

The .FR in 2022



March 2023



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Definitions

TLD (Top-Level Domain): the last segment or extension of a domain name; the part that follows after the “dot” symbol. .FR and .ORG are top-level domains.

ccTLD (country-code Top-Level Domain): a TLD specific to a country or territory. The ccTLD for France is .FR, but there are other French ccTLDs such as .RE (Réunion), .PM (Saint Pierre and Miquelon), etc.

gTLD (generic Top-Level Domain): a generic TLD, not attached to a particular country or territory. .COM, .NET and .ORG are gTLDs.

Legacy gTLD: a generic TLD created before 2014. Examples include .COM, .NET, .ORG or more recently (2001–2004) .INFO, .BIZ, .MOBI, etc.

nTLD (New Top-Level Domain): generic TLD created after 2014. nTLDs are divided into several sub-segments such as geoTLDs (regions, cities, etc.), Community TLDs (community-based), .BRANDs (TLD suffix corresponding to major brands) or generic nTLDs (common dictionary terms).

Preamble

As registry for the .FR, Afnic is well placed to observe the adaptation of French society to these exceptional conditions, particularly from the standpoint of the digital transition process.

Looking only at the domain names market in France, the trend towards a 'return to normal' in 2021 tempered by the consolidation of the gains of the digital transition continued in 2022, with certain new differences.

Overall, the all-time record number of create operations set in 2020 (793,000) was not repeated, but the 753,000 create operations of 2022 (compared to 777,000 create operations in 2021) show that French users were continuing to discover and take up the benefits of digitisation. Moreover, this figure was up 9% on 2019.

This report details the activity of .FR over the past months. It also throws some light on how to read the more general trends while attempting to anticipate how they might evolve in 2023.

Summary

The .fr Top Level Domain also reached the symbolic threshold of 4 million domain names in December 2022, before a block of delete operations caused the stock to fall to 3,996,245 .FR at 31 December 2022 (3,882,488 at December 2021). The stock rose back over 4 million domain names as soon as January 2023.

Its growth fell from 5.8% in 2021 to 2.9% in 2022, with create operations down 3% and delete operations up 13% (i.e. twice the growth in stock in 2021).

These changes result from the change of pace in the digital transformation, which led numerous VSEs and SMEs to develop their online activities. In 2022, businesses that didn't yet have an Internet presence became rarer and those with one sometimes posted mixed results from the efforts put in since 2020. The landscape of the market is changing, still with a strong creation rate combined with higher deletion rates.

The market share of .FR in France continues to grow, reaching 39.4% compared with 38.8% at the end of 2022.

The retention rate, however, has deteriorated at 83.5% compared with 84.6% in 2021 and 83.9% in 2020. The age structure of .FR domain names has until now contributed to the TLD's stability, but delete operations hit hard in 2022, the previous two years having represented historic records in terms of create operations: a volume effect can be detected. The fact that .FR continues to gain market share indicates that its competitors are facing identical difficulties, which they are having more trouble overcoming.

"Deconcentration" of the .FR continues, with create operations being less concentrated than the stock of names. This was even more marked in 2022 than in 2021 for the three main

registrars active in .FR. This bespeaks heightened competitive dynamics between the incumbent players and the challengers who are recording strong growth.

The regional dynamics still reflect a certain 'catch up' of some rural regions in terms of growth, although the weight of the regions in the portfolio of .FR names registered varies little and is linked to the presence of big urban and economic centres.

The correlation between .FR create operations and business creations is less prominent in 2022 than in 2020 and 2021. This could be attributed, in a context where the .FR market share is growing, to lower prioritisation among start-ups of their Internet presence (or to more widespread use of other forms of presence other than websites, such as social media or marketplaces).

The 2023 outlook for the .FR will be determined by two diverging phenomena: on the one hand, consolidation of the gains from the digital transformation within a significant portion of businesses, and on the other hand, changes in practices and tools, as well as the ambitions connected to them.

The main issue at stake is now consolidating practices in the long term, as developing an effective presence on the Internet requires an ongoing effort. The nature of online presence arrangements could change, while still tending towards greater user simplification and a 'promise of value'.

It remains to be seen if this 'promise' will be upheld... and whether, over the long term, websites will remain the most robust, most independent and most future-proof media for businesses of all sizes as long as they can integrate the functionalities offered by alternative solutions. Business failures, more numerous in 2022 than in 2021, could also continue to influence .FR renewals in 2023.

1. Growth of the .FR

Growth of the .FR stood at 2.9% in 2022 following two atypical years in 2020 (impact of COVID) and 2021 (gradual return to normal).

This growth remains higher than that of the French market for all TLDs together, which is following the same general trend (+1.3% in 2022 compared with +3.6% in 2021 and +6.1% in 2020).

.FR growth is still slightly below that of EU ccTLDs (excluding .UK), which stood at 2% in 2022 (compared to 2.9% in 2021 and 3.4% in 2020).

Lastly, growth in the world market showed the opposite trend to that of Europe due to the effect of fluctuations in the numbers of Legacy TLDs and new TLDs. New TLDs had suffered particularly in 2020, and the global market trend was down by -0.2%. 2021 saw the start of a recovery (+0.5%) following the end of the purges in the major nTLDs, a recovery that was confirmed in 2022 with +1.9%.

Nevertheless, this shift remains fragile, exposed to strong variations, particularly under the .CN TLD (China).

After highly contrasted years, we have seen the growth of the different segments converging in 2022 towards the 2% – 3% bracket.

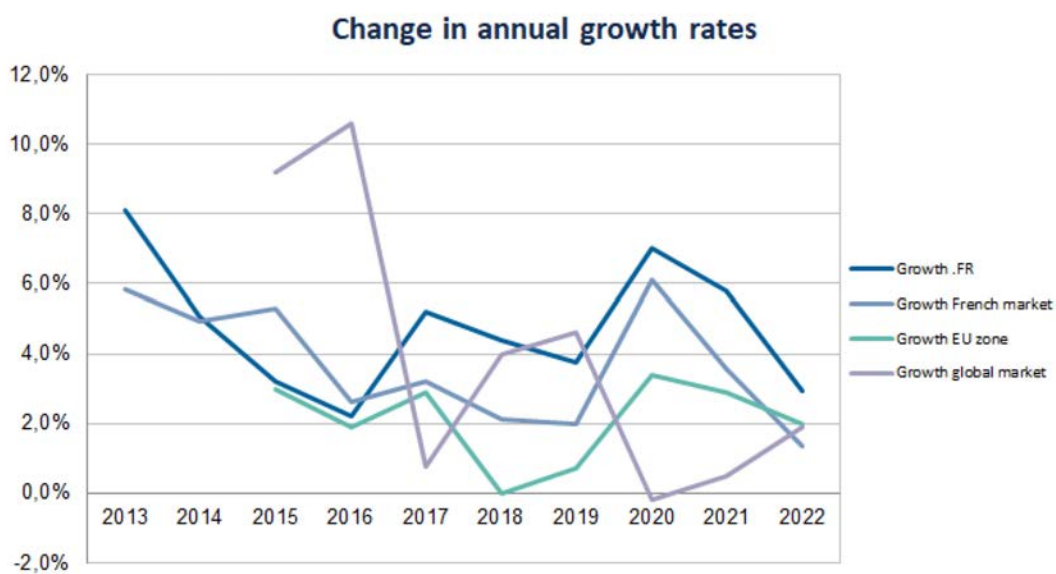


Figure 1: Change in annual growth rates (2013 – 2022)

2. Market share in France

Having grown faster than its local market in 2022 (see Figure 1), the market share of the .FR domain stood at 39.36% at the end of 2022 (compared with 38.75% at the end of 2021). **This market share constitutes a new all-time high for the .FR.**

The gain in market share was thus 0.6 of a percentage point (pp) in 2022, whereas the .COM TLD for its part lost 0.5 of a pp. The differential between the two TLDs thus shifted to the advantage of .FR in 2022. .FR is the most popular TLD, notably with SMEs (67% for .FR vs. 33% for .COM). This figure is constantly increasing. (Source 2022 study on the online presence of French VSEs, Afnic,

<https://www.afnic.fr/en/observatory-and-resources/observatory/online-presence-of-vses/>)

	2018	2019	2020	2021	2022	Total
.FR	0.8	0.5	0.3	0.8	0.6	+3.0
.COM	1.2	0.6	-0.6	0.6	-0.5	+1.3
Other Legacy TLDs	-0.9	-0.8	-0.3	-0.3	-0.3	-2.6
Other ccTLDs	-0.3	-0.2	-0.4	-0.2	-0.1	-1.2
nTLDs	-0.9	-0.1	1.0	-0.9	0.3	-0.6

Table 1: Changes in market share in France (2018-2022)

Table 1 shows the gains and losses in market share over the past five years. During this period, the situation of the .FR improved constantly with a total gain of 3 pp. The .COM domain for its part gained 1.3 pp, Other Legacies lost 2.6 pp, Other ccTLDs lost 1.2 pp and nTLDs lost 0.6 pp.

2022 confirmed the stability of the .FR in its market, while .COM endured the 'return to normal' phase observed in 2021 for ccTLDs with a time lag of a few months. Although on a global level 2022 was a bad year for the .COM TLD (first stock fall recorded in over 20 years), it would be disproportionate to infer that the domain has entered a period of decline. For all that, **a real 'preference' for .FR in France can be seen in these multi-year data.**

The declining market shares of the other segments could be explained by the same factors as in previous years: passably defensive registrations, 'Other Legacies' consequently suffering from 'portfolio clear-outs' not offset by a strong volume of create operations.

nTLDs, for their part, follow two quite different rationales. On the one hand there are the low-cost nTLDs attracting bargain create operations with subsequent low retention rates. And on the other hand, the more 'classic' nTLDs, compelled by the fixed charges imposed by ICANN and by their relatively low volumes to charge rates that make them uncompetitive while at the same time not allowing them to obtain sufficient margins to finance the promotional operations they would need to carry out in order to make themselves widely known to their targets.

Figure 2 below shows that over a long period, the reality of the market is that of use, and that the great challenge for secondary TLDs such as "Other Legacy TLDs", or newcomers to the market such as nTLDs, is how to anchor themselves in real use.

Changes in market share in France

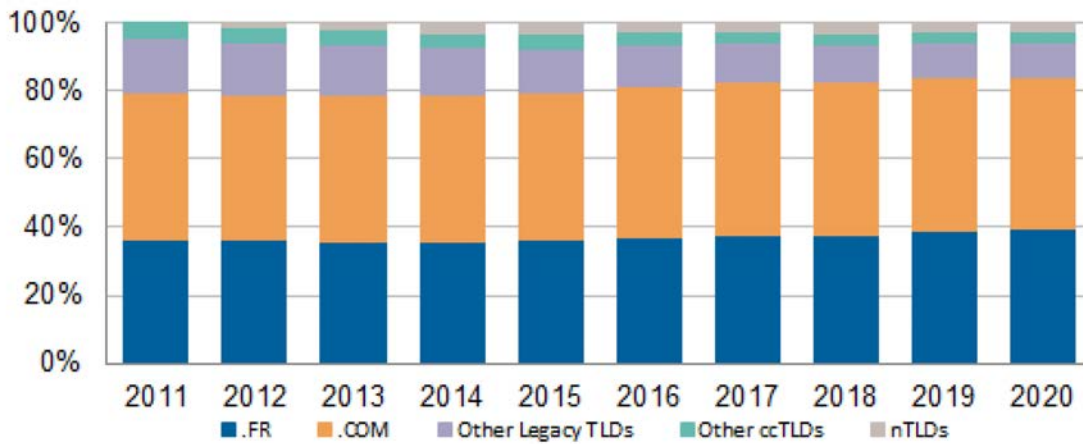


Figure 2: Change in market share in France (2013 – 2022)

Data for TLDs other than .FR are estimates provided by ZookNIC.

As a result, the durability and the success of a TLD are less measurable by the volumes of stocks or the creation dynamics than by the use actually made of the names. This aspect is unfortunately also one of the most difficult to assess, and for the time being we are not in a position to present reliable data on the subject.

3. Activity of the .FR

As anticipated by Afnic, .FR activity was marked by a fall in create operations in 2022 (-3% following -2% in 2021). **Nonetheless, these remain well above the annual 700,000 that long represented the 'glass ceiling' for the .FR.**

Delete operations increased by 13%, with a resulting deterioration of the retention rate down from 84.6% to 83.5% in 2022 for an average of 83.6% over the period 2017 – 2021.

The good level of create operations proves that the sudden acceleration of the digital transformation is becoming a permanent phenomenon through sustained website creations. And yet, the substantial increase in delete operations could be an indication of a wider disappearance of websites created during the lockdowns, as though some of the businesses that had returned to 'normal' activity no longer see the interest in maintaining and developing their Internet presence. Another cause of this surge in delete operations could be the economic context and the rise in business failures, as we will see later in our study.

Table 2 shows the differences by type of flow.

Flows	2021	2022	Change (abs.)	Change (%)
Create operations	776,514	753,412	-23,102	-3.0%
Net delete operations ¹	564,245	639,367	+75,122	+13.3%
Net balance	212,269	113,757	-98,224	-46.3%

Table 2: Flows of .FR activity in 2022

The net balance is thus almost halved, yet still above 100,000 names.

Figure 3 presents the trends in .FR flows since 2011 and shows the habitual levels of create and delete operations and the net balance.

¹ Net delete operations correspond to gross delete operations less operations to “restore” names deleted then kept by their holders, plus the delete operations carried out at the initiative of Afnic, notably in the context of verification operations.

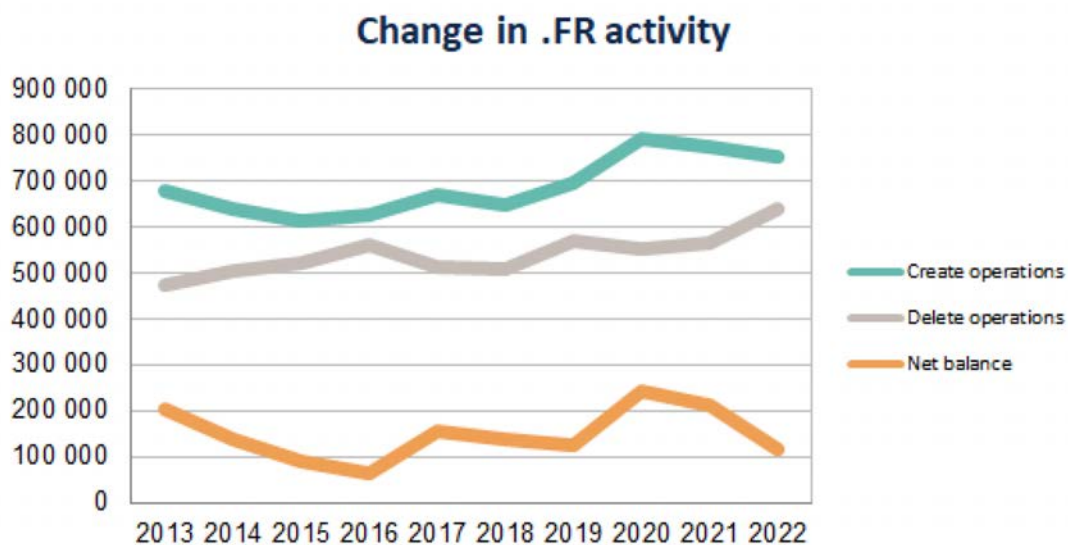


Figure 3: Change in .FR activity (2013 – 2022)

Following a peak in 2012, create operations fluctuated between 600,000 and 700,000 per year from 2013 to 2019. They exceeded 700,000 in 2020 and remained above this threshold in 2021 and 2022.

Delete operations, meanwhile, were in the range of 500,000 to 600,000 a year between 2013 and 2021, with two peaks in 2016 and 2019 associated with specific one-off incidents. The 600,000 delete operations level was surpassed in 2022, with a lower retention level compared to 2021 (83.5 compared with 84.6²).

² The retention rate is calculated using the following formula: $(\text{Stock 1 Jan. 2023} - \text{Create operations 2022}) / \text{Stock 1 Jan. 2022}$. It therefore measures the proportion of names present at 1 January 2022 that were still present at 1 January 2023. Purists distinguish between this Retention Rate and the Renewal Rate, which measures the number of names renewed as a proportion of all those expiring in the period considered. For reasons of benchmarking, we prefer to use the retention rate, which can be calculated without having expiry dates for renewed names.

4. Structure of the .FR net balance

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

Figure 4 shows the variations in domain name renew and create operations from one year to another, their addition forming the net balance.

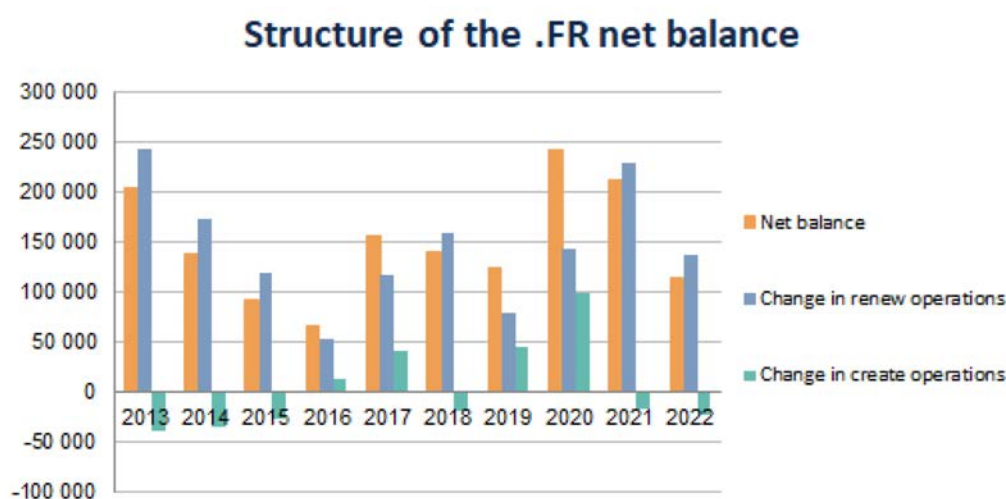


Figure 4: Structure of the .FR net balance (2013 – 2022)

The variation in renew operations was positive between 2012 and 2022, reflecting the fact that the absolute number of domain name renewals continues to grow (**2021 being the first year in which more than three million .FR names were renewed.**) This positive variation decreased from year to year between 2012 and 2016 before returning in 2017 to the 2015 level and passing the >150,000 names mark in 2018. The increase in delete operations weighed on this parameter in 2019, but in 2020 it once again came close to >150,000 names. In 2021, the positive variation was comparable with those of the years 2012 and 2013, as reflected in the significantly improved retention rate. In 2022, however, the growth in the number of

names retained fell significantly, aligning with the 2020 level which corresponded to a 'non-COVID' activity (renewals of names previously registered in 2020).

Changes in create operations followed a downward trend in 2013 – 2015 before recovering in 2016 and 2017, turning negative again in 2018 and finally re-establishing themselves in 2019. 2020 was an 'exemplary' year with a gain of 100,000 creations, but also an atypical year. This exceptional performance was not repeated in 2021 and 2022, but create operations remained at a level close to this record.

The variation in the net balance has been caused more by changes in renewals (names maintained in the stock) than by changes in the number of create operations, and this factor has boosted or depressed results accordingly. This situation applies to all TLDs that have existed for several decades, the weight of names in stock largely exceeding that of new names created in a given year. An observation that highlights their registrars' interest in according particular importance to renew operations, even if create operations retain an obvious strategic interest.

A study of the key parameters of the .FR in the following chapter helps to explain these factors and to illustrate the reasoning behind activity forecasts.

5. Key parameters of .FR

5.1. Slight decline in the creation rate

The creation rate represents the percentage of names created during the year in stock at year-end.

The 'younger' or more 'dynamic' a TLD, the higher its creation rate. This rate tends to reduce over time, since the stock of names increases from year to year and that the effort needed in terms of create operations (in absolute value) in order to maintain a similar rate from one year to the next is therefore automatically ever greater.

Figure 5 shows that the creation rate of the .FR, which was very high in the early 2010s, fell sharply in 2013 – 2015 before levelling out in 2016 – 2017, falling again in 2018 and recovering in 2019 and 2020. This trend did not continue in 2021 and 2022, with a .FR creation rate falling to around 19% and likely set to decrease to around 18% in 2023.

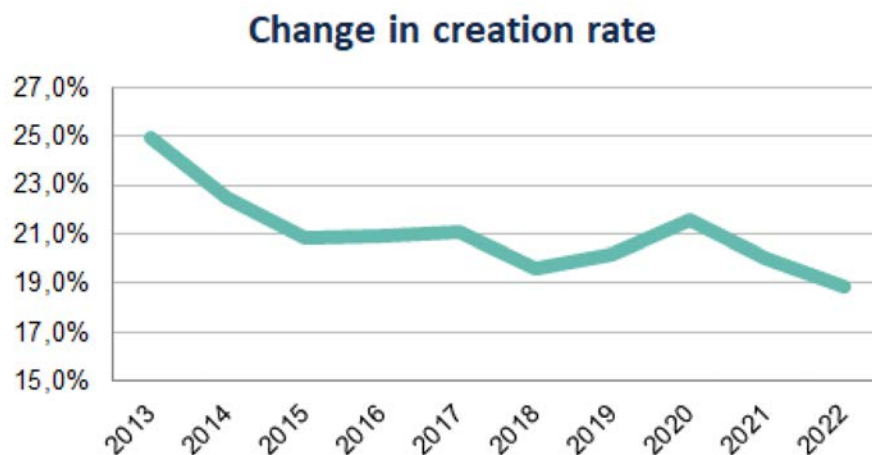


Figure 5: Change in creation rate

We are now in a position to evaluate the relevance of the scenarios referred to in terms of possible future developments over the next two years. Two possibilities were put forward:

- **an optimistic scenario in which the digital transformation initiated in 2020 continued, sustaining the dynamic of create operations;**
- **a pessimistic scenario in which the economic crisis reduced investment and discouraged potential project promoters from starting up new businesses.**

We have seen that the creation rate tends to decline, even if the absolute volume of create operations remains high. This thus corresponds to the optimistic scenario in 2022 and we should continue to benefit from the effects of the perpetuation of the digital transformation, at least in terms of create operations. However, the fact that create operations remain at a minimum level of 700,000, for a .FR stock estimated at around 4,075,000 at end 2023, results in a creation rate of around 18%. The threshold for this rate therefore cannot be gauged without taking into account the number of create operations as an absolute value, and vice versa.

The change in weekly create operations shown in Figure 5.1 explains why the number of create operations was lower in 2022 than in 2021. Between January and May 2022, weekly create operations remained below the level recorded between January and May 2021. But the trend was subsequently reversed, with the 'return to normal' in 2021 being outstripped in 2022 by the impact of the perpetuation of the digital transformation. Consequently, the deficit of 45,000 creations over the first five months of the year was partially offset between June and December to reach a negative balance of -23,000.



Figure 5.1 – Comparison of levels of weekly creations in 2021 and 2022.

It can therefore be assumed that, with the exception of a one-off phenomenon, the trend towards the stabilisation of create operations within the 730,000 – 750,000 bracket will be confirmed in 2022, with a slight continued decline and a creation rate around 18.0 – 18.5%.

5.2. A falling retention rate in 2022

The retention rate is calculated by subtracting the number of create operations during the year from the stock at year-end and comparing that balance with the stock at the

beginning of the same year. It therefore measures the proportion of names in the portfolio at the start of the year that were still there, i.e. had not been deleted, at year-end.

We have seen that this retention rate decreased in 2022 due to the number of delete operations increasing more quickly than the stock of names.

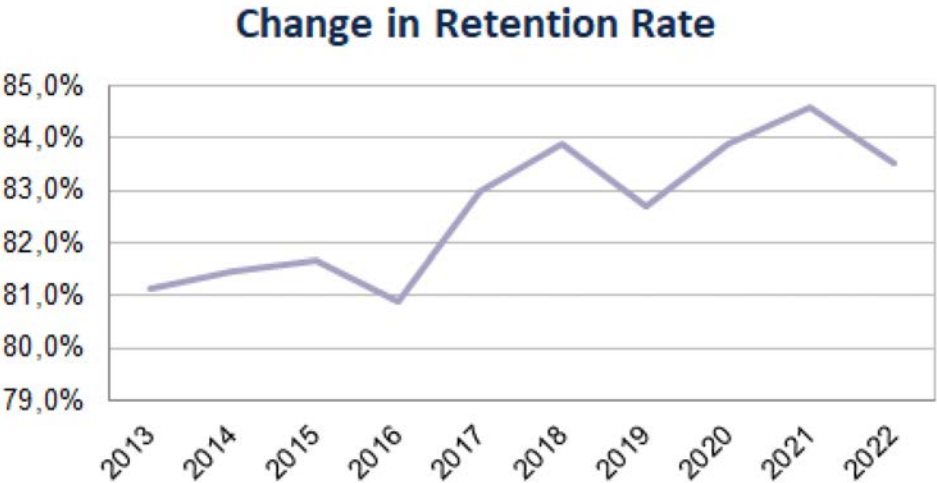


Figure 6: Change in retention rate

Figure 6 shows that this rate remained in the range of 81% to 82% until 2016, before shifting up to between 82.8% and 84% in 2018 – 2020. The increase in 2017 was linked directly to the introduction of automatic renewal systems by several major registrars, which led to a gain of 2 pp on average in the .FR retention rate, i.e. around 60,000 names in a stock of 3 million.

The fall in 2019 was caused by the deletion of the portfolio of a domainer declared ineligible under the .FR Naming Policy, but also likely by a catch-up effect in delete operations that had not been possible to carry out due to automatic renewal, some holders having been caught unawares by this in 2017/2018. This phenomenon faded in 2020, thus contributing, together with the digital transformation, to enhancing the value perception of domain names as key elements in any online presence strategy.

This trend continued in 2021, the retention rate reaching a historic 84.6% before falling to 83.5% in 2022 – which replaces the 2018 – 2020 levels.

This trend can be explained by the economic conditions causing more business collapses or a ‘return to normal’ in the volume of business failures following the end of the aid schemes put in place in 2022, but also by the rebalancing of the focus of efforts of many businesses towards their development ‘in the real world’, investment in their Internet presence having become ancillary or seen as a source of costs rather than benefits. It is not surprising to see delete operations increase in absolute value after the wave of create operations in 2020; the less ‘instinctual’ factor is that this increase occurred in 2022 rather than in 2021, as if the businesses concerned had taken a relatively wait-and-see approach in 2021, uncertain whether to cut back on their Internet presence, before making that choice in 2022.

This fall in the retention rate is all the more spectacular (1.3 pp out of a portfolio of 3,900,000 names representing 50,000 names) given that the structural trend is upwards, taking into account the phenomenon of the age of the domain names. The older a name, the more chance of it being renewed. The ageing structure of the .FR portfolio is therefore a key factor in understanding the mechanism.

5.3. Distribution of .FR names by age, an explanatory factor

Figure 7 hereunder shows the distribution of extant .FR domain names by age at 31 December 2022. Names created in 2022 are 0 years old, those created in 2021 one year old and so on.

This structure has remained very stable over time, names created during the past year constantly representing around 20% of the stock (corresponding to the Creation Rate).

Three tiers can be distinguished: names created in 2021 and 2022 (32%), names that are two to six years old (36%) and those that are seven or more years old (32%). In 2022, the creation rate caved compared to previous years, which further underpins the weight of 'old' names in the retention rate.

Structure of .FR names by age at 31/12/2022

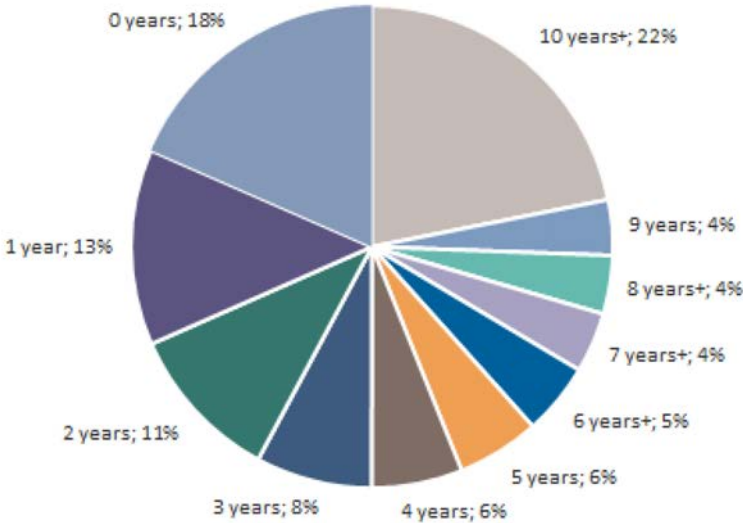


Figure 7: Structure of .FR names by age at 31 December 2022

The age structure of .FR names has a direct impact on the TLD's retention rate, since this rate varies with the age of the domain names (see Figure 8).

Retention Rate by age of .FR names - 2022

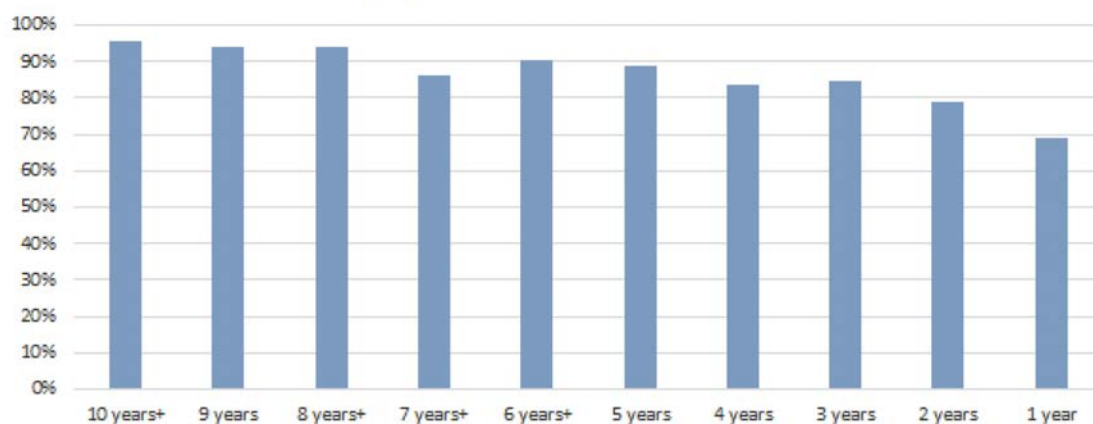


Figure 8: Retention rate by age of .FR names in 2022

The retention rate in year 1 (the first renewal) is close to 70% and subsequently increases to 80% or more. A domain name retained for several consecutive years has an ever-increasing probability of being retained in the future: after five years the retention rate is 90% or more.

The particularly low retention rate in year one (70%, as against an overall rate of 83.5%) shows that registrars could conduct effective loyalty campaigns at the time of this first anniversary when the expectancy of gain (renewal of names) is at its highest.

The retention rate is never 100%, reflecting the existence of a phenomenon of natural erosion, which decreases as the names age. In any case, the regular increase in the proportion of names that are five or more years old goes some way towards explaining the structural increase in the overall retention rate of .FR names.

Proportion of names 5+ years old in the stock of .FR names at 31/12

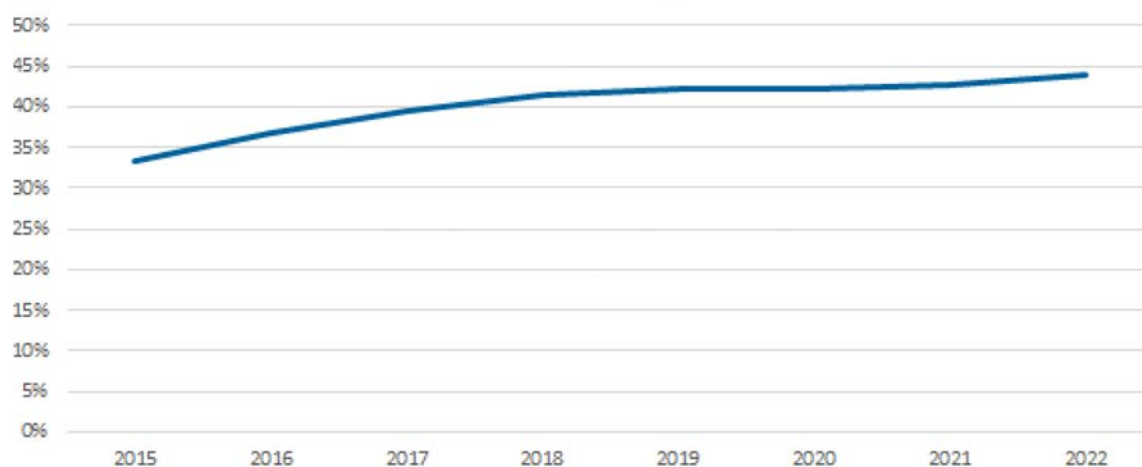


Figure 9: Proportion of names 5+ years old in the stock of .FR names at 31 December 2022

This indicator tells us that the retention rate of the .FR should either stabilise at 83 – 84% or continue to increase slightly as the large volumes of names created prior to 2019 attain ages at which retention rates are of the order of 90%.

A significant fall in this rate could still be brought about by one-off mass delete operations on the part of a registrar or by an economic recession. But the more time passes, the greater such a phenomenon would have to be to have a significant impact on the retention rate.

There are thus two factors that could push the retention rate towards stability or decline in 2023:

- on the one hand, names are always more volatile at the time of their first due date for renewal; yet the proportion of names concerned is slightly higher in 2020/2021 than in previous years because of the pandemic and its consequences in terms of acceleration of the digital transition; although falling in terms of create operations, the volume of creations as an absolute value remains particularly high, placing 2022 just behind 2020 and 2021, which ‘weakens’ the chances of seeing the rate increase significantly in 2023;

- on the other hand, the economic situation may continue to lead to a greater than usual number of business failures and consequently higher levels of dropping or deletion of .FR names than in the past few years. This scenario already discussed in 2020 and 2021 began to occur in 2022 and could continue in 2023.

5.4. Change in the number of .FR names since 1998

Figure 10 highlights the impacts of the various waves of openings (2004, 2006 and 2011) and of the pandemic (2020/2021) on the growth of the .FR.

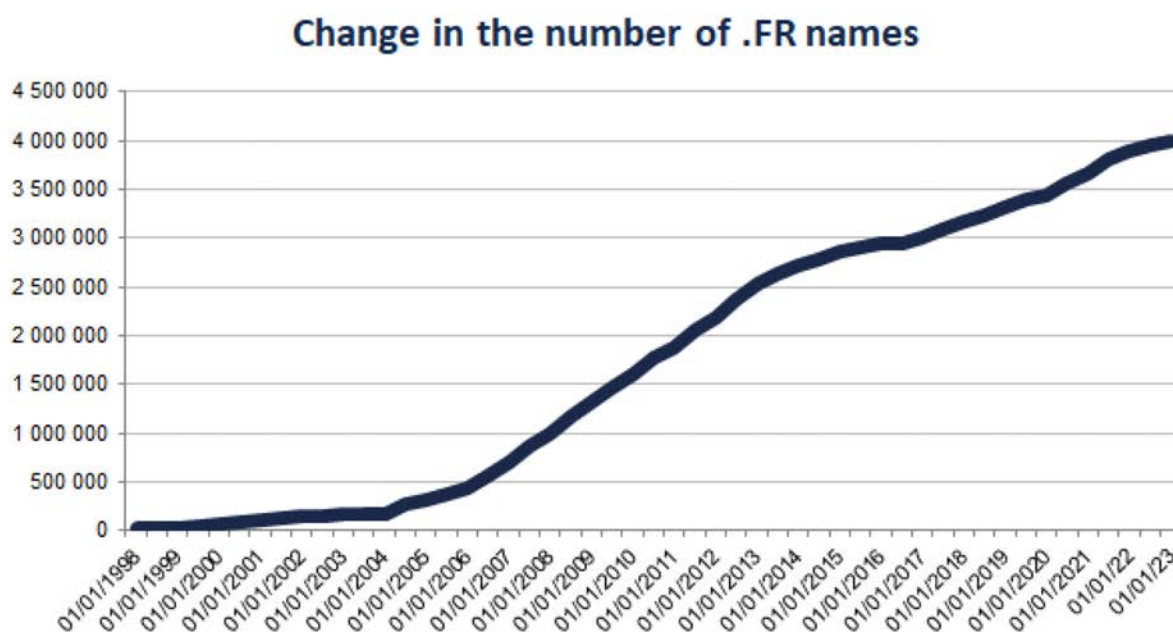


Figure 10: Change in the number of .FR names, 1998–2022

Note that the easing of the “right to the name” in May 2004, i.e. the abandonment of the requirement to substantiate a right to the name filed, was the first factor in the acceleration of growth.

However, the determining factor was the opening in 2006 to private individuals, the two 'openings' combining their effects until 2013, with the opening up to the European Union in 2011 not having any substantial effect.

From 2013 onwards, growth slowed and we had to wait until the beginning of 2017 to pass the 3 million mark for the .FR. The pace remained strong in 2018 and 2019 and stepped up again in 2020 due to the pandemic and the lockdowns; the 3.5 million mark was passed in the second half of 2020.

In 2021, the gradient remained strong albeit with an appreciable inflection. The 4 million mark was passed in December 2022 for .FR names before a block of delete operations caused the stock to fall to 3,996,245 .FR at 31 December 2022.

According to the forecasts set out above, the .FR stock should stand at around 4,075,000 at the end of 2023, with around 740,000 create operations and a stable retention rate at 83.5%.

6. .FR market concentration

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

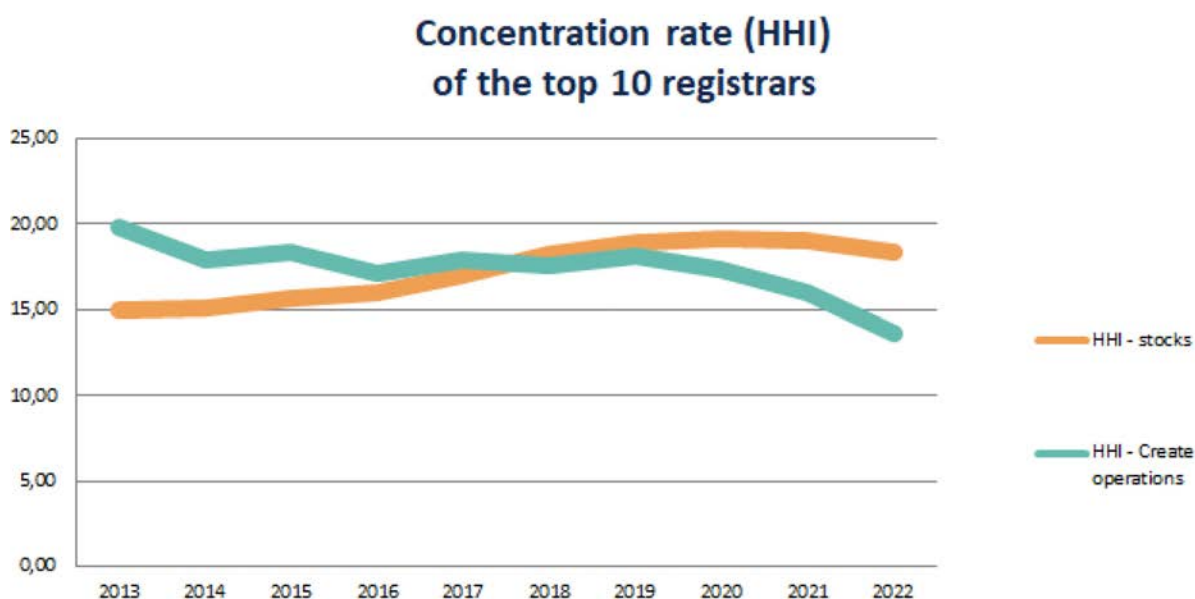


Figure 11: Concentration rate (HHI) of the top 10 registrars (2013 – 2022)

Figure 11 shows the changes in the concentration of the .FR market since 2013.

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

The fairly sharp fall in the concentration index for create operations in 2020/2021, maintained and even accentuated in 2022, leads us to believe that the leaders have benefited less from the particular conditions brought about by the acceleration of the digital transformation than some challengers, who are better equipped to seize opportunities on the fly: particularly those that have been able to rely on partnerships with website creation

platforms. This observation noted as of 2020 gathered momentum in 2022, the HHI Create Operation rate being currently below 15.

The HHI Stock curve increased up until 2019, stabilised in 2020/2021 and declined in 2022 under the effect of the evolution of the HHI Create Operations index. This index fell below the Stock index as of 2018, but the stall really began as of 2020. We are thus in a market deconcentration phase, the HHI Stock index reacting slower due to the names registered that in practice constitute 'entrenched positions' for registrars, the share of names moving from one registrar to another remaining marginal (see Figure 12).

This proportion never exceeded 2.5% between 2014 and 2019, reaching a one-off record of 3.5% in 2020 before reverting to its usual levels (2.3% in 2021, 2.5% in 2022).

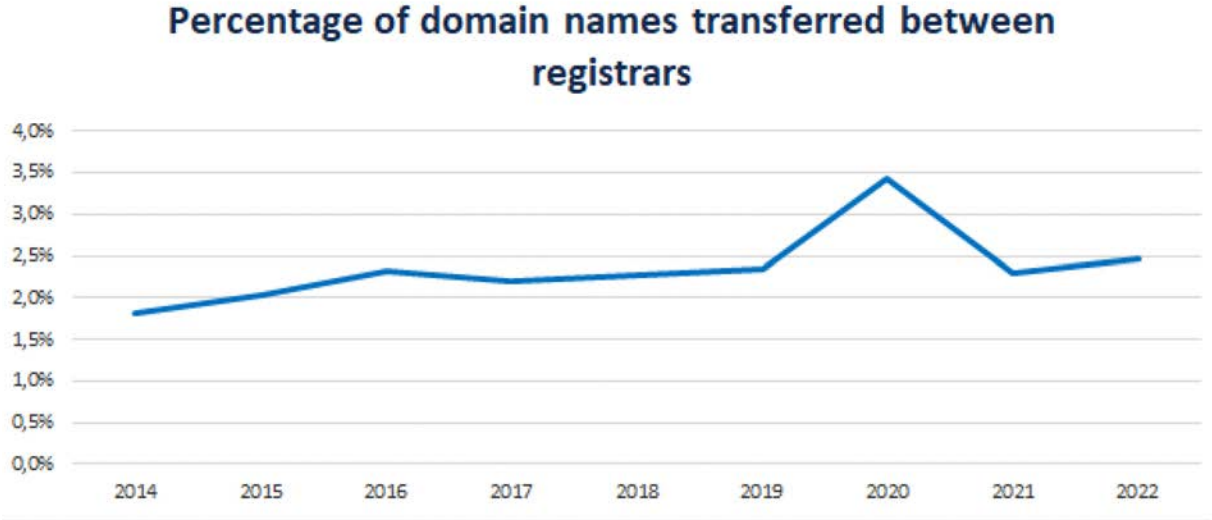


Figure 12: Percentage of domain names transferred between registrars (2014 – 2022)

The portfolios are therefore very stable, changes being dictated, as far as registrars are concerned, by the combined effects of create operations and renewals more than by the flow of customers won or lost.

These relatively flat inter-registrar transfer rates indicate that the French domain names market is still a growth market, in which competitors' efforts are focused much more on creations than on other registrars' existing clients.

As the market enters its mature phase (which does not yet seem to be the case in the COVID and post-COVID context) the inter-registrar transfer rate is likely to increase, reflecting increased competition for existing clients, the objective of some registrars being to gain market share by enticing their competitors' clients away.

However, this strategy would come up against a number of obstacles: domain names are often associated with various online presence services, which changing registrar may affect, so this would act like a brake on any decision to transfer.

In a context of heightened competition, aggressive pricing policies would lead to an increase in the cost of client acquisition, which could only be offset by selling service packages including domain names or by charging higher renewal rates relative to the initial transfer rate, which in turn would increase the volatility of the portfolio (increase in potential abandonments) and fuel the inter-registrar transfer dynamic.

Placed as they are at the very heart of online presence, domain names in themselves are not yet subject to very intense competition among players, as is shown by an analysis of inter-registrar transfer flows.

Flows of transfers between the three leading registrars and other registrars

2022	Incoming transfers			
Outgoing transfers	3 leaders	Others	Total	%
3 leaders	17,751	19,236	36,987	39%
Others	24,972	33,281	52,640	61%
Total	42,723	52,517	95,240	
%	45%	55%		

Table 3: Inter-registrar transfers

In 2022, out of 95,240 transfers between registrars, 42,723 (45% as against 42% in 2021 and 30% in 2020) were to one of the three leaders, whereas these same leaders lost just 36,987 names (39% of the total, as against 37% in 2021 and 25% in 2020) to other registrars.

The net balance of transfers therefore came to 5,736 names in favour of the three leaders (6% of the total).

Flows of exchanges among these three leaders represented just 17,751 names (19% as against 16% in 2021 and 11% in 2020), whereas those between other registrars accounted for 35% of the total (as against 35% in 2021 and 56% in 2020).

Thus the flows of transfers are mainly in favour of the leaders, albeit in a less concentrated manner than the overall market level (45% compared with 63% in stocks). The effect of business models disturbing the play of 'pure and perfect competition' so dear to economists can be seen in this dissonance.

Not all registrars offer the same type of services to the customers that they target, and not at the same rates. Competition in terms of transfers is played out among registrars sharing the same business model and offering similar ranges of services at fairly similar prices. A key account customer is thus unlikely to transfer to a registrar targeting the public at large

and VSEs/SMEs, just as private individuals or VSEs are unlikely to be attracted by the high charges that include services they do not need.

The phenomenon of transfer flows also sheds light on the growing stakes linked to reseller networks, which can transfer from one to another the domain name portfolios that their customers have entrusted them to manage.

Although they do not account for a majority of inter-registrar flows, the three leaders are nonetheless a force to be reckoned with in the .FR market. Even so, we observe that their overall market share is tending to be eroded, in the context of the gradual deconcentration of the .FR market.

Figure 13 hereunder shows the trends since 2013 in the market shares of the top three players, in terms of stock and create operations. It shows that the phenomenon of deconcentration (where the concentration of create operations is below that of the stock) began for these three in 2017, with the concentration of stock continuing to grow although gradually slowing (+3.1 pp in 2017, +0.9 pp in 2018 and +0.4 pp in 2019) before declining in 2020 (-0.4 pp), 2021 (-0.6 pp) and 2022 (-1.4 pp), the rate of decline seeming to intensify.

This evolution is relatively similar to that seen for .FR as a whole, demonstrating that this trend is indeed determined by the performances of the three leading registrars.

These data also confirm the idea that it is not the major leaders that benefited most in relative terms from the effects of the acceleration of the digital transformation in 2020. This situation continued in 2021 and was compounded in 2022. The sharp differential between creations (53%) and stocks (63%) highlights the relative loss of speed of the three leaders in the most competitive market segment, that of creations. Despite their significantly more modest size, their challengers likely managed to come up with offer profiles better adapted to the specific conditions arising from the pandemic. In the medium and long term, these

offers also influence the retention rates, impacting the market share of the three leaders in terms of stock.

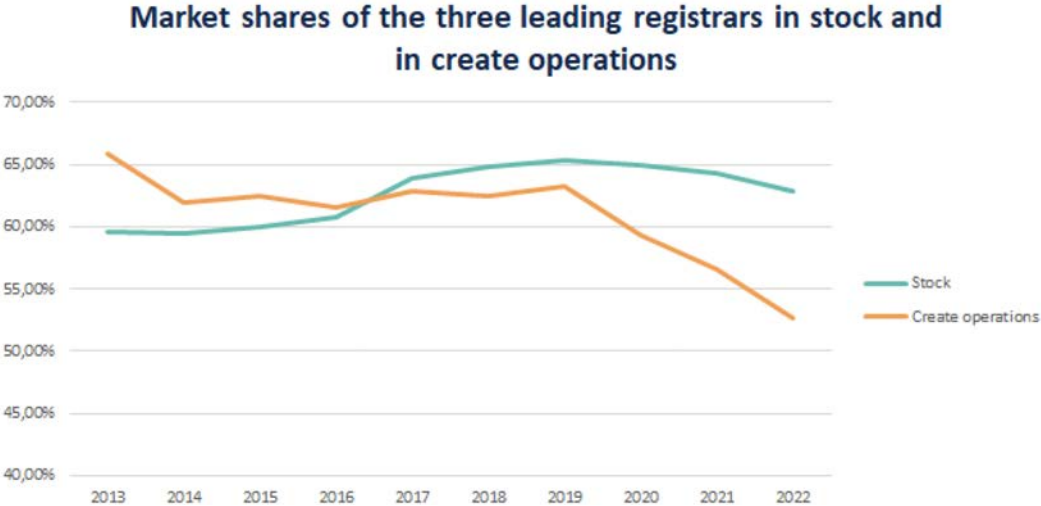


Figure 13: Market shares of the three leading registrars in stock and in create operations (2013 – 2022)

The weight of these three players (which together account for nearly two-thirds of the .FR domain) in .FR activity remains considerable in view of the number of registrars active in this TLD. But if their share of creations were to fall below 50%, as may well be the case in 2023, it would send a strong signal announcing a profound change in the key success factors of the .FR domain names market in France.

7. Geographical distribution of .FR nationwide

Table 4 shows that the disparities between regional dynamics were still in place in 2022, even though performances were lower in terms of growth.

There is still a 'lead group' composed of Normandie, Corse, Bourgogne Franche Comté, Nouvelle Aquitaine, Bretagne and the overseas territories which have a growth rate of 3% or more (compared to an overall growth rate of the .FR of 2.9%).

This ranking demonstrates that the 'catch-up' phenomenon experienced by a certain number of regions since COVID continued in 2022, the Île de France Region presenting the paradoxical situation of being both the strongest in terms of market share (29%) and the weakest in terms of growth (+0.2%).

Region	2022	Var. 2022	Mkt Share
			2022
Grand-Est	216	2.6%	5%
Nouvelle Aquitaine	276	3.0%	7%
Auvergne Rhône-Alpes	471	1.9%	12%
Bourgogne-Franche-Comté	99	3.2%	3%
Brittany	137	3.0%	3%
Centre Val de Loire	92	2.1%	2%
Corsica	12	4.0%	0%
Île de France	1,139	0.2%	29%
Occitanie	309	2.7%	8%
Hauts de France	197	1.8%	5%
Normandy	112	4.1%	3%
Pays de la Loire	181	2.3%	5%
Provence-Alpes-Côte d'Azur	301	2.7%	8%
Overseas Territories	40	3.6%	1%

Table 4: Distribution of the .FR by holder region in 2022

The weights of the different regions correspond to the existence of big urban and economic centres: Auvergne Rhône-Alpes is in 2nd position with 12%, Provence Alpes Côte d'Azur and Occitanie in 3rd with 8% each, Nouvelle-Aquitaine in 5th with 7%, etc. The more rural regions, Normandie, Corse, Overseas Territories, Centre Val de Loire, Bretagne, Bourgogne Franche Comté and Grand-Est are further behind, even though we have seen that some of them were also the strongest in terms of growth.

But part of the growth of the .FR was obtained thanks to holders located abroad.

8. Foreign holders

The .FR was opened to the rest of the EU in 2011, with a limited impact on growth momentum. The percentage of .FR domain names registered by foreigners nonetheless increased continuously, rising from 4.9% in 2013 to 8.6% in 2017.

This proportion was first seen to decline in 2018 (-0.2 pp), but the trend has since resumed its upward path and has continued since, with 9.7% of .FR names registered by holders located abroad at the end of 2022. **The growth in the number of names registered by foreigners was thus greater than that of the .FR as a whole: +9.5% against +2.9%.**

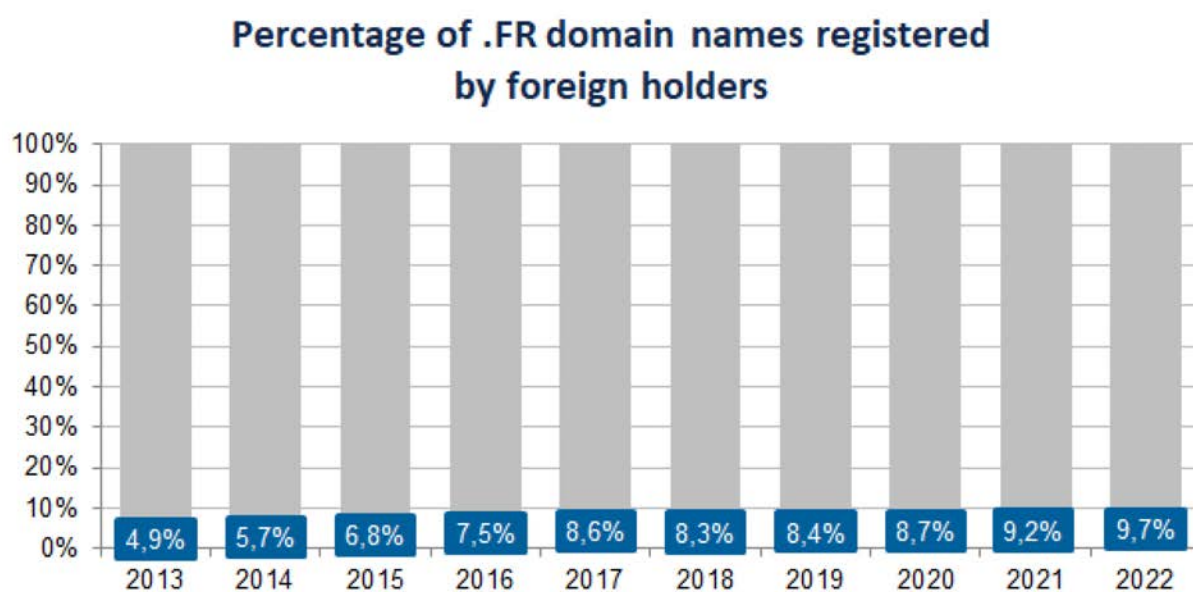


Figure 14: Percentage of .FR domain names registered by foreign holders

Foreign holders are still primarily located in the Netherlands, in 1st place in 2022 (93,000 against 70,000 in 2021), in Germany (79,000 .FR against 76,000), and in Belgium (43,000 against 42,000). The strong growth observed in the Netherlands over the past several years could be the consequence of domaining activities among this country's players, through specialist registrars.

9. DNSSEC

The proportion of DNSSEC-signed .FR domain names increased from 3.8% in 2013 to 13% in 2017, tripling in volume from 103,000 to 424,000 names.

The situation then deteriorated in percentage terms between 2017 and 2020, before improving appreciably in 2021 (+5.4 pp) and 2022 (+1.1 pp).

This is due to an active policy on the part of certain major registrars who have adopted procedures aimed at signing new names registered with DNSSEC, for example.

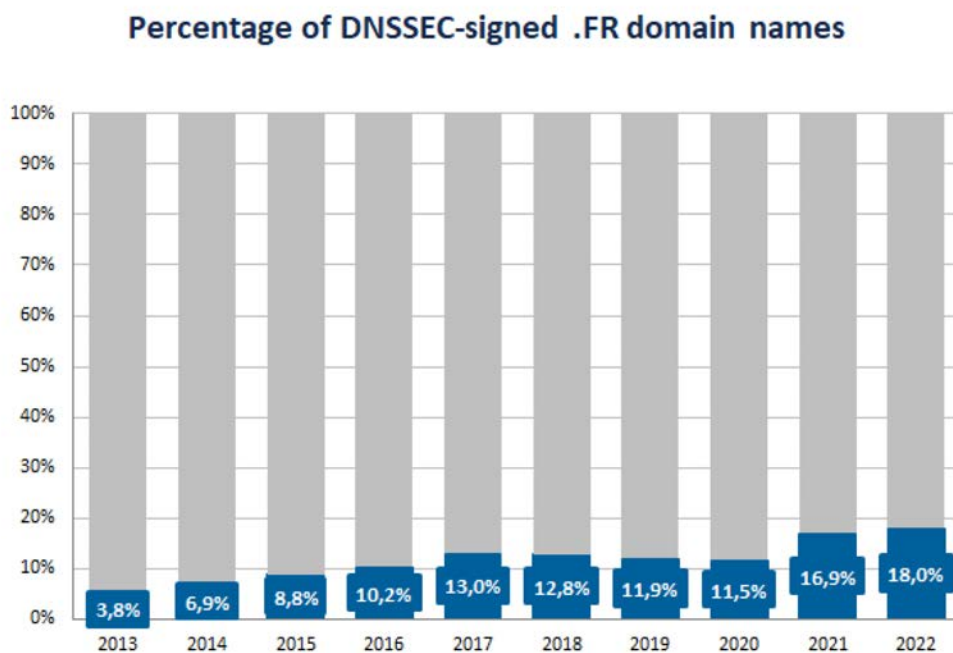


Figure 15: Percentage of DNSSEC-signed .FR domain names

Although this change is encouraging, this rate still remains fairly modest in view of those of other European TLDs.

The appearance of a new type of attack dubbed SAD, which poisons the DNS cache by making it accept false responses which it then distributes to its clients, added further weight and currency to DNSSEC, which is the only reliable solution to these attacks. The development observed since 2021 can no doubt be attributed to this.

10. Internationalised domain names under the .FR

Unchanged since 2019, the proportion of .FR names in the IDN format, i.e. containing special characters (accents, etc.), remains low at 0.7%.

This stability in percentage terms should be seen in the context of the increase in the total number of names in stock: the number of IDNs under .FR grew by 2.5% in 2022 to 29,286.

These figures are anecdotal at the level of the .FR, no doubt including a large number of defensive names (brands containing accented characters) and some speculative names (common names containing accented characters). The lack of convincing use explains the low percentage and the sometimes virtuous, sometimes vicious circle that closely links the flows of domain names and the use made of them.

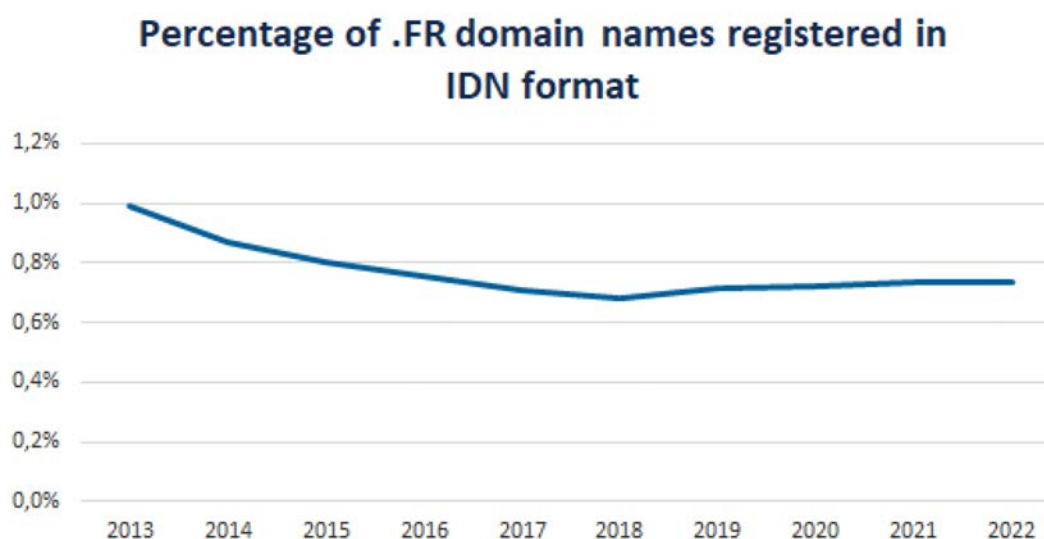


Figure 16: Percentage of .FR domain names registered in IDN format

11. Multi-year registrations

The registration and renewal of .FR domain names for periods of over 1 year (and up to 10 years) has been possible since 30 March 2015. Yet although this possibility has existed for nearly eight years, the proportion of .FR domain names registered or renewed for periods greater than one year remains marginal. In 2022 it even fell below 6%.

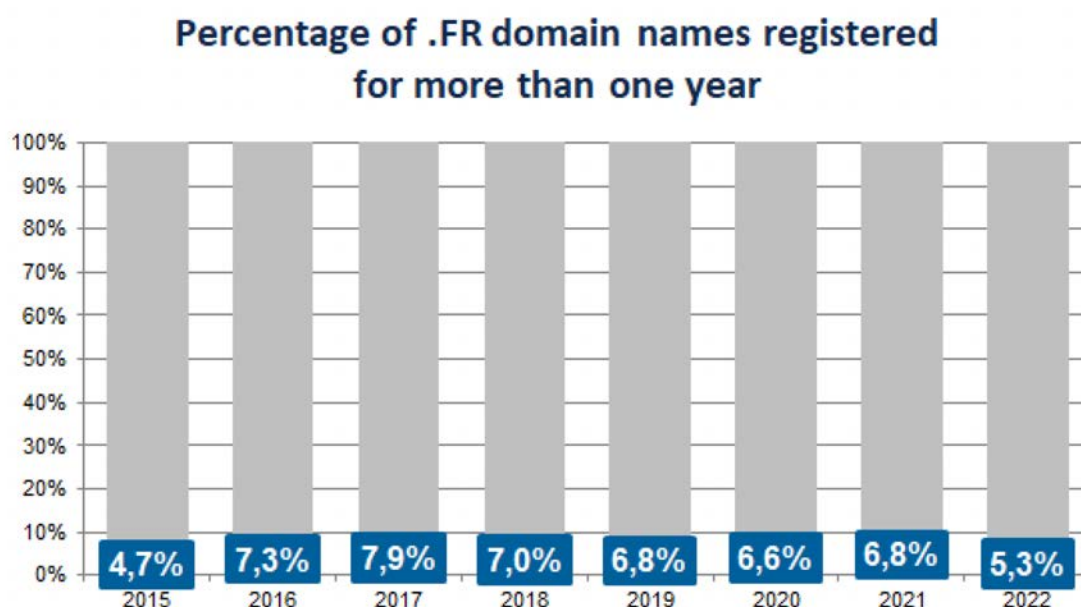


Figure 17: Percentage of .FR domain names registered for more than one year

At 1 January 2023, 211,906 .FR domain names had been registered for two years or more, i.e. a decline of 51,816 names in absolute terms or 19.6%, and of 1.5 points as a percentage of the total number of .FR names.

The downward trend thus resumed in 2022 and was still explained by the implementation of automatic renewal systems by various large registrars, which makes the multi-year option less attractive.

Breakdown of multi-year registrations by year of expiry (01/01/23)

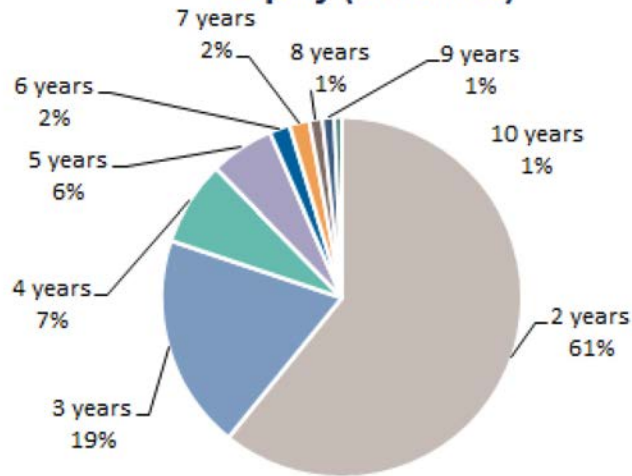


Figure 18: Breakdown of multi-year registrations by year of expiry

The maturity structure (from 2 to 10 years) shows that the bulk of the multi-year registrations expire in 2 or 3 years (80 % against 84% in 2021), with the other maturities declining. This structure is overall stable over time.

12. The .FR and business creation

.FR create operations are carried out by:

- businesses that have existed for some time, in the context of their activity;
- newly created businesses;
- project promoters registering their domain names personally in the absence of a legal structure;
- private individuals with needs of a professional or private nature leading them to register a .FR name.

One cannot therefore expect a situation in which .FR create operations are entirely due to newly created businesses, all the more so as new or future entrepreneurs do not register only .FR names.

Nevertheless, we thought it interesting to compare trends in .FR create operations and in business start-ups, on the basis of data provided by the French National Institute of Statistics and Economic Studies (INSEE).

Figure 19 hereunder shows that there is a link between the dynamics of the .FR and business creation, particularly the creation of individual enterprises or sole proprietorships rather than of businesses with the legal form of a company.

This link is particularly visible over the period 2013 – 2017, when the annual figures were fairly stable, and in 2019 – 2020 when both kinds of creation increased. The .FR domain seems to have benefited somewhat less from business start-ups in 2021 and 2022, perhaps because the newly created businesses in these years less promptly created an Internet presence than in 2020, but this remains an assumption that needs to be proven.

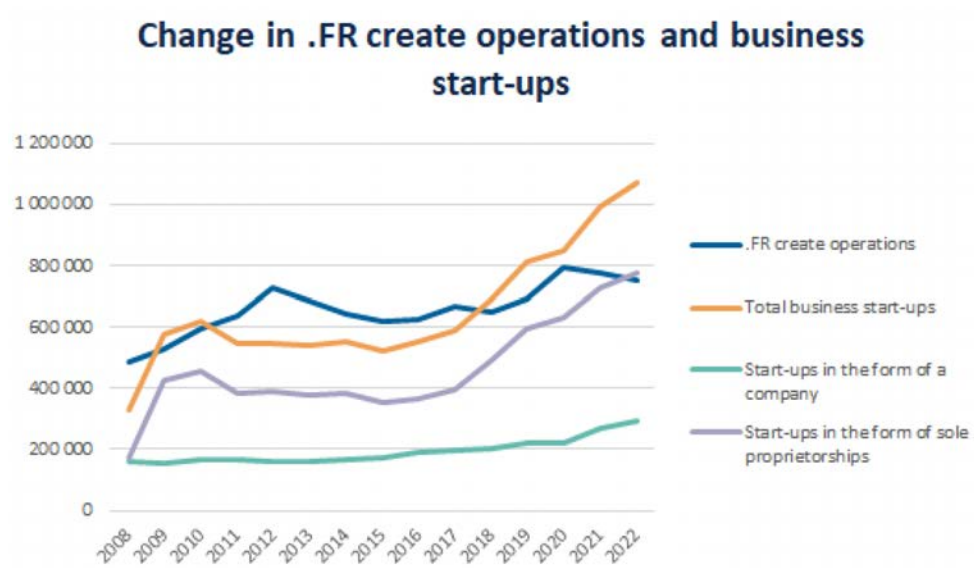


Figure 19: .FR create operations and business start-ups

This link can be measured by calculating the linear correlation coefficient over a number of years (Figure 20). Findings show that this coefficient reached a peak in 2020 before falling to around 0.65, the correlation between .FR create operations and business creations being less prominent than among individual firms (0.6 against 0.65).

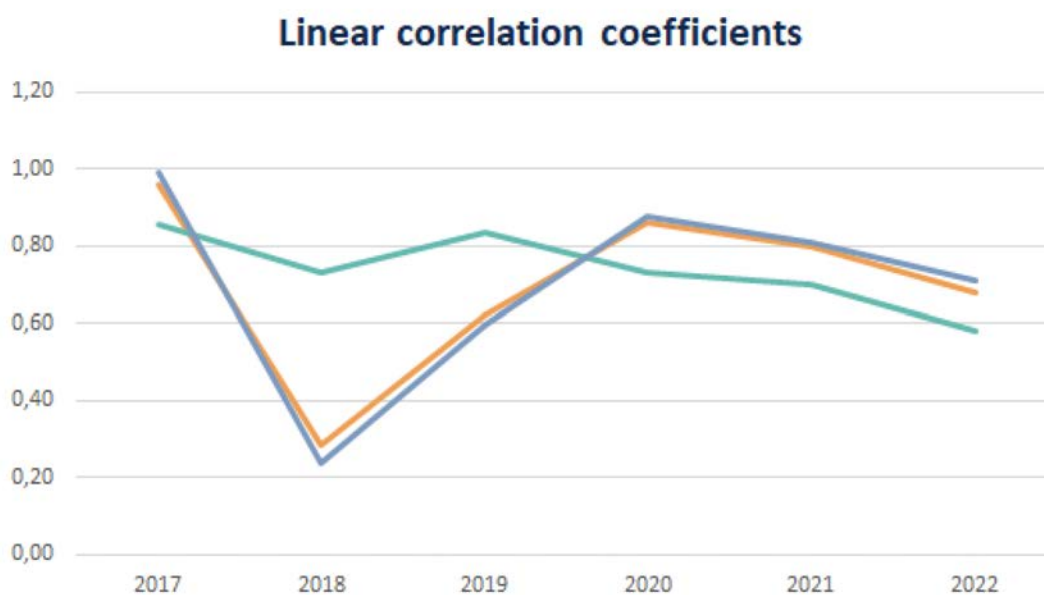


Figure 20:

Linear correlation coefficient, .FR create operations and business-ups 2017 – 2022

In view of the large number of parameters involved, it is difficult to offer any definitive explanations for these variations. The trend observed in 2020 – 2021 suggests, however, that newly created businesses tended, more than in previous years, to adopt a digital presence, something that was less prominent in 2022. Indeed, given that the market share of the .FR increased in 2022 to the detriment of that of .COM, the delta between business creation and the .FR creation trend was not offset by the use of another TLD. It follows, therefore, that the cause stems from the general practices of businesses created in 2022 more than a ‘trade off’ to the detriment of the .FR.

The trend in business failures also warrants study since it constitutes a factor that may influence the level of .FR delete operations.

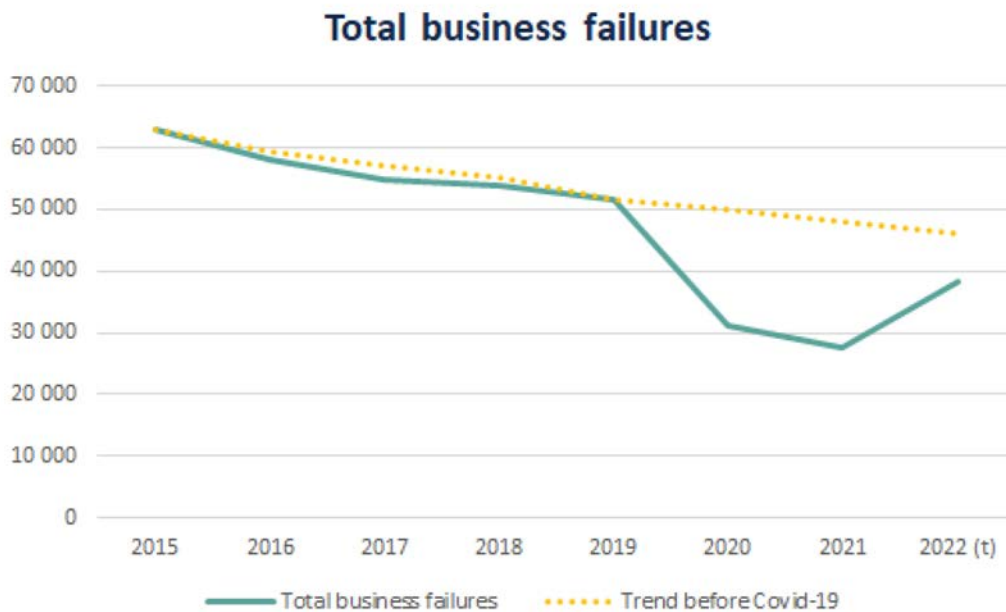


Figure 21: Total number of business failures

Source: INSEE (National Statistics Institute). Last updated 20 January 2023, data to November 2022.

The figure for 2022 is a projection based on the historical weights of each month between 2015 and 2021.

The visible dip in 2020/2021 is probably attributable to the government aid which protected businesses from failure linked to the health crisis while at the same time allowing some that would normally have gone bankrupt to survive.

The volume of businesses concerned can be estimated at around 20,000 in 2020 as in 2021. It could be therefore that a layer has formed of fragile businesses likely to collapse once government aid is discontinued.

In 2022, the number of failures increased substantially (+39%) but it remained around 8,000 below the expected figure if the pre-COVID trend had continued. The 2023 figure should thus be expected to be higher, either stabilising on this trend or overtaking it and starting to reabsorb the artificial deficit of 2020 – 2022.

The impact of the increase in business failures by 11,000 in 2022 influenced the .FR retention rate which declined by 0.3 pp (for a market share of around 39%).

13.2023 outlook for the .FR

.FR activity was determined in 2020 by COVID and the subsequent lockdowns. 2021 was once again marked by this phenomenon, but a gradual 'return to normal' was seen as of the spring. The question subsequently became whether the gains of the acceleration of the digital transition would be long lasting or not, in what remained an uncertain economic context.

In 2022, the pace of .FR create operations remained at an exceptional level compared to the previous COVID years, which speaks in favour of the perpetuation of digital practices among businesses.

Nevertheless, the rise in .FR deletions, business failures and the decline of the correlation between .FR create operations and business start-ups shed a more nuanced light on the situation. A large proportion of businesses remain impacted by the digital transition and are 'transforming' this into a long-lasting change. Yet another share seem to have returned to the *statu quo ante*, either neglecting their Internet presence, using other solutions that do not require a domain name, such as social media and marketplaces, or taking the view that it is not a priority while the company is still in the start-up phase.

All signs indicate that the priority given to an Internet presence, made necessary by the events of 2020 – 2021, has been relegated to its previous rank. Essential, certainly, but less important or profitable in the eyes of many VSEs/SMEs than 'real-world' development via traditional means.

Against this gloomy economic backdrop, the perception of return on investment is key: other Afnic studies such as the one conducted as part of Réussir avec le Web [Succeed with the Web] show that it is indeed this perception that is lacking. Putting in place a website, but also updating and publicising it, is an ongoing investment in terms of time and money as

well as skills acquisition, and one which can appear not particularly cost effective to a certain number of businesses (a feeling that also applies to social networks). In the wake of the 2020– 2021 experience, those that have not been convinced may be tempted to give up on their Internet presence.

2023 should continue to fall within this context of contradictory trends between VSEs/SMEs that have taken on board digital practices and those that, for various reasons, have not managed to take the leap and have either given up or retained what they have in place without further development.

Should these assumptions bear out, we should see .FR create operations remain at a high level compared to pre-2020 averages, while simultaneously seeing a decline in the retention rate linked to higher numbers of deletions than usual of names registered in 2020 and 2021, names which, in terms of their volume, currently represent a quarter of the .FR stock.

.FR growth should stand at around 2%, slightly above the average of other European ccTLDs.

A major challenge for the French digital economy in 2023 will therefore be continuing to foster the acquisition of digital ‘best practices’ by businesses of all sizes, while supporting those that have already taken on board these new tools and reaching out to those tempted to give up on these efforts, in order to avoid the creation, or even recreation, of a ‘digital divide’ between businesses.

Not all businesses have the same needs when it comes to digital tools and an Internet presence, but very few would derive no benefits at all.

Afnic’s continued efforts aimed at VSEs and SMEs, for example “Réussir avec le web” [Succeed on the web] and the “Je passe au numérique” [I’m going digital] initiative, form part of the possible responses.

More than ever, Afnic is a key player in the development of the Internet in France and a privileged partner for public authorities and private structures alike, first and foremost VSEs and SMEs.