

The .FR in 2017

Afnic Studies

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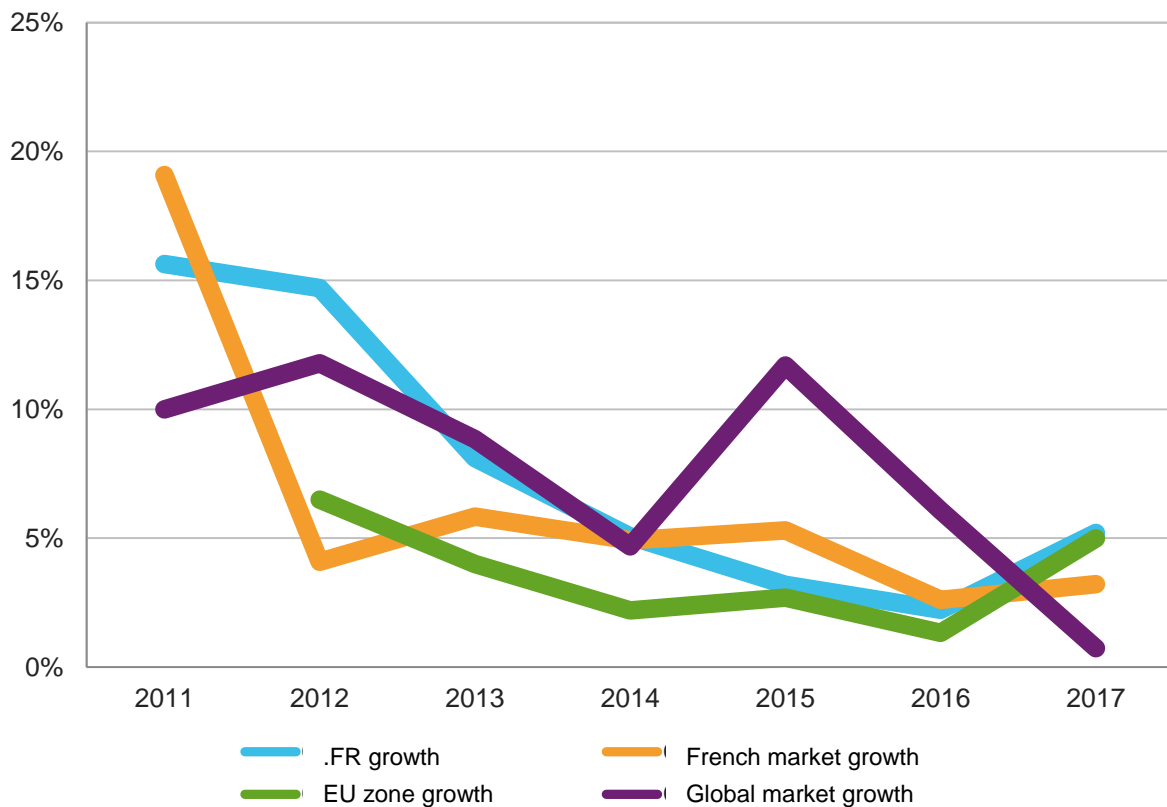
1. Growth of the .FR

The .FR rose 5.2% in 2017, a growth rate returning to its 2014 level and breaking with the slowdown observed from 2012 to 2016.

The growth of the .FR was in line with that of the 28 ccTLDs of the European Union (+5% on average), which is globally recovering with a vitality greater than that of the last four years.

As in 2016, the .FR and the French market have been little affected by the turmoil of the global market caused by the waves of Chinese domain name registrations. Figure 1 shows that in 2017 it almost stagnated (+0.7%), the deletions en masse mechanically following the equally massive creations of 2015-2016 and offsetting the new creations.

Fig. 1 - Changes in annual growth rates



2. Market shares in France

The .FR grew faster than its local market in 2017 (see Fig. 1), returning to the momentum of gain in market share recorded before 2014. Indeed, the French domain name market appreciated by 3.2% (against 2.2% in 2016), two points less than the .FR.

This difference in growth is reflected in an increase in the .FR's market share of 0.7 points in 2017 (see Table 1) and the achievement of a historic high of 36.4%. nTLDs increased by 0.3 points (3.3%). The .COM for its part only gained 0.1 point (43.4%). These TLDs are growing at the expense of Other TLDs (-1.1 point at 16.9%).

Table 1: Changes in market share in France

	2012	2013	2014	2015	2016	2017
.FR	3.6%	0.4%	0.1%	-0.7%	-0.1%	0.7%
.COM	-3.2%	0.3%	-0.7%	0.6%	-0.1%	0.1%
Other TLDs	-0.4%	-0.7%	-0.7%	-0.7%	-1.1%	-1.1%
nTLDs			1.3%	0.8%	1.3%	0.3%

2017 clearly marked a break with the trends observed in 2015 and 2016, such that 2018 may mean the end of the upheavals related to the arrival of the new TLDs on the market.

Note the variations in the .COM, which lost 0.7 point of market share in 2014 before returning 0.6% in 2015, and has observed greater stability since then. No doubt it is necessary to see in these variations the impact of "aggressive" but ad hoc marketing policies on the French market, which give results in the short term while in the medium term causing a certain fragility of the performance of the TLD, although it remains the "leader" in terms of market share.

Although still marginal, nTLDs have been able to consolidate their positions, while those of other TLDs are continuously losing ground, that is to say, besides the .EU which is quite stable, the "Legacy" TLDs such as .NET, .ORG, .BIZ, .INFO, and .MOBI.

There is little doubt that these "other TLDs" are hit hard by the disposals required to streamline portfolios (renew less to free funds for nTLDs for example). Another reason could be - and this would answer a question that many market players are asking themselves - that the multiplication of choices in terms of the TLDs available has created confusion among users that ultimately has led them to focus on the TLDs they know the best: the .FR first of all and then the .COM.

The "resistance" of the nTLDs, however, shows that some of them have found customers in France. Excluding the many nTLDs with an Anglo-Saxon sound or having no connection with France, French geoTLDs continue to develop, and others that may have attracted users for their usual, generic character even in France.

Fig. 2 - Changes in market share in France

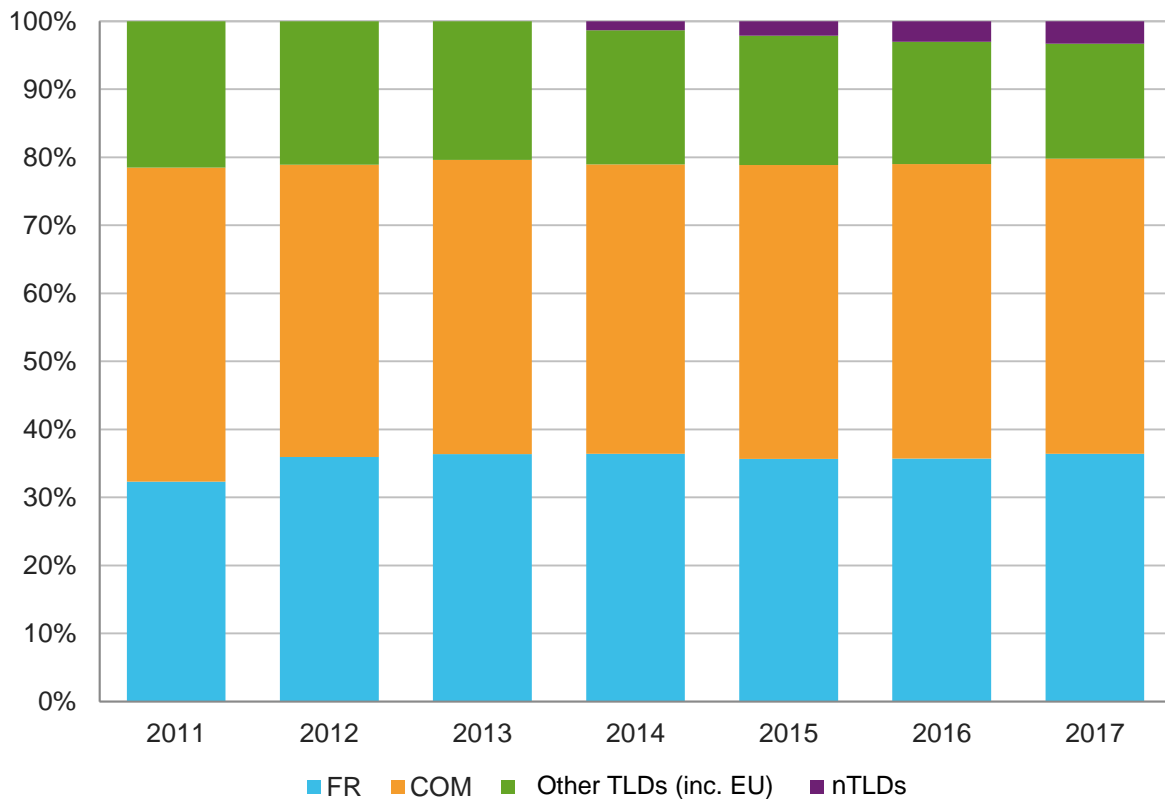
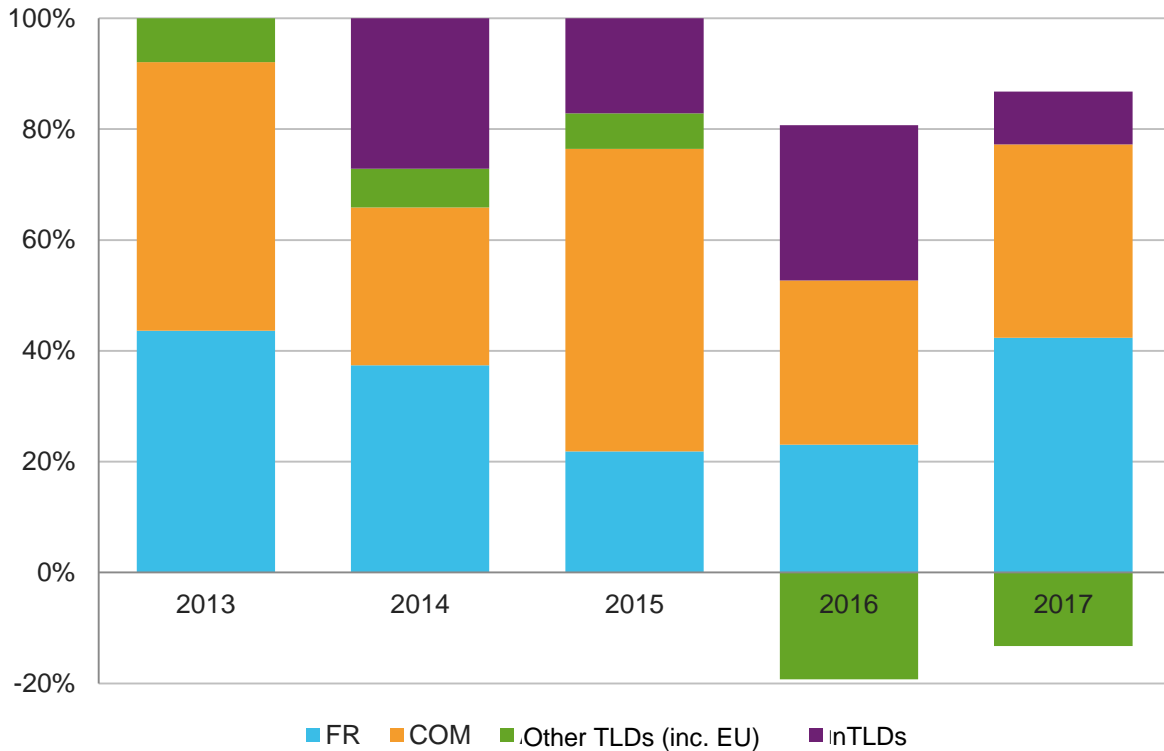


Figure 3 shows the contributions of the various stakeholders to the net accumulated balances from 2013 to 2017. The figures explain the changes that can be seen in Figure 2.

The contribution of .FR is significantly higher than its market share in 2017 with 58% of the net market change. Then comes the .COM with 47% and finally the new TLDs at 13%, a figure to be compared with their 2016 performance (46%).

If the .FR is growing well and the .COM and the nTLDs posted more or less moderate gains, the "Other TLDs" have lost market share (-18% of the net balance in 2017 against -31% in 2016).

Fig. 3 - Contributions of the various TLDs to the variations in the French market



The "resorption" of the share of nTLDs in 2017 may be partly due to the sequels of "Chinese domaining", if some names filed by Chinese players were via namesakes or registrars identified by ZookNIC as being located in France. However, the variations observed here are out of all proportion to those that can be observed at the global level.

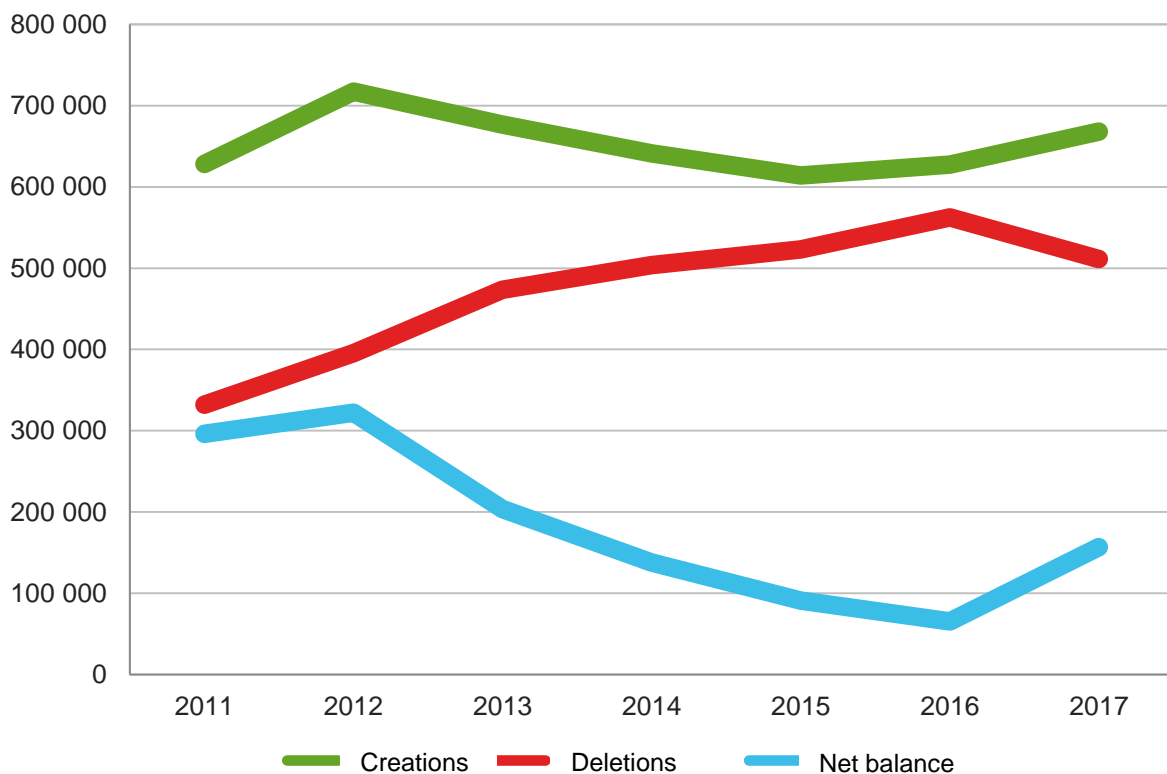
3. .FR activity

2017 was relatively exceptional for the .FR, combining a high level of creations with a drop in deletions.

Figure 4 highlights the fact that the growth of the .FR was caused by these two convergent phenomena:

- on the one hand, a significant increase in the number of creations, which stood at just over 668,000 in 2017 compared with 627,000 in 2016 (+6%); a trend that confirms and amplifies the recovery which had already begun in 2016 (+2.2%);
- on the other hand, the marked drop in the number of deletions. These were down by 9% in 2017, returning to the level of 2015 after a year in 2016 made atypical by a "catch-up" of ad hoc deletions in May 2016. The .FR renewal rate jumped mechanically to 83%, a level it did not reach even in 2011 (82.5%).

Fig 4 - Change in .FR activity

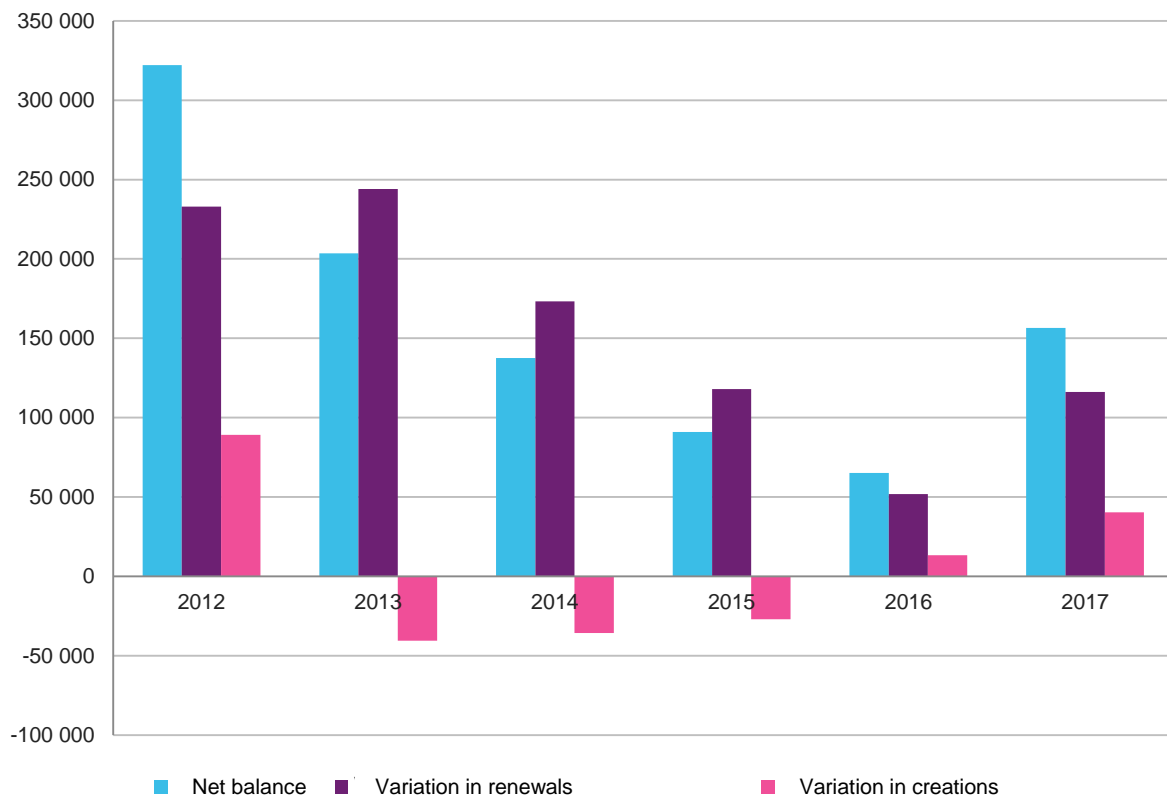


4. Structure of the net balance of the .FR

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.

Fig. 5 - Formation of the net balance of the .FR



The variation in renewals was always positive between 2012 and 2017, reflecting the fact that the number of domain name renewals continued to grow. This positive variation decreased from year to year between 2012 and 2016 due to the increase in deletions, before returning in 2017 to the level of 2015.

On the other hand, the trend in creations was downward in 2013-2015 before recovering in 2016, an upswing confirmed in 2017.

The change in the net balance, which consisted mainly of the positive change in renewals, was boosted in 2016 and 2017 by the positive change in creations. This is the best configuration possible.

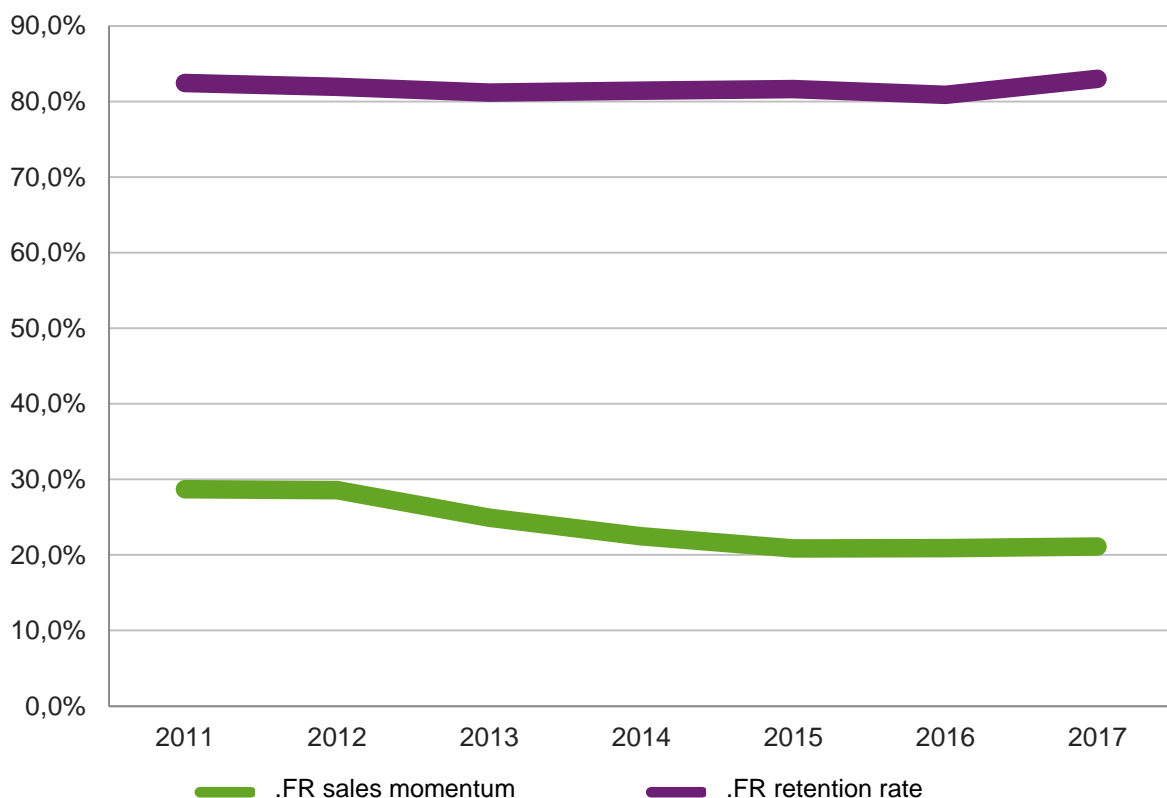
5. Key parameters of the .FR

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.

Due to the 6% increase in creations (compared with a 5.2% growth in stock), the create rate improved slightly in 2017. Figure 6 shows that at 21%, it remains lower than the rates for 2011 and 2012 (29%) and even 2013 (25%) and 2014 (23%).

However, this change can be considered "natural" for a TLD that has existed for several decades, whose "portfolio fund" consists of a stock of 3.2 million domain names. In large volumes, the 21% create rate represents 672,000 creations and it is only beyond this figure that the create rate will start to increase, without taking into account the growth induced in terms of stock. A clear and continuous improvement in the create rate is therefore a challenge, even if it does not seem out of reach in these times of an upswing in creations.

Fig. 6 - Variation in key parameters of the .FR



The retention 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.

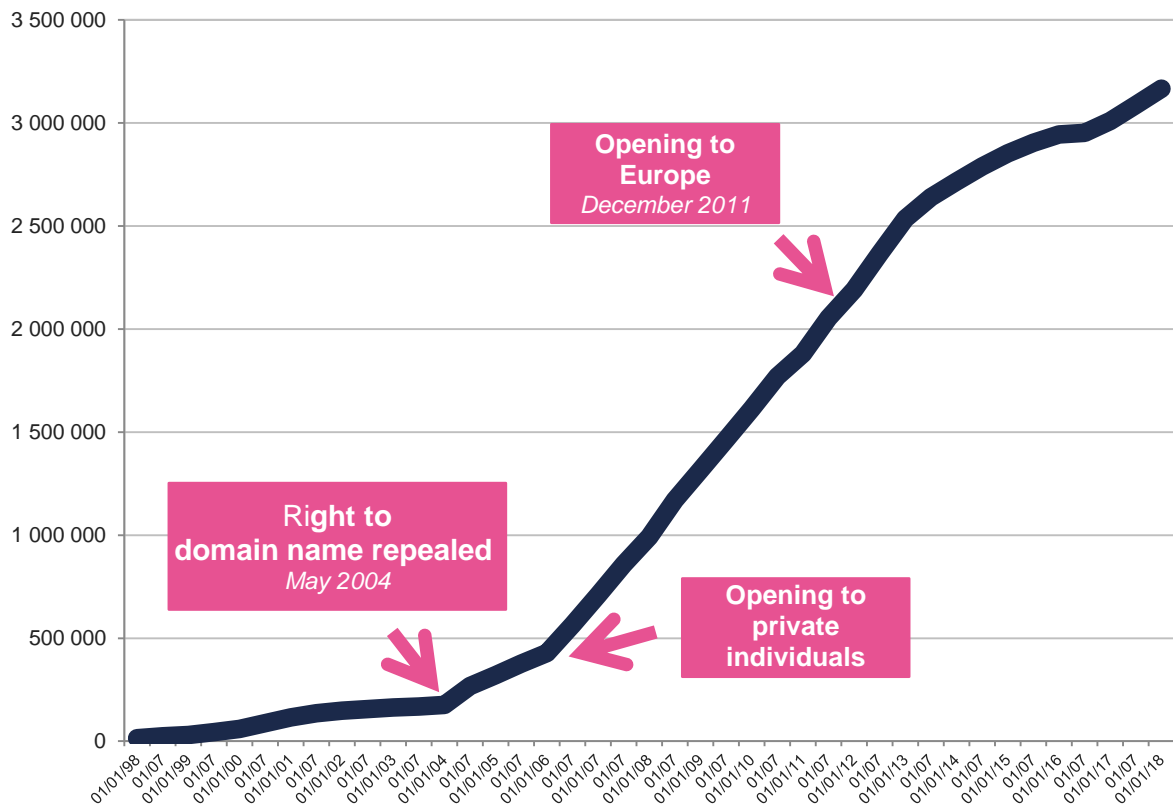
The .FR has had a very stable retention rate since 2011, consistently higher than 80%. It fell slightly in 2016 due to the exceptional deletion of over 40,000 domain names, but as we pointed out in 2017, this phenomenon was only cyclical. The improvement observed in 2017 is fairly clear, but if we smooth out the "shock" of 2016 and the growth of 2017, we obtain a fairly stable rate over time.

The key parameters of the .FR so far have been slightly out of sync with those of its counterparts in the European Union. Its create rate tends to be higher, demonstrating a sales momentum that may be the result of a continuous "catching up" by French companies in terms of their presence on the internet. Conversely, its retention rate, although much higher than that of the .COM (which posted a global retention rate of 76.5% at the end of September 2017) remains below that of its counterparts. This situation may be explained by the fact that .FR "openings" occurred significantly later than those of other ccTLDs, such as the .DE or .NL.

While these TLD suffixes have already had a charter since the 90s allowing anyone to file any name (while respecting the rights of third parties) the .FR abandoned the system of the "right to name" in May 2004, became open to private individuals in June 2006 and to EU nationals in December 2011. The main consequence is that the structures of these ccTLDs by seniority of domain names in stock differ significantly: the average age of .DE and .NL is higher than that of the .FR, which stands at around 5 years. But the oldest names are also those with the best retention rates: an "older" TLD therefore tends to have a higher retention rate than a "younger" TLD.

Figure 7 highlights the change in the number of .FRs over the last 20 years and the impacts on its growth of the various waves of openings (2004, 2006, 2011).

Fig. 7 - Growth of the .FR 1998-2018



Note that the repeal of the "right to name", ie the abandonment of the requirement to have to substantiate a right on the name filed, was the first factor of the acceleration in growth. However, it was the opening to private individuals that was the determining factor, the two "openings" combining their effects until 2013 without any noticeable effect of opening up to the European Union. From 2013, growth slowed and we had to wait until the beginning of 2017 to cross the three million mark for the .FR. At the current rate, the 3.5 million mark for the .FR could be passed in the second half of 2019 or at the very beginning of 2020.

6. Concentration of the .FR market

The concentration index for the .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).

Fig. 8 - Concentration rate (HHI) of the top 10 registrars

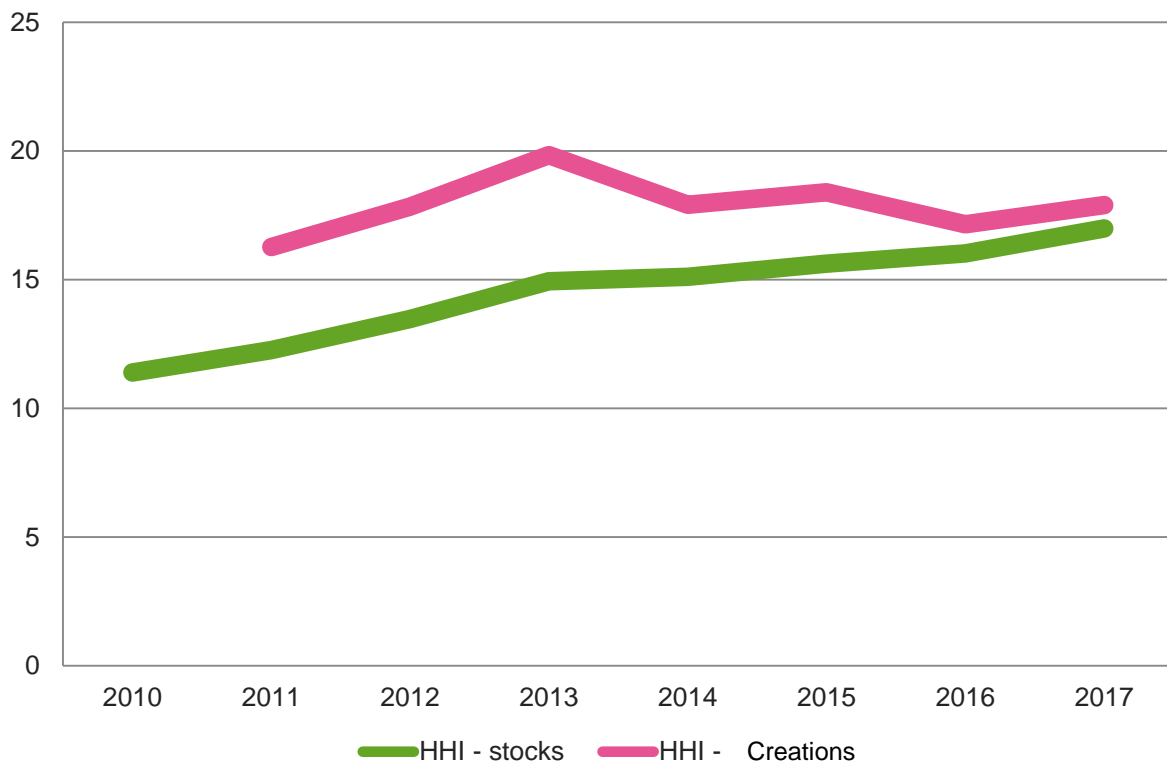


Figure 8 shows that the concentration of the .FR market increased sharply between 2010 and 2013 (+4 points in 4 years). It continued to grow in 2014-2017, but at a much slower pace (+1 point in 3 years). Then it jumped in 2017 (+1 point) due to the buyout of the portfolio of one large registrar by another. The rate should therefore be fairly stable in 2018 after the sudden drop in 2017.

Overall, according to the criteria of the Herfindahl-Hirschman Index, the .FR market can still be considered to be moderately concentrated, a market being deemed highly concentrated when the index is higher than 20.

Note that the creations remain more concentrated than the "stock" over the entire period, the gap tending to be absorbed in 2016/2017. This phenomenon is linked to the fact that a number of long-standing players, with large inventories, are relatively less active in terms of creations than other players with stocks that are equivalent or smaller. The top three market players remain in a dominant position with 64% of the .FRs filed by year-end 2017.

7. Distribution of the .FR in France

Table 2 shows that the registrants located in Ile-de-France held 31% of the .FR as at 31/12/2017. Other regions that stand out are Auvergne-Rhône-Alpes (12%), Languedoc-Roussillon-Midi-Pyrénées (8%), Aquitaine-Limousin-Poitou-Charentes (7%) and Provence Alpes Côte d'Azur (7%) .

The growth dynamics seem to be fairly evenly distributed, Ile-de-France being notably below average with 3%.

Table 2 - Distribution of registrants in France

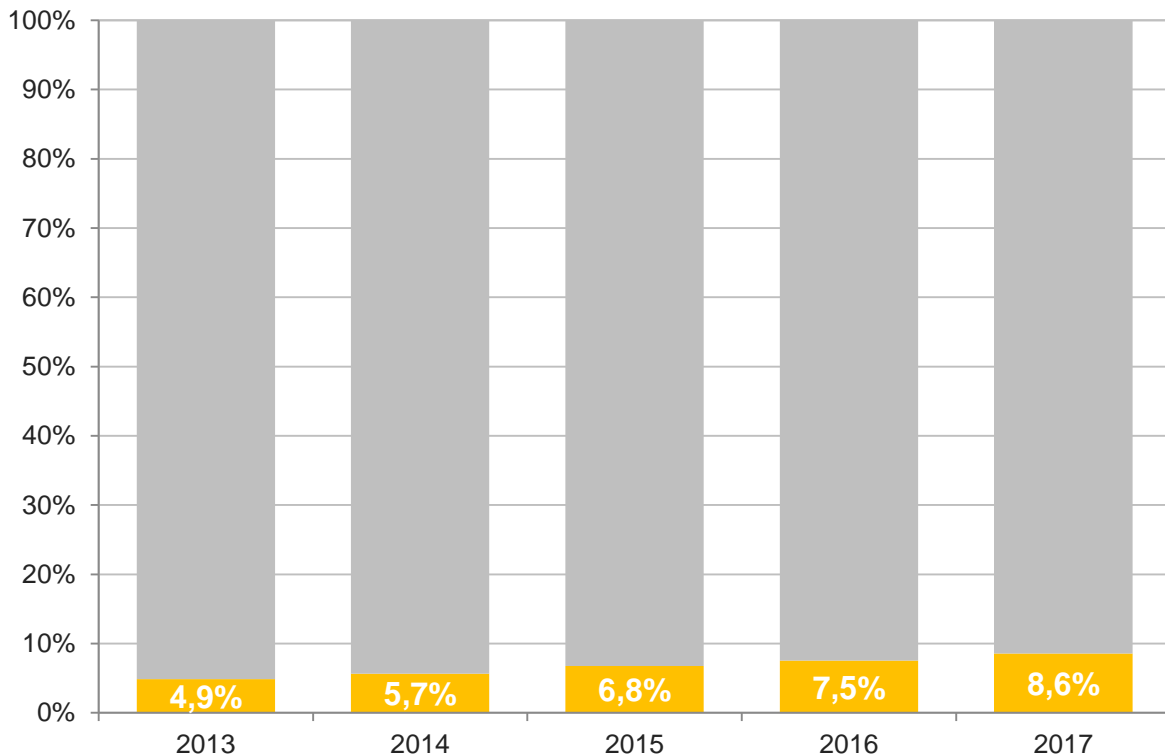
Region	2016	2017	Var.	M-Share
Alsace Champagne-Ardennes Lorraine	168,225	175,036	4%	6%
Aquitaine-Limousin-Poitou-Charentes	199,660	210,583	5%	7%
Auvergne-Rhône-Alpes	358,050	375,232	5%	12%
Bourgogne-Franche-Comté	75,176	77,932	4%	2%
Bretagne	102,528	107,065	4%	3%
Centre Val de Loire	68,344	71,985	5%	2%
Corsica	9,280	9,783	5%	0%
Île-de-France	936,658	965,993	3%	31%
Languedoc-Roussillon-Midi-Pyrénées	238,697	247,511	4%	8%
Nord-Pas-de-Calais Picardie	152,836	159,058	4%	5%
Normandie	80,514	84,574	5%	3%
Pays de la Loire	137,248	142,604	4%	5%
Provence-Alpes-Côte d'Azur	225,883	236,753	5%	7%
Overseas Territories	25,222	26,652	6%	1%
Foreign	226,626	271,613	20%	9%
Total .FR	3,009,527	3,166,105	5%	100%

In strict terms of growth, it is the number of .FR domain names held by registrants located abroad which recorded the best performance (+20%).

8. Foreign registrants

The opening of the .FR to Europe took place in 2011, with, as we have seen, a limited impact on .FR growth. The percentage of .FR filed by foreigners has continually increased ever since, from 5% in 2013 to 8.5% in 2017 (+1 point in 1 year).

Fig. 9 - Percentage of domain names filed under the .FR by foreign registrants

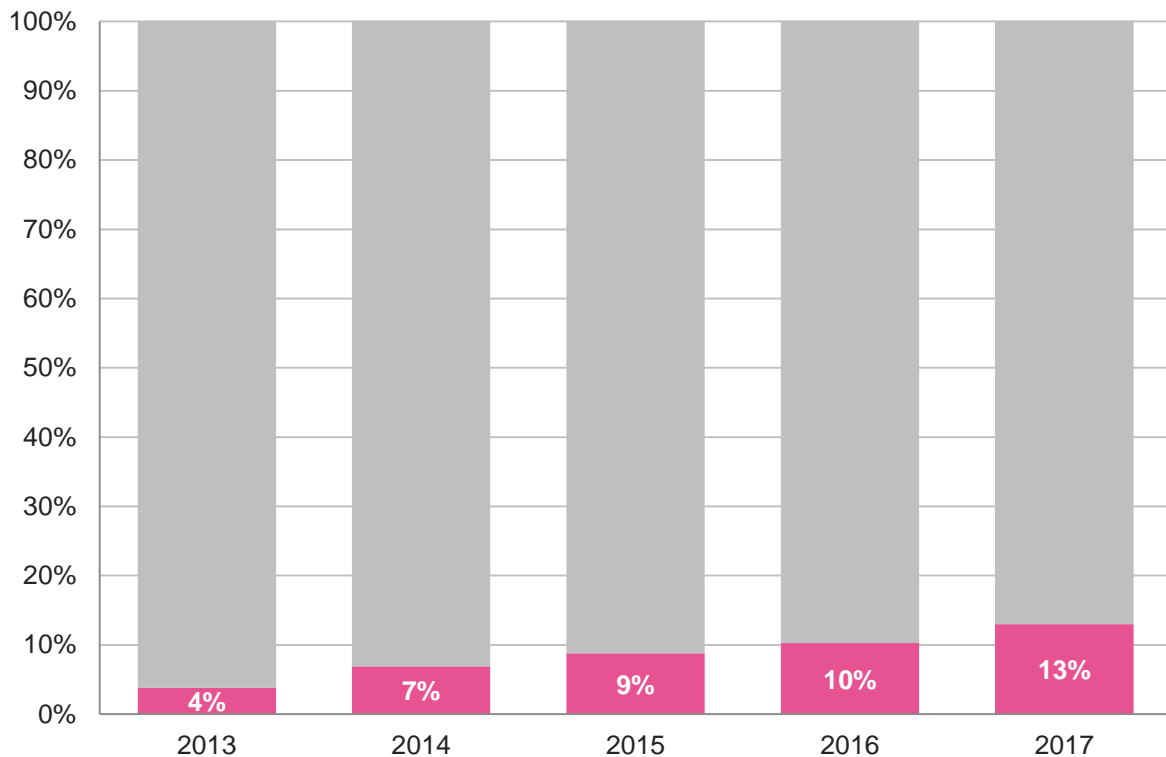


Foreign registrants are still mainly located in Germany (85,000 .FR against 64,000 in 2016), the Netherlands (36,000 against 30,000), the United Kingdom (33,000 against 30,000), and Belgium (31,000 against 27,000).

9. DNSSEC

The proportion of DNSSEC-signed domain names under the .FR increased from 4% in 2013 to 13% in 2017, tripling in volume from 103,000 to 411,000 names (+200%).

Fig. 10 - Percentage of DNSSEC-signed domain names under the .FR



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

10. Internationalized domain names under the .FR

The proportion of .FR names in IDN format, that is to say containing accented characters, remains low and continued to decrease in 2017, falling to 0.7%, through the combination of non-renewals and the increase in the global stock of .FR domain names.

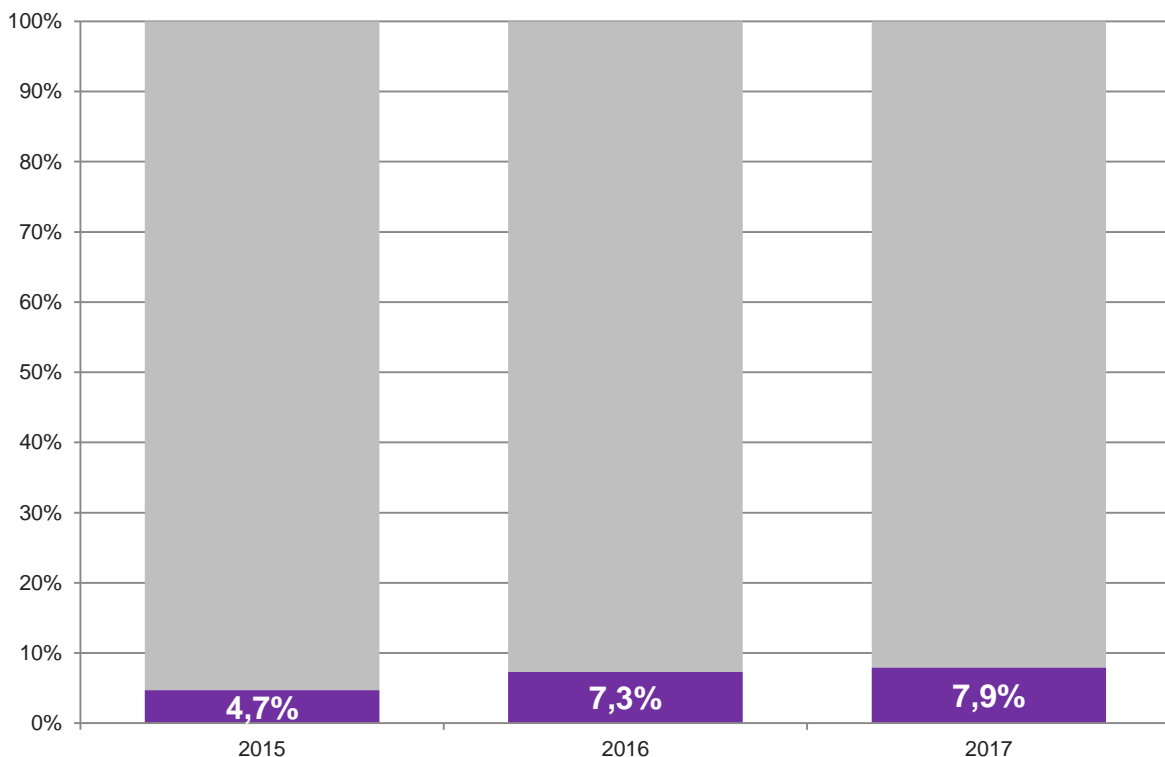
The rate of use being low, we may assume that most of these names have been filed for defensive purposes by registrants who have never transferred the official addresses of their websites to them.

This low use of internationalized names for communication purposes slows down their entry into everyday usage and weighs on creations, which explains their decline in volume (-300 names in 2017). Note, however, that this loss of 300 names in stock represents only 1% of the number of accented names filed on 01/01/2017. The renewal rate thus remains globally very high, which tends to confirm the hypothesis of defensive filings.

11. Domain name registration in multi-year mode

The registration and renewal of domain names under the .FR for periods of over 1 year (and up to 10 years) has been possible since 30 March 2015. But although this possibility has existed for almost three years, the growth remains slow with only 7.9% of .FR domain names registered or renewed for periods greater than 1 year.

Fig. 12 - Percentage of domain names under the .FR registered for multi-annual periods



As at 31/12/2015, there were 139,000 names registered for two or more years (4.7% of the .FR). This proportion continued to grow in 2016, with at 31/12/2016 a total of 220,000 .FR domain names concerned (7.3%) and 251,225 as at 31/12/2017 (7.9%).

The progression is clear, even if it seems to have stabilized in 2017.

The most frequent periods are 2 years, then 3 years, then 4 years, the 10-year period being no more than symbolic.

12. Outlooks in 2018 for the .FR

One of the biggest lessons to be learnt from 2017 is undoubtedly the confirmation of the strength of .FR's position on the national market, with the 58% it represents in the global variation of this market.

The upswing in creations, backed by this solid base and combined with a renewal rate reflecting the attachment of registrants to their domain names under the .FR, makes it possible to face 2018 with a certain degree of confidence.

Afnic, however, does not intend to rely on fundamental trends to ensure the development of the namespace entrusted to it by the government. It has a role to play in the development of Internet usage, especially at the level of VSBs and SMEs, which are still significantly behind in their presence on the Internet. Through its initiatives, of which *réussir-en.fr* and *Réussir avec le web* are salient examples, Afnic strives to contribute to the harmonious development of the FR and the Internet in France.