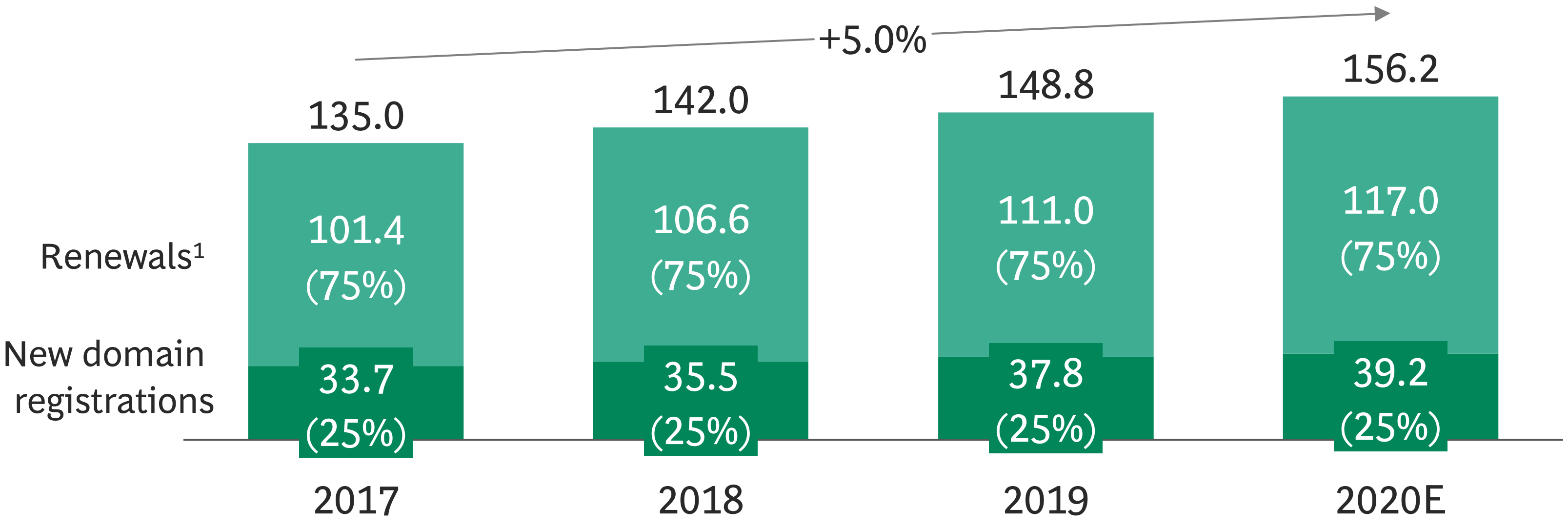
What's in a (Domain) Name? The $2 Billion Secondary Market for Dot-Com Domains

January 2021

Dot-Com domain registrations estimated to hit ~156M, with ~39M new domains registered in 2020

Registered Dot-Com domains (M)



	2017	2018	2019	2020E
Expirations (M)	28.6	28.4	31.4	32.4
Net additions (M)	5.0	7.1	6.4	6.8

1. Renewals inferred from total domains and net new domain registrations from ICANN Registry Transactions Reports. Timing for multiyear renewals is assumed to average out.

Note: Analysis of registered Dot-Com domains includes domains in "Redemption Period" as well as those "Pending Delete".

Sources: ICANN Registry Transactions Reports; BCG analysis.

Observations

Overall registration volumes growing at ~5% annually between 2017 and 2020

Renewal and new domain registrations (NDRs) show stable 3:1 distribution

Net additions of Dot-Com registrations range from 5M to 7M per year

Advertised primary retail market prices range from ~$10-11 for new domains to $16+ for renewals

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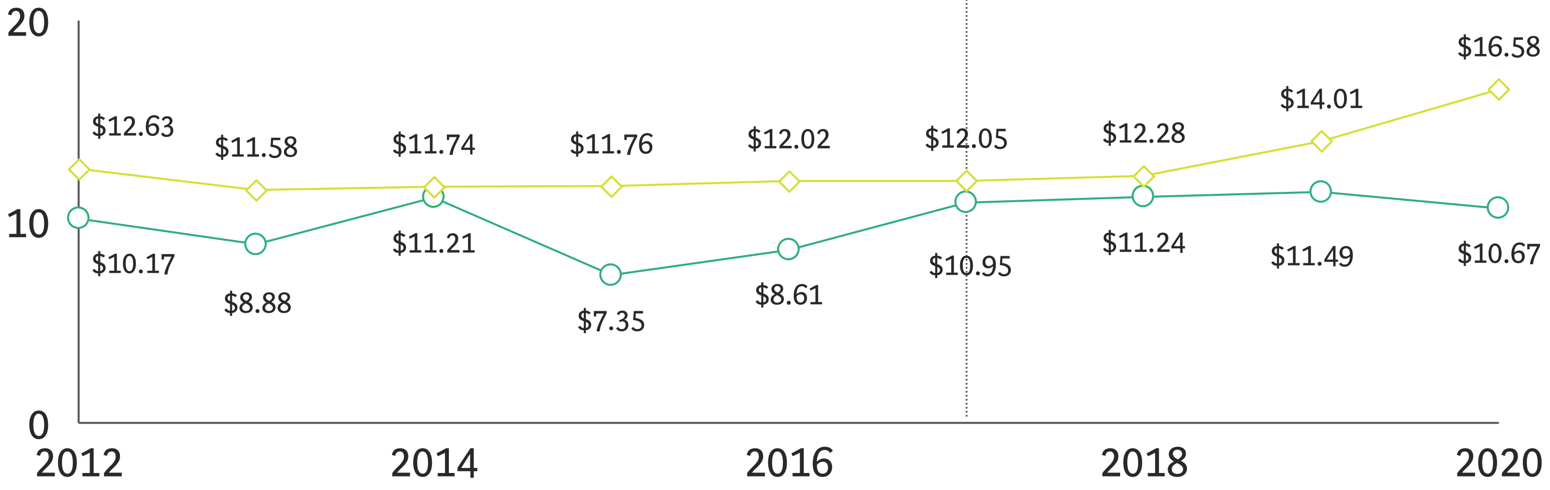
Average advertised Dot-Com domain price ($/domain-year)

	2012-2016	Post-2017	Delta (%)
New domain registrations	9.25	11.09	20%
Renewals	11.95	13.73	15%



Observations

Renewal pricing was stable prior to 2017, but has increased in past 3 years

New domain pricing was more variable prior to 2017, but has been stable in past 3 years

Note: Average price for 2020 calculated from online list prices from registrars representing 75% of registered Dot-Com domains. Previous-year averages calculated using online list prices, collected with the Wayback Machine, from registrars representing ~45% of registered Dot-Com domains.
Sources: Pricing research; BCG analysis.

With these drivers, primary retail market revenue grew at a 9% CAGR reaching $2.3B in 2020

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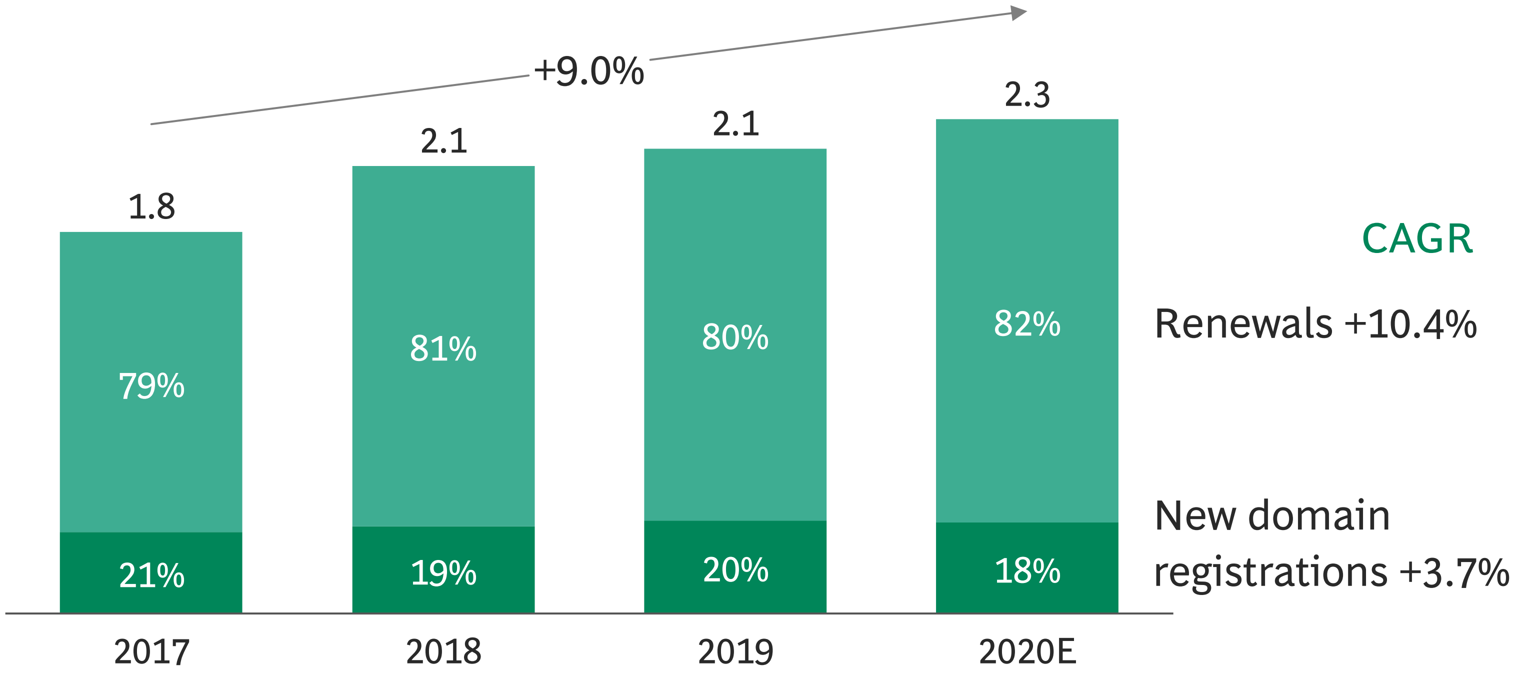
Primary retail domain name market revenues ($B)



Observations

Overall market revenues growing with a 9% CAGR

Renewals are largest driver of growth with ~80% of all spending and 10% CAGR

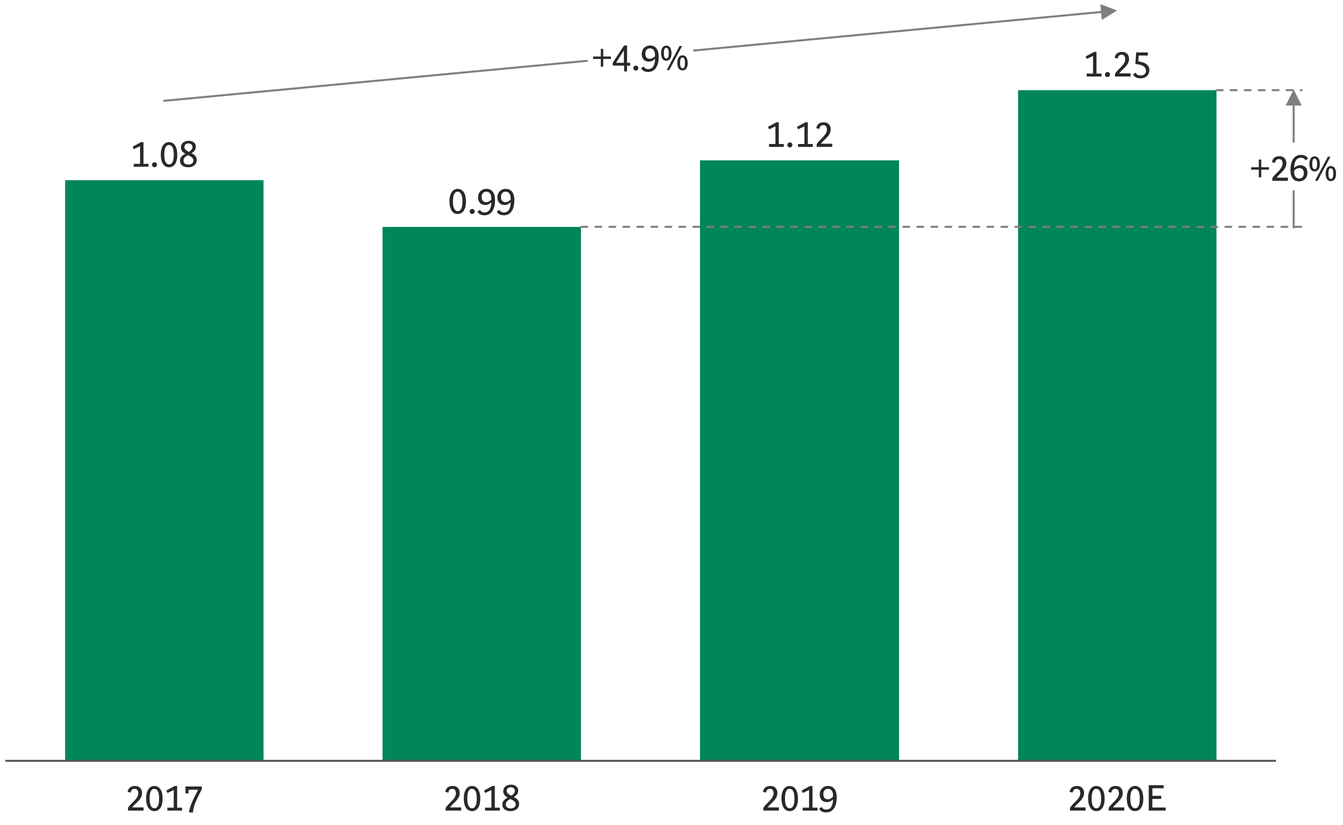
New domain revenues growing as well, but at lower rate (4% CAGR) than overall market

Growth driven by mix of volume expansion (~5% CAGR) and price expansion (~4% CAGR)

Sources: Whois records; ICANN Transaction Registry Reports; pricing research; BCG analysis.

But – beyond the primary market, there is a relatively small volume of domains resold in a secondary market (1.25M versus 39M new domains), growing at 5% CAGR from 2017

Secondary market transaction volume (M)



Sources: Zone files; Whois records; BCG analysis.

In the secondary market, average price estimates are 150-200 times higher (from ~$1,700 to $2,500)

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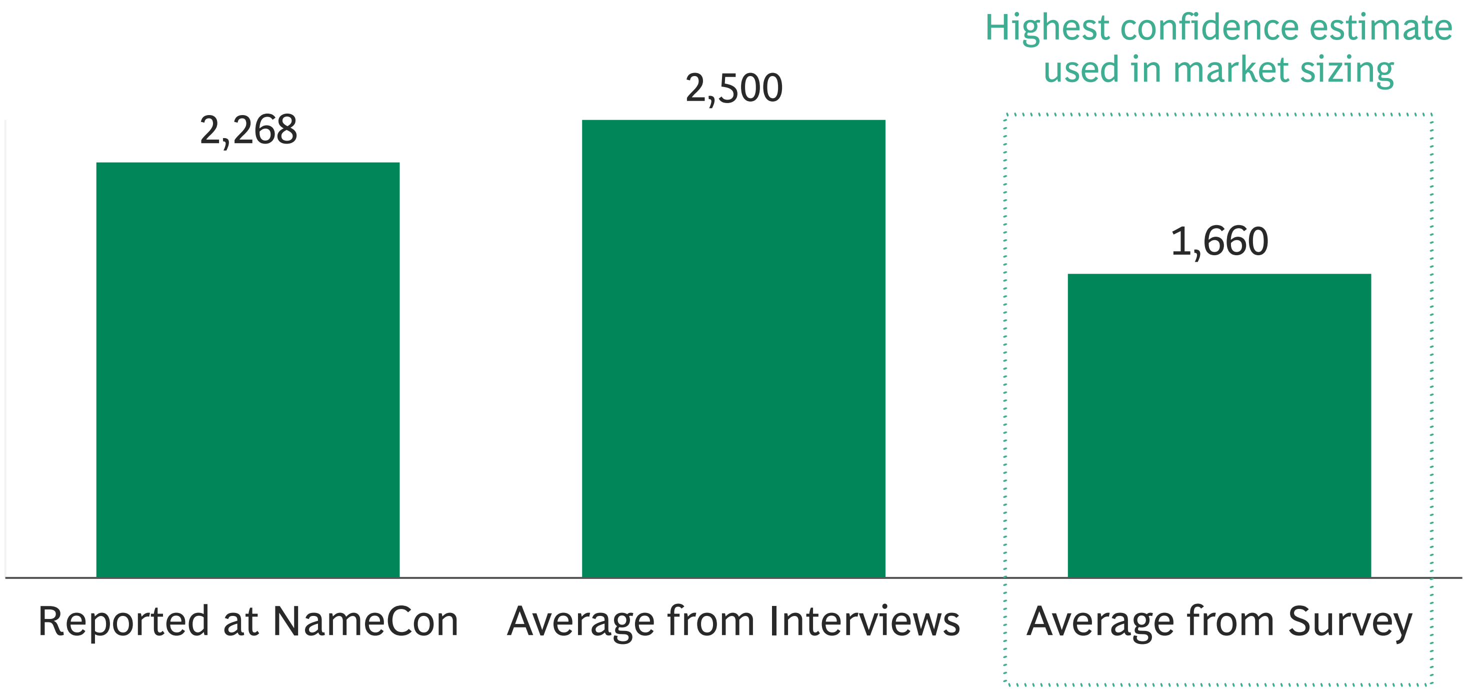
Secondary market average sales price ($/domain)



Note: Average price from presentation at NamesCon by VP of Aftermarket for leading registrar. Prices from domainer interviews ranged from $2,000 to $3,000 with the majority centered around $2,500.
Sources: Domainer survey, Sept 2020 N = 60; domainer interviews; pricing research; BCG analysis.

Discussion

In 2019 at NamesCon, a presenter reported an average secondary market sales price of $2,268 for domains sold in their marketplace

Interviews with 15 domainers led to an average secondary market sales price of ~$2,500

A survey of 60 domainers yielded an average sales price of ~$1,700, which was stable between 2017 and 2020

The secondary market is therefore almost as big as the primary market!

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Wholesale market

Revenue by market segment: $1.2B

Wholesale

Company that manages top-level domain names and DNS

Governed by:
- Dot-Com RA between registry operator/wholesaler and ICANN
- "Cooperative Agreement" between registry operator/wholesaler and Department of Commerce

Price governed by US Department of Commerce with cap on annual price increases

→ Revenue: $1.2B
Price/domain: $7.85

Primary retail market

$2.3B

Registrars

Companies that sell new domain names to registrants (end-users or domainers)

Governed by:
- ICANN's Registrar Accreditation Agreement (RAA)
- Registry-Registrar Agreement (RRA) with registry operator/wholesaler

Price set independently by registrars with no restrictions on price increases

→ To Domainers: Revenue: $0.2B
Price/domain: $8.34

→ To End-users: Revenue: $0.4B
Price/domain: $11.26
New domain registrations[1]

→ To End-users: Revenue: $1.7B
Price/domain: $17.52
Renewals[1]

Secondary retail market

$2.1B

Domainers

Entities that trade registered domain names and/or sell to end-users for profit

No formal regulation or governance; price set independently by domainers with no restrictions on price increases

↓ Revenue: $2.1B
Price/domain: ~$1,660

End-users

Consumers and businesses who register domain names to disseminate information and conduct business on the internet

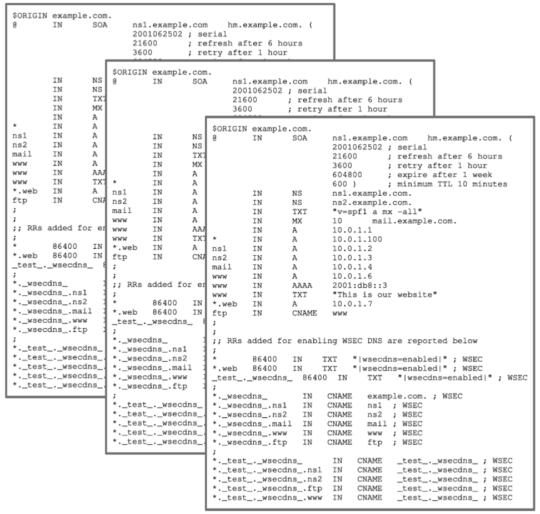
1. Overall average retail price across all end-user registrations is ~$15.98 per domain per year.

Key question: What exactly does the secondary market look like?

Methodology: To understand secondary market, merged >5B rows and >40B individual data elements from ’17-’20

Input

>5B rows and >40B elements from zone files and Whois



Data processing

DNS changes used to identify sales (high frequency of changes in short time window indicates sale)

Whois used to inform identity of sellers and buyers

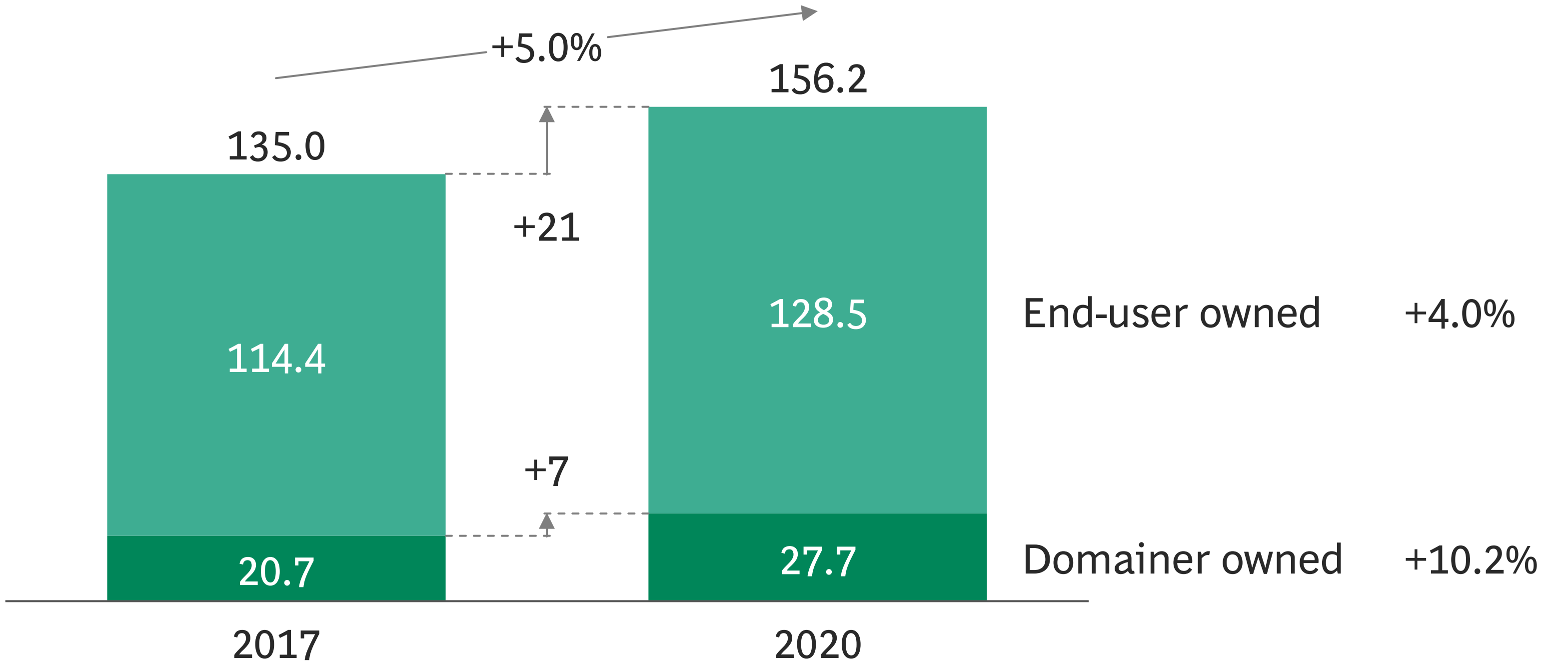
Output

1. Estimates of transaction volumes
   - Transactions over time periods for different cuts (e.g., registrant size, turnover, country)
2. Flows of domains from buyers to sellers
   - Registrant-based view
   - Country-based view
3. Inventory of domains over time
   - Registrant-based view
   - Country-based view

Sources: Zone files; Whois records; BCG analysis.

More than 1 in 6 Dot-Com names is held for resale by “Domainers”

Registered Dot-Com domains (M)



Observations

Growth in domainer registrations ~10% compared with ~4% for end-users

The 7M additional registrations since 2017, attributable to domainers, account for 33% of all growth

Note: Analysis of registered Dot-Com domains includes domains in "Redemption Period" as well as those "Pending Delete".
Sources: Whois records sampling; domainer survey, Sept 2020; BCG analysis.

Domainer-owned registrations are distributed across four types of registrants

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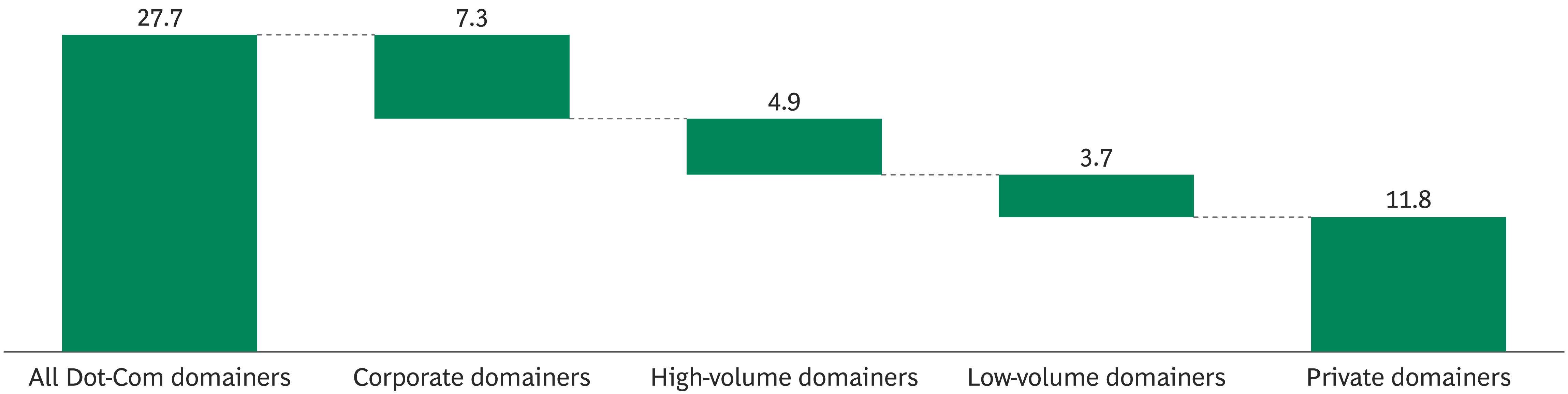
2020 Dot-Com domainer registrations (M)

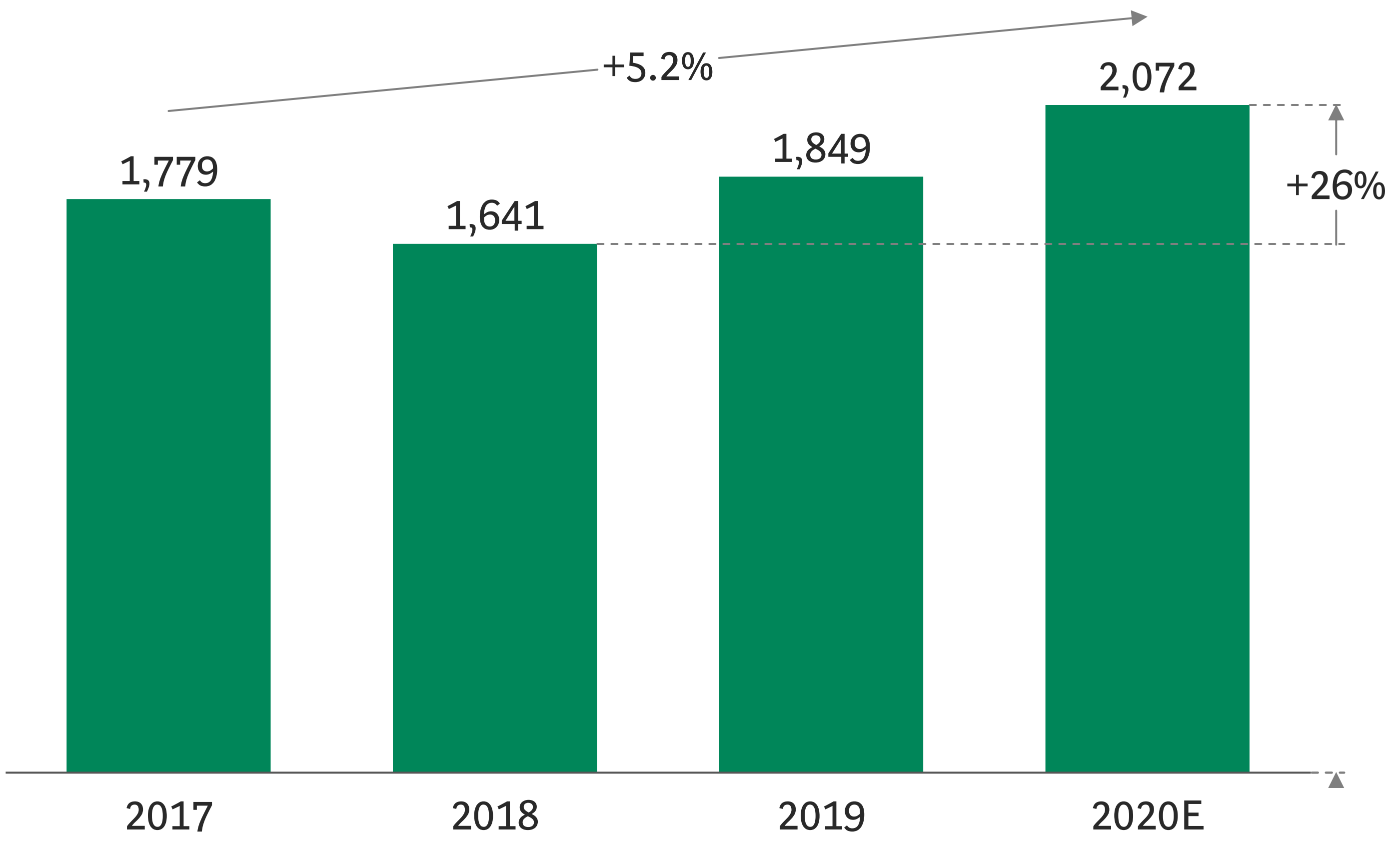


	Corporate domainers	High-volume domainers	Low-volume domainers	Private domainers
Definition of domainers	Domain owner who owns >10,000 domains	Domain owner who owns 101–10,000 domains	Domain owner who owns ≤100 domains	Domain owner whose identity is private
% of all Dot-Com domainer registrations	26%	18%	13%	43%

Note: Registrant ownership determined by using exact match on "Registrant Organization" field in Whois data.
Sources: Whois Snapshot Q2 2020; BCG analysis.

Across these types of Domainers, the secondary retail market revenues have grown at a healthy 5% CAGR

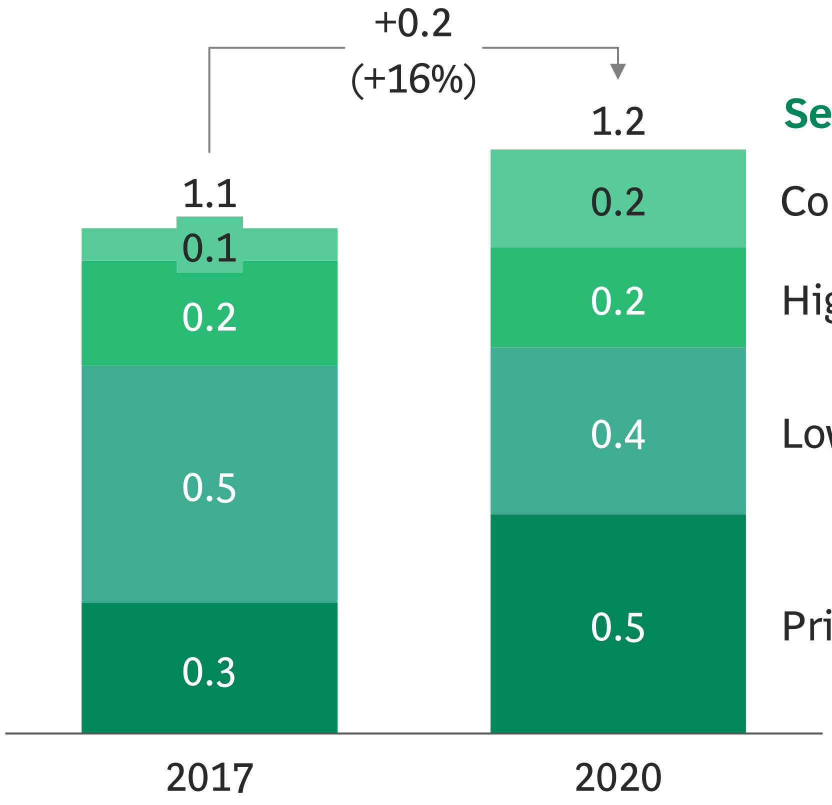
Secondary retail market domain name revenues ($M)



Sources: Whois records; pricing research; domainer survey N = 60, Sept 2020; BCG analysis.

Fastest growing segment is corporate domainers

Transactions per segment per year (M)



Segment	CAGR
Corporate domainers	+44%
High-volume domainers	-2%
Low-volume domainers	-11%
Private domainers	+19%

Note: Corporate domainer (CD) is defined as a domain owner who owns more than 10,000 domains. High-volume domainer (HVD) is defined as someone who owns 101-10,000 domains. Low-volume domainer (LVD) is defined as someone who owns less than or equal to 100 domains. Private domainer is defined as registrant whose identity is kept private. Unmasking was performed by using survey responses from HVD and LVD domainers for both inventory and turnover to estimate change in ownership from 2017 and 2020. This allowed us to infer the proportion of private registrations attributable to HVD and LVD domainers who had gone private.
Sources: Whois records; Zone files; BCG analysis.

Observations

Sales by sellers in the corporate domainer segment increased at 44% CAGR from 2017-2020

The slight decline in high-volume domainers and large decline in low-volume domainer transactions is balanced by the growth in private domainer volumes

Over half of sales flow through marketplaces

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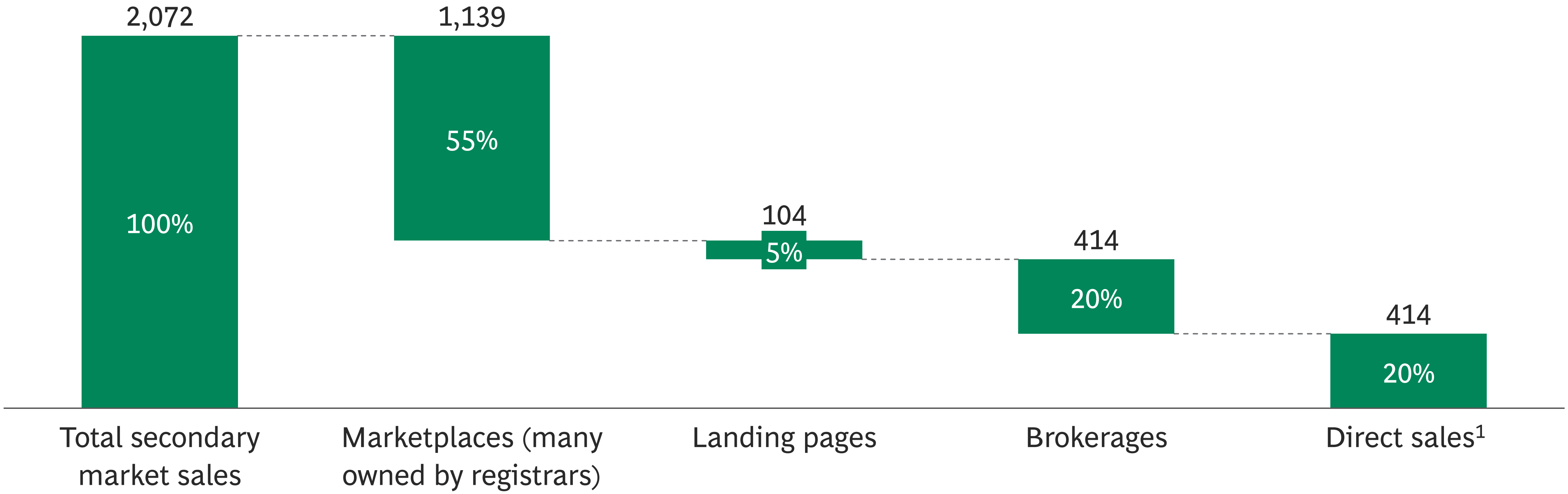
Estimated total volume of secondary retail market sales ($M)



Commission	20%	8-9%	20%	3.25%[2]

1. Domain owner identified via Whois. 2. Commission if escrow.com is used.
Note: Distribution of sales taken from survey N = 60. Pricing assumed to be uniform across channels.
Source: WHOIS records; Zone files; Domainer Survey, Sept 2020 N = 60; BCG analysis

US and China account for ~50% of secondary market sales, but US was main driver of growth from '17-'20

Market[1]	2017 secondary mkt transaction	2020 secondary mkt transaction	CAGR (%)	Absolute change	% of 2020 total (%)
US	226,830	372,433	18.0	145,603	29.8
China	487,321	233,735	-21.7	(253,586)	18.7
Japan	35,573	52,284	13.7	16,710	4.2
Panama	47,656	33,043	-11.5	(14,613)	2.6
Canada	18,637	28,288	14.9	9,651	2.3
India	16,232	25,167	15.7	8,935	2.0
UK	9,650	12,042	7.7	2,391	1.0
Hong Kong	10,089	4,707	-22.4	(5,382)	0.4
Unavailable[2]	75,729	297,773	57.8	222,044	23.9
Private[3]	-	7,762	-	-	0.6
ROW	152,182	180,580	5.9	28,398	14.5
Total	**1,079,900**	**1,247,814**	**4.9**	**167,914**	**100.0**

~50% (US + China)

1. The market field is an exact match on the "registrant country" in Whois, which is the location of the person or company that registers a domain name. In the case of domains using privacy, this can also be where the proxy vendor is located. 2. Transactions listed under "unavailable" are those where "registrant country" is missing or blank in Whois. 3. Transactions listed under "private" are those where "registrant country" is specifically masked in Whois.
Sources: Zone files; Whois records; BCG analysis.

Observations

The US and China account for ~30% and ~20% of 2020 secondary market sales respectively

US sales volume grew at 18% CAGR with increase in US sales of ~145k compared with total of ~168k

Chinese sales volume declining at >20%, but firm conclusions difficult due to expansion in sales where country "Unavailable"

Flows in secondary market show largest proportion of transactions are intramarket or with US

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Secondary retail market transactions between registrant markets in 2020

Seller[1] \ Buyer[1]	US	Unavailable	China	Japan	Panama	Canada	India	UK	Private	Hong Kong	ROW	Total
US	334,919	15,242	6,605	83	1,984	2,086	1,313	248	333	906	8,714	372,433
Unavailable[2]	19,722	133,660	74,577	1,202	1,661	1,254	1,171	783	56,439	440	6,864	297,773
China	19,032	14,304	198,913	6	65	40	46	10	327	646	346	233,735
Japan	1,857	14,042	204	35,043	15	40	56	4	133	177	713	52,284
Panama	9,550	488	138	4	21,331	119	148	50	17	54	1,146	33,043
Canada	5,249	1,950	133	4	177	19,587	79	50	54	52	952	28,288
India	3,882	586	69	6	213	75	19,862	6	31	15	423	25,167
UK	1,636	1,221	92	13	98	69	42	7,124	13	19	1,717	12,042
Private[3]	804	1,917	17	-	13	44	6	15	4,836	-	110	7,762
Hong Kong	694	446	715	19	15	4	6	4	2	2,650	152	4,707
ROW	36,942	9,445	8,574	761	3,365	1,917	3,028	736	1,050	281	114,482	180,580
Total	**434,285**	**193,301**	**290,036**	**37,142**	**28,934**	**25,233**	**25,756**	**9,031**	**63,236**	**5,240**	**135,619**	**1,247,814**

1. The seller or buyer field is an exact match in the "registrant country" field in Whois, which is the location of the person or company that registers a domain name. In the case of domains using privacy, this can also be where the proxy vendor is located. 2. Transactions listed under "Unavailable" are those where "registrant country" is missing or blank in Whois. 3. Transactions listed under "Private" are those where "registrant country" is specifically masked in Whois.
Sources: Zone files; Whois records; BCG analysis.

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