

Background: The Domain Aftermarket

Generic domain names have sprung up in the last decade. Domains have become very much in demand to corporations and entrepreneurs due to their importance in attracting clients. One of the reasons for the value of domain names is that even without advertising or marketing; they attract clients seeking services and products who simply type in the generic name. This is known as Direct Navigation or Type-in Traffic. Furthermore, generic domain names such as movies.com (now owned by Disney) or Books.com (now owned by Barnes & Noble) are extremely easy for potential customers to remember, increasing the probability that they become repeat customers or regular clients. More and more large brands are beginning to employ a more comprehensive domain strategy featuring a portfolio of thousands of domains, rather than just one or two.

The current domain market remains strong and is currently experiencing solid growth. Annually tens of millions of dollars change hands due to the resale of domains.

The resale of previously registered domain names is known as the domain aftermarket.

Various factors influence the perceived value or market value of a domain name. They include:

- ✓ The natural or "organic" traffic that can be attributed to web surfers typing in a domain name in their web browser as opposed to doing a search for the site through a search engine.
- ✓ Branding opportunity. The ability to have a term recognized and easily recalled as a brand for a company or entity.
- ✓ Re-sale value. The ability to spot trends and predict the value of a name based on its length (short is preferred), clarity, and commercial use.

To date the most expensive domain name sales on record were: Porn.com for \$9.5 million in 2007, Diamond.com for \$7.5 million in 2006, Business.com for \$7.5 million in December 1999, Casino.com for \$5.5 million in 2003, AsSeenOnTv.com for \$5.1 million in January 2000, Altavista.com for \$3.3 million in August 1998, Wine.com for \$2.9 million in September 1999, CreditCards.com for \$2.75 million in July 2004, and Autos.com for \$2.2 million in December 1999.

On January 27th, 2008, DNJournal reported that CNN purchased iReport.com for \$750,000 from Rick Schwartz. This signifies another turning point in domain name sales. This name has neither organic traffic, nor does it have a dictionary term alone. Instead it is a highly brandable domain name utilizing the second most popular prefix for a "dictionary" word.