The Global Domain Name Market in 2016

Afnic Studies

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Contents

1.Introduction

The publication of ICANN statistics as at 31/12/2016 allows a quantitative assessment of the year 2016 and the review of a rather atypical period in the history of the domain name market. These insights may provide input for forecasts over the coming months.

The data on which this study is based are from ICANN reports (transactions - registries), from information provided by registries in certain frameworks such as the Council of European National Top Level Domain Registries (CENTR) or the Asia Pacific Top Level Domain Association (APTLD) or via their websites, and research conducted by Afnic. In some cases, we also rely on specialized sites such as NTLDSTATS.COM.

Our figures may vary slightly from those reported by other sources, particularly due to the lack of precise data for all country code Top-Level Domains (ccTLDs).

2. The things to remember

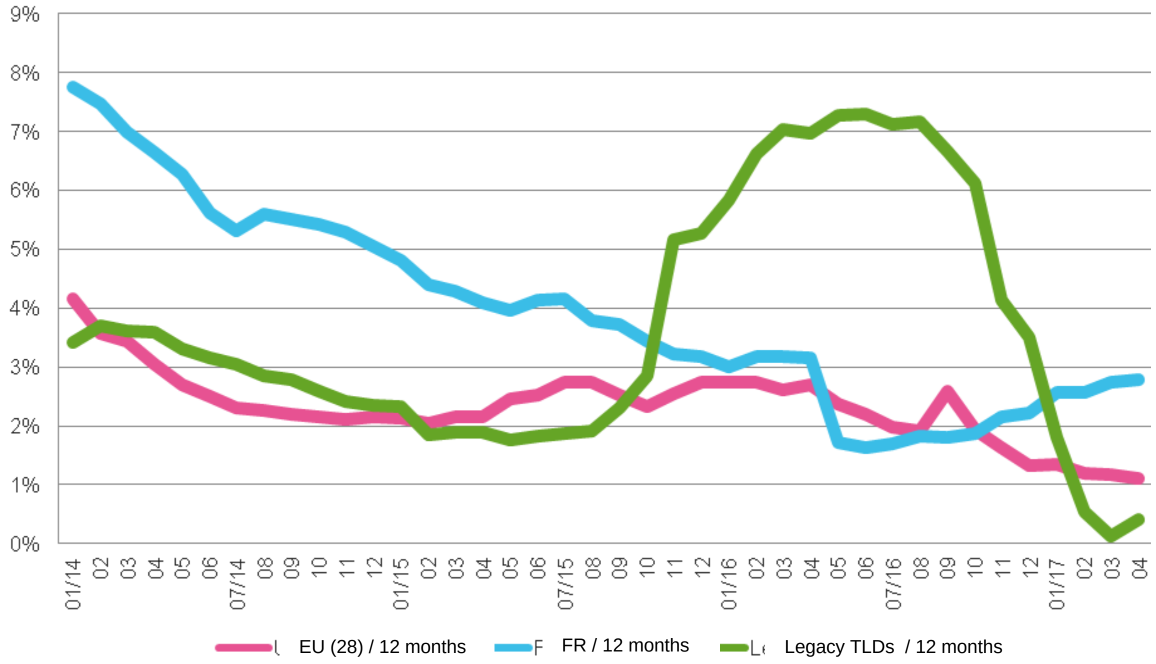
- At the end of 2016, the global domain name market represented some 338 million domain names, including 169 million legacy TLDs (.COM, .NET, .ORG, etc.), 28 million "nTLDs" created in 2014, and 141 million ccTLDs (so-called "geographic" namespaces).
- Overall growth in 2016 was 7.1%, down from 11.7% in 2015.
- NTLDs continued to gain market share in terms of volume, accounting for 8% of the names registered worldwide at year-end 2016, compared with 4% at year-end 2015.
- After boosting the performance of some TLDs in 2015, "Chinese domain name filings" now weigh on the growth of these same TLDs because of the numerous deletions.
- The situations of "Legacy TLDs" vary quite considerably, some losing stock while others are making marked progress.
- The create rates were often down in 2016, but the improvement in retention rates suggests that the "portfolio clean-up" period following the arrival of nTLDs is over.
- Among the ccTLDs, the most dynamic regions in 2016 were Africa and North America. Europe is stagnating in comparison, Latin America is growing slowly but surely, and the Asia-Pacific region is subject to very strong variations both upwards and downwards. That region today is the one that determines the overall market trend.
- The "nTLD" market can be broken down into segments with very different purposes and profiles, from the hundreds of .CORPs that "hold" only a few names, to generic TLDs involved in a race for volume.
- The overall rate of use of nTLDs is encouraging, even though its level is still low.
- Since 2014, the market has undergone major upheavals caused by changes linked to the aim of market participants to diversify their sources of income, but also to pursue integration strategies within the value chain.
- The rise of the financial sphere in the capital of certain major players is resulting in ambitious strategies while subjecting the market to new frames of reference and changes in management teams.
- The intensification of competition and the absolute necessity to optimize the match between supply and demand will continue to weigh on the players and force them to rethink their models and their positions more than they have ever done since this market first emerged twenty years ago.

3. Overall Trends

The domain name market had 338 million names worldwide at year-end December 2016, up 7.1% from 2015. Although still strong, its growth declined compared with 2015 (11.7%).

An exceptional "bell" phenomenon highlights the impact of the waves of Chinese domain name filings on traditional generic namespaces ("legacy nTLDs"). These mass filings carried out at the end of 2015 initially boosted market growth, before "weighing" heavily on it due to the non-renewal of many of the domain names registered for speculative reasons.

Changes in growth on a 12-month sliding scale



With its 131 million domain names and 39% market share, the .COM remains the market "heavyweight" but its positions are slowly being eroded, with a loss of 3 market share points since year-end 2014. Its growth has also considerably slowed down (from 6.4% to 3.7%).

The "Other Legacy TLDs", which had suffered in 2014/2015, seem have made a comeback in 2016, with growth almost equal to that of the .COM. However, this overall performance conceals wide-ranging disparities in the situations between the TLD suffixes concerned.

The new TLDs have had two exceptional years of growth because they were "launches", the results also being stimulated by aggressive market strategies to which we will return later.

	Stock (millions)			Variations (%)		Market share (%)			
	2014	2015	2016	2015	2016	2014	2015	2016	16/14
.COM	119	127	131	6.4%	3.7%	42%	40%	39%	-3
Other Legacy TLDs*	36	36	38	1.5%	3.2%	13%	12%	11%	-2
nTLDs	4	11	28	195.9%	144.8%	1%	4%	8%	+7
Total gTLDs **	159	174	196	9.9%	12.8%	56%	56%	58%	+2
ccTLDs ***	124	141	141	14.0%	0.1%	44%	45%	42%	-2
TOTAL	**282**	**315**	**338**	**11.7%**	**7.1%**	-	-	-	-

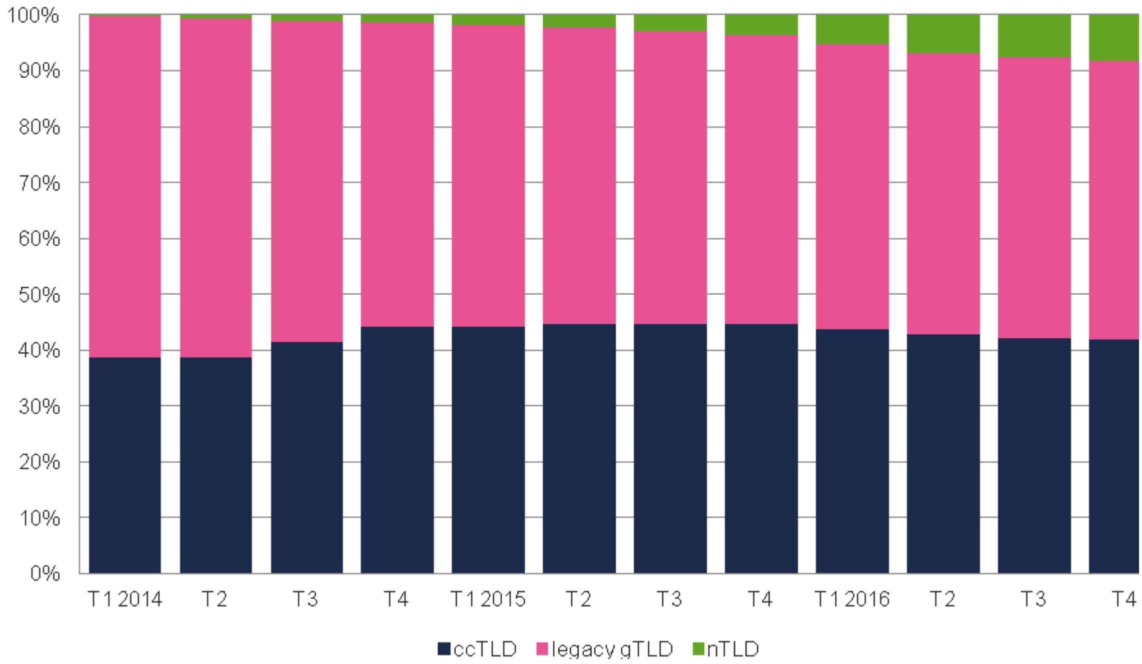
** Other Legacy TLDs: generic TLDs created before 2012, such as .AERO, .ASIA, .BIZ, .NET, .ORG, .INFO, .MOBI, etc.*
*** Total gTLDs: measures all the domain names managed under a contract with ICANN. This includes the new TLDs, some of which are not, strictly speaking, "generic".*
**** ccTLD or "country code Top-Level Domains", i.e. suffixes corresponding to territories, such as the .FR for France.*

On the other hand, country code Top-Level Domains (ccTLDs) which had an excellent year in 2015, experienced zero growth in 2016. Again, the contrasts are important and we detail below the main phenomena we have found.

A rapid analysis of market share gains or losses (expressed in points) between 2014 and 2016 shows that nTLDs (+7 points) were almost identically positioned against the other three market segments, "Other Legacy TLDs" and ccTLDs each losing 2 points and the .COM, the hardest hit, 3 points. But if we focus on 2016, the .COM and the other Legacy TLDs held up well (-1 points each) while the ccTLDs lost 2.

The chart below shows a quarterly view of the change in market share of the various segments since the introduction of the first nTLDs (January 2014). Note the high growth in nTLDs up to the 3rd quarter of 2016, before a period of stagnation in the final months of the year. At the same time, the ccTLDs seem to have reached their maximum at 3rd quarter of 2015 before losing ground in 2016.

Change in market share per type of TLD (2014-2016)



The same net balance figures show the dynamics of nTLDs (73% of the net balance for 2016), the relative stability of the "Legacy TLDs" as a whole (27% of the net balance) and the collapse of ccTLDs.

	Net balances		Weight in the total		
	2015	2016	2015	2016	16/15
.COM	8	4	25%	18%	-7
Other Legacy TLDs*	0	2	0%	9%	+9
nTLDs	7	16	22%	73%	+51
**Total gTLDs ** **	*15*	*22*	*47%*	*100%*	*+53*
ccTLDs ***	17	0	53%	0%	-53
TOTAL	**32**	**22**	-	-	-

A look at the dynamics of each of these three market segments, Legacy TLDs, ccTLDs and nTLDs will improve the understanding of the phenomena at work in 2016.

4. Legacy TLDs in 2016

There are now 18 Legacy TLDs, or "traditional" namespaces created before 2012:. AERO, .ASIA, .BIZ, .CAT, .COM, .COOP, .INFO, .JOBS, .MOBI, .MUSEUM, .NAME, .NET, .ORG, .POST, .PRO, .TEL, .TRAVEL, .XXX.

The stocks of these Legacy TLDs vary considerably, from the few names of the .POST to the 131 million of the .COM.

In order to present summary tables, we will only distinguish the six most important by volume, aggregating the other 12 in a line "Legacy TLDs excluding the Big Six". The scope of this study does not allow us to go into greater detail.

	Stock (thousands)			Creations (thousands)				
	2015	2016	Variation	2015	2016	Variation	R. 2016 *	% R.
.BIZ	2 448	2 374	-3.0%	762	509	-33.3%	1 866	76%
.COM	126 645	131 335	+3.7%	34 569	32 313	-6.5%	99 022	78%
.INFO	5 063	5 748	+13.5%	1 544	1 868	+21.0%	3 880	77%
.MOBI	710	674	-5.0%	113	131	+15.9%	544	77%
.NET	16 175	16 137	-0.2%	4 285	3 255	- 24.0%	12 882	80%
.ORG	10 893	11 075	+1.7%	2 662	2 120	-20.3%	8 955	82%
Other	1 011	1 298	+28.4%	168	465	+176.8%	833	82%
TOTAL	**162 945**	**168 642**	**+3.5%**	**44 103**	**40 660**	**-7.8%**	**127982**	**79%**

** "R" refers to the number of domain names retained in 2016. This figure is obtained by a fairly simple equation: R = Stock 2016 - Creations 2016.*
This is because the stock of a TLD at the end of 2016 is mathematically constituted by the names of the stock 2015 kept in the portfolio to which have been added the creations of 2016. It is therefore possible to deduce a "retention rate" based on these data from the various registries at ICANN ([% R]. *for the names that were in stock at the end of 2015.*
Rr R 2016 = R / Stock 2015

The first thing that comes to mind when considering these data is the steady increase in inventory (+ 3.5%), while the number of creations fell sharply in 2016 (-7.8%). This implies sufficient growth in the volume of renewed names to more than compensate for the sluggish performance in create rates.

It can also be seen that the overall average growth rate of of 3.5% "hides" the inventory losses of .BIZ, .MOBI and .NET, the spectacular recovery of the .INFO after several years of "purges", and the relative downturn of the. ORG. As for the "Others", their growth was boosted in 2016 by a punctual phenomenon - the "reopening" of the .PRO. The overall performance level is still aligned with the .COM, which alone accounts for 78% of the domain names registered in Legacy TLDs.

The retention rates, which represent the share of names in a TLD at 31/12/15 and not deleted in 2016, highlight the "resistance" of .NET and .ORG, firmly rooted in installed bases of faithful holders, and the relative "fragility" of .BIZ, .INFO and .MOBI.

By crossing these two items of information (create rates and retention rates), we can explain the under-performance of .BIZ and .NET by a reduction in their create rates which is not sufficiently compensated by the level of renewals. The good figure for the .INFO is more due to a "revival" in its create rate than to the solidity of its retention rate. As for the .MOBI, the effectiveness of the campaigns on create rates in 2016 did not manage to stop the decline observed for several years.

However, retention rates improved in 2016 after a difficult period, as shown in the table below:

TLD	2012	2013	2014	2015	2016
.BIZ	76.6%	75.3%	66.8%	68.3%	76.2%
.COM	78.2%	78.0%	77.5%	77.4%	78.2%
.INFO	46.2%	51.2%	61.2%	65.3%	76.6%
.MOBI	68.7%	69.6%	58.1%	68.6%	76.6%
.NET	77.4%	76.6%	76.6%	76.7%	79.6%
.ORG	78.6%	78.4%	78.2%	78.4%	82.2%
Other	74.3%	69.1%	64.5%	81.4%	82.5%
TOTAL	**76.1%**	**76.4%**	**76.4%**	**76.8%**	**78.5%**

It is as though the owners of "Legacy" names had "cleaned" their portfolios in 2014/2015, probably driven to do so by the arrival of the nTLDs that encouraged them to register names while keeping an eye on the levels of their budgets. In 2016, portfolios that had already been "cleaned" enjoyed better retention rates, but it was the create rates that suffered, probably for the same reason: the increasing competition from "new entrants".

Changes in retention rates may appear to be low, but they should be compared with stocks to understand their importance. A 1 percentage point change in the retention rate over 130 million .COM domain names represents a gain or loss of 1.3 million names, or about 4.2% of the annual create rate for this TLD. Leverage is all the more important in that the TLD is older. This is one of the reasons why the dramatic variations in create rates must be put into perspective, by linking them in the medium-long term with the change in the retention rate. In terms of strategic supervision, the above example shows that maintaining the retention rate is sometimes more important than the development of create rates by means of low-cost campaigns.

5. ccTLDs

In 2016, ccTLDs suffered the consequences of the good performance in 2015, as well as the competition from nTLDs, which created substitution effects, particularly in the case of low-cost models. Overall, the deletions that occurred when the domain names filed in 2015 were up for renewal completely offset the create rates.

The study of regional dynamics shows, however, that the situations differ according to the geographical areas.

In North America, 2016 performances reflected the "revival" of the .US TLD.

Latin America appears to be a stable market, developing slowly but surely.

Africa is experiencing very strong growth, largely due to the presence of some ccTLDs marketed in freemium mode.

Asia-Pacific showed a "loss" in 2016 after the sharp increase in 2015, its performance being hampered by the sharp resorption of the .TK TLD (from about 27 million names to 18 million, or a loss of 9 million).

Finally, Europe appears to be a mature market, not very prone to outbreaks of "market fever" as in Asia, with a growth rate practically nil.

	Stock (millions)			Variations (%)		Market share (%)			
	2014	2015	2016	2015	2016	2014	2015	2016	16/14
North America	4.2	4.2	4.8	0.5%	15.7%	3.4%	3.0%	3.4%	-
Latin America	6.9	7.0	7.7	1.7%	9.1%	5.6%	5.0%	5.5%	- 0.1
Africa	1.5	2.3	3.3	55.5%	45.0%	1.2%	1.6%	2.4%	+1.2
Asia-Pacific	44.7	59.3	55.8	32.6%	-5.9%	36.1%	42.0 %	39.5%	+3.4
Europe	66.5	68.3	69.5	2.7%	1.8%	53.7%	48.4 %	49.2%	- 4.5
TOTAL	**123,8**	**141,1**	**141,1**	**14%**	**0%**	-	-	-	-

The "market share" vision confirms this loss of momentum between 2014 and 2016 in the European market, which remains the largest but which in a few years may be overtaken by the Asia-Pacific region. In 2014, the market share differential was 18, but was only 10 in 2016. It is understandable why so many players are trying to make inroads on the Chinese market, which today is the most dynamic in the world.

6. nTLDs

The only factor the new TLDs often have in common is that they are "new", which is not enough to qualify them. Too often, observers refer to the success or failure of "new TLDs" without taking time to group them into "families" that make sense and allow for more nuanced approaches.

This is why we have created different market segments, corresponding to the most frequent approaches in specialist circles. It is obvious that these TLD suffixes are still "young", such that the uses made of them may lead to revisions of this segmentation which is still highly biased by the "nature" of the nTLDs and the conditions for being eligible to hold them:

- **"Community": domain name filings reserved for the members of a community, where appropriate with use focusing on a community.**
- **"Geo": nTLDs of a geographical character designating a city or region**
- **"Generics": nTLDs consisting of generic terms**
- **"CORP": nTLDs filed by private entities for internal use or extended to their customers, excluding all other users.**

With our nTLD segmentation, we strive to reflect the purpose of TLDs rather than their "ICANN status", since the latter these are difficult to qualify and have sometimes been adopted for tactical reasons (such as the privileges granted to "Community" nTLDs).

There is currently no "official" nTLD nomenclature, so our segmentation is liable to change based on information released by the registries or ICANN.

An additional factor of complexity is the degree of "restriction" required by each registry: a ".CORP" may be relatively "open" whereas a Generic nTLD can be fairly "restrictive". NTLDSTATS.COM, which provides a nomenclature, is based on a framework that ranges from "Unrestricted" to "Restricted" through "Semi-restricted" and "Brand".

However, while this approach may explain volumes (or their absence) according to eligibility conditions, it does not teach us anything about the purpose and market positioning of nTLDs.

At the beginning of 2017, the confusion surrounding the alleged and actual status of nTLDs reflects the highly "pioneering" state of this market segment.

The table below shows the data for each of the identified segments:

	Stock (thousands)			Creations (thousands)				
	2015	2016	Variation	2015	2016	Variation	R. 2016	% R.
Community *	26	101	+295%	19	8	- 60%	93	71%
Geographic	656	912	+39%	502	381	- 24%	531	81%
Generic	10 509	26 510	+ 152%	8 218	19 805	141%	6 705	64%
Corp	127	173	+36%	122	79	- 35%	94	74%
TOTAL	**11 317**	**27 696**	**+145%**	**8 860**	**20,273**	**+129%**	**7 423**	**66%**

(*) The figures for "Community" nTLDs were distorted in 2016 by the .PYC which claims it increased its number of domain names from 169 to 75,070 but without any creation. It is clear that an error has occurred in the ICANN reports from its registry. The 71% retention rate shown here is calculated on the basis of other Community nTLDs. Note that "anomalies" are frequently found in ICANN reports. They may be due to differences in the accounting of transactions and their subsequent disclosure, or to differing accounting methods from one registry to another (which should not occur if every registry followed the methodology imposed by ICANN), or to "bugs", or errors whose effects will be corrected over time.

Not surprisingly, it can be seen that generic nTLDs are carving out the lion's share of domain name registrations, while having the lowest retention rate. The reason is that nTLDs attract the greatest number of speculative or "SEO optimization" registrations via freemium strategies.

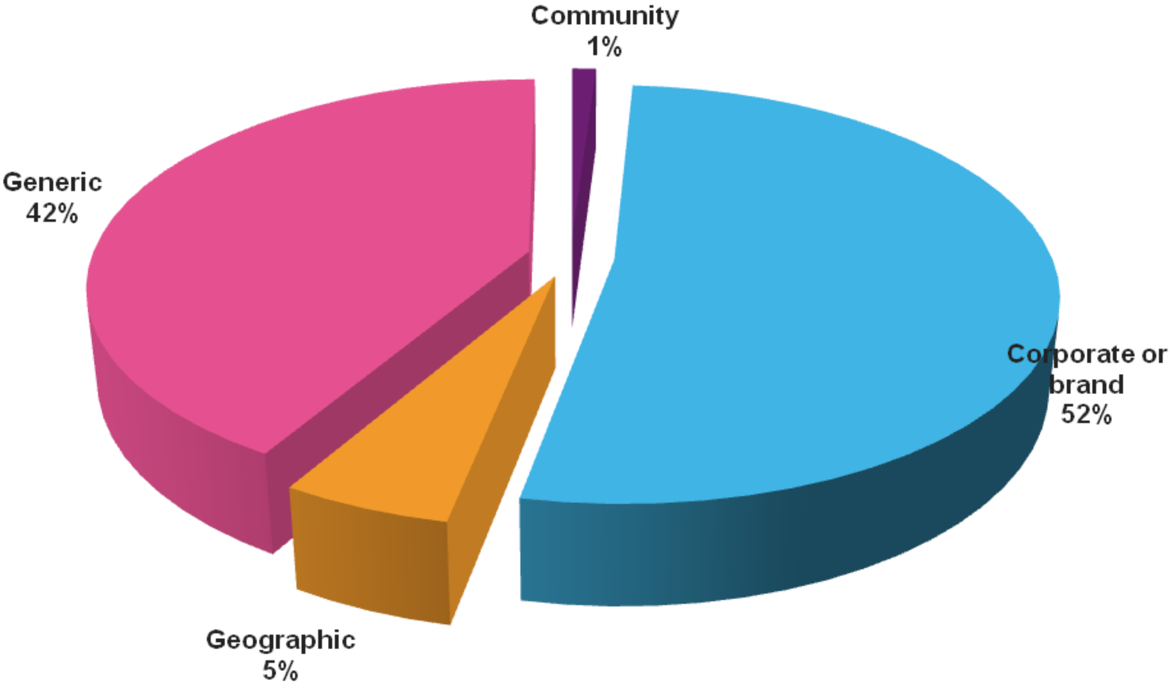
The "geographic" nTLDs come next, with create rates declining in 2016 (after the openings of 2015) offset by a very high retention rate, higher than those of most Legacy TLDs that have existed for much longer.

The "Corp" nTLDs are more difficult to assess: most have very few domain names, but some registries have opted for strategies based on opening the names to their customers, which makes them closer in nature to "generic" nTLDs when the customers in question number hundreds of thousands.

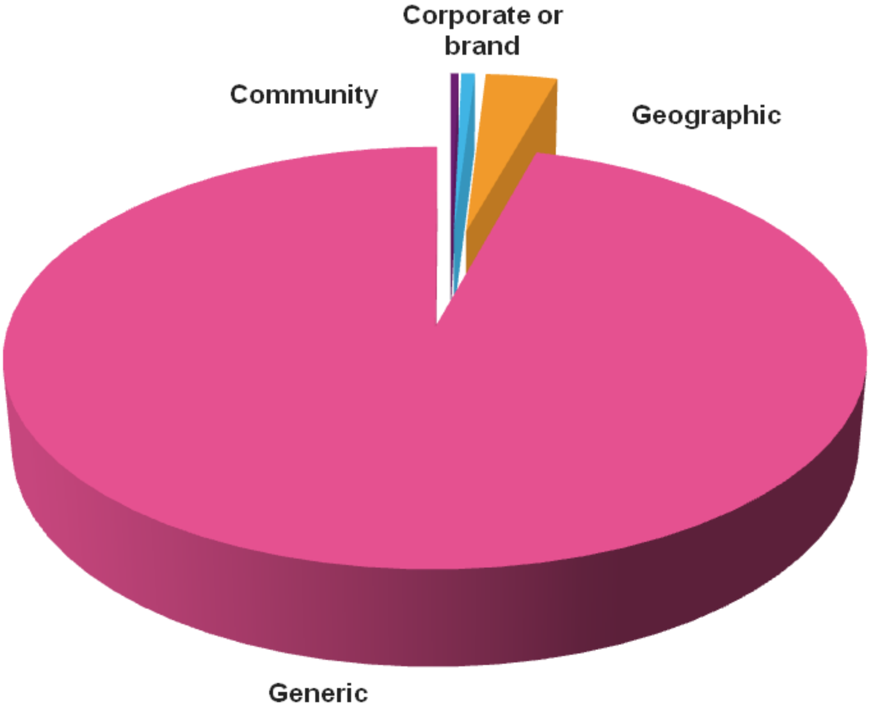
Finally, the "Community" nTLDs are perhaps those that performed the least well in 2016, with a number of create rates divided by 2 and a retention rate 10 points lower than that of the geographic nTLDs.

The distribution in volume of domain name registrations does not reflect the number of TLDs in each segment, as shown in the two graphs below. With 480 TLDs (42% of the total) "generic" nTLDs represented 96% of domain name registrations; with 602 TLDs (52% of the total) .CORP nTLDs only represented 1% of domain name filings.

Breakdown of nTLDs by type



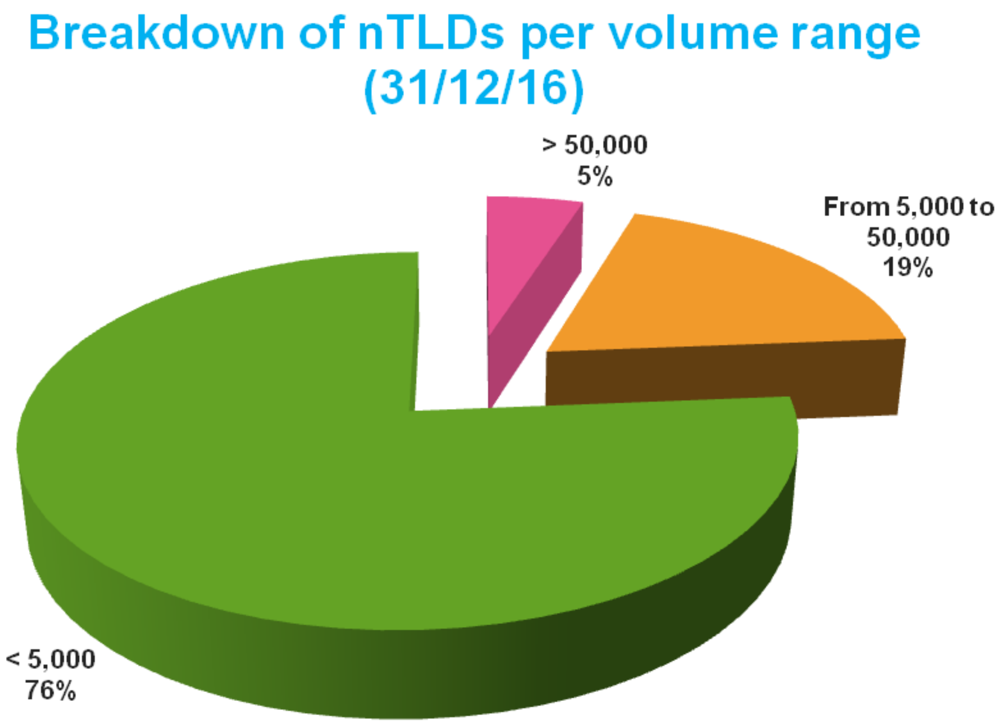
Breakdown of nTLDs by volume



These two graphs suffice to show that nTLDs do not form a homogeneous whole, and that the different types of TLDs within them have very different dynamics.

The variations in their approaches, some focusing on volume, others targeting "niche" markets, result in a high disparity in volumes.

The graph below shows the breakdown of nTLDs by volume range. It can be seen that only 57 nTLDs had more than 50,000 names at month-end December 2016, or 5% of the nTLDs active at that date. The range from 5,000 to 50,000 names contains 217 nTLDs, or 19 percent of the total. Nearly 75% of the nTLDs had fewer than 5,000 names.



These proportions are to be compared with the previous graphs. Most of the .CORP nTLDs with around 600 names, as well as the community nTLDs, are found in the 881 nTLDs with fewer than 5,000 names.

Generic nTLDs with "low" volumes therefore represent about 220 to 250 domain names (after removing the geographic and community nTLDs), or half the total. However, these data must be analyzed from a broader perspective: a significant share of the generic nTLDs are still in the emergence phase, and many of them can only hope to reach niche markets, preventing them from having any large-scale success.

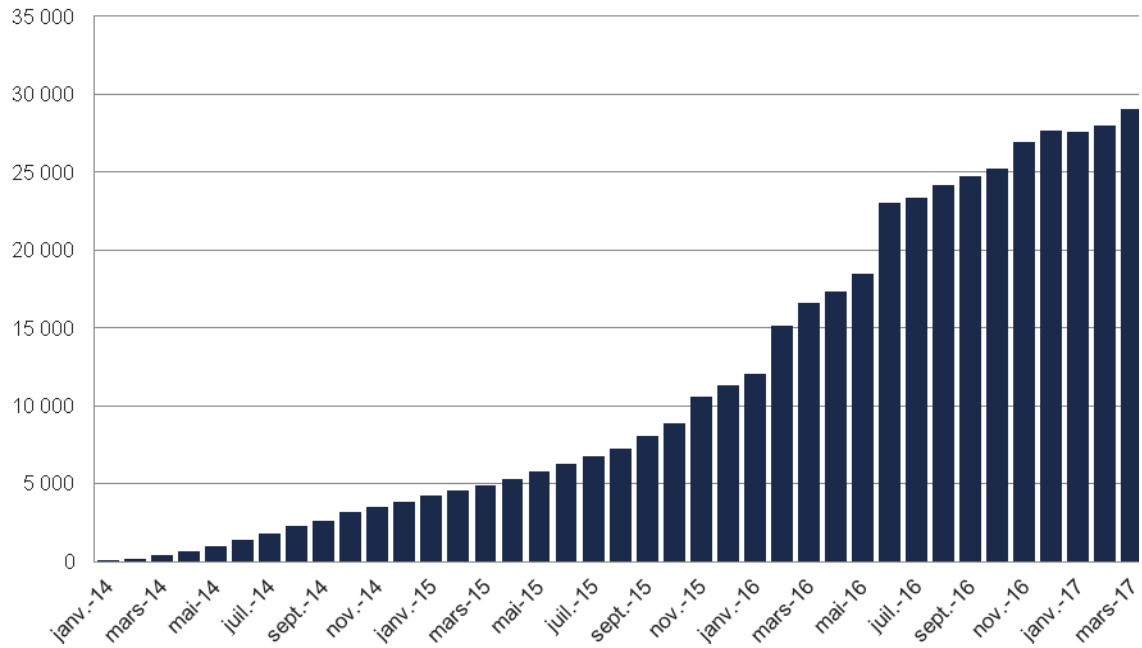
However, it is obvious that some of the registries that focused on this segment are disappointed and even alarmed, prompting some market participants to reconsider their business models. This situation has been reinforced by the sensitivity of the market to the non-renewal of the domain names that have been filed (or retailed) at very low prices.

NTLDs represented close to 30 million domain names at the beginning of 2017. They are currently undergoing a period of stagnation due to the large number of deletions further to the mass registrations in late 2015 and early 2016.

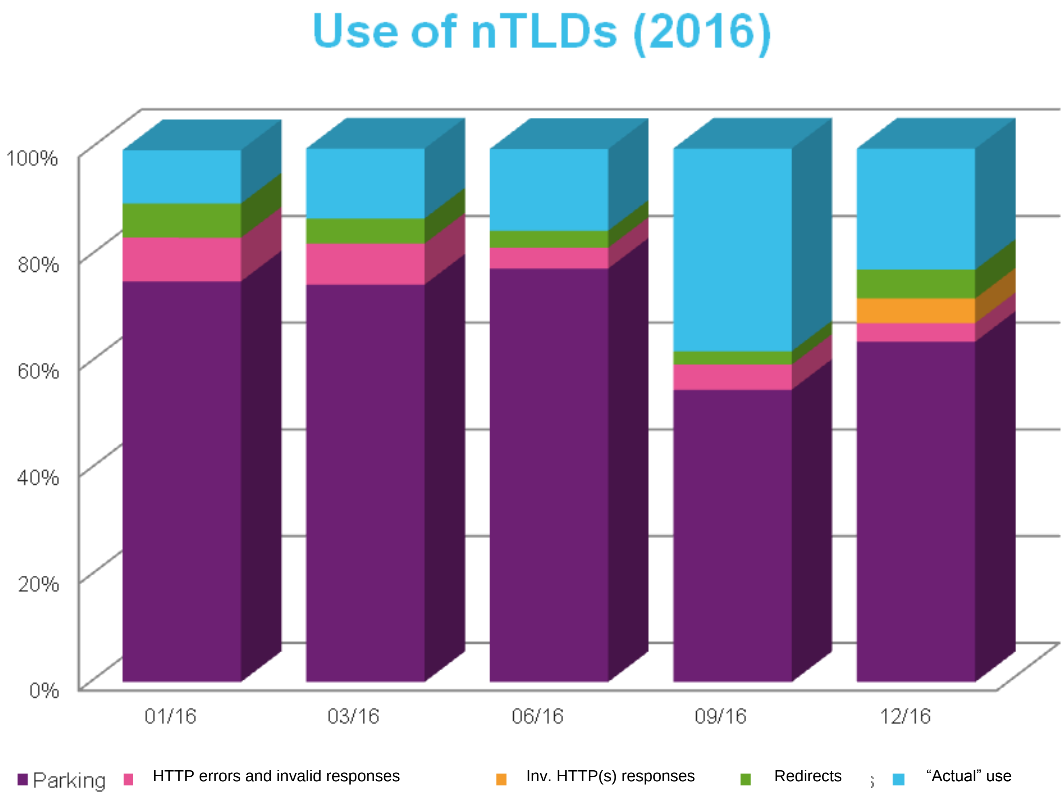
Unless an unusual phenomenon such a new wave of filings occurs, resumption in growth can only occur towards the end of the summer of 2017.

The market will need to overcome the renewal period of the 3 million .XYZ registered in June 2016; if 50% are deleted in July / August 2017, the nTLD segment will lose 5% of its global stock within a few weeks, not including the deletions of other nTLDs.

Change in the number of domain names in the nTLDs (ICANN andnTLDstats.com reports)



Faced with the uncertainties created by the volatility of create rates, the study of utilization rates can provide hope for the future. We have calculated these rates based on the data presented by the website Ntldstats.com in its "parking" section. By eliminating all of the "parked" names, redirects and HTTPs errors, we obtain a residue of domain names that are fairly likely to be actually used. This utilization rate "deducted" from the rest is, of course, only a rough estimate, which should be used in terms of magnitude and trends without giving too much importance to precise values.



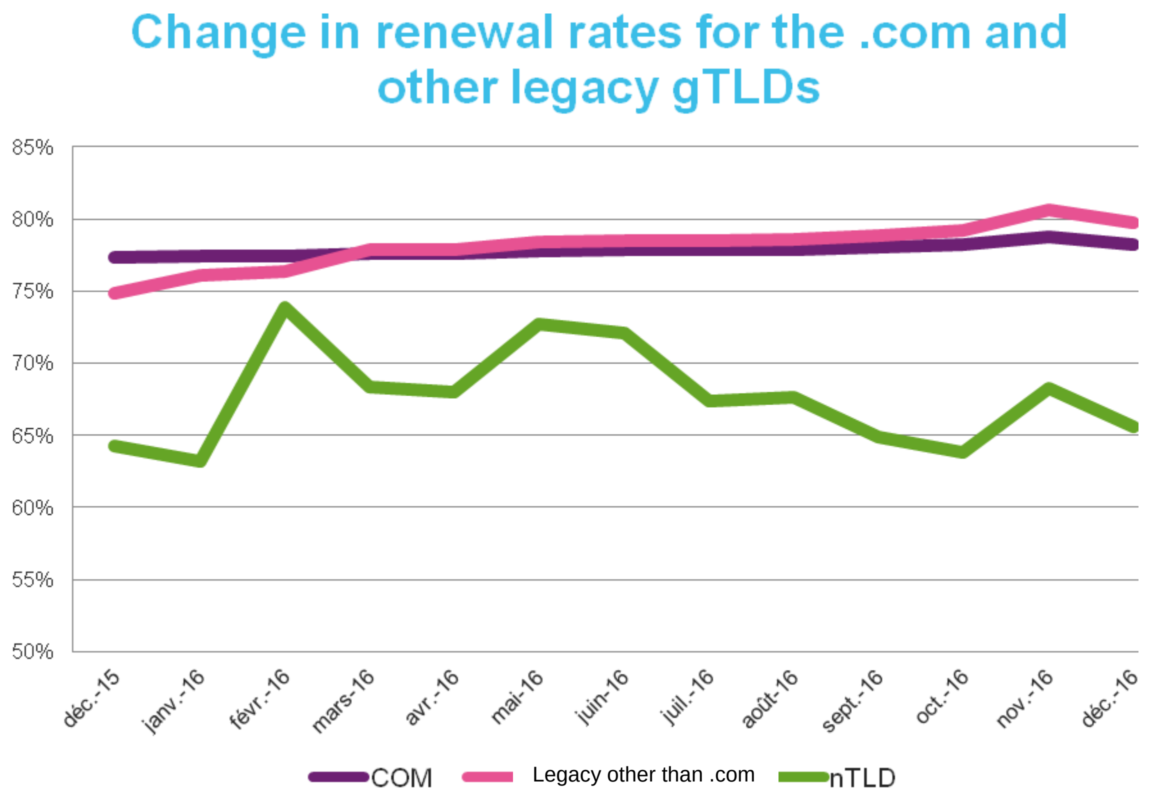
Source: nTLDstats.com

According to our calculations, the utilization rate generally doubled between the end of 2015 and the beginning of 2016, from 10% to 20% sometimes with significant variations (such as the peak at 40% in September 2016).

While these rates are likely to remain low for the time being, their gradual improvement will be a key indicator for assessing the sustainability and hence the actual success or failure of nTLDs both as a whole, and segment by segment.

The reasoning is that a domain name used is unlikely to be abandoned, whereas a domain name filed for "defensive" or speculative purposes is more likely to be deleted by the holder when it is time for renewal.

The overall nTLD retention rate fluctuated between 65% and 75% in 2016; it should deteriorate until September 2017 (due to the impact of the deletions mentioned above) and then gradually recover.



A study focusing on the top 9 nTLDs in volume indicates the same contrasts that we saw for the Legacy TLDs, but with even greater differences. For example, the .XYZ tripled its stock and its create rates, but retained only one name out of two.

In some cases, as in the case of the .SITE, the data need deeper analysis: the fact that the create rate multiplied by a factor of 5 in one year is already remarkable, but that the retention rate reached 96% in the same period is nothing less than miraculous. It is possible that the .SITE registry or a few private stakeholders registered most of the names currently existing under this TLD and have not deleted them for speculative reasons.

It does not reflect the more "conventional" reality of a market based on a large number of independent holders.

	Stock (thousands)			Creations (thousands)				
	2015	2016	Variation	2015	2016	Variation	R. 2016	% R.
.XYZ	1 798	6 751	+275%	1 502	5 864	+291%	887	49%
.TOP	960	4 766	+397%	912	4 107	+350%	659	69%
.WIN	560	1 264	+126%	560	868	+55%	396	71%
.WANG	595	980	+65%	525	528	+1%	452	76%
.CLUB	560	915	+64%	449	509	+13%	406	73%
.LOAN	109	882	+712%	109	802	+638%	80	74%
.SITE	87	613	+604%	86	529	+518%	84	96%
.BID	97	609	+527%	95	515	+441%	95	97%
.ONLINE	130	586	+351%	122	472	+288%	115	88%
TOTAL	**4 894**	**17 365**	**+255%**	**4 358**	**14 192**	**+226%**	**3 173**	**65%**
Share in nTLD total	**43%**	**63%**		**49%**	**70%**		**43%**	

.VIP is the 10th nTLD in the ranking at 31/12/2016 but since it was launched in May 2016, it has yet to undergo a renewal period.

The first nine nTLDs accounted for 70% of the create rate in 2016, and only 43% of the names retained.

Behind these "celebrities" lie all of the nTLDs which, although weigh only 30% of the create rate, represent 70% of the domain names retained.

There are two "models" in this table: on the one hand, the nTLDs which pay for their high growth with a high volatility in their portfolios, and on the other, the nTLDs that are developing at a much slower rate but on a more stable basis.

Each registry is positioned somewhere between these two extremes as a result of their marketing options and their ability to stimulate their retailers while cultivating or not the "loyalty" of their holders.

7. Highlights of 2016

2016 was filled with newsworthy events. It marked a period of profound changes in the market and its re-composition in new forms of alliances or links between players in the value chain. The changes were "horizontal", indicating a desire to diversify revenues in the face of an "increasingly less predictable" domain name market (Nominet). They were also "vertical", through buy-outs between players.

7.1. The Chinese windfall

A key element of the market in 2016 was the enthusiasm of the players for the Chinese market, with the accreditation of a growing number of registries with the Chinese authorities. These choices seem justified by the fact that the Chinese market is one of the most dynamic in the world.

7.2. The renewal of management teams

Several key players, particularly in the nTLD segment, had their management teams renewed and their founders evicted. This is attributable to a number of factors, such as the rising power of financiers on boards of directors and the revision of strategic models imposed by results deemed to be disappointing. The era of visionary pioneers seems to be giving way to that of the managers, and the "visionaries" who have kept their seats have been forced to adopt an approach based on an economic rationale.

7.3. The growing pressure of the financial viewpoint

The domain name market is increasingly subject to financial considerations, through the numerous IPOs and equity investments that place financiers at the center of the decision-making processes.

This includes the IPO of the Chinese eName, the Australian Dreamscape / CrazyDomains, the opening of OVH's capital to a North American fund, and the opening of Minds + Machines to a Chinese investor, the increase in the equity interest of Sabal Capital Management (already a shareholder of Rightside) in the capital of WEB.com, the takeover of Neustar by a group of investors led by Golden Gate Capital, etc.

Most of the major private players, with the notable exception of Afilias, Donuts and UniRegistry, are now listed on the stock exchange. This change has led to the emergence of new key decision factors for the domain name market, profitability being a requirement that the "pioneers" did not necessarily rank as one of their priorities in the first years when they launched their TLDs.

The real pressure of investors on executives. That pressure has been expressed in extreme cases by the pure and simple replacement of management teams, but also by "workforce streamlining", indicating uncertainty about the destinies of the companies concerned, or strategic disagreements that are leaked to the specialized press.

The build-up in the number of financiers has given some players significant resources allowing them to pursue all-out acquisition strategies, the results of which have accelerated the re-composition of the market.

7.4. Vertical changes: buy-outs and integration of the value chain

These changes have occurred in several ways:

- The first has been the buyouts of new TLDs which the registries have decided to discard, either because that was their intention from the beginning, or because the results have not lived up to their expectations or their cash requirements. Examples include the buyouts of .ARCHI, .BIO and .SKI by Afilias, .FUN by Radix or .SHOPPING, .IRISH and .JETZT by Donuts.
- The second has been the battle over retail networks, and by the buyout of several large registrars or groups controlling registrars. Tucows, for example, has gained control over the retail network of MelbourneIT, but also over the eNom "galaxy"; Web.com has acquired about 40 registrars affiliated with Rightside; CSC has bought NetNames from the HgCapital fund; the Onex and Baring Asia Fund has acquired the registrar MarkMonitor from Thomson Reuters; GoDaddy has taken control of Host Europe Group in order to strengthen its presence in Europe; United Internet AG has acquired the Strato / Cronon group; Dropcatch has snatched up 300 ICANN registrars specializing in "catching" domain names; etc.

7.5. "Horizontal" changes: diversification efforts

A number of initiatives to diversify sources of income were taken during the year. The "old" players, with flagship products such as a well-established ccTLD in their market, have greater favor than newer players whose vital priority is to develop their new TLDs.

The main areas of diversification observed among the players in place are infrastructure and Internet security, the development of monitoring solutions (networks, traffic, domain names) and countering "fraudulent or abusive use", phishing first and foremost, and finally the Internet of Things which is still largely prospective.

More recent market participants usually opt for diversification strategies through external growth, using funds raised from their financial partners for this purpose. But these initiatives remain limited and income diversification is most often achieved by setting up new offers targeting domainers or rights-holders.

7.6. Rethinking strategic models

Other players are not yet working on changes through integration or diversification. They are radically upgrading their business models, such as Minds + Machines, which in a few months has got rid of its back-end functions, outsourced to Nominet, and its registrar activities, delegated to Uniregistry. The "integrated" stakeholder of its beginnings has evolved into a marketing platform dedicated to the promotion of the TLDs in its portfolio, a choice justified by the difficulties experienced by a large number of players in this respect.

Players having opted for a Low-Cost approach are naturally the most affected by excessively low renewal rates to offset over the long term the loss of profit when their domain names were first registered. At the beginning of 2017, Uniregistry's announcement that it would significantly increase the tariffs of 16 of its nTLDs caused controversy equally among registries and registrars worried about their "suppliers" unilaterally changing their rates.

Registrars are essential partners for most registries but sometimes have divergent interests, and the balance between the interests of stakeholders is clearly difficult to find. In any case, Uniregistry has had to revise its projects and qualify them.

The questions about low-cost models stem from the fact that they make it possible to obtain large volumes, but which are only marginally consolidated by real uses, with very low renewal rates in consequence. Furthermore, the turnover they generate is usually insufficient to cover the costs, which requires the use of external financing or a tight cash-flow approach that weakens the whole system.

7.7. Rethinking the value chain

A part of the nTLDs that have not met with success owes this situation to the fact that they have targeted markets that are too "narrow", and are therefore incapable of generating high create rates.

Another reason is the latent absence of demand, and the financial impossibility of massively promoting hundreds of nTLDs at the same time. The market is therefore still relatively sluggish, with nTLDs only slowly gaining ground in people's minds and uses.

But another reason is undoubtedly the fact that the current registrars were set up and have developed in the context of a market where the only "generic" TLDs were truly global, with the exception of a few "outsiders" such as .CAT , .TRAVEL, .PRO, .COOP, etc. It might also note that in all of these "specific" cases the volumes were never considerable.

The "incumbent" registrars are thus designed to process and propose TLDs that are as standardized as possible in terms of their operation, while concentrating their communication on their own brand. They are domain name "hypermarkets", whose market power depends on the traffic they know how to generate on their site, more than their ability to anticipate certain consumer niches.

This "proximity marketing" function is most often reserved for their resellers, who are rarely specialists in domain names, such as web agencies, marketing or legal consultants, etc.

There is therefore a "void" or a mismatch, on the one hand between a market that needs to be informed and kept up to date and, on the other hand, market players who are specialists but who have no means of providing "local" support, surrounded by partners who are not meant to be experts in naming. They have a perfectly natural tendency to talk about what they know - legacy TLDs and ccTLDs - without venturing too much into the moving terrain of new gTLDs.

The result is that the "gearing" does not work, that there is a structural mismatch preventing supply from meeting (or arousing) demand.

Only profound changes but which of course are gradual in the structure of the market will make it possible to overcome these obstacles. The race for critical size noted in 2015 and

2016 and the birth of "giant" registrars are both part of the phenomenon involving the creation of domain name "hypermarkets". On the other hand, the training of resellers - who are often also specifiers - is still too neglected.

7.8. Intensification of competition among back-ends

Competition has also sharply increased on the side of the back-ends, i.e. the technical operators managing TLDs on behalf of registries.

Not all of these changes in service providers are systematically made public or documented by ICANN (at least not on its website). This makes it impossible to quantify the changes. But it can be said without too much fear of error that in 2016 several dozens of nTLDs changed technical operators, as well as various small-scale ccTLDs.

The motivations of the registries have also generally been kept secret: whether they are due to prices, access to certain markets, the capacity to support the development of the TLD or to provide robust and efficient infrastructures, technologies enabling the deployment of special features creating added value, there are plenty of reasons for choosing or rejecting a technical operator.

7.9. Incomers... and outgoers

The domain name market is very lively, and as such like all others has seen the arrival of new incomers, and the departure of outgoers.

Among the incomers are Google, which already had the status of registrar, but is now investing in the activity of a back-end registry with its Nomulus solution.

Among the "outgoers", the NCC group has sold to KeyDrive (the KeySystems group) the back-end structure OpenRegistry and has opted out of the market, while keeping the .TRUST registry.

8. Conclusion

2017 opened with a symbolic event: for the first time in its history, .COM lost inventory when the domain names filed in October / November 2015 were up for renewal.

This incident was anticipated, and even announced by Verisign. But it remains a sign of the times.

Faced with a dynamic market, but one also partially weakened by the new gTLDs, the market players are addressing the necessary changes in a wide variety of conditions.

The incumbent players have stable means and a firm footing, but remain highly dependent on the domain name market.

The newcomers are more fragile, but also more agile, and one of their biggest challenges lies in successfully attracting investors while preserving their ability to innovate without aiming for immediate profitability.

Everyone is on the watch, wondering which activities will be promising in the short, medium and long term, and what alliances will help them to secure their business and engage in a winning strategy for the future. The traditional segmentation is starting to disappear.

After the 1998-2013 period which with hindsight seems to have been relatively peaceful, since 2014 the domain name market has has been directly affected by changes and mutations. Various uncertainties still remain, however, about the ability of the players to adapt, as well as the need for users to increasingly adopt and apply domain names in their Internet presence strategies.