Verisign Comment on gTLD Marketplace Health Index (Beta)

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Summary

ICANN has decided to move forward with creating the Beta Marketplace Health Index but has not yet created a meaningful dialog that would permit a consensus to be reached among various stakeholders impacted by the index. Thus far, ICANN has requested public comment on their initial gTLD Marketplace Health Index Proposal. Following this initial round of comments, ICANN convened an advisory panel where they presented a revised draft to the panelists who each individually sent additional feedback to ICANN. ICANN did not disclose to the members of the advisory panel how the feedback that panelists provided would be addressed. Instead, ICANN's staff seems to have relied solely on recommendations from its funded research, which was edited and reviewed by ICANN staff alone. The resulting Beta report therefore lacks clarity around goals – as noted in the community feedback -- and continues to arbitrarily define an industry marketplace that does not reflect end users' experience nor the actual marketplace in which TLDs compete.

Further Refinement of Goals Is Necessary

As stated in comments by the advisory panel, it is clear that substantial work is necessary to establish and understand the goals of a Marketplace Health Index. Nearly every commenter in the original round of public comments[1] expressed concern around the scope and process of the intended health index. The sheer diversity of the recommended metrics that commenters have suggested indicates at a minimum that the goals of the Index are simply too broad. To make achieving consensus around the Index possible, the scope of what this index intends to cover needs to be defined clearly and the process for reaching consensus must also be described in more detail.

To address specific areas where the goals are unclear:

Robust Competition

Geography
The selected method for representing registry geographic diversity is based on the ICANN contact address. The stated goal of selecting this metric is to measure whether "Diversity exists in the choice of a service provider." The context for who's choice should be diverse is not scoped in the goals. Measuring the registry operator's address may be interpreted as a way to indicate where registry operators are able to be successful but it does not effectively measure where registrants and domain users do and do not have choice. One example of this is the new gTLD, .DESI. This is a registry that according to their own goals is a TLD which seeks to be "The worlds first domain that celebrates the global community of 1.7 billion desis."[2] The registry operator, Dot Desi, LLC, is based in Bethesda, Maryland. The registry operator, which is interested in serving desis, has chosen to be based in the United States and according to this metric would count as a United States based registrar. To determine whether or not this is the correct metric, the scope of the goal needs to be more clearly defined.

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[1] https://www.icann.org/en/system/files/files/report-comments-gtld-marketplace-health-05feb16-en.pdf
[2] http://www.nic.desi

Thriving/Fair Marketplace

The stated goal in the beta report is to determine if "The commercial marketplace is thriving" and the assumed definition of what this looks like is "growth in new gTLDs and across all gTLDs." This has not been established as an effective measure for measuring the health of the marketplace and is easily influenced by many factors not captured by the index today as noted by Professor Bhargava. The economic evaluation that ICANN commissioned identifies market prices, internet users' uptake, gTLD recognition, ICANN policies, time, market demands, application windows and other marketplace factors as factors that may influence the selected metrics. The beta index fails to appropriately acknowledge these limiting factors. The economic evaluation needs to be performed on whether or not "growth in new gTLDs and across all gTLDs" is actually a legitimate way to measure marketplace health. The paper that Professor Bhargava provided ICANN with appears to have taken ICANN's direction for what makes a healthy marketplace and the professor was limited to evaluating whether a provided set of metrics achieved the ICANN-provided definition.

Marketplace Stability and Trust

The definitions for both trust and stability need to be defined relative to the audience that needs to trust the marketplace and perceive it to be stable. Evaluating metrics as they relate to trust and stability without a clear audience defined is not possible and will not yield meaningful or reliable data. The ambiguity of the current definition allows one to conclude that the metrics are measuring whether ICANN has created a stable set of vendors that it can trust. If the desired goal is to evaluate the perspective of any others in the marketplace, such as domain name users, then the metrics need to be changed to be far more comprehensive.

Marketplace Scope Needs to be Expanded

This was stated during the feedback to the advisory panel but needs to be said again after ICANN has failed to provide a justification for excluding the ccTLD market other than data availability. While it is mutually understood that accurate and consistent data regarding the ccTLD market is not widely available, developing a marketplace health index that fails to measure the entire marketplace is incomplete. gTLDs and ccTLDs coexist in the eyes of end users. When most registrants are evaluating domains to buy, they are often not aware of this distinction that those inside the domain industry use. ccTLDs represent 45% of the overall domain marketplace[3] and it is not possible to effectively measure the competitive landscape without considering them. Obviously, gTLDs and ccTLDs compete for the same customers. This is particularly true for Geographic focused gTLDs and the overlapping ccTLDs (.london and .uk, for example). Yet, in the beta report, ICANN presents trends in Geographic focused TLDs but does not include the overlapping ccTLD trends. Indeed, many ccTLDs (.co, .ly, .tv, .io as just a few examples) brand themselves as gTLDs, further necessitating their inclusion in the marketplace analysis.

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[3] https://centr.org/system/files/agenda/attachment/global_tld_report_2016_q1_0.pdf

Process Needs to be Clearly Defined

ICANN has not obtained consensus that this initiative is leading to a meaningful outcome. This is the second comment period on the topic and a volunteer-based advisory panel was also convened. Thus far, ICANN has selectively addressed comments from the first round and not directly responded to comments raised during the advisory panel[4]. The economist that was retained worked exclusively with ICANN staff to develop his paper. In the paper, Professor Bhargava indicated that multiple reviews were conducted with revisions being provided: "After preliminary review and discussions, this draft was revised as well as annotated to provide a more elaborate description and justification of the metrics, including associating each metric to one or more decision elements."[5] The paper was only presented to the advisory panel in final form as a notification that the study had been completed and was going to be published but ICANN did not provide the panel with any opportunity to provide input to the paper[6]. For example, a proper economic evaluation should be open to peer review but we have no indication that this was done with Professor Bhargava's paper. While engaging an economist to support this effort may be beneficial, ICANN should allow a proper economic evaluation to be performed without presumptions at the outset as to what a "healthy" marketplace may be. Similarly, an economic analysis should not be limited to only those metrics which are conveniently available. Such limitations will likely yield an unreliable and potentially misleading Index . The process of developing this initiative thus far has not led to a community consensus and instead appears to present only ICANN staff's perspective on the marketplace.

Recommended Next Steps

Rather than continuing to request comments on specific metrics that have been compiled by staff based upon available data, ICANN should develop a process to lead the community through developing a mutually agreed upon set of goals for a marketplace health index. Once these goals are collectively agreed upon, then data to characterize progress towards those mutually agreed upon goals can be collected. If the advisory panel is going to be the mechanism for establishing these goals, a process for reaching consensus within the panel and eventually the broader community should be clearly outlined.

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[4] http://mm.icann.org/pipermail/gtldmarketplace/
[5] https://www.icann.org/en/system/files/files/economic-evaluation-gtld-performance-metrics-20jun16-en.pdf
[6] http://mm.icann.org/pipermail/gtldmarketplace/2016-June/000012.html