



## The Domain Name Industry Brief

Volume 5 - Issue 4 - September 2008

### The VeriSign Domain Report

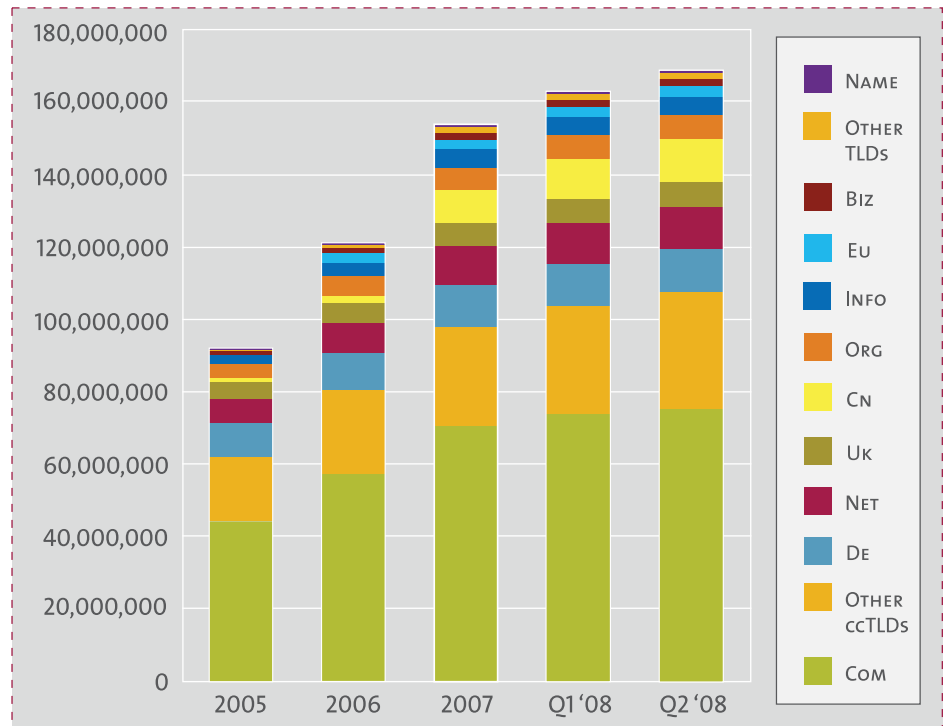
As the global registry operator for .com and .net, VeriSign reviews the state of the domain name industry through a variety of statistical and analytical research. As a leading provider of digital infrastructure for the Internet, VeriSign provides this briefing to highlight to industry analysts, media, and businesses important trends in domain name registration, including key performance indicators, and growth opportunities.



**+ Executive Summary**

At the midpoint of 2008, there were 168 million domain name registrations across all of the Top Level Domain Names (TLDs). This represents a four percent growth over the first quarter of 2008 and a 22 percent growth over the same quarter last year. The base of Country Code Top Level Domain Names (ccTLDs) totaled 65 million domain names, a four percent increase quarter over quarter and a 27 percent increase year over year. In terms of total registrations, .com has the highest base followed by .de (Germany), .cn (China), and .net. Rounding out the list of largest TLDs, .uk and .org had approximately the same number of registrations with less than 35,000 domain name registrations separating them.<sup>1</sup>

Total Domain Name Registrations



Total Domain Name Registrations

Source: Zooknic, July 2008; VeriSign, July 2008

**+ Industry Growth and Composition**

The number of new domain name registrations across all TLDs in the second quarter of 2008 was 11.7 million. This represented a decline of new registrations by 18 percent from a very strong first quarter and eight percent from second quarter 2007, driven largely by a decline in ccTLD growth. The number of new domain name registrations reflects seasonal slowing historically seen in the second quarter.

The composition of the domain name industry and rank order in terms of base size remained relatively constant with the largest TLDs remaining in the same rank order. The largest TLDs in terms of base size were .com, .de, .cn, .net, .uk, .org, .info, .nl (The Netherlands), .eu (European Union), and .biz.

ccTLD Breakdown

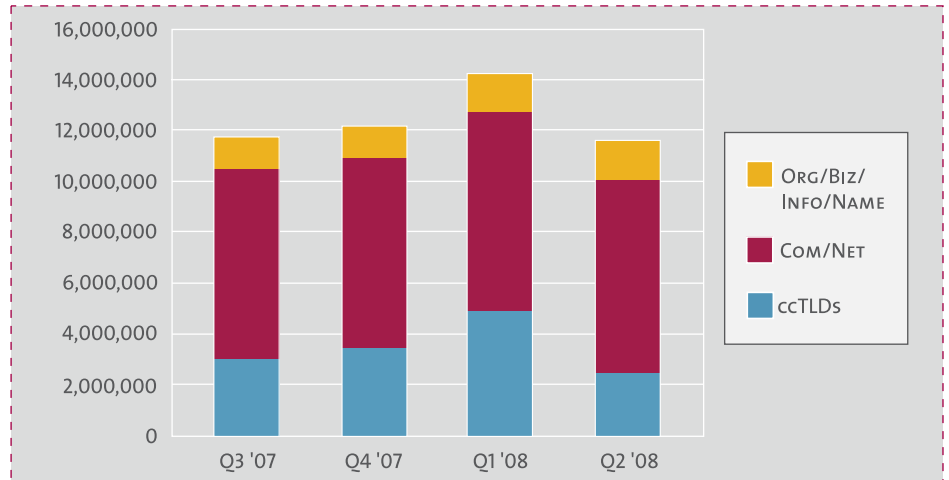
The number of ccTLD domain name registrations reached 65 million by the end of the second quarter 2008. As a whole, ccTLDs experienced four percent growth quarter over quarter and 27 percent growth year over year.

<sup>1</sup> The gTLD and ccTLD data cited in this report are estimates as of the time of this report and subject to change as more complete data is received.

**New Registration Growth**

Source: Zooknic, July 2008; VeriSign, July 2008; ICANN Monthly Reports

**New Registration Growth**



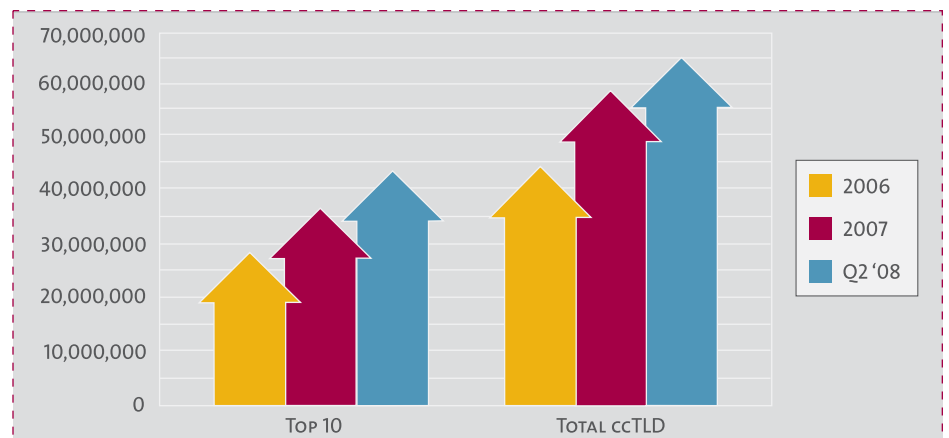
The growth rate for the ccTLDs as a whole slowed in the second quarter as many of the ccTLDs had slower growth in the second quarter than over previous quarters. Fifteen of the top 20 ccTLDs in terms of base size experienced a slower growth rate than in the first quarter of 2008. Only two of the top 20 saw an appreciable increase in their growth rates, .br (Brazil) and .au (Australia), which both saw four percent increases in their growth rates to reach quarter over quarter growth of eight percent and 10 percent respectively. The .au Registry changed their transfer policy to now permit .au domain names to be sold in the secondary market, thus opening up .au to a new outlet. In Brazil, the .br registry liberalized their registration rules to allow consumers, and not just businesses, to register .com.br domain names. In addition to .au and .br, the overall ccTLD growth was also driven by double digit growth quarter over quarter for .ru (Russian Federation) and .pl (Poland).

The German ccTLD, .de, remained the largest ccTLD in terms of the total base of domain name registrations with .cn and .uk as the next largest ccTLDs. They all experienced slower growth rates in the second quarter with .de growing at one percent quarter over quarter, .uk at three percent and .cn at seven percent. Year over year, growth rates were nine percent for .de, 15 percent for .uk and 99 percent for .cn. Together, the bases of domain name registrations for these three ccTLDs represented 47 percent of all ccTLDs.<sup>2</sup>

**ccTLD Breakdown**

Source: Zooknic, July 2008

**ccTLD Breakdown**



<sup>2</sup> The .cn Registry (CNNIC) continued to offer an aggressive price promotion with a 1 RMB (US\$0.13) fee for a one-year .cn domain name registration.

**TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, SECOND QUARTER 2008**

1.	.de	(Germany)
2.	.cn	(China)
3.	.uk	(United Kingdom)
4.	.nl	(Netherlands)
5.	.eu	(European Union)
6.	.ar	(Argentina)
7.	.it	(Italy)
8.	.us	(United States)
9.	.br	(Brazil)
10.	.ch	(Switzerland)

Source: Zooknic, July 2008.

**.Com/.Net Registry Renewal Rates**

Source: VeriSign, August 2008

3 For .com and .net domain name registrations, VeriSign reports an adjusted base of active domain name registrations, which reflects deletions that occur within the five-day Add Grace Period beyond the quarter end. This figure may differ from other non-authoritative publicly available sources which do not adjust the base.

4 Online advertising-driven domain names have been registered with the intention of developing a Web site with PPC advertising links to generate advertising revenue. These domain name registrations and their associated Web sites are typically part of a larger portfolio of domain names..

5 The registry renewal rate includes ASCII .com and .net domain names. The registry renewal rate for the second quarter of 2008 will be announced when VeriSign reports its earnings for the third quarter of 2008.

**+ .Com/.Net Dynamics**

VeriSign processed peak loads of more than 48 billion Domain Name System (DNS) queries per day in the second quarter of 2008, resulting in millions of Internet users accessing Web sites or sending email. The VeriSign DNS continued to maintain operational accuracy and stability for 100 percent of the time during the second quarter of 2008, as it has for the past decade. VeriSign's unique capability to operate global networks of this nature at this scale and reliability remains unparalleled.

**The .Com and .Net Base and New Registrations**

The overall .com and .net domain names adjusted base increased by three percent quarter over quarter resulting in more than 87.3 million domain name registrations at the end of the second quarter.<sup>3</sup> This represented a 20 percent increase year over year.

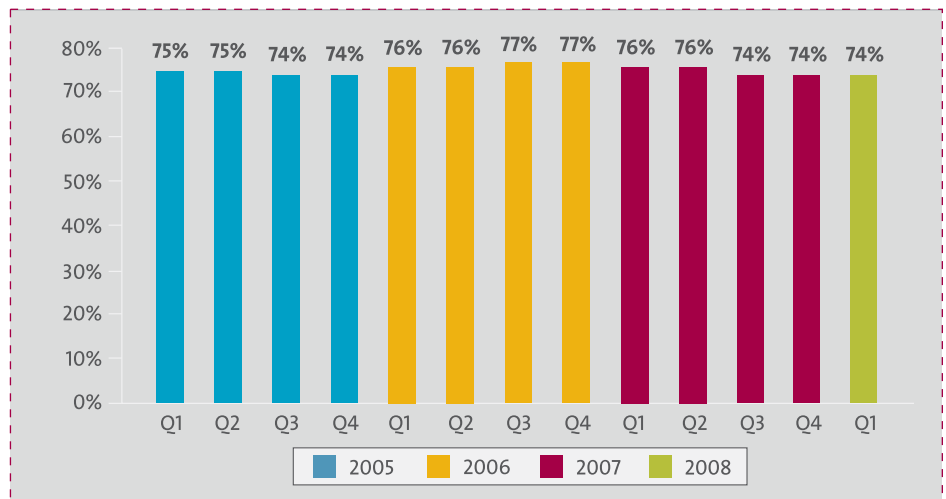
New .com and .net domain name registrations were added at an average of 2.5 million per month in the second quarter 2008 for a total of 7.5 million new domain name registrations. This is a three percent decline over the first quarter and a seven percent increase over the same quarter last year. New registrations averaged 7.2 million per quarter in 2007.

The underlying traditional growth drivers are consistent with prior quarters as we saw solid growth in both U.S. and international regions. VeriSign estimates that the percentage of .com and .net domain names registered with the intent of generating online advertising revenue is 8.5 percent of the new domain name registrations.<sup>4</sup> This portion of the .com and .net business has been impacted weakness among a few online advertising customers, largely resulting from changes in Google's smart pricing program with Ad-Sense, especially with regard to less valued Ad-Sense words. As a result of these changes, the renewal rate for the second quarter could be at the lower end of the historical range.

**Renewals**

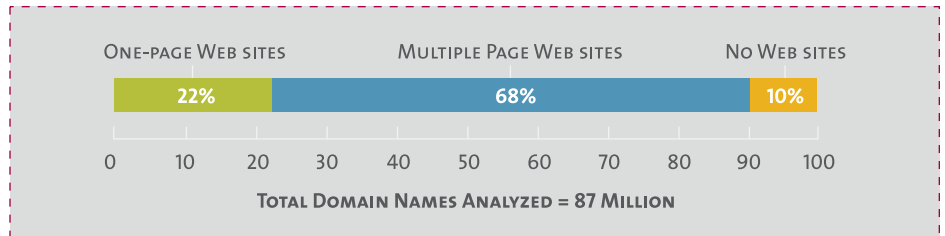
The renewal rate for .com and .net averaged 74 percent for the first quarter of 2008.<sup>5</sup> Renewal rates have historically been in the mid-70 percent range over the last few years. Quarterly renewal rates may deviate one to two percent in either direction each quarter based upon the composition of the expiring base and the contribution of specific registrars.

**.Com/.Net Registry Renewal Rates**



Whether a domain name resolves to a Web site is a key factor in the renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that 90 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site. These Web sites can be further described as those having multiple pages or as one-page Web sites. One-page Web sites include under-construction, brochure-ware and parked pages in addition to online advertising revenue generating parked pages.

**.Com/.Net Web Sites**



**.Com/.Net Web Sites**

Source: VeriSign, July 2008

**+ Focus on Latin America**

The Internet has been booming in Latin America<sup>6</sup> with the key indicators showing strong signs of growth. The number of Internet users in Latin America grew 30 percent over the last year to reach 118 million users in the region. This equates to 22 percent of the population using the Internet. Brazil, Mexico and Argentina have the greatest number of Internet users in the region<sup>7</sup>.

Access to the Internet is a key factor driving increased usage of the Internet with both broadband and wireless Internet access showing strong signs of growth. At 20.1 million broadband connections in the region, broadband grew 44 percent in the first quarter of 2008 compared to the same quarter last year.<sup>8</sup> The expansion of 3G networks in the region also opens new possibilities for Internet growth, enabling third generation mobile phones to transfer data in high speed through the network. In April 2008 there were 23 networks in 3G operating in 12 Latin American countries.<sup>9</sup>

In Latin America, the Internet users are typically younger than the average population and belong to groups with higher buying power. Internet users in the region spend an average of 29 hours during the month browsing on the Internet, while the global average is 25 hours. Following the large content portals, online communication tools such as instant messenger, social networks and email are the services most used by Internet users in the region.<sup>10</sup> The growth in the use of social networks is also impressive. In 2007, the total Latin American audience of social networkers grew 33 percent, compared to nine percent growth for North America and 25 percent growth worldwide. The social network Orkut, run by Google and the largest in Latin America, grew 31 percent in the region. Orkut has 54 percent of its users concentrated in Brazil. In mid 2008, Orkut counted 34 million individual visitors, a 41 percent growth compared to the same period in 2007. Orkut was the fifth most accessed social network in June 2008.<sup>11</sup>

The growth in domain name registrations is reflective of these strong Internet indicators related to access, connectivity and usage. Of the 168 million domain name registrations in the world, 5.7 million domain names were registered in Latin America.<sup>12</sup> This is approximately 5 domain names for every 100 Internet users in the region. Brazil, Argentina and Mexico have the largest bases of domain name registrations in the region with 1.9 million, 1.8 million and 0.6 million, respectively.<sup>13</sup>

6 Latin America includes Central America and South America and excludes the Caribbean.  
 7 www.internetworldstats.com, December 2007.  
 8 Point Topic, World Broadband Statistics, July 2008; Point Topic, World Broadband Statistics, July 2007.  
 9 Teleco, March 2008; 3G Americas, May 2008.  
 10 comScore World Metrix, April 2008.  
 11 comScore World Metrix, April and June 2008.  
 12 Zooknic, July 2008; VeriSign, July 2008.  
 13 Zooknic, July 2008; VeriSign, July 2008.

Sample Advertisement for Brazil

Source: VeriSign, August 2008



Zooknic Methodology

For gTLD data cited with Zooknic as a source, the analysis uses a comparison of domain name root zone file changes supplemented with whois data on a statistical sample of domain names which lists the registrar responsible for a particular domain name and the location of the registrant. The data has a margin of error based on the sample size and market size. The ccTLD data is based on analysis of root zone files. For more information, see [www.zooknic.com](http://www.zooknic.com).

14 Zooknic, July 2008; VeriSign, July 2008.

15 Datafolha, February 2006; Windward Directives, April 2008.

16 Microsites: [queromeu.com](http://queromeu.com) (Brazil); [obtentu.com](http://obtentu.com) (Mexico) and [obtenetu.com](http://obtenetu.com) (Argentina)

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In the second quarter of 2008, the base of .com and .net domain name registrations in Latin America reached 1.7 million, a 31 percent growth over the same quarter last year. The growth of base of domain name registrations in the region outpaces the worldwide growth by 11 percentage points.<sup>14</sup> Research conducted with small and medium businesses in Brazil, Argentina and Mexico reveals relatively high awareness of the .com TLD in Brazil (94 percent), in Argentina (83 percent) and in Mexico (77 percent). In addition, the .com TLD is associated with being “for businesses” and “reliable”.<sup>15</sup> Despite this high awareness, there still exists uncertainty among small and medium businesses on how to register a domain name or perceptions that it is difficult and highly technical.

Over the last couple of years, domain name registries including VeriSign have become more active in helping to educate the Internet users in Latin America about domain names, their benefits and how to establish a Web presence. Currently, VeriSign is running an integrated marketing campaign combining advertising, public relations outreach and speaking engagements in Brazil, Argentina and Mexico. The campaign targets micro, small and medium businesses, as well as Web influencers like Web designers and other Web professionals. Eleven registrars and resellers are participating in these campaigns with VeriSign which will run through October 2008. These registrars and resellers are featured on VeriSign’s campaign microsites in order to help generate traffic to their Web sites from VeriSign’s various advertising and marketing activities.<sup>16</sup> While the microsites differ and are tailored with messaging for specific each country, they all include information on how to establish a Web presence, the benefits of .com domain names and the ability to check availability for a .com domain name. To further support this region, VeriSign is also localizing its Domain Name Suggestion Service to enable Portuguese and Spanish such that registrars can provide prospective registrants with alternative domain name suggestions when checking availability for a particular domain name.

As these key Internet trends indicate, the Latin America region, particularly Brazil, Mexico and Argentina, presents great business opportunities for companies willing to understand the local needs and to invest in appropriate services and products. In addition, companies must be willing to play an educational role when disseminating new technologies to users, who, in general, have low level of knowledge about information technologies and new services available.

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+ About VeriSign

VeriSign, Inc. (NASDAQ: VRSN) is the trusted provider of Internet infrastructure services for the networked world. Billions of times each day, VeriSign helps companies and consumers all over the world engage in communications and commerce with confidence. Additional news and information about the company is available at [www.verisign.com](http://www.verisign.com).

Statements in this announcement other than historical data and information constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties that could cause VeriSign’s actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to such factors as increasing competition and pricing pressure from competing services offered at prices below our prices and market acceptance of our existing services, the inability of VeriSign to successfully develop and market new services, and the uncertainty of whether new services as provided by VeriSign will achieve market acceptance or result in any revenues. More information about potential factors that could affect the company’s business and financial results is included in VeriSign’s filings with the Securities and Exchange Commission, including in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this presentation.