

Understanding the Domain Name Secondary Market and the Role of Domain Name Investors

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What is the Domain Name Secondary Market?

Purchase and sale of **already registered** domain names.

Desirable domain names are a **scarce** resource.

Enables domain names to **move** from lower value uses to higher value uses.

Prices set in a **free market**.



Catalysts for Buying a Domain Name



Starting a new
company



Launching a
new product



Merging



Shortening
your domain
name



Going global

Secondary Market Repurposes Domain Names

Changing business needs create value in existing domain names.



Many Iconic Brands Acquired Their Domain Names on the Secondary Market

The secondary market helps companies obtain their most intuitive domains:

TeslaMotors.com	➔	Tesla.com
Discordapp.com	➔	Discord.com
Twtr.com	➔	Twitter.com
getDropbox.com	➔	Dropbox.com
CasperSleep.com	➔	Casper.com
TheFacebook.com	➔	Facebook.com

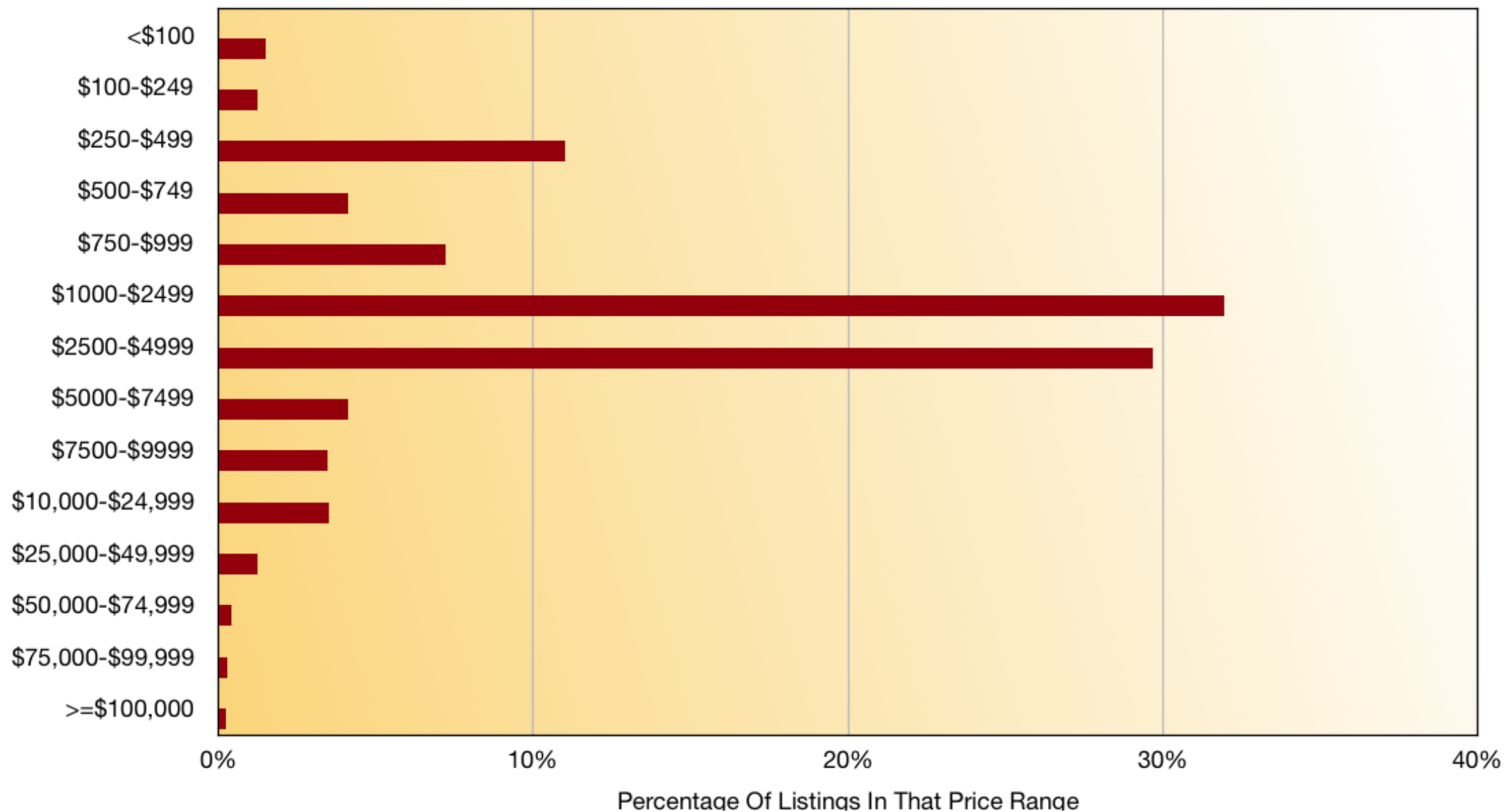


How are Sales Facilitated?

- **3rd Party Marketplaces**— Sedo, GoDaddy's AfterNIC, Flippa, Dan.com, BrandBucket, SquadHelp
- **Expiry/Deletion Auctions** — NameJet, SnapName, DropCatch, GoDaddy Auctions
- **IP Specialty Auction Houses** — Hilco Global, Heritage Auctions
- **Brokers** — Buy-side and sell-side

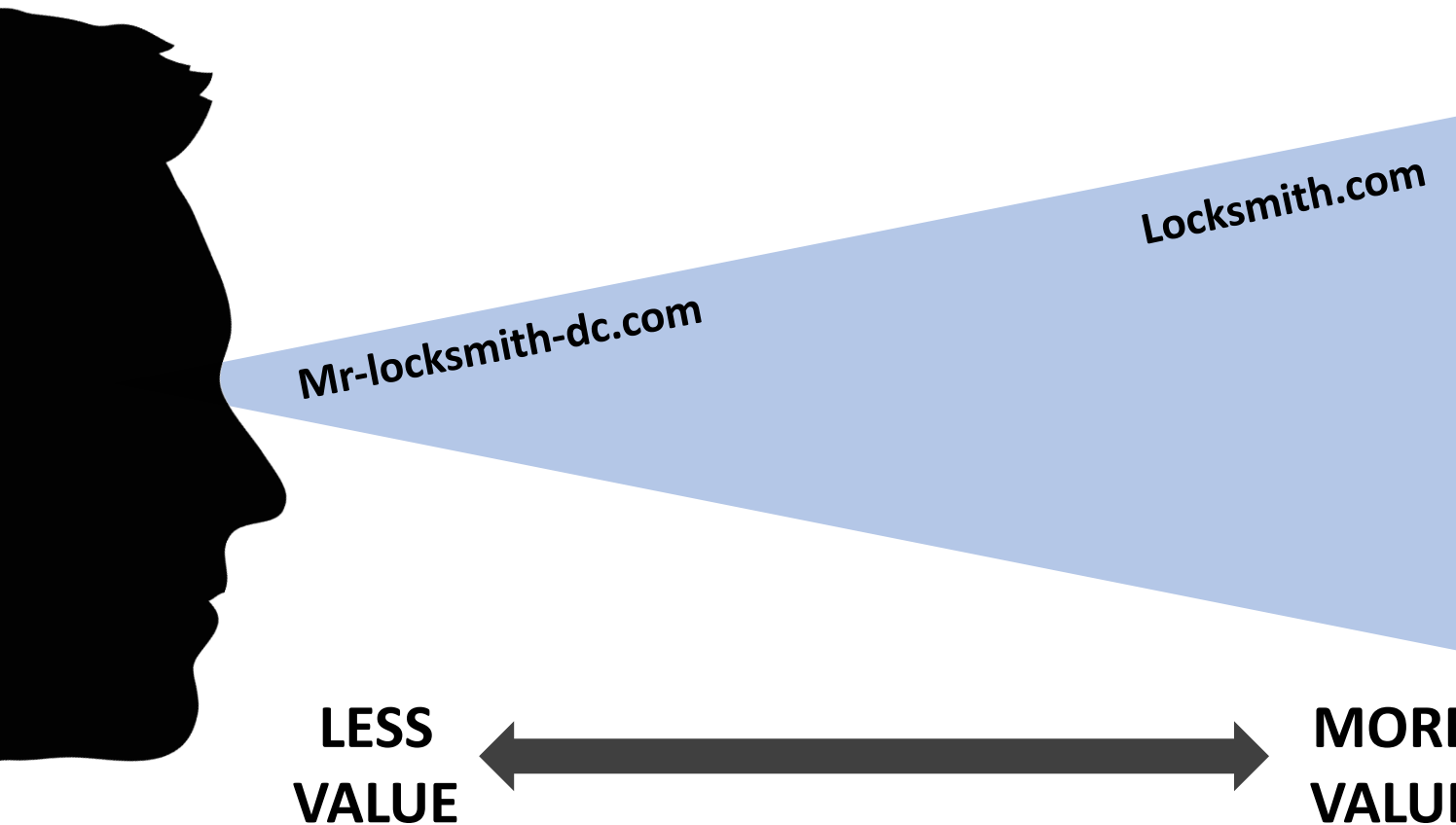


.COM Domains, 4 Characters Or More, BIN Prices Across All Marketplaces



Value Connected to Vision

A powerful domain name can help **attract and retain customers**.



Domains with desirable qualities are **rare**:

- Memorable
- Meaningful
- Credible
- Short
- Easy to Spell
- Usually .com is preferred

Creative Naming

If you don't limit yourself to dictionary words and business terms, there are plenty of brandable domain names available.



Role of Domain Investors

Source of Demand and Supply in an Illiquid Market

Domain owner wants to sell now

But no operating company wants to buy

Domain investors offer immediate cash

Assume all deal and timing risk

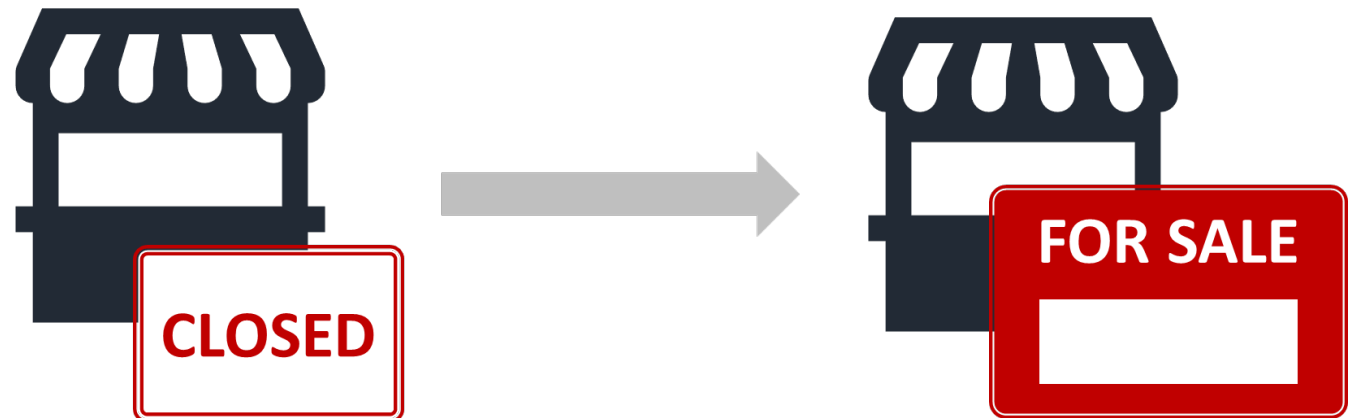
Domain investors keep the market flowing.



“Who will buy my domain name?”

For example:

- Zaw.com – closed down
- Gibb.com - moved on
- Contests.com – not needed
- Cba.com - bankruptcy



Role of Domain Investors

Free Up Underutilized Domain Names

Many quality domains are unused or underutilized. Investors free up these domains to be used effectively.

The acquisition process can take months.

- Consult with business owners
- Move to a new website
- Transition email addresses
- Unlock domain name

Once acquired, the freed domain can be repurposed by a new owner **within 24 hours.**



Role of Domain Investors

Offer Readily Available Inventory

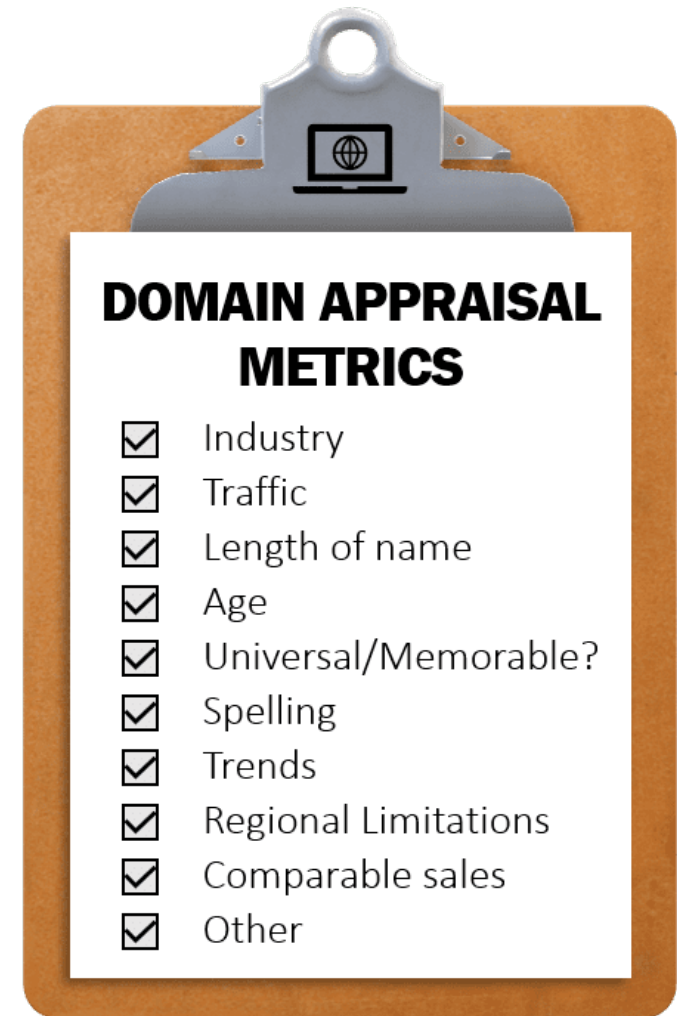
Domain investors are like antique dealers, offering **curated lists of appealing domains**.

Find **underutilized domain names** and prepare them for resale.

Bridge **demand** and **timing gaps**, where buyers and sellers may enter the market at different times, perhaps years apart.

How is Price Determined?

- Constrained by the **discipline** of the market
- A domain name is only worth what **someone will pay for it.**
- There are **alternatives.**
- Multiple potential buyers each of whom will **value the domain name differently.**
- Sales only occurs if the buyer thinks she is getting a **good value.**

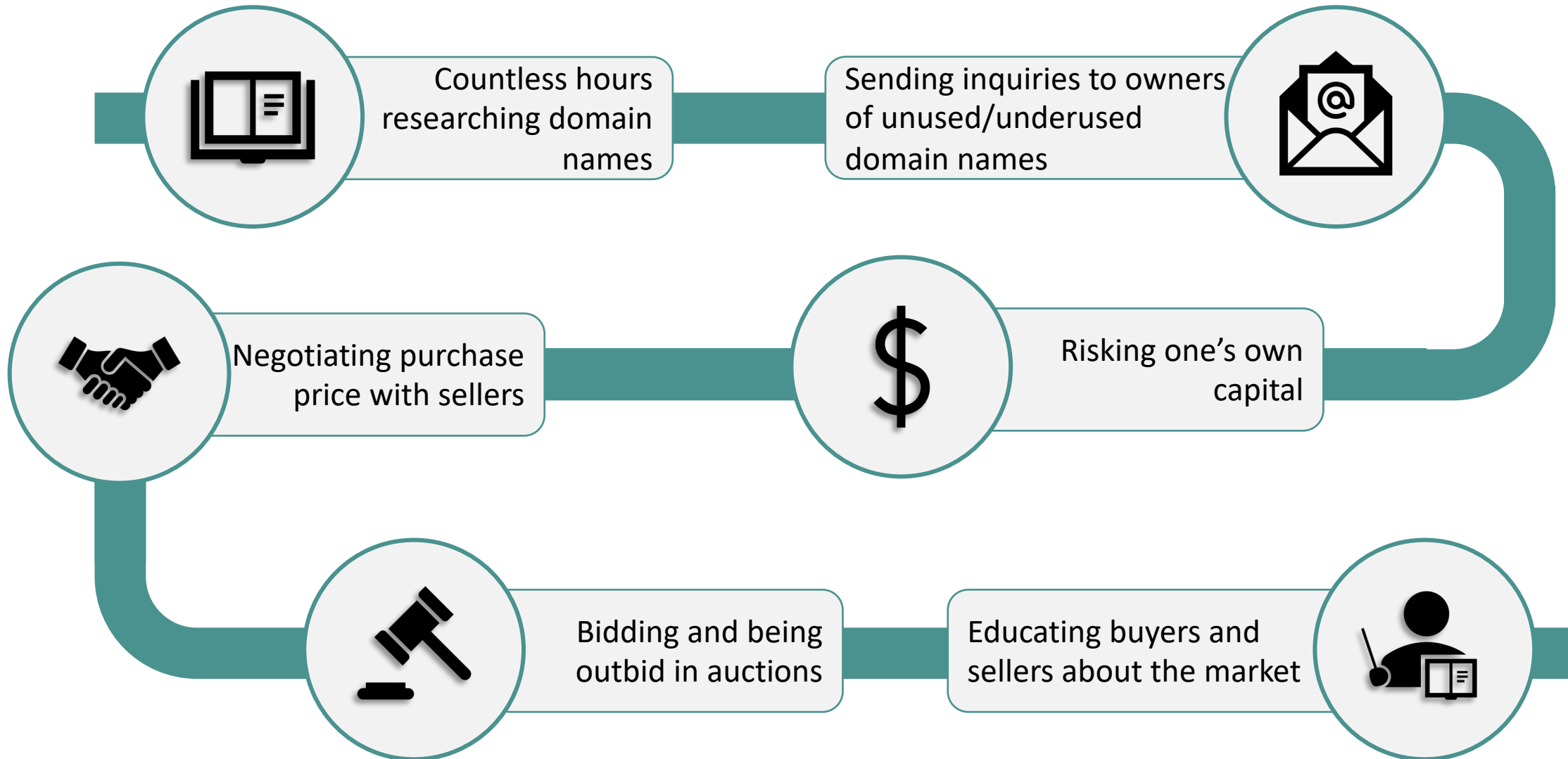


Domain Investing is Global

- Global industry with growing participation from developing economies
- Can be a path out of poverty
- Perfect for those laid off, or locked down at home
- Willing to work long hours for small payouts



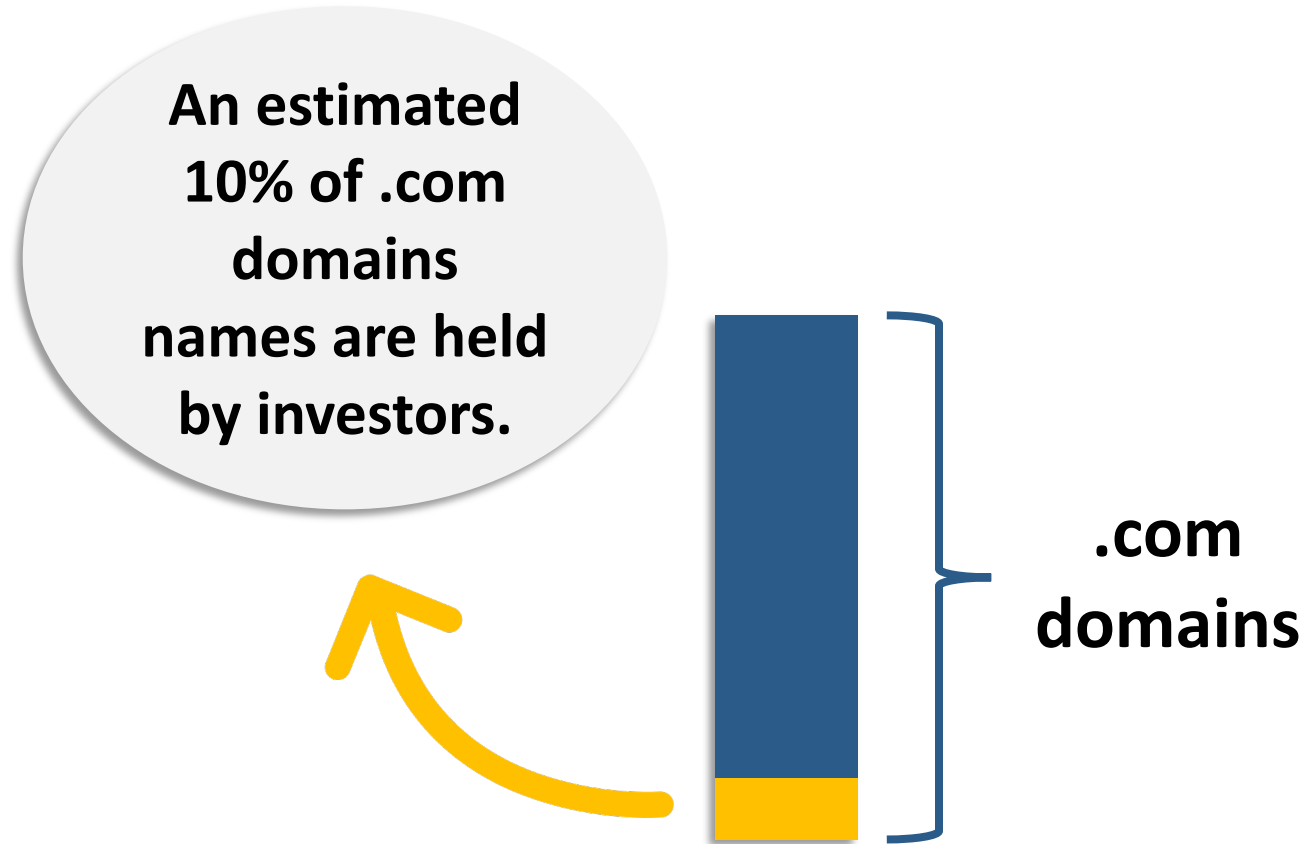
Day in the Life of a Domain Investor



Where do Domain Name Investors Invest?

Domain investors-

- Typically focus on .com, as these are the most in demand, higher value domain names.
- . More recently are also active in .co, .ai, .tv, .io, etc.
- Not much activity in new gTLDs. Prices set high and little demand.
- Focus on domain names that would make an appealing brand identity.

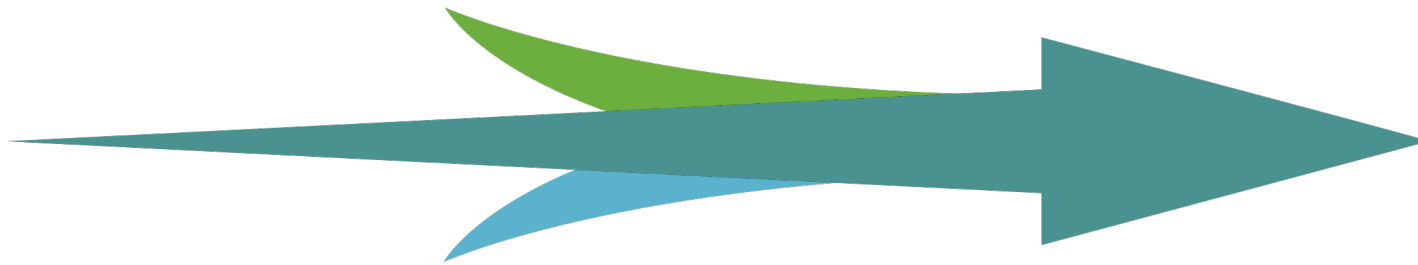


Cybersquatting vs. Domain Name Investing

- “Cybersquatting” targets a **trademark**. The value in a cybersquatted domain name is solely due to the trademark use.
- “Bad faith” domains have **no enduring market value**.
 - UDRP/URS/ACPA & National Laws
- Domain investors deal in domain names with **inherent value**
 - of interest to many different companies
 - Not uniquely associated with any one company.

Consolidation

- Corporations buying up portfolios
- GoDaddy invested hundreds of millions of dollars acquiring “legacy” portfolios





Role of Naming Agencies

- Brainstorm thousands of possible names, register corresponding domain names
- Offer thousands of surplus, curated domain names for sale

catchword

Domain Investors and Scarcity

- Domain investors deal in domain names with widespread appeal.
- Entrepreneurs, marketing professionals and everyday people are constantly thinking up domain names. Any attractive domain would be quickly taken.
- Marginal domains have available alternatives
- There are always options available for registration cost
 - Add hyphens
 - Add “go”, “try”, “the”, “llc”
 - Use a non-.com domain extensions

Use it or Lose it? An Impractical Solution to Scarcity

- Many businesses sitting on unused/underutilized domain names
- Just like underdeveloped land is an asset, undeveloped domain names are valuable assets.
- Many ordinary people register domain names for business ideas, but may not act on them for years or ever
- Is it used? – no website but used for email, file storage, VPN, redirect, etc.
- **What is legitimate use? Who decides?**

Increasing Registration/Renewal Fees? An Impractical Solution to Scarcity

- Relatively small share of most domain investor's expenses
- Would only impact the most marginal value domain names (smaller businesses and individuals)
- 90% of total .com registrations held by non-domain industry registrants
 - Increase to \$30 per year for example would impose a \$3 billion burden on the global public of .com registrants.
- “Cut off your nose to spite your face”

Domain Name Prices are Inflated at the Registry Level

- The market price of registry services is **under \$2** per domain name, as demonstrated by the fees charged by Afilias to run the .org registry.
- Registrants of 150 million .com registrants are **overcharged by nearly \$1 billion/** year.
- Overcharge on .com affects **all registrants**.
- May **exceed the size** of the entire domain name aftermarket.





Key Takeaways

- 1 The secondary market helps **innovative companies succeed** and **benefits Internet users**.
- 2 Facilitates the movement of domain names from **lower value uses to higher value uses**.
- 3 Domain investors help the secondary market **to function better**
- 4 A competitive, **free market** is the best system we have for allocating scarce resources.
- 5 Domain investors deal in desirable domain names that **would be registered regardless**.