THE DNS MARKETPLACE IN LATIN AMERICA AND THE CARIBBEAN

An overview

LACRALO webinar, October 2016

AGENDA

- Partners
- Study goals and methodology
- Initial findings
- Next steps
- Q&A

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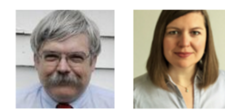
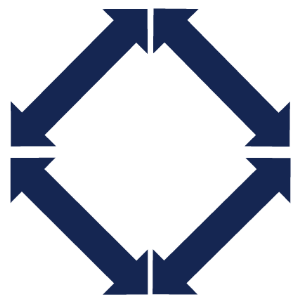
Introducing the partners

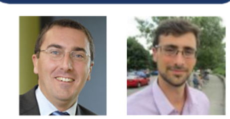
Report authorship
Domain name analysis
Data visualization
Website usage and language

Domain industry expertise
Internet research
Report authorship
Project management





Regional TLD expertise
and networks
Local language speakers
Report authorship
Research and analysis



Leading ccTLD registry
Worldwide industry networks
Regional capacity building with ICANN
Commitment to linguistic diversity
Spanish & Portuguese speakers

STUDY GOALS AND METHODOLOGY

Overall approach

- Phase 1 – Facts
  - Current state of domain name industry in LAC region
  - Regional web content, growth trends
  - Registrar and reseller markets, global benchmarks
  - User experience, uptake of domains, premium domains
- Phase 2 – Analysis
  - Growing the region’s domain name market
  - Regional web ecosystem, benchmarks and best practices, market potential
- Phase 3 – Conclusions
  - A proposed way forward for the region
  - Business potential, industry development recommendations

Focus countries: geographic, cultural and socio-economic diversity

Sub-Region	**Country/territory name**
South America	Argentina
	Brazil
	Chile
	Colombia
	Peru
	Paraguay
Central America	Guatemala
	Panama
Caribbean	Belize
	Dominica
	Dominican Republic
	Trinidad & Tobago
Mexico	Mexico

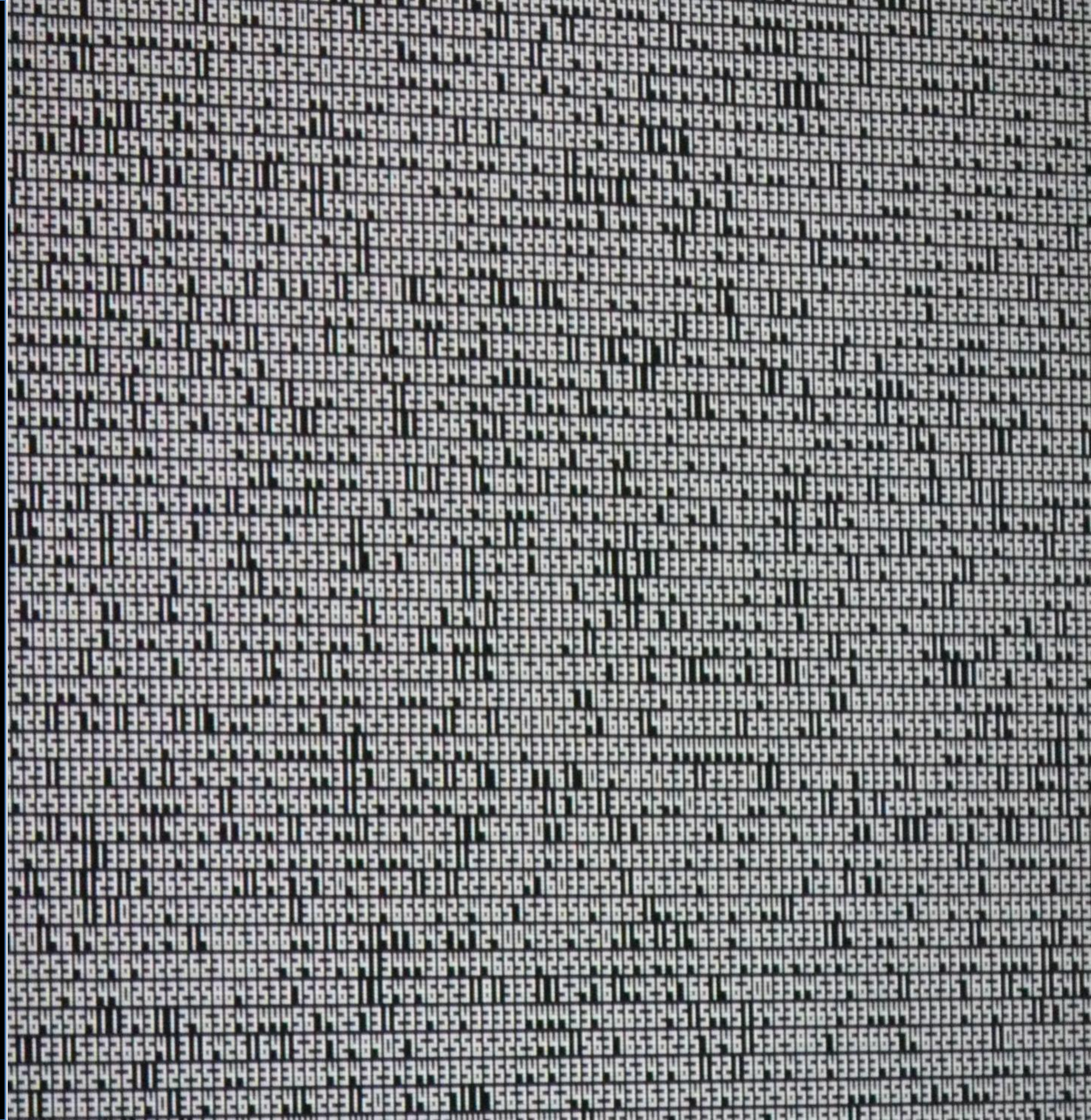
Methodology and sources

- Quantitative data
  - Domain name registrations, IDNs, growth (past 5 years)
  - Use of privacy proxy registrations
  - Content and hosting analysis
- Qualitative data
  - Interviews with industry players and key stakeholders in the region (LACTLD and EURid)
  - Consistent question sets, for ease of comparison
- Sources
  - gTLD open zone files
  - Third party WHOIS queries (commissioned)
  - Supplemented with LACTLD’s regional data (ccTLD and gTLD), Historic data (2009-2015), published sources

Quantitative process – gTLD zone files

- Collect the domains (172 million)
- Create study tables
- DNS analysis:
  - A / AAAA records to country
  - MX record
  - Secure port
- Language analysis (content)
- Keyword analysis (content)

INITIAL FINDINGS



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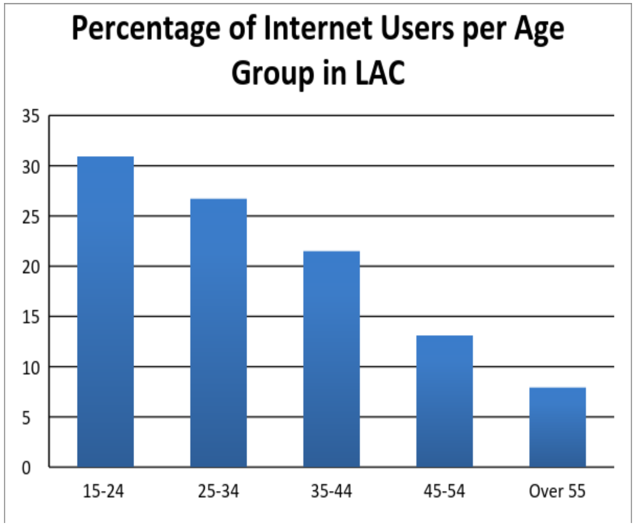
A highly diverse region – the Internet environment

- Relatively high internet penetration; costs not bad
  - Penetration rates from 23-72%
  - Costs not prohibitive, but could be more affordable
  - Low awareness of domain names among end users
- Mobile broadband
  - Mobile broadband penetration (33%) is usually double that of fixed broadband
  - Accessing the Internet through mobile devices reduces interaction with domain names
- Local regulations
  - Can affect Internet penetration, ease of doing business, and user skills
- Language – Lack of local content creates a barrier to adoption

How do people use the internet?

- 78% of LAC internet users are social network users (global: 64%)
- Top internet uses are
  - Instant message (WhatsApp, FB) in Brazil
  - Social networks (Mexico)
- But top 5 also include email, search and shopping
- Ecommerce sites reach 67% of internet users, but only 2% of retail trade is e-commerce
  - Access, payment, information gaps, and regulatory aspects contribute



LAC internet users are young!

THE LAC DOMAIN NAME INDUSTRY

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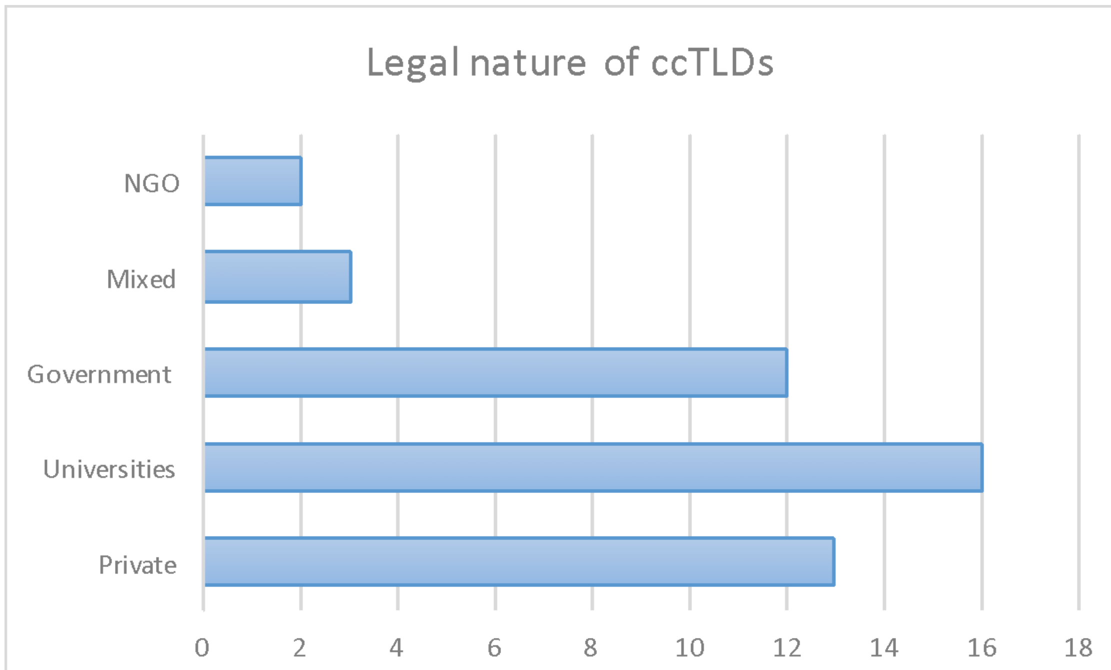
The region's new gTLD applications

Country	TLD	Type	Country	TLD	Type
Brazil	.bom	General	Uruguay	.lat	Geo
	.bradesco	Brand		.hotel	General
	.final	General		.hoteis	General
	.globo	Brand		.hoteles	General
	.ipiranga	Brand		.passagens	General
	.itau	Brand		.vuelos	General
	.ltda	General	Mexico	.bar	General
	.natura	Brand		.cafe	General
	.rio	Geo		.rest	General
	.uol	Brand	Panama	.blog	General
	.vivo	Brand		.legal	General
Colombia	.avianca	Brand		.news	General

ccTLDs from the region (eg .br, .mx) involved in new gTLD applications, eg as backend providers

THE REGION'S CCTLDS

Only 30% of the region's ccTLDs are private companies



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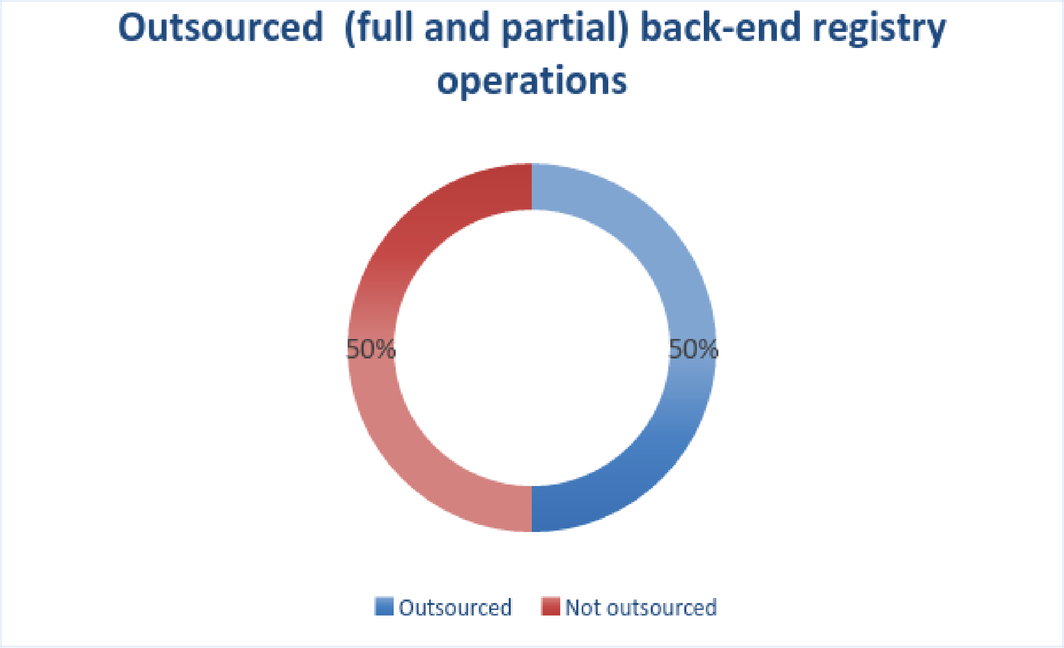
Half the region's ccTLDs outsource back-end registry operations



Registry market (continued)

- Huge variation in registration fees charged by ccTLDs
- More than 70% of LACTLD registries rely 100% on domain registration fees for their organizational revenue.
- Majority of ccTLDs have a direct registration system (60%+).
- Unofficial resellers are a feature of the region.
- Some of the largest ccTLDs recognise official registrars (eg .br, .co, .mx). Others are in transition or considering (.cr, .cl, .do, .hn, .gt)
- Some ccTLDs report that they find it difficult to attract international registrars.
- Only 30% of 18 surveyed registries have their websites in another language other than the official of the country.

Policies and promotional activities (ccTLDs)

- First-come, first-served is the standard
  - Some residency requirements (eg .ar, .br)
- Many ccTLDs have implemented UDRP
- A few engage in price promotions
  - .cr double digit growth following a ‘Black Friday’ promotion 2015.
  - .co and .mx (details confidential)
- Majority engage in awareness raising, trade-shows
- Social networks increasingly being used as a communications channel

Premium domains

- Interviews indicate lack of general awareness in region.
- new gTLDs do not have a strong role in secondary market in region
- Examples of offerings:
  - .rio assigns premium names from public service perspective
  - .bar and .rest (Punto2012) half of value proposition relies on premium names
  - Some new gTLDs have a pool of parked domains for potential future exploitation

Registrars

- 18 international registrars interviewed.
- 13 offer at least one ccTLD (.co); 4 offer all the region’s ccTLDs.
- Low presence of LAC ICANN accredited registrars, numbers that are diminishing every year since the RAA 2013.
- International registrars listed prices primarily in USD and EUR, with only one registrar accepting a local currency (MXN).
- International registrars expressed a very positive view of the LAC region’s market potential, seeing many SME’s appearing and strong business prospects.

DOMAIN NAMES IN THE REGION

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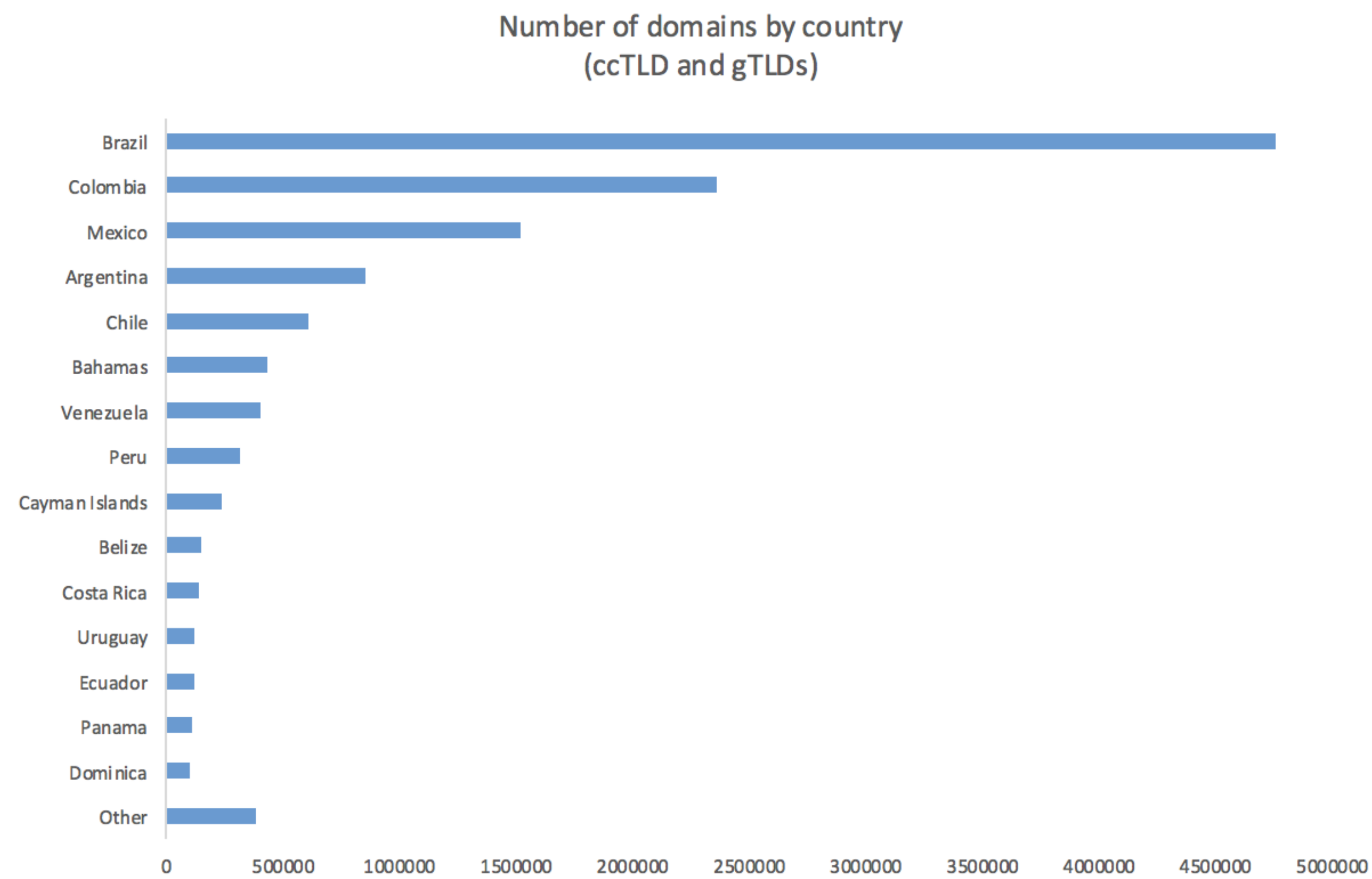
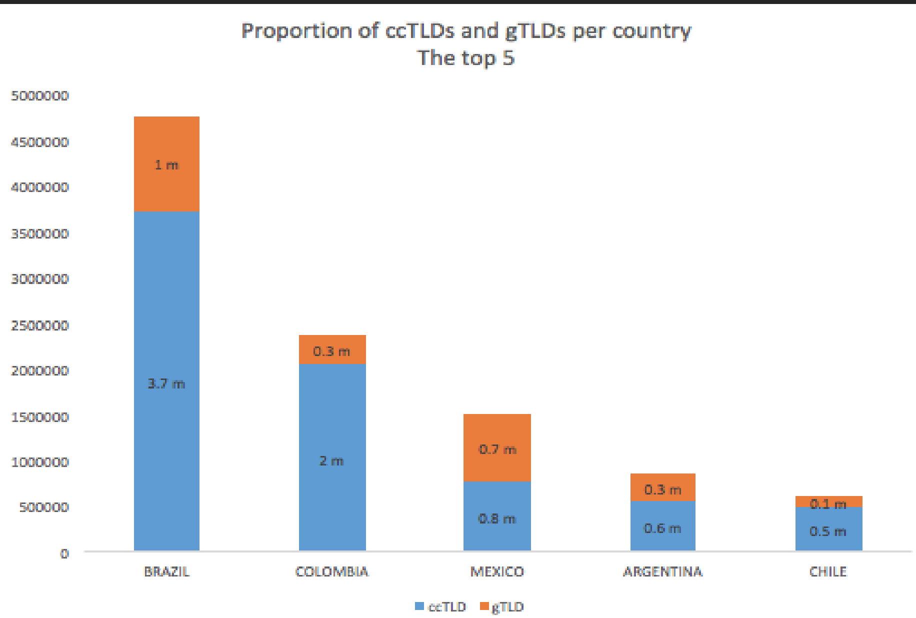


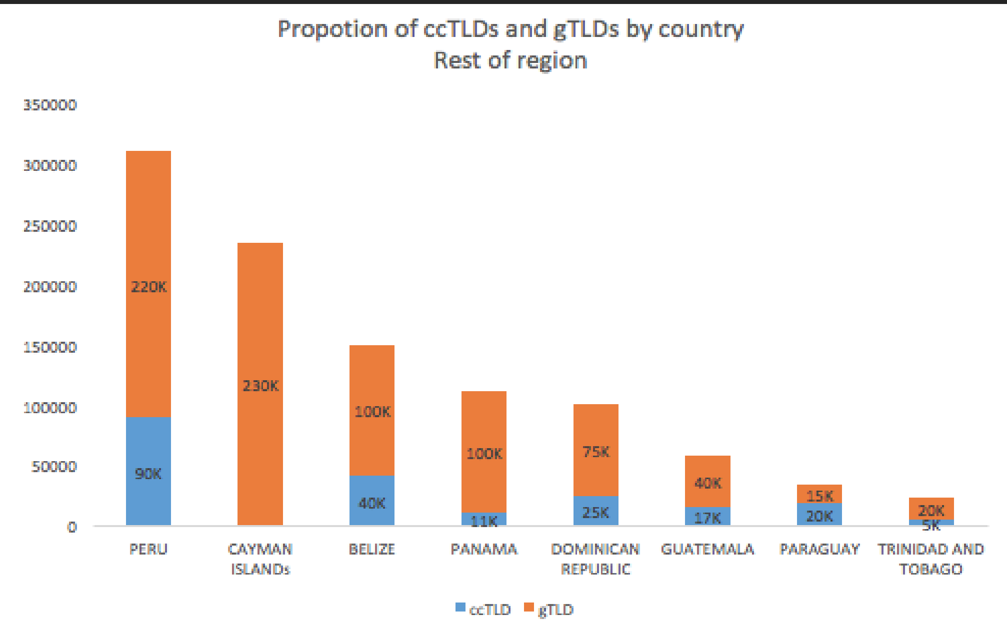
12.5 million domains **8 million ccTLDs** **4.5 million gTLDs**

4% of the world's domains **8.5% of the world's population**

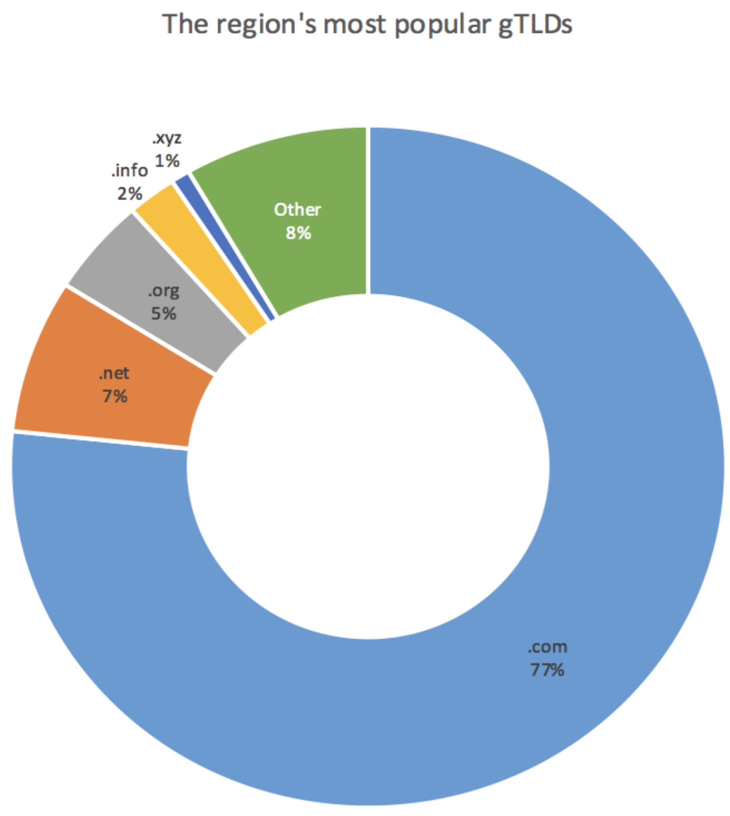
In the major population centres, ccTLDs are more popular than gTLDs

For rest of region, gTLDs tend to outnumber ccTLDs



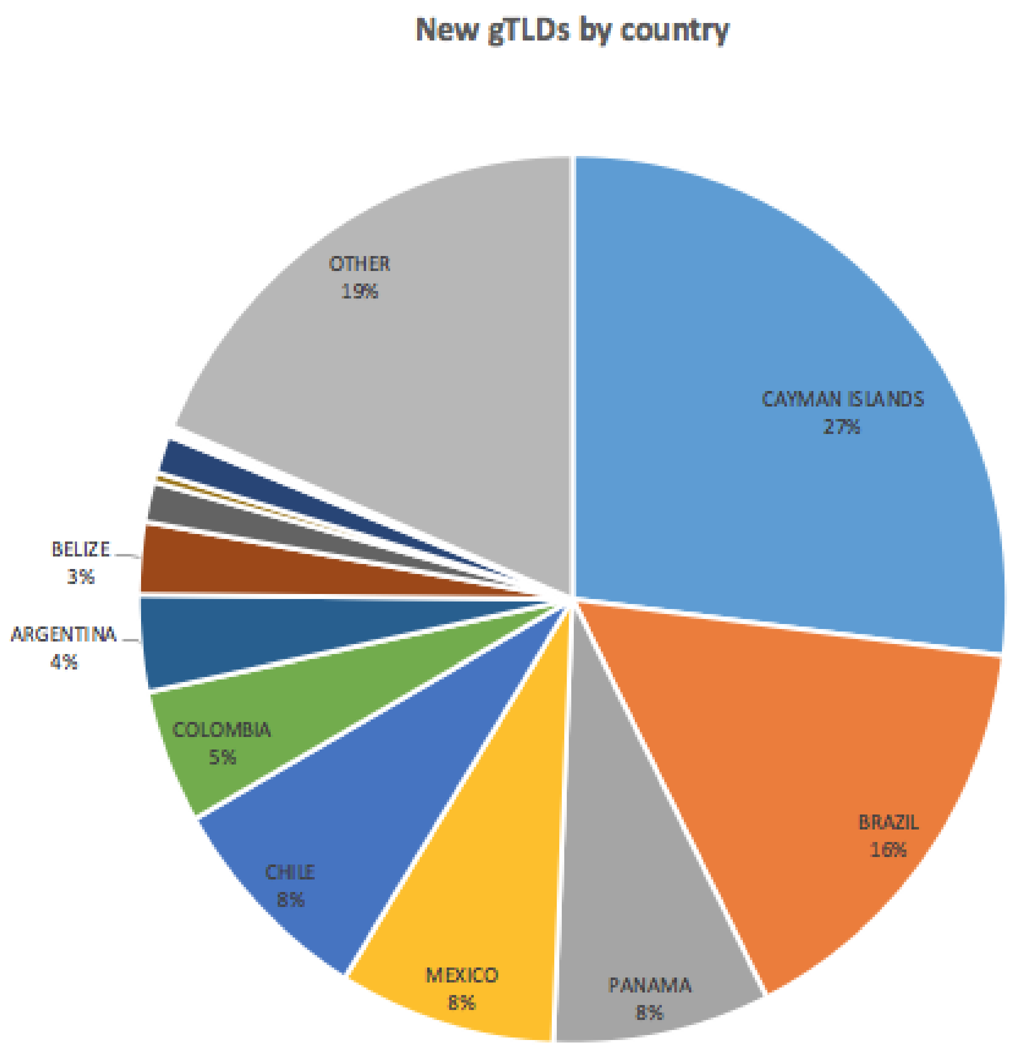


.com is the region’s most popular gTLD

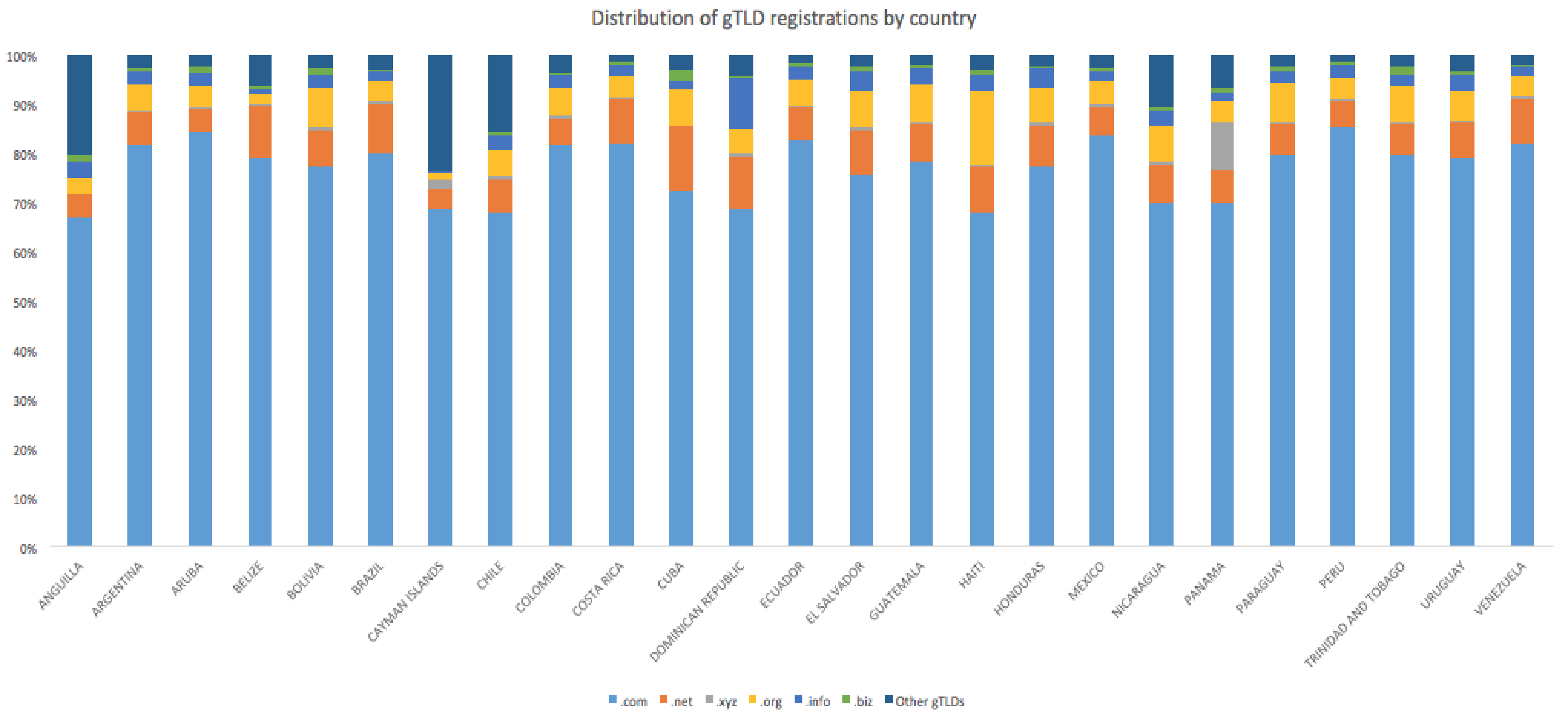


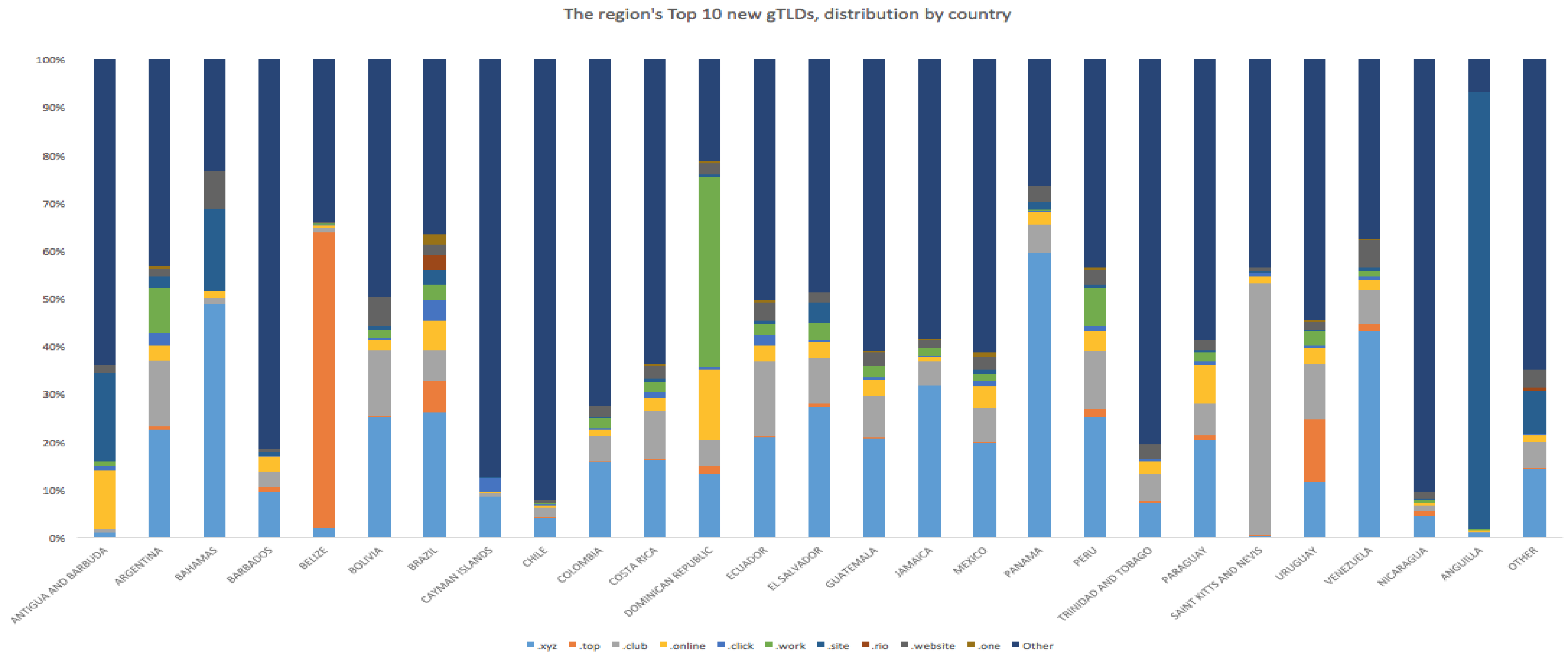
One new gTLD (.xyz) is within the top 5 gTLDs in the region

There are 225,000 new gTLD registrations



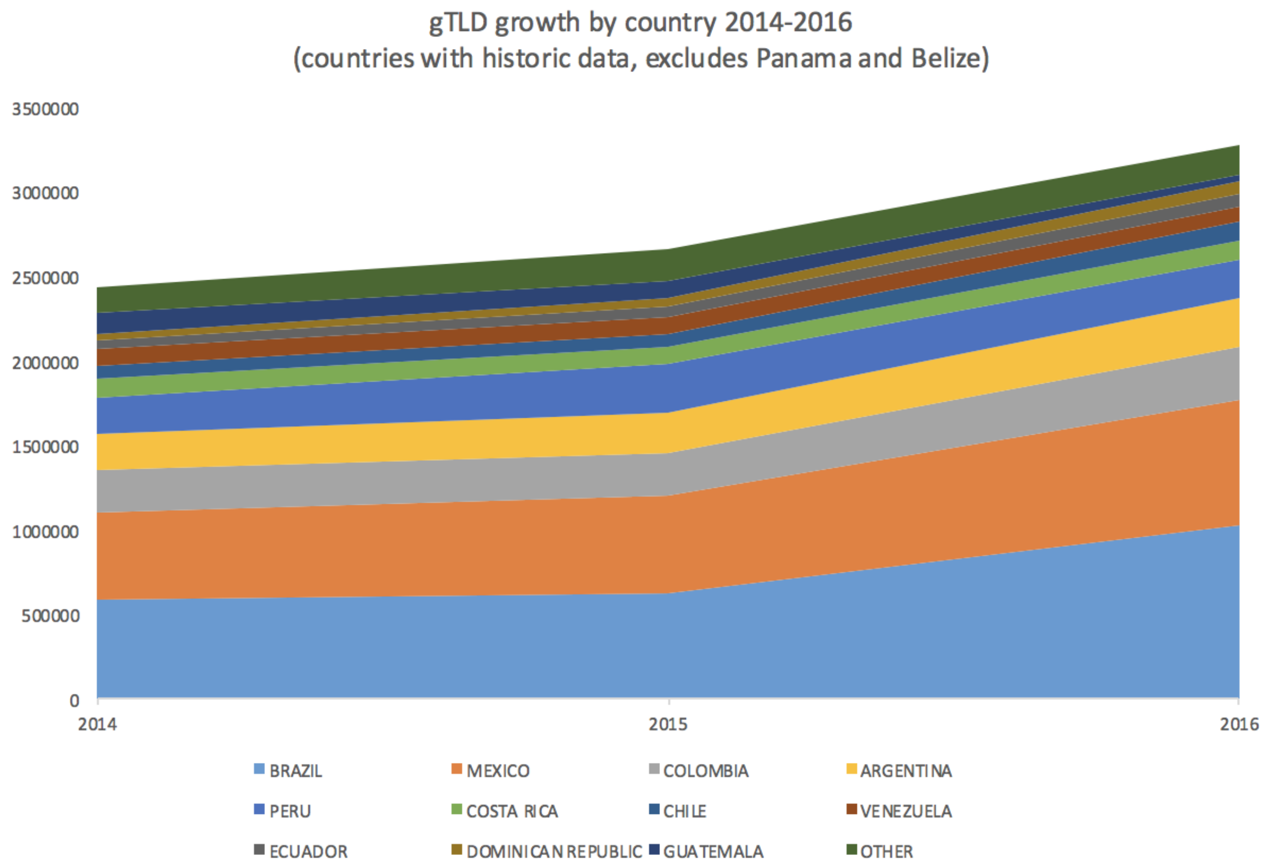
New gTLDs have yet to make an impact in most countries



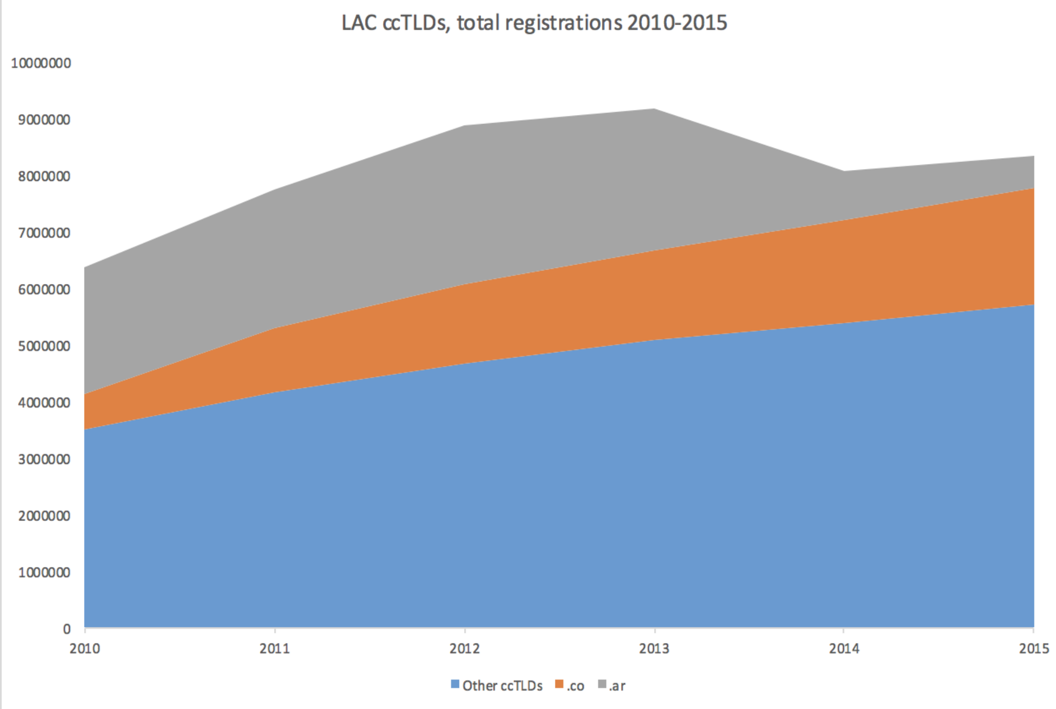


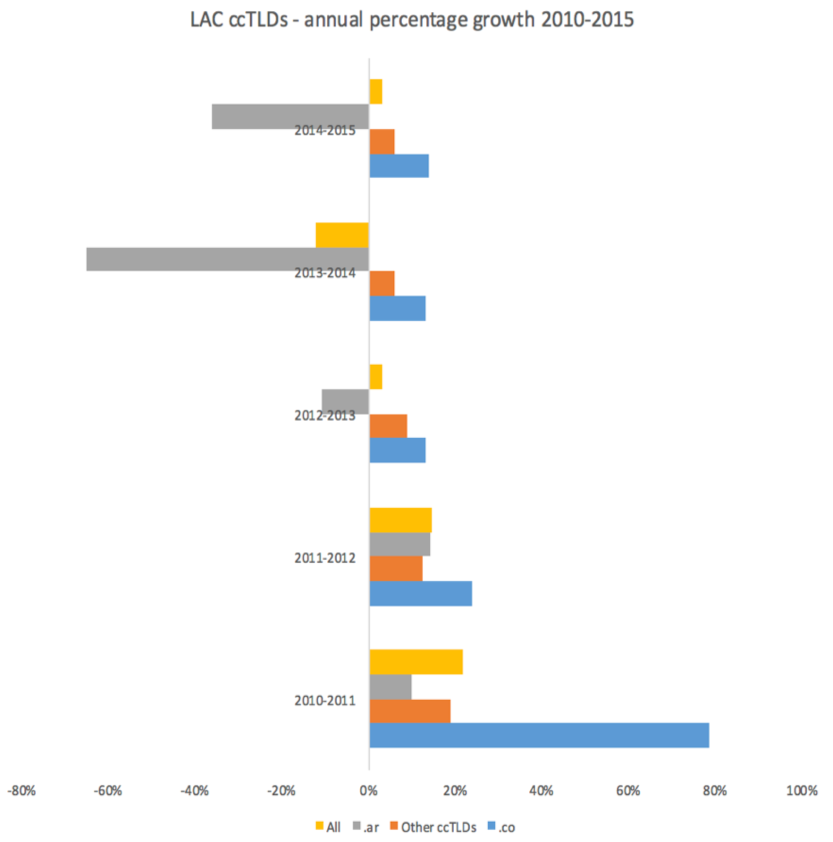
.top is popular in Belize
.work in the Dominican Republic

gTLD growth rates – strong growth in 2015-16 or differences in methodology?

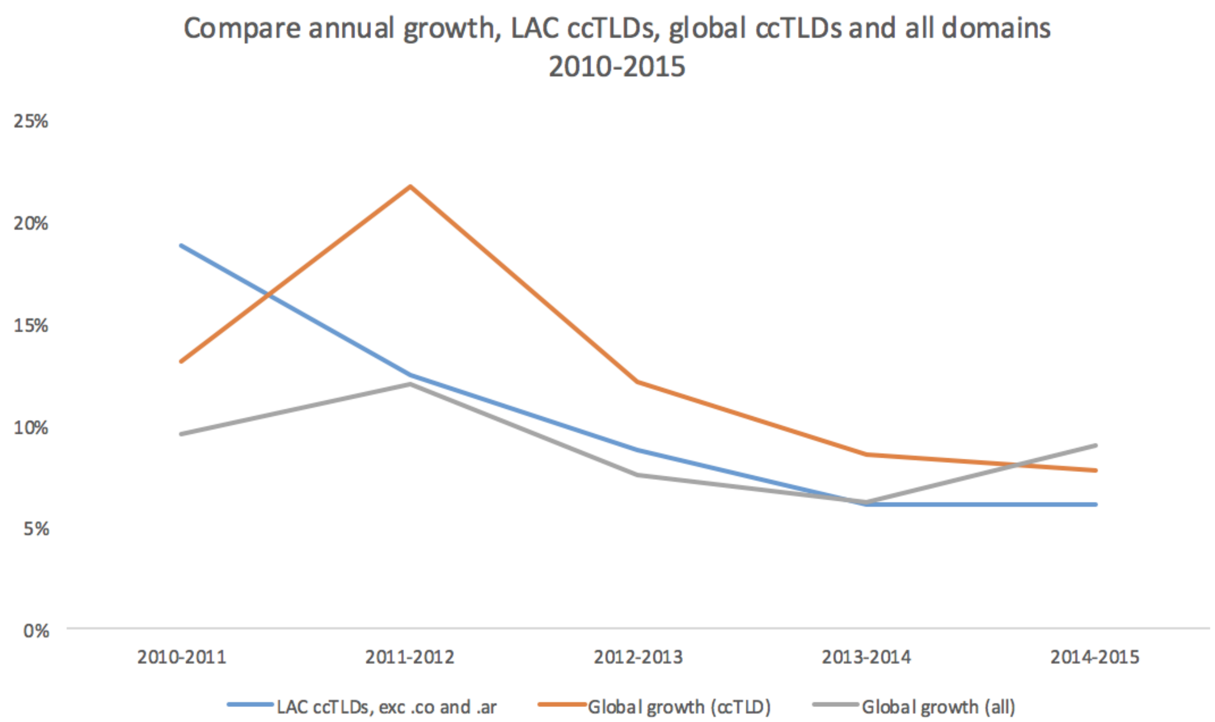


ccTLD growth rates – policy matters



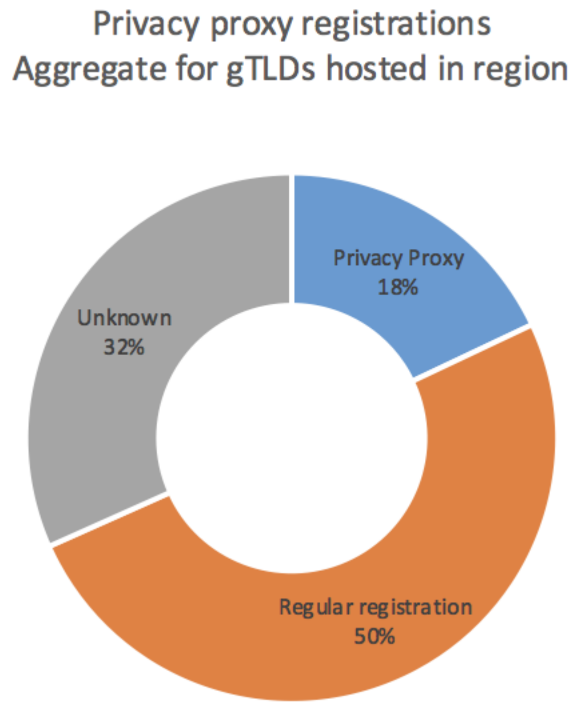


ccTLDs (excl. .ar and .co) in line with global growth



Privacy proxy registrations

- A difficult task from zone files
- Analysis of 500 top websites by country shows 18% proxy rate (Alexa.com)
- Compares with global rates of 20% privacy proxy (NORC, 2013)
- Analysis of WHOIS registrant data for Panama indicates 97% of gTLD registrations are via proxies
- Uniregistrar estimates 80% of domains are privacy proxy registrations

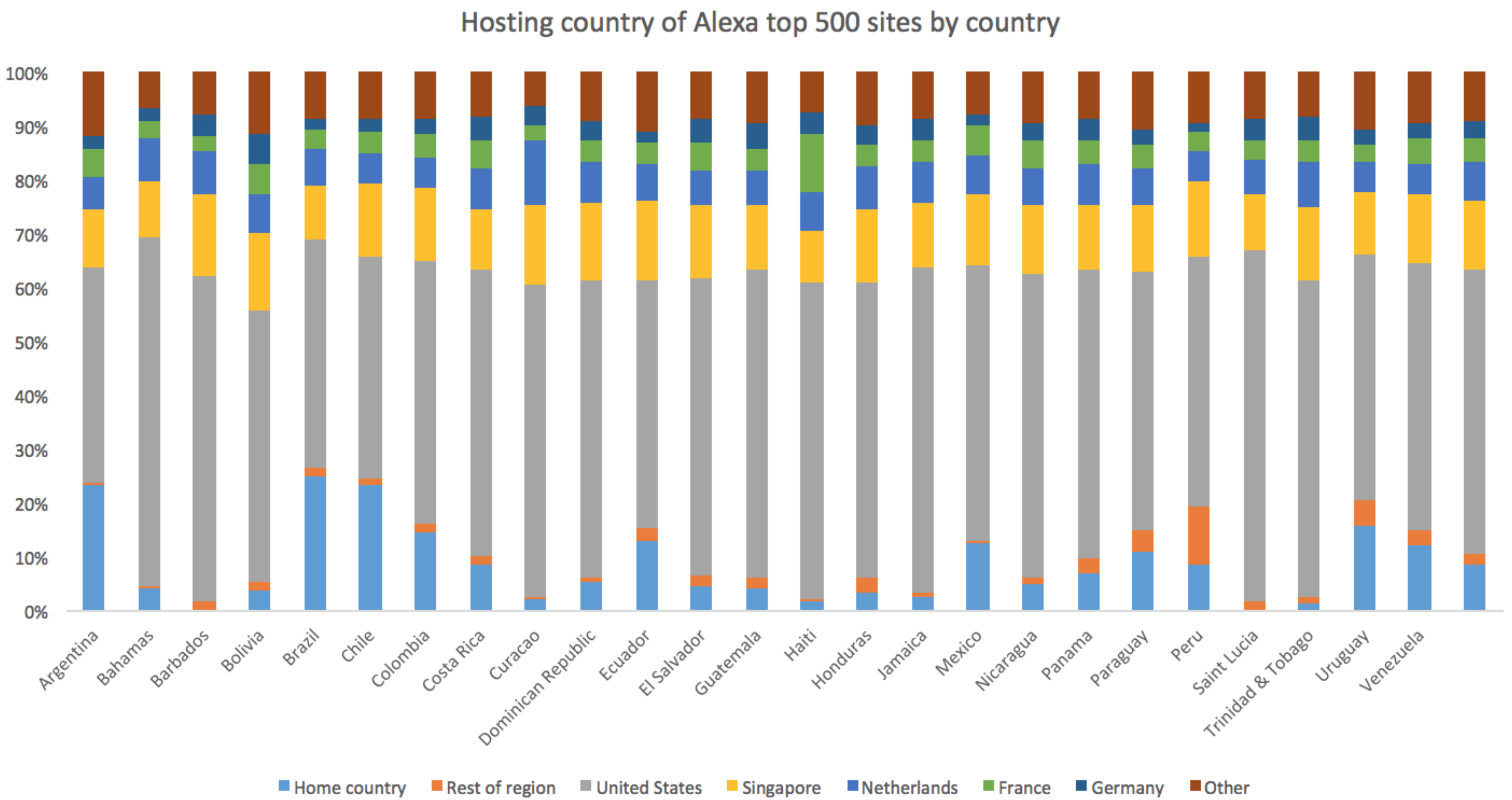


Parking varies by sub-region and country

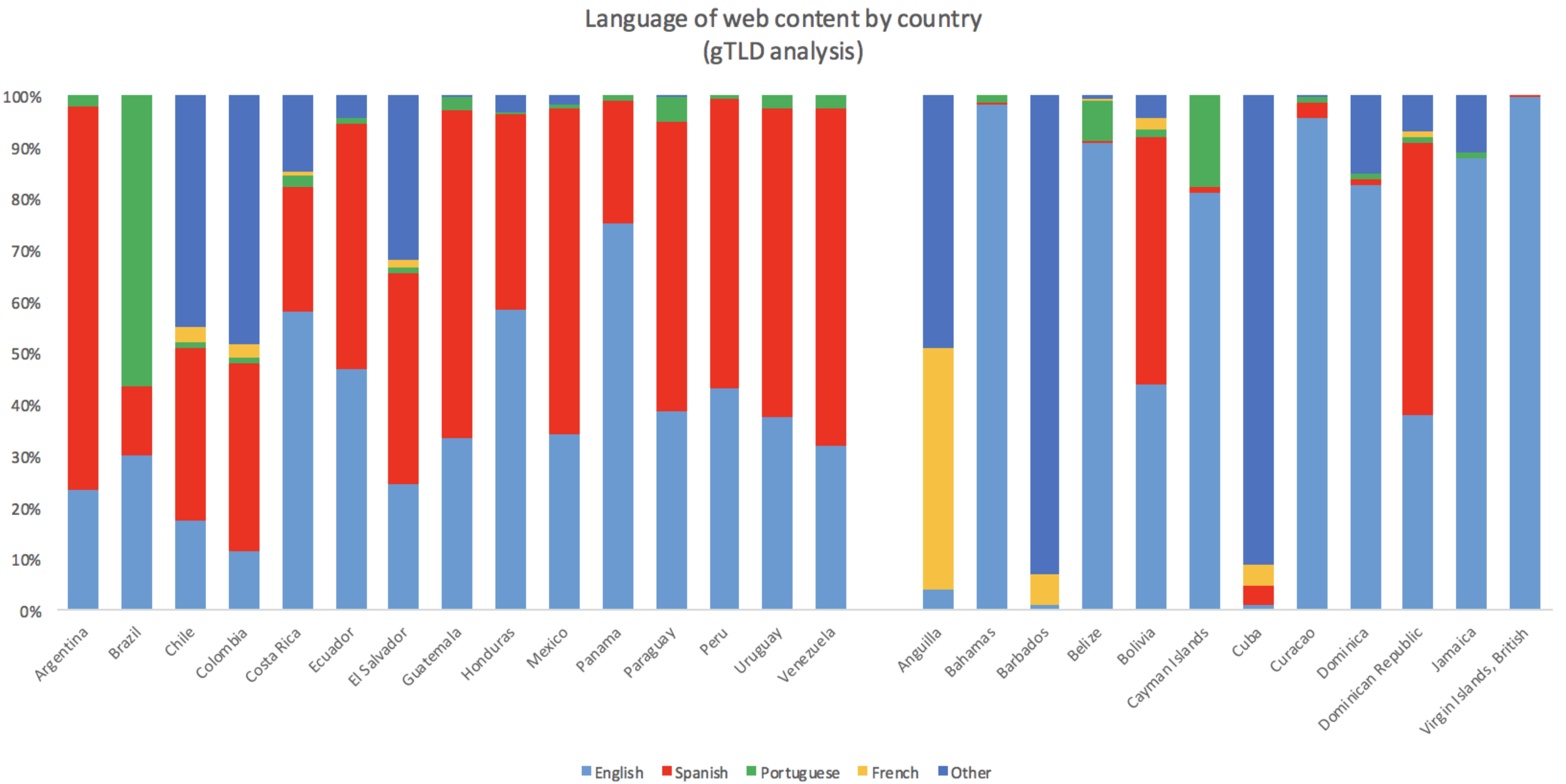
Sub-Region	Number of sites	Percentage full site	Percentage parked
Central America (inc Mexico)	52,439	59%	41%
South America	362,670	64%	36%
Caribbean	428,044	23%	77%
Total in region	843,153	43%	57%

Individual countries	Number of sites	Percentage full site	Percentage parked
Brazil	226,605	61%	39%
Argentina	97,807	71%	29%
Mexico	34,905	54%	46%
Chile	15,087	64%	36%
Colombia	14,290	72%	28%
British Virgin Islands	247,328	5%	95%

Hosting country: only 10% of popular sites are hosted in the region

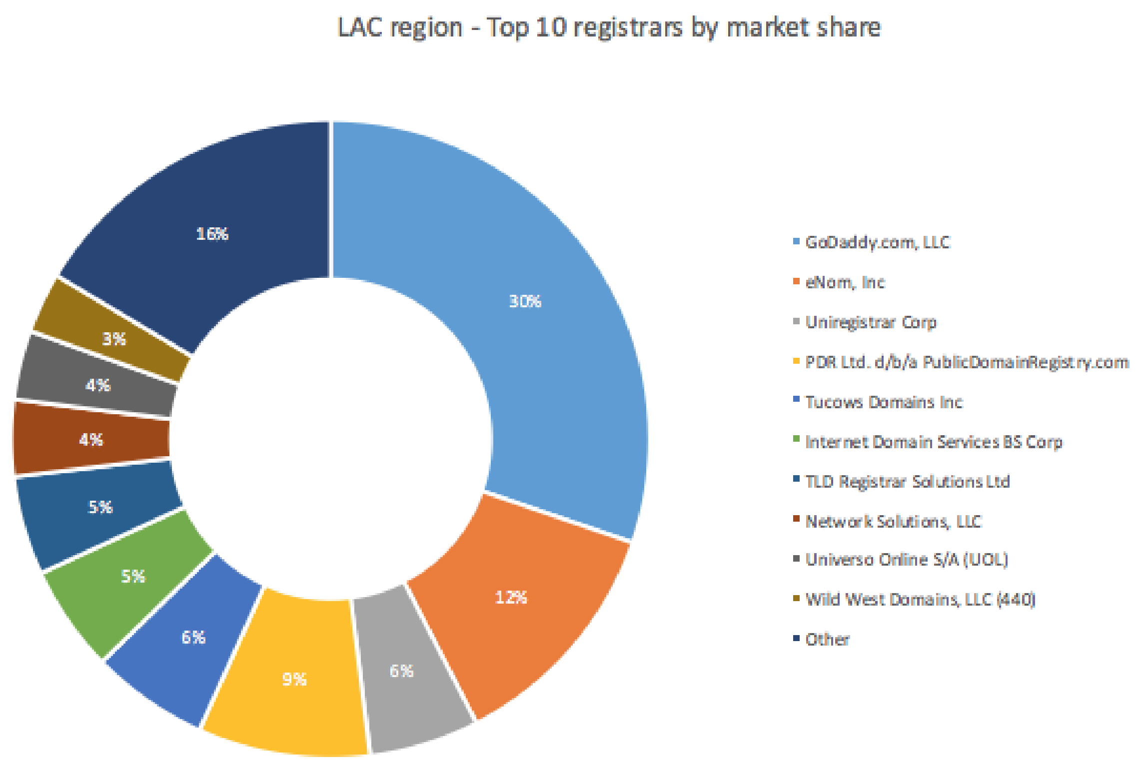


Language: 60% of web content is in English, but results by country reflect local languages



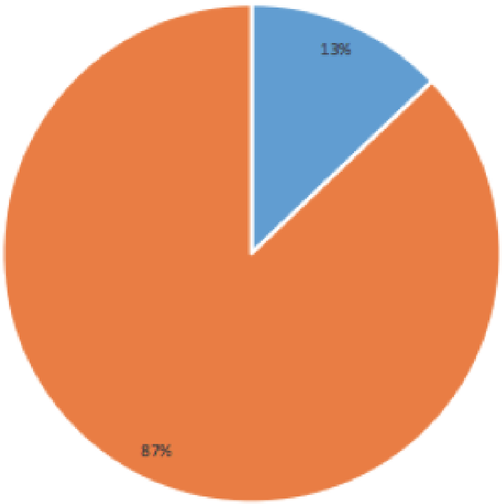
THE REGION’S REGISTRAR MARKET

INTERNATIONAL REGISTRARS DOMINATE



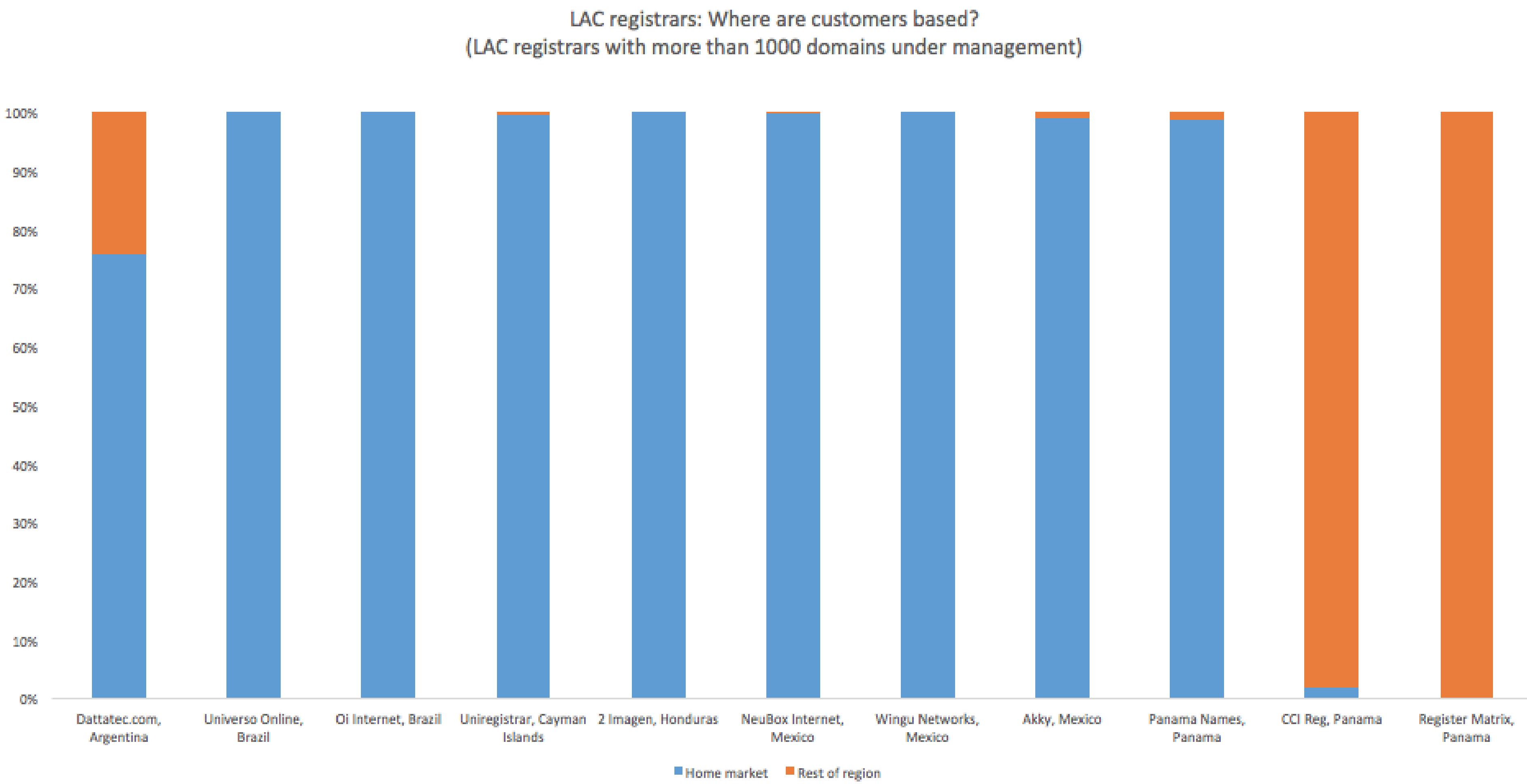
Registrar of record, 4.5 million gTLDs with registrant in region (WHOIS)

LOCAL REGISTRARS HAVE 13% OF MARKET



Domains with registrant in region; location of registrar from WHOIS records

LAC REGISTRARS: LIMITED CROSS BORDER SALES



CONCLUSIONS

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KEY FINDINGS

- Crucial challenges are on the demand, rather than supply side
- High mobile broadband usage in region (33%), does not necessarily promote domain name awareness or uptake
- Lack of local content (GSMA, 2016, and our language analysis)
- Young population – familiar with social networks, don’t perceive value of domains
- Only 40% of businesses in region have their own website. SMEs tend not to use email.
- Caribbean: national monopolies and high prices
- Default gTLD option for customers remains .com

Key drivers of domain name growth

- Defining and refining the sales channel
  - Falling numbers of ICANN accredited registrars since 2013
- User awareness of domains
- Registration policies: open and simple
- Online payment
- Fast activation
- Fees (up to a point)
- Promotions and campaigns

What can be done?
Good practices and recommendations from the region

- Registrars are vital to stimulate growth
  - Need agreements with resellers, local presence and facilities in local languages
  - Diversified registrar ecosystem is a priority
  - RAA 2013 compliance burden cited as reason for falling numbers
- ICANN should raise awareness of new gTLDs
  - Campaigns to inform consumers of benefits
  - Dedicated website to inform end-users and smaller intermediaries (language, tone)

Good practices and recommendations

- Increased communication between registries and registrars
  - Verisign in Brazil, 2005-2013
  - Investment in raising awareness increases market share of .com from 10% to nearly 25%
  - Has now dropped again to barely 10%
- Government policy
  - ‘Vive Digital’ in Colombia: connectivity, devices, digital literacy, reduced taxation
  - International standing of .co has increased local opportunities

Good practices and recommendations

- Diversification: value-add services
  - Opportunities for higher margins
  - Helpful to non-specialised registrants
  - Some ccTLDs pursuing this - .bz, .hn
  - Carefully evaluate core values, and propose value-adds that support them: eg registry lock (.mx)

Good practices and recommendations

- Niche vs mass marketing – a need to rethink fundamental assumptions
  - Marketplace is now defined by diversity and choice, not scarcity
  - Fall in defensive registrations and speculation, more rational, needs based approach
  - Volume based strategies for new gTLDs are ‘tricky’ (eg .bar, .rest, .lat, .rio)
  - Premium domains, niche marketing strategies may have potential (opinions differ)
  - Offer as complement, not replacement for existing .com domains (eg .lat)
  - Explore non-traditional outlets (eg Google Adwords), participate in regional industry events

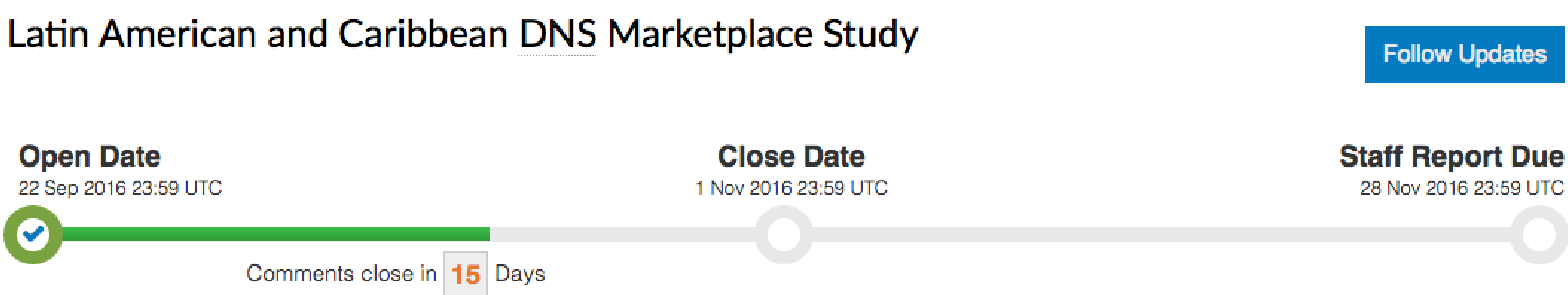
Good practices and recommendations

- ccTLDs
  - Engage more actively in promotion and marketing strategies (only 2 from region currently do this)
  - Consider whether registry-registrar model would be suitable / feasible (eg local regulations in .ar)
  - Consider whether international growth (through ICANN accredited registrars) fits with policy and strategy
- Good practices:
  - Central America, smaller ccTLDs have created highest growth in region through outreach and social media campaigns
  - Caribbean ccTLDs – working as a groups could optimise sales and marketing resources

NEXT STEPS

Interim report and public comment

- Publication of interim report for public comment
  - https://www.icann.org/public-comments/lac-dns-marketplace-2016-09-22-en



- Incorporation of feedback
- Publication of final report

THANK YOU!

- Questions?

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