



# The Domain Name Industry Brief

Volume 5 - Issue 3 - June 2008

## The VeriSign Domain Report

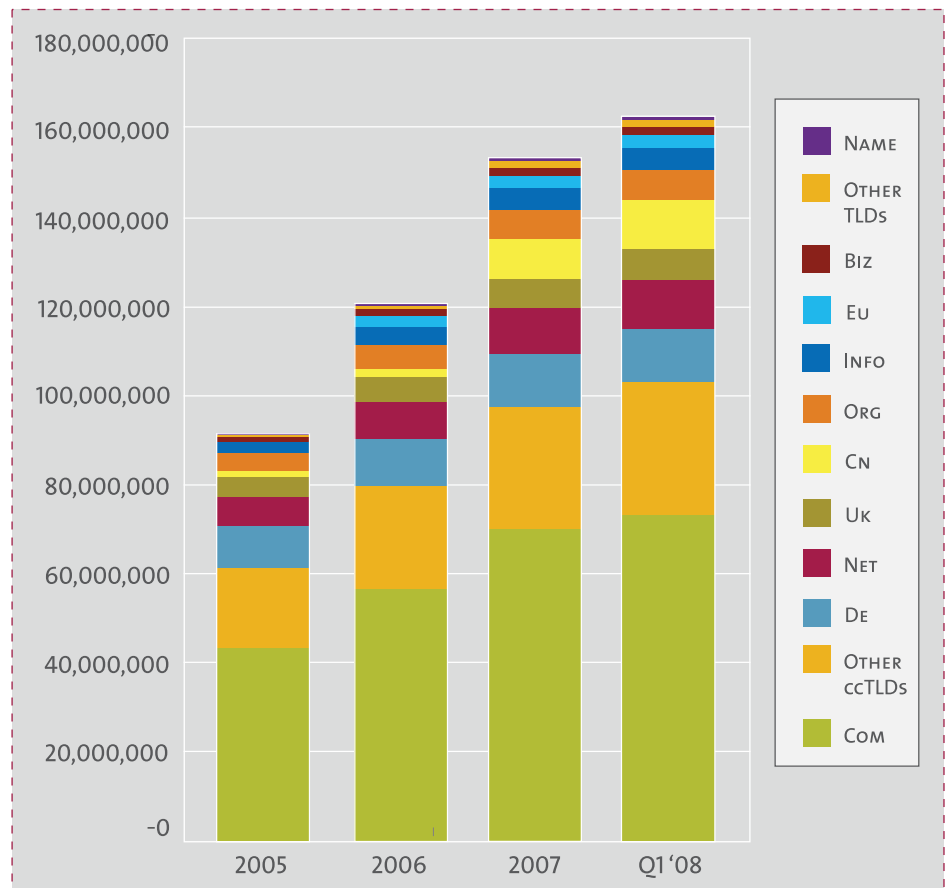
As the global registry operator for .com and .net, VeriSign reviews the state of the domain name industry through a variety of statistical and analytical research. As a leading provider of digital infrastructure for the Internet, VeriSign provides this briefing to highlight to industry analysts, media,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



## + Executive Summary

There were more than 162 million domain name registrations across all of the Top Level Domain Names (TLDs) at the end of the first quarter of 2008. The base of domain name registrations grew 26 percent year over year and six percent quarter over quarter. The quarterly growth rate is about the same as the average quarterly growth rate in 2007. The total base of Country Code Top Level Domain Names (ccTLDs) was 63 million, a 33 percent increase year over year and a nine percent increase quarter over quarter. Across all of the gTLDs and ccTLDs, .com has the highest base followed by .de (Germany), .cn (China), .net, .uk (United Kingdom) and .org.<sup>1</sup>

### Total Domain Name Registrations



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Source: Zooknic, April 2008;  
VeriSign, April 2008

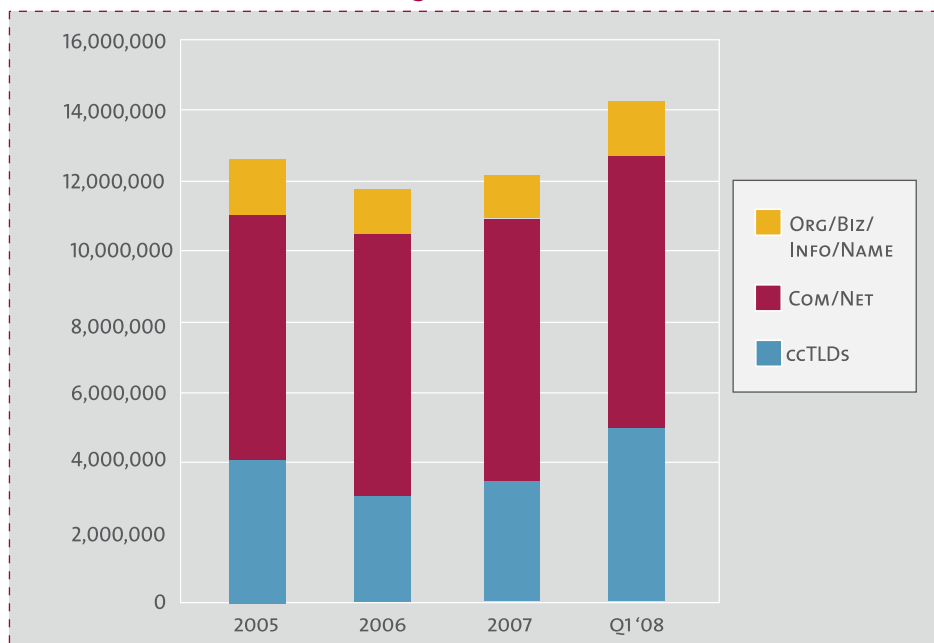
## + Industry Growth and Composition

Registrants registered more than 14 million new domain names in the first quarter of 2008. The number of new registrations in the first quarter grew by 17 percent over the previous quarter and 15 percent over the previous year. New registrations were in the 12 million per quarter range throughout 2007.

<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.

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 with the exception of .cn which moved into the third position just edging past .net. The largest TLDs in terms of base size were .com, .de, .cn, .net, .uk, .org, .info, .nl (The Netherlands), .eu (European Union), and .biz.

### New Registration Growth



### New Registration Growth

Zooknic, April 2008; VeriSign, April 2008; ICANN Monthly Reports.

### ccTLD Breakdown

With more than 63 million ccTLD domain name registrations, the first quarter was a strong one for ccTLDs. As a whole, ccTLDs experienced nine percent growth quarter over quarter and 33 percent growth year over year.

The ccTLD growth was driven by a few ccTLDs that experienced remarkable double digit growth quarter over quarter, including .pl (Poland), .cn, .es (Spain), .ru (Russian Federation) and .fr (France). Growth for these domain names may have been driven by a variety of factors. For example, the .pl registry has enabled additional services that encourage investment in domain names and a secondary market for .pl domain names. The .pl registry estimates that ten percent of its base is a result of these services that promote domain name investment and monetization.<sup>2</sup> The .cn Registry continued its price promotion while .ru likely benefited from continued growth of its Internet industry. Both .es and .fr continued growth that was likely triggered by liberalization of their registration requirements a few years ago. The registry for .es also launched a promotional program, Jóvenes en Red, designed to encourage Spanish youth to register .es domain names by offering a free .es domain name, Web site and email to people under 30 years old.

The German ccTLD (.de) remains the largest ccTLD in terms of the total base of domain name registrations, with .cn and .uk as the next largest ccTLDs. Quarter over quarter, .de grew two percent, .uk grew four percent and .cn grew 23 percent. When viewed year over year, .cn's growth at 199 percent outpaced both .de (11 percent) and .uk (16 percent). Together, the base of domain name registrations from these three ccTLDs account for 47 percent of all the ccTLD domain name registrations.

<sup>2</sup> "One Million Names in the .pl Domain" May 9, 2008, [www.poland.pl](http://www.poland.pl).

## ccTLD Breakdown

Source: Zooknic, April 2008

## TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, FIRST 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)

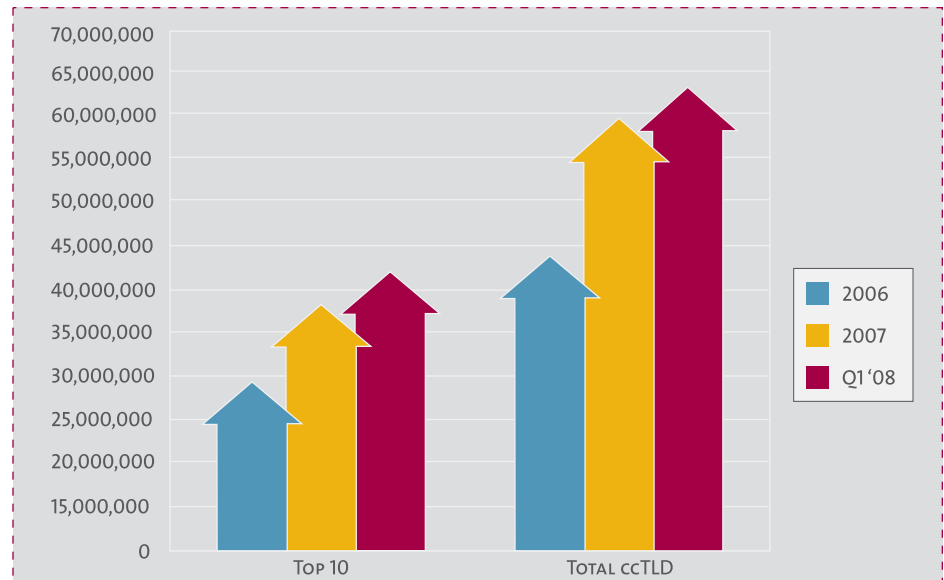
Source: Zooknic, April 2008.

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 renewal rate for the fourth quarter of 2007 was slightly affected by private litigation, of which VeriSign is not a party. Pending the outcome of the litigation, the deletion of certain domain names has been prevented, so adjusting for these nonrecurring factors, the adjusted renewal rate for the fourth quarter was 74 percent; the unadjusted renewal rate was actually one percent higher. The registry renewal rate for the first quarter of 2008 will be announced when VeriSign reports its earnings for the second quarter of 2008.

## ccTLD Breakdown



## + .Com/.Net Dynamics

VeriSign processed peak loads of more than 50 billion Domain Name System (DNS) queries per day in the first quarter of 2008. The VeriSign DNS continued to maintain operational accuracy and stability for 100 percent of the time during the first 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

At the end of the first quarter, the adjusted base of .com and .net domain names was 84.4 million domain name registrations.<sup>3</sup> The growth was at five percent quarter over quarter and 22 percent year over year.

This growth is driven by continued global Internet adoption. The underlying growth drivers are consistent with prior quarters, as .com and .net domain name registrations experienced solid growth in both U.S. and international regions. Growth occurred in all customer segments, including small and medium business, consumer, and online advertising.

In terms of the overall base of all .com and .net domain name registrations, VeriSign estimates that domain names registered with the intent of generating online advertising revenue<sup>4</sup> represented between eight and ten percent of the .com and .net base

New .com and .net registrations were added at an average of 2.6 million per month in the first quarter of 2008 for a total of 7.8 million new domain name registrations in the quarter. This is a five percent increase over the fourth quarter of 2007 and a 12 percent increase over the same quarter last year.

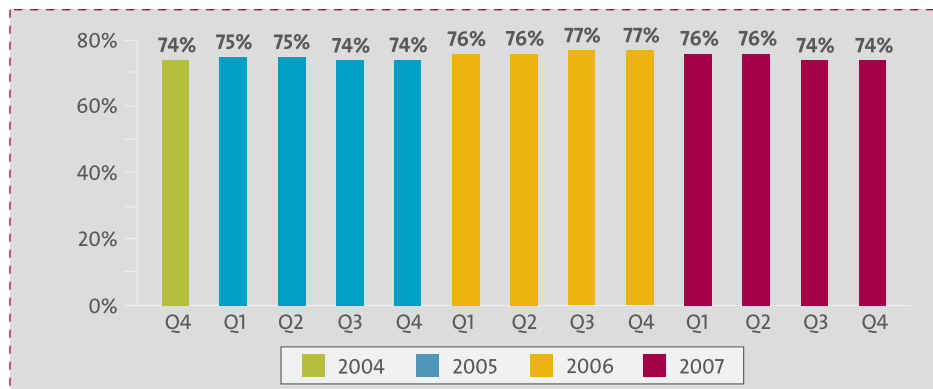
## Renewals

In the fourth quarter of 2007, the adjusted registry renewal rate for .com and .net was 74 percent.<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

Source: VeriSign, February 2008

### .Com/.Net Registry Renewal Rates

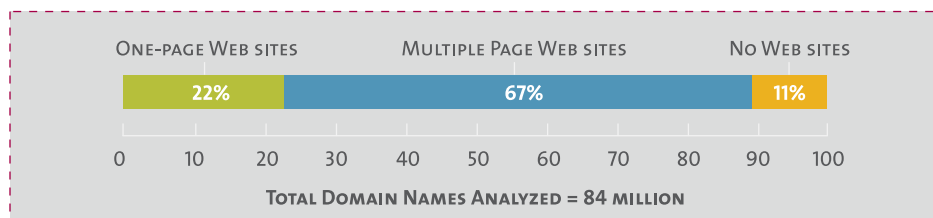


Whether a domain name resolves to a Web site is a key factor in the renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that 89 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site. These Web sites can be further described as those having multiple pages or a one-page Web site. 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

Source: VeriSign, April 2008

### .Com/.Net Web Sites



### + Focus on India

India, with more than 41 million Internet users, ranks as the eighth largest Internet population in the world. Yet, with such a large population, this represents only about four percent of the Indian population. The number of Internet users is growing rapidly, 25 percent in the last year alone.<sup>6</sup> As the number of Internet users continues to grow and Internet adoption increases, India is emerging as an increasingly important country for domain names.

At the end of the first quarter of 2008, there were 1.2 million domain name registrations in India across all of the TLDs. This represents a 46 percent growth over the previous year and a 12 percent growth over the previous quarter. Of these registrations, approximately 685,000 are .com and .net domain name registrations and 410,000 are .in domain name registrations.<sup>7</sup>

Internet users in India demonstrate a high awareness of both the .in and .com extensions, which are almost universally recalled by the respondents. In addition, recall for .net and .org are on the high side, with more than 80 percent of the respondents aware of the extensions.<sup>8</sup> While the users recognize the domain name extension, there is less understanding of domain names themselves and the host of services that can be associated with a domain name.

<sup>6</sup> India Online, eMarketer, September 2007.

<sup>7</sup> Zooknic analysis, April 2008.

<sup>8</sup> India Domain Name Study, VeriSign, February 2008. Research data in this section is from this study unless otherwise cited.

## LEARN MORE

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## ABOUT VERISIGN

VeriSign, Inc. (NASDAQ: VRSN), operates digital 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 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).

## Domain Name Registrations in India

Source: Zooknic, April 2008

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; potential fluctuations in quarterly operating results due to such factors as the risk that VeriSign's announcements may not result in additional products, services, customers, profits or revenues; and increased competition and pricing pressures. 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 and quarterly reports on Form 10-Q. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this press release.

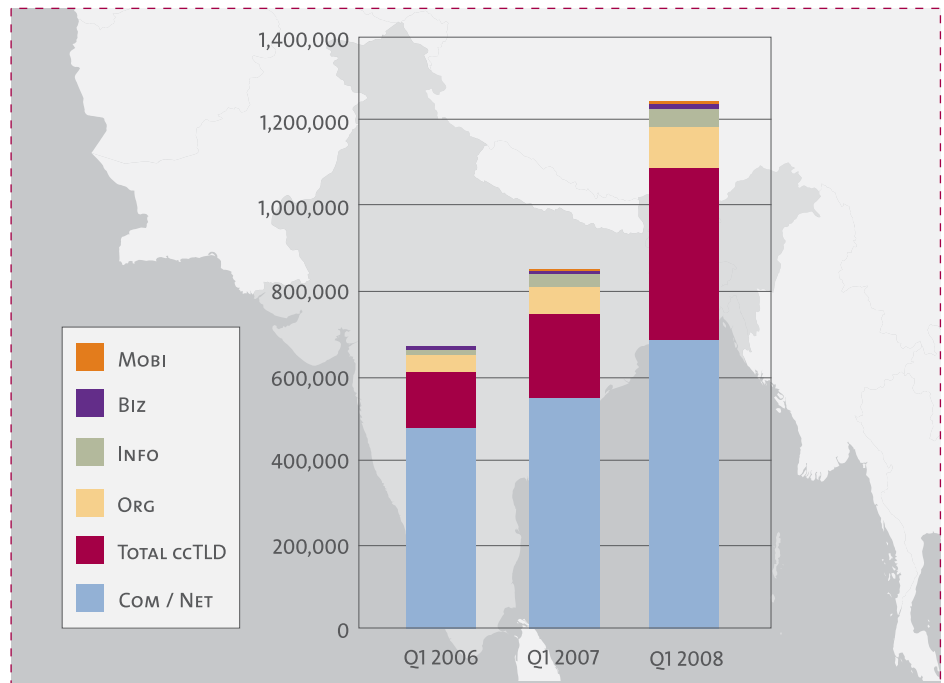
Medium and large businesses currently represent the vast majority of domain name registrants in India. Among the current business registrants who responded to the survey, approximately 74 percent reported that they selected a .com domain name. For these business respondents, the average length of time since the registrant first registered their domain name is 5.5 years which seems to indicate that the more established businesses registered their domain names very early on. Among individuals, there is extremely low penetration of domain names. For example, less than one percent of heavy Internet users in India surveyed have registered their own personalized domain name.

Among the current business registrants, the need to develop a Web site and email services were the biggest drivers for registering a domain name. They were also driven by an interest in facilitating communication with their business stakeholders, enhancing their professional image and expanding their business. The businesses seemed to be largely satisfied with their Web site in meeting these goals that they had set for it. Reflecting this high level of satisfaction, approximately 91 percent of the business registrants were planning to renew their domain names with their current providers.

When businesses are selecting where to register their domain name, the two most often cited factors included email services and a complete package to help the business get online. Respondents also stated certain generic requirements including excellent customer service and quick and easy set up as being important factors in the selection of their domain name registrar. The CEO and the head of IT play the predominant roles in the selection of the domain name itself and the registrar from which to register it.

The domain name registration opportunity in India is still largely untapped but the interest, especially among businesses is strong. Approximately 82 percent of business respondents without a domain name expressed interest in registering a domain name in the future. These respondents believe that a Web site and a domain name would lend credibility to their business and furthermore, that their customers are beginning to expect it.

## Domain Name Registrations in India



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