

The Domain Secondary Market

Opportunity or Threat?

Matt Bentley
Chief Strategy Officer
Sedo GmbH

APTLD
Dubai

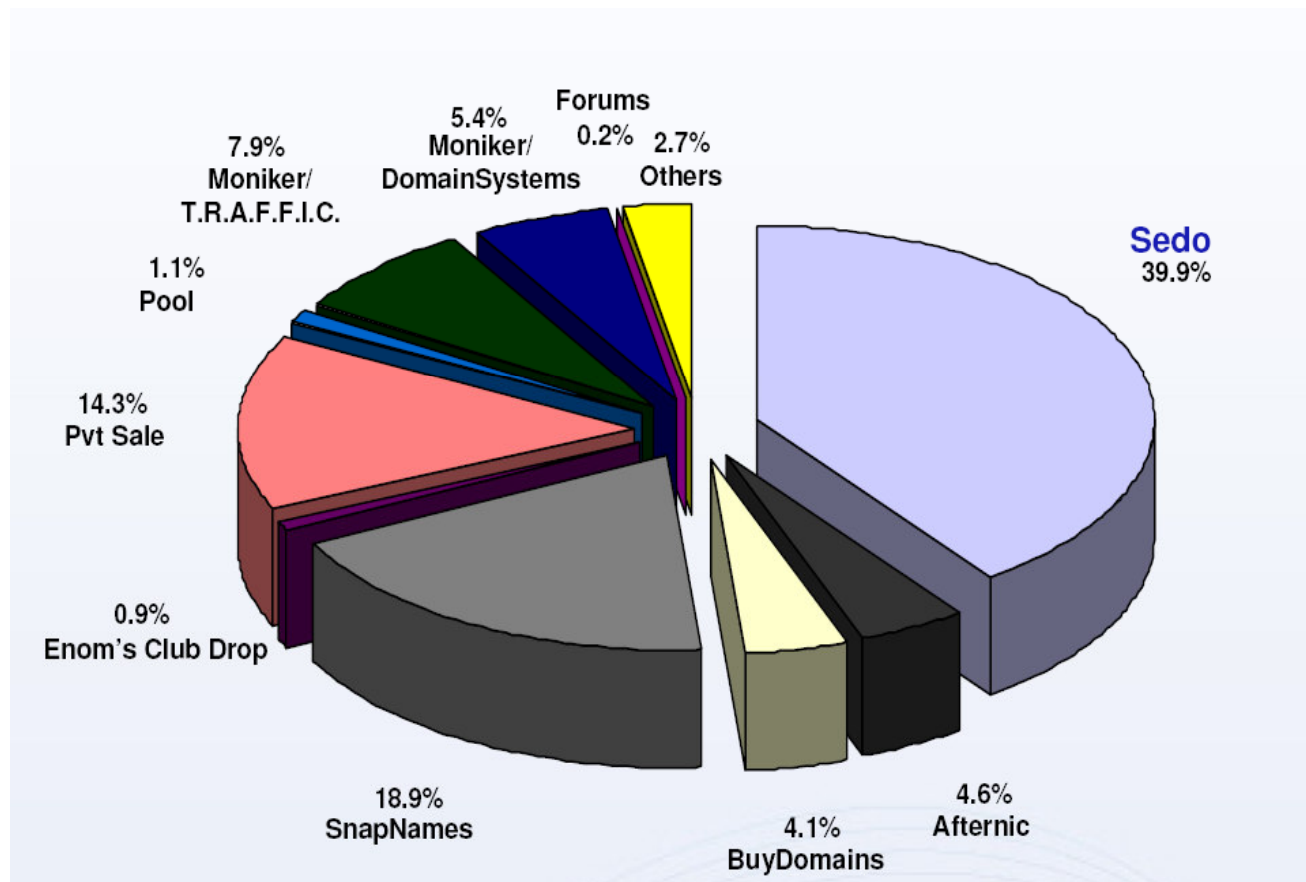
Agenda

- What is the Secondary Market?
- Is the Secondary Market a threat or an opportunity for registries?
- Some comments on the development of the Secondary Market in the Asia Pacific region (Ching Chiao, .Asia)
- Discussions

Key Facts and Figures

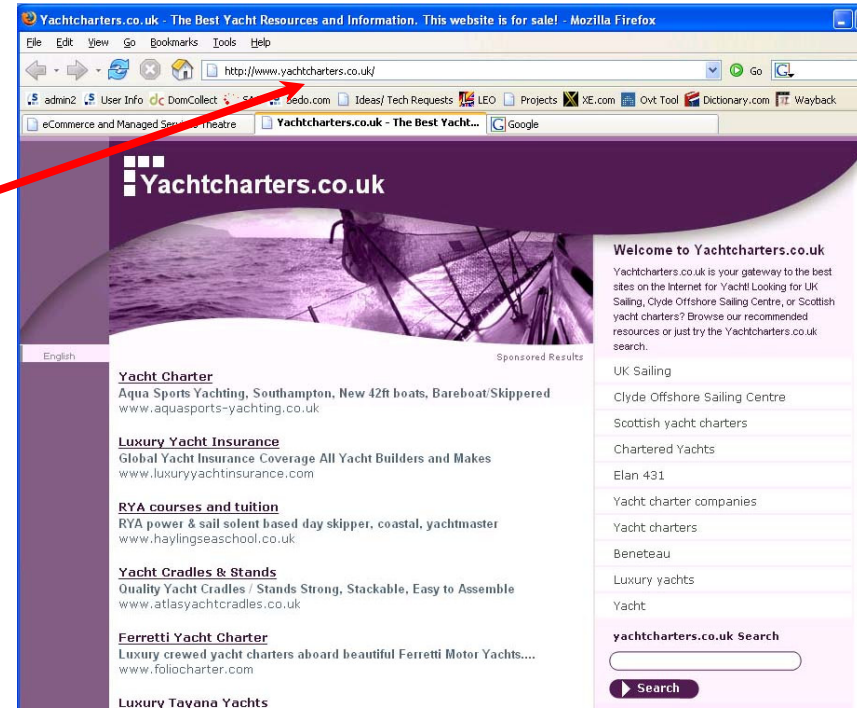
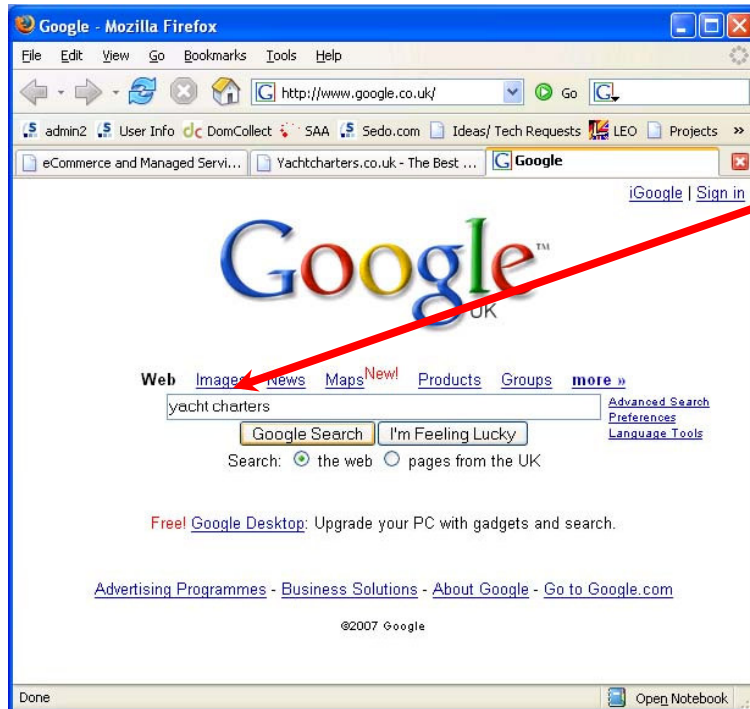
- The Secondary Market is composed of 3 Channels:
 - \$70M: Domains sold via Marketplaces (eg, Sedo)
 - \$130M: Expiring Name Auctions (eg, Snapnames)
 - \$500M?: Private Sales (eg, Microsoft buys from Joe Smith)
- Around half of all domains are unused (60M): How many of these are for sale?
- An “Average” domain is worth about \$1,500 on the Secondary Market (best names sell for millions)
- “Domainers” or Domain Investors, are people who make their money from the resale and monetization of domain names.
 - Enough to sustain 3 print magazines, 5 major industry trade shows, dozens of blogs and forums, 20+ domain parking companies, etc...

Domain Secondary Market Composition 2006



What is Domain Parking?

Monetizing Users who “Search” via Domain Names



Keyword search = Keyword Domain + TLD


Replaces old “Under Construction” Page

Do people really search via domain names?



- WebSideStory Research:
“Over 64% of users arrived at sites by direct navigation, compared to 35% via search engines and links.”
- Some users don't distinguish between search bar and browser navigation bar:

Ex: Top Searches on Yahoo.co.uk:

| Count | Keyword |  |
|--------|---------------------------|---|
| 303946 | google.co.uk | |
| 409 | .net google.co.uk | |
| 208 | google.co.uk image | |
| 205 | en google.co.uk hl search | |
| 181 | google.co.uk map | |
| 107 | google.co.uk search | |

- Some browsers auto-complete (add “www” and “.com”)

Domain Parking is Big Business

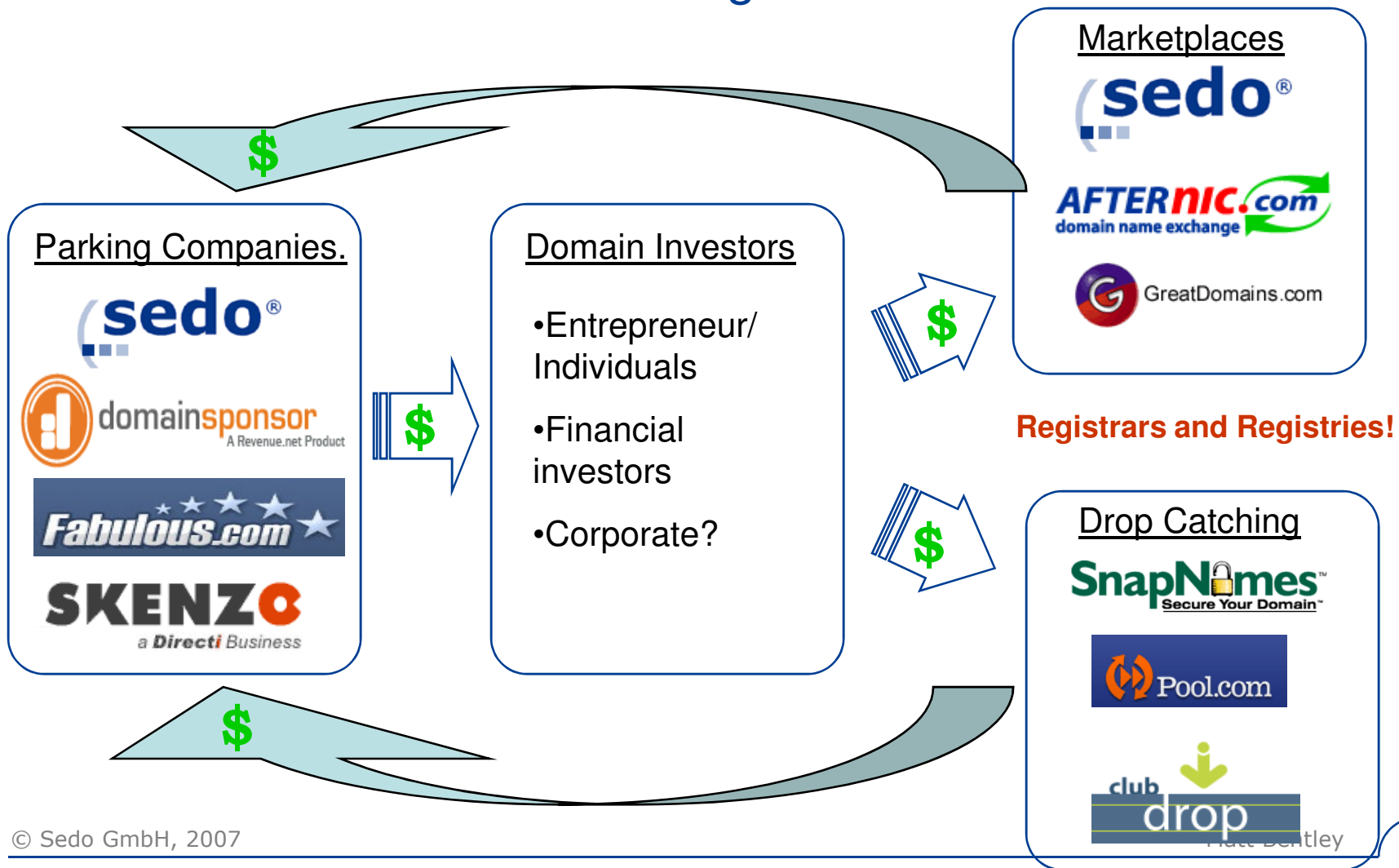
“Approximately 10% of all PPC traffic* derives from Direct Navigation portals”

-Susquehanna Financial Group

*That works out to about \$1 billion in 2007...

The Secondary Market Ecosystem:

Who's feeding who?



Domain Investing: How much money can be made?

THE ANATOMY OF AN “AVERAGE” 500 DOMAIN PORTFOLIO:

ANNUAL INCOME:

PARKING

\$4/ domain = \$2,000 from parking

SELLING

\$1,800 avg. selling price * 2%
turnover = \$18,000 in sales

TOTAL INCOME

\$20,000

ANNUAL COSTS:

REGISTRATION COSTS

\$8/ domain = \$4,000 reg fees

INVENTORY RENEWAL

2% turnover * \$200 cost of
acquisition = \$2,000 in sales

TOTAL COSTS

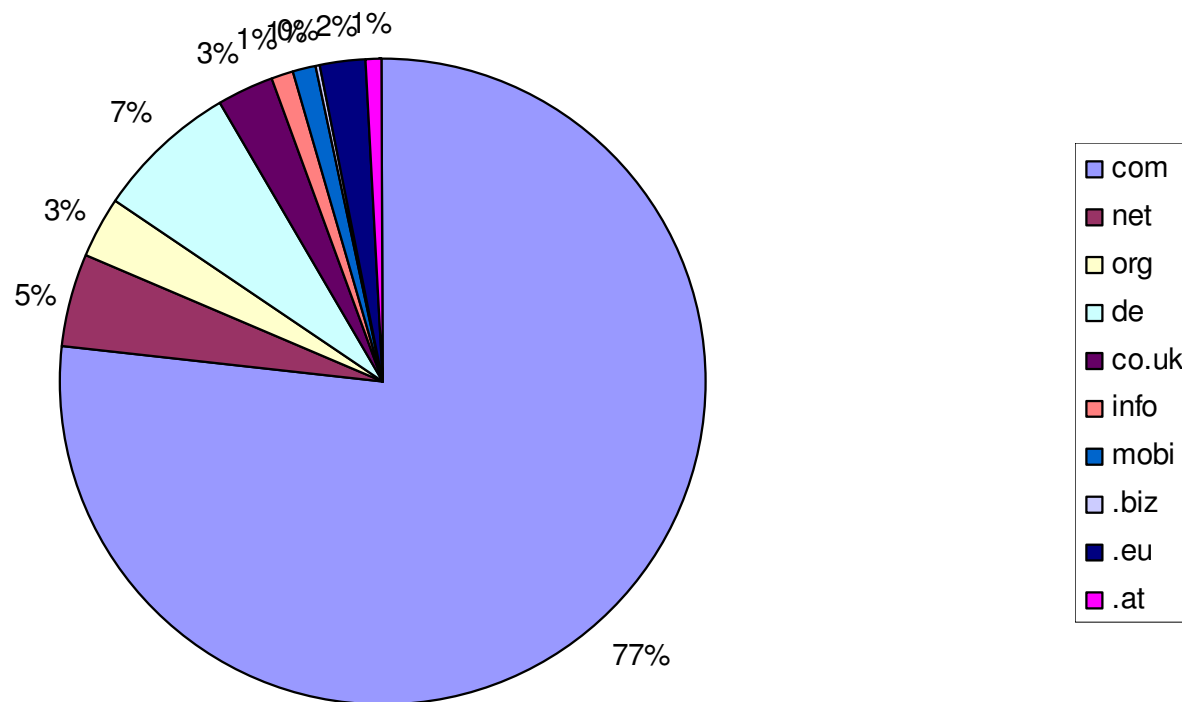
\$6,000

ANNUAL PROFIT = \$14,000

ROI CALC: \$140,000/ \$100,000 = 140%

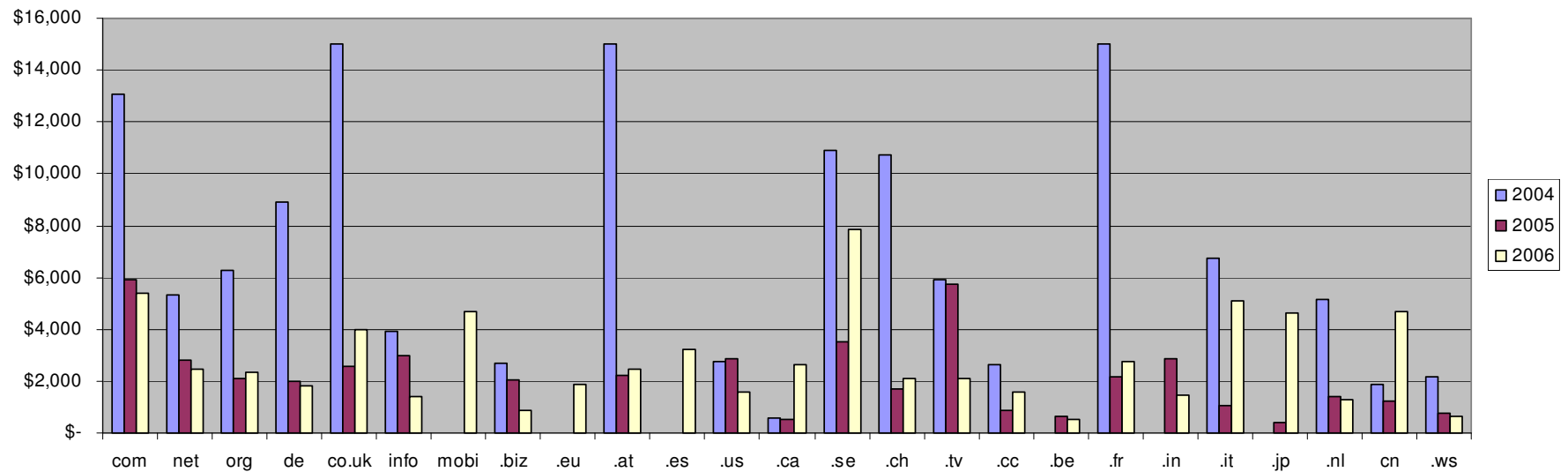
(Assuming 10% discount rate, perpetuity)

2006 Top 10 TLDs: Reported Domain Sales



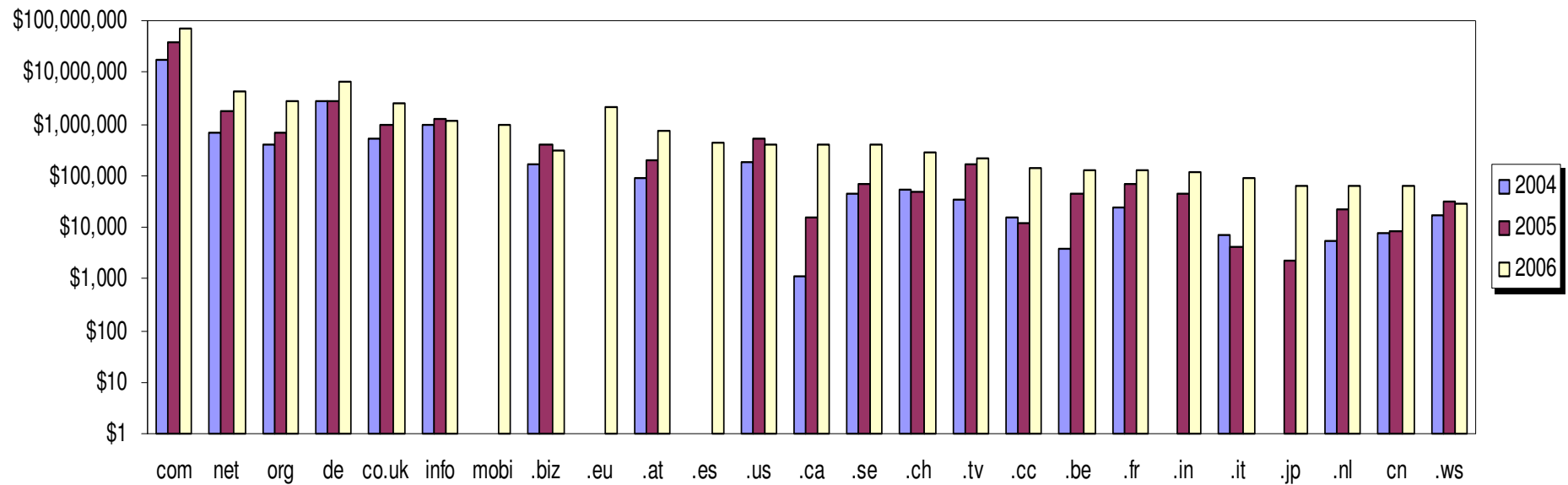
Secondary Market Prices by TLD

Change in Average Price by TLD



Secondary Market Prices by TLD

Change in Sales Volume by TLD (Logarithmic Scale)



Factors Affecting the Strength of a TLD on the Secondary Market

- Geopolitical:
 - Number of Internet Users
 - Economic Strength
 - Etc.

- TLD Policies:
 - Registration requirements
 - Ease of transfer

- TLD History
 - Saturation
 - Marketing

Strong Secondary Market = Strong Primary Market

- News of big secondary market sales encourages primary market registrations
- Domain investors are responsible for a good portion of new registrations
- Regardless of policies, there will always be a secondary market one way or another (since domains are a unique asset)
- TLDs with secondary market-friendly policies (eg, .de, .info, .mobi, .tv, etc.) over-perform relative to market size
- TLDs with secondary market-unfriendly policies (eg, .biz, .co.uk, .fr) under-perform relative to market size

What is Domain Tasting?

- Take advantage of 5-day Refund Period to test whether or not a domain receives traffic. If not, refund it!
- Goal is to build a portfolio which earns well via domain parking
- Auto-registration of domains can lead to legal problems (typosquatting)
- Practiced by a very small number of domainers and registrars
- Opportunity is now largely closed
- “Tasting” is also possible in other TLDs
- Could be stopped with a non-refundable per-domain fee (eg, .org model), but some registries earning too much off of it to want to stop it

What is Domain Kiting?

- Repetitive registration-refund cycle of a domain every 5 days, to “register” the domain without actually paying
- Doubtful whether or not this actually exists: more likely part of a slander campaign against Domainers
- The economics don't work out: registrars have to put up the cash at the registry before registering, so in effect you are paying by having your funds at the registry
- Could be that back-to-back sessions of testing are confused for “kiting”



منتدى النطاقات العربي
Arab Domain Forum

اسم المستخدم اسم المستخدم
كلمة المرور كلمة المرور
تسجيل الدخول

التسجيل الأسئلة الشائعة قائمة الأعضاء التقويم مواضيع اليوم البحث

مرحباً بك في نادي النطاقات.

إذا كانت هذه هي زيارتك الأولى فيجب عليك قراءة الأسئلة الشائعة بالضغط على الرابط بالأعلى ، كما يشرفنا أن تقوم بالتسجيل لكي تتمكن من المشاركة و مشاهدة جميع المواضيع كاملة . وإذا رغبت بقراءة المواضيع فتفضل بزيارة القسم الذي ترغب أدناه . و في الأخير نرحب بك كزائر و كعضو . و التسجيل مجاني للجميع .

| المشاركات | المواضيع | آخر مشاركة | المنتدى |
|-----------|----------|--|--|
| 589 | 122 | دومينات ثلاثية .org بانتظار... الكتاب : روح السعودية AM 06:26 26-05-2007 | النيقاش العام مناقشة عامة للسوق العربية والعالمية |
| 219 | 86 | forexbusiness mostazyounes : الكتاب PM 06:40 28-05-2007 | تقييم النطاقات هل تعرف قيمة نطاقاتك؟ |
| 163 | 41 | تم بيع Bahrain.com Qatar.com... الكتاب : al-bayan PM 03:42 01-05-2007 | اخبار النطاقات مناقشة آخر اخبار النطاقات من حيث المبيعات والامتدادات الجديدة |
| 260 | 49 | شركة هلا دومين THE X FILES : الكتاب AM 10:50 01-04-2007 | شركات التسجيل والخدمات المتعلقة بها مناقشة تجارب الاعضاء مع شركات التسجيل المختلفة |
| 180 | 35 | كيف تحفظ دوميناتك :::شارك... الكتاب : خالد الشوق AM 01:58 28-04-2007 | افكار صغيدة افكار قد تكون مهمة ومفيدة للاعضاء يمكن المشاركة بها من خلال هذا المنتدى |
| 944 | 337 | مواقع للبيع الكتاب : هندسة(مركز العرب) AM 01:47 23-05-2007 | بيع وشراء اسماء النطاقات والمواقع ((زائر)) سوق نادي النطاقات المفتوحة للاعضاء فقط |

NameClub: Arabic Domain Forum

3?? ??? ? ??? ?????? ?? ?? ????? ???, ??? ?????? ??? ?????? ??? ??? ???, (???) □ ??? ?????? ??? ? ?? ??????!! ?????? ??? ?????? ??????...

o ???

USER.ID

PASS

o ?????

| | |
|----------------|--------------|
| [?]??????... | [2007-04-17] |
| [?] ?????... | [2007-03-16] |
| [?] ??(?... | [2007-03-08] |
| [?] ??? ... | [2007-03-07] |
| [?] 2007? 1... | [2007-01-24] |

짧고 편한 - QuickDom CyPack

2단계 영문.kr

가격인하 99,587 원

???? ▼

?? ?? ?? IP ??? AND OR

| | |
|--|----------------------------------|
| o ??? ??? | o ??? ?? |
| aidl.kr ? ?? NEW" [2007-06-04] | sajuplus.com ...[7] [2007-05-29] |
| have.kr NEW" [2007-06-04] | ?? [2007-05-29] |
| cosmictrek.com...[2] NEW" [2007-06-04] | geumcheon.net[2] [2007-05-29] |
| ?? NEW" [2007-06-03] | ??- [2007-05-29] |
| ufmart.com ?(...[4] [2007-06-02] | ?? [2007-05-29] |
| ?? [2007-06-02] | * 3gplus.kr ?...[7] [2007-05-28] |
| vehicle.co.kr ...[2] [2007-06-02] | |
| yasung.com ??... [2007-06-02] | |
| [?????] po... [2007-06-02] | |
| eurotrading.ne...[3] [2007-06-01] | |
| popflys.com ?[2] [2007-06-01] | |
| CookMall.com [2007-06-01] | |
| kmerce.com ? ...[2] [2007-06-01] | |
| indianbob.com ...[2] [2007-06-01] | |
| ?? [2007-06-01] | |

o ?????? ?????

| | |
|--------------------------------|--------------|
| DS ????? ?? ?????...[3] | [2007-06-02] |
| ???? ? ? ?????...[9] | [2007-06-02] |
| ??? DS? ?????...?[4] | [2007-06-01] |
| napole**@dream***.com ??...[1] | [2007-05-31] |
| ??[1] | [2007-05-29] |
| ?????. ??? ??? ...[6] | [2007-05-26] |
| ???? ????? ?? ??... | [2007-05-20] |
| ????[4] | [2007-05-17] |
| ????..[1] | [2007-05-15] |
| ??.....[3] | [2007-05-13] |
| \$3.95 ? ?? ?????...[7] | [2007-05-10] |
| PPC? ??? ?????? ?...[1] | [2007-05-08] |
| Poker.com ?? - \$23M[1] | [2007-05-05] |
| name.com ?? ??????.....[6] | [2007-05-05] |
| DS ????? ???????[3] | [2007-05-04] |
| Eric Hudson ?????...[3] | [2007-04-25] |
| ??? 5??[1] | [2007-04-25] |

도메인 무역의 장

o ?????? ?????

| | |
|------------------------------|--------------|
| ??? ??? ?? ??? ...[1] | [2007-06-02] |
| Registerfly? ????? God...[3] | [2007-06-01] |
| ??? ??? ??.[3] | [2007-06-01] |

Dodong: Korean Domain Forum

Conclusion and Recommendations



- Embrace the positive aspects of the Secondary Market:
 - Market-based distribution of domain names
 - Bolsters awareness and acceptance of your TLD
 - Increases primary market registrations

- Enact good policies to control the potential risks:
 - ADR processes and anti-cybersquatting legislation
 - Measures to control domain tasting or domain kiting
 - Fair distribution of new TLD releases, eg via open auction
 - Efficient ownership transfer and accurate whois data

How to Benefit from the Secondary Market

- Consider engaging the secondary market community with your marketing (attend shows, forums, etc...)
- Consider integration of secondary market names into your sales channel
- Consider publishing relevant data

I am happy to discuss the best options with you!

Questions?

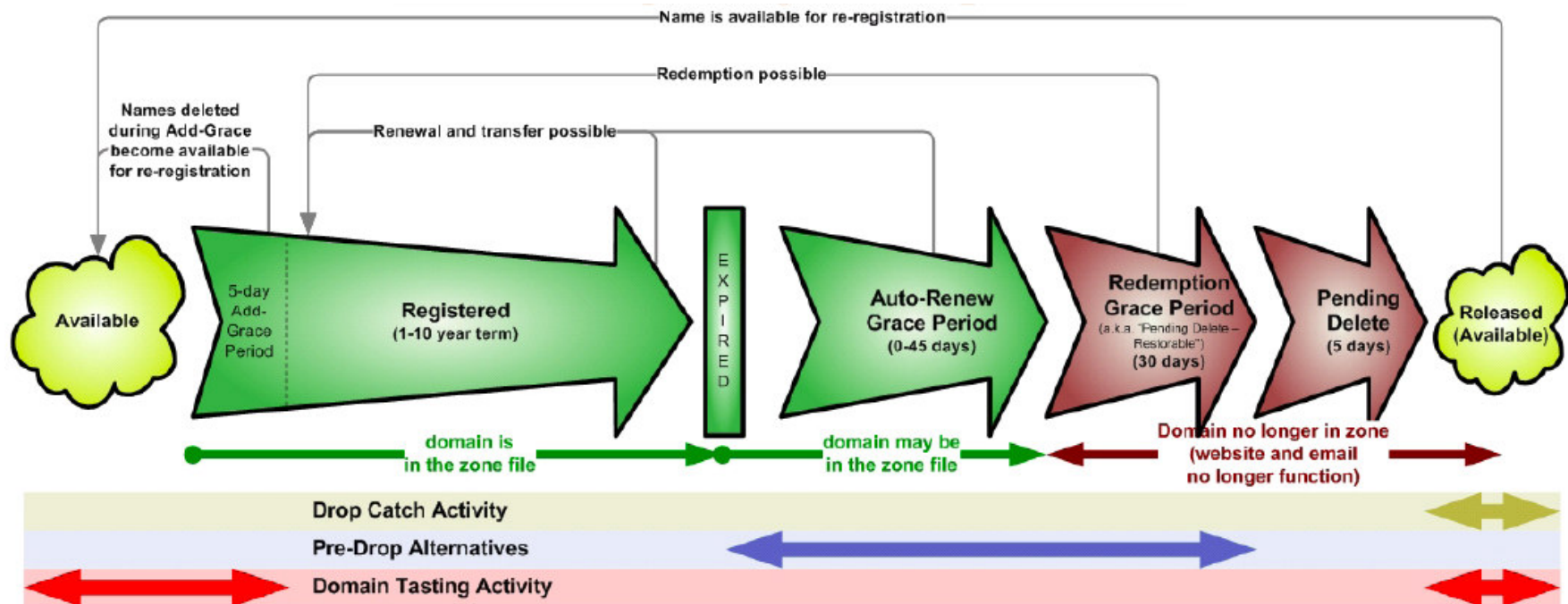
Matt Bentley

matt@sedo.com

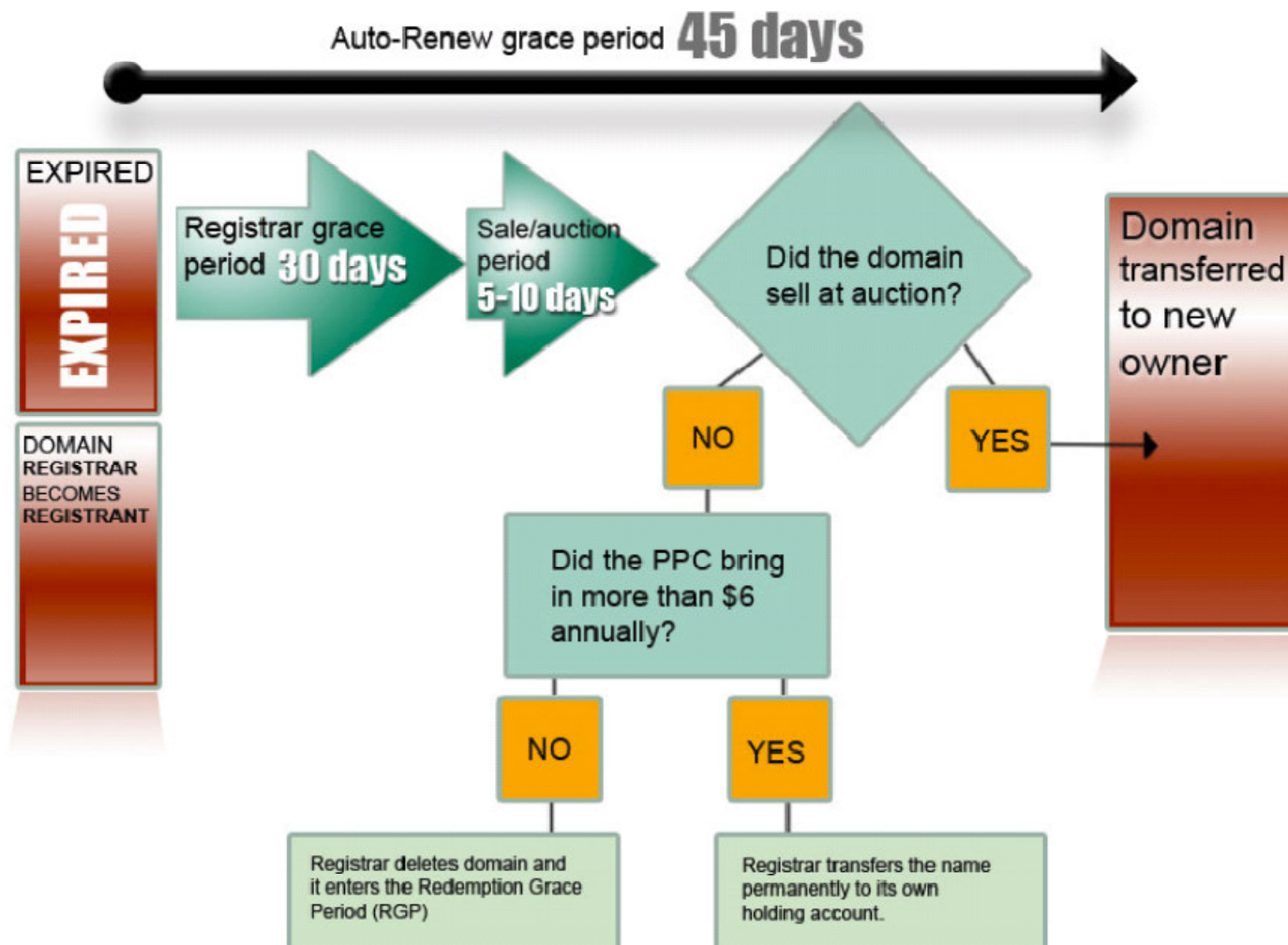
<http://www.sedo.com>



The Old Expiry Process



The New Expiry Process



Some Quick Facts about Sedo

- World's largest domain marketplace with over 7 Million domains listed for sale
- The average domain currently sells for around €1,500.
- Our highest value domain sale was Vodka.com for \$3 million.
- Over 2 million direct navigation portals in thousands of verticals
- About 500,000 members from dozens of countries buy and sell through Sedo
- Nearly 20,000 domains were sold through Sedo in 2006, for a total volume of over € 40 million
- 100 Employees in Cologne, 30 in Boston (USA)
- Also offer assistance with domain valuation, consultation on selecting appropriate domain names, domain acquisition, domain brokerage, and domain escrow/ transfer services