Report
Trends in internet use

Content

1. Introduction

1.1 The way people navigate the internet is changing

The way private and business users navigate the internet is changing. The developments that are taking place are affecting or will affect everyone in the ICT sector – including internet professionals like you. SIDN, the organisation behind .nl domain names, has identified three trends as the main drivers of change in the surfing habits of consumers and organisations:

1. Explosive growth of mobile internet access
PCs are being replaced by smartphones and tablets in more and more situations. Mobile devices are becoming very important media for accessing the internet. Keying in long or complicated domain names isn't convenient on mobile devices, which are therefore set up to make the use of domain names unnecessary.

2. Apps replacing websites
On mobile devices, apps are increasingly taking over the functions of websites.

3. Social media dominate time spent on line
Social media serve as unified platforms, whose users do not necessarily have to look beyond the platform for content and therefore have less time and inclination to visit external sites. Furthermore, links from social media increasingly influence the way users access websites.

Together, the three observed trends constitute a process of transition, which we describe as the disappearance of the website-centred internet. A number of illustrations of this transition and of the changing roles of websites and domain names are presented below.

1.2 Purpose of this study

The developments referred to above are creating new market conditions, which could have major implications for the demand for and value of .nl domain names. We wish to improve our understanding of those implications. Knowledge of and insight into such matters are important for our own business outlook, and can also be very useful to internet professionals like you.

No study of this kind has apparently yet been carried out anywhere in the world. We therefore asked Heliview Research & Consultancy to investigate trends in internet use and to establish what impact they are likely to have on the Dutch market for domain names.

In summary, the aims of this study are:

○ To provide a clear and unique picture of the trends in internet use and their influence on the domain name market
○ To obtain and communicate insight into the value that people attach to domain names in the highly dynamic internet world

Traditional internet use

Website-centric

Providers of info, products and services

Navigation by:
○ *Typing URL directly into browser*
○ *Search result with visible URL*
○ *Link with URL*

1.3 The domain name market

The study design linked the trends referred to above to the various segments of the Dutch domain name market. A hypothesis was then formulated for each segment. The market segments that we looked at were defined as appropriate to the needs of the study. They do not correspond directly to the target groups addressed by the field work, because distinguishing between them is not always straightforward in practice.

Segmentation of domain name market
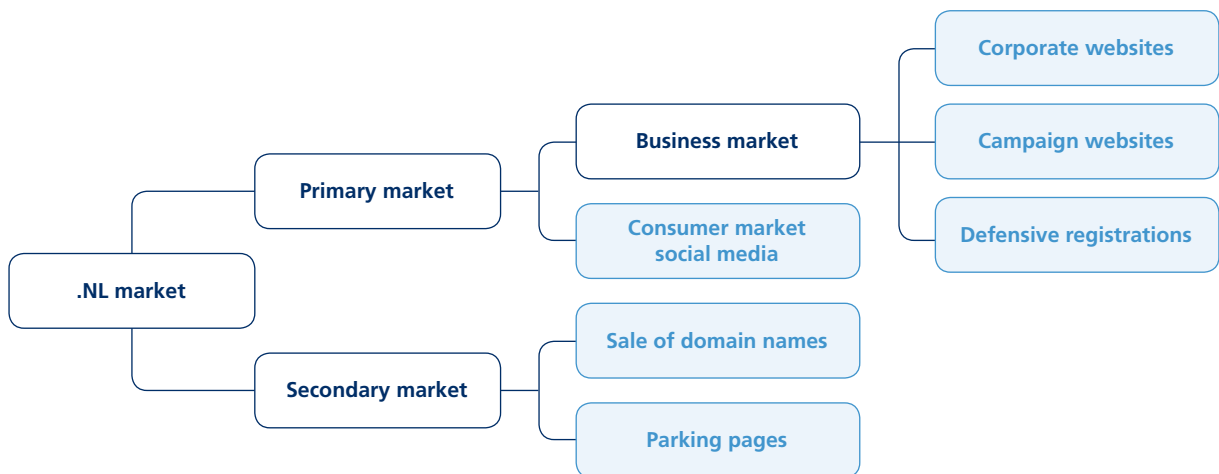
1.4 Target groups

The study distinguished three target groups:

1. Consumers
Individuals who buy and use domain names for personal or professional purposes

2. Businesses and institutions
Organisations that buy and use domain names

3. Service providers
Organisations that provide and trade in domain names and are familiar with the primary and secondary markets (domaining)

The study results relate to interaction between the various change themes and target groups, as illustrated in the following diagram.

Interaction
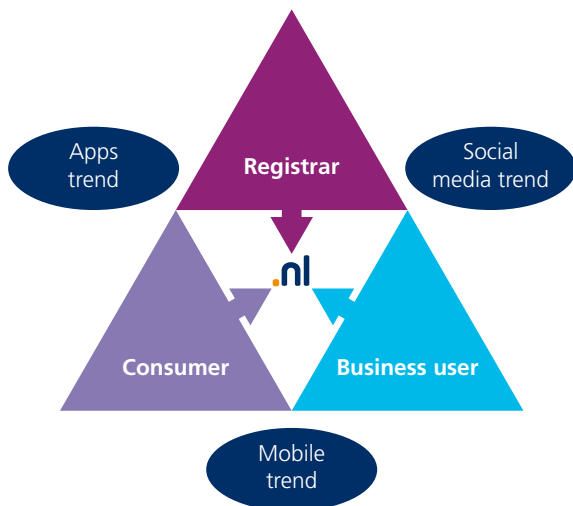
2. New patterns of internet use

2.1 Mobile devices

The growing popularity of mobile devices (smartphones and tablet PCs) is not only broadening internet access opportunities; it is also changing the way that consumers and business people use the internet. In that regard, apps for mobile operating systems such as Android and iOS play a particularly significant role. The Windows 8 operating system, scheduled for introduction later in 2012, is also expected to become influential. The significance of such apps is that they serve as mobile platforms for the presentation of all the internet content that the user wishes to access.

Furthermore, the rise of the app is reversing the flow of technology. With the arrival of Windows 8 and Apple's iOS (originally exclusively for mobiles), apps for PCs are likely to become more significant.

To sum up: before long, apps will largely determine how we navigate the internet. Almost all operating systems for internet access equipment will use them.

Rapid growth of tablet and smartphone use
As an internet professional, you will be aware of the explosive growth taking place in the use of smartphones and tablet PCs. It is useful to quantify that growth more precisely. At the end of 2011 and in early 2012:

○ in nearly half (44.5%) of all homes in the Netherlands, at least one person had a smartphone
○ in 13% of homes, at least one person had a tablet PC

Tablet use is set to grow faster than smartphone use
On the basis of consumers' reported intentions, tablet PCs are set to take over from smartphones – not in terms of the absolute number in use, but in terms of the rate of popularity growth. That is apparent from the forecast penetration of mobile devices into Dutch homes by the end of 2012:

○ Tablets   20%
○ Smartphones   48%

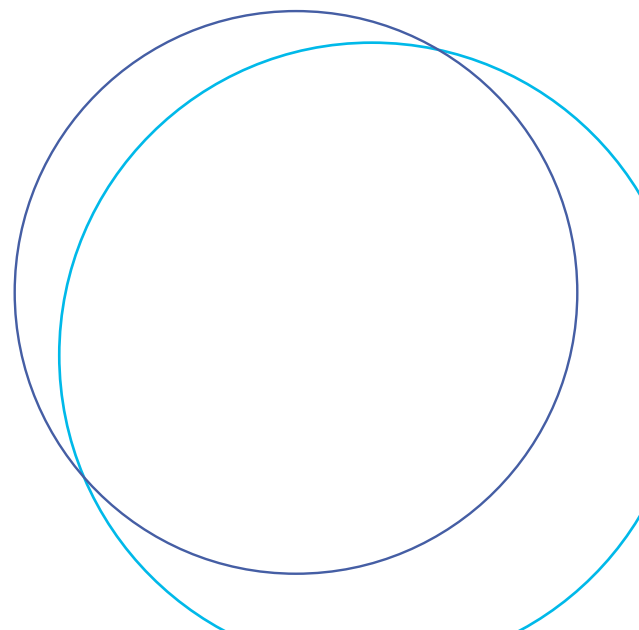**More business users going mobile; iPad dominates**
Self-employed people are more likely than average to use mobile equipment. To a lesser extent, mobile device use is also more common in homes where the main earner is employed in the private sector; people working in the public sector make below-average use of tablet PCs. Generally speaking, business end users are a little more likely to 'go mobile' than the average consumer, and this distinction is likely to persist. Not surprisingly, the iPad continues to be the dominant tablet PC.

Equipment used to visit websites
Although we assumed that smartphones and tablet PCs were often used to visit websites, the research revealed that viewing sites is by far the most common thing that such devices are used for. Of the ten things that people use mobile devices for, nine are internet-related. Desktop and laptop PCs are also used extensively for visiting websites and for other purposes that depend on internet access.

Websites still reached via traditional routes
Along with the way that people access the internet, the way that people reach websites once on the net is also significant. The study accordingly looked at this question and found that traditional routes remain dominant. People mainly use search engines and bookmarks, but sometimes also type web addresses into their browsers.

What do people use smartphones for?

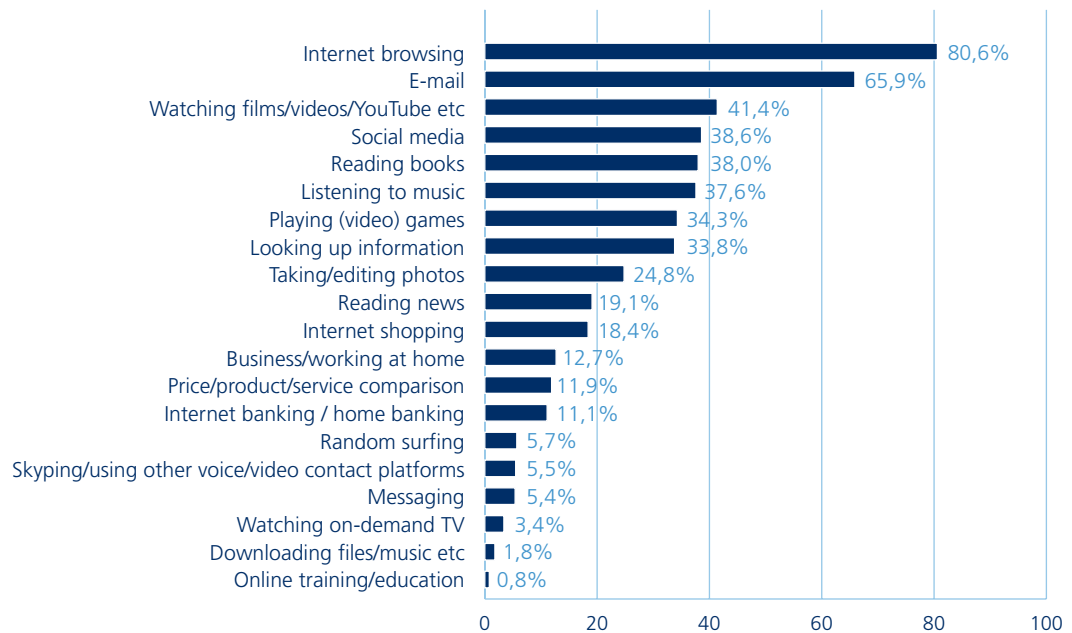| Activity	Percentage
Internet browsing	76,1%
E-mail	66,8%
Taking/editing photos	47,4%
Social media	46,9%
Listening to music	36,9%
Looking up information	27,0%
Playing (video) games	24,5%
Watching films/videos/YouTube etc	20,3%
Reading news	17,8%
Messaging	15,2%
Internet banking / home banking	14,4%
Business/working at home	13,0%
Making phone calls	8,9%
Reading books	5,0%
Internet shopping	4,3%
Price/product/service comparison	4,1%
Texting	2,7%
Random surfing	2,5%
Skyping/using other voice/video contact platforms	2,4%
Downloading files/music etc	1,9%
Route planning/navigation	1,1%
Watching on-demand TV	1,0%
Managing diary/appointments	0,6%
Pinging/WhatsApp	0,4%
Online training/education	0,1%

What are tablet PCs used for?

Activity	Percentage
Internet browsing	80,6%
E-mail	65,9%
Watching films/videos/YouTube etc	41,4%
Social media	38,6%
Reading books	38,0%
Listening to music	37,6%
Playing (video) games	34,3%
Looking up information	33,8%
Taking/editing photos	24,8%
Reading news	19,1%
Internet shopping	18,4%
Business/working at home	12,7%
Price/product/service comparison	11,9%
Internet banking / home banking	11,1%
Random surfing	5,7%
Skyping/using other voice/video contact platforms	5,5%
Messaging	5,4%
Watching on-demand TV	3,4%
Downloading files/music etc	1,8%
Online training/education	0,8%

Start pages and links used less

There is less use of 'start pages' as gateways to other websites and less use of links in e-mails and direct messages. Links to websites from social media platforms are sometimes used, but relatively infrequently.

Less use than expected of apps and social media to access websites

We had expected to find that people were making (or anticipated making) a lot of use of links from social media platforms and in apps and direct messages to reach websites, especially when accessing the internet with mobile devices. Notably, however, that was not the case.

Mobile devices versus static devices

We were interested to know whether people reached websites in different ways when using mobile devices than when using PCs and laptops. The feedback received indicates that they don't. For mobile users as for static equipment users, the top three routes for reaching websites were the traditional ones:

1. Search engines
2. Bookmarks
3. Manual web address entry

Whether one is using a mobile device or a static device does not influence the choice of website access route therefore.

Carrier-related differences in website access routes

If we look at the routes used to reach sites on a carrier-by-carrier basis, the difference between the traditional top three and the other ways of reaching a website are not as pronounced. Tablet PC users and smartphone users make relatively frequent use of apps. This may indicate that the migration to apps will lead to greater variation in the routes used to reach websites. However, apps are certainly not yet the way to reach websites when using a mobile device.

Number of different ways used to reach websites

In connection with the above, it was pertinent to consider whether mobile device users utilise more (different) methods to get to websites than PC or laptop users. The responses we obtained suggested that there is no significant difference. To enable direct comparison, we initially disregarded the use of apps in this context, since they are not yet of any real relevance to PC users. This analysis revealed the following:

○ *Homes where internet is accessed from a PC*
  > average 5.3 methods
○ *From a tablet*
  > average 5.0 methods
○ *From a smartphone*
  > average 4.4 methods

Although PC users currently have very little scope for using apps, it is possible to include app use in the analysis. The following picture then emerges:

○ *Homes where internet is accessed from a PC*
  > average 5.3 methods
○ *From a tablet*
  > average 5.7 methods
○ *From a smartphone*
  > average 5.0 methods

The future: more app-based website access

Turning to what people's habits may be in the future, our study suggests that tablet PC users are increasingly likely to reach websites via links in apps. In other words, greater variation will emerge in terms of the routes people use to reach websites. There will probably be a migration to apps by smartphone users as well.

Influence of mobile use on domain names, as described by registrars

The number of domain names in use is liable to be strongly influenced by the developments referred to above. We therefore asked registrars:
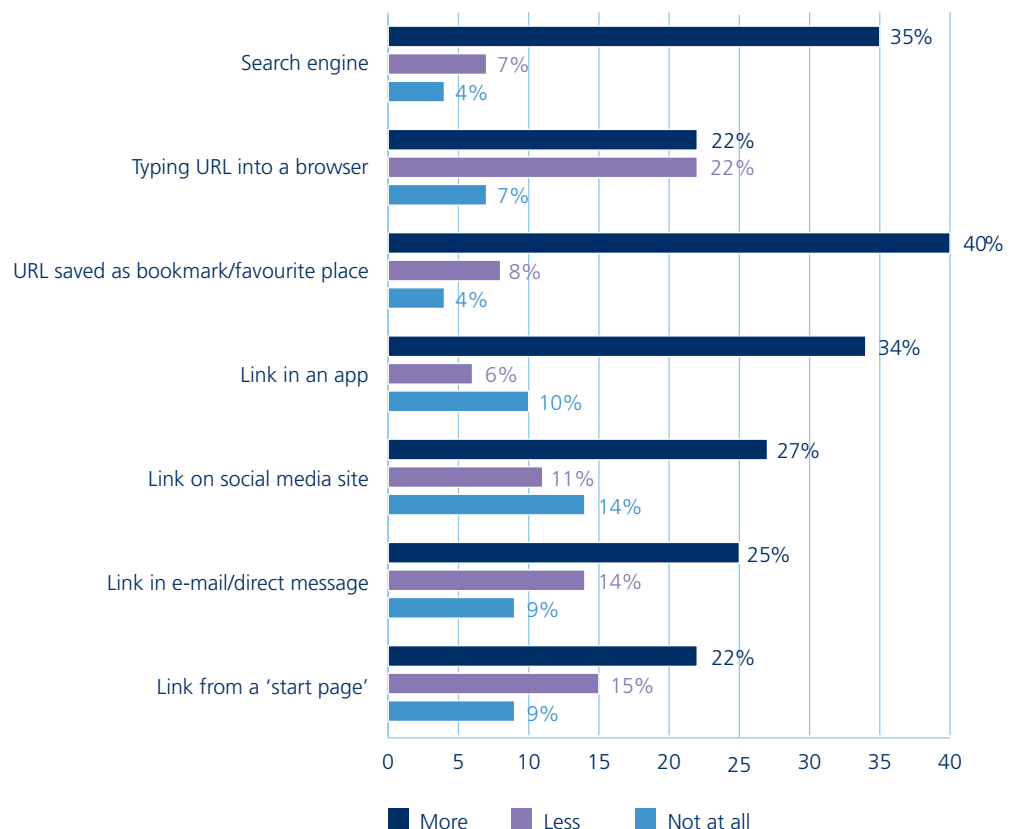
○ What influence do the developments in question have on the total number of domains in the Netherlands?
○ What influence do the developments in question have on the number of domain names that you manage?

Some 66% of the registrars regarded the use of search engines as having a positive influence on the total number of domain names in the Netherlands. Only 4% expected search engine use to reduce the demand for names.

Notably, registrars do not expect the use of social media and apps to have a major impact on the demand for domain names. URL shorteners are also seen as less influential than search engines.

The registrars' expectations regarding their own portfolios were broadly in line with their expectations regarding the total number of domain names in use, but less pronounced.

How consumers with tablet PCs reach websites: changes expected over the next 2 years

Search engine — More 35%, Less 7%, Not at all 4%
Typing URL into a browser — More 22%, Less 22%, Not at all 7%
URL saved as bookmark/favourite place — More 40%, Less 8%, Not at all 4%
Link in an app — More 34%, Less 6%, Not at all 10%
Link on social media site — More 27%, Less 11%, Not at all 14%
Link in e-mail/direct message — More 25%, Less 14%, Not at all 9%
Link from a 'start page' — More 22%, Less 15%, Not at all 9%

■ More   ■ Less   ■ Not at all

2.2 Apps

Platform-wide migration to static equipment

At present, apps are used (almost) exclusively on smartphones and tablet PCs. However, apps are starting to encroach on non-mobile equipment. The change is being driven partly by the growth of Apple's share of both the desktop market and the notebook/laptop market. That is because, on Apple machines such as iMacs and MacBooks, internet content can usually be accessed using apps, just as it can on an Apple mobile device.

In the PC sector, the arrival of Windows 8 is expected to add considerable momentum to the apps migration. The reason being that Microsoft's new operating system will also feature an app store-like solution. In the years ahead, therefore, the dominant PC platform will support or perhaps become characterised by the use of apps.

Although apps are at a very early stage in their development, it is useful for all internet professionals to have an idea what effect the use of apps is likely to have on the demand for domain names, both in general and within one's own organisation.
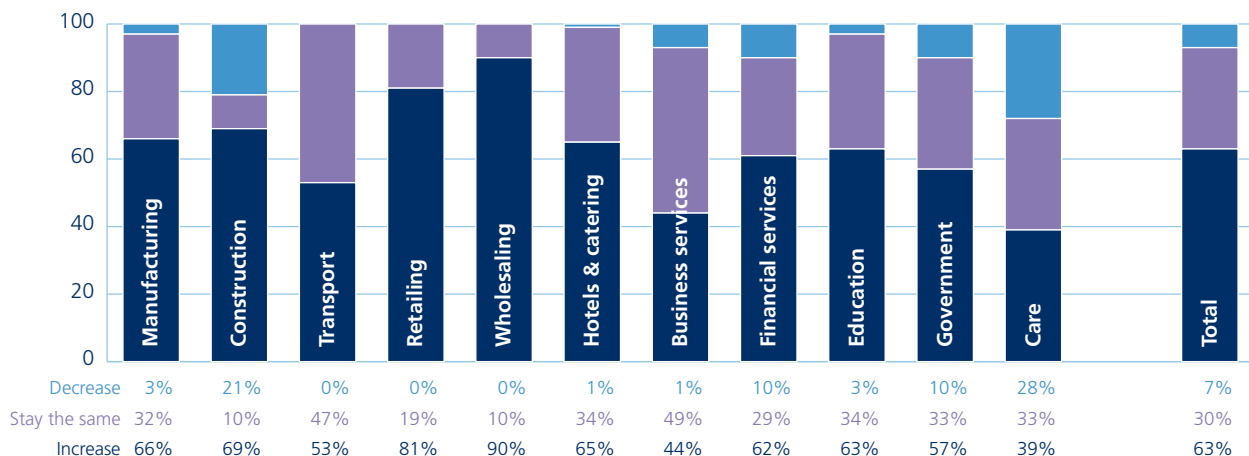
Large majority expect more domain names overall

Asked what influence they expect the use of apps to have on the overall number of domain names in use, nearly two out of three organisations said that more app use would lead to more domain names. Only 7% expected a decline. At the sector level too, a relatively large number of commercial organisations expect that the number of domain names will grow as a result of increasing app use. Only in the care sector and the construction sector was a decline anticipated.

Influence of apps on the number of domain names in the Netherlands

	Manufacturing	Construction	Transport	Retailing	Wholesaling	Hotels & catering	Business services	Financial services	Education	Government	Care	Total
Decrease	3%	21%	0%	0%	0%	1%	1%	10%	3%	10%	28%	7%
Stay the same	32%	10%	47%	19%	10%	34%	49%	29%	34%	33%	33%	30%
Increase	66%	69%	53%	81%	90%	65%	44%	62%	63%	57%	39%	63%

Organisation size influences expectations

There appears to be a link between an organisation's size and the expected impact of app use on the overall number of domain names. Larger organisations are more likely than other organisations to predict a fall in the overall number of domain names in use. Small(er) organisations are more likely to predict that the overall number of domain names will rise.

More varied picture regarding the organisation's own domain names

Asked what influence they expect the use of apps to have on the number of domain names held by the organisation, the responses were more varied. Nearly three quarters of organisations expected the number of domain names to be unchanged by increased app use. Only a quarter foresaw an increase. Almost no organisations expected that the rise of apps would lead to them having fewer domain names.

Sector-related differences

Hotel and catering businesses are exceptional in the context of the latter finding. They expect the increasing use of apps to bring about a decline in the number of domain names that they control. By contrast, manufacturing and care sector organisations are more likely than others to foresee app use leading to them having more domain names.

Business size does not appear to influence expectations regarding the impact of app use on the number of domain names that the organisation has. However, very large organisations do expect the use of apps to result in a decline in the number of domain names that the organisation has.

Feedback from registrars

Registrars expect the use of apps will lead to:

○ More business websites (39%) and special marketing/ campaign sites (33%)
○ Fewer blogs (24%)

2.3 Social media

Nearly half expect an increase in the overall number of domain names

We asked respondents to say what influence the use of social media is likely to have on the overall number of domain names. Some 40% of all organisations expect social media use to generate an increase in the total number of domain names. This response was most likely to be given by businesses in the following sectors (in order of the proportion expecting growth):

○ Construction
○ Business and financial services
○ Education
○ Government

Only 15% of organisations expect a decline due to the use of social media. Those that do expect fewer domain names are most likely to be in the care sector or manufacturing.

Organisation size appears important

There appears to be a link between the size of an organisation and its expectations regarding the impact of social media use on the total number of domain names. Larger organisations are more likely to predict an increase, while smaller ones are most likely to take a neutral view.

More variation in expectations regarding 'own' domain names

Just like the predictions regarding the impact of app use, those regarding social media's influence on the number of domain names held by the organisation were more varied.

An overall majority (68%) anticipated the number of names held by their own organisations to remain the same. Nearly a third expect an increase; respondents predicting more demand for domain names were most common in the retail sector, the hotel and catering sector and the care sector. Almost none were expecting a decline in the number of domain names held by their own organisations. The handful that did expect negative growth were from the manufacturing sector and the hotel and catering sector.

Business size appears not to have any more bearing on expectations regarding the impact of social media use on the number of domain names held by the organisation than it had on expectations regarding the effect of app use. Nevertheless, very large organisations are more likely than others to predict a decline.

Importance of social media versus number of domain names an organisation has
There appears to be a relationship between the importance that an organisation attaches to social media and the number of domain names that it has at present. On average, organisations that currently regard social media as important or very important have significantly fewer domain names than those that regard social media as less important.

Growth figures show a shift
Turning to the growth in the average number of domain names, we see that, in organisations that currently regard social media as important or very important, the rate of growth is 42%. That is much more than the 16% growth in the number of websites run by organisations that consider social media less important.

Feedback from registrars
Registrars expect that the use of social media will lead to an increase in domain names being used for:

○ Business websites   (45%)
○ Particular marketing/campaign sites (42%)
○ Other business activities   (32%)
○ Future use   (32%)
○ Defensive registration   (30%)

On the other hand, registrars expect the influence of social media to bring about a decline in domain names for:

○ Blogs   (40%)
○ Personal websites   (29%)

Registrars have less pronounced views on other forms of use. It is clear, however, that they are less positive about the retail consumption of domain names than about business consumption. It is worth pointing out that the relevant target groups have somewhat different expectations.

3. Demand for domain names

3.1 Consumers

This section of the report describes the main findings regarding the way that households use the internet and their attitude towards domain names. For example, we consider the relationship between the equipment used and the type of use, and between how people reach websites and the type of equipment used. We also go over developments in the consumer market for domain names. With more than six million registered domain names, the level of market penetration is higher in the Netherlands than almost anywhere else.

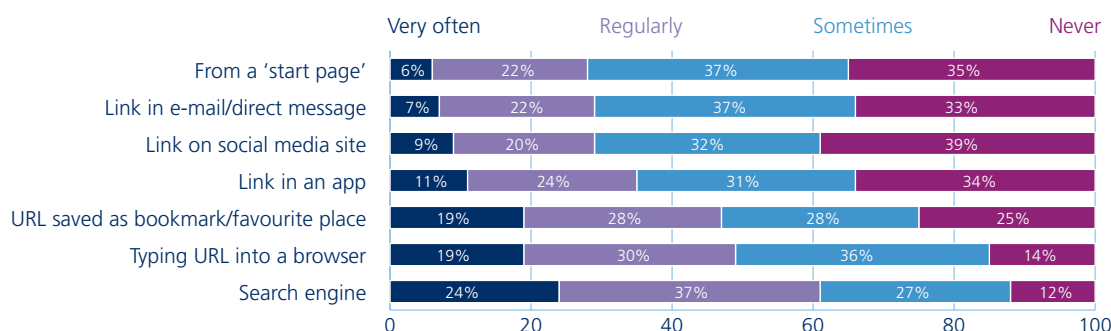**Internet access vital for PC, smartphone and tablet use**
The internet is a major determinant of what we do with our laptop/desktop PCs, smartphones and tablet PCs. Most of the things we use such devices for are internet-related or internet-dependent. Surfing remains the most common form of conventional PC use, but is now also the main thing that people use smartphones and tablet PCs

for. Notably, few substantial differences are discernible in the activities that the various categories of device are used for.
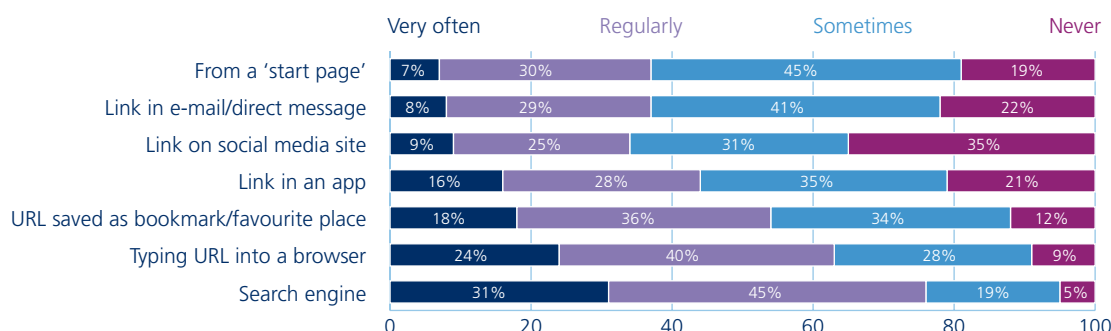
Traditional routes used to reach websites on all types of device
Once connected to the internet, how do people actually get to websites? Apparently, they do so mainly via traditional routes – regardless of what sort of device they are using to get on line. Whether on a conventional PC, a smartphone or a tablet PC, most of us use search engines or bookmarks, or type a URL into a browser. That is perhaps surprising, because one might have anticipated that links in apps, social media or direct messages would be playing an increasing role, particularly for mobile users. What's more, there is barely any more variety in the way smartphone and tablet PC users reach websites than in the way conventional PC users reach them. However, further analysis of people's expectations suggests that this is likely to change, with a more varied pattern emerging.

How people reach websites when using smartphones

	Very often	Regularly	Sometimes	Never
From a 'start page'	6%	22%	37%	35%
Link in e-mail/direct message	7%	22%	37%	33%
Link on social media site	9%	20%	32%	39%
Link in an app	11%	24%	31%	34%
URL saved as bookmark/favourite place	19%	28%	28%	25%
Typing URL into a browser	19%	30%	36%	14%
Search engine	24%	37%	27%	12%

How people reach websites when using tablet PCs

	Very often	Regularly	Sometimes	Never
From a 'start page'	7%	30%	45%	19%
Link in e-mail/direct message	8%	29%	41%	22%
Link on social media site	9%	25%	31%	35%
Link in an app	16%	28%	35%	21%
URL saved as bookmark/favourite place	18%	36%	34%	12%
Typing URL into a browser	24%	40%	28%	9%
Search engine	31%	45%	19%	5%

Three per cent growth expected

The expectation is that the overall number of households in which someone has a domain name will increase. As one would expect, the (increasing) use of domain names is considerably greater amongst households that make active use of the domain for a website or e-mail.

At present, 21% of Dutch households have a domain name. The great majority (74%) do not have a domain name or plan to get one. There are, however, a small number of households (5%) that don't currently have a domain name, but do plan to get one. The resulting growth should more than offset the contraction liable to result from the fact that 2% of households do have a domain name, but don't plan to keep it. On balance, therefore, the number of households in which someone has a domain name will increase. In the course of 2012, the retail segment of the domain name market is forecast to grow by 3 percentage points (from 26% of households to 29%). On the basis of the most recent CBS data, that equates to about 200,000 domain names.

A significant number of personal domains are dormant

The majority of households that have a domain name make active use of it for a website (57%) or at least to create personalised e-mail addresses (47%). However, 12% of households that have a domain don't actively use it. Although the latter group constitutes a minority, it is a considerable one. It also appears that, as consumers develop more domain name-related activities, their expansion plans increase and they become less inclined to let go of their domain names.

Connection between domain name and website very important

A large majority (62%) of consumers think it is important or very important that a domain name relates to the content of the associated website. Only 13% think that it doesn't matter and a quarter have no opinion.

A similar spread of views is found amongst business users (i.e. people employed in the private sector, employed in the public sector or self-employed). The self-employed are particularly likely to attach significant value to a logical connection between a domain name and the associated website. Presumably, that is influenced by their entrepreneurial outlook, as is the fact that relatively few respondents in this group expressed no opinion.

The findings described above tend to suggest that, in terms of the implications for a particular product or service, it is a mistake for an organisation to prune its domain name portfolio. Both business users and consumers expect a clear connection between a domain name and the content of the associated website.

Importance of a domain name that corresponds to site content

- Not important at all   4%
- Quite unimportant   9%
- Neutral   25%
- Quite important   40%
- Very important   22%
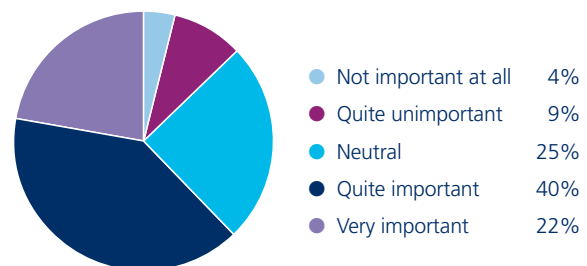
3.2 Business market

This section of the report deals with respondent businesses' ICT infrastructures. It describes the equipment that they currently use and how the current situation may change. Information is also provided regarding the extent to which organisations in particular sectors prefer using single domain names or multiple names, and regarding trends in the number of domain names per organisation. The reasons for having (or planning to get) several domain names and for planning to let go of domain names are also considered. Finally the relationship between the number of domain names that an organisation has and the number that it doesn't utilise is examined.

ICT equipment used in respondent organisations
Almost all organisations have desktop PCs. Laptops are also in general use. The penetration of tablet PCs is currently a little over 20%: one in five respondents had at least one within the organisation. More than 70% currently have one or more smartphones in use. Those figures all relate to hardware that belongs to the organisation, not to its personnel.

Over the next twelve months, the penetration of all types of equipment other than tablet PCs will remain broadly unchanged. The penetration of tablet PCs is expected to reach about 30% in that period.

Average number of devices (now and in 12 months)
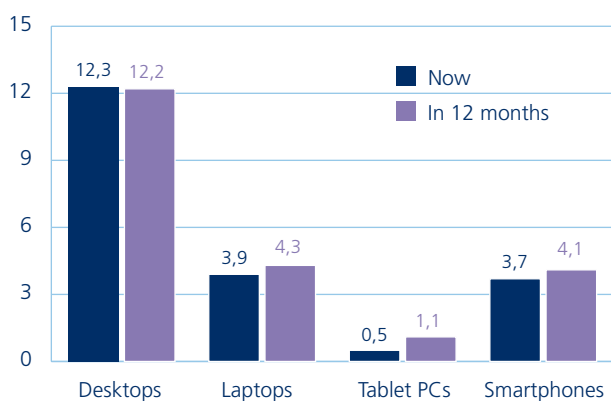
Development in the penetration levels of each device type in each sub-segment is summarised in the following table:

○ Desktop PCs are equally prevalent in all segments.

○ Laptops are also in general use, but slightly less common in the following sectors:
  - Wholesaling (59%)
  - Construction (60%)
  - Care (77%)

○ Tablet PCs are comparatively common in the following sectors:
  - Business services (34%)
  - Manufacturing (30%)
  - Government (29%)

○ Smartphones are used in relatively large numbers in the following sectors:
  - Trading organisations (98%)
  - Financial service providers (85%)
  - (Notably) hotel and catering businesses (82%)

Tablet PC boom expected
In the Netherlands, the average branch or office of a business or institution has the following:

○ 12 desktop PCs
○ 4 laptops
○ 4 smartphones
○ 0.5 tablet PCs

The tablet PC market is the only segment where substantial growth is forecast. Not only is the penetration of tablet PCs expected to increase by 50%, but the average number of tablet PCs per branch/office is likely to double in the coming months. In other words, there will be a real boom in the Dutch business market for tablet PCs. Nevertheless, by comparison with desktops, laptops and smartphones, the overall number of tablet PCs will remain small.
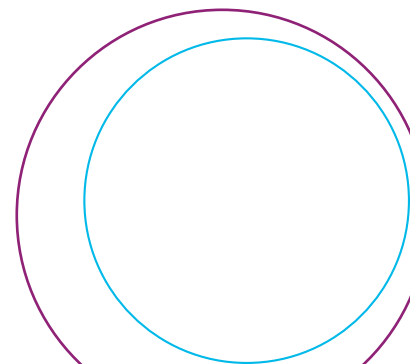
The following table summarises the average number of devices of each type per branch/office in each sub-segment of the market:

	Desktops		Laptops		Tablet PCs		Smartphones	
	Now	In 12 months	Now	In 12 months	Now	In 12 months	Now	In 12 months
Manufacturing	100%	100%	79%	79%	30%	32%	59%	59%
Construction	100%	100%	60%	73%	18%	18%	61%	61%
Transport	100%	100%	85%	83%	20%	22%	50%	50%
Retailing	100%	100%	86%	100%	16%	30%	98%	98%
Wholesaling	100%	100%	59%	59%	8%	19%	99%	99%
Hotels & catering	100%	100%	99%	99%	17%	33%	82%	79%
Business services	94%	94%	90%	90%	34%	43%	69%	67%
Financial services	99%	98%	80%	79%	26%	44%	85%	84%
Education	100%	100%	99%	99%	18%	18%	22%	22%
Government	100%	100%	100%	100%	29%	41%	56%	56%
Care	100%	100%	77%	77%	25%	26%	35%	35%
TOTAL	99%	99%	83%	87%	22%	31%	72%	71%
2 tot 20	99%	99%	81%	86%	20%	28%	71%	70%
20 tot 50	98%	98%	91%	90%	39%	48%	76%	77%
50 tot 100	100%	100%	88%	87%	34%	44%	75%	76%
100 tot 200	99%	99%	97%	97%	32%	55%	71%	84%
200 tot 500	100%	100%	97%	97%	38%	49%	81%	85%
500+	96%	94%	100%	98%	68%	76%	99%	100%

○ For all device types, the average number of devices per branch/office is greatest in government organisations

○ The average number of devices per branch/office is linked to the number of personnel per branch/office

Attitude to domain names

The most common practice in business (the policy in 48% of respondent organisations) is to have all web activities under a single domain name. Nevertheless, more than a quarter indicate that exceptions are sometimes made, while 23% report using a separate domain name for each campaign or activity. Only 2% have no restrictions on the registration and use of domain names.

Clear differences can be observed between sectors. The preference for using a single domain name is strongest within the following sectors:

○ Construction
○ Transport
○ Hotels and catering
○ Education

It appears that the bigger an organisation is, the less it is inclined to try and do everything under a single domain name.

By contrast, manufacturing and retail organisations are inclined to use a separate domain name for each activity. There is a similar tendency in the care sector, although it is perhaps more accurate to say that the care sector is characterised by a large number of distinct institutions, each seeking to use a single domain name.

Developments in the number of domain names used

The number of domain names in use has more than doubled over the last 36 months. Three years ago, the average organisation had thirteen domain names, compared with 27 now. Over the next three years, further growth is expected, but it is likely to be more modest, with the average number of domain names per organisation rising to perhaps 32.

The economic sectors where domain names are typically used in the greatest numbers are manufacturing and retailing. In all other sectors, the average number of domain names per organisation is less than the overall average. Over the last three years, growth in the average number of domain names per organisation has been most pronounced in retailing, wholesaling and business services. Looking a similar period ahead, the biggest growth is foreseen in manufacturing, wholesaling and business services.

Relationship between business size and number of domain names

On average, organisations with two hundred or more personnel have considerably more domain names than organisations with fewer personnel. Notably, the average number of domain names held by organisations with more than five hundred personnel is expected to fall. However, organisations of that size are much less numerous than smaller organisations; consequently, the reduction in the number of names used by the large employers will have relatively little influence on the overall size of the Dutch business market for domain names in the coming three years.

Reasons for having multiple domain names

More than 50% of respondent organisations have more than one domain name. Asked about the primary reason for using multiple names, the most common explanation was that the organisation wanted to have a separate name for each activity or marketing campaign. Nearly one in three organisations reported registering domain names for defensive reasons.
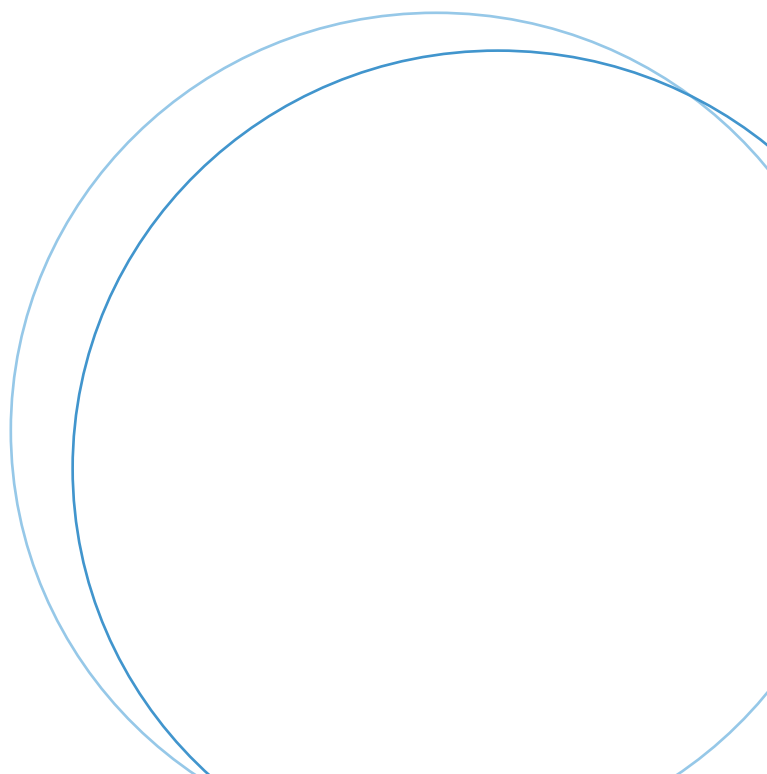
Organisations that had increased the number of domain names they were using over the last three years were asked why they had done so. Organisations that were planning to use more names were also asked about their motivation. Notably, the first group generally responded that they had acquired more names as they developed more activities or encountered new market conditions.

The main reasons for expecting to use more domain names in the coming three years were anticipated growth in the number of activities and the need for additional names to support marketing campaigns. Very few respondents cited a desire to protect brand names and trading names as a reason for additional domain name registrations. In that respect, the expectations of business respondents were out of step with registrars' expectations.
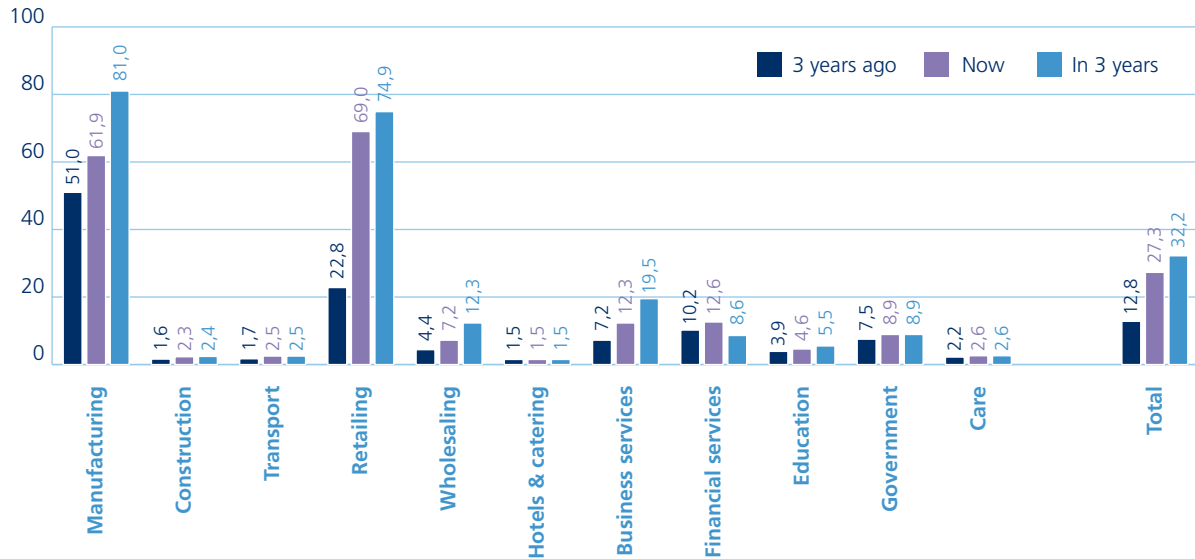
Reasons for disposing of domain names

Organisations that in the last three years had cut back on the number of domain names they use were asked why they had done so. The main reasons were mergers, takeovers and organisational name changes.

Organisations that expected to use fewer names in the coming three years were also asked about their motivation. Most responded that the names simply weren't needed any more.
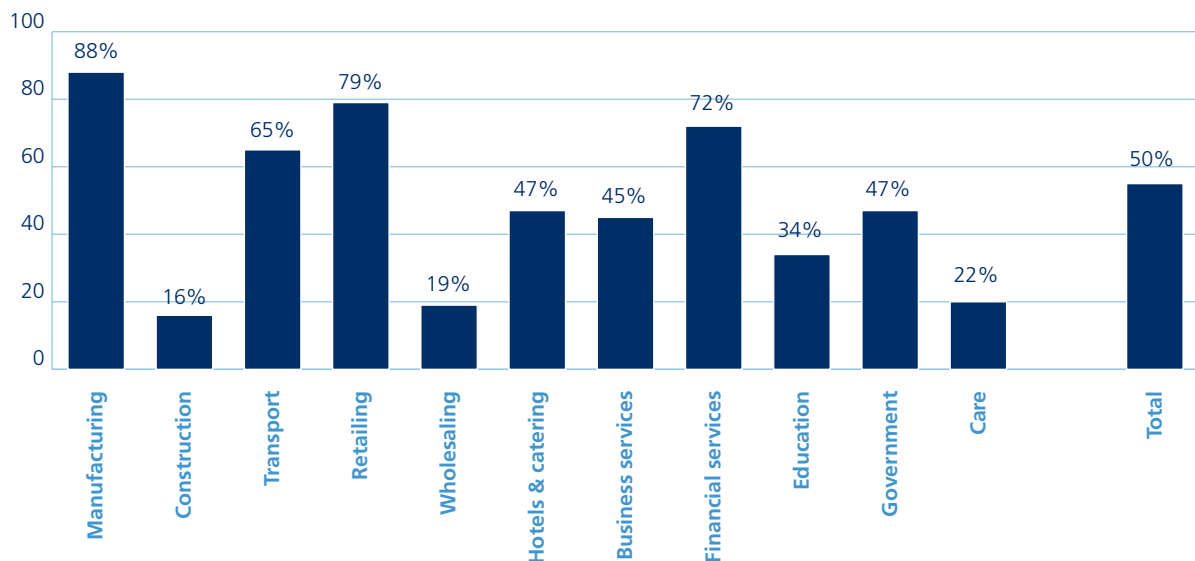
Average number of domain names

Legend: 3 years ago | Now | In 3 years

	3 years ago	Now	In 3 years
Manufacturing	51,0	61,9	81,0
Construction	1,6	2,3	2,4
Transport	1,7	2,5	2,5
Retailing	22,8	69,0	74,9
Wholesaling	4,4	7,2	12,3
Hotels & catering	1,5	1,5	1,5
Business services	7,2	12,3	19,5
Financial services	10,2	12,6	8,6
Education	3,9	4,6	5,5
Government	7,5	8,9	8,9
Care	2,2	2,6	2,6
Total	12,8	27,3	32,2

Unused domain names

In organisations with multiple domain names, one in three of the names is not in active use. This phenomenon is most common in the manufacturing, retailing, financial services and transport sectors. Organisations with multiple domain names were asked what percentage of their nam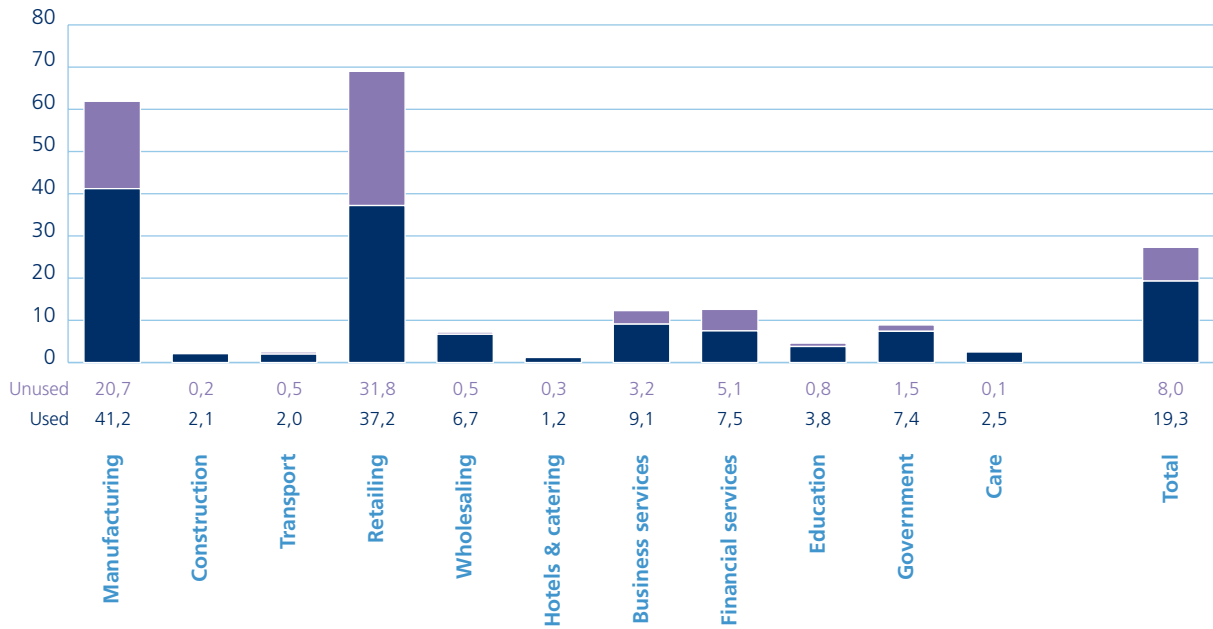es are not currently in use. More than 50% reported having domain names that they aren't currently using. On average, the unused names represent 30% of the organisations' portfolios. As the following diagram shows, an organisation's size is largely unrelated to the likelihood of it having unused domain names.

Percentage of organisations that have domain names that are not currently in use

	Percentage
Manufacturing	88%
Construction	16%
Transport	65%
Retailing	79%
Wholesaling	19%
Hotels & catering	47%
Business services	45%
Financial services	72%
Education	34%
Government	47%
Care	22%
Total	50%

Ratio between used and unused domain names

	Manufacturing	Construction	Transport	Retailing	Wholesaling	Hotels & catering	Business services	Financial services	Education	Government	Care	Total
Unused	20,7	0,2	0,5	31,8	0,5	0,3	3,2	5,1	0,8	1,5	0,1	8,0
Used	41,2	2,1	2,0	37,2	6,7	1,2	9,1	7,5	3,8	7,4	2,5	19,3

Significant differences can be seen amongst the various economic sectors: in retailing and financial services, the percentage of names that are unused is significantly higher (more than 40%). By contrast, the percentage of domain names left unused in the construction, care and wholesaling sectors is less than 10%.

Relationship between used and unused domain names

The previous diagrams show the relationship between used and unused domain names in organisations with multiple domain names in each of the various economic sectors and professions.

Retailing is particularly out of step with the other sectors in terms of the ratio of used to unused domain names. A very high proportion of domain names held by retail organisations remain unused. This may reflect the frequent use of domain names for short-lived purposes, such as commercial promotions. It is also possible that many organisations in this sector have as yet unrealised on-line expansion plans.

Although an organisation's size does not influence the likelihood of it having unused domain names, there is a relationship between size and the ratio of used to unused domain names. Larger organisations are more likely to have a large proportion of unused domain names.

3.3 Registrars

This section of the report is devoted to registrars' view of and expectations regarding the domain name market. We begin by characterising this respondent group. We then consider what strategic value registrars believe various communication channels currently have for their clients and are likely to have in the future. Registrars' expectations regarding developments in the use of domain names and the number of domain names in use, as well as the likely impact of such developments, are also described.

Facts and figures

Workforce size
The Netherlands has a very large number of registrars, partly because of the high level of market penetration. Between 1,800 and 2,000 businesses in the Netherlands are active in the registration of .nl domain names or names under other top-level domains. The average surveyed registrar has a workforce of eleven people; the smallest registrars are sole traders (in this context a sole trader does not count as an employee) and the largest have workforces of around 120.

Client portfolio size
The average surveyed registrar has 765 retail customers and a little over 1,300 business clients. However, nearly 40% have no retail customers. By contrast, only 2% report having no business clients. Together, the surveyed registrars manage the domain names of 45,900 retail customers and 82,000 business clients. The biggest of them manage domain names for 10,000 business clients.

Age of the business
The average surveyed registrar has been active in the registration of domain names for nine years:

○ 2 to 5 year   (12%)
○ 5 to 10 year   (40%)
○ > 10 year   (48%)

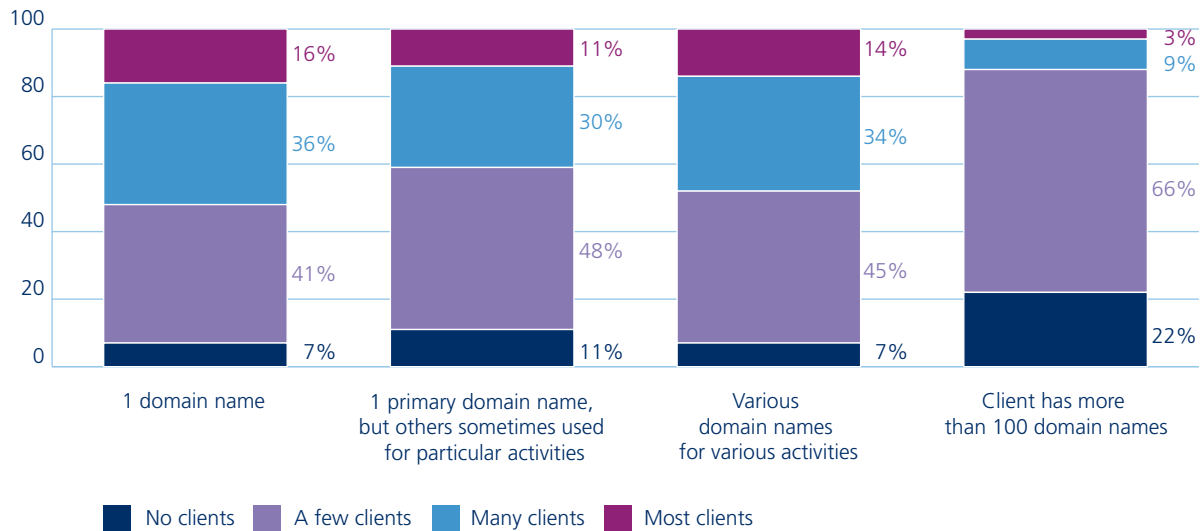In the last two years, the number of registrars has barely increased.

Turnover from domain names
Nearly three quarters of the surveyed registrars generate 25% of their turnover from domain name-related activities. Only 4% rely entirely on domain names for their income.

Client profile

The diagram below shows what proportion of the registrars serve each category of client.

Prevalence of customers of various types

	1 domain name	1 primary domain name, but others sometimes used for particular activities	Various domain names for various activities	Client has more than 100 domain names
Most clients	16%	11%	14%	3%
Many clients	36%	30%	34%	9%
A few clients	41%	48%	45%	66%
No clients	7%	11%	7%	22%

Legend: ■ No clients ■ A few clients ■ Many clients ■ Most clients

○ 52% of the registrars serve mainly clients with a single domain name.

○ 1% of the registrars serve mainly clients with a single domain name, but report that their clients also use other domain names for some activities.

○ 48% of the registrars serve mainly clients with a number of domain names.

○ 12% of the registrars report that a substantial proportion of their clients have more than a hundred domain names.

Registrars' views on the significance of various communication channels

Websites and e-mail
Nearly all registrars consider their clients' websites (homepages) to be important or very important channels of communication for their clients. They do not expect this to change in the next three years. E-mail is also regarded as an important or very important channel. However, a considerable number of registrars expect that the significance of e-mail will decline for some of their clients. E-mail is the only one of the communication channels that registrars were asked about that is expected to diminish in importance.

Apps
The communication channel that registrars expect to develop most in the next three years is apps. A third report that apps are already important or very important for their clients, but almost twice as many expect apps to have that status in three years' time.

The diagram below shows the extent to which registrars regard each of the various channels as indispensable to their clients' communication strategies.

Extent to which registrars think various communication channels are vital to their clients
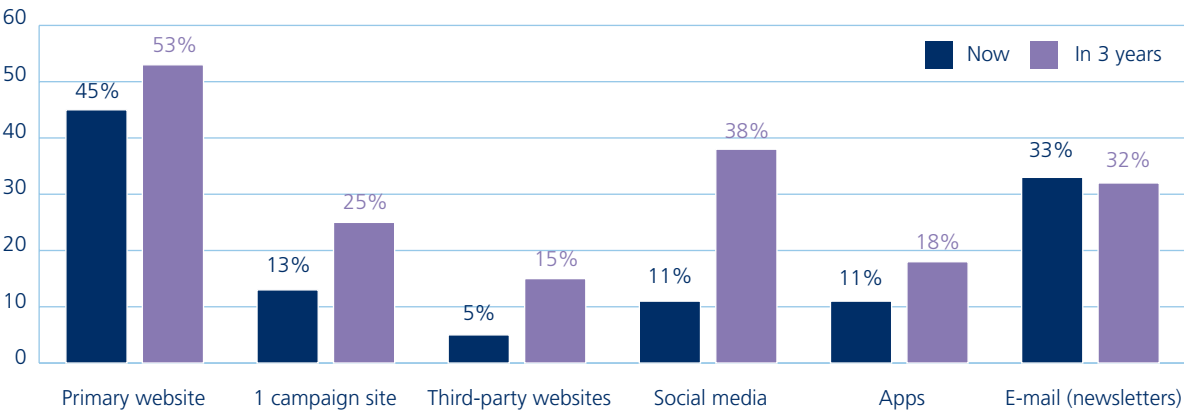
Social media to become the main strategic communication channel

Expectations regarding the development of social media are striking. The use of social media is currently in its infancy, but 38% of registrars believe that it will be indispensable to their clients' communication strategies in three years' time. A similar but less dramatic rise is anticipated in the importance of campaign sites and third-party websites, such as price comparison sites. Apps are expected to play a bigger role than at present, but registrars do not expect them to rival the strategic importance of social media.

Registrars views on the development of the domain name market

Growth in the number of domain names

The surveyed registrars manage an average of more than 16,000 domain names each. Three years ago, the corresponding figure was about 12,500. The average number of names per registrar has therefore risen by roughly 30% in three years. Over the next three years, the registrars expect further growth of approximately 36%, to the point where they manage an average of roughly 22,000 domain names each.

The majority of the registrars report that, over the last two years, the rate of growth in the number of domain names managed has at least remained constant (29%) or increased (49%). Some 22% said that the rate of growth in that same period had slowed or slowed considerably.

Importance of clients with multiple domain names

Many of the surveyed registrars' clients had multiple domain names. More than 90% of the registrars reported that one reason for multiple domain name registration was brand and product protection. Some 80% indicated that their clients had multiple domain names because they had several distinct lines of business. Support for specific (marketing) campaigns was cited as a reason for multiple domain name registration by 57% of the registrars. These figures are not consistent with the explanations given by registrants, particularly business registrants. Comparatively few registrants say that the protection of brand names and trading names is the motivation for having a number of domain names.

Influence of developments: use of search engines most significant

The number of domain names in use will be strongly influenced by developments, such as the use of search engines, social media and apps. Registrars were asked what influence such developments were likely to have on:

1. the total number of domain names in the Netherlands and
2. the number of domain names that they themselves manage

According to 66% of the registrars, the use of search engines is likely to have a positive influence on the total number of domain names in the Netherlands. Only 4% expect search engine use to bring about a decline. Notably, registrars do not think that the use of social media and apps will have as much effect as the use of search engines. URL shorteners are similarly seen as less influential than search engines.

The registrars foresee a similar but less pronounced pattern of influence on their own domain name portfolios.

The future

Finally, registrars were asked to consider a number of statements regarding longer-term developments and their influence on the number of domain names in use, and then to indicate how much they agreed with each statement. The two statements that brought the most striking responses were:

1. Three years from now, there will be just as much demand from business customers as there is now for domain names for campaign websites

2. Three years from now, there will be just as much demand from business customers as there is now for defensive registrations

Registrars were much less inclined to support statements regarding the influence of other developments.

3.4 Domain name trading

Alongside the market in new domain names, there is a flourishing trade in existing domain names. In addition, the use of domain names to secure advertising revenue is an economically significant activity. This so-called 'secondary market' embraces approximately 15% of all domain names in the Netherlands. Its development is closely related to the primary demand for domain names from businesses and consumers.

Many domains remain inactive

It appears that there is still strong demand for defensive domain name registrations. In the business market, an average of 30% of registered domain names remain unused. Yet only 6% of the surveyed organisations intend to cancel the registration of one or more unused domain names. A substantial number of inactive domains will therefore remain registered simply for defensive reasons.

Almost all registrars report that the wish to protect brand names, trading names and so forth is one of the main reasons for having multiple domain names. Furthermore, they foresee no reduction in this source of demand in the years ahead. Nearly two thirds of surveyed registrars expect that in three years' time, defensive registrations will be just as common as they are now.

Value of parking pages questioned

Parking pages are expected to become less profitable, certainly than they once were. The majority of registrars are already dubious about the commercial value of such sites. Nevertheless, more than a third (35%) of the surveyed registrars believe that parking pages will retain a market value, despite the growth in the use of mobile equipment.

Some 65% take a more nuanced view. Feedback from personal interviews with domain name experts suggests that there is a certain market aversion or negative sentiment towards parking pages, which are often referred to as 'dishonest' and 'pointless'. Nevertheless, organisations that in recent years have focused on the operation of parking pages have been able to generate a great deal of turnover from them.

It is reasonable to expect that recent algorithmic changes introduced by search engine market leader Google will further reduce the income realisable from parking pages. As a result, the value of the domain names used for this purpose is likely to fall considerably. In other words, the profitability of such names is vulnerable not only to the market's negative perception of them, but also to the material impact of Google's policy change.

Domain names to retain their current value

Most respondents expect that the prices paid for domain names in on-line auction rooms and such like will remain around their current level. Unlike domain names that are used for parking, those that are traded at auction are relatively few in number and are of genuine inherent value. Published data suggest that businesses in the Netherlands are willing to pay an average of about € 1,500 for a suitable domain name. In exceptional cases, prices in the hundreds of thousands of euros have been paid. Many of the transactions in question are conducted privately, however, making it difficult to obtain reliable data.

4. Conclusions

This section of the report summarises the findings of our research into changes in the way people use the internet and the implications of those changes for the domain name industry. It also contains a résumé of the trends in surfing behaviour. Finally, there is a review of thinking that prevails in the various target groups with regard to developments in the number, type and value of domain names.

4.1 Summary of the main observations and conclusions

○ Growth in the number of domain names is anticipated on both the consumer market and the business market.

○ Use of social media promotes internet use and consequently the demand for domain names.

○ Use of apps is more likely to have a positive effect on the use of websites and consequently the demand for domain names than a negative one.

○ Mobile devices have not yet changed the way that internet users reach websites.

○ Registrars do not expect increasing use of mobile access devices to impact negatively on the value of domain names.

○ Relatively little growth in the number of domain names is expected at the top of the business market.

○ Registrars believe that parking pages will become less profitable, mainly because of recent changes made to Google's algorithm, rather than to changes in the way people use the internet.

4.2 Trends in surfing behaviour

Mobile
People are less inclined to type a domain name into a browser when using a mobile device than when using a conventional PC. Some 49% of smartphone users reported regularly or very often typing in addresses, whereas the figure was 69% amongst conventional PC users and 64% amongst tablet PC users. However, it would be premature to draw conclusions about long-term changes in surfing behaviour on the basis of the findings reported here.

Nevertheless, it does appear that the way people surf the net on a smartphone or tablet PC is changing. No one method of reaching a website enjoys the general preference of mobile users, in the way that Google enjoys the general preference of PC users. Rather, there is a range of equally attractive access methods, from which users choose, on the basis of their particular needs.

The picture of mobile surfing behaviour that emerges from the study is reminiscent of the internet's early days. Before Google became so dominant, people used a greater variety of methods to reach content. Until 2005, the number of search engines in frequent use was significantly greater than it is today.

Social media
Social media currently play a modest role in enabling people to reach websites, but dominate people's on-line activities. A considerable proportion of the time that the average user spends on line is spent on social networks. However, this has yet to translate into the way that users regard websites and domain names.

4.3 Domain names

Consumers to drive growth of .nl in the near future

In the context of this study, consumers have two roles: as the users of domain names and websites, and as registrants. The use of mobile devices and social media does not appear to have any appreciable negative impact on how consumers regard domain names and websites. On the contrary: the consumers who are the best prospects for .nl domain names are heavy mobile and social media users. It seems that the use of mobile devices and social media stimulates interest in the internet generally and thus indirectly boosts the demand for domain names.

Notably, a significant number of consumers who already have a domain name are considering getting more. Moreover, the proportion of prospects planning to register a domain name (7%) is much bigger than the proportion of registrants planning to drop a domain name (2%).

The immediate prospects for the consumer market therefore appear good. We expect consumer demand to be a major driver behind the growth of the .nl domain in the period ahead.

Business market: social media to boost growth and .nl unassailable

The general picture is positive: businesses expect to invest more in on-line activities. The overall budget for such activities is increasing and this may be expected to drive growth in the number of websites and domain names. The prospects for defensive registrations also look good: many businesses expect this portion of their portfolio to grow. Fewer businesses foresee contraction. This pattern of expectation is unrelated to the size of a business's portfolio.

Businesses believe that the registration of domain names for campaign websites and similar will increase. However, they expect investment in social media and mobile devices to grow more rapidly still. Nevertheless, the overall growth in budgets for on-line activities is likely to mean that there is no appreciable cannibalisation. In the next three years, there is no question of businesses migrating away from .nl. All of the surveyed businesses said that having a .nl website was essential and would remain so. The preference for .nl is unassailable.

While prospects are generally good, the signs are not exclusively positive. For example, large businesses (> 500 employees) expect to prune their domain name portfolios quite significantly and to cut back on defensive registrations in particular.

It is also notable that businesses that rate social media as 'very important' have registered relatively few domain names in recent years. Although their domain name portfolios have grown, the growth has been smaller than that reported by organisations that consider social media 'unimportant'.

It should be stressed that, on average, organisations that regard social media as important do nevertheless expect the number of domain names in their portfolios to continue growing. In absolute terms, the amount of growth foreseen by such organisations is about the same as that anticipated by those that attach relatively little importance to social media. It is possible, therefore, that organisations that focus more on social media will do some catching up in the years ahead.

Parking pages set to disappear while premium names hold their value

Although mobile users still type domain names into browsers quite often, registrars and domainers are pessimistic about the future of parking pages. Only 35% believe that parking will remain a profitable activity. Furthermore, while the study was in progress, Google announced a new policy, which is likely to mean that parking pages are less prominent in search results. The general expectation within the industry is consequently that before long there will be a sharp reduction in the number of parking pages.

It is reasonable to suppose that the contraction of parking activities will reduce the demand for defensive registrations, because the two segments of the market are inseparably linked. Although accurate data are hard to come by (domainers tend to be reticent about their activities), since 2010 there has been a definite stagnation in the growth in the number of registrars that count domaining as a core business activity.

By contrast, the trade in premium-domain names is expected to remain healthy. The various developments described in this report are unlikely to have any marked effect on the value of a domain name. Nearly all registrars, experts and domainers expect that changes in the way people use the internet are more likely to boost the value of a domain name than reduce it. This assessment is supported by data for the year 2011 published by Sedo GmbH.

Registrars particularly positive about the business market

Registrars regard the rise of social media as an opportunity, and the findings of this study support that view. Where the individual segments of the market are concerned, it is interesting to note that registrars are less confident about the consumer market than about the business market.

Registrars expect that the demand for domain names for blogs and personal websites will decline. However, the feedback received from consumers in the context of this study suggests otherwise. Our findings point to a market-wide increase in the number of households where someone has a domain name.

Although somewhat pessimistic about the consumer market, registrars do expect growth in the business market. In all areas, more registrars foresee demand growth within this sector in the next few years than anticipate decline. Registrars regard brand protection as an important driver of registrations, and expect it to remain so. However, this is out of step with what large businesses in particular say about their defensive registration plans.

5. General information

5.1 Research methodology

Thorough approach

The findings reported here are based upon thorough research. More than six months was spent gathering data; this involved in excess of 3,600 telephone interviews with consumers, internet service providers and business users. The interviewees were selected at random from existing panels, so that we were able to compare the results with other datasets and ensure that the feedback received reliably reflected circumstances in the market at large. Finally, the results were discussed with market experts in order to arrive at a scientifically robust report.

Interviews

A total of 2,834 consumers (households) were interviewed. We used a panel model and asked people to complete an on-line questionnaire. In addition, Heliview's call centre conducted 591 telephone interviews with business respondents: people responsible for internet policy and activities within their organisations. A net total of sixty registrars were also interviewed, again by phone. The interviewees from this group were general managers or people responsible for commercial activities.

Procedural codes

The interviews were conducted in accordance with the codes published by ESOMAR and MOA (the Dutch Market Research Association) and with the Dutch Personal Data Protection Act. So, for example, no information is published regarding the identities of our respondents.

Weighting factors

The percentages stated in the tables and figures have been calculated with the use of weighting or correction factors. Correction has been applied wherever a group of respondents was unrepresentative: if, for example, the ratio between larger businesses and smaller businesses in our respondent group was not the same as in the economy at large. Correction entails the statistical adjustment of data to correct for the discrepancies between the make-up of the study group and the make-up of the population at large, thus yielding representative findings.

Although the data from consumers (households) and businesses/institutions (business market) have been corrected, the data from the registrar interviews have not. The reason being that the registrar study was not stratified, meaning that the study group was in all probability representative.
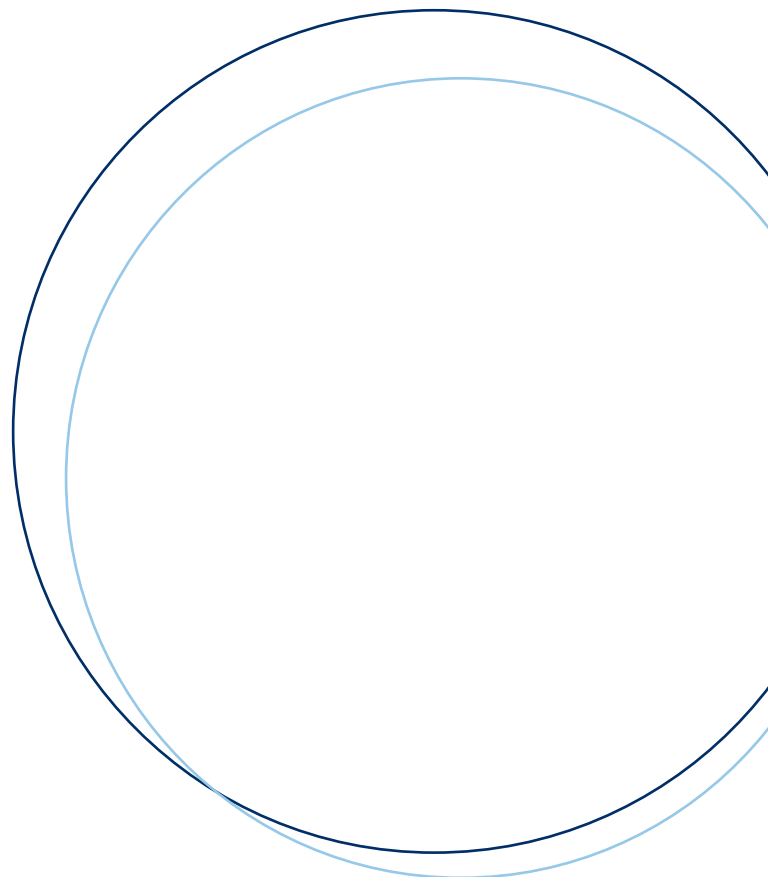
5.2 About SIDN

SIDN (the Foundation for Internet Domain Registration in the Netherlands) is the business behind .nl. Those three apparently simple characters now suffix roughly five million unique domain names, which are used for web-sites, e-mail addresses and other applications. The .nl domain is consequently the third-biggest country-code domain in the world, after .de (Germany) and .uk (United Kingdom).

More than a billion

SIDN has been responsible for the .nl domain since 1996. As well as registering and assigning domain names, SIDN ensures that internet users all over the world can reach the corresponding domains at all times. To that end, SIDN's infrastructure, which forms part of the global DNS, processes more than a billion search queries a day. SIDN's services are delivered to the public through a network of roughly 1,800 independent businesses, known as registrars.

Security

SIDN is committed to working within the Netherlands and internationally to help build a unified, global and secure internet, which is open and accessible to all. SIDN there-fore plays an active national and international role in the technical, policy and political developments that shape the internet. SIDN was one of the prime movers behind the introduction of DNSSEC to the Netherlands, for example, and participates in the research platform PI.Lab, which seeks to help make the internet more secure.

5.3 Colophon

This is a summary of a research report compiled by Heliview Research & Consultancy on behalf of SIDN. Marcel de Jong and Ruud Alaerds of Heliview Research & Consultancy produced the diagrams and body text, in close consultation with Michiel Henneke of SIDN.

The contribution of the following people is also acknowledged:

Heliview Research & Consultancy
- Ruud Alaerds – Managing Director
- Marcel de Jong – Business Development Manager

SIDN
- Michiel Henneke – Marketing Manager
- Sean Schuurman van Rouwendal – Marketing Analist

escobar
- Bas van Veen – Managing Director
- Jules Warnies – Partner / Copywriter