STATE OF THE DOMAIN

November 2001

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SnapNames™
Secure Your Domain™

State of the Domain

State of the Domain is a monthly publication of SnapNames.com, Inc. To accommodate inclusion of a full set of data the report is typically released three weeks following month-end. At present, this report is limited to covering the .com, .net and .org TLDs, but coverage of additional gTLDs and ccTLDs is planned in the near future. SnapNames compiles data in the public domain in order to present information on registrar market share as well as industry trends. The editors assume that readers are already familiar with the industry and its terminology—for readers who are not, we recommend the www.ICANN.org site as a starting point for definitive historical documents and technical resources. **SnapNames does not warrant the accuracy of information in this document. Please read further disclaimers and information on our methodology within.**

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Message from the Publisher

Though the end of calendar 2001 draws near, there's a great deal left to report before the books are closed. Our data capture on December 31, less than two weeks from now, will tell us a great deal about the current position of our industry and, in the next report, in addition to the normal detailing of month- and quarter-end numbers, we'll also be able to compile figures to show registrar market share and gains/losses information for the full calendar year. So the issue you're now clicking through is just the calm before a larger-than-normal report, which you'll see in mid-January.

That said, we *have* added a new feature to this report. Our friends at Applied Semantics have provided a snapshot of registered domains by lexical category to show where the most popular domains are distributed in the .com/.net/.org generic TLDs. See this information on page 12. Please let us know if you find it useful.

Also this month, we've added an executive profile of a colleague who has done an exceptional job in positioning his company for success in a riotous industry during a more than challenging year. Cameron Powell reports on the work of Adrian Kloeden, the colorful CEO of MelbourneIT who, as you'll read, does *not* suffer from Tall Poppy Syndrome. (Publisher's note: We've received positive comments about the occasional cheekiness of our writing, which we believe makes it easier to absorb even the most valuable dry data. For those who like it, thanks for being easily amused.)

Plans and designs are moving along nicely for the expansion of *State of the Domain* into a series of three reports: ***Benchmark Edition***, ***Executive Edition***, and ***Analyst Edition***, each with progressively more in-depth data and analysis (see "Message from the Publisher", *State of the Domain, October 2001* for more on what's planned for each edition). The editors are working steadily toward the launch of these new publications early next year, and we look forward to helping our colleagues and Wall Street interpret the industry with new precision. The editorial, technical and administrative support team is being significantly expanded over the coming weeks in order to be able to handle the deeper analytics over a broader range of TLDs that we have planned. Your input on what you'd like to see in this new series is welcome, as always, at publisher@snapnames.com.

If you've missed any previous issues of this report we've now placed convenient links directly on the SnapNames.com web site—just go to the *State of the Domain* link from the home page to request your free download.

Have a safe and happy holiday season.

Regards,

Mason Cole
Publisher

November 2001 Market Overview
Ron Wiener

The Secondary Domain Name Bubble

Last month we reported how the CNO (com/net/org) zone file – the record of all names registered in these TLDs – had experienced some shrinkage for the first time. More names were deleted in October than new names were purchased. We predicted that this trend would continue through Q4, and sure enough, November exhibited consistent results—the zone continued to shrink—with VeriSign and Register.com taking most of the punishment. December, however, is the month in which we expect to see the most significant number of deletions from the zone file. Public statements from some of the key registrars lead us to believe that deletions of "promotional names"—names that were given away in marketing campaigns over the past two years—could alone exceed one million names.

Figure 1: New Domain Names Versus Deletions (com/net/org)
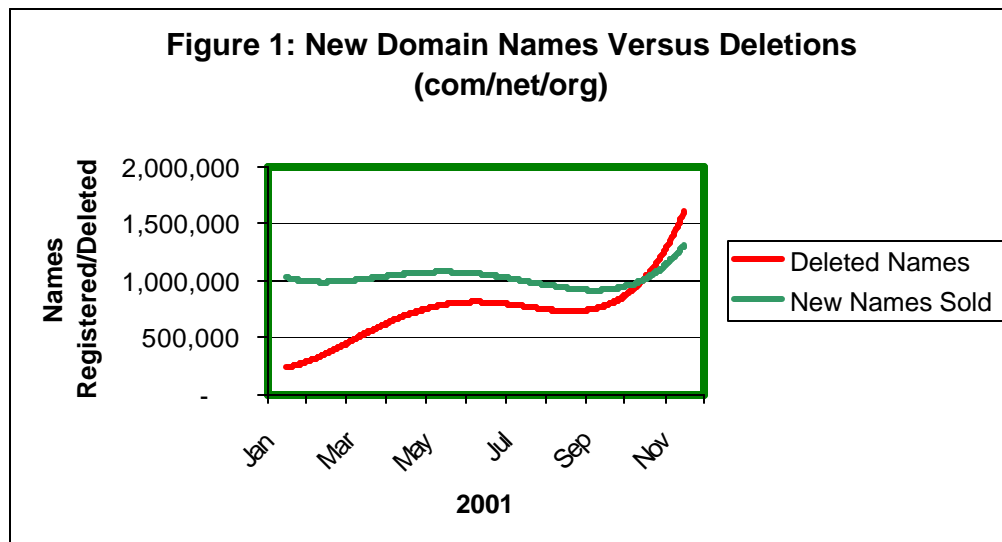
If you hadn't been able to attend the Registrar Constituency meetings at the last two ICANN conferences, and you haven't been tuning in to analyst calls of VeriSign and Register.com, you might not have been aware that this purging of promotional names has been coming for some time. As discussed in the prior edition of *State of the Domain*, both public companies disclosed well in advance that these marketing faux pas of the past are going to be forever erased in Q4.

Because these names were given away in the first place, the registrars collected no revenues for them. Consequently, the elimination of these domain names from registrars' customer rolls means that revenue growth targets for Q1 and 2002 will not be affected. To the contrary, the release of millions of previously registered names into the secondary market in Q4 may actually result in higher-than-projected new names sales in this quarter and into Q1 '02. This will give all registrars the opportunity to sell not only freshly recycled inventory, but also the value-added services that often go along with these names.

November Market Share Movements

The usual cast of characters has elbowed itself up to the top of the market share gainers in November, including MelbourneIT (INWW) in first position, followed by TUCOWS/OpenSRS, Schlund.de and Directnic. Dotregistrar and eNom both made a comeback after their brief appearances among last month's leading losers, and have once again taken their places among the fastest gainers in November. GoDaddy slipped a bit from fastest-gainer in October to only seventh-fastest gainer in November—still a strong showing, but not strong enough to catapult it from the 11th position to the top ten group in total names under management.

Figure 2: Top-Ten Registrars Net Registrations Jun-Nov 2001
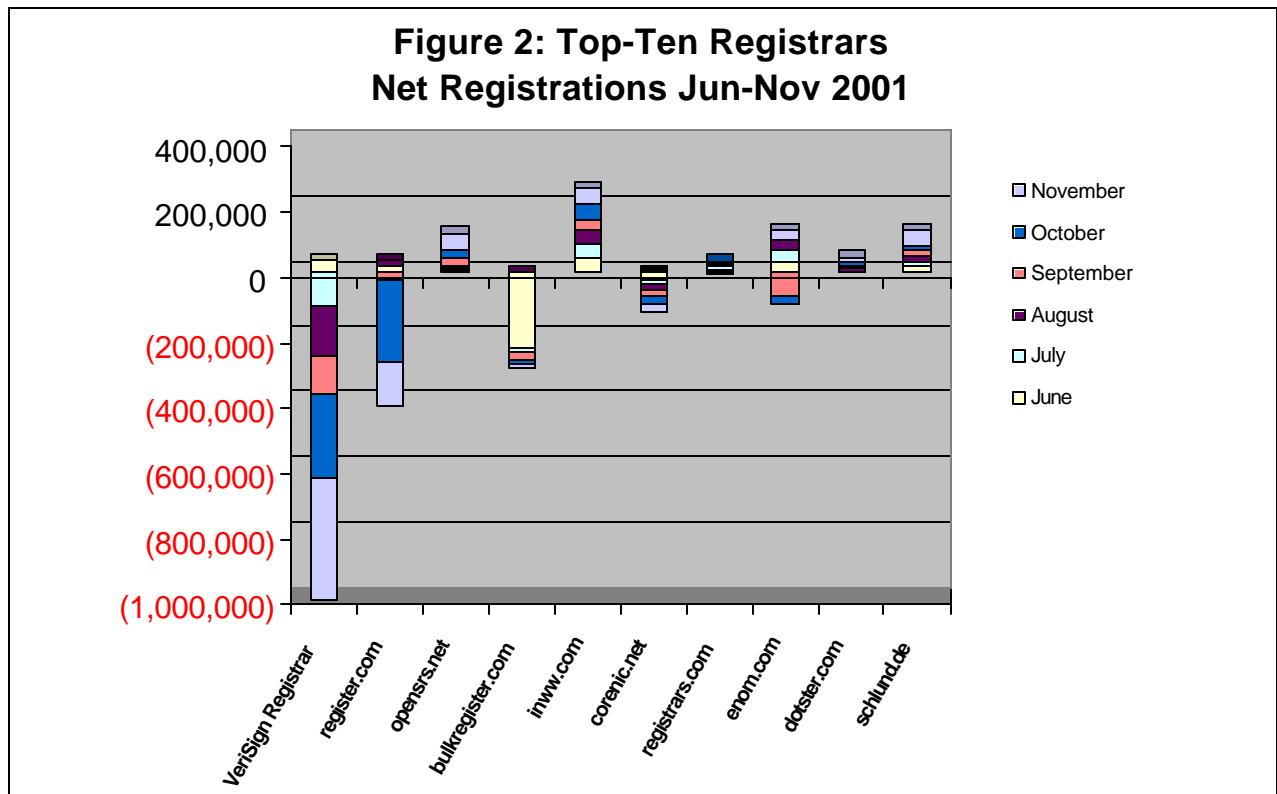
Losing ground in November were VeriSign Registrar, dropping 369,000 registrations—the most ever in a single month—and Register.com, which dropped 136,000 names. Both have been preparing Wall Street for large numbers of deleting promotional names in Q4, so no surprise here. Corenic continues the tailspin it has been in all year. BulkRegister continues to struggle, this month recording a loss of 11,351 names.

Figure 3: Registrars' % Gain/Loss in Net New Registrations Jun-Nov
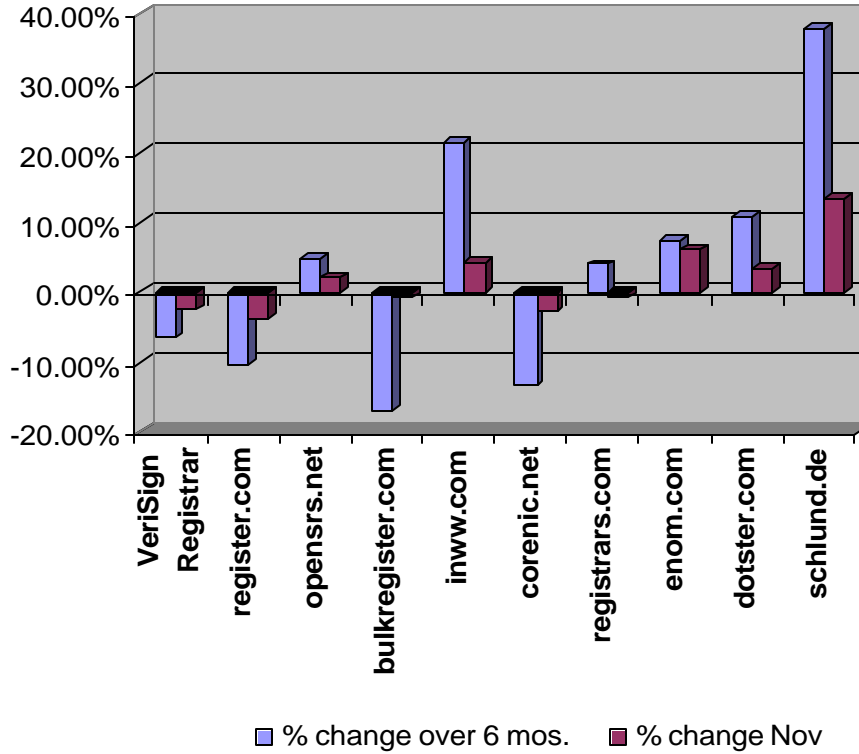
Dyno Movers

In rock climbing parlance, a "dyno move" is a dynamic movement toward a distant hold that requires the gutsier climbers to momentarily take flight while suspending belief in gravity. The dyno movers this month—those registrars who have leaped up the rankings by three or more rows at a time – are IAregistry (#32), NameScout (#50), NameBay (#55), and SRSPlus (#70), a relatively new registrar owned by the .TV folks. Keep an eye on these aggressive climbers—they may mean business.

Registrars by Market Share of Current Registrations: November 2001

(.com, .net., org)

Company	Ranking		Market Share		Registrations		Change
	Oct	Nov	Oct	Nov	Oct	Nov	
netsol.com	1	1	45.44%	44.38%	13,809,287	13,440,003	(369,284)
register.com	2	2	10.74%	10.33%	3,264,836	3,129,214	(135,622)
opensrs.net	3	3	8.39%	8.57%	2,548,265	2,596,597	48,332
bulkregister.com	4	4	5.40%	5.38%	1,641,710	1,630,359	(11,351)
inww.com	5	5	4.52%	4.70%	1,372,400	1,424,946	52,546
corenic.net	6	6	2.71%	2.63%	823,260	797,708	(25,552)
registrars.com	7	7	2.51%	2.50%	763,244	757,421	(5,823)
enom.com	8	8	1.61%	1.72%	488,910	520,170	31,260
dotster.com	9	9	1.60%	1.66%	486,614	501,343	14,729
schlund.de	10	10	1.33%	1.48%	402,801	448,232	45,431
godaddy.com	11	11	1.29%	1.38%	392,745	418,856	26,111
dotregistrar.com	12	12	1.23%	1.34%	373,425	406,704	33,279
joker.com	13	13	1.04%	1.11%	315,054	336,988	21,934
domaindiscover.com	14	14	1.00%	1.05%	304,966	318,728	13,762
directnic.com	16	15	0.884%	1.036%	268,700	313,790	45,090
gandi.net	15	16	0.895%	0.918%	271,962	278,175	6,213
easyspace.com	17	17	0.875%	0.891%	265,914	269,848	3,934
namesecure.com	18	18	0.852%	0.803%	258,867	243,084	(15,783)
domainbank.net	19	19	0.786%	0.783%	238,900	237,164	(1,736)
itsyourdomain.com	20	20	0.608%	0.651%	184,698	197,161	12,463
domainpeople.com	21	21	0.429%	0.435%	130,303	131,861	1,558
stargateinc.com	22	22	0.384%	0.415%	116,756	125,697	8,941
discount-domain.com	23	23	0.382%	0.393%	116,042	119,121	3,079
names4ever.com	24	24	0.376%	0.383%	114,146	116,100	1,954
OnlineNIC.com	25	25	0.347%	0.381%	105,441	115,248	9,807
aitdomains.com	26	26	0.332%	0.341%	100,853	103,260	2,407
yesnic.com	27	27	0.319%	0.333%	96,823	100,956	4,133
namesdirect.com	28	28	0.237%	0.253%	71,963	76,613	4,650
doregi.com	29	29	0.235%	0.241%	71,315	72,854	1,539
paycenter.com.cn	30	30	0.219%	0.239%	66,650	72,234	5,584
gkg.net	31	31	0.214%	0.224%	65,007	67,846	2,839
iaregistry.com	35	32	0.177%	0.217%	53,672	65,647	11,975
alldomains.com	33	33	0.182%	0.194%	55,399	58,630	3,231
ibi.net	32	34	0.195%	0.191%	59,150	57,957	(1,193)
name7.com	36	35	0.174%	0.183%	52,754	55,345	2,591
dotearth.com	34	36	0.178%	0.180%	53,965	54,642	677
speednic.net	37	37	0.153%	0.165%	46,387	50,085	3,698
enterprice.net	39	38	0.132%	0.143%	40,256	43,285	3,029
signaturedomains.com	38	39	0.139%	0.136%	42,115	41,065	(1,050)
awregistry.net	40	40	0.124%	0.125%	37,780	37,834	54
activeisp.com	41	41	0.110%	0.111%	33,282	33,714	432
domaininfo.com	42	42	0.095%	0.100%	29,014	30,203	1,189
tmagnic.net	45	43	0.085%	0.097%	25,956	29,230	3,274
nordnet.net	43	44	0.089%	0.096%	27,050	29,174	2,124
psi-domains.com	44	45	0.088%	0.090%	26,660	27,175	515
naame.com	46	46	0.085%	0.090%	25,680	27,125	1,445

interdomain.net	49	47		0.061%	0.071%	18,479	21,534	3,055
oleane.net	47	48		0.062%	0.064%	18,711	19,521	810
catalog.com	48	49		0.061%	0.064%	18,497	19,364	867
namescout.com	54	50		0.041%	0.059%	12,392	17,952	5,560
totalregistrations.com	50	51		0.051%	0.057%	15,506	17,137	1,631
totalnic.net	51	52		0.047%	0.053%	14,329	16,042	1,713
e-names.org	52	53		0.046%	0.048%	13,927	14,443	516
domainsite.com	53	54		0.043%	0.045%	12,997	13,584	587
namebay.com	58	55		0.034%	0.044%	10,218	13,181	2,963
netnames.com	57	56		0.034%	0.039%	10,329	11,877	1,548
1stdomain.net	56	57		0.038%	0.039%	11,404	11,663	259
domainregistry.com	55	58		0.038%	0.038%	11,569	11,502	(67)
domini.it	59	59		0.027%	0.028%	8,328	8,450	122
nominate.net	60	60		0.023%	0.024%	6,876	7,374	498
worldnet.net	61	61		0.019%	0.020%	5,908	6,156	248
secura-gmbh.de	62	62		0.017%	0.017%	5,230	5,266	36
nameengine.com	63	63		0.016%	0.017%	4,892	5,070	178
omnis.com	64	64		0.016%	0.017%	4,849	5,068	219
rrpproxy.net	67	65		0.012%	0.015%	3,760	4,694	934
domainzoo.com	65	66		0.013%	0.014%	3,823	4,380	557
shop4domain.com	68	67		0.011%	0.013%	3,443	3,988	545
compuserve.com	66	68		0.013%	0.013%	3,801	3,849	48
planetdomain.com	69	69		0.009%	0.011%	2,801	3,396	595
srsplus.com	78	70		0.004%	0.011%	1,321	3,365	2,044
addresscreation.com	71	71		0.009%	0.010%	2,619	3,099	480
idregister.com	77	72		0.005%	0.010%	1,432	3,053	1,621
eastcom.com	70	73		0.009%	0.010%	2,796	2,998	202
domaindomain.com	72	74		0.008%	0.008%	2,426	2,430	4
mrdomreg.com	73	75		0.007%	0.008%	2,255	2,413	158
vi.net	74	76		0.006%	0.007%	1,973	2,033	60
interaccess.com	75	77		0.006%	0.007%	1,923	1,980	57
nominalia.com	76	78		0.006%	0.006%	1,740	1,740	0
123registration.com	80	79		0.004%	0.004%	1,122	1,360	238
webex.net	79	80		0.004%	0.004%	1,260	1,332	72
directi.com	85	81		0.002%	0.004%	557	1,286	729
globedom.com	81	82		0.002%	0.003%	671	836	165
4domains.com	84	83		0.002%	0.003%	575	814	239
enetregistry.com	82	84		0.002%	0.002%	663	660	(3)
pasia.com	83	85		0.002%	0.002%	607	607	0
trustnames.net	86	86		0.002%	0.002%	556	560	4
markmonitor.com	88	87		0.001%	0.002%	286	551	265
corporatedomains.com	87	88		0.001%	0.001%	408	449	41
namesystem.com	89	89		0.000%	0.000%	143	145	2
registrationtek.com	90	90		0.023%	0.000%	70	135	65
nametree.com	91	91		0.000%	0.000%	11	10	(1)
000domains.com	94	92		0.000%	0.000%	3	10	7
ar.com	92	94		0.000%	0.000%	6	6	0
talk.com	93	95		0.000%	0.000%	4	4	0

TOTALS   30,388,473   30,286,759

New Registrar

seoulregister.com   93   0.0023%   7

Gains and Losses in Net Registrations: November 2001

("CNO" = .com, .net., org)

Company	% of November's CNO Registrations	Actual +/- Change In Net Registrations
inww.com	0.1729%	52,546
opensrs.net	0.1590%	48,332
schlund.de	0.1495%	45,431
directnic.com	0.1484%	45,090
dotregistrar.com	0.1095%	33,279
enom.com	0.1029%	31,260
godaddy.com	0.0859%	26,111
joker.com	0.0722%	21,934
dotster.com	0.0485%	14,729
domaindiscover.com	0.0453%	13,762
itsyourdomain.com	0.0410%	12,463
iaregistry.com	0.0394%	11,975
OnlineNIC.com	0.0323%	9,807
stargateinc.com	0.0294%	8,941
gandi.net	0.0204%	6,213
paycenter.com.cn	0.0184%	5,584
namescout.com	0.0183%	5,560
namesdirect.com	0.0153%	4,650
yesnic.com	0.0136%	4,133
easyspace.com	0.0129%	3,934
speednic.net	0.0122%	3,698
tmagnic.net	0.0108%	3,274
alldomains.com	0.0106%	3,231
discount-domain.com	0.0101%	3,079
interdomain.net	0.0101%	3,055
enterprice.net	0.0100%	3,029
namebay.com	0.0098%	2,963
gkg.net	0.0093%	2,839
name7.com	0.0085%	2,591
aitdomains.com	0.0079%	2,407
nordnet.net	0.0070%	2,124
srsplus.com	0.0067%	2,044
names4ever.com	0.0064%	1,954
totalnic.net	0.0056%	1,713
totalregistrations.com	0.0054%	1,631
idregister.com	0.0053%	1,621
domainpeople.com	0.0051%	1,558
netnames.com	0.0051%	1,548
doregi.com	0.0051%	1,539
naame.com	0.0048%	1,445
domaininfo.com	0.0039%	1,189
rrpproxy.net	0.0031%	934
catalog.com	0.0029%	867
oleane.net	0.0027%	810
directi.com	0.0024%	729

dotearth.com	0.0022%	677
planetdomain.com	0.0020%	595
domainsite.com	0.0019%	587
domainzoo.com	0.0018%	557
shop4domain.com	0.0018%	545
e-names.org	0.0017%	516
psi-domains.com	0.0017%	515
nominate.net	0.0016%	498
addresscreation.com	0.0016%	480
activeisp.com	0.0014%	432
markmonitor.com	0.0009%	265
1stdomain.net	0.0009%	259
worldnet.net	0.0008%	248
4domains.com	0.0008%	239
123registration.com	0.0008%	238
omnis.com	0.0007%	219
eastcom.com	0.0007%	202
nameengine.com	0.0006%	178
globedom.com	0.0005%	165
mrdomreg.com	0.0005%	158
domini.it	0.0004%	122
webex.net	0.0002%	72
registrationtek.com	0.0002%	65
vi.net	0.0002%	60
interaccess.com	0.0002%	57
awregistry.net	0.0002%	54
compuserve.com	0.0002%	48
corporatedomains.com	0.0001%	41
secura-gmbh.de	0.0001%	36
000domains.com	0.0000%	7
domaindomain.com	0.0000%	4
trustnames.net	0.0000%	4
namesystem.com	0.0000%	2
nominalia.com	0.0000%	0
pasia.com	0.0000%	0
ar.com	0.0000%	0
talk.com	0.0000%	0
nametree.com	0.0000%	(1)
enetregistry.com	0.0000%	(3)
domainregistry.com	-0.0002%	(67)
signaturedomains.com	-0.0035%	(1,050)
ibi.net	-0.0039%	(1,193)
domainbank.net	-0.0057%	(1,736)
registrars.com	-0.0192%	(5,823)
bulkregister.com	-0.0374%	(11,351)
namesecure.com	-0.0519%	(15,783)
corenic.net	-0.0841%	(25,552)
register.com	-0.4463%	(135,622)
networksolutions.com	-1.2152%	(369,284)

Total Registrations Per gTLD: November 2001

(.com, .net, .org, .info)

gTLD	As of 10/31/01	As of 11/30/01	Change
.com	23,215,180	23,101,375	(113,805)
.net	4,446,818	4,342,958	(103,860)
.org	2,911,923	2,836,186	(75,737)
CNO Total	**30,573,921**	**30,280,519**	**(293,402)**
.info	**539,382** **(As of 10/29/01)**	**622,149**	**82,767**

Editorial Note: There is a discrepancy between the total number of names in the zone files (above) and the total number of names reported on the registrar market share table (pp. 7-8). The reason for this difference is that the registrar totals require about a week of compilation time, and during that time additional names are added or deleted. While zone file statistics are a one-time snapshot on the day quoted, registrar totals are more a moving target, and thus the gap in the two sets of figures. Slow Whois server response time can also lengthen compilation time, making the gap more acute than normal.
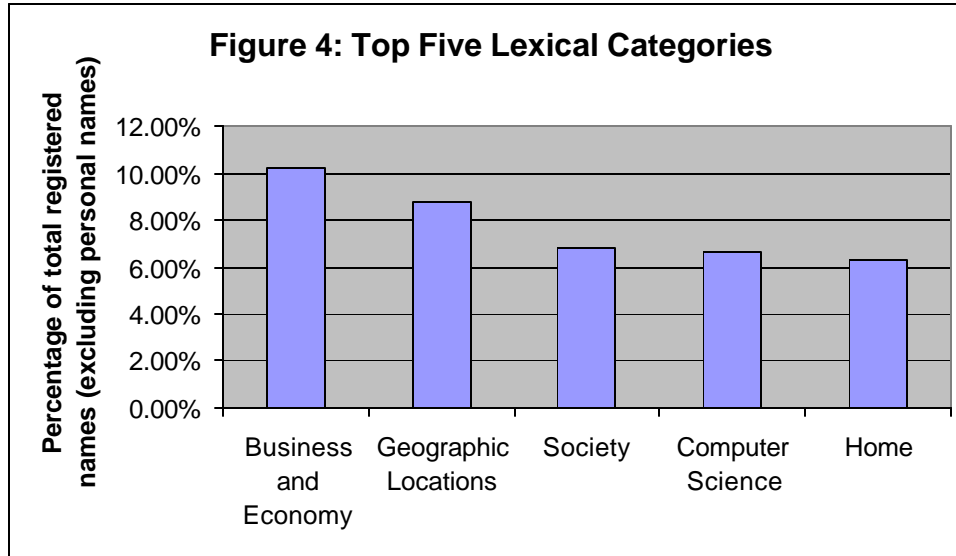
Domain Names by Lexical Category

Source: Applied Semantics

This is a special feature appearing for the first time in *State of the Domain*, courtesy of Applied Semantics. See page 18 (Methodologies and Statistical Accuracy) for more information about categorization techniques. Note that domains relating to personal names (e.g. bobsmith.com) are not represented in this tabulation.

Data as of mid-November 2001

Category	.COM % of categorizable	.NET % of categorizable	.ORG % of categorizable	.INFO % of categorizable
Adult	2.37%	1.92%	1.38%	2.49%
All Sports	3.09%	2.97%	3.14%	3.18%
Arts and Culture	2.48%	2.21%	2.24%	1.72%
Automotive	3.13%	2.48%	2.22%	2.86%
Books	1.54%	1.54%	1.64%	1.59%
Business and Economy	10.75%	10.98%	9.07%	9.99%
Cards and Gifts	1.18%	0.95%	0.97%	0.83%
Computer Science	6.25%	7.63%	6.47%	6.25%
Entertainment	5.12%	5.44%	5.57%	4.82%
Fashion	2.10%	1.90%	1.52%	1.99%
Food and Wine	3.08%	2.58%	2.44%	3.07%
Geographic Locations	8.96%	7.92%	8.77%	9.43%
Government and Politics	1.49%	1.87%	2.18%	1.61%
Health	3.82%	4.02%	5.08%	5.42%
Hobbies	0.35%	0.21%	0.14%	0.23%
Home	6.36%	6.19%	7.09%	5.66%
Humanities	0.47%	0.61%	0.78%	0.67%
Humor and Fun	1.94%	2.27%	1.61%	1.73%
Industries	1.66%	1.58%	1.55%	1.53%
Internet	5.96%	7.20%	6.15%	5.26%
Jobs	1.18%	1.26%	1.32%	1.71%
News and Current Events	1.92%	2.37%	2.45%	2.22%
Outdoor Recreation	0.48%	0.35%	0.43%	0.50%
Personal	0.78%	0.75%	0.58%	0.74%
Pets and Animals	3.32%	3.04%	3.64%	2.80%
Reference	2.03%	2.38%	2.40%	2.35%
Science and Environment	2.29%	2.30%	2.78%	2.35%
Shopping	4.97%	4.23%	3.15%	4.08%
Society	5.78%	6.44%	9.27%	5.99%
Travel	5.16%	4.39%	3.98%	6.95%

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Figure 4: Top Five Lexical Categories

Percentage of total registered names (excluding personal names)

Category	Percentage
Business and Economy	~10.25%
Geographic Locations	~8.75%
Society	~6.85%
Computer Science	~6.65%
Home	~6.35%

Category Definitions

The following definition content provides a snapshot of the types of concepts and terms captured in each category. For more information on the Applied Semantics method for categorizing domain names, please see "Methodologies and Statistical Accuracy" p.19.

Business and Economy: Business organizations, activities, services, and issues, such as companies, marketing, management, personal finance, stocks, investing, and economic conditions.

Geographic Locations: Continents, countries, regions, states, and cities, such as Asia, Western Europe, Japan, California, and Cerritos.

Home: Real estate, home décor, gardening, home products such as furnishings and kitchenware, parenting, youth organizations, and children's entertainment.

Computer Science: Computer stores, hardware, software, programming languages, multimedia, IT, networking, and telecommunications.

Internet: Search engines, websites, internet service providers, website services, e-mail, chat, forums and lists.

Monthly Report

The Turnaround Artist[1]

Cameron Powell

Adrian Kloeden

"It's not easy to find a story about Australia that neglects mention of penal colonies."

– Winston Churchill[2]

When I was considerably younger, or just over two years ago, I learned of something called Tall Poppy Syndrome. I was in Australia on behalf of a best practices consultancy, and my job was to speak to senior executives about best practices in employee leadership, motivation, and retention. Thus began my own education.

While Down Under I was surprised to hear the same complaint from some of the executives I spoke with, whether at the government-run Australia Post or the largest publicly-held companies in Australasia: "We can't implement all of those practices here," they'd say. "We've got what we call 'tall poppy syndrome,'" they'd say.

After responding to your author's impertinence with the explanation that they were not, in fact, "taking any medication for that," these senior executives alleged it was common knowledge that Australian employees exerted on their fellows what sociologists call a *norming* influence, meaning that stand-out—or tall-standing—performers were encouraged to cut their production back until it was in line with their peers'. Overachievement was discouraged, I was told, and all ambition was seen as overweening.

Here was some news. I had heard similar complaints in Argentina about a lack of ambition and a dearth of over-achievers there, in a country, as one Argentine contact put it, with seven times the population of Finland and not a Nokia in sight. But Australia?

Tall Poppies

It's safe to say that Adrian Kloeden, CEO of Australia-based MelbourneIT (AU:MLB) and a bit of a tall poppy himself, has not measurably suffered from exposure to an anti-elitist culture. In person he seems even taller than the 6'2" he claims, as if Australian units of height are larger than American, just as Australian dollars, which he sardonically calls "Pacific Pesos," are smaller. The sense of presence he projects is undoubtedly due to the no-nonsense attitude he brings with him. Or perhaps it's that with a name like Adrian, in a country like Australia, you'd just best be pretty tall. In any event, friendly, funny, and gregarious, he's still a dyed-in-the-wool businessman, and you'll soon see that the pun is intended.

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[1] Readers who strongly dislike the cheekiness of selected portions of this article may send an email to intheapprovedcorporatestyle@snapnames.com. This email address is not live, of course, and the emails will reach no one, but prior experience with the Internet suggests that you will feel better if you send something off.

[2] The editors do not actually think Winston Churchill said this. The editors actually think this author made it up. But the editors admit it would be funny if Sir Winston had said it.

One thinks of the November 2001 ICANN conference in Marina del Rey, where the very talented but hydra-headed Registrars Constituency was once again talking about how it might consider going about discussing whether unnamed entities should implement new revenue models for the secondary market at unspecified points in time. Last month in this space you learned that in the midst of all this, an exasperated Kloeden (pronounced *Kloh*-den) unfolded his lanky frame from his chair on the outskirts of the meeting hall, sat himself down at a microphone, and delivered of himself a brief soliloquy on the singular virtues of the bottom line. "I'm inclined to get behind the proposal that stands to make the most money for my company," he concluded, and not at all sheepishly.

"Some of them looked at me like I was from outer space," Kloeden said later. "I don't think anybody had ever said that in a meeting of theirs before. But life's too short to [terminology subject to non-disclosure agreement] around all day."

To those who know him, this is vintage Kloeden. In an industry once dominated by an Internet Should Be Free lobby, Kloeden comes from salt-of-the-earth manufacturing and distribution businesses, and he lives by the bottom-line. "I'm a cash and EBIT man all the way," he explains. "I'm not interested in academic discussions about a perfect world, particularly when they don't go anywhere. Customers are best served by doing, and where the customer is best served, revenues are maximized. And vice versa."

Fleece Sheep, Not Shareholders

This is a partial explanation for the success at MelbourneIT of the man who has become a turnaround artist in almost as many different industries as there are generic TLDs. For example, immediately prior to joining MelbourneIT, Kloeden was Managing Director (an Australian equivalent of CEO) of Australia-based The Woolmark Company Pty. Ltd., where he was responsible for shepherding the company's worldwide expansion from a regional brand to a multinational intellectual property company specializing in wool innovation, branding, and information. He established "innovation centers" in Asia and Europe, linking technologies to brands in high demand by overseas retailers and manufacturers. He also restructured the company's operations and merged its Australian and international operations into one streamlined management structure. In the end, he succeeded in internationalizing the Woolmark brand, which became one of the world's most highly recognized.

Not sure you've heard of it? Probably your visual memory is stronger:

Prior to Woolmark, Kloeden was involved in paper distribution on the West Coast of the United States and in branding and technology on the East Coast. He'd also been in building materials and music retailing—real brick-and-mortar industries that (unlike, say, domain name secondary market infrastructures) you can explain to your family at Thanksgiving, if you happen to live in a country that resolves to Thanksgiving.

When Kloeden arrived as COO of MelbourneIT on July 1, 2000, the company was trying, he says, "to do everything in IT"—pursuing every opportunity, every business, every product, from R&D in telecommunications to other new business areas. (The company had been spending nearly

AU$500,000 per quarter, or nearly 14% of net operating margin, on research and development.) This is what Kloeden identifies as the company's "first phase." "It was very unsuccessful," he says. The company, he adds, was in trouble. By the third quarter of 2000, its net operating margins of 33% in Q1 of 2000 and 20% in Q2 of 2000 had plummeted to 3%—all in a quarter that saw a 41% drop in revenues and a 31% increase in staffing costs.

Kloeden, who has a Masters degree from London Business School and a science degree from the Australian National University, was installed, like an API, as CEO of MelbourneIT at the start of the fourth quarter, on October 6, 2000. By his own admission he knew very little about the domain name industry. But he had a background in resuscitating companies on their backs. He set forth at that time a three-part plan to turn the company's fortunes around.

If Money Can't Buy Love, Perhaps EBIT Can

Kloeden's first step for the turnaround was to set a strategic goal of turning around the company's profits by January 1, 2001, and to do so through a total commitment to "cash and EBIT generation," he says—rather than by "delivering technology and hoping the money follows," as the company, in his view, had done in the past. He slashed R&D to just over AU$100,000 per quarter, and nearly eliminated advertising and marketing costs. And he cut equity investments in intellectual property by over 90%. (Note: current exchange rates are at nearly 2 Australian dollars to 1 U.S.). The second step, taken during the first half of 2001, was tactical: focus on people. Through a combination of re-engineering skill sets, reducing staff by nearly as much as staff had grown during the prior three quarters, and placing an emphasis on professionalism and the customer, MelbourneIT was able to increase revenues by 30% in Q4 while cutting staff from about 180 to about 110. "Less of 'em," he says of his remaining employees, nodding with a certain gravity, "but more focused."

The third and final step, in the latter part of this year, has been to focus on global leadership in the registrar business by offering a universal registration adaptor for its resellers. (MelbourneIT was also first among the larger registrars to be ready for launch with the now-postponed .NAME.) By the most recently reported quarter, net operating margins had rocketed from their nadir of 3%, just before he came aboard in September 2000, to 17%.

Also in 2001, Kloeden set the goal of making the company's global leadership a reality. He aimed to do this by dealing only with the world's best resellers, providing them with superior technology (including the universal registration adaptor) and technical support, as well as full-time, multi-lingual customer support. Yahoo!, among other resellers, switched to MelbourneIT, in January 2001.

He claims MelbourneIT is unique in its offering of service-level agreements, to premium resellers that meet certain volume requirements, which provide for self-imposed penalties on MelbourneIT for underperformance. And, he says, the company never competes with its customers, the resellers. "Major companies expect that sort of professional approach to any relationship," adds Theo Hnarakis, Group General Manager of MelbourneIT. Meanwhile, MelbourneIT has expanded its resources to offices in Washington, D.C., Spain, and San Francisco.

The final phase of the company's existence, in Kloeden's view, is starting now. The company was incubated in a university that, until recently, held 15% of the company's stock. Kloeden's goal is, not surprisingly, to attract more institutional investors to the stock. As of October 2001, the company had just over a half-dozen institutional investors. Kloeden says increased bidding for the stock by such investors recently increased its price per share from AU$.27 to about AU$.80, and Kloeden expects a very solid fourth quarter for 2001.

Still, there is no question but that the company is scandalously undervalued. MelbourneIT has no long-term debt, over AU$15 million in cash on hand, quarterly revenues of AU$11-12 million, and owns 10% of Neulevel, Inc., operator of the .BIZ registry—and yet the most recently available data of MLB shares outstanding suggests a market capitalization of something just over AU$30 million.

The real test, then, of this turnaround artist, will be in turning around the company's stock price.

In difficult economic times. And in a land, and a stock index, far from most analysts' radar.

One thing's for sure: he probably won't be spending much of his time *wool-gathering*.[3]

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[3] Woolgathering \Wool"gath`er*ing\, n. Indulgence in idle imagination; a foolish or useless pursuit or design. <u>Source</u>: *Webster's Revised Unabridged Dictionary, © 1996, 1998 MICRA, Inc.*

Methodologies and Statistical Accuracy

SnapNames Methodology

SnapNames' domain name industry data is generated using domain names listed in the .com, .net, and .org zone files. Only *active* domain names appear in the zone file, although a domain name does not have to be attached to a web site to be considered active. It is possible that a registrar could have domain names that are on hold, or domain names that do not have name servers listed, thus causing our report-generating process not to "credit" the Registrar with such domain names. Overall industry reports are run monthly from zone files produced on the first day of each month. Because some domain names may be transferred, expire, or expire and be re-registered by another registrar while the report is being produced, it is possible for those names not to be included in the report.

Daily reports are the result of the difference between two zone files monitored 24 hours apart. A domain name appears on or disappears from a zone file if:

- It was just registered and is being placed into the zone file.
- Its status is being changed from Registrar or Registry "hold" to "Active".
- It is being placed on hold in the normal process of expiration.
- It is being placed on hold because of a dispute.
- Its name servers are being permanently dissociated from the domain.
- Name server changes are made during the cycle when the zone file is generated.

Oftentimes, registrars will report larger numbers of current registrations and larger percentages of market share than the numbers shown in this report. This is because many registrars were resellers for Network Solutions or some other ICANN-accredited registrar prior to themselves becoming ICANN-accredited. In order to avoid double-counting, in the compilations you'll find in this report each registration is to the actual registrar of record in the zone file, regardless of the reseller that technically sold the name and manages the customer.

The above information is accurate to the best of SnapNames' knowledge and within reasonable margins of error. SnapNames is not liable for any reliance on this information. Persons with corrections or other comments are encouraged to bring them to SnapNames' attention. Please forward comments to publisher@snapnames.com.

Applied Semantics Methodology

Using Naming Solutions' Domain Categorization product, which is based upon Applied Semantics' CIRCA technology, domain names are categorized into one of 30 categories.

Input data:
- .com, .net, .org, .info zone files from mid-November
- Randomly selected samples
- Sample sizes: **.com** 99,823; **.net** 49,783; **.org** 44,656; **.info** 43,434
- Sample size resulting in 99% confidence for 70 categories must be ~40,000

Sample process:
- Each name in the sample was run against the application
- Each category that scored above a minimum threshold was stored
- The final scores for each category were then normalized
- Percentages for each category, of the total names that are categorizable, were generated

Applied Semantics' Conceptual Information Retrieval and Communication Architecture (CIRCA) technology is composed of two principal elements, the Applied Semantics Ontology and the linguistic processing engine.

The Applied Semantics Ontology, seated at the core of our CIRCA platform, consists of meanings, or concepts, and relationships between those meanings. An ontology would recognize the multiplicity of relations that a word has with other words: Java, for example, is an alternate name for coffee but is also the name for an Indonesian island and a computer language.

Each relationship is associated with a strength indicating how close the relationship is. For instance, "Ford" is a kind of "car manufacturer" as well as a kind of "company." However, the relationship between "Ford" and "car manufacturer" is stronger (closer) than between "Ford" and "company" and this is reflected in a larger strength value.

Applied Semantics' technique automatically seeks out new terms and, through contextual information, determines the meanings most associated with the new terms. Lexicographers supervise this automated expansion of the ontology to ensure that the newly recognized terms and relationships are of the highest quality. CIRCA couples this vast ontology with the linguistic processing engine to give computers the ability to mimic the way humans process and understand language.

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Prior to joining SnapNames, Len was Project Manager of AWRegistry, the 11th operational ICANN accredited domain name Registrar. While serving in this position he managed all aspects of the Registrar's operations, including development, marketing, and sales, and positioned AWRegistry as the eleventh ICANN Registrar to go operational in September of 1999. He also worked closely within the ICANN process, attending and participating as a voting member of the Registrars Constituency that influenced the operational environment under which accredited Registrars operate today. Prior to this he owned and operated his own consulting firm, Innovative Systems Design. As a consultant he assisted in the startup and operation of many Internet Service Providers and provided consulting services in the areas of: software and computer hardware development, network design and implementation, and consulting in voice and data communications. He has an extensive communications background stemming from his 17-year career at AT&T/Mountain Bell/USWest.

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