



Closed vs. Open New gTLDs

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The essay analyzes some of the strengths and weaknesses of closed and open new gTLDs. The success of the gTLD to a large degree rests on the successful design and implementation of an effective digital business model.

A closed gTLD is one whose owner uses it for exclusive content — for example, the use of .book exclusively for Amazon books. Conversely, if Amazon opens up .book, other book sellers and libraries would be able to set up sub-domains, sites where they controlled content. .

ICANN has given closed gTLDs the go-ahead, and we will find out whether or not they cause harm to the Internet. If a new gTLD does cause harm as a byproduct (externality) dumped on the ecosystem, ICANN should require the owner to compensate the Internet community.

One criticism of closed gTLDs is that they will add to the age-old Internet problem of content confusion. A visitor can type .com instead of .net, or somebody looking for a selection of blogs can land on .blog and get forwarded by Google to its Blogger service. It would be as if the owner of blog.com ran it as an open environment or forwarded traffic to Blogger.com.

Is a closed gTLD less valuable than an open one? That's decided case by case, and the bidder for a new gTLD has to decide for him- or herself. The calculus should include the value of an option to switch between the two. Moreover, there is synergy value (economies of scale) in running more than one open gTLD for a company's different product lines, such as Amazon's bid for .book and .video. The synergies are driven by a coherent business model whose components are outlined below.

Running a successful gTLD depends to a large extent on developing and maintaining the entity's digital business model. From a business model perspective, closed and open both have their strengths and weaknesses. Research (see, Peter Weill and Stephanie L. Woerner, [Optimizing Your Digital Business Model](#), MIT Sloan Management Review)

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suggests that the success of a business model is driven by content, customer experience, and platform.

Whether a site is closed or open, content will probably be biased in favor of the creator/owner. The owner can also bet that sub-domains, for the most part, will be kept up to the mark because of the self-interest of their managers. Only for the most part, of course — there remains the chance that one of the sub-domain owners won't take advantage of available features. And some domain owners might not provide the most competitive platforms. But in the end, self-interest drives both sides to get the most out of each other.

One advantage of a closed environment is that content can be presented in a coherent format that transforms the customer experience. With control of the entire system, a closed environment can provide a better experience, a change in mode that goes beyond content.

Platforms have internal components and external ones. Internally, a platform is busy collecting data and analyzing it, as with traffic analyses. Externally, a platform presents visitors with the screen hardware they need to perform desired functions (for example, Amazon's e-book readers), and with a network of partnership to improve customer experience (Amazon's alliances with various couriers). Competitive closed gTLD environments yield a much stronger control over internal and external platforms and thus, superior user experience.

In conclusion, it is easier to control the business risk of a closed gTLD. However, less risk does not imply higher value. Looking at an open gTLD, the owner should think about the risks-profits balance and set up a solid digital business model ready for implementation. ■