

SnapNames®

Secure Your Domain™

The Domain Name Secondary Market

March 2007

Why We're All Here

FROM THE ICANN SITE RE: THIS TUTORIAL

Why it's important: The domain market has evolved quite a lot in recent years, and the demand is enormous and still growing for domains in the aftermarket. The secondary market is rapidly becoming the primary marketplace for domain names, and is a large driving force in the domain industry. Much of the development in new business models in domain monetization are driven by activity in this market.

Who should attend: Anyone interested in a better understanding of this fast-growing aspect of the domain name marketplace.

What Is The Secondary Market?

- Generally: Buying & selling domain names registered at least once
- Buyers: Everyone with a use for a domain name.
 - Domain investors
 - SME managers
 - Large companies
 - Anyone looking for a quality domain name

What Is The Secondary Market?

Who's involved?

- Service providers
- Registrars
- Investors (banks, institutions, individual investors, others)
- Marketers (promoting ideas, providing advertising)
- Companies buying names of their own
- The media (editorial attention to domains)
- Search providers

...to name only a few

Why does the secondary market exist?

Domain names are highly unique

- There's nothing else like them (at least not yet)
- Unique by their very nature—only one of each in every TLD

Why does the secondary market exist?

That which is unique is more likely to be valuable

- A name, word, concept, acronym, etc. in the address bar can hold a lot of human behavior (read the news, buy a gift, learn about Portugal, see a photo of a grandchild)

Why does the secondary market exist?

Human behavior passing through a domain name is just like traffic passing through a busy intersection.

Over time, people will make use of that land, and it becomes valuable.

- Advertising
- Sales
- Publishing important content

Businesses and individuals will pursue that value for innovative reasons.

How have domain names become valuable?

1. They have proven their value with revenue production
 - PPC, direct advertising, storefronts, etc.
 - Rapid growth of online businesses around the world
 - Similar to a bond portfolio for some investors

How have domain names become valuable?

2. Rising population of Internet users worldwide

- China, India, other economies coming online rapidly
- Internet = crux of enormous activity: information searches, pushes into new markets, hoped-for outcomes, entertainment and enjoyment

How have domain names become valuable?

3. Increased spending on online advertising via search keywords
 - Same keywords that make up many domain names

How have domain names become valuable?

4. Growing awareness of domain trends

- Hard to find/register available name in primary market
- Greater understanding of intrinsic value of names

Why Does The Secondary Market Exist?

Think of a shelf space analogy:

Time, March 16, 2007:

Sometimes the media companies do this distributing themselves--think TV networks, or newspapers and their delivery boys. But even when others own the movie theaters or the bookstores, big media have long been defined by their ability to make sure their products are displayed prominently there. "The historical media play," says consultant John Hagel, "is having privileged access to limited shelf space."

On the Internet, though, the shelves go on and on and on. And as words, music and now video move to this new environment, the traditional economics of media are under attack. Tellingly, the most valuable media company in the world right now is not Disney or News Corp. or Time Warner (owner of Time) but Google, which helps people find stuff on those endless online shelves.

<http://www.time.com/time/magazine/article/0,9171,1599716,00.html>

Eventually, those shelves lead to domains, and if you own the shelves, you always have something of value.

What goes on the shelves and why does that drive domain name value?

More companies are trying to show more people more goods/services

Total spending — online advertising:

2005:	\$12.5 billion
2006:	\$16.8 billion
2011:	\$36.5 billion

Source: Piper Jaffray, "The User Revolution"

How Service Providers Work

TRADE DURING
ACTIVE REGISTRATION



ACQUIRE PREVIOUSLY
REGISTERED INVENTORY



VARIOUS PROVIDERS:

- Sedo
- Afternic
- BuyDomains
- Moniker

- SnapNames
- Tucows
- GoDaddy

- SnapNames
- eNom
- Pool
- GoDaddy

How SnapNames Works

- Tens of thousands of expired / deleted names available every month
- Enter no-cost statement of interest at www.snapnames.com
- All interested parties invited to bid on a name when it becomes available
 - Bidding starts at \$60 / winning bidder is awarded name
 - Single bidder names are immediately fulfilled
- Winner notified, provided account information

Characteristics Necessary To Secondary Market Providers

- **Stability:** Method of operation brings more predictability, provides value over previous situation
- **Transparency:** Buyers / sellers understand how a system works, see that provider's interests are not in conflict
- **Reliability:** Responsive service, dependable systems

Is this good for the Internet?

There is little to be feared that isn't already. *Caveat emptor.*

What absolutely does exist: A great deal of opportunity.
More than can be imagined by any of us today.

Fact: Market Growing Fast.

Businesses will *nimbly adapt* to take advantage of developing economic opportunity.

There is innovation, capability and opportunity to come in the next 5-10 years that will astound all of us.

What Comes Next?

- Growth of online marketing trends will continue to drive domain name values upward
- Infrastructure providers may change methods (e.g., Google's pay-per-action model)
- Community will continue to refine providers' abilities to perform; bad actors will be marked and made less relevant
- Look for growth in investment community as institutional interest continues to increase

Your feedback welcomed

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