

## **Potential Impact of Top Level Domain Name Liberalization on ccTLD**

**Jay Rajasekera**

**Graduate School of International Management  
International University of Japan**

**February 2009**

# **Potential Impact of Top Level Domain Name Liberalization on ccTLD**

Jay Rajasekera  
International University of Japan,  
e-mail: [jrr@iuj.ac.jp](mailto:jrr@iuj.ac.jp)

## **Abstract:**

The domain name is an identity which has grown in a number of dimensions along with the exponential growth of Internet. Though early days of Internet saw only a few popular Top Level Domain (TLD) names such as .com and .org, the subsequent demand caused by the commercial and marketing aspects had prompted an explosion of domain name registrations, including country code Top Level Domain (ccTLD) domain names. To complicate the matter are the plans by ICANN that controls the administration of top level domain names to relax the Internet addresses naming rules, at top level as well as 2nd level.

After analyzing the domain pricing data collected from a number of domain registrars from 12 countries, this paper examines the dynamics of domain pricing and how such pricing can get affected by new ICANN rules, especially at ccTLD level.

Key Words: ccTLD, gTLD, International Domain Name, domain pricing, domain valuation

## **1. Introduction:**

An Internet domain name is one of the most valued identities on the internet. While top domain names like business.com carry with them considerable marketing power, recent popularity of country code Top Level Domain or ccTLD such as .tv domain, which is allocated to domain names for Tuvalu, has brought a new dimension to marketing on the Internet.

With total domains registered annually hitting about 40 million new registrants a year, there is considerable amount of money spent by companies, entrepreneurs, and individuals to register and maintain domain names. This has created a whole new industry where companies had emerged whose main businesses are selling, auctioning, negotiating, and numerous other activities surrounding domain names and related websites. Though early days of Internet saw only a few popular domain names such

Jay Rajasekera

as .com and .org, the recent attention gained in Internet marketing had prompted an explosion of domain name registrations, including domains with ccTLDs.

To complicate the matter is the recent announcement by ICANN (the Internet Corporation for Assigned Names and Numbers) that controls the administration of top level domain names to relax the Internet addresses naming rules, at top level as well as 2nd level, including generalizing to using local language characters.

This paper examines the dynamics of ccTLD pricing and how such pricing can get affected by new ICANN rules and the proliferation of companies in the business of offering domain name registrations. We look at how pricing of ccTLDs vary among different countries based on data we have collected with a view to understand the very dynamic nature of domain registration business, especially with regard to ccTLD. In this regard, we identify that the ccTLDs of small countries and their governing rules provide a special dimension for studying the marketing aspects of Internet domain names.

## 2. Development of Domain Names

The growth of Internet in 1980s started with a Domain Name System which matched a certain domain name to a particular IP address. The beginning of Internet was popularized by US dominated generic Top Level Domains (gTDSs) such as .edu, .gov, and .mil.

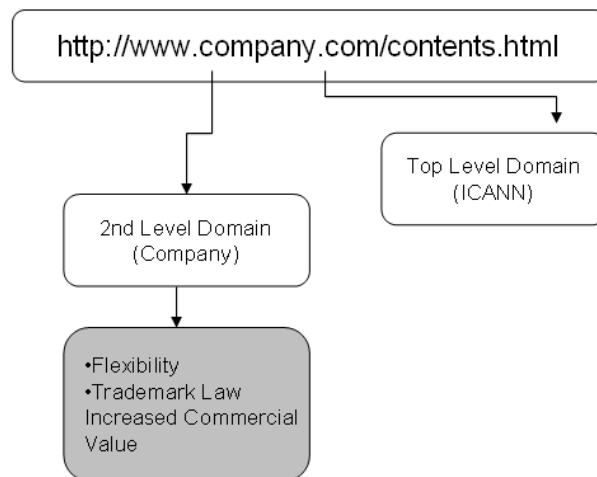
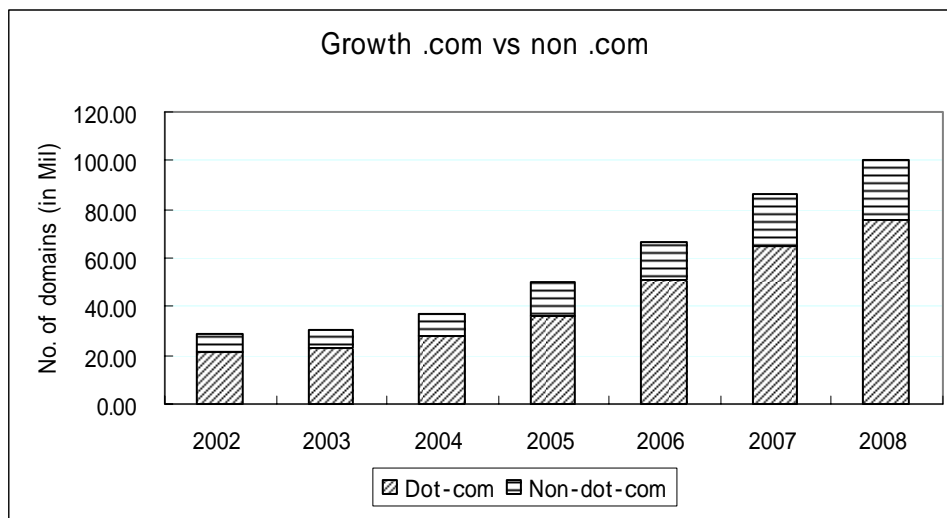


Figure 1: Commercial Value of 2nd Level Domain

#### Potential Impact of Top Level Domain Name Liberalization on ccTLD

The very first .com registration was in 1985 by a company called Symbolics, which registered the symbolics.com name. Once businesses realized the potential of Internet as a marketing channel, the number of domains with .com gTLD exploded (Ref. 1). Today public .com domains represent about 40% of all the assigned domain names. One of the main reasons for the .com explosion was of course commercial -- .com represented a company and domain name was the corporate identity associated with the corporate name and other company trademarks (Ref. 2). The legal protection of a domain name as an intellectual property covered by trademark laws gave further boost to the proliferation of .com domain names (Ref 3).

According to web designers “All other things being equal, a .com name will generally sell for about four times the otherwise equivalent domain in one of the other common global extensions, such as .net, .org, and .info. (Ref 4).” The appeal of .com name is further evidenced when one looks at the growth of .com 2nd Level Domain Names over the last few years, compared to rest of the gTLDs, such as .org, .net, as shown on Figure 2. Compared to other gTLDs, .com number of domains is about three times.

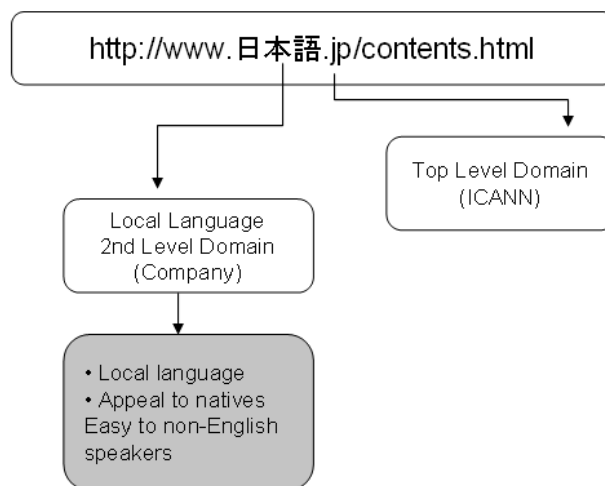


**Figure 2:** Due to commercial value .com domains dominate among gTLDs (Source: Data collected by the author)

Though functionally .org or .net is no different, a .com name has a marketing value in itself because it is identified with a business, which is appealing to millions of entrepreneurial people who may be interested in setting up an Internet related business.

### 3. Internationalization of Domain Names

The internationalization of domain names started with Country Code TLDs or ccTLDs, which allocated two English letters to designate a country. Since the very first ccTLD, .us, was created in 1985, the ccTLD number had grown to 240, covering almost all the countries and territories.



**Figure 3:** Commercial Value of 2nd Level Local Domain Name

While ccTLD is an effort to “internationalize” the Internet, it is interesting to see if there are advantages to respective countries themselves by having a top level domain name assigned. One such advantage is the governing aspect of the ccTLD. The rules of ccTLD, set out by ICANN, require that “ccTLD Managers should operate under the law of the country or territory where they are located (Ref. 6).” This rule clearly allows a country to bring Internet, at least the domains with its ccTLD, to adhere to the local rules. For multinational companies, having a domain name with a ccTLD in a country it has operations is a way to express the seriousness of doing business there. Also, it helps to protect trademarks. For example a company such as IBM would rather take up `ibm.jp` domain than letting its trademark domain name bought by someone with different intensions.

Also in some countries, ccTLD remains more popular than .com. One notable example is Germany, where .de is the most common TLD for companies.

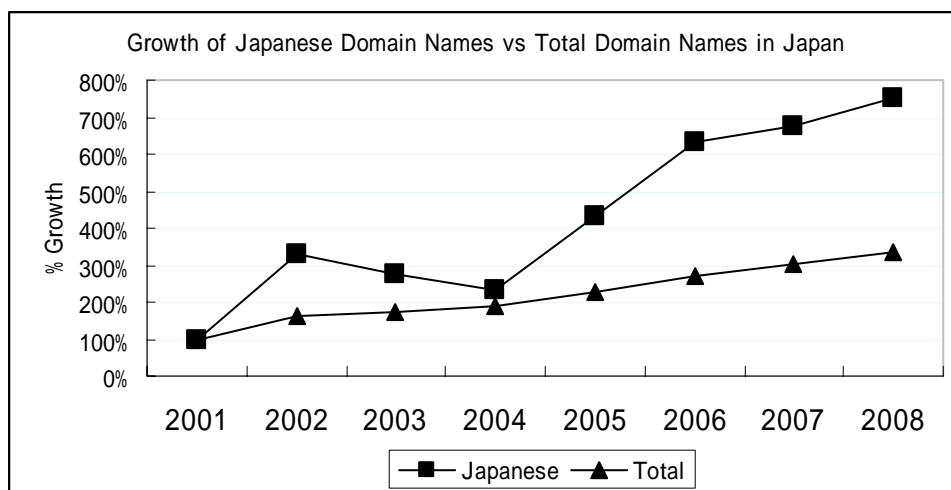
#### Potential Impact of Top Level Domain Name Liberalization on ccTLD

While ccTLD remained to be using two English letters to represent a country, the 2nd level domain part became internationalized about 10 years ago. Since around 2001, Japanese companies started offering domain services with Japanese language names, such as 日本語.jp. Such localized domain names had increased in remand recently due to the rapid growth of Internet and Internet advertising (Ref. 6).

Many companies use native language names for corporate logos and brand names. For example, in Japan, a name like shinjukustation.jp sounds too impractical, its Japanese name, 新宿駅.jp might definitely come in handy for local Japanese. The popularity of Japanese domain names is explained by looking at its relative growth, with 2001 as base year, as seen in Figure 4.

As compared to the overall growth of total number of domain names registered under .jp ccTLD, Japanese domain names grow almost at double the rate.; between 2001 and 2008 it grew 750% against 330% overall domain name growth.

Though Japan and only a few more countries are beneficiaries of the local 2nd Level Domain, ICANN is expected to gradually increase the allowed internationalization of 2nd Level Domain names.



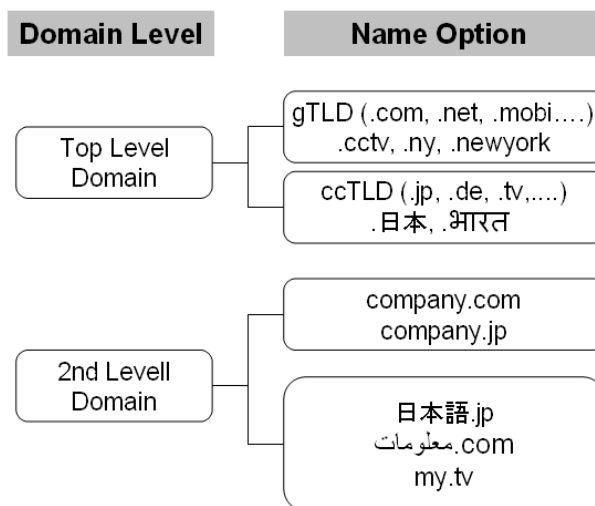
**Figure 4:** Relative growth of Japanese 2nd Level Domain name  
(Source: Japan Registry Services)

#### 4. Commercial Effects of Domain Names

From the time Internet hit the mainstream by expanding its reach to general public, organizations from governments to private businesses, saw it as an alternate media in some ways much more effective than TV or newspapers.

Out of more than 6 billion world population, Internet is now accessed by close to 1.5 billion or roughly quarter of world population. No single TV channel or a single newspaper has such world-wide reach. Indeed many TV and newspapers are also now using Internet to distribute their own contents.

What all this Internet media revolution has brought into is the urge by website holders to reach as many visitors as feasibly possible. While websites follow many strategies, including site design, one of the single most important factors that attract visitors in a marketing perspective, has been the domain name. Selecting the write domain name to play with numerous search patterns used by visitors and ranking algorithms used in search engines has become a specific “Internet Strategy” (Ref. 7). For example, searching using “direct navigation” such as putting .com or .jp when typing in a search term, such as a domain name, provides a quicker way to get better results (Ref 8).



**Figure 5:** Options to select domain levels and domain names

## Potential Impact of Top Level Domain Name Liberalization on ccTLD

The options to select a domain name can be looked at from several perspectives, as seen in Figure 5.

The dramatic growth of Internet hosts and domain names indeed had created confusion among to users in identifying a domain name category in a sensible manner. It sounds strange, for example, to have a domain name like museum.com as the image of a museum is quite different from that of a company which is indeed the appropriate designation of .com.

The way ICANN had decided to handle this situation is to liberalize the selection of categories and regularly review the gTLDs and add new categories when needed.

Some of the recently added gTLDs include .aero, .biz, .name, and .pro. The liberalization of TLDs also includes some notable gTLDs shown in Table 1.

gTLD	Sponsored?	Restricted?	Specified Use
.mobi	yes	yes	Sites delivering content to mobile devices
.tel	yes	yes	Internet-communication services
.travel	yes	yes	Travel industry

**Table 1:** Some recently added gTLDs

The second level domain name clearly provides more flexibility in terms of selection of names, including local language domain names. The liberalization of domain names on the 2nd level by being able to offer domains in local languages will most likely have impact on prices at local level only.

The options available at TLD and flexibilities at second level have clearly opened up vast opportunities for domain name registration. The top 3 domain registrars of the world, Go Daddy, eNom, and Network Solutions, jointly control about 40% of world's domain registrations.

However, the domain registration business has expanded worldwide due to hosting resellers who buy registration rights from ICANN-accredited registrars. The increased competition in the domain name registration market had created huge price differentials for domain names.



## 5. Liberalization of Top Level Domain Names

In the previous section we mentioned some of the new gTLDs created as a result of liberalizing rules for TLDs. How far this liberalization will go on is bound to have serious impacts on some ccTLDs. Especially the ones which rely on some mystic or hidden meaning attached to the domain extension, sample of which is listed in Table 2. For example if .losangeles is allowed as a gTLD, it is bound to have impact on .la ccTLD's demand, thus creating significant affect on related 2nd Level Domain prices.

Likewise, .doctor gTLD may have an impact on .md ccTLD.

cTLD	Country	Hidden Meanings
.ad	Andorra	Advertising agencies construe it as the abbreviation for <i>advertisement</i>
.am	Armenia	AM radio stations
.fm	Micronesia	FM radio stations
.im	Isle of Man	Instant Messaging programs
.la	Laos	Los Angeles
.md	Moldova	Medical Doctor (M.D.)
.tv	Tuvalu	Television Industry

**Table 2:** Some ccTLDs with hidden meanings in the name

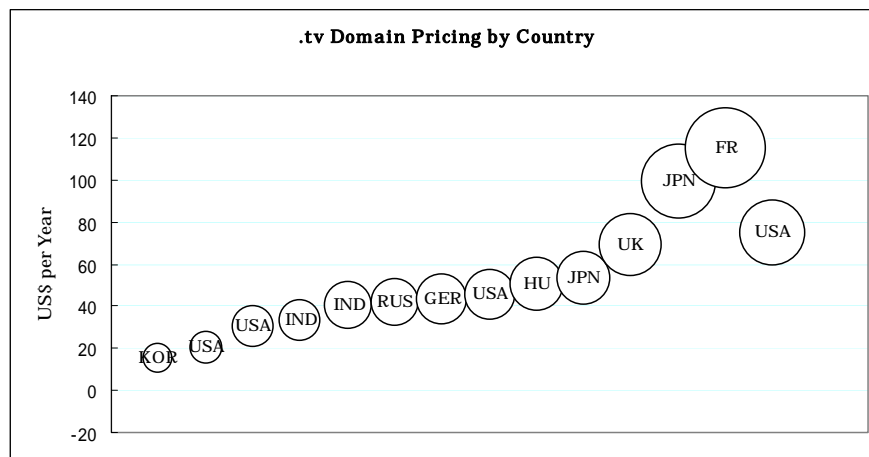
Most of the impact that a liberalized gTLD or even a localized ccTLD, such as .日本, has can vary between the countries and could depend on the marking power of TLD.

Though many not be scientific, 100 Best Domain Names web site list the following as key features of an attractive domain name:

- marketable
- brandable
- memorable
- popular
- short
- straightforward (i.e., accurate spelling without substitutions or hyphens)

## Potential Impact of Top Level Domain Name Liberalization on ccTLD

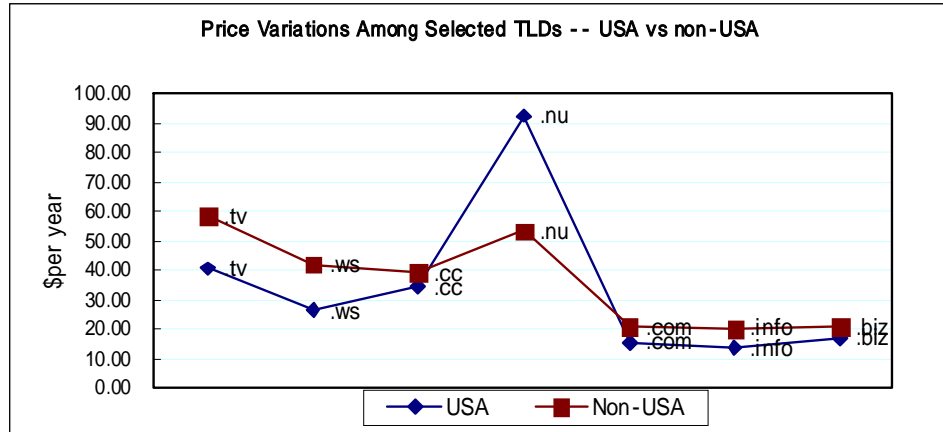
To understand the variations of domain prices, we analyzed domain registration costs by looking at the data from twelve countries (EU, FR, GER, GI, HU, IND, JPN, KOR, RUS, SGP, UK, USA), including EU. For each country we looked at gTLD and ccTLD domain name registrars and the prices they charge for yearly registration. Though we have data, we will display some limited information in this paper. We particularly looked at the ccTLD prices and how they vary across countries. Figure 6 shows the price variations for .tv domain; we selected this ccTLD name because it is being offered by many resellers in those countries we looked at.



**Figure 6:** Variation of yearly price between countries for .tv domain

The .tv ccTLD of course belonged to Tuvalu, but it is being administered by VeriSign, the US based domain service company. Among all the TLDs marketed across different countries and different resellers, .tv came as having the most number of resellers as compared to any other ccTLD in our data collection.

Thus we consider .tv ccTLD a special case which had gained prominence because of the marketing power associated with television. In fact VeriSign alludes to .tv s market appeal as “there is no better time to focus on .tv than right now. As we continue to witness the convergence of media on the Internet, online video has reached a mass market phenomenon and doesn't show any signs of slowing down” (Ref. 9).



**Figure 7:** Average yearly domain price of selected TLDs, USA vs Non-USA

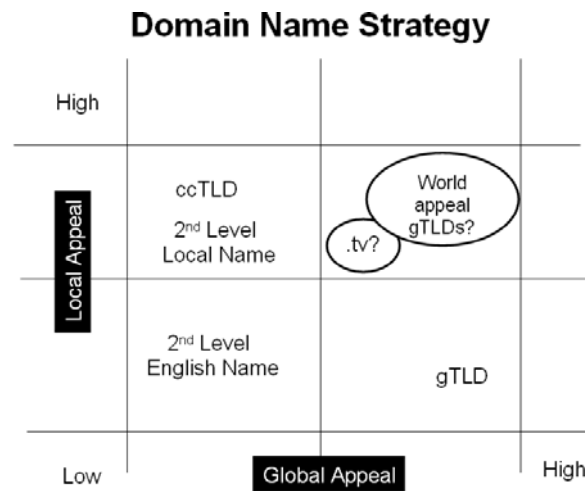
In order to see the price differential between different geographical regions, we compared the ccTLD domains which are sold widely in multiple countries, as shown in Figure 7. If one believes in marketing, the domain price variations seen in the figure clearly show that the price of a ccTLD would depend on the geographic or language appeal. Even, perhaps local laws could play a role. In this figure, while USA domain prices are on the average cheaper, .nu domain price is higher, perhaps reflecting its association with adult sites and the governing US laws.

## 6. Conclusion:

After analyzing the domain pricing data collected from number domain registrars from 12 countries, this paper examined the dynamics of domain pricing and how such pricing can get affected by planned ICANN rules, especially at ccTLD level. Our conclusion is that the liberalization of ICANN's TLD rules will have impact on ccTLDs. Especially affected will be the ccTLDs which rely on hidden meaning of the two letter ccTLD code to cash on its marketing value.

Looking at the domain liberalization as a whole, it is interesting to see if there will be domain names which have much appeal at local and global level. One way to consider the situation is to make an evaluation plot, as seen in Figure 8.

## Potential Impact of Top Level Domain Name Liberalization on ccTLD



**Figure 8:** Strategic plot to evaluate appeal of a domain name

A top level domain, either gTLD or ccTLD can have global appeal depending on the attractiveness of the name.

Jay Rajasekera

**References:**

1. VeriSign (number of registered ccTLD domains):  
<http://www.marketwire.com/press-release/Verisign-Inc-NASDAQ-VRSN-739442.html>
2. Economic side of new ICANN rules:  
<http://blog.purevisibility.com/2008/07/top-level-domain-name-auctions/>
3. US Dept. of Commerce rules on domain trademark:  
<http://www.uspto.gov/go/tac/notices/guide299.htm>
4. How to Value a Domain Name: <http://ezinearticles.com/?How-To-Value-A-Domain-Name&id=883443>
5. ICANN rules on ccTLD: <http://www.icann.org/en/cctlds/cctldconst-4th-best-practices-10mar01.htm>
6. CNN report on .com vs ccTLD:  
<http://money.cnn.com/2006/08/29/technology/nextbigforeign.biz2>
7. Matthew W. Guah; Wendy L. Currie, *Internet Strategy: The Road to Web Services Solutions*, IRM Press, September 13, 2005, ISBN-10: 159140763X.
8. Brian Deagon, *Domain Name Business*, Investor's Business Daily, Feb 8, 2008: <http://www.investors.com/>
9. VeriSign homepage describing .tv appeal:  
[http://www.verisign.com/information-services/naming-services/page\\_039271.html](http://www.verisign.com/information-services/naming-services/page_039271.html)
10. Features of a good domain name: <http://www.100best-domain-names.com/>