

.FR in 2018

March 2019

afnic

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1. Growth of .FR

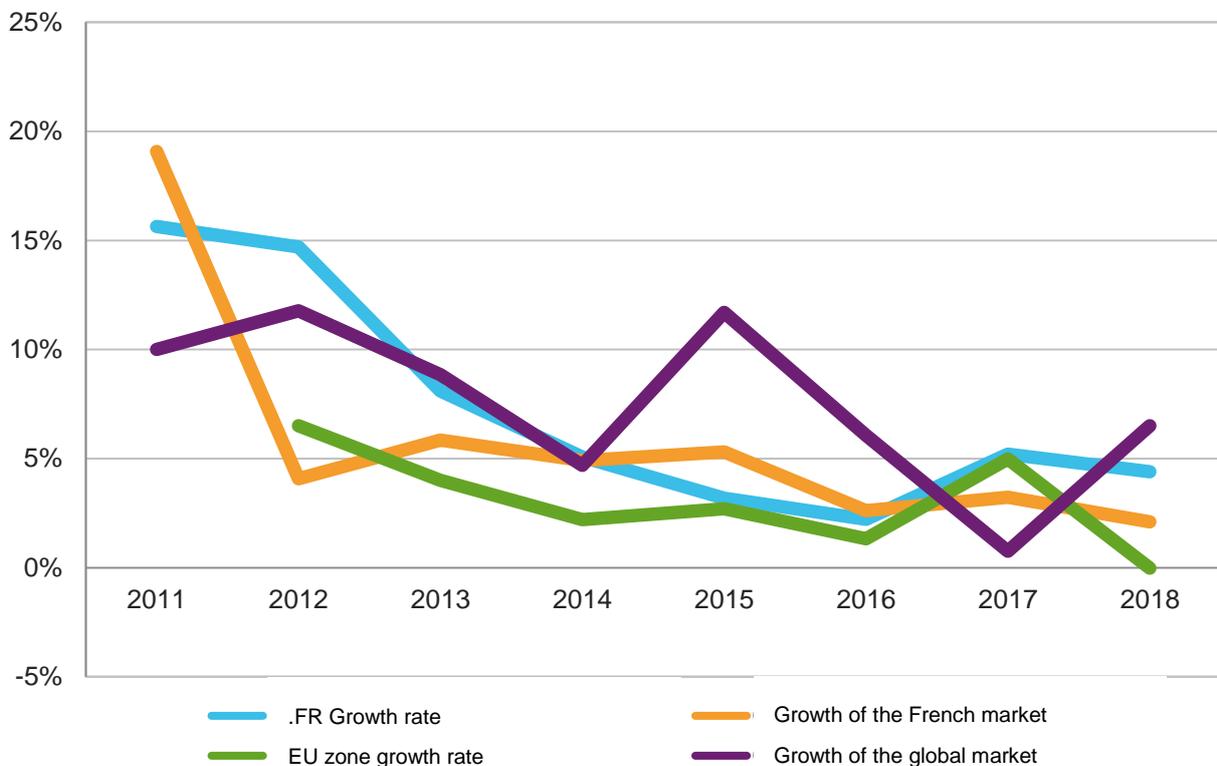
.FR had 3,305,296 names in stock on 31/12/18, against 3,166,105 on 31/12/17.

It therefore grew by 4.4% in 2018, which makes it the leader among the ccTLDs in the European Union in terms of net performance (+ 139,000 names).

The slightly-downward growth trend (it was 5.2% in 2017) is parallel to that of the French market as a whole, which dropped from 3.2% to 2.1% for an estimated total at year-end 2018 of 8.9 million domain names registered in France, all TLDs combined.

The growth of the global market remained higher than that of .FR in 2018, but was largely due to the good performance of .COM.

Change in annual growth rates



2. Market share in France

The .FR ccTLD grew faster than the French domain name market in 2018, confirming the momentum in market share gains noted before 2014. Indeed, the French domain name market grew by 3.2% (against 2.2% in 2016), two points less than .FR.

This difference in growth reflects in an increase in .FR's market share of 0.8 points in 2018, reaching a historic high of 36.4%. .COM on its side gained 1.2 points (44.6%), its best year at least since 2012, but there may be a compensatory effect for the poor performance recorded in the six previous years.

The two "leaders" advanced in 2018 to the detriment of the "Other legacy TLDs" which were particularly hard hit with a loss of 4.8 points (12.1%), and the nTLDs that lost 0.9 points (2.4%).

	2012	2013	2014	2015	2016	2017	2018
.FR	3.6%	0.4%	0.1%	-0.7%	-0.1%	0.7%	0.8%
.COM	-3.2%	0.3%	-0.7%	0.6%	-0.1%	0.1%	1.2%
Other TLDs (including .EU)	-0.4%	-0.7%	-0.7%	-0.7%	-1.1%	-1.1%	-4.8%
nTLDs			1.3%	0.8%	1.3%	0.3%	-0.9%

The under-performance of the Other Legacy TLDs may be due to a number of factors:

- Increased competition from the nTLDs, forcing registrants to arbitrate in terms of the names they renew or choose to register.
- The impact of nTLDs in terms of openness of supply, which could create a certain amount of confusion while making any "global" defensive strategy impossible. Defensive domain name registration over the past 15 or 20 years in the Other Legacy TLDs would therefore lose its interest and no longer justify renew operations, as well as limiting the expected benefit of defensive domain registration.
- The refocusing of the registries for these namespaces on high-potential markets such as China or, by their historical importance, the United States. From this point of view, France may be seen by the registries of these TLD suffixes as a market with limited potential:
 - It is unequivocally dominated by the .COM and the .FR.
 - Its penetration rate is high, and even if there are catch-up effects, VSEs / SMEs form a public that is difficult to reach without local reseller networks that these registries do not have.
 - Its growth rate in terms of registered domain names is moderate and less promising than those of "emerging" countries on the internet.

These different reasons may encourage registries to focus elsewhere marketing operations designed to maintain or develop these TLD suffixes. This is not the case for .COM, which has a leading position to maintain, while having a well-established network of retailers.

However, according to our estimates based on data provided by Zooknic, we note that the growth rate of .COM in France was 4.96% against a worldwide growth rate of 5%. That performance is therefore in line with the overall momentum of the namespace, without being extraordinary.

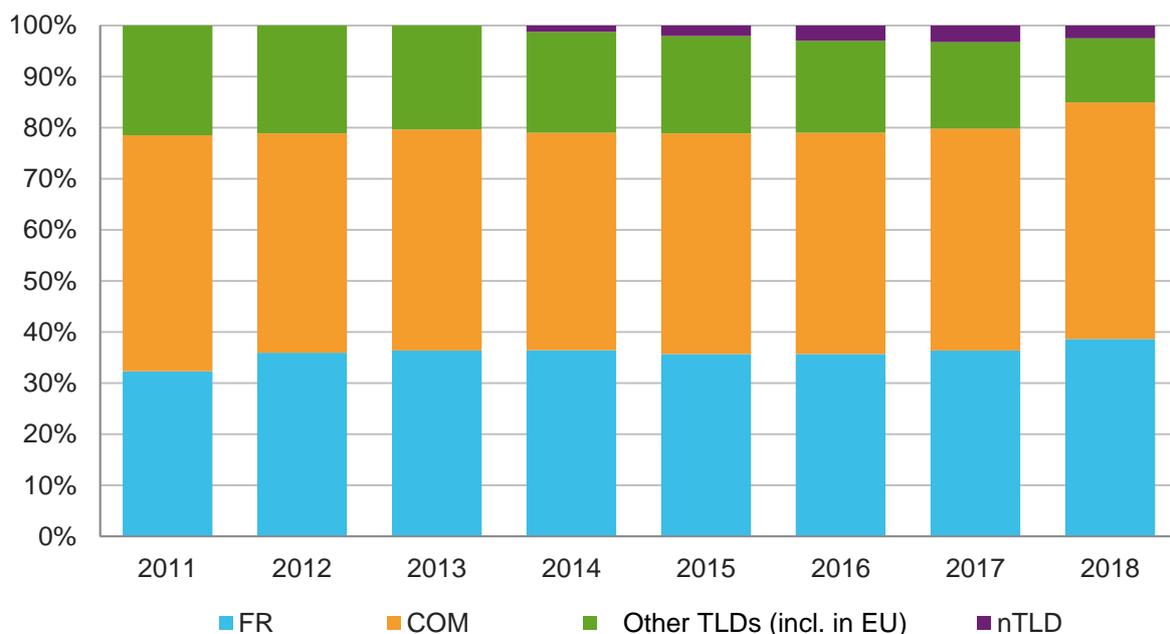
NTLDs are losing market share, but the loss remains significantly lower than that of the Other Legacy TLDs. Given the high-level heterogeneity of the segment, we can see signs of a gradual selection by the market of nTLDs, which are intended to exist in a sustainable way on the French market, with a number of speculative or defensive nTLDs gradually disappearing from the scene.

As an example, the 4 geoTLDs managed by Afnic (.ALSACE, .BZH, .CORSICA, .PARIS) grew by 6.4% in 2018 against an overall performance of nTLDs in France of -26% according to the estimates provided by ZookNIC. These two variations illustrate the selection at work today on the market.

The relatively low volumes of this segment are not surprising:

- Generic nTLDs are mostly English-speaking, poorly suited to a French-speaking market except in certain cases where the terms are well known, but remain anecdotal in use (.GURU, .VENTURES, .SHOP, etc.)
- The .BRAND TLDs are inherently intended for internal use and rarely generate high volumes.
- CommunityTLDs combine the features of the two previous types of namespaces
- Lastly, geoTLDs are the most likely to eventually develop significant volumes, but they still face the problem of user appropriation and distribution by a network of resellers and specifiers finely meshing the target territory.

Changes in market share in France



3. Activity of .FR

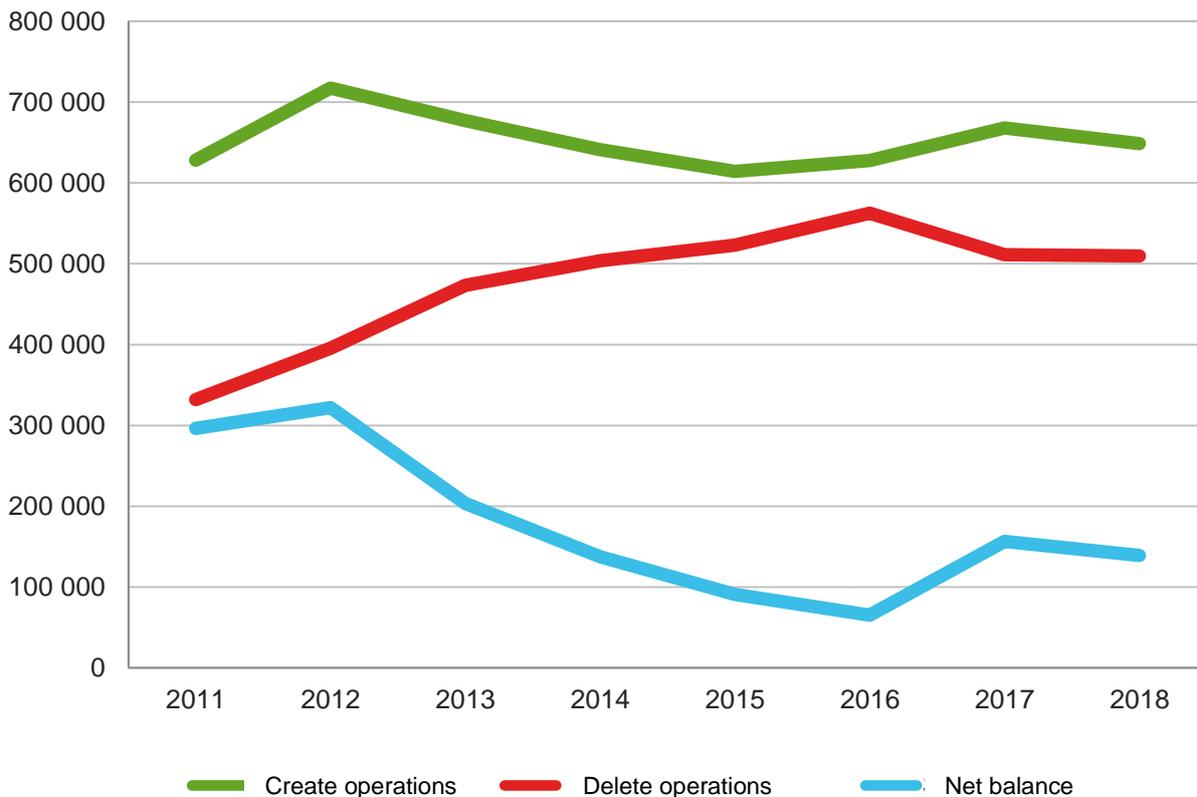
2018 saw the growth and net balance of the ccTLD decrease compared with 2017, which was an exceptional year.

Create operations increased from 668,000 to 649,000, i.e. a decrease of 3%, while remaining above the levels of 2015 and 2016.

Delete operations, on the other hand, decreased by 0.3%, which, compared with a growing stock, resulted in an increase of almost 1 point in the maintenance rate, which rose to 83.9% (compared with 83% in 2017). This clearly illustrates the leverage effect linked to this rate, considering that 1 point corresponds to 33,000 renewed names, i.e. 5% of the create operations carried out in 2018.

The drop in delete operations, for the second year in a row, was therefore a particularly favorable factor for .FR. It reflects the constant improvement in registrant loyalty. The forecasts we formulated for the year 2018 therefore only partially came into being: we had hoped for a higher level of create operations, given the market upswing observed at the end of 2017, and the slight increase in delete operations. In the end, the number of create operations was not as high as we expected, but this phenomenon cannot have been specific to the .FR, given the performance of the other major ccTLDs of the European Union in 2018.

Change in activity of .FR



These uncertainties incite us to be cautious in our outlooks for 2019, with create operations likely to be between the 2018 and 2017 levels. Nothing today indicates we need fear continual deterioration, nor should we hope for a sudden upswing.

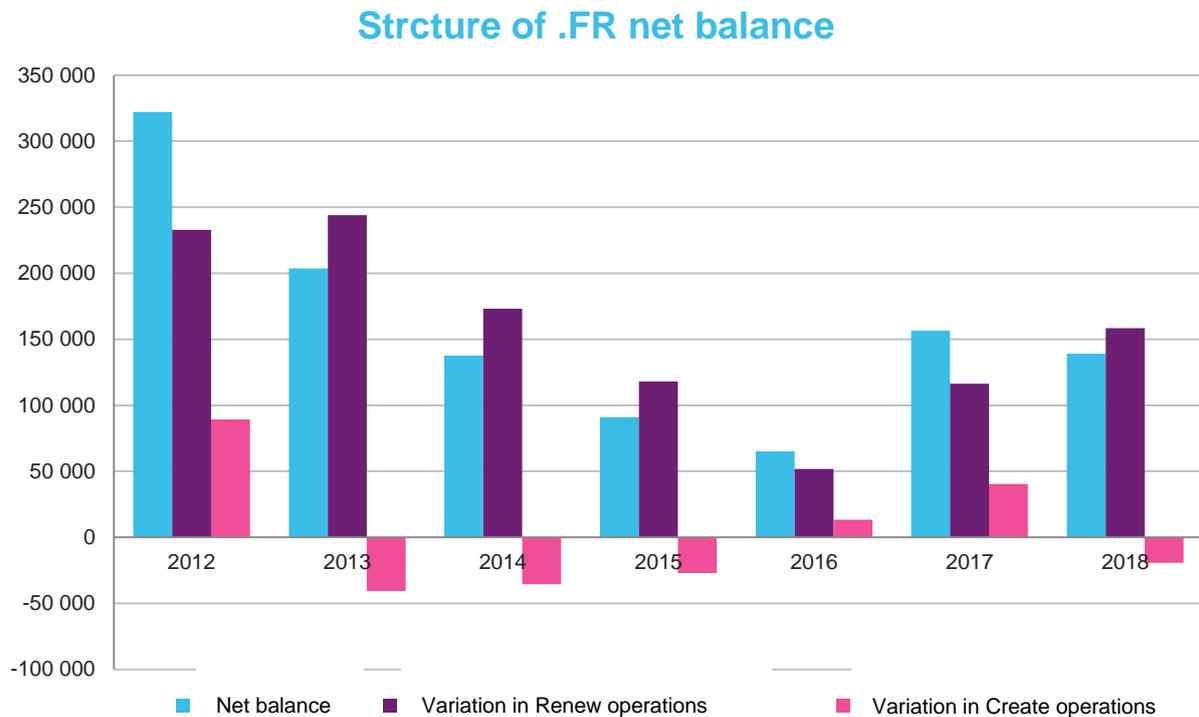
Regarding the delete operations and the maintenance rate, we estimate that the latter is likely to stabilize in 2019, resulting in an increase in delete operations roughly equivalent to the growth of the stock, i.e. 3-5%.

Given these forecasts, growth in the .FR ccTLD in 2019 should remain above 3% and the namespace is likely to continue to gain market share, although this may not be as dramatic as in 2018.

4. Structure of .FR net balance

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

The graph below shows the variations in domain name renew and create operations from one year to the next, their addition forming the net balance.



The variation in renew operations was always positive between 2012 and 2018, 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 delete operations, before returning in 2017 to the 2015 level, passing the +150,000 names milestone in 2018.

On the other hand, the trend in create operations was downward in 2013-2015 before the upswing in 2016 and 2017, and turning negative again in 2018. The graph, however, shows the exceptional nature of 2017 after four difficult years, the level reached explaining why the performance in 2018 was negative.

The diagram is a good illustration of the fact that since at least 2012 the variation in the net balance is more due to the variations in renew operations than to those of the create operations, the latter factor increasing the results or on the contrary decreasing them. This situation is that of all TLDs that have existed for a long time. It highlights the interest for their registries in according greater importance to renew operations, even if create operations retain an obvious strategic interest.

The study of .FR key parameters helps to explain these factors and to illustrate the reasoning carried out in terms of activity forecasts.

5. .FR key parameters

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 reduce over time, since the stock of names increases from year to year and the effort to be provided in terms of create operations (in absolute value) is mechanically higher and higher, if you want maintain a similar rate of sales momentum from one year to the next.

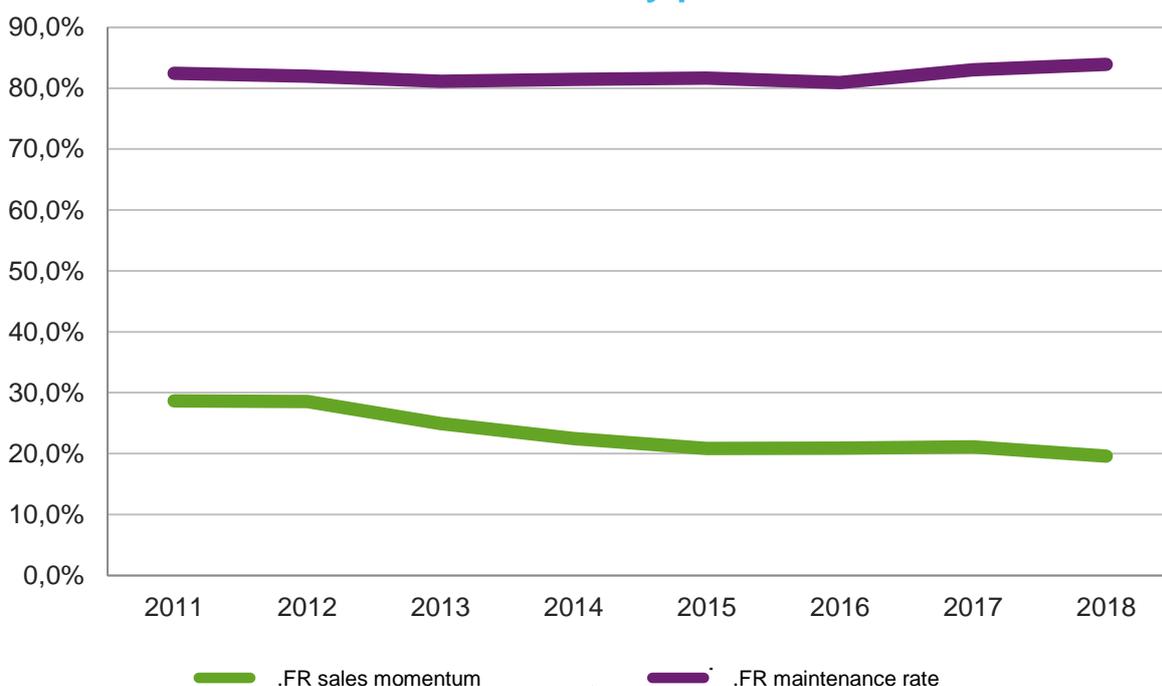
Because of the 3% drop in create operations (compared with a 4.4% increase in stock), the create rate deteriorated in 2018, from 21.1% to 19.6%.

The create operations rate is structurally downward, unless there are exceptional events such as an easing of the eligibility rules, a "rush" of domainers on the TLD or a particularly successful promotional campaign. But whatever the case, over the long term, the structural trend will continue to apply. In addition, massive numbers of create operations obtained by windfalls (such as a free offer campaign) often result in large delete operations the following year, which deteriorates the maintenance rate. Our two indicators are therefore interrelated and their values define the internal balance of the economy of a namespace, a balance that is difficult to modify.

With a zero growth rate in 2019, a create rate of 20% would represent 661,000 create operations, i.e. an increase of 12,000 create operations in 2019.

The growth in the create rate recorded between 2011 and 2018 is therefore "natural" for a TLD that has existed for several decades, whose portfolio fund consists of a stock of 3.3 million domain names. The level of around 20% is consistent with those of our European counterparts of the same size.

Variation in .FR key parameters

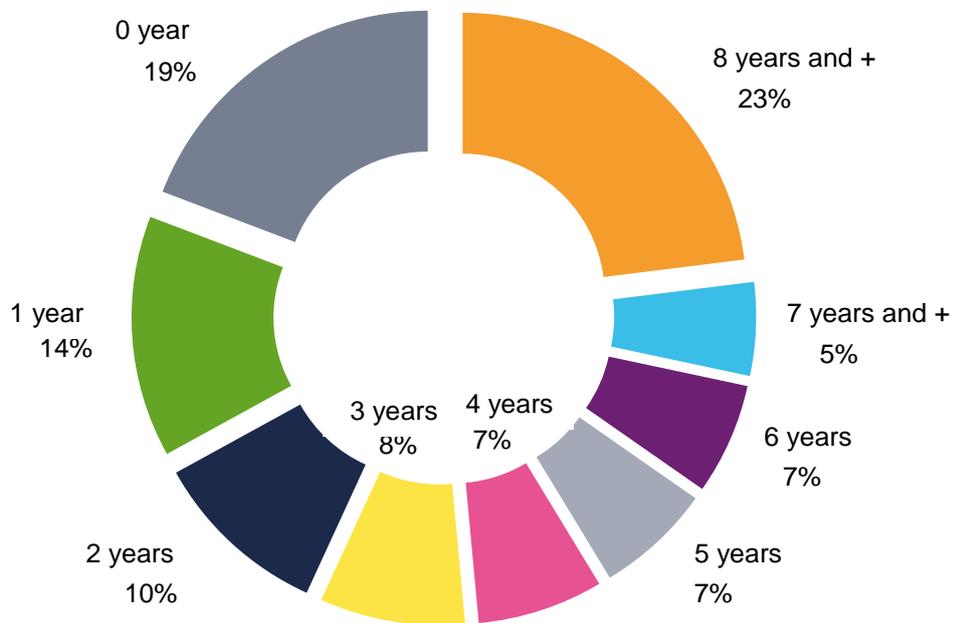


The maintenance rate is calculated by subtracting the number of domain name create operations during the year from the stock at year-end, and carrying over that balance to the stock at the outset of the following year. It therefore measures the proportion of names existing in the portfolio at the start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

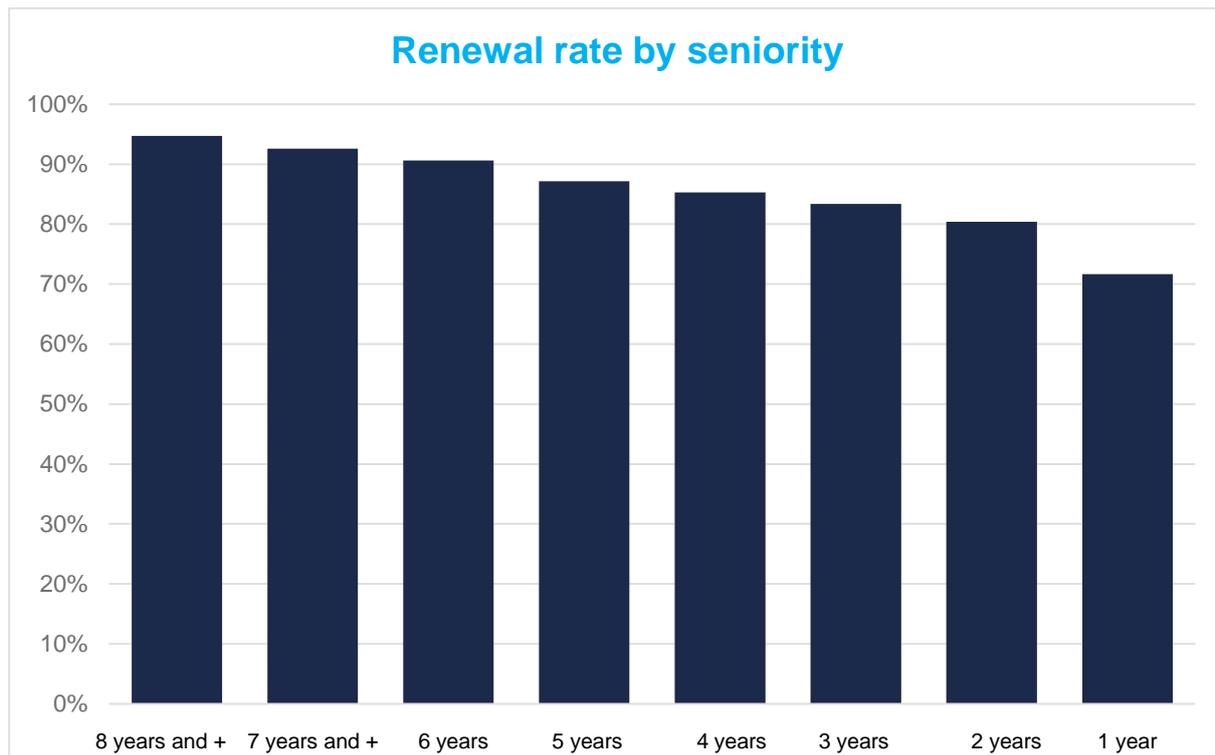
.FR has had a very stable maintenance rate since 2011, consistently higher than 80%. 2018 was exceptional and marked a historic high. Its development can partly be explained by the analysis of the structure of the portfolio by seniority of domain name registrations.

The graph below shows the distribution of .FR domain names by seniority at 31/12/18. The names created in 2018 have a seniority of 0 years, those of 2017 a seniority of 1 year, etc. It can be seen that 50% of .FR domain names have a seniority of less than 4 years, and that the names more than 8 years old represent only 25% of the stock.

Structure of the .FR in terms of seniority



This distribution has a direct impact on the maintenance rate, because it can be seen that this rate varies with the age of the domain names.



For example, the maintenance rate in year 1 (the first renewal) is close to 70% and then increases to 80% or more. It is as if a domain name retained for several years in a row has an increasingly greater probability of being retained in the future.

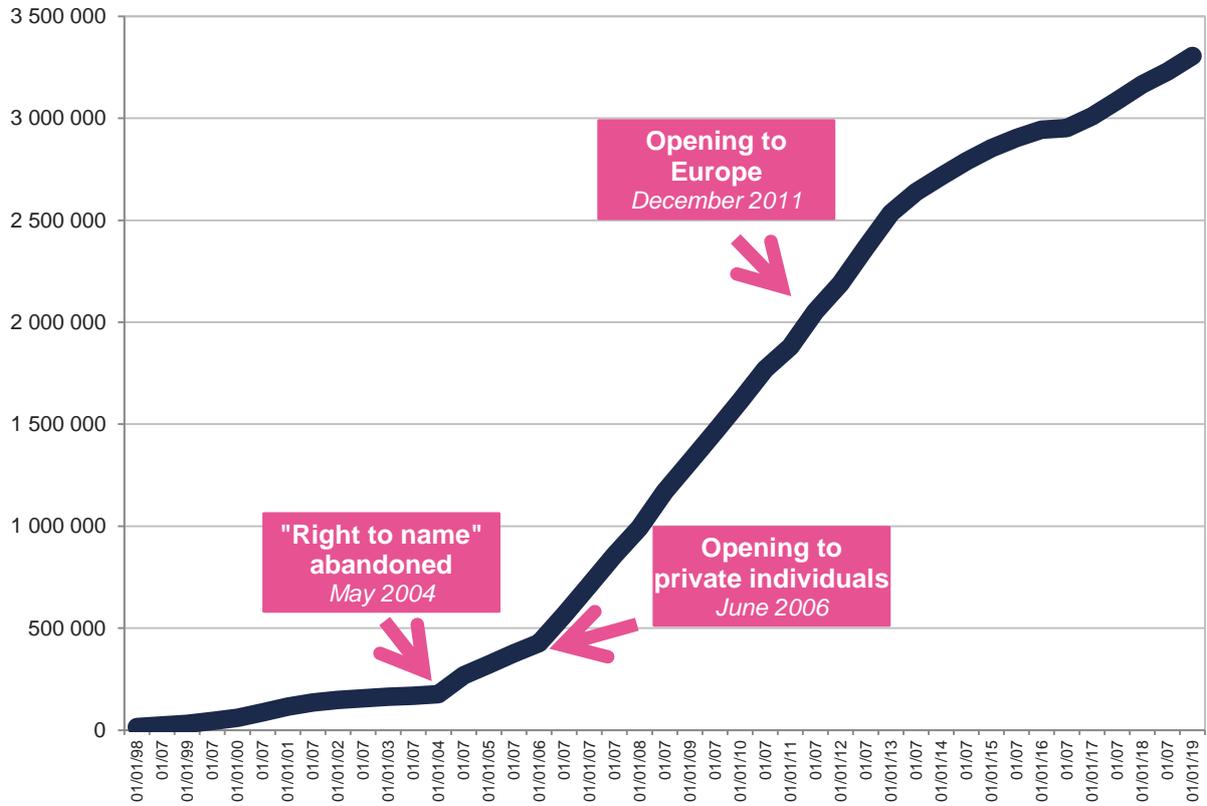
The maintenance rate is never 100%, reflecting the existence of a natural phenomenon of erosion that decreases as the names gain in seniority.

This study validates and quantifies the hypothesis that a domain name that is used is all the more likely to be retained. The figures presented here take into account only the year of creation, but it will be possible in the future to distinguish the names according to their use and to present even more precise data on the motivations of their holders. Depending on whether a name serves as a support for an internet presence, or has been registered for defensive or speculative purposes, its life expectancy is likely to be very different.

The following diagram highlights the impacts of the various waves of openings (in 2004, 2006, 2011) on the growth of .FR.

Note that the easing of the "right to name", i.e. 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, the determining factor the opening to private individuals, the two "openings" combining their effects until 2013 without any noticeable effect of opening up to the European Union. From 2013 onwards, growth slowed and we had to wait until the beginning of 2017 to cross the three million mark for .FR. The pace remained strong in 2018, very close to that of 2013-2016.

Change in the number of .FR domain names

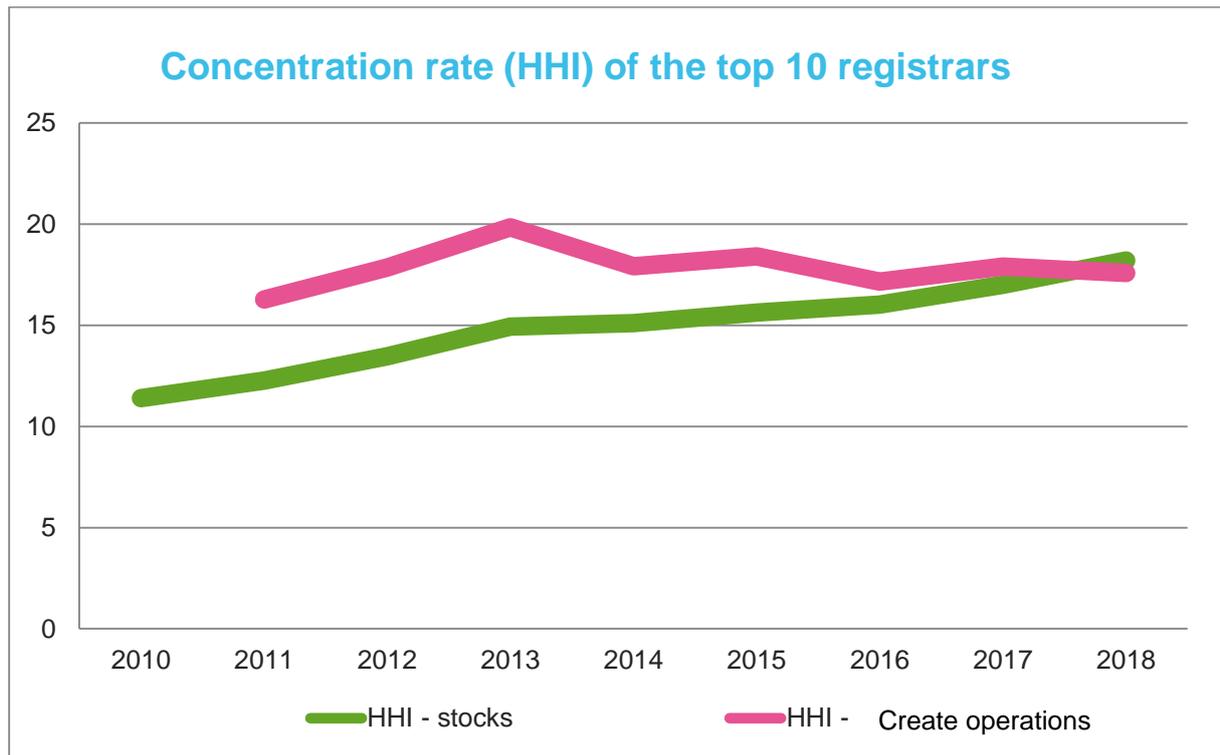


At the current rate, the 3.5 million mark for .FR could be passed in the second half of 2020 or at the very beginning of 2021.

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).

The graph below shows the stages in the concentration of the .FR "market". The slope (green curve) is very steep until 2013, and then tends towards the horizontal, before rising again in 2017/2018 at a rate comparable with that of 2010-2013.



At present, in terms of the HHI nomenclature, .FR is considered a moderately concentrated market. However, it could be considered to be significantly concentrated beyond 20.

The new fact in 2018 is the move of the concentration index for create operations under the stock concentration index, indicating a medium to long-term trend towards market deconcentration. This phenomenon leads us to surmise several hypotheses that will have to be verified by the developments in 2019:

- Firstly, the partial consolidation of the portfolios of two major registrars belonging to the same group may have temporarily affected the HHI Stock index without reflecting a similar trend in terms of create operations.
- Secondly, the renewal by default procedure of a major registrar may also stimulate a stock concentration process, which would not occur with create operations. In this case, this registrar "loses" proportionally fewer names than its competitors do because they are renewed by default: its market share in renewed names increases accordingly, and results in a concentration of the global stock.

Do the 2018 data indicate a trend reversal towards a deconcentration of .FR or only a one-off jolt to the HHI stock index? The future will tell, but the lesson we can draw in the short term is that market concentration seems less determined by the competition in create operations than up until 2017.

The table below focuses on the market shares of the top 3 players, in terms of stock (as at 31/12) and in create operations. It shows that the deconcentration phenomenon began at their level as of 2017, and that it grew in 2018 (a gap of 2.3 points against a difference of 1 point in 2017).

	2013	2014	2015	2016	2017	2018
Stock	59.6%	59.5%	60.0%	60.8%	63.9%	64.8%
Create operations	65.9%	62.0%	62.4%	61.5%	62.9%	62.5%

These data seem to confirm the trends in HHI indices. Nevertheless, the weight of these three players in the activity of the .FR is considerable today compared with the number of registrars active on this TLD.

7. Distribution of .FR in France

Registrants located in greater Paris (Ile-de-France) held 30.6% of .FR domain names at 31/12/2018, but the region lost 1.5 points of market share between the end of 2017 and the end of 2018. With a growth of 4.6% in 2018, however, it continues to "pull" .FR.

The other regions with significant market shares are Auvergne Rhône-Alpes (12%), Occitanie (7.7%), Provence-Alpes-Côte d'Azur (7.6%) and Nouvelle Aquitaine (6.7%).

However, if we consider the 2018 growth rates, the record is very different, with the overseas territories (+ 11.1%), followed by Corsica (+ 6.1%), Provence-Alpes-Côte d'Azur (5.7%) and Nouvelle Aquitaine (5.6%).

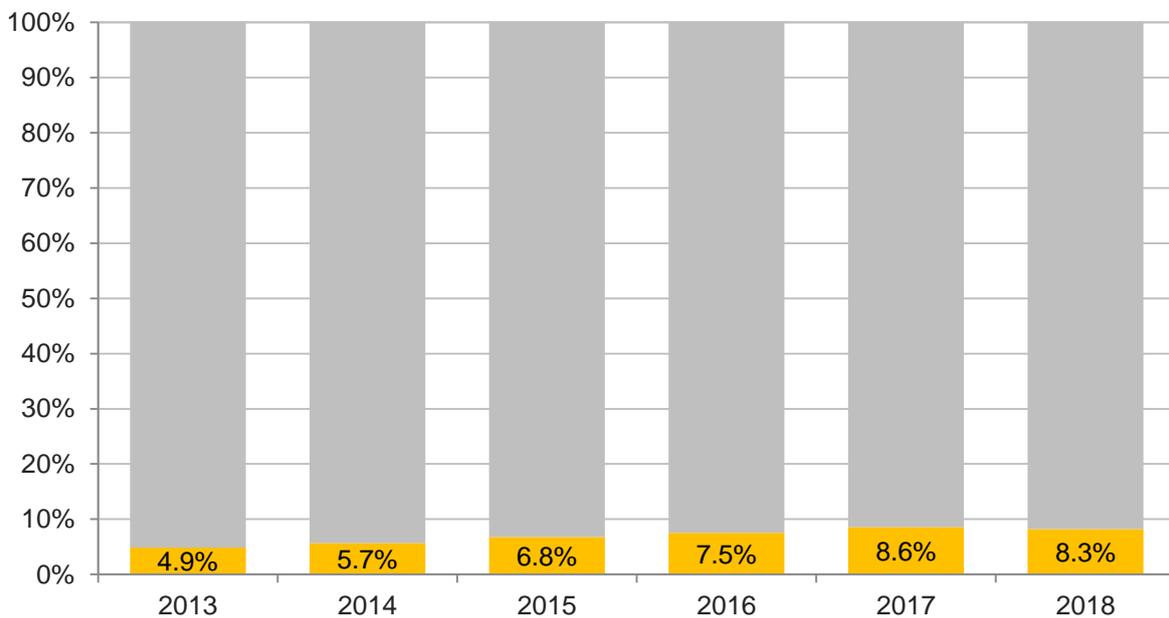
Catching-up dynamics are therefore at work in certain regions, as evidenced by the erosion of the greater Paris market share over the past four years.

Region	Stock 31/12/18	Var. 2018	M-Share 31/12/14	M-Share 31/12/18	Var. M- Share (pts) 14/18
Grand-Est	182 000	4.0%	5.7%	5.5%	- 0.2
Nouvelle Aquitaine	222 000	5.6%	6.6%	6.7%	+ 0.1
Auvergne-Rhône-Alpes	395 000	5.3%	11.4%	12.0%	+ 0.5
Bourgogne-Franche-Comté	81 000	3.9%	2.5%	2.4%	- 0.1
Bretagne	113 000	5.5%	3.4%	3.4%	0.0
Centre-Val de Loire	75 000	4.4%	2.3%	2.3%	- 0.1
Corsica	10 000	6.1%	0.3%	0.3%	0.0
Île-de-France	1 010 000	4.6%	32.0%	30.6%	- 1.5
Occitanie	254 000	2.7%	8.6%	7.7%	- 0.9
Hauts-de-France	167 000	5.1%	5.3%	5.1%	- 0.2
Normandie	89 000	5.1%	2.7%	2.7%	0.0
Pays de la Loire	150 000	5.0%	4.5%	4.5%	0.0
Provence-Alpes-Côte d'Azur	250 000	5.7%	7.8%	7.6%	- 0.2
Overseas France	30 000	11.1%	0.9%	0.9%	+ 0.1

8. Foreign registrants

The opening of the .FR to Europe took place in 2011, with, as we have seen, a limited impact on the growth momentum. The percentage of .FR domain names registered by foreigners has continually increased ever since, rising from 5% in 2013 to 8.5% in 2017. 2018 is the first year in which that proportion stabilized (-0.2 points), probably due to a loss of 12,000 names among .FR holders located in Germany. This had an impact on the growth in the overall number of domain name registrations by holders located in the European Union, which grew by only 1% (for a total growth in .FR of 4.4%).

Percentage of .FR domain names registered by foreigners



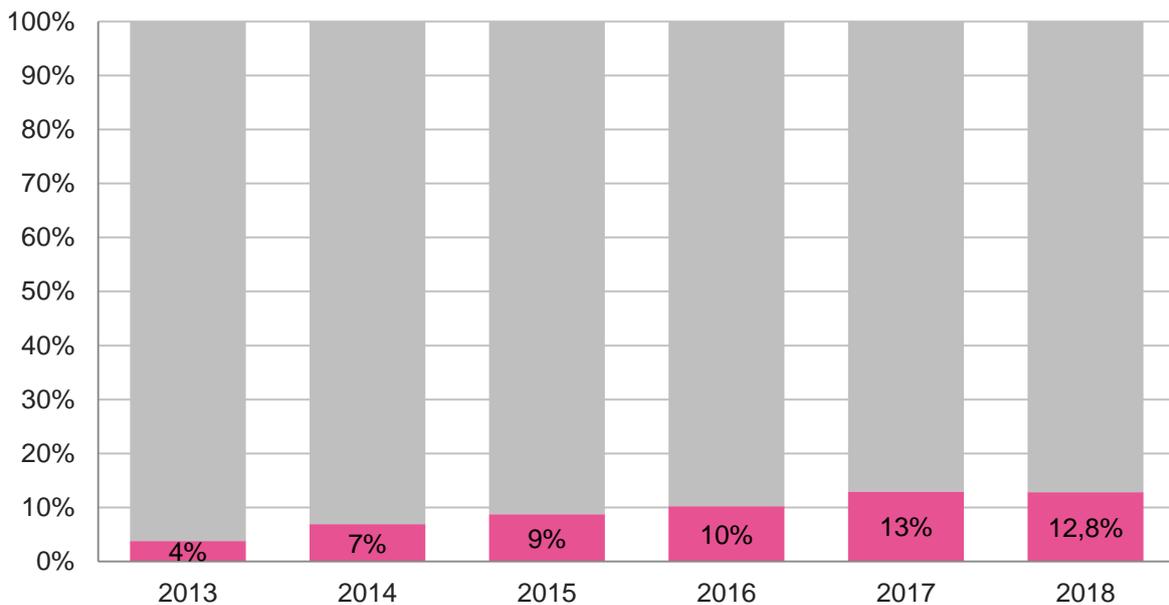
Foreign registrants are still mainly located in Germany (73,000 against 85,000 in 2017), the Netherlands (43,000 against 36,000), the United Kingdom (34,000 against 33,000), and Belgium (33,000 against 31,000).

Create operations by registrants in the European Union fell significantly in 2018, from 87,000 to 68,000. The sales momentum of this segment remains high (25% in 2018 against 20% for the whole of .FR) while tending to shrink (33% in 2017).

9. DNSSEC

The proportion of .FR DNSSEC-signed domain names increased from 4% in 2013 to 13% in 2018, i.e. tripling in volume from 103,000 to 424,000 names. In 2018, an additional 13,000 names were DNSSEC-signed.

Percentage of .FR DNSSEC-signed domain names



The proportion of signed names stabilized in 2018, however, the increase of 13,000 names being lower than the growth in the stock (3.2% against 4.4%).

This growth, which marked a pause in 2018 still remains modest, however, 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. .FR internationalized domain names

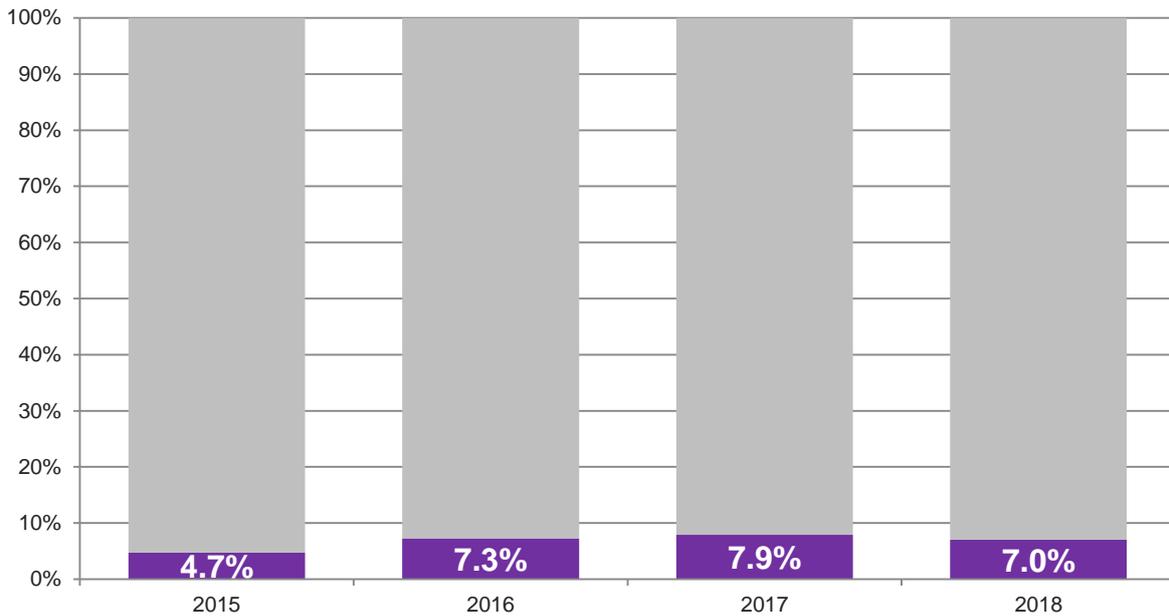
The proportion of .FR names in IDN format, i.e. containing accented characters, remains low and continued to decrease in 2018, falling to 0.7%, through the combination of non-renew operations and the increase in the global stock of .FR domain names. The number of .FRs in IDN format also decreased by 1,500, to 22,500 by the end of 2018 (6%).

The utilization rate seems to remain low, which explains why the first choice of holders having to arbitrate their domain name budgets is to eliminate the names integrating accented characters.

11. Multi-year registrations

The registration and renewal of .FR domain names for periods of over 1 year (and up to 10 years) have been possible since 30 March 2015. Yet 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.

Percentage of .FR domain names registered for several years



233,000 .FR domain names had been registered for 2 years or more as at 1 January 2019, or 7% of the stock. This figure represents a decrease compared with the level reached in 2017 (7.9%). Since we do not have comparable data from our counterparts, we cannot be sure that the 7/8% indicates a levelling-off or whether it is attributable to more cyclical factors.

12. Outlooks in 2019 for .FR

2018 was a mixed year for .FR, with create operations lower than expected but renewals higher than expected. In the end, its performance in terms of the net balance was highly satisfactory (+ 139,000 domain names).

Create operations are not expected to change significantly in 2019 and one may hope that the maintenance rate will remain broadly stable.

.FR should therefore continue to grow at a steady pace (above 3%) and gain market share.

The efforts undertaken by Afnic with regard to small and medium-sized businesses with its [Réussir avec le web](#) program (Succeeding with the web) offering help the Association understand better how these companies use the Internet. The first lessons have shown that this segment of registrants prefers .FR (52%) to .COM (40%).

Although France is one of the most connected countries in the world, there is still a great deal of progress to be made in helping its businesses and private individuals take advantage of all the opportunities offered by the internet. Afnic is a stakeholder in that long-term process, which is a major source of wealth for our country.