generally highly predictable methodology had unforeseen consequences, many of which contributed to the development of new businesses and new sources of revenue in the domain name industry. We discuss these in Part VII. But it has also led to opportunistic behavior among registrars or their speculator partners or both that some have argued (1) jeopardizes the stability of the Internet and (2) deprives average consumers of fair and equal opportunities to register names themselves. We discuss this in Part VIII.

VII. Information for Sale: The Advent of Deleting-Name Sites

In our first quarter edition, we mentioned in passing the new websites that were informing subscribers of names about to delete, as well as of names that had already deleted and had become available. We refer to the first group, collectively, as "deleting-name sites" and the second as "newly released name sites." Because a service that can tell you which names are *about to be* available is more valuable than one that gives you days-old news about what one might uncharitably characterize as the left-overs, the deleting-name sites typically charge subscriptions, and the newly released name sites do not. As a subscriber to the e-mail list for the International Trademark Association put it, with some exaggeration:

> If the name is a short word, which is inherently valuable, then it will have been registered long before you receive an email notification. The lifetime of a decent expired name is anywhere from about 200 to 700 milliseconds. Learning about an expired name after the fact is practically worthless.

Accordingly, we list here some of the deleting-name sites, in approximate order of website traffic:

DomainsBot.com*   LocalWhois.com*
DNData.com*   DNSResearch.com*
DomainsWeekly.com*   TheUnclaimed.com*
DroppedDomains.com*   DotcomManiacs.com*
DeletedDomains.com   Hard2Believe.com
DNSIndex.com   123ExpiredDomains.com

We are aware of other such sites in the works throughout the industry; some of them promise to take search capabilities to a new level. (As a matter of full disclosure, those deleting-name sites that are partners of SnapNames are marked with an asterisk.) Some within the industry predict that within a few months, all of these sites will be forced to admit to at least one axiom of the Internet: all replicable information will eventually become free. If this indeed comes to pass the task of these sites will then be to figure out how to monetize their increasingly ubiquitous information, or at least their customer bases.

Coming later to the party, however, were a handful of registrars. Some decided to write their own invitations.

VIII.   A Domain Community Of the Speculators, By the Speculators, For the Speculators?

Most registrars' business models had left them sidelined during the take-off of the secondary market. A few, some of whom had seen their market shares falling and their monthly registrations plummeting, decided to play a high-stakes game.

But first, some background. Really, it's important.

A.   Does Each Registrar Have Equal Access to Domain Names? Do Customers?

Perhaps because it was originally a creature of the U.S. Government, ICANN employs policies comparable to centuries-old legal principles governing the distribution of any limited public good. Perhaps the most famous example in law is something every first-year law student studies: public beaches. Beaches, which are relatively limited in supply, have historically been considered a public good, and equal access to them is therefore a matter of public, democratic concern. Millions of people take daily advantage of public beaches, unaware of the long history of guaranteed access given them under principles of law stretching back to monarchical England.

Similarly, it is taken for granted now that the U.S. Federal Communications Commission, as directed by federal law, controls the distribution and legal oligopolies employing the limited number of television and radio signals. For example, the FCC generally prohibits an entity from owning a newspaper and a television station in the same media market; the recent allowance for Rupert Murdoch's purchase of a second major television outlet in New York, where he already owns *The New York Post*, is a rare exception. Congress also has a clear right to reasonably control the content of, as one example, Saturday morning cartoons.

Whatever the provenance of ICANN's policies, by accrediting registrars, ICANN carefully distributes among complying registrars the right to manage what are effectively public goods. Like television or radio channels, or beaches, domains managed by the registries are regulated because they are limited. The fairness of that distribution is therefore a matter of great public interest, not only in the United States, but in any country in which someone may wish to register a domain name with the extensions .com, .net, or .org.

Because the equitable distribution of scarce goods by a state-sanctioned monopoly is a critical matter, and in order to ensure that a customer can have the same access to domain names as a registrar, ICANN has developed a number of rules for all accredited registrars operating in the generic top-level domains (gTLDs). These rules were designed to ensure that (1) all registrars had equal access to the Registry, and (2) all customers had equal access to the registrars (and thus to domain names). (See endnote 1.) The agreement between VeriSign Registry and all registrars, dated May 17, 2001 (RAA), thus adheres to ICANN's requirement (paragraph 3(C) of the ICANN-VeriSign Agreement) to expressly contemplate the existence of "Consensus Policies" regarding:

> 4.2.4 principles for allocation of Registered Names (e.g., first-come/first-served, timely renewal, holding period after expiration);
>
> 4.2.5 prohibitions on warehousing of or speculation in domain names by registries or registrars;

The registrars themselves once began work on a "Best Practices" document that would have prohibited registrars from using their privileged access to the Registry to compete against customers for domain names – a speculative practice known as "frontrunning" – or from keeping unregistered names out of the pool available to all registrars – also known as "warehousing".

Frontrunning is, in essence, speculation. Section 3 of the registrars' proposed Best Practices document would have prohibited registrars from acting like speculators by (1) predicting demand and (2) registering names *for themselves* for the purpose of re-sale where (and here we delve into a largely shared industry understanding of the intent behind the rules) such re-sale occurs at values far outside the customary prices for domain names. Section 3 read as follows:

> ICANN accredited registrars shall not engage in Frontrunning. For purposes hereof, "Frontrunning" shall mean employing a process designed to anticipate a customer's preference for a domain name (via sniffing of Whois data or other process), or otherwise obtaining specific information regarding such preference, with the intent of registering such domain name on behalf of the registrar, or any director, officer, employee or agent of registrar, and subsequently registering that domain name on behalf of the above parties. Frontrunning excludes registrations completed by the registrar at the customer's request.

That it would have been improper for a registrar to register names for itself is made clear by Section 3's exclusion for customers themselves: "Frontrunning excludes registrations completed by the registrar *at the customer's request.*" (emphasis added). Thus, where customers were given the opportunity to register a name, even if they were anticipating the demand of others (this is what speculators do), there would be no problem. However, registrars would have been prohibited from acting like speculators.

Similarly, Section 5 would have prohibited a registrar from purchasing a name on behalf of someone other than a registrant (i.e., for itself), and from doing so with the intent of reselling it:

> ICANN Accredited Registrars shall not engage in Warehousing. Warehousing, also referred to as domain names speculation, is defined as the registration of domain names not on behalf of a registrant, but knowingly for the express purpose of resale…

Because it would be difficult to engage in frontrunning without also engaging in warehousing, the two are probably very closely related in practice.

The Best Practices document would have been a logical extension of ICANN policies designed to ensure that every registrant and every registrar had an equal chance to obtain a domain name, whether that name was being registered for the first time or was undergoing deletion. One irrefutable principle of the registration system has always been first-come, first-served and equal access for all customers at a reasonable price. This principle, if implemented by the Best Practices document, would have prevented registrars from serving a few customers at the expense of the many. It would have assured that the successful purchase of valuable deleting domain names was not merely the pleasure of a few speculators. And it would have preserved the opportunity for the average global citizen (or average registrar on their behalf) to obtain such names.

However, the Best Practices document, like many well-intentioned treaties, was never ratified. Fast-forward to the near present.

B. Chickens Come Home to Roost: For Deleting Names, Registrars (and Customers) Are Not Created Equal

For registrars, a new business model took hold during the second quarter. For example, a registrar that we will call Registrar A began nightly registrations of deleting 3-letter names, which, as everyone knows, are highly valuable. However, Registrar A did not always list a corresponding owner of the names. And curiously, notwithstanding the enormous monies to be made in registering 3-letter names, Registrar A, an Internet company, provides no information about its back-ordering registration procedures on its site.

The WHOIS, or ownership record, for Registrar A-registered names often remains blank for weeks, in apparent violation of sections 3.2.1, 3.3, 3.7.7.1, and 3.7.8 of the ICANN Registrar Accreditation Agreement, which require registering registrars to submit:

- the name and postal address of the Registered Name Holder;
- the name, postal address, e-mail address, voice telephone number, and (where available) fax number of the technical and administrative contacts for the Registered Name;
- the IP addresses of the primary nameserver and secondary nameserver(s) for the name and the corresponding names of those nameservers; and
- the expiration date of the registration

Instead, the records look like this one (identifying details omitted), blank from 4/26/01 through at least 7/17/01, which the VeriSign Registry shows as being registered by Registrar A – but which Registrar A does not list as having a corresponding owner:

===
Last registry update for this one was 4/26/01

Checking "[name].com" in the registry whois database...

Found [name].com registered via REGISTRAR A ....

Checking [name].com in the whois.[registrarA].com whois database...

Access to [Registrar A's] WHOIS information is for informational
purposes only. [Registrar A].com makes this information available
"as is," and does not guarantee its accuracy. The compilation, repackaging,
dissemination or other use of [Registrar A]'s WHOIS information in
its entirety, or a substantial portion thereof, is expressly prohibited
without the prior written consent of [Registrar A]. By accessing
and using our WHOIS information, you agree to these terms.

No match found.
===

On whose behalf was this name registered? In the chat rooms, assuredly notorious sources of misinformation, these comments are typical of the suggested answers:

> "…the point is that they do not register names for themself [sic], they register names thenmself [sic] and then they sell to the highest bidder for thousands of dollars."

> *and*

> "I know about hundreds of names bought at [Registrar A].com an ICANN accredited registrar that take list of domains from people and register for them, then they send e-mail around asking to bid to that names and the highest bidder get the name, I know about names bought for $ 15,000.00, it's that ILLEGAL if is made from a registrar that is accredited by ICANN??, is that anticompetitive considering the other registrar??? the funny thing is that they charge hundreds and even thousands of dollars for a name PLUS $ 35.00 for registration fee."

> *and*

> "I have spoken with [Registrar A] on the phone, and I found that at the behest of their customers (constituents/requestors), they…will repetitively query the NSI Global Shared Registry System (GSRS) for the deletion and availability of soon-to-expire Domain Names (Deletion usually takes place at 6:30 EST, 6 days from when an expired name was deleted from a registrar's local database). Once their automated process finds that the name has become available, they will automatically send a registration request template to the Shared Registry via a remote socket RPC call (implemented by the GSRS API) to prevent other registrars from registering the recently deleted name.   The really dirty part of the deal comes, however, when multiple people have asked that the name be monitored. Then, [Registrar A] later updates their local database to reflect the highest bidder as the new owner of the name. This is why [Registrar A]'s whois database will state the message "No Match Found" for an expired domain name that was supposedly "legitimately registered" over a week (or more) ago. For some premium names, the [Registrar A] whois database will not reflect the new owner for over a month! ICANN needs to intervene in these practices and show that the internet is not a lawless wasteland… "

> "Nobody really knows exactly what [Registrar A] is receiving for these names, but it is evident that it is significantly higher than their standard $35.00 registration fee. At any rate, [Registrar A] is allegedly violating several policies that they agreed to abide by when they signed their Registrar Accreditation Agreement with ICANN and the Registrar License and Agreement with the NSI Global Shared Registry System."

Other registrars quickly instituted their own, different models. Registrar B, its monthly rate of registrations for mainstream customers decreasing, now allows a savvy speculator to take over its Registry connections every morning to run programs, or scripts, against deleting names. Registrar C auctions off Registry connection bandwidth to the highest bidders, and then registers deleting names on behalf of those who can pay the most. Registrar D runs a club for speculators who each pay thousands of dollars per month (not including registration fees) to run scripts through Registrar D's allegedly fast application program interface (API).

Some registrars call the individual speculators they work with "partners". Witness this allegation from a speculator:

> What [Registrar B] is doing is not only wrong but it is also criminal. I was a "partner" for a short time and I got a name that I wasn't supposed to so they launched attacks on my pc every drop after that. . . .

In most of the newest models, the average customer has no opportunity to use registrars' connections to the Registry; those connections are reserved for persons with inside connections to the registrars,

and the money to pay them. If a customer hasn't the money to pay, or doesn't know how to run his own script to query a registry, or doesn't speak the language spoken by the registrar, he cannot use these connections. No customer, even these registrars' "partners," gets these names for a price near $35.

Time will tell whether these new models are registrars' way of the future, or a temporary sideline.

C. Despoiling The Internet's Public Beaches: On Add Storms and Insider Connections to the Central Domain Name Registry

ICANN, the U.S. Department of Commerce, and VeriSign Registry all take very seriously the stability and security of the Internet. Every agreement between ICANN and a registry consistently stresses the need "[t]o ensure operational stability of the registry." *See, e.g.,* "Proposed .com Registry Agreement," §§ 1(C), 3(A)(ii)(b), 11(B), 11(E)(ii) (March 1, 2001); *see also "*Registrar Accreditation Agreement,*"* §§ 4.2.1, 4.3.4, 5.3.6 (May 17, 2001). Indeed, ICANN can terminate its ICANN Registrar Agreements where "Registrar continues acting in a manner that ICANN has reasonably determined endangers the stability or operational integrity of the Internet after receiving three days notice of that determination." (Proposed .com Registry Agreement, § 5.3.6.)

How will the actions of registrars in the secondary market (perhaps 160 accredited registrars, if all started to participate) affect the stability or integrity of the Internet? At what point must VeriSign Registry begin to take defensive action? We're just now finding out.

Over a month ago, there was a fair bit of hubbub over the rather esoteric issue of registry connections, or "threads". On June 11, 2001, many industry experts knew that VeriSign Registry would be making available an unusually large number of domain names. For registrars who wished to register these names for themselves, or to allow registration by individuals deemed "partners," their connections to the Registry could create a windfall.

On the other hand, most, if not all, registrars were aware of an unwritten understanding that they were limited to between 200 and 300 connections to the Registry at any one time. Some registrars decided to take the risk. We quote from a related article by Lee Hodgson, proprietor of DomainGuideBook.com:

> Consider what transpired on June 11th, 2001. There was a massive 'drop' of expiring domains. Somewhere in the region of 40,000 names became available for registration, including many valuable 3-letter dot coms and generic one-word names. Six months ago most of these names, which could be worth millions of dollars on the secondary market, would have quietly been picked up by savvy domain pros. But what happened on the 11th shows just how much the atmosphere has changed, and how enormous tensions are developing between ICANN registrars.
>
> The dot com registry, run by Verisign Inc., has rules that stipulate that each ICANN registrar can only open a certain number of server connections to the registry. In theory these rules should prevent any one registrar from monopolizing the resources of the shared registry system.
>
> But at 6.30 AM on the 11th June, all hell broke loose.

At least one ICANN registrar (possibly more) allowed its customers to open far more than the permitted number of server connections. The result was chaos. Other ICANN registrars were almost entirely 'shut out' of the registry. One company that registers names on behalf of clients said it could only open 2.5% of its normal server connections. It was the domain name equivalent of a DOS (Denial of Service) attack. But in this case, the perpetrator of the DOS attack profited by grabbing thousands of valuable names, while all the other registrars and their customers were left starting at error messages.

Lee Hodgson, "6.30 AM Goldrush Part III - The Wild Wild West," www.domainguidebook.com (linking to http://www.ecommercebase.com/article.php/447).

What is the effect on VeriSign Registry of the so-called hyper-pinging activities of registrars and of the individuals who run scripts, or programs, through them? For some years now, the registry formerly run by Network Solutions and now by its successor, VeriSign Registry, has had a name for this phenomenon, which only recently had grown problematic: "add storms". The term takes its name from requests to add, or register, domain names. Indeed, some registrars and individual scripters magnify the burden of *add* requests by ignoring the requirement to *check* whether the name is available in the first place – and only if it is, to then make an *add* request. Why do they ignore *check* commands? Because they take too long. In domain names, victory goes to the swift.

Yet add storms create an enormous burden on the servers of the Registry. We estimate that VeriSign endures billions of requests for names, or pings, assault its computers *each day*. Some experts estimate that the Registry endures hundreds of thousands of pings for every domain name sold. Sometimes the result is a denial of service in which other registrars are unable to establish connections for their customers, so that registration of domain names is (once again) not available to the general public. By late June, the situation had grown untenable.

And that brings us very nearly to the present, when, on July 15, 2001 all ICANN-accredited registrars received the following email from VeriSign Global Registry Services. We emphasize certain language of interest:

To All Registrars:

VeriSign Global Registry Services is responsible for ensuring equivalent access to the Shared Registration System (SRS) by all registrars. *Recently, the deletion and subsequent availability of large numbers of domain names have caused a domain "land rush" during certain hours of the day. During these daily "land rushes" some registrars acquire unnecessarily large numbers of RRP sessions, making it difficult for other registrars to acquire the minimal number needed to conduct normal business. Whether this is due to inefficient registrar systems, or a conscious desire to block competition by monopolizing RRP connections, it is a behavior that cannot be supported or condoned*. VeriSign GRS has been working with ICANN to determine an access policy that will address this abusive behavior while protecting the equivalent access requirements of the COM, NET and ORG Registry Agreements. Our goal is to protect the equivalent access of each registrar without impacting legitimate business operations.

The first step in this process will be to limit the total bandwidth any single registrar can consume, along with the total number of RRP sessions any single registrar can simultaneously open. Beginning Tuesday July 17, each ICANN accredited registrar will be limited to 256K in bandwidth and 250 simultaneous RRP connections.

As always, we recommend registrars evaluate the efficiency of their systems. VeriSign GRS will share with each registrar their bandwidth utilization and RRP connection trends, in addition to efficiency (i.e., number of transactions per connection).

RRP bandwidth and connections will always be a finite commodity. The recent "land rush" events indicate that the informal measures we have relied on in the past will not ensure that all registrars have fair access to this commodity. VeriSign GRS recognizes that, although they should be helpful in the short term, the bandwidth and connection limitations described above will not ensure access in all load circumstances and are *only a partial solution. We will therefore be working with registrars and ICANN to develop fair and effective longer-term means of providing every registrar appropriate access to the SRS.*

Apparently this wasn't enough. Some registrars have recently been unable to obtain their full allotment of threads on "big drop" days. That fact alone supports the suspected concerns of some that if all 80 operational registrars actually used all of their bandwidth, the computers at the VeriSign Registry would be, well, quite challenged. Another email followed on Monday, August 6:

To All Registrars:

On Friday July 13, 2001 VeriSign Global Registry Services introduced connection and bandwidth limitations into the Shared Registration System (SRS). RRP connections were set to a maximum of 250 and registrar bandwidth was set to a maximum of 256Kb. Unfortunately, since July 13, these limitations have not had the desired results. Specifically, VeriSign GRS has observed the following:

1. The morning land rushes are still occurring. The pattern of behavior suggests that the "land rush" window will only increase as registrars prepare to compete for recently dropped domain names.

2. While some registrars have reduced their normal connections, most have either taken no action or have responded by grabbing and holding a larger number of connections throughout the day.

As a result of the above activity, a number of registrars have contacted Customer Service informing us that they have been unable to establish any connections to the SRS during these "land rushes". In response to this, VeriSign GRS will be reducing the RRP connection limits to 200 effective immediately. Prior to authorizing this change, VeriSign GRS did obtain approval from ICANN.

As I stated in my last notice, VeriSign GRS recognizes that, although they should be helpful in the short term, the connection limitations described above will not ensure access in all load circumstances and are only a partial solution. We will therefore be working with registrars and ICANN to develop fair and effective longer-term means of providing every registrar appropriate access to the SRS.

This is a start. The limitation on connections will not address so-called frontrunning, warehousing, or blank WHOIS records, but it will limit registrars' and scripters' ability to make excessive *add* requests on the Registry. And, as VeriSign noted in its e-mail, above, further measures are in store.

Now things get interesting.

Disclaimers

State of the Domain is a quarterly publication of SnapNames, with addendums published for the first and second months following the last quarterly report. To accommodate inclusion of a full set of data, including quarter-end announcements of publicly traded registrars discussed herein, the report is released approximately 35 days after each quarter-end. At present, this report is limited to covering the .com, .net and .org TLDs. SnapNames compiles data in the public domain in order to present information on registrar market share as well as trends in new domain name sales versus expirations. The editors assume that readers are already familiar with the industry and its jargon—for readers who are not, we recommend the www.ICANN.org site as a starting point for definitive historical documents and technical resources. **SnapNames does not warrant the accuracy of information in this document. Please read further disclaimers and information on our methodology within.**

Endnotes

[1] See, for example, the following provisions of the agreement between ICANN and the .biz, .info, .name, and .pro registries:

3.5.1.   Registry Operator shall provide all ICANN-Accredited Registrars…equivalent access to Registry Operator's Registry Services, including to its shared registration system.

3.5.5.   Registry Operator will ensure . . . that the . . . assets of Registry Operator are not utilized to advantage registrars that are affiliated with Registry Operator to the detriment of other ICANN-Accredited Registrars…

1.   All ICANN-Accredited Registrars . . . connect to the Registry Shared Registration System using the same means available on the same terms and conditions to any other ICANN-Accredited Registrar.

2.   The Registry Operator has made all registrar access software and any updates to that software available to all ICANN-Accredited Registrars at the same time and under the same term and conditions.

3.   All ICANN-Accredited Registrars have the same level and means of access to Registry customer support personnel.

4.   All ICANN-Accredited Registrars have the same level and means of access to the . . . Registry resources to resolve Registry/Registrar or Registrar/Registrar disputes and technical and/or administrative customer service issues.

5.   All ICANN-Accredited Registrars have the same level and means of access to Registry Data to reconcile their registration activities.

6.   All ICANN-Accredited Registrars may perform basic automated registrar account management functions using the same registrar access software made available to all ICANN-Accredited Registrars by the Registry Operator.

7.   The Registry Operator's Shared Registration System does not include any algorithms or protocols that differentiate among ICANN-Accredited Registrars with respect to functionality, including database access, system priorities and overall performance.

8.   All Registry Operator officers, directors, shareholders, employees, agents, consultants, and contractors have been directed not to give preferential treatment to any individual ICANN-Accredited Registrar.

9.   The Registry Operator has not provided preferential pricing structures, promotions or other economic terms to any individual ICANN-Accredited Registrar which are not available to all ICANN-Accredited Registrars.

Source: the Agreement itself (http://www.icann.org/tlds/agreements/unsponsored/registry-agmt-11may01.htm) and Appendix H (http://www.icann.org/tlds/agreements/biz/registry-agmt-apph-11may01.htm).

ICANN's agreement with VeriSign is less fully articulated on these points, but some are present:

23. Fair Treatment of ICANN-Accredited Registrars.

A. Registry Operator shall provide all ICANN-accredited registrars that are signatories to the Registrar License and Agreement, and that are in compliance with the terms of such agreements, equivalent access to Registry Operator's Registry Services, including to its shared registration system.

B. Registry Operator shall certify to ICANN every six months, using the objective criteria set forth in Appendix H, that Registry Operator is providing all such ICANN-accredited registrars with equivalent access to its Registry Services, including to its shared registration system. * * *

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