Market Trends Seminar

ICANN Meetings Kuala Lumpur
July 2004
Domain Name Base

Key Takeaway: 16% growth 2003 vs 2002. 5% growth Q104 vs 2003 – total number of domain names at the end of Q104 reached 63 million. Industry on growth pattern again.
Key Takeaway: By the end of Q104, com is at 45% with the major ccTLDs of .de & .uk coming in at 12% & 8% respectively. ccTLDs in total make up 39% of the domain name market.
Key Takeaway: The Top 10 ccTLDs make up over 70% of all 240+ ccTLDs. 90% of German domain market is made up of ccTLDs. Reduced restrictions and automation of ccTLD provisioning has accelerated ccTLD adoption (i.e. .pl). ccTLDs grew by 4.5% in 1Q04.
Key Takeaway: New Registrations hit 4.7M in Q104. Growth coming from all TLDs. Key triggers: Worldwide economic upswing; greater internet penetration rates; more channel partners in under-served areas of the world.
Renewal Rates – Com Net

Key Takeaway: Renewal Rates have been steadily increasing over the past 2 years due to a stabilizing of the base better renewal practices. Result is more stable revenue streams.
Web Site Usage

Parked Web sites: 7.8%
Live Web sites: 63.8%
No Web sites: 28.4%

Total Domain Names Spidered = 28,998,231
Percent of all Domain Names Resolving to a Web site
Domain Name Market

INTERNET USERS  DOMAIN NAMES  % OF PENETRATION
Selective Geographic Composition: com/net and ccTLD’s

- Composition Shift in total com/net registration reliance from NA from 68% in 2002 to 61% in 2004.
- Asia Pac increased contribution to total com/net registrations from 9% - 12% in same time period.
- 76% of registered ccTLDs are European.

- Large Growth Rates projected through 2008 in Latin America, MEA and Asia Pac.

Source: Zooknic, Inc., July 2004
On-Line Language populations

- English 35.8%
- Chinese 14.1%
- Japanese 9.6%
- Spanish 9%
- German 7.3%
- Korean 4.1%
- Portuguese 3.5%
- French 3.8%
- Italian 3.3%
- Russian 2.5%
- Dutch 1.8%
- Other 5.2%
Buyer Segmentation

Registrants buy for a variety of reasons: makes it easier for customers to find them; Improves the quality of customer service; to sell products & services; Communicate with customers and vendors; expand reach.
## Average Domain of Domain Names Registered

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Domain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>6.9</td>
</tr>
<tr>
<td>Korea</td>
<td>2.8</td>
</tr>
<tr>
<td>Japan</td>
<td>2.1</td>
</tr>
<tr>
<td>China</td>
<td>1.5</td>
</tr>
<tr>
<td>U.S.</td>
<td>1.4*</td>
</tr>
</tbody>
</table>

* One exception to this in the U.S. is .tv and .cc owners, who average a significantly higher number.
Com Net Under-served Markets

Worked with outside statistician to develop models to determine countries with highest opportunity for growth in com net.

Model constructed using 35 independent variables: 3 came out as most significant with VERY high r2

+ **Bandwidth** – The amount of International Internet Bandwidth from a country to the rest of the world (Source: TeleGeography; 2001)

+ **Internet Users** – The number of Internet users in a country (Source: Cyberatlas; Date is from the most recent available – generally from 2003/04)

+ **Number of SSL Licenses** – The number of websites using encryption technologies for Web transactions (source: Netcraft, 2001)
Results

The appropriate model was applied to data from each country and a “modeled com/net” level was obtained: MARKET GAP Method. This was compared to the existing level of com/net registrations. If negative, the difference represents a “market gap” in com/net registrations.

The most significant pattern is that the countries with the largest com/net market gaps have very high ccTLD usage:

- Half of the top 15 have more than 80% of their domain name mix as ccTLD domains;
- Another four have more than 50% of their domain name mix as ccTLD domains.
### Target Market Analysis:

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Code</th>
<th>Region</th>
<th>COM/NET 2Q_2004</th>
<th>Market Gap Method</th>
<th>MARKET GAP Difference Between Columns d &amp; e</th>
<th>Rank based on Column f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>jp</td>
<td>Asia Major</td>
<td>555,516</td>
<td>1,191,963</td>
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<td>Europe</td>
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<tr>
<td>Argentina</td>
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<td>South America</td>
<td>29,679</td>
<td>80,584</td>
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</tbody>
</table>

Source: Zooknic.com July 2004
Domain Name Industry Briefs

Designed to share VeriSign’s intimate knowledge of the Domain Name Industry.

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Every issue will include an updated “VeriSign Domain Report” with useful analysis of the trends in the Industry.

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  + In December we will release the “Multi-lingual Brief”, a look at internationalization trend in naming.

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