



## **Valuing a Domain Name**

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# 1 Valuing a Domain Name

The value of a domain name depends on various, interrelated factors that can differ from name to name.

A domain name's value, for example, can have a great deal to do with the intended use of the name:

- . Personal or hobby
- . Nonprofit organizations and associations
- . Business purposes

There are several key issues in valuing a domain name, and there are several appraisal companies that have formed in order to assist individuals, businesses, organizations and other entities in determining the proper value of a domain name.

Below are summaries of key issues in valuing domain names, along with short explanations with each. Although this list is currently limited and other unique factors can influence the value of a domain at any time, the list is helpful in that it illustrates the determining factors for valuing domains that are used for business purposes:

## 1. Market Conditions/Environment

Market conditions play a big role in determining the value of a domain name. Demand for a particular name, the existence of similar names likely to be used as substitutes (competitive forces), general economic conditions (stage of economic cycle, buying power, willingness to spend, revenue that a particular industry earns and the availability of funds within the industry, etc.), political and regulatory forces, sociocultural forces and many other factors influence the marketability of a particular domain name.

## 2. Brand Recognition and Brand Value

Many factors influence the brand power of a domain name and ultimately the domain's value.

- a. Image: It conveys confidence and provokes some idea of the purpose of a name and its associated website in a surfer's mind. A good domain name sounds solid to a target audience and relates to a business' name or some core business.
- b. Popularity: How frequently is the name used in everyday conversation and what connotation does it have (positive vs. negative)?
- c. Familiarity: How easy is the name to relate to? What does the average surfer think about when hearing/using the name? Generally, lack of confusion adds value.

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d. Market Presence: How well is the name currently established within a certain market? What are available commercial uses for it? Does it have a website associated with it and, if so, what are the current traffic numbers, search engine listings, etc.? A domain name's value is not only driven by the quality of the name, but also by the applicability of the name to a variety of market areas. For example, 'computergames' would only apply to the computer games market whereas 'games' would apply to several areas, including computer games. Competition between markets would drive the price higher, so the value of the domain name ultimately becomes higher. The types of markets the domain name is applicable to also play a part in determining value. These are broken down into three categories: retail, service and information -- with retail being the most lucrative and information, the least.

e. Brand Value: The business or sales a name can deliver compared to an entirely new name. This is called brand value, and it is a consideration with an established name. Examples of branded names are IBM and Microsoft.

f. Ease of Branding: How much will it cost (both monetary and non-monetary) to create an awareness and interest for a domain name and build strong brand recognition? The cost and effort required to make target customers aware of a name and what products or services the business provides are important considerations when determining or valuing a new name. For example, computers.com has a greater value than John-Doe-Computer-Sales-and-Services.com.

### 3. Name Attributes

a. Length: The majority of appraisal companies view shorter names as more valuable than longer ones. However, some argue that a domain name's value is only limited based on the number of characters and that length is an unrealistic approach to determining value. For them, fewer characters make a domain name a little more convenient and the number of characters, within reason, is a relatively small factor. They argue that the number of characters should only be considered when all other factors are equal, though seldom one will find all other factors to be equal.

b. Domain extension: The domains with the highest values are currently the .COM names, followed by .NET and .ORG and then the respective country names. Of those, .TV is the most popular. It is reported that .BIZ domains have proven to be popular in Europe.

c. Descriptive power: Does the name describe the services and/or information offered at the associated website? A good domain name relates to a business' name or some core business of a company.

d. Recognition: Memorability and degree of 'uniqueness' influence value of a domain name. The easier to remember and the more it stands out from other available words, the higher its price will be. Domain names like "business.com," "ForSaleByOwner.com" or "Monster.com" have high recognition. Lower recognition results from the ways words are crunched together. Cars4Sale.com is still recognizable, but Cars4U.com is less so. 411Cars4U.com is even less attractive. A domain name like "Google" would not usually fetch a high price because it is not a

common word or expression (its value was developed from clever marketing). Does the domain name stick in your mind? How original is it? How easily does it become muddled in your thinking with two or three similar domain names? Furthermore, a good domain name is hard to misspell.

e. Numbers and Hyphens: This section deals with names that combine numbers and/or hyphens with words to form the domain name. These combinations are typically substantially devalued due to issues having to do with confusion when communicated through radio, word-of-mouth and other forms of advertising.

#### **4. Trademark considerations and other legal aspects**

Depending on existing general legislative and trademark regulations regarding domain names, be it established and imposed by local, state, federal or international authorities or ICANN (Internet Corporation for Assigned Names and Numbers), the value of a domain name can vary. You want to be very careful in buying or selling names that might infringe on trademarks or are involved in trademark conflicts. These reduce the value of a domain name dramatically. You can check with the U.S. Patent and Trademark Office (<http://www.uspto.gov/>) or your own country's database for such established trademarks or current conflicts. You should always perform a thorough trademark search, especially in the United States, where anti-cybersquatting legislation makes it a civil offense to attempt to sell a trademark-conflicting name to a trademark owner. Other legislation, as well as tax issues, will influence the value of domains as well. To go into specifics of various legislative and tax issues goes beyond the scope of this user guide, however.

#### **5. Grammatical and Linguistic Domain Value**

As stated earlier, a good domain name is hard to misspell. Some domain names are valuable, however, because they are based on common misspellings of a domain or common mistyping when entering a domain name in a browser's address bar. Because such mistakes by surfers will generate lots of traffic for the domain, value is instantly added. Names are also more valuable if they are internationally recognized. English has been established as the primary language for computing and the Internet; so common English words will have very high values as compared to translated versions of that word into specific languages because the translations limit the potential customer base. However, words in specific languages are valuable when targeting only surfers from a particular country or when it's for a local business without international involvement. Again, the value of the name will depend on the intended use of the domain name.

#### **6. Performance & Track record**

In general, domain names with connected businesses and/or websites are easier to price as they have track records, which a value can be put on. The commercial history can have a great impact on value of the name based on the current and potential annual turnover and profitability of an existing website heavily associated with the domain name. Current and potential traffic to an existing website has a bearing on value as well. How much daily,

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monthly, yearly traffic does it get? Is the traffic comprised of new, unique visitors or only recurring visits? How many links on other sites point to it? The more traffic to the website, the more the domain name is worth to a purchaser because estimated costs in creating general awareness and interest for the domain and its website are considered to be lower.