



Comment before Internet Corporation for
Assigned Names and Numbers On Proposed Amendment 3 to the .COM Registry
Agreement

More Clarity, Transparency Needed on gTLD Pricing

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February 14, 2020

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I became interested in the topic of domain names in 2018 when I was [asked to testify](#) before a Senate Subcommittee on “The Internet and Digital Communications: Examining the Impact of Global Internet Governance.” While that hearing covered a lot of ground, at least one witness addressed issues related to the domain name industry, and in particular, whether it would be appropriate for the U.S. government to lift artificial wholesale pricing restraints in the .com top level domain that were implemented by the previous Administration.

At the Senate hearing, [I noted](#) that it the Cooperative Agreement between the U.S. Department of Commerce and Verisign oddly capped the wholesale price of .com domains, while allowing unchecked arbitrage in the secondary market, which may contribute to market distortion.

These comments seem particularly relevant now, as ICANN considers amendments to the .com Registry Agreement that in many ways reflect my testimony from July, 2018.

While it is appropriate to question how the wholesale price increases allowed under the new .com registry agreement will impact consumers, it is critically important that ICANN not focus on wholesale prices to the exclusion of other critical factors affecting the real cost of TLDs.

Consequently, in this comment, I will briefly address:

- 1) The impact of registrar (retail) pricing on the consumer cost of .com domain names
- 2) The impact of domain investment activity (or “domaining”) on the consumer cost of domain names
- 3) The need for ICANN to conduct or commission a thorough study of consumer domain name pricing (including wholesale, retail and aftermarket activity) to understand how those and other factors affect the consumer experience

Retail Registrar Pricing Bears Little Relation to Wholesale Cost

While one might reasonably expect the retail (registrar) prices that consumers pay to align closely with wholesale (registry) fees, that is less and less the case. Take the example of the largest and most profitable domain name registrar, GoDaddy. Its retail prices for .com domains have steadily climbed throughout the 8-year period during which wholesale prices have remained flat (the wholesale cost of a .com domain name has been capped at \$7.85 since 2012).

The best way to understand registrar pricing is to look at “renewal rates” or the prices that customers pay to keep their domain names after their initial registrations expire. While many registrars offer low introductory pricing to attract new customers, renewal rates provide a clearer picture of the ongoing costs that registrars are charging their customers.

According to public sources, GoDaddy – which currently has more than 52 million .com domain names under management – charges \$17.99 per year for each .com renewal to its retail customers. This reflects a more than 20 percent increase over the 2018 price of \$14.99.

The timing of this price increase is concerning. At the July 2018 hearing before the Senate Committee on Commerce, Science, and Transportation Subcommittee on Communications, Technology, Innovation, and the Internet, at which I also testified, GoDaddy lobbyist James Bladel argued strenuously against raising (but not eliminating) the price cap on the maximum wholesale price of .com addresses.

Mr. Bladel [said](#): “Our experience clearly shows that small businesses are very sensitive to price increases, and that any increase has the potential to suppress their ability to grow, deliver products and add jobs. GoDaddy serves millions of small businesses. Granting Verisign the ability to raise dotCOM prices would have a negative impact on our business and our customers, but also our competitors and their customers, which can ultimately affect overall economic growth.”

Less than six months after testifying to the United States Senate that even a 7 percent annual increase to the wholesale price of .com could suppress the ability of small businesses around the world to “grow, deliver products and add jobs,” GoDaddy unilaterally imposed a 20 percent across-the-board price increase on its retail customers, representing about a third of the world’s .com domain names.

Unlike Verisign, the wholesale seller of .com domain names, which is constrained both by ICANN and the U.S. Government, GoDaddy, the dominant leader in the retail marketplace, has demonstrated the freedom and willingness to charge any price it chooses, knowing that the much smaller players in its industry will simply follow suit.

It’s also important to note that registrar rates do not include the extra fees and services that registrars attach to domain name registrations, and which have traditionally been viewed of as the primary way in which registrars differentiate themselves in the marketplace. Those costs, including web hosting, design, e-commerce, private registration, and a host of other options, can easily drive the annual cost of maintaining even a single domain name into the hundreds of dollars.

It's impossible to imagine any thorough examination of domain name pricing to be complete without a thorough examination of the registrar/retail market.

The Unregulated Domain Name Aftermarket Drives Significant Costs

Domain-name investors (self-identified as “domainers”), buy and hold attractive domain names and sell them to consumers at significant markups.

Examples of this practice are well cataloged on domainer-oriented blogs. [Here](#) are a [few examples](#) notable only for the recency of their publication. Perhaps the most dramatic example in recent memory is the domain name “voice.com”, [which sold](#) for an \$30 million.

Simply put, this represents a significant and consistent practice of profit taking by a small-but-influential group of Internet stakeholders at the expense of virtually all other Internet users. In many cases, some of the most attractive “available” domains are held in domainer portfolios, and the premiums they charge for those names bear almost zero relation to either wholesale or retail prices.

To the extent that there is any benefit to consumers from higher wholesale or retail TLD prices, it may stem from the fact that marginal increases to wholesale and retail costs may prompt domainers to slightly reduce their portfolio holdings, making more names available for “normal” registration.

It’s very difficult to estimate the extent of the impact that domainers have on the normal functioning of the domain name marketplace, or how much that activity affects ordinary consumers since no real effort has been made to study it.

Conclusion: Further Study is Essential

It's clear even from the current debate over the .com Registry Agreement, that there is not enough empirical information available to the community about domain name pricing. ICANN is in a unique position to remedy this problem by conducting or commissioning a thorough study of TLD pricing that considers all factors discussed above.