



## Analysis of ICANN's "20-cent" Tasting Solution

ICANN proposed a solution to end the practice of Tasting on January 29, 2008. Their proposal will make their 20-cent portion of the domain name registration fee non-refundable regardless of whether the name is dropped within five days. The extent to which this will curb Tasting behavior is questionable. Following are some examples to demonstrate how a registrant can register large numbers of domain names, test them for profitability and still make plenty of money despite the ICANN 20-cent penalty per name.

### Amount earned per click:

According to VeriSign's June 2007 Domain Industry Brief, programs like Google's AdSense™ and Yahoo! Search Marketing's Content Match® allow Web site owners to "apply to place contextual advertising links on their Web site and generate revenue. Such sites become a part of the advertising network's network of partner sites. The average amount paid per click was about \$1.46 for the first quarter of 2007." The domain name owner typically earns half of this per click, or **73 cents** per click. In some cases, the ad network receives the other half and in other cases the spoils are split with other partners such as parking services (ex: Fabulous and TrafficZ).

### Registration of domains:

According to CADNA's recent drop-catching study, 6.6% of dot-COM domains were registered immediately after post-expiration deletion and kept throughout the timeframe of the study. In other words, **6.6%** of names were quickly deemed worthy of registration and development. By the end of the study, the percentage of names that were ultimately kept climbed to 25%, but that took sifting into account as names were kited. The 6.6% of the sample is the subset of names that immediately proved their value.

Consider now what would happen if an individual, a company, a registrar or other single entity registered 100,000 domain names. Based on random sampling, the ensuing examples draw the same conclusion whether the universe of names is 100 or 100,000. We chose 100,000 because that is the approximate number of daily deleting generic top-level domains. Applying the retention rate of 6.6%, 6,600 of these names would be kept. At \$6.20 each, the cost of these domain names would be \$40,920. Paired with the 20-cent ICANN fee for each of the 93,400 domains that were not kept, the total cost of the domains would be \$59,600. In other words, the tasting registrar would have spent \$9 per profitable domain name that was identified via tasting and kept beyond the add grace period (AGP). Before the new fee, the true cost per name was just \$6.20.

Provided that they catch a random basket of deleting names at the drop, 6.6% of registrants would pay to keep the names and the 20 cents they wasted on the names that were not worth keeping would be easily covered by the ample profit from the good names they identified through tasting. The additional new cost per domain name would be \$2.80. Since each click is worth 73 cents on average, each domain name would need to receive just an additional 3.8 clicks in year 1 in order to make up the difference from the "inconvenient" ICANN fee.

Before the proposed ICANN tariff on all added domains, a name needed to demonstrate that it could deliver 8.5 clicks/year (.02 clicks/day). With the ICANN fee, a name needs to demonstrate that it can deliver 12.3 clicks/year (.03 clicks/day) in year 1. With so few clicks needed to break even either before or after ICANN's 20-cent solution, the effect of the non-refundable fee is negligible from the taster's perspective.

While it might become unprofitable for registrars to kite domains and constantly pay registration "add fees," tasting domains can remain a relatively low-risk and low-cost practice. It is likely that ICANN's new registration fee policy will not have the beneficial impact the organization claims it will.

For more insight into the world of domain monetization please refer to CADNA's most recent paper on drop-catching, a practice that enables domain abuses such as tasting, kiting and typosquatting.