Research on Domain Name Market - jp -

ccNSO Meeting
March 9, 2010
Hiro Hotta, JPRS
Overview of the Research

• Research on Domain Name Market
  – by BayCurrent Consulting
  – in Q4, 2009
  – to identify
    • possible growth of existing domain name market
    • possible growth of potential domain name market
  – background
    • relatively low penetration of domain names in Japan
    • ongoing/emerging changes in domain name environment
      – growing E-Commerce
      – more diversification of usage
      – new TLDs coming
  – JPRS is granted to present the report
Approaches

• benchmark analysis
  – clarify gaps between markets in Japan and in other countries
  – analyze whether such gaps are to be reduced
  – study out the possible growth of Japanese market

• penetration rate analysis
  – analyze market size, annual growth rate, and "# of registrants / # of organizations" for individual business category
  – study out the potential of more penetration for each business category

• positioning analysis
  – extract key factors for registrants to choose TLDs
  – clarify the positions of JP and other TLDs in Japanese market
  – study out relevant positioning of each TLD
Benchmark Analysis
Market Size

Estimated Market size [Million USD]

<table>
<thead>
<tr>
<th>Country</th>
<th>ccTLD</th>
<th>.eu</th>
<th>gTLDs (other than .com)</th>
<th>.com</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>518</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>230</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>71</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>66</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Analysis Method

1. Selected benchmark
   - .jp in Japan
   - .com in US, .de in Germany, and .uk in UK
2. randomly pick up sample domain names for each benchmark
3. browse their web-sites and divide them into 30 categories
   - for resale
   - for advertising products/goods/companies/...
   - for net-shopping
   - for search-site / portal-site
   - for Blog
   - for personal homepage
   - under construction
   - etc.
4. find big differences in usage between ".jp in Japan" and other benchmarks
5. look into the background of differences
6. investigate whether such differences will be narrowed down
Existing market: Usage of .jp in Japan

market size is measured with the total of domain name registration fee
Big differences between benchmarks

<table>
<thead>
<tr>
<th></th>
<th>.jp in Japan</th>
<th>.de in Germany</th>
<th>.uk in UK</th>
<th>.com in US</th>
</tr>
</thead>
<tbody>
<tr>
<td>resale</td>
<td>1</td>
<td>x 315</td>
<td>x 217.2</td>
<td>x 145</td>
</tr>
<tr>
<td>advertisement</td>
<td>1</td>
<td>x 2.1</td>
<td>x 1.3</td>
<td>x 2.2</td>
</tr>
<tr>
<td>net shopping</td>
<td>1</td>
<td>x 2.9</td>
<td>x 3.8</td>
<td>x 4.7</td>
</tr>
<tr>
<td>search / portal</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>x 66.3</td>
</tr>
<tr>
<td>SNS</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>x 89.5</td>
</tr>
<tr>
<td>Blog</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>x 9.7</td>
</tr>
<tr>
<td>private CGM</td>
<td>1</td>
<td>x 13.3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>personal home page</td>
<td>1</td>
<td>–</td>
<td>x 32.0</td>
<td>–</td>
</tr>
</tbody>
</table>

- : not a significant difference

x NN : NN times bigger in terms of market size per person
Possibility of usage expansion

• For each of the following usages with big differences
  – resale
  – advertisement
  – net shopping
  – search / portal
  – SNS
  – Blog
  – private CGM
  – personal home page

• possibility of (future) usage expansion is studied by investigating whether followings are big hurdles for .jp, through comparison between .jp in Japan and each benchmark
  – channel
  – promotion
  – regulation
  – business custom
### Possibility of usage expansion

<table>
<thead>
<tr>
<th>Channel</th>
<th>Promotion</th>
<th>Regulation</th>
<th>Business Custom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resale</td>
<td>A</td>
<td>A</td>
<td>- / A</td>
</tr>
<tr>
<td>Advertisement</td>
<td>-</td>
<td>- / A</td>
<td>- / A</td>
</tr>
<tr>
<td>Net shopping</td>
<td>-</td>
<td>-</td>
<td>- / A</td>
</tr>
<tr>
<td>Search / portal</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SNS</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Blog</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private CGM</td>
<td>-</td>
<td>-</td>
<td>A</td>
</tr>
<tr>
<td>Personal home page</td>
<td>-</td>
<td>-</td>
<td>A</td>
</tr>
</tbody>
</table>

- **A(chievable)**: current difference can be narrowed
- **N(on-Achievable)**: current difference is hard to be narrowed
- **-**: no big difference exists
Non-existing market in Japan

- **Service**
  - ISPs give domain names to their subscribers by default
    - large number of registrations of .de in Germany
    - some for .uk in UK

- **Analysis**
  - no big hurdles for .JP in Japan, compared to .de in Germany
  - possible to be provided by ISPs
Analysis on the Potential of Domain Names in Each Business Category
Analysis Method

1. pick up the following 3 figures for business categories from statistical materials such as Japanese government white papers
   • market size ($ per person)
   • annual growth rate
   • number of organizations

2. categorize .jp registrants (by sampling) and identify the number of registrants in each business category

3. calculate "penetration rate" in each business category
   • # of registrants / # of organizations

4. make a table of "potential of domain names" in each business category by checking the combination of
   • market size ($ per person) : bigger has more potential
   • annual growth rate : bigger has more potential
   • penetration rate : smaller has more potential
## Analysis result

<table>
<thead>
<tr>
<th></th>
<th>market size</th>
<th>annual growth</th>
<th>saturation rate</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>telecommunications</td>
<td>C</td>
<td>AA</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>amusement</td>
<td>A</td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>medical</td>
<td>AA</td>
<td>B</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>education</td>
<td>B</td>
<td>AA</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>welfare / caring</td>
<td>B</td>
<td>AA</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>wholesale</td>
<td>A</td>
<td>A</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>foods &amp; drinks retail</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>professional service</td>
<td>AA</td>
<td>B</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

**AA**: very hopeful  
**A**: hopeful  
**C**: of small hope
Positioning Analysis
Focusing on
Domain Name Selection Criteria
Analysis method

• registrants are categorized into the following segments
  – business (6 combinations)
    • big company / medium company / small company
    • B to B / B to C
  – individual (personal)

• Interview registrants to identify their criteria in choosing domain names
  – co.jp / .jp / .com / .net

• categorize the criteria into the reasons below
  – reliability
  – trust
  – familiarity
  – fashionableness
  – regionality
  – popularity
  – price
Positioning of TLDs

Price is not important independently of company size or their customers.

Individual registrants are more sensitive to the price than business. Both .jp and .com/.net have their own market.

.co.jp, .jp and .com/.net markets are disjoint.

.com market and .net market are overlapped.