MarkMonitor

Protecting brands in the digital world

Clarivate Analytics

WHITE PAPER

Assessing the Value of a Domain

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Executive Summary

Have you ever wanted to register a domain only to find that it is already registered by a third party?

Often, the only option is to attempt to purchase the domain, but determining the necessary budget and likelihood that the owner will be willing to sell can be a challenge. Domains are intangible and little else compares.

How then do you determine what a domain name is worth, and more importantly, the amount of money someone is willing to sell a domain for (provided they are even willing to sell)? Domain values and willingness to sell are based on a number of factors, many of which are subjective. Seller profiles run the gamut from individuals and small businesses (who may have no idea what a domain is worth), to largescale domain speculators who view their domains as a lottery ticket. When assessing a domain, a number of different criteria should be considered in order to provide a comprehensive look at the possible value of the domain.

Owner Profile

When assessing a domain, understanding the current owner's profile is essential in predicting their willingness to sell as well as gauging the expected asking price. Often, an educated guess on the likelihood of purchasing the domain and general price range based on ownership is made.

Owner profiles vary depending on organization size and motive. For instance, many large-scale and well-known domain speculators are unwilling to sell below certain thresholds, which are often higher than the reasonable market value, while others have prices that are aligned at, or below, market. Sellers have varying temperaments and approaches on how they respond to inquiries and offers.

When a domain is held by a small business owner or individual, it is important to research their motivations for registering, as well as who they are and the extent of their business ventures. For example, through research, it may be determined that the owner has a business that matches the domain name. From there, additional research can inform a buyer if the business is still viable and how integral the domain is to the business so that negotiations start from an informed position.

Leveraging information about the owner is often the most important factor in determining whether or not to pursue a domain and in setting an appropriate budget.

> *When assessing a domain, a number of different criteria should be considered in order to provide a comprehensive look at the possible value of the domain.*

Site Content and Usage

In addition to the current owner's profile, understanding the current usage of the domain is vital to assessing the owner's willingness to sell and possible asking price. For example, if the seller is monetizing the domain through pay-per-click advertising, generating income through the use of the domain, willingness to sell may be strictly tied to the amount of revenue generated. The price will often be based upon the amount of traffic, cost-per-click prices and conversion rates. If willing to sell, the owner will often require a large purchase price in order to justify selling.

When a domain name is in legitimate business use by the owner, the owner is often

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reluctant to sell. In these cases, there are most likely reasons beyond revenue generation that owners consider. This includes the task of identifying a new domain name to use in place of the existing domain name, possible resources to move site content and time and effort to notify customers, in addition to other considerations. Sellers often consider these factors when determining if they are willing to sell the domain and at what price.

Usage can also lead to an emotional attachment to the domain. Sellers may attach an unreasonably high value to their domain name based on their personal view of the domain's worth and how they use the domain. This can be difficult to combat in negotiations, as arguments related to market value and comparable sales are not effective. Assessing these factors prior to beginning an anonymous acquisition can help to set expectations for success and pricing.

Alternatively, if a domain is not used for content or email, successful purchase may be more likely.

Length of Ownership

Emotional attachment to a domain can also be tied to length of ownership. When assessing a domain, consider how long the current owner has been in possession of the domain. The longer the current owner has been in possession, the more likely they will have emotional ties to the domain. Extended length of ownership can also be tied to deeply embedded issues such as recognizable branding for their customers, more extensive content, possible use as an email address, etc. The amount of resources and money invested in the domain, from domain renewal and website development to site maintenance and various other costs (masking, SSL Certificates and countless other possibilities), will all likely be considered by the owner in determining a possible asking price.

Ownership History and Archived Site Content

Ownership history can be helpful for a number of reasons, from determining how long a domain has been owned by the current registrant to locating contact information for difficult-to-find sellers. Often domains change hands but are not allowed to expire, so the registration date is not true to the length of time the current registrant has owned the domain. Using historical Whois data and cached content, a general timeframe of when the current owner took possession of a domain can often be identified. Historical Whois information can also be very helpful in making contact with the owner of a domain. There is generally a trail of contacts that can provide connections to Whois information and in turn can be linked to a more accessible contact point.

Archived site content can be used in much the same way as historical Whois data. If a domain does not currently have live content, it does not mean it wasn't live at some point. Viewing previous site content can often provide insight into how the domain was used and the motivations of the owner who originally registered the domain. This can also be a useful resource for uncovering contact information for the owner, especially in cases where making contact has been difficult.

Market Value and Comparable Sales

Several data points can be used to estimate the fair market value of a domain. The Top Level Domain (TLD) is one of the most important factors. The .com TLD is significantly more valuable in most cases. The remaining gTLDs (.net, .org, .info, .biz, etc.) and ccTLDs (.de, .cn, .fr, etc.) each have their own markets and valuations that are specific to the country and nexus with the domain.

The length of the domain is a large contributor to domain value,

Using historical Whois data and cached content, a general timeframe of when the current owner took possession of a domain can often be identified.

> "After domains have been identified, managing and monitoring them in an online repository is key."

generally the fewer characters in a domain, the higher the domain value.

Commercial application and brand awareness are also important factors that are to be considered. Domains that contain one or two generic words are more valuable than a combination of letters. Nevertheless, it is important to note that some domains become more valuable based on association to a new or existing brand While some terms may not score well today, they may in the future.

Another important aspect of gauging market value is the evaluation of comparable domain sales. Benchmarking against recent sales of similar domains is indicative of what a domain is valued in the current domain market where there is a willing buyer and seller. While there are reported sales that are considerably higher and lower than the market, actual sale prices can be used as a starting point by both parties in a negotiation.

Domain Traffic

Pricing may often be influenced by organic and paid traffic to a domain, particularly when it comes to the generic domain market. Experienced domain owners will typically determine price by analyzing the number of visits a domain receives in conjunction with how these visits convert to revenue; then, based on current market conditions, a multiple is applied to arrive at a price range. Traffic can be a difficult negotiating point for a number of reasons, but mainly because the domain owner is the sole possessor of traffic data. Where owners are not willing to share traffic statistics, which is often the case and in many instances due to 'traffic inflation,' other tools and analysis can be used to understand the relevance of traffic as a negotiating point, including traffic estimators, key statistics associated with the domain's keywords (i.e. search volume) and extension. It is also important to understand how a domain is receiving traffic (e.g. if the owner is paying for traffic

or if traffic is arriving organically), as traffic can drop off quickly or 'decay' based on change of ownership and use.

Search Volume

The amount of monthly search engine searches, or search volume, associated with a domain's keywords has long been used by the domaining industry to predict a domain name's ability to gain organic traffic.

The theory is that there are a percentage of Internet users who will attempt to directly navigate to a subject (e.g. 'fast cars') by typing in a domain name (e.g. fastcars.com) directly into a browser's address bar instead of searching on those keywords through an exact search (e.g. keywords surrounded by brackets) via a search engine search box. Unless, for example, website content is not in line with the domain's keywords, the result of direct navigation is often desirable traffic that is highly targeted. While search technologies

have had an impact on the emphasis placed on search volume, the continued relevance of the .com name space, the increased adoption and elevated trust in more extensions – including ccTLDs – and Internet user search behavior continue to make this a valuable data point in understanding a domain's potential to gain natural traffic.

Search Results

Similar in use as search volume, search results have long been used as a predictor of a domain's keyword popularity and ability to rank well in organic search. Specifically, 'search results' is a measure of the number of organic search results returned by a search engine in association with an exact keyword search (e.g. [fast cars]). The underlying concept here is that a large number of search results indicate a high level of interest in a specific topic which can translate to a domain's potential to rank well in organic search against
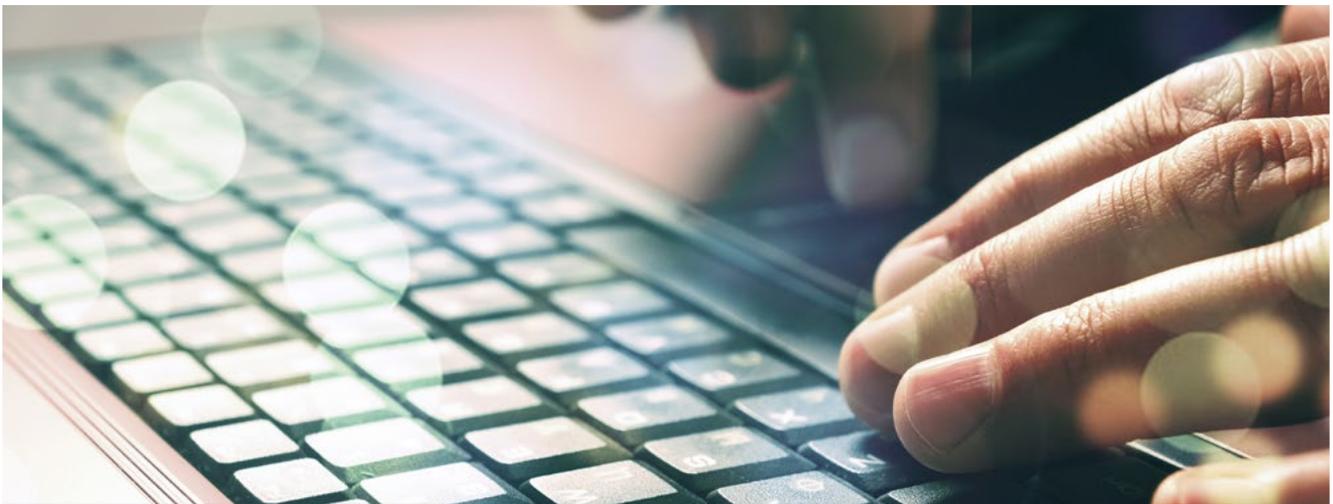
competition and gain solid visibility in conjunction with additional development and SEO.

Determining Your Budget

When determining a budget, there are several considerations. As mentioned, market value is meant to give you an idea of what the actual retail value of the domain should be in the current domain marketplace. While data may indicate that a domain should be purchasable at a certain price, it doesn't mean that it will be. It is important to note that sellers can range from volatile and unrealistic, to motivated to sell and willing to accept less than what may be the full market value.

While market value and all of the above mentioned criteria should be taken into consideration when setting a budget for acquiring a domain, the motivations of the buyer and seller are the overriding factor in a domain's ultimate sales price. Having alternatives, and the ability to walk away are key to negotiating with an unreasonable, or unwilling, seller.

Conclusion

When the purchase of a domain from a third-party is required, assessing the value of the domain prior to contacting the owner is the key to a successful purchase. Understanding criteria such as seller profile, domain history and traffic and search volume statistics can help determine budget and set realistic expectations.

About MarkMonitor

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