

2003 Business Market Study –Asia

Study Description: Study of over 700 business prospects as well as current and lapsed owners of domain names. This study provides a good understanding of the market composition in China, Japan and Korea as well as the key drivers for purchase and loyalty.

Products in Study: *.com, .net*, IDN

Key Findings:

User and Prospect Profiles

Loyalty Factors

End-User Needs

Internationalized Domain Names (IDNs) Dynamics

Other Useful Studies involving Market Research in Asia (see Research Section of Web Site):

2003 Consumer Navigation Study – Asia

2003 IDN Registrant Profile Study – US and Asia

2003 Business IDN Study – Asia

User and Prospect Profiles:

In general most of the respondents surveyed, regardless of size of business or ownership of domain names, strongly agreed that the Internet has really helped their business. While there is a strong link between higher revenues and ownership of a domain name, other factors influencing ownership include geography and the composition of the user's customer base.

- Current owners are more likely to have a national customer base (56% vs 47% for lapsed owners and 37% for non-owners)
- Current owners have higher average revenues than lapsed and non-owners (\$6.5M v \$6.2M vs. \$2.7M)
- Geographically, owners in Korea tend to own more domains than users in Japan and China (2.8 v. 2.1 and 1.5)

Regardless of geography, *.com, .net* and the respective country specific domain show the highest unaided awareness in each market.

	Current Owners			Lapsed Owners			Non-Owners		
	China	Japan	Korea	China	Japan	Korea	China	Japan	Korea
	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
(Random Sample)	(108)	(136)	(100)	(22)*	(14)*	(50)	(79)	(25)*	(50)
	%	%	%	%	%	%	%	%	%
English Language									
.COM	88	79	80	73	71	90	52	44	48
.NET	50F	33	59F	41	43	68H	27	20	24
.JP	5	96EG	9	--	79	--	--	56M	2
.KR	4	2	90EF	5	7	84HI	1	--	40K
.CN	57FG	2	3	55J	--	2	24M	--	2
.ORG	19FG	6	2	5	--	18	1	--	--
.GOV	18F	1	--	5	--	--	5	--	--
Any other country-specific domain name	5	4	--	--	--	--	--	4	--

On average, most companies tend to own one of each domain (ie., .com/.net and their respective country specific domain); except for owners of the .kr (Korea) domain, who tend to be more likely to own multiple names for each domain type. Ownership of English language .com is highest among current owners in China, while owners in Korea and Japan are more likely to own their country specific domain.

Total English Language Domain Name Owners					
	.COM	.NET	.JP	.KR	.CN
	[A]	[B]	[C]	[D]	[E]
(Random Sample)	(217)	(39)	(120)	(101)	(41)
	%	%	%	%	%
1	77CD	77CD	66	56	90ACD
2	10	15	20	13	5
3	2	3	6	9	--
4	2	--	3	4	--
5	2	--	--	3	2
6 or more	7	5	5	15CE	2
Average Number Owned	1.6	1.5	1.7	2.3 ABCE	1.3

Current owners, regardless of domain type, are more likely to have a Web Site associated with their domain name than lapsed users (91% vs. 79%).

Prospects, in general, tend to represent an unsophisticated target. They belong with smaller, local or regional companies; are not as convinced on the benefit of the Internet for their business; don't see a need for a domain name; feel technically challenged by Web Site development and maintenance and are more cost conscious.

How to Use these Findings:

- Consider targeting smaller businesses or businesses with local/regional/international customers; they may represent an untapped market.
- Cross-sell an English language .com with a country specific domain name; this could be an attractive opportunity for your customers.
- Encourage and assist users in associating an application or Web Site with their domain name; Users with applications or Web Sites associated with domain names tend to be more loyal.
- Promote easy purchase, set up and maintenance to attract non-technical customers.
- Educate users about how domain name names in general and IDNs specifically can meet their communication/marketing needs.

Loyalty Factors

The study suggests that, other things being equal, the market has entered a period of relative stasis. Current owners indicate relatively strong loyalty to renewing their domains while non-owners express low interest in acquiring one.

Current owners:

- Current owners indicate relative loyalty (between 89-96% of owners say they are certain/very likely to renew)
- Only between 1 and 5% says they are “not too likely” to renew
- Current owners in China and Korea report high satisfaction across many key measures associated with their domains and how they help them achieve their goals. Owners in Japan report relatively low satisfaction.

Lapsed Owners

- Factors that drive lapsed owners to abandon a domain name include: better domain names became available, only purchased to block another party, purchased for one time use
- Lapsed owners are less likely to be satisfied with key measures associated with domain names. For example, among medium/large users, lapsed owners only reported 30% satisfaction compared with 65% for current owners.

Lapsed Owners of Respective English Language Domain Names

	.COM	.NET	.JP	.KR	.CN
	[A]	[B]	[C]	[D]	[E]
(Random Sample)	(23)*	(18)*	(8)*	(21)*	(4)*
	%	%	%	%	%
A better domain name became available and your co. purchased that instead	39	44	38	57	25
Your co. only bought it so that nobody else could have it in the first place	26 B	6	38	14	50
Your co. only bought it for a one-time/limited-time email campaign	26	--	13	19	50
Setting up the website was too expensive	17	6	38	10	25
It was a poor value for the money	13	11	--	10	25
It was never used for email or a website	4	28 A	--	10	50
The name purchased was too hard to remember	4	28 A	25	10	25

Non-Owners

- Only about one quarter of non-owners have considered purchasing a domain name. Consideration is highest in Japan (40%).
- In general, among non-owners across geographies, the likelihood to purchase an English language .com or country specific domain within the next two years was low. While

approximately 25% have considered purchasing a domain name, only from 5 to 16% reported they were very likely to make the purchase; 47-86% reported they were not likely.

- Most non-owners who have considered, but have never purchased a domain name, site: not technical enough and cost as the main factors. Non-owners who have never considered purchasing a domain name say the most common reason is that their company never saw the need for one (77%).
- Reasons why they might consider setting up a Web Site include: to make it easy for customers to find your company (72%); to improve quality of customer service (69%); to sell products/services (63%); to communicate with customers, vendors and suppliers (62%); and to help expand into new geographical markets (60%).

Non-Owners Who Have Considered, But Never Purchased a Domain Name

	Total	China	Japan	Korea
	[A]	[B]	[C]	[D]
(Random Sample)	(41)	(22)*	(9)*	(10)*
	%	%	%	%
My company is not technical enough	39	50 C	11	40
It costs too much money to set up a website	34	36	11	50 C
It is too expensive	32	36	44	10
Setting up and maintaining website would have been too time consuming	29	45 CD	11	10
Maintaining the website would have been too expensive	29	45 CD	11	10
It is too hard to set up a website	27	27	33	20
Our customer base does not use internet	22	27	33	--
My company did not know how to purchase a domain name	17	14	22	20
We didn't think we could get visitors to our site	15	18	11	10
We tried, but the domain name we wanted was not available	12	14	11	10

How to Use these Results:

- Offer technical assistance to your customers; they will welcome your assistance
- Inform and promote the low cost of establishing a Web Site to your prospects; they may be surprised at low costs
- Provide tools that make it simple for current users to realize effectiveness of their sites and to help non-owners build and maintain sites
- Educate prospects about how to purchase and use domain names and availability of alternate domain name extensions

End-User Needs

Current needs for this market are relatively straight forward. In order to drive demand, the best way to appeal to both current and non-owners will be to position domain names beyond just being a low priced sale. To drive demand, users need to be educated about choosing and setting up a domain name and the value-added services that go with it. This will help with retention among current and lapsed owners as well as appeal to the less-technical non-owner.

The results point to several categories in which current owners, lapsed owners and non-owners all agree on the characteristics important to them. These include:

Important Factors When Selecting a Vendor How Prospects Would Use Web Sites

Important Factors When Selecting a Vendor

Most current and lapsed owners report that they had purchased their domain name from a Domain Name Registrar (from 60 to 71%). Domain names are also frequently purchased through web services companies that build their Web Sites (19 to 31%). Less common methods include the secondary market or other.

	Current Owners		Lapsed Owners	
	Small [N] (107) %	Medium/Large [O] (205) %	Small [P] (32) %	Medium/Large [Q] (48) %
Domain Registration Company (NET)	60	65	69	71
Over the internet from a domain registration company	50	56	59	67
By telephone from a domain registration company	10	11	9	6
Through a web services company that built our website	31	30	19	25
Bought a pre-existing domain name from someone else (secondary market)	3	*	--	2
Other	8	6	19	6

Factors listed as most important when selecting a vendor include making it easy to choose and set up the domain name quickly, excellent customer service and help with search engineers. These factors all ranked higher than lowest price.

	Current Owners		Lapsed Owners		Non-Owners	
	Small	Medium /Large	Small	Medium /Large	Small	Medium /Large
	[N]	[O]	[P]	[Q]	[R]	[S]
(Random Sample)	(119)	(225)	(35)	(51)	(84)	(70)
Very Important (Rated 8,9,10)	%	%	%	%	%	%
Makes it easy to choose and set up a domain name quickly	63	70	77	73	64	65
Has excellent customer service	63	68	47	45	64	63
Provides help to get your domain name listed with the major search engines	48	50	46	53	60	63
Provides email and other value-added services	51	51	56	39	58	56
Provides domain hosting services	49	49	44	37	46	55

	Current Owners		Lapsed Owners		Non-Owners	
	Small	Medium /Large	Small	Medium /Large	Small	Medium /Large
	[N]	[O]	[P]	[Q]	[R]	[S]
(Random Sample)	(119)	(225)	(35)	(51)	(84)	(70)
Very Important (Rated 8,9,10)	%	%	%	%	%	%
Is the least expensive alternative	44	48	34	32	52	43
Offers a waitlist service so that I get the name I want when it becomes available	38	42	37	38	45	60
Provides support with website development	41	35	35	35	47	48
Provides local language character domain names	21	26	26	29	47	56
Provides other domain name extensions	21	20	29	26	27	35

How to Use these Results:

- Promote the value of domain names and your value-added services. Make it simple to choose and set up a domain name and get listed on search engines.
- Do not promote low price as the primary value of your domain registration services; customers have expectations beyond a low price.
- Focus on customer service, which ranks high in appeal for customers
- Increase the size of your sales and attract new customers with value-added services such as domain name hosting, listing on search engines and email

How Prospects Would Use Web Sites

Principal reasons for owning English language domain names (which hold true across company size and geography) are:

- Setting up a Web Site or email
- Establishing a more professional company image
- To protect the name from another company (especially for IDNs)
- For global reach, especially in China

Currently Owns English Language .com Domain Name

	Total	Small	Medium /Large
(Random Sample)	[A]	[B]	[C]
Very Important (Rated 8,9,10)	%	%	%
To set up a company website or email	76	72	78
To establish a more professional image for your company	72	59	78 B
So that no one else can own the name	55	47	58
To use for special marketing campaigns, including email or other marketing campaigns	54	50	56
For global reach	44	30	50 B
To register and hold the domain to sell later	13	20	10

Currently Owns English Language .com Domain Name

	Total	China	Japan	Korea
(Random Sample)	[A]	[B]	[C]	[D]
Very Important (Rated 8,9,10)	%	%	%	%
To set up a company website or email	76	74	86	71
To establish a more professional image for your company	72	85 CD	46	69 C
So that no one else can own the name	55	60 C	31	63 C
To use for special marketing campaigns, including email or other marketing campaigns	54	59	49	49
For global reach	44	62 CD	19	31
To register and hold the domain to sell later	13	14 D	24 D	4

How to Use these Results:

- Increase your renewal rate by offering assistance and education on how to build or improve Web Sites; domain names ties to successful Web Sites tend to renew at higher rates
- Position and educate users on how to use domain names

Internationalized Domain Name Dynamics

Compared to English language domain names, Internationalized Domain Names (IDNs) are less known in all Asia markets studied. This low awareness provides a significant opportunity for growth.

- Overall, the total awareness of IDNs average half or less of the levels of English language .com, .net and country specific domains.
- Korea (10%) has the highest ownership of a local language .com (vs. 53% for English language .com)
- Japan (18%) has the highest ownership of a country specific IDN
- China has the lowest market penetration

In general, IDNs are not typically considered as primary domain names and are less likely to have a Web Site associated with them. The prime motivator for purchasing IDNs, as opposed to English language domain names, is for protection. Registrants want to ensure that no one else can own the domain name.

The market perception of IDNs has kept this market relatively untapped. In general, the perceived barriers have included:

- Lack of need
- Not as popular as English language domain names
- Not global
- Inconvenient to use

Action Steps

- Target markets with low domain name penetration, especially the smaller companies within local markets
- Position and educate users on how to use IDNs to increase the registrations and adoption of IDNs. Korea and China are particularly good target markets since they express more openness to the IDN concept
- Assist IDN current owners and prospects with establishing Web Site, email or similar applications; this service can forge an opportunity to grow and maintain this market.