



The Domain Name Industry Brief

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The VeriSign Domain Report

As the global registry operator for .com and .net, VeriSign closely monitors the state of the domain name industry through a variety of statistical and analytical research. As the leading provider of intelligent infrastructure for the Internet, VeriSign provides these key trends to educate industry analysts, media, and businesses on important trends in domain registrations. This brief details current trends in the industry, highlighting key performance indicators and growth opportunities.



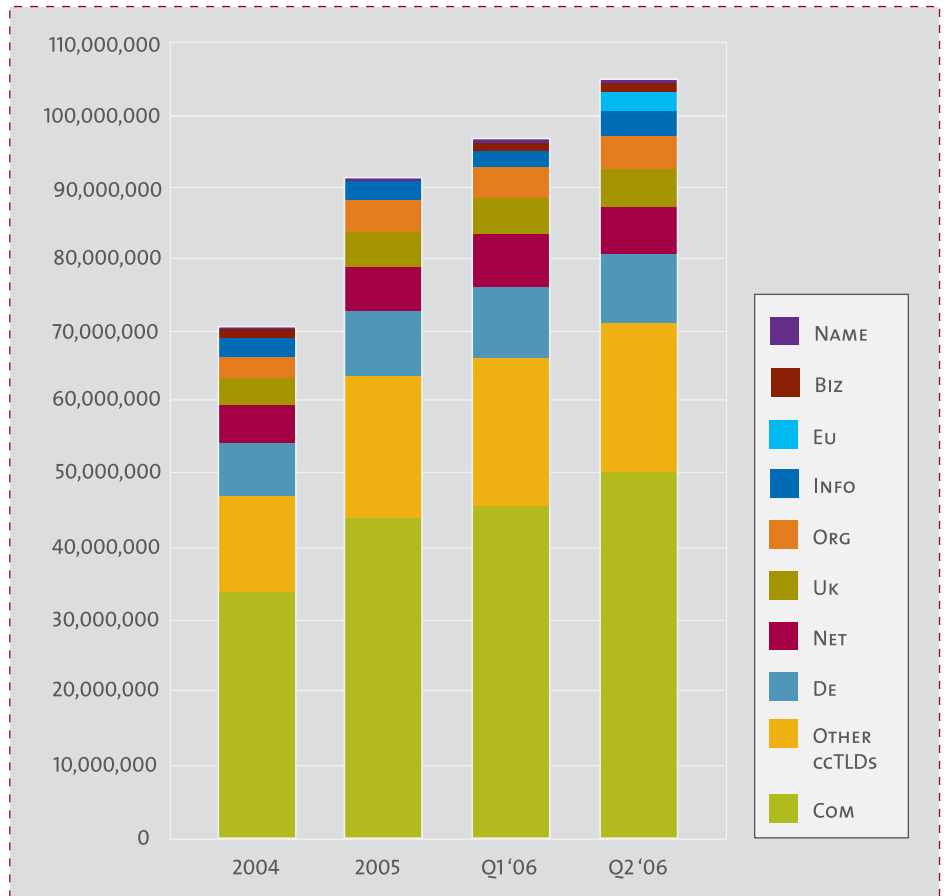
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+ Executive Summary

Continuing the steady growth of the past year, the domain name industry ended the second quarter of 2006 with over 105 million domain names. This is the first time that domain names have surpassed the 100 million mark and represents a milestone for the Internet. This milestone figure represents an eight percent growth over the first quarter of 2006 and a 27 percent growth over the previous year. The Country Code Top Level Domains (ccTLD) experienced particularly strong growth, 10 percent, in the second quarter buoyed by the introduction of .eu, the European Union ccTLD. In terms of total registrations, the five largest Top Level Domains (TLD) are .com, the German ccTLD (.de), .net, the British ccTLD (.uk) and .org.

Total Domain Name Registrations



Total Domain Name Registrations

Source: Zooknic, July 2006, VeriSign, July 2006

+ Industry Growth and Composition

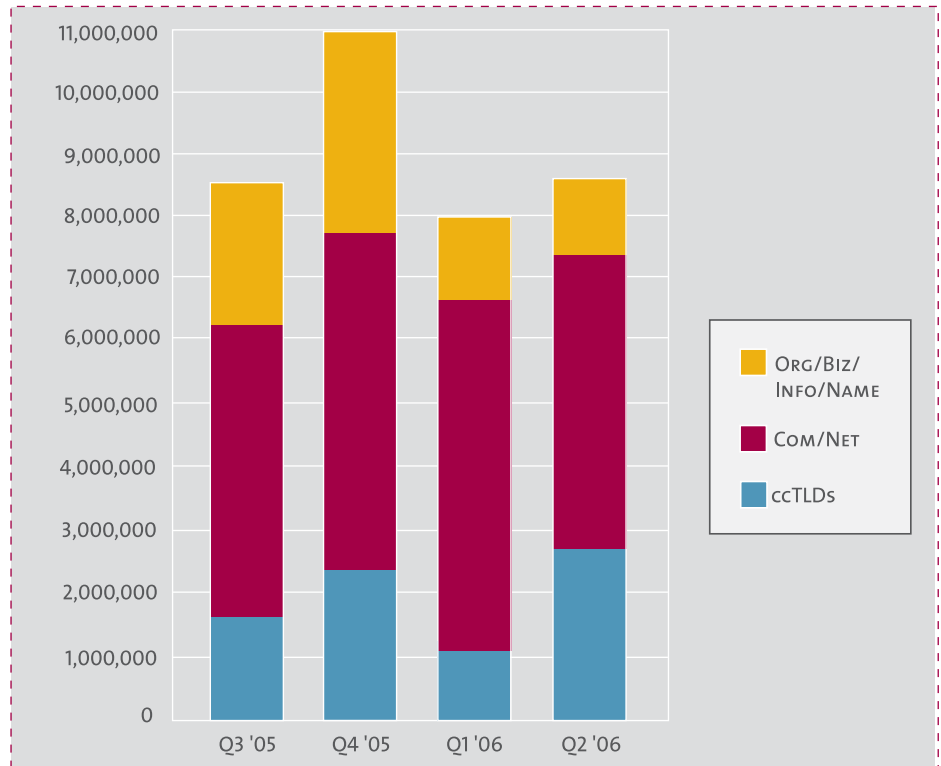
Growth

Registrants registered more than 10 million new domain names in the second quarter of 2006. This is an increase of 27 percent over the first quarter of 2006 and a 33 percent increase year over year. Overall, the growth rate of new registrations in many of the TLDs slowed slightly compared to a very strong first quarter but the absolute number of new registrations was the second largest ever.

New Registration Growth

Source: Zooknic, July 2006, VeriSign, July 2006, ICANN Monthly Reports

New Registration Growth



TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, SECOND QUARTER 2006

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

Source: Zooknic (www.zooknic.com/), July 2006.

ccTLD Breakdown

The second quarter ended with 38 million ccTLD domain names. While there are 248 ccTLD extensions globally, the vast majority of registrations are attributable to a relatively small number of ccTLD registries. The ten largest ccTLDs contributed 63 percent of all ccTLD registrations but this position is weakening slightly as other ccTLDs are experiencing strong growth. For example, the top ten ccTLDs represented 71 percent of all ccTLD registrations a year ago.

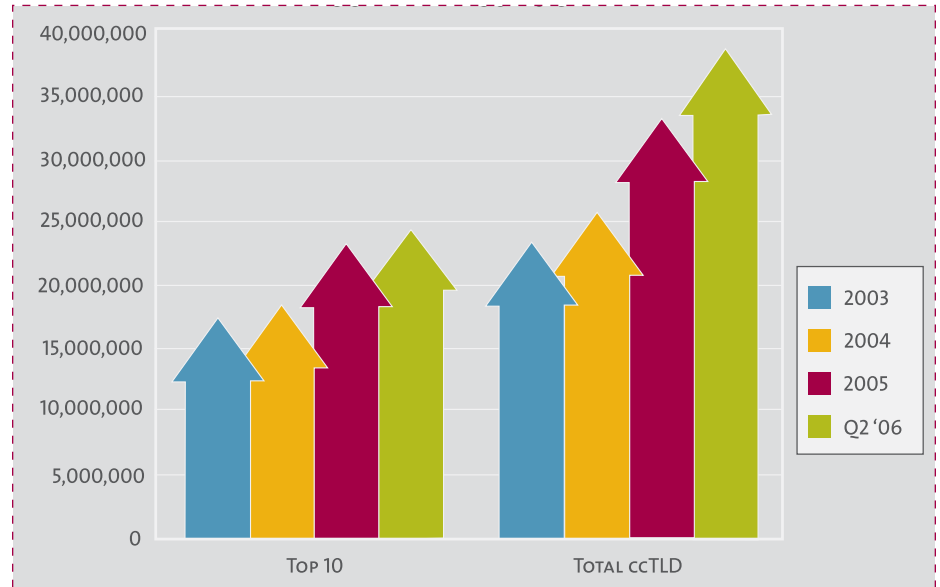
The introduction of .eu as the new ccTLD for the European Union in April 2006 contributed to solid new registration growth for ccTLDs overall. While officially designated as a ccTLD, .eu is not associated with one country, rather it is associated with the group of countries in the European Union. With more than 1.9 million domain name registrations overall, .eu has jumped to the third largest ccTLD. They are now averaging about 10,000 new registrations per day.

Several ccTLDs experienced very strong growth as a result of a more commercial and marketing-driven strategy. For example, .es (Spain) grew nearly 400 percent year over year driven by liberalized registration requirements and marketing. In addition, .be (Belgium) grew 119 percent year over year driven by a volume promotion, a rare tactic among ccTLD registries. France, long known as being among the most restrictive in its .fr domain name registration requirements, continued to liberalize its registration policies and opened registration to individuals in late second quarter; .fr grew 93 percent year over year.

ccTLD Breakdown

Source: Zooknic, July 2006

ccTLD Breakdown



The largest ccTLD continues to be .de (Germany) in terms of the total base of domain name registrations with .uk (United Kingdom) as the second largest. Together, .de and .uk represent 40 percent of the ccTLD base.¹

+ .Com/.Net Dynamics

VeriSign processed an average of 18 billion .com and .net queries per day in the second quarter of 2006, resulting in millions of Internet users accessing Web sites or sending email. The VeriSign Domain Name System (DNS) continued to maintain operational accuracy and stability for 100 percent of the time during the second quarter of 2006.

The .Com and .Net Base

There were 57.5 million .com and .net domain names at the end of the second quarter of 2006.² This was an increase of six percent over the first quarter of 2006 and a 30 percent increase year over year.

New Registrations

Nearly six million new .com and .net domain names were registered in the second quarter. This represents a slight slowing in the growth rate between the first and second quarters and a 26 percent increase year over year.

The growth was driven, in part, by strong marketing efforts. Registrars drew promotion concepts from different industries in the offline world. For example, one registrar pulled the time-tested “happy hour” concept from the bar to the Internet as it offered domain name registrations for very low prices for an hour on a designated day. This type of viral marketing attracted quite a buzz. In addition, the use of domain names to generate Pay Per Click (PPC) advertising revenue continued to contribute to registration growth.

¹ Zooknic (www.zooknic.com/), July 2006.

² For .com and .net domain names, due to registrations related to the PPC industry, VeriSign reports an adjusted base of active names which adjusts the active base number to include deletions that occur within the five-day Add Grace Period beyond the quarter end. This figure may differ from other publicly available sources.



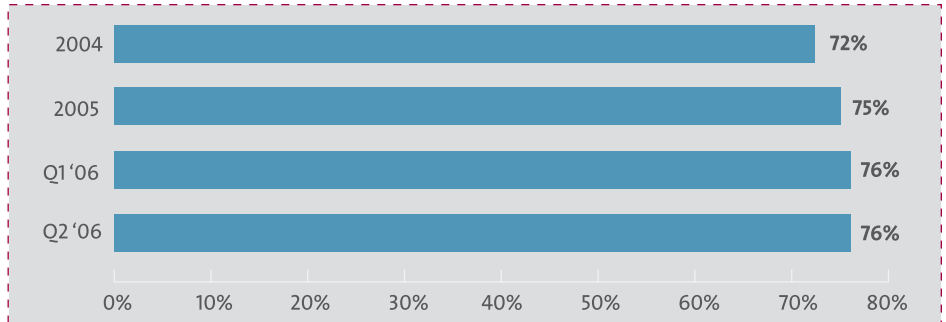
.Com/.Net Registry Renewal Rates

Source: VeriSign, August 2006

Renewals

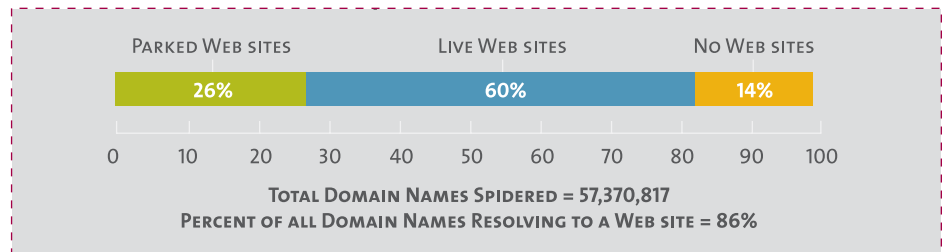
Renewal rates for .com and .net averaged 76 percent for the second quarter of 2006. The renewal rate of domain names previously renewed was 85 percent compared to a renewal rate of 65 percent for domain names going through their first renewal cycle. The renewal rate improvement comes from increasing renewal rates for previously renewed domain names.³

.Com/.Net Registry Renewal Rates



VeriSign conducted a study of the .com and .net domain name base to determine how the domain names were being used. The study reveals that 86 percent resolve to a Web site, meaning that an Internet user going to that domain name would have a positive experience and find a Web site. These sites can be further broken down to live sites (60 percent) and parked sites (26 percent). Live Web sites are multi-page sites being used by an organization or an individual. Parked Web sites are defined as one-page Web sites.⁴

.Com/.Net Web Sites



.Com/.Net Web Sites

VeriSign, June 2006

³ VeriSign used a new methodology to determine the usage of .com and .net domain names and therefore, it is not directly comparable to similar data released in this report in the past.

⁴ "Live" Web sites include sites that are categorized as live or redirected. Parked Web sites include sites that are categorized as under construction, initially parked and Pay Per Click (PPC) sites. PPC sites are Web sites that contain PPC advertising links to generate advertising revenue for the domain name registrant.

⁵ www.internetworldstats.com, Miniwatts Marketing Group, June 2006. Language assigned as one language per person. Multilingual people were counted in their primary language group.

⁶ ASCII (American Standard Code for Information Interchange) characters include 0-9, A-Z and the hyphen.

+ Opportunities for Growth

Seventy percent of Internet users do not speak English. So how do these more than 730 million non-English speaking Internet users navigate the Internet?⁵ Since 2000, the Internet community has been trying to make it easier for non-English speakers to navigate the Internet in their own language through the use of Internationalized Domain Names (IDNs). IDNs are domain names represented by local language characters. The local language domain name is followed by a TLD like .com or .net, for example: ベリサイン.com. They utilize non-ASCII characters and are for use in places where English is not the primary language.⁶ IDNs are available to be registered in all character sets or scripts identified in Unicode 3.1 which means that registrants can register IDNs in scripts that represent more than 350 languages.

AVAILABLE SCRIPTS FOR IDNS

Arabic	Kannada
Armenian	Katakana
Bengali	Khmer
Bopomofo	Lao
Cherokee	Latin
Cyrillic	Malayalam
Devanagari	Mongolian
Ethiopic	Myanmar
Georgian	Oriya
Greek	Sinhala
Gurmukhi	Syriac
Han (Chinese, Japanese, Korean ideographs)	Tamil
Hangul	Telegu
Hebrew	Thaana
Hiragana	Thai
	Tibetan
	Yi

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ABOUT VERISIGN

VeriSign, Inc. (Nasdaq: VRSN), operates intelligent infrastructure services that enable and protect billions of interactions every day across the world’s voice and data networks.

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 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.

The challenge for domain names in these non-English languages is with the Domain Name System (DNS) which handles the resolution of domain names so that users can navigate to Web sites or communicate via email. The DNS only recognizes ASCII characters A-Z, 0-9 and the hyphen, the characters used in primarily Latin-based languages; it does not recognize other character sets such as Hiragana or Hangul used in the Japanese and Korean languages, respectively.

IDNs have evolved from their early development in various test beds into viable domain names that resolve just like full ASCII domain names. The Internet Engineering Task Force (IETF) published the global standards for IDNs to assure their proper functioning within the DNS in 2003. The IDN Standards standardized the way that non-ASCII characters are to be represented within and handled by the DNS. One of the standards established by the IETF specifies that software and Internet applications translate the IDN into the form in which the DNS can handle an IDN. Thus a growing number of Internet applications are introducing support for IDNs including mainstream applications such as the beta-released Microsoft Internet Explorer 7.0 and the Firefox browser.

The number of IDNs has seen resurgence in the past year as more applications become enabled for IDNs. With more than 600,000 IDNs, .com and .net are experiencing double-digit growth in new registrations and high renewal rates as well. More than 75 percent resolve to a Web site, indicating that IDNs are being actively used. Looking across all TLDs, 41 support IDNs. Interestingly, .de (Germany) has the next largest number of IDNs with nearly 300,000. The Asian ccTLDs such as .tw (Taiwan), .cn (China), .jp (Japan), and .kr (Korea) are the next largest.

Recently, there has been growing interest in the technical community to “fully localize” IDNs such that the entire domain name, including the TLD, would be in local language characters, for example 北京大学.中国. The Internet Corporation for Assigned Names and Numbers (ICANN) has commissioned working groups to investigate policies and guidelines for an Internationalized TLD. The issue is complex as it must solve any number of technical, cultural and political challenges, among others:

- **Functionality:** How will Internationalized TLDs be inserted into the DNS without disruption or fragmentation into alternative domain name systems?
- **Adoption:** Will Internet users and application providers adopt Internationalized TLDs and use them?

With more than a 266 percent increase in the number of non-English speaking Internet users since 2000, it is natural that Internet users would like to navigate the Internet in their own language. The recent growth in IDN registrations seems to point to greater usage by content providers posting content at IDNs and Internet users using those Web sites.