



Don't Rely on Initial TLD Registration Volumes

Alex Tajirian

May 23, 2010

When deciding to register a given domain name under any of the [new ICANN-proposed top-level domains \(TLDs\)](#), remember that a relatively high initial registration volume does not necessarily imply that the domain names will command high market value or that demand for them will grow. Below are some of the reasons:

1. If a domain name has an unclear or diffused TLD signaling message, high initial demand still doesn't mean the name will command high market value. The more such initial registrations there are, the more likely it is that a name with a blurry TLD message will become lost in the crowd and see its demand and value reduced. Thus, such registrations would be highly speculative.
2. When a single group of early adopters generates high initial demand for a product, odds are that what you're looking at is a fad, not a product with legs. So it is with TLDs.
3. Despite the conventional wisdom, studies show that reduced cumulative adoption can still be a real danger after a smashing debut.

Thus, you should be suspicious of correlation-based registration volume studies of existing TLDs if the studies don't take into account signaling and demand sources. Finding relationships between the volume of initial registrations (say, first month) and registrations under a TLD at a point in time is like comparing apples and oranges. Second, such correlations do not imply causality, even when they are disguised in an R2 measure, as on p. 18 of the [KPMG report](#) commissioned by ICANN. (Why KPMG bothered reporting this measure is unclear. That ICANN accepted the measure as part of the report shows, at best, ignorance regarding analytics.) Third, we don't have access to the models used by registries to project demand for the expanded TLDs; thus, to put it mildly, the registries are better equipped to identify problems with the models. Fourth, it is in a registry's business interest to project high demand for a new TLD that it is sponsoring.

To echo advice from Geoffrey Moore's [Crossing the Chasm](#): Don't uncork the champagne until your new product passes a sales threshold that reflects something besides purchases by early adopters. It's up to applicants and registrants of a new TLD to determine what that threshold registration volume should be. ■