.eu Insights

The EURid Insights series aims to analyse specific aspects of the domain-name environment. The reports are based on surveys, studies and research conducted by EURid in cooperation with industry experts and sector leaders.

How top-level domain customer service and brand influence customer buying behaviour

EURid examines the interplay of brand strength, customer service and registration policy for the .com, .local, .eu, .net, .org, .biz and .info domains to give an overall assessment of top-level domain (TLD) attractiveness.

June 2010

The secret of success

What is the secret of success for growing top-level domains (TLDs)? As ICANN, the top-level domain coordinator, prepares to introduce new TLDs, the unprecedented opening up of the domain market will pose new challenges for consumers, registrars and registries.

What can we learn from the experience of 'new' TLDs, such as .biz and .info, launched after the first experiment in creating new TLDs in 2000? And what about the incumbent TLDs, such as .com, and the country codes, there since the beginning? What elements drive their success, and are their registries ready for market expansion?

Three main factors drive sales in TLDs:

- Brand strength
- Customer service
- Registration policy.

For ccTLDs, a significant factor driving growth is registration policy. Previously restricted ccTLDs experience dramatic growth when they change to a first-come first-served policy. For example, when Spain liberalised in June 2005, its registry grew from 85 000 registrations in 2004 to 1.2 million in 2009. After an initial burst, however, a newly liberalised ccTLD eventually levels out. As liberalisation tends to be a one-off hit, this report focuses on the first two factors, brand strength and customer service, which have a more lasting effect on buying behaviour.

For incumbent TLDs, like .com and the ccTLDs, which have high brand recognition amongst end users, sales drive themselves to some extent, leaving the registry with few incentives to really view their registrars as business partners. Some registries buck this trend, notably VeriSign, which consistently scores well for customer service, perhaps reflecting its for-profit, diversified business base.

New market entrants, for example .info, .biz and .eu, do not have this luxury. Instead, they need to build a brand that is recognised by end users. As sales are not 'pulled' by consumers, the new registry must work harder to establish a network of registrars and persuade them to promote the new TLD. In contrast to ccTLDs, where registrars tend to approach the registry, new TLD operators need to proactively build their registrar base, not only persuading them to sign up but also to remain as clients.

This leads to a culture of customer service between the new entrants and for-profits, and the mainly not-for-profit ccTLDs. Research shows that the leaders in customer service are EURid (for .eu) and VeriSign (.com and .net).

Brand strength

EURid commissioned a comparative brand analysis of TLDs in ten countries, with 400 participants in each country. The study took place from December 2009 to January 2010 and built upon a similar study conducted in 2008.

The study highlighted three key attributes that drive buying behaviour amongst consumers, also called end users:

- Awareness (have they heard of the TLD)
- Relevance (which TLDs are relevant for companies in general to use)
- Preference (which domain name would they, as individuals, prefer a company to use).

Awareness

The study found that .com and the local ccTLD had the strongest brands, with aided Awareness of over 90%. Established gTLDs, .net and .org, were next with overall recognition of over 80%. Of the more recent TLDs, .eu was the best recognised (70%), followed by .info (55%) and .biz trailing at 40%.

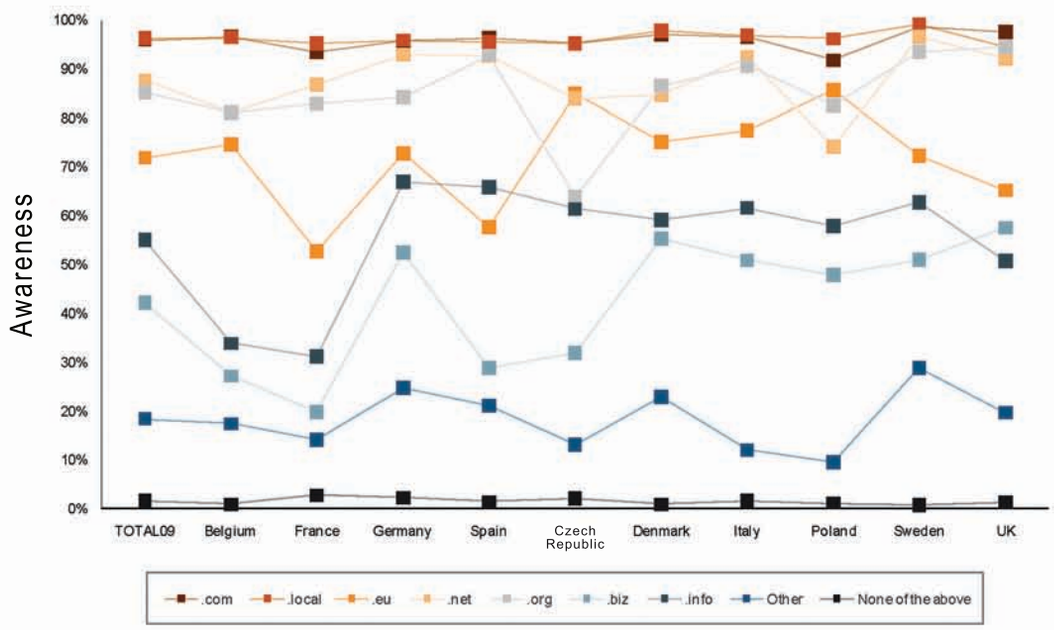

Figure 1 - TLD Awareness as measured in 10 countries

Relevance

For Relevance, .com and the local ccTLD scored highly (72% and 65%, respectively), with .net, .org and .eu at around 20%, and the newer .biz and .info at just 10%.

Relevance scores differed by country, with the .se ccTLD (Sweden) showing nearly 90% Relevance compared with .com at just over 80%. Accession countries, the Czech Republic and Poland, had above average Relevance for .eu, perhaps highlighting a keenness to emphasise their new(ish) European status, or good registrar performance within those territories.

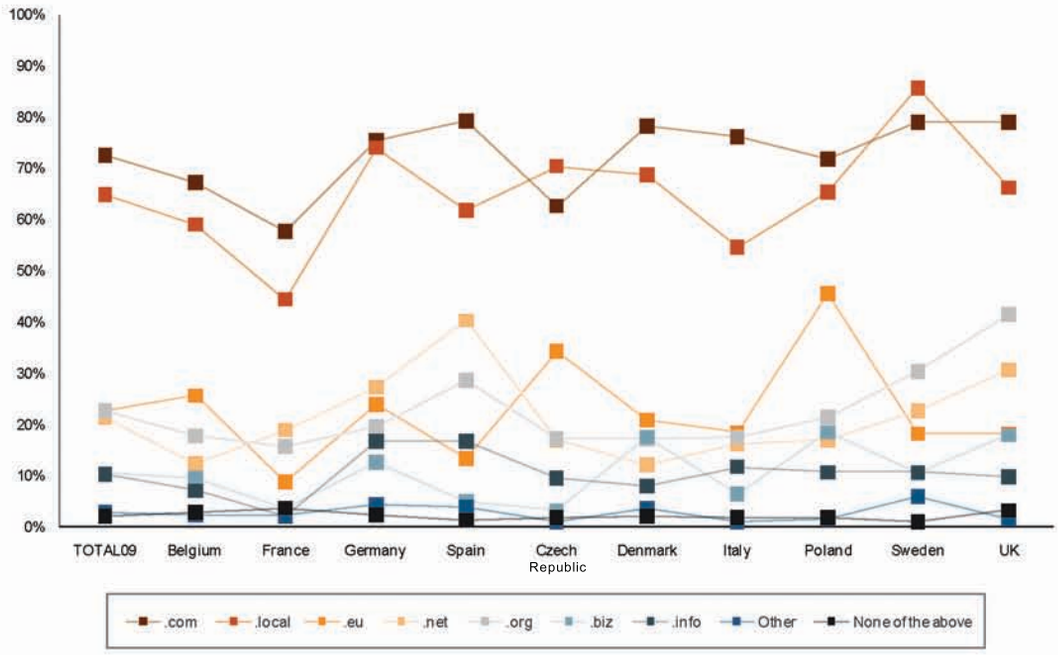

Figure 2 - Relevance, in percentage, of different TLDs in each country

For Preference, participants responded overwhelmingly in favour of .com (40%) and their local ccTLD (36%), leaving the other TLDs to fight over the remaining 24%.

Again, Preference varied by country, with the accession countries having an 11% Preference for .eu (compared with an overall 4%). In some countries, such as France, Spain, Italy, Poland and the UK, .com was preferred to the local TLD by more than 10%. In others, such as Germany, Denmark and Sweden, the local TLD out-performed .com by more than 10%.

Qualitative research[1] identified that users value conservative brand characteristics for TLDs, such as 'convincing', 'trustworthy', 'stable', 'high quality', 'official', and 'safe'. In countries where the ccTLD scores more highly for Preference than .com, such as Germany and Sweden, it also scores more highly on these important brand characteristics. Conversely, where .com is preferred over the local TLD, for example in Spain, Italy and the UK, .com scores higher for the important brand characteristics.

In general, consumers prefer domain registries to be stable and reliable, rather than 'lively' or 'inviting'.

[1] InSites Consulting, 2010, applying the Vlerick Leuven Gent Management School's "A New Measure of Brand Personality", Geuens M. Weijters B. De Wulf K. 2009. International Journal of Research in Marketing. 26 (2): p.97 -107.

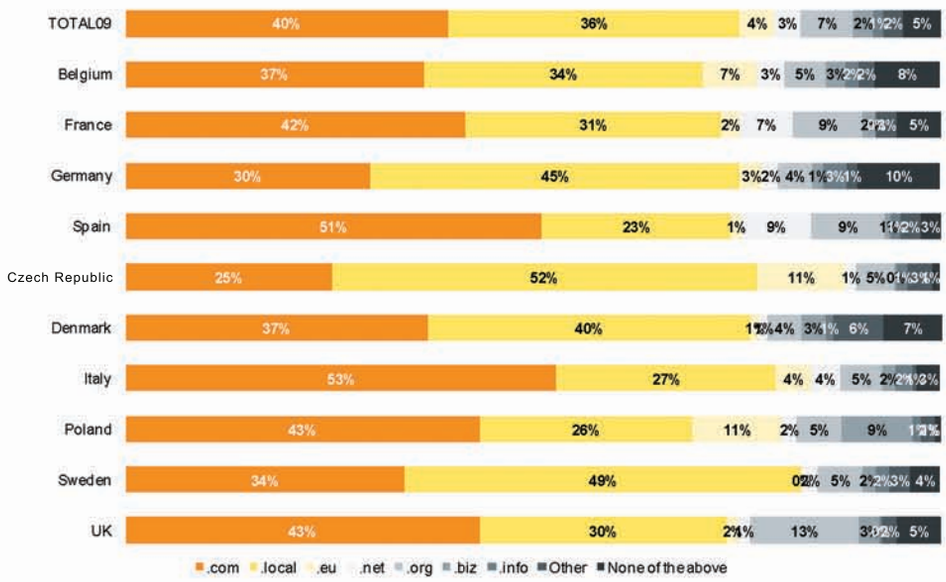

Figure 3 - TLD Preference as measured in 10 countries

Comparative brand strength

An overall brand strength was derived by adding each TLD's score for Awareness, Relevance and Preference. The study measured .local (.de being 'local' to Germany, .uk to the UK, etc.) against other leading TLDs, such as .com, .eu and .info. In compiling these scores, brand strength for each ccTLD was measured within its local territory, and others were measured across all territories (Figure 4).

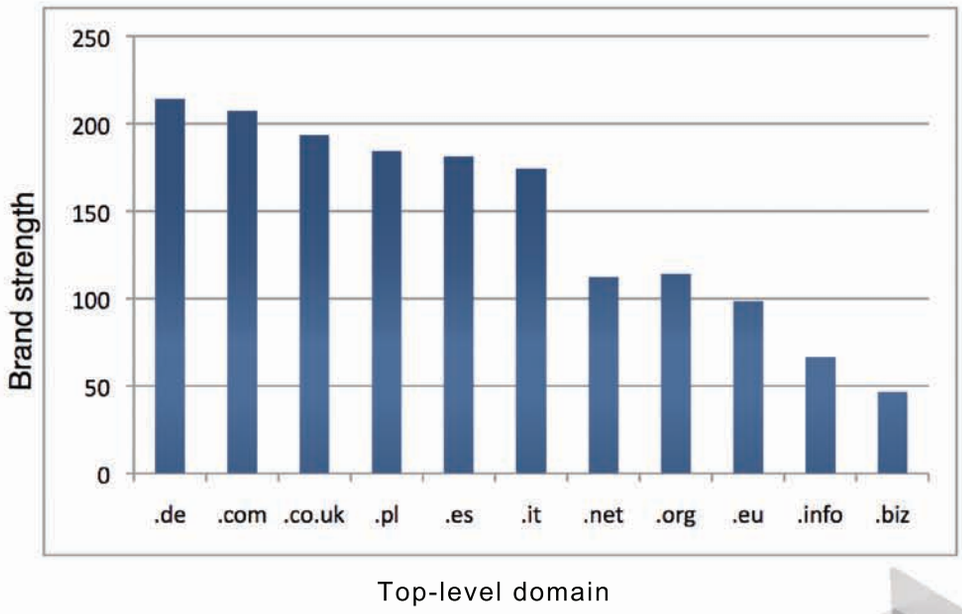

Figure 4 - Overall brand strength of each of the studied TLDs

The domains showing the most brand strength are .com and the long-established ccTLDs. Middle-ranking brands are the long-established gTLDs, .org, .net and the newer .eu. The 'new' gTLDs, .info and .biz, are the weaker brands.

The difficulties that the newer gTLDs have had breaking into the domain market[2] correlate with their relatively weak brands. In contrast, EURid has been able to build a healthy brand within a shorter period of time.

Given that brand strength is made up of Awareness, Relevance and Preference scores, we would expect to see thriving sales in .com and the established ccTLDs (they would almost sell themselves), whereas the weaker brands would need to do something extra to encourage registrars to carry them.

Measuring customer service

Domain name registration is a service. Measuring quality of service is a notoriously difficult task, because services are transitory, perishable and intangible in nature. It is also difficult to find common standards as there are no physical products that can be compared.

To overcome these challenges, an approach to evaluating service delivery, SERVQUAL (Parasuraman et al, 1988), measures a service across five dimensions:

- **Tangibles** (physical facilities, website appearance, technical equipment)
- **Reliability** (ability to perform domain registration dependably and accurately, automation, interfaces)
- **Responsiveness** (willingness to help registrars and provide a prompt service)
- **Assurance** (knowledge and courtesy of employees, their ability to inspire trust and confidence)
- **Empathy** (caring, individualised attention for registrars).

Therefore SERVQUAL spans a mixture of hard (tangibles, reliability) and soft (responsiveness, assurance, empathy) measures.

Based on this framework, EURid developed a questionnaire of 22 questions based around the five service dimensions, to conduct a qualitative study with 20 registrars based within and outside the EU, all of which offered registrations across multiple TLDs. Not every registrar registered across all TLDs, but all of them registered across several. Those based within Europe registered with .eu and their local TLD as a minimum, and most registered with at least one gTLD as well. Therefore, each registrar was able to compare the customer service experience across a range of TLDs.

[2] Compare registration projections for .biz in its bid to ICANN (2000), at the height of the .com boom, which predicted 3.85 million by Year 4 of operation (http://www.icann.org/en/tlds/biz4/BusCapPlnBizPt1.htm) and in reality 1.2 million by Jan 2006 Y4 of operation (http://www.zooknic.com/Domains/counts.html).

To make the study tractable, given the number of detailed questions relating to customer service and the limited number of registrars offering registrations across a large number of TLDs, it was necessary to be selective in the number of TLDs included in the study. The selected TLDs included the most established gTLDs (.com and .org), the largest ccTLDs within Europe and the new gTLDs (.info and .biz). VeriSign, the .com registry, also provides .net, and therefore customer service scores are equivalent (Figure 5).

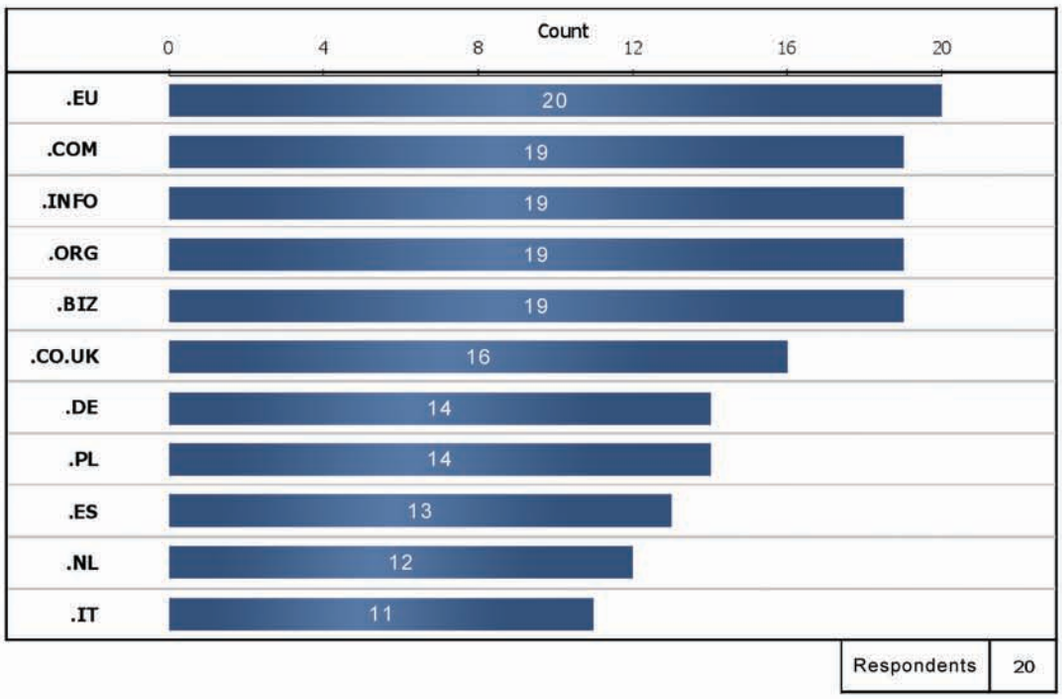

Figure 5 - The TLDs offered by respondents to the questionnaire

Which service elements matter to registrars and which is the best registry?

Although many factors make up a registry's service, not all of them are valued equally by registrars. The research highlighted that registrars have high expectations, rating 14 out of 22 factors as very important, with five factors rated at more than 90% important (Figure 6). Within the SERVQUAL framework, registrars tended to value 'reliability' factors (four of the top five) more highly than any other. This correlates with the most valued brand qualities, such as stability, safety and trustworthiness.

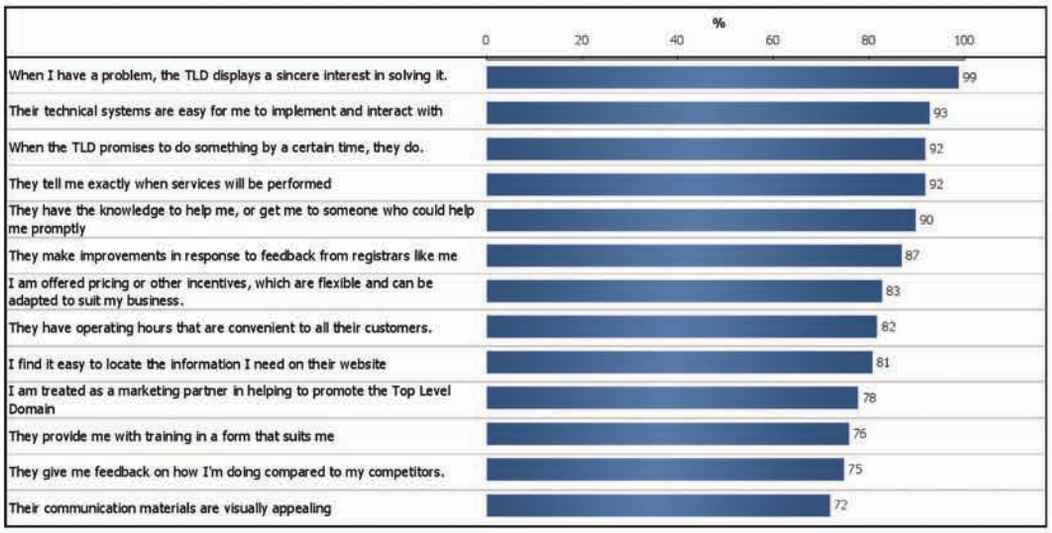

Figure 6 - Aspects of registry service ranked from most to least important. Percentage scale: 100 = very important, 50 = neither, 10 = very unimportant

Turning to the individual registries, registrars were asked which they thought was the best TLD for each service element. The responses indicated that EURid and VeriSign were the most highly rated for customer service. Whereas .com was technically superior, .eu scored better on problem solving and knowledge of its staff. EURid (.eu) was also highly rated for its partnership approach to marketing and pricing incentives, as well as responsiveness to feedback and training.

However, the study did not provide sufficient insight into registrars' impressions of each registry's service offering. To better understand this, EURid undertook a follow-up study with 17 different registrars, which rated each registry's performance in each of the five most important service qualities.

As the research involved a small sample size (especially when drilled down to some individual registries), individual responses could have skewed the results. Thus, no definitive conclusions were drawn, but some indicators emerged, to be more deeply investigated with further study.

One common theme emerged across both studies: the strength of service delivered by EURid and VeriSign.

The second study indicated that the newer TLD registries, for .eu, .biz and .info, are performing well on service, perhaps reflecting their need to work harder to build an effective registrar channel. Some large ccTLDs, such as .de, .nl and .uk, also score well for service.

For a fuller picture of each TLD's service quality across the top five service factors (Figure 7), the TLD's score for each element was weighted by multiplying it by that element's importance rating (for example, problem solving was multiplied by 9.9, reflecting its 99% importance). A hypothetical maximum score was derived by multiplying 7 (the "strongly agree" highest score), by the weighting factor. This revealed the following:

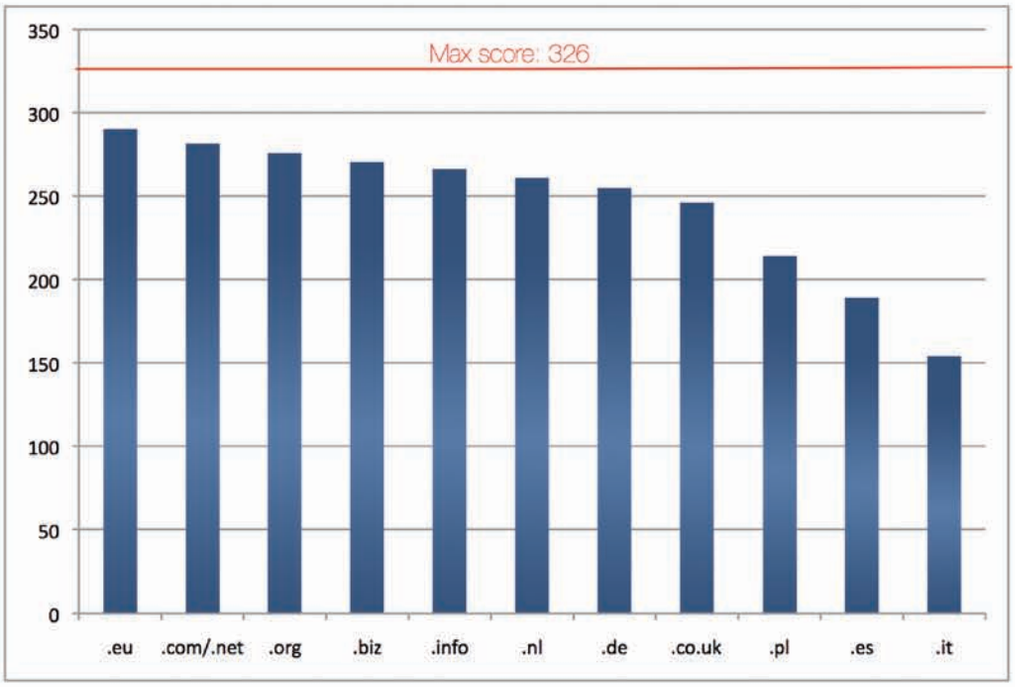

Figure 7 - TLD customer service quality measured across top five service criteria

What drives sales more: brand strength or customer service?

While EURid and VeriSign are clearly delivering excellent customer service, there is a significant difference both in the size of their registers (3.2 million for .eu[3] and more than 80 million for .com[4]) and rate of growth (5.3% for .eu in 2009 and 7% for .com[5]), suggesting that brand strength is the deciding factor in driving sales.

This is not surprising, given that domain names tend to be sold through consumer 'pull', via automated web sales. In this situation, brands have the power to leap over the registrar middle-man straight to the end user.

The registrar plays a part in promoting a TLD, for example through banner advertisements, price promotions and order of placement in drop-down lists of TLDs on offer. Those TLDs seeking to build a brand, .eu, .info and .biz for example, have to work successfully via the registrar channel, so that their TLD is presented prominently to consumers at the point of sale. In this context, building successful relationships with registrars and having robust systems to serve and anticipate their needs is essential. This assumption is supported by the high scores of the newer TLDs for customer service.

[3] http://www.eurid.eu/en/about/facts-figures/statistics, accessed May 2010
[4] VeriSign Domain Name Industry Brief, February 2010 http://www.verisign.com/domain-name-services/domain-information-center/industry-brief/index.html
[5] http://www.icann.org/en/tlds/monthly-reports/

The domain market is poised for a shock when new gTLDs are introduced, including non-Latin script Internationalised Domain Names (IDNs). Until now, the TLD market has had high barriers to entry, which have insulated the incumbent ccTLDs from harsh competition. New gTLDs are likely to change this environment. The role of the registrar as gatekeeper to the consumer will increase in importance. Successful registries will need to cultivate and sustain their registrar channels.

As consumer choice grows, existing registries will need to employ new strategies to ensure that they continue to enjoy their current market share and levels of growth.

Which registries are best prepared for a changing market environment?

According to this analysis, the registries best prepared for an injection of new competition are those that have both powerful brands and effective customer service for their registrars.

To better understand the interplay between brand and customer service in explaining TLD growth, the overall scores for brand strength and customer service have been mapped onto the following matrix (Figure 8):

Figure 8 - Matrix of TLD attractivness (brand vs customer service)

This view of the market suggests that there are distinct pockets: established ccTLDs, established gTLDs and new gTLDs. It indicates that the established gTLDs hold an ideal market position, with good brands and a high standard of customer service for registrars. Encroaching into this space are some of the larger ccTLDs, for example .de and .uk, which are both exploiting their brands and strengthening their market orientation, and .eu, which is building a successful business, and thereby a solid brand, through excellence in customer service.

Learn more

The latest statistics on .eu performance and other .eu Insights reports are available at: http://link.eurid.eu/insights.

About EURid

EURid is the not-for-profit organisation appointed by the European Commission to operate the .eu domain name. Set up in 2003, EURid started general registration of .eu domain names in April 2006. More than 3 million domain names have been registered to date. To find out more about .eu and EURid, please go to www.eurid.eu. You can contact us directly in any official EU language by email to info@eurid.eu.

Credits

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