

Business Development

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| Policy | GRP-BUS: Business Development |
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The need for business development

InternetNZ provides services to NZ Internet users on both a paid basis, such as .nz, and an unpaid basis, such as the OpenPGP keyserver, where a service is defined as an ongoing operational commitment to external customers. The general ethos of our service provision is to provide a trusted, quality service to the community on non-discriminatory terms to support the open Internet in NZ.

Currently, all material income of InternetNZ and its subsidiaries comes from the single service of .nz domain names. In recent years the domain name market has become increasingly volatile and the risks to InternetNZ from that volatility have become apparent.

Business development is the proactive effort to identify, explore new opportunities and then develop those into new services. This effort is undertaken for the following reasons:

- The development of a service may be the best way for InternetNZ to deliver a particular object or priority.
- InternetNZ needs a diversified income stream for InternetNZ that reduces the risk of it being required to suddenly scale back its work in response to a sharp change in the domain name market.
- InternetNZ must avoid the stagnation and ultimate demise that so often affects dominant incumbents through a lack of innovation and change.
- InternetNZ could benefit from an increased income that allows it to expand the work that it does in pursuit of its objects.

Purpose of this policy

The purpose of this policy is therefore to:

1. Set out the top level policy for all business development undertaken by the group;
2. Ensure that all business development opportunities are well managed in a consistent and well communicated manner;

3. Ensure that governance bodies, staff and members are appropriately involved throughout the decision making process.

Mandate for investment

InternetNZ will need to invest to explore and implement new services that may be very different from .nz and that investment will come from reserves, which have been accumulated from the income that InternetNZ has derived from .nz. While InternetNZ is legally free to use this income as it wishes, there is also a principled mandate to do so as the objects of InternetNZ, being solely concerned with the promotion and protection of the Internet in NZ are entirely consistent with the principles in RFC1591 of operating a ccTLD for the benefit of the local Internet community.

From this, derives the key statement of principle for InternetNZ:

- Money raised from .nz may be considered for investment in business development that is external to .nz so long as that service is for the benefit of the NZ Internet community.

Implicit in that is the understanding that any service that is explored or developed will comply with the objects of InternetNZ.

Competition

.nz is not a monopoly. It is a strong local brand within a highly competitive market for domain names. From this, derives the key statement of principle that:

- Business development opportunities in a competitive market may be considered.

Mitigating the risk of .nz being incorrectly portrayed or perceived as a monopoly is a broader issue of brand and communications.

Eligibility

For any business development opportunity there are a number of key steps that are not related to the potential viability of a proposal that need to be addressed first.

Step 1:

Does the proposal meet, or provide a good fit with, the objects of InternetNZ?

Step 2:

Would the proposal endanger the charitable status of InternetNZ? Charitable status is of considerable financial benefit to InternetNZ. Any proposition likely to endanger this would need special consideration.

Step 3:

Would the proposal result in stakeholder conflict? The existence of a competitor in the same area would not necessarily disqualify a business case from being advanced but again it would need special consideration.

Expectations of return

There are three levels of financial return that may be provided by any new service:

1. Profitable, returning dividend to InternetNZ.
2. Financially self-sustaining through commercial activity.
3. Running at a loss and requiring ongoing financial investment.

While this policy is primarily concerned with those services that do not run at a loss, a subset of the policy should apply to all services.

The decision on the expected return of any individual opportunity will be made on a case-by-case basis. It may be that a single service could be provided in different ways, each with a different level of financial return, in which case all options should be considered at the same time.

Implementation

Council will decide on a case-by-case basis who should implement a particular opportunity and what legal structure should be put in place around that opportunity in order to:

- Partition risk.
- Make best use of resources.
- Make best use of skills and expertise.

The options for legal structure are:

1. As a project within an existing entity (InternetNZ or one of its subsidiaries).
2. A new subsidiary of InternetNZ.
3. A new subsidiary of an existing subsidiary.

Authority

The final authority for implementing new services rests with InternetNZ Council. Council may consult the membership on individual opportunities but these are not ordinarily put to the membership for authorisation by vote except in exceptional cases, such as where the investment commits 50% or more of reserves.

Transparency

It is recognised that commercial confidentiality may restrict the general principle of transparency that the group adopts, but this restriction should only be applied where necessary, in as limited a manner as possible and for a limited a period as possible.

Identification and exploration

Any part of the group or any stakeholder may identify a business development opportunity though NZRS is specifically charged with this role. NZRS is also expected to coordinate the list of opportunities to prevent duplication of effort and ensure that no opportunity is forgotten.

It is understood that any business unit that identifies an opportunity will need to conduct non-trivial exploration of the opportunity before it is ready to bring the opportunity to Council in line with the process below. During this exploration it is expected that the other business units are advised of the opportunity on a 'for information only' basis and to draw on any knowledge they have that may assist the exploration.

A standing advisory group of councillors exists whose views and expertise can be drawn on as part of the exploration process. This group has no other role in the process below.

Operational principles

Business development is a top level priority of InternetNZ that all business units participate in, in a manner appropriate for their wider role. The following principles are set out to guide that operational participation:

Mainstream

As a top-level priority, business development is a mainstream activity that should be pursued concurrently with other work though with appropriate regard to other priorities and defined roles.

Timeliness

Many opportunities are time-limited and the timely completion of assessment stages is key. The Working Group or Business Unit responsible for a particular stage should ensure that they deliver their work with the urgency that befits the opportunity.

It should also be understood that at any stage there are multiple dependencies on a variety of people during this process and they have a similar responsibility to ensure the timely processing of a business development opportunity.

Evidence-based

The InternetNZ group has many experts with good insight into Internet services but ultimately any new service, particularly the more commercial, can only succeed if there are sufficient satisfied customers. It is therefore paramount that the views of potential customers (and the sales channel) are sought early on to enable evidence-based decision making.

Exclusions

Care should be taken to recognise that one service may be made up of many sub-services and this policy does not apply to those sub-services. An example is the Registrant Search Functionality of the .nz Register, which is a sub-service within the .nz service.