

French Domain Name Industry Report

2016 Issue

afnic

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Growth of .FR

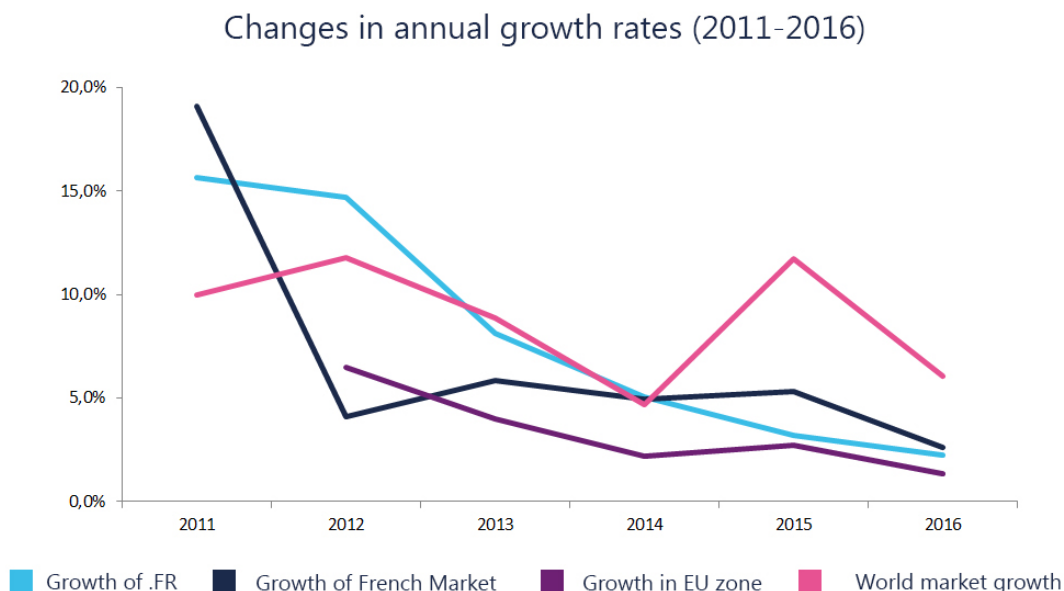
The .FR TLD grew by 2.22% in 2016. There has been a slowdown since 2012 but the pace of the slowdown is tending to stabilize.

The growth of .FR was higher (+0.9 points) than the average for the 28 ccTLDs of the European Union from 2011 to 2016.

The .FR TLD has been little affected by the turmoil of the global market caused by the waves of domain name registrations by Chinese holders. The statistics available for the French market, which may be slightly biased by the allocation to France of holders actually located in China, show fairly steady growth. The discrepancy between world market and French market figures is mainly due to the dynamic growth of nTLDs in 2015 and 2016.

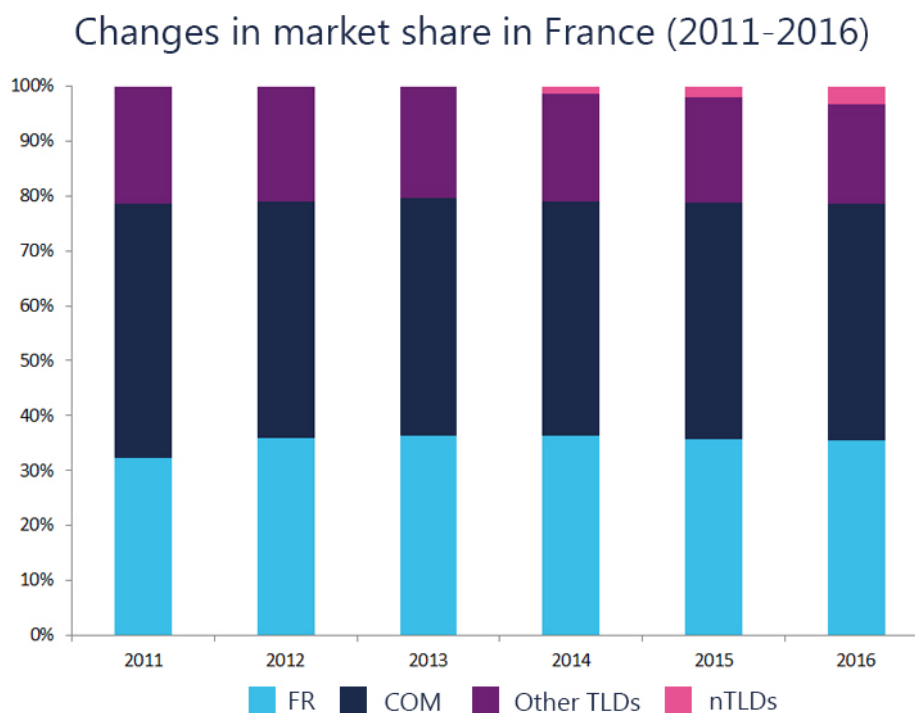
Market share in France

Figure 1 shows that .FR grew faster than its local market in 2012 and 2013, resulting in an increase in its market share. In 2014, it reached equilibrium and its market share was stable. It lost some ground in 2015 before returning to equilibrium in 2016.



(Figure 1)

Figure 2 highlights the dynamics of the various TLDs. It can be seen that .FR slightly gained market share from 2011 to 2013, levelled off in 2014 and stabilized in 2015 and 2016. The figures vary very little, however, on average around 35% over the period.

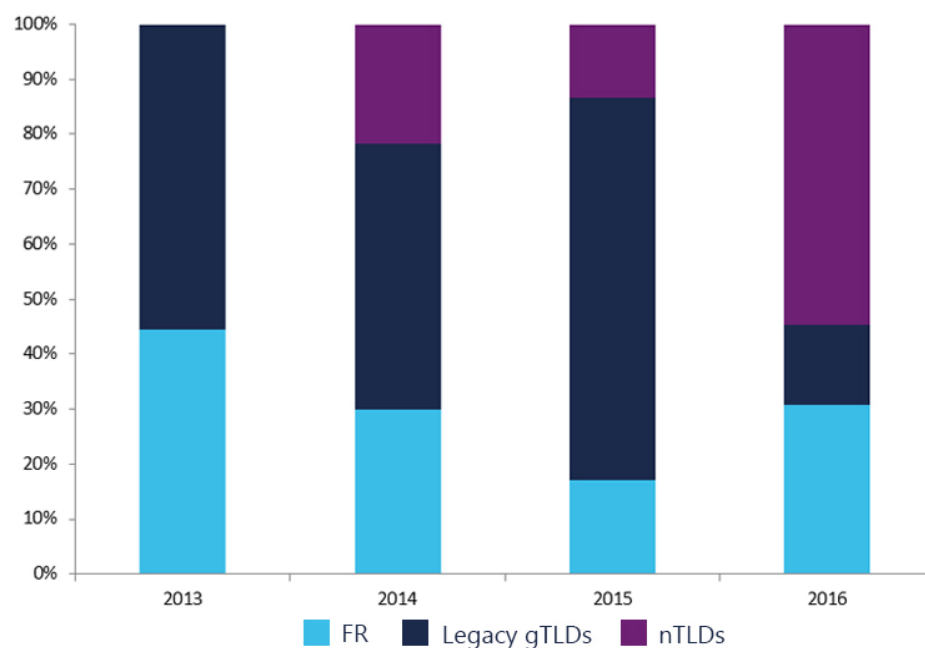


(Figure 2)

Figure 3 shows the contributions of the various stakeholders to the net accumulated balances in 2013-2016. The figures explain the changes that can be seen in Figure 2. The contribution of .FR was greater than its market share in 2013 and then less in 2014-2016, which explains the stability of its overall market share.

The notable change is that for Legacy TLDs, partially "doped" in 2015 by the domain name registrations by Chinese holders, and vice-versa, "penalized" in 2016 when the renewal dates of the same domain names expired.

Contributions to cumulated net balances (annual basis) - France



(Figure 3)

nTLDs contributed over 50% of the net balance of the French market in 2016, but we should remain cautious about the volumes announced. The most dynamic nTLDs are those that practice marketing strategies based on quasi-free models, with extremely low utilization and renewal rates as a result. Between the impact of the "Chinese waves" and the medium-term consequences of low-cost strategies, accordion effects may appear and make it more difficult to identify substantive changes in the market.

Whatever the case, the market share gained by nTLDs in 2016 was mainly to the detriment of .COM as shown by Table 1:

Changes in market share in France (2012-2016)

	2012	2013	2014	2015	2016
FR	3,6%	0,4%	0,1%	-0,7%	-0,1%
COM	-3,2%	0,3%	-0,7%	0,6%	-0,1%
Other TLDs	-0,4%	-0,7%	-0,7%	-0,7%	-1,1%
nTLDs			1,3%	0,8%	1,3%

(Table 1)

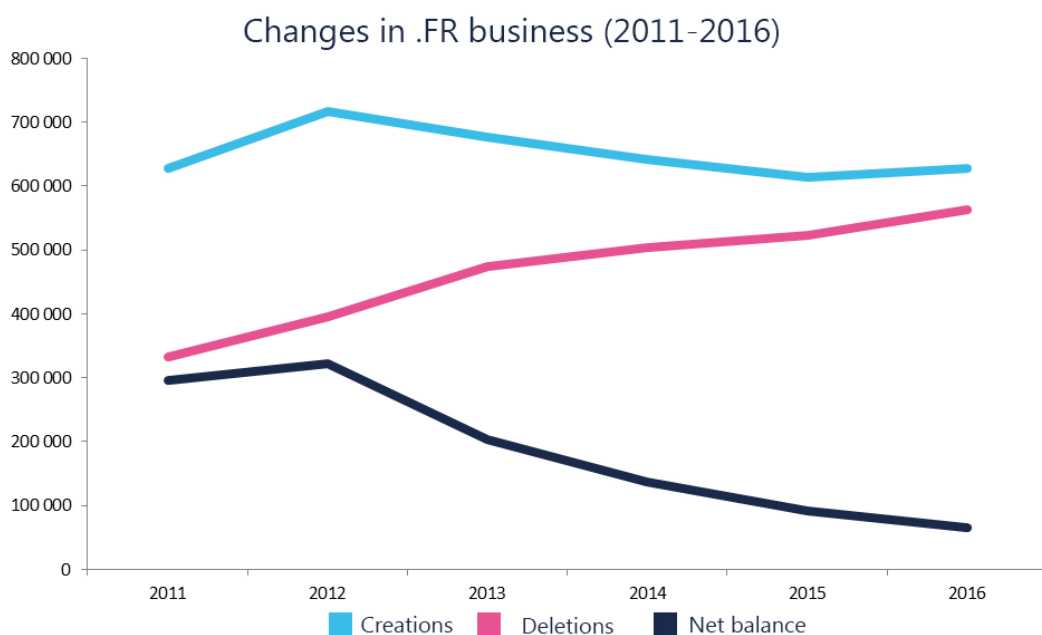
In 2012, most of .FR gain in market share came from the .COM, and a little from the other TLDs. In 2013, .FR and .COM legacy suffixes gained ground at the expense of the other TLDs.

From 2014 onwards, nTLDs appeared in the landscape and gained market share mainly at the expense of the legacy TLDs (the .COM and others). The "Other Legacies" are those which suffered most from the arrival of the new entrants (-2.5 points of market share between 2014 and 2016). Excluding the accordion effects explained above, .COM was relatively stable over the period, while .FR lost 0.7 points, mostly in 2015.

Activity

Figure 4 shows that the slowdown in growth of .FR was related to two converging phenomena:

- **first, the decline in the number of creations**, which amounted to just over 627,000 in 2016 against more than 700,000 in 2012; the phenomenon must be qualified, however, in light of the slight recovery in the growth of creations (+ 2.2%) in 2016;
- **second, the continued rise in the number of deletions**. The latter increased by 7% in 2016, partly because of the large-scale "catching up" that occurred in May. However, this trend weighed increasingly heavily on the net balance, giving even greater importance to the need to maintain or increase the level of creations.



(Figure 4)

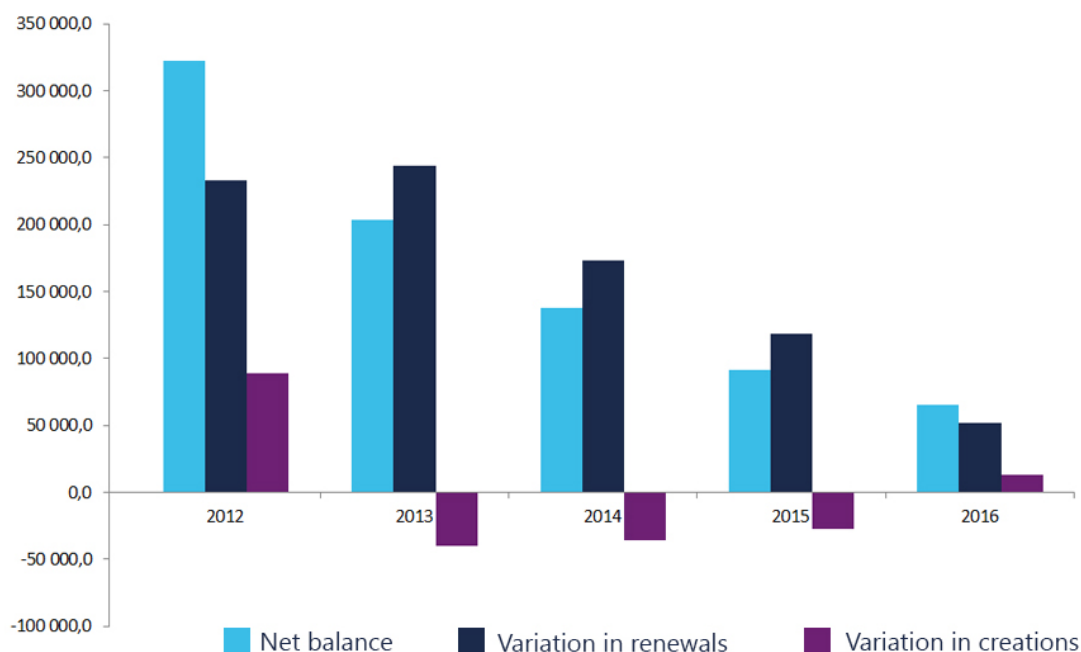
The forecasts, however imperfect they may be, show that there is a risk of the two values "crossing" in 2017 if the trends continue unabated.

Structure of the net balance of the .FR

A study of the components of the net balance and their changes highlights the dynamics underlying the performance characteristics discussed above.

Figure 5 shows the variations in domain name renewals and creations from one year to another, their addition forming the net balance.

Structure of the .FR net balance (2012-2016)



(Figure 5)

The variation in renewals was positive between 2012 and 2016, reflecting the fact that the number of domain name renewals continued to grow. However this positive variation has been dwindling from one year to the next due to the increase in domain name deletions.

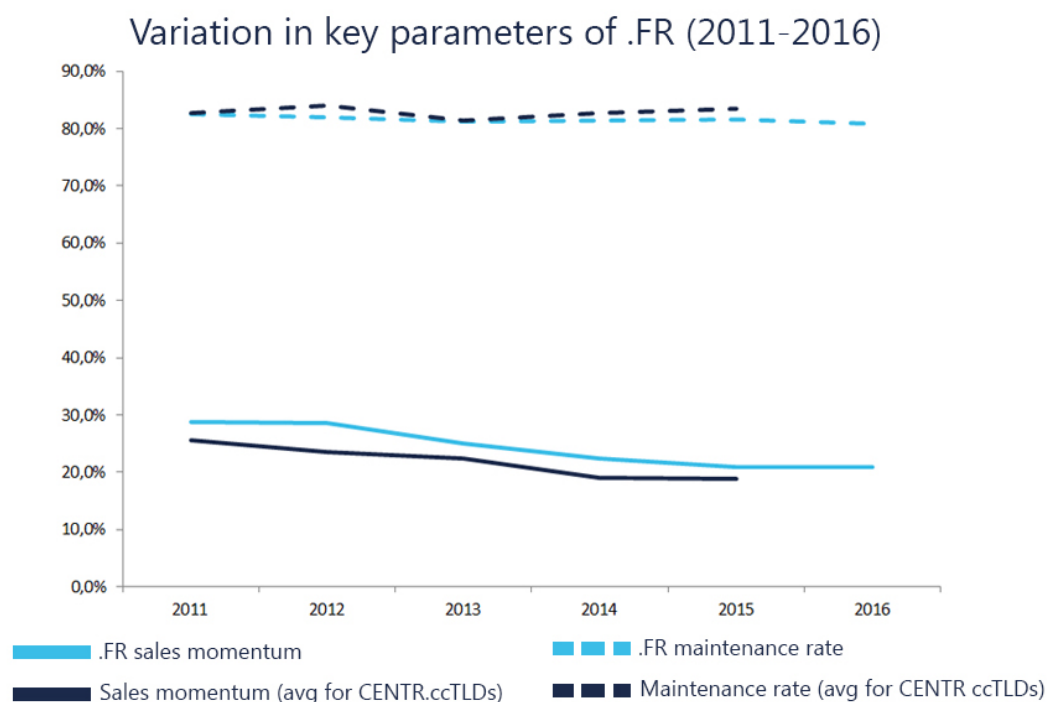
Domain name creations decreased in 2013-2015 before increasing again in 2016. The magnitude of the variations in both domain name creations and deletions has been decreasing from year to year, which explains the increasingly limited net balance (65,000 in 2016 against more than 300,000 in 2012).

This phenomenon must be monitored because the increase in renewals is only the "mechanical" consequence of growth in the portfolio, with a stable renewal rate. The prolonged decline in creations will weigh in the medium term on the dynamics of renewals (the stock increasing more slowly than before). The dependence of the overall performance of .FR on its renewal rate is increasing proportionally.

Key parameters of .FR

For the record, the create rate (or sales momentum) represents the percentage of names created during the year in stock at year end. The "younger" or "more dynamic" a TLD, the higher its create rate. This rate tends to decrease with time, since the stock of names increases year by year.

For .FR, this rate has followed the general trends of the main ccTLDs that are members of the Council of European National Top Level Domain Registries (CENTR)¹, remaining above average until 2015 (see Figure 6). However, it declined from 30% to 20% in 5 years, with a significant drop in the difficult years of 2013 and 2014. It stabilized in 2015/2016, due to the resumption in the number of domain name creations.



(Figure 6)

The maintenance rate is calculated by subtracting the number of domain name creations during the year from the stock at year-end, and carrying over that balance to the stock at the outset of the following year. It therefore measures the proportion of names existing in the portfolio at the start of the year, which have not been deleted by the previous year's end.

The .FR TLD has had a very stable maintenance rate since 2011. It fell slightly in 2016 due to the exceptional deletion of over 40,000 domain names, but this phenomenon is only cyclical.

However, this rate is lower than the average of those of its major counterparts in the CENTR, although this difference is of the order of a few points (-2.1 in 2012, -0.2 in 2013, -1.3 in 2014, -1.8 in 2015).

Based on these observations, we can conclude that the outperformance of .FR compared with its CENTR counterparts is probably due more in 2011-

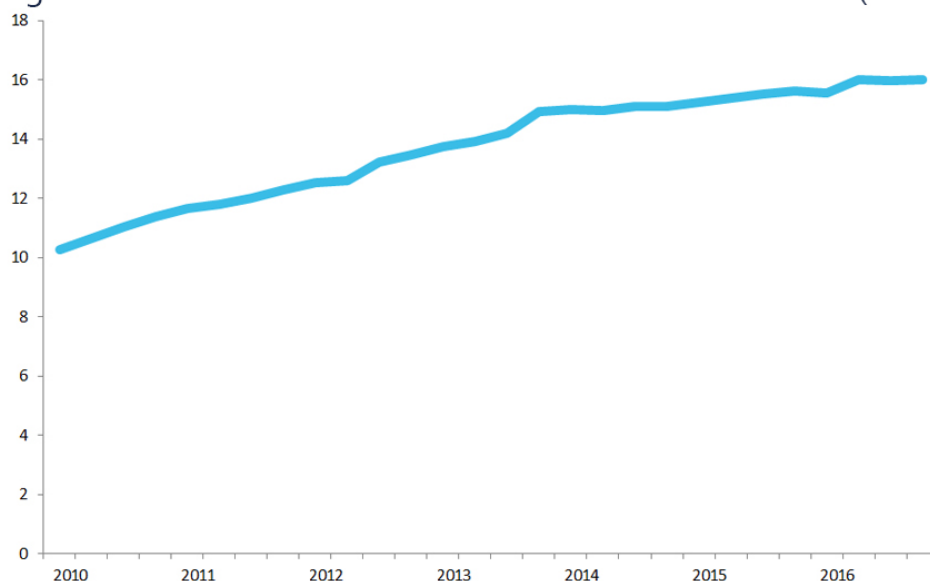
¹ ccTLDs with over 50,000 domain names in stock at year-end 2015. The data for 2016 are not yet available.

2016 to the more dynamic performance in creations, with slightly lower maintenance rates.

Concentration of the .FR market

The concentration index for .FR is calculated by taking the sum of the squares of the market shares of the top 10 registrars (using the HHI formula or Herfindahl-Hirschman Index).

Change in the Herfindahl-Hirschman Index for the .FR market (2010-2016)



(Figure 7)

Figure 7 shows that the concentration of the .FR market increased sharply between 2010 and 2013 (+5 points in 4 years). It continued to grow in 2014-2016, but at a much slower pace (+1 point in 3 years).

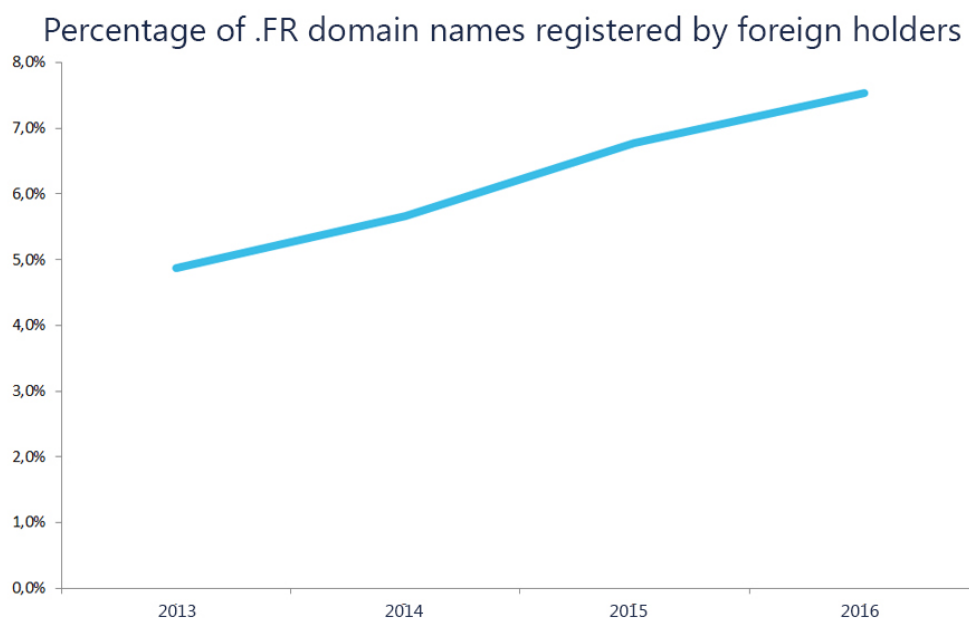
Overall, according to the criteria of the Herfindahl-Hirschman Index, the .FR market can be considered to be moderately concentrated. A market is considered to be highly concentrated when the HHI is above 20 points.

There are various factors behind this change, including the sales momentum and the ability of market "leaders" to retain their customers, and the appearance of nTLDs which undoubtedly influenced the change in HHI, at least in 2014.

Growth of foreign holders

The .FR TLD was opened to European holders in 2011. By 2013, the percentage of domain names registered under .FR by foreigners was 5%. Figure 8 shows that this proportion has continually risen, reaching 7.5% in 2016.

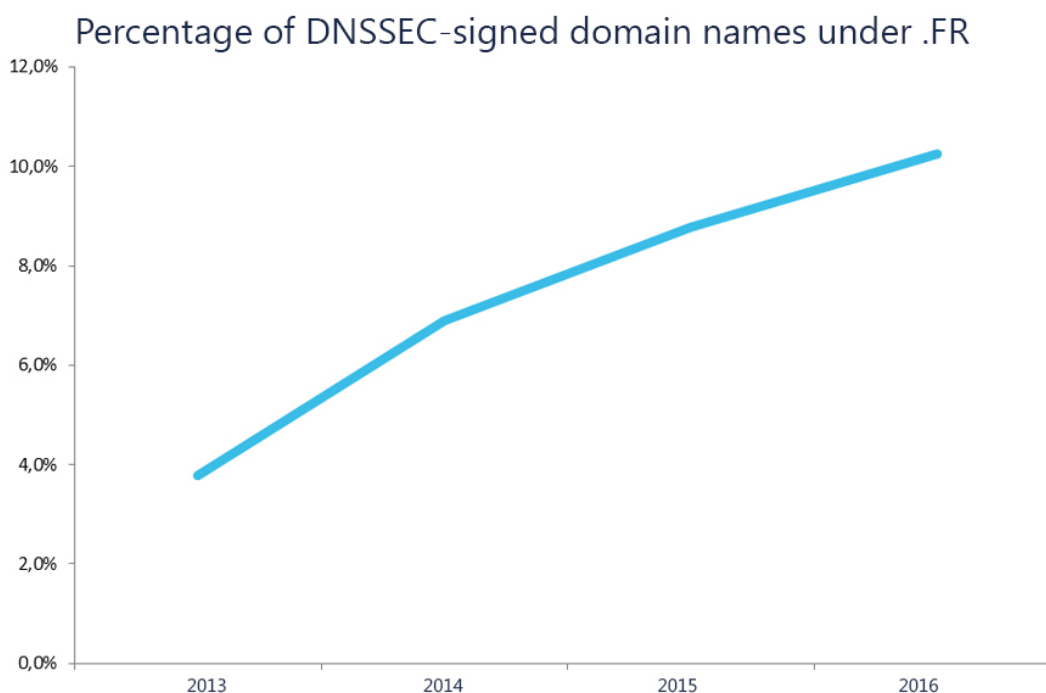
The foreign holders are mainly located in Germany (64,000 .FR), the Netherlands (30,000 .FR), Great Britain (30,000 .FR) and Belgium (27,000 .FR).



DNSSEC

The proportion of DNSSEC-signed domain names under .FR increased from 4% in 2013 to 10% in 2016, tripling in volume from 102,000 to 308,000 names (+ 200%).

This spectacular growth remains modest compared with those of other European registries, showing that the adoption of the DNS security technology is not yet sufficiently deployed in France.



Internationalized domain names under .FR

The proportion of .FR domain names in IDN format, i.e. that contain accented characters, remains low. It continued to decrease between 2013 and 2016, from 1% to 0.8%.

This slow decline can be attributed to the fact that there are few new IDN registrations in a context where the .FR itself is still growing.

The relatively rare use of IDNs to communicate hinders their entry into everyday use and weighs on their renewal rate, which also explains their decline in volume (27,000 names in 2013, 23,000 in 2016).

Multi-annual registration

The registration and renewal of domain names under .FR for periods of over 1 year (and up to 10 years) has been possible since 30 March 2015. For that reason, our statistical series are still very short.

As at 31/12/2015, there were 139,000 names registered for two or more years (4.7% of .FR). This proportion continued to grow in 2016, with at 31/12/2016 a total of 220,000 .FR domain names concerned (7.3%).

The most frequent renewal dates are 2 years, then 5 years and 10 years, similar to what can be seen in generic TLDs.

Outlooks in 2017 for .FR

The outlooks for .FR are those of a namespace well-established in its market, benefiting from a solid reputation and a customer base with proven "loyalty". These strengths work to the advantage of the national French TLD against a background of a changing market due to the emergence of new players (nTLDs).

The constant changes in the business rules and processes to enable greater flexibility and simplicity also make .FR more accessible to large international registrars as well as to players in online presence positioning themselves as resellers for registrars working directly with Afnic.

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