

Exploring the Domain Name Aftermarket

*Why generic keyword domains are good
for business and where to find them*

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Introduction

Many businesses today are still sleeping on the power of keyword domain names and the role they play in strategic marketing. While some are sleeping, others are quietly in the hunt to acquire valuable generic domains related to their products or services to bolster marketing and advertising performance.

While companies are willing to reinvest capital and resources into infrastructure, staffing, product development, management, and many other areas of which are crucial to the health and success of a business, when it comes to domain names few have the wherewithal to treat this aspect of their business strategy with equal regard. This can be attributed to one of two reasons:

- 1) there is little or no understanding of the real impact domain names have on the success of a business
- 2) there is little or no knowledge of, or accessibility to the secondary market for domain names (the domain aftermarket)

In this white paper we will address the major benefits of generic keyword domains as drivers of a successful online business channel, as well as familiarization with the many options now available for acquiring domain names on the aftermarket.

What's In a *Domain* Name, Anyway?

Domain names can impact the amount of traffic you receive to your website, lower the cost of lead generation, and affect consumer's perception of your brand. So it's no surprise that many Fortune 500 companies have already grasped the value of generic domain names and invested heavily to acquire the top domains in their market space.

- **Loans.com** – owned by Bank of America
- **Books.com** – owned by Barnes & Noble
- **Motorcycles.com** – owned by Honda

These are just a few of many examples, but top category-defining domains are not just for big business either. Lesser known companies are also using them to out-leverage their larger competitors and put themselves on the map.

In June of 2009 Melville Candy Company acquired **Candy.com** for a tidy sum of \$3 million. While giants like Nestle and Cadbury will continue to invest as much or more into branding and advertising each year, Melville has positioned itself to dominate the online retail channel in their market.

While the domain names cited above are examples of what are generally referred to in the domain industry as “category killers” – *broad-based terms that define a category of products or services* – the potential upside to owning domains consisting of more tightly targeted keyword terms and phrases is equally positive, and equally accessible to small and medium sized businesses alike.

Key Benefits of Keyword Domains

Owning exact-match keyword domains for your products or services provide three fundamental benefits. They allow you to:

- **Capture more pre-qualified leads** – since many people still type their search terms directly into the address bar of their web browser
- **Increase search traffic** - by making it easier for your website to rank well in search engines like Google and Yahoo so that more visitors reach your site through organic search results
- **Build brand equity** – because consumers' naturally tend to associate the generic keyword domain with market leadership

Yet these important benefits show only one side of the coin. What happens when the domain name you own is a non-generic name, such as the name of your company?

What's Wrong With My Company's Name?

You can still brand on a company name, and you should want to own your company name in the strongest possible extension – *dot com being first choice* – but if you are at all serious about your online go-to-market strategy it's not enough.

Consider things from the perspective of a consumer searching the web for a product or service. The question to ask is, “*Unless that person already knows of me, how will I be found among millions of other websites?*”



To illustrate, the following is a practical example involving a fictitious company named *Bob and Jay's Minnesota Realty, Inc.*

The Story of Bob and Jay

Bob and Jay are partners in real estate sales in the State of Minnesota. They incorporated their company under the name *Bob & Jay's Minnesota Realty, Inc.* Without any guidance they went ahead and registered the domain **BobAndJaysMinnesotaRealty.com** as their company's web address.

Unfortunately the people that Bob and Jay want to do business with are not online searching for “*Bob and Jay's Minnesota Realty*” (unless of course they had already seen the name on a business card, a billboard, in the local paper, or other forms of paid advertising.)

Instead, potential home-owners and other consumers are most likely to be searching the internet for key phrases such as ‘*Minnesota homes*’ and ‘*Minnesota real estate*’.

Had Bob and Jay known of the benefits of owning a generic keyword domain that specifically matches what their target audience is searching for, and had they known where to go to acquire such a domain, they would have been in a better position to grow their business quickly by:

- a) **Capturing qualified leads** from those who search for the keywords contained in the domain name by typing them directly into their web-browser. (direct navigation)
- b) **Improving their website's SEO**, allowing them to grow organic search traffic from Google, Yahoo and other search engines to obtain even more leads
- c) **Strengthening the companies brand positioning** by owning the search term for their local market

d) **Blocking potential competitors** from achieving the very same benefits

Further, the cost to purchase such a domain on the aftermarket could have been subsidized by offsetting a portion of the budget they might have otherwise spent on less targeted and more expensive billboard and print advertisements where the results are often harder to track.

How Much To Invest

Given these benefits, what is the cost to acquire good keyword domain names? When deciding how much to invest in domains, here are some things to consider:

- How much are new customers worth on average, or, how much does an average order from your store bring in?
- How many new customers and/or sales can you expect the domain name to help deliver?
- How much do you *currently* spend on advertising and customer acquisition?



Is traditional advertising putting you out of pocket with a low ROI?

A key difference between leveraging domain names and other more traditional forms of marketing and advertising is that once you've purchased your domain there is next to zero residual overhead. Depending on the registrar, annual renewal fees for most types of domain names currently run about \$10 per year.

Contrast this to the month over month expenditure required to sustain other traditional forms of advertising!

Additionally, keyword domains help to drive down costs associated with SEO (search engine optimization) and SEM (search engine marketing) – two of the most important ways of attracting new leads to your website.

In fact, the Search Engine Ranking Factors report for 2009 (an annual survey of experts in the SEO field) ranked keyword use in the root domain name (e.g. **keyword.com**) as the third highest ranking factor for on-page optimization.¹

Memorable Domains (a UK company) has conducted an important case study which has also shown that when used for pay-per-click advertising, use of a generic keyword domain over a non-generic, non-keyword domain increased the number of ad impressions and raised the click-through-rate of ads by

¹ <http://www.seomoz.org/article/search-ranking-factors#ranking-factors>

between 15% - 42% leading to an overall boost in the number of clicks by between 45% - 105%.²

Results

Comparative results for the three different domain names across both Ad Groups were:

Featured domain	Impressions	Clicks	CTR	CPC (\$)
ElectricBicycles.co.uk	38,404	907	2.36%	0.2504
YourBikes.co.uk	30,222	624	2.06%	0.2531
InAHurry.co.uk	26,718	443	1.66%	0.2589

Results of a pay-per-click case study on generic vs. non-generic domains showing better results obtained through keyword domains.

Because keyword domains can effectively lower the long-term costs of marketing while simultaneously improving the net results, acquiring domains for those keywords for which you are already paying to rank for in search engines, or to advertise for on pay-per-click programs can save you money.

To help establish how much a domain name is worth to your business it may be helpful to construct a cost-benefit analysis, based in part on your current total monthly or annual marketing spend, the value of additional traffic and leads, and the potential return on investment.

Another point often overlooked is that domain names are assets which retain value over time and can be liquidated for cash in the future should the need arise.

Domain Valuations

There are a multiplicity of factors that can govern a seller's asking price for any particular domain. Among them may be: Whether the domain is already receiving traffic and/or generating recurring revenue; whether it has previously been developed; the age of the domain; and the strength of the reseller market for certain keywords or types of domains.

Because of the role that domains play in online marketing strategies, demand is also an important factor. Demand for top domains can be high, while supply is generally limited. As in the case of **Candy.com** cited above, there are hundreds and possibly thousands of candy companies worldwide but only one **Candy.com**.

When the **.com** cannot be obtained, alternate extensions such as **.net** or **.org**, and country codes such as **.us**, **.ca**, or **.co.uk**, may be viable alternatives. Dot-com domains will almost always command the highest price due to established brand recognition and a greater potential for type-in traffic.

² <http://www.memorabledomains.co.uk/ppcanalysis.pdf>

However equivalent SEO results are still attainable through keyword domains in alternate extensions, as well as stronger benefits to branding and advertising than may be possible with non-generic dot-com domains. Alternate extensions may also receive some direct type-in traffic as well.

** It is also significant to note that in the case of many country-code domains, branding and SEO may in fact be improved over dot com due to geographic targeting.*

Where To Find Good Aftermarket Domains

There are now more venues than ever to purchase aftermarket domains. These include:

- Domain Marketplaces
- Boutique Domain Shops
- Domain Forums
- Domain Auctions
- For Sale By Owner (FSBO)
- Domain Name Brokers

Domain Marketplaces

These are the largest venues where buyers and sellers meet. Domain owners list their domains for sale in the marketplace and buyers may use advanced search criteria to locate domains with specific keywords or within certain industries. They also offer a measure of privacy and security, where payments and transfers are conducted using an escrow service to guarantee transactions for both parties. Some popular domain marketplaces include:

- Sedo.com
- Afternic.com
- TDNAM.com

Boutique Domain Shops

A boutique domain shop exists where a company has set up its own website to sell their portfolio of domains direct (rather than through a marketplace or auction). Some boutique shops may specialize in a particular industry or niche, such as medical or adult domains. There are perhaps dozens upon dozens of such websites. The best way to locate them is simply to do an internet search for “_____ domains” - filling in the blank with the keyword, industry, or niche you are looking for.

Domain Forums

There are several domain name forums, and many webmaster forums that allow registered members to buy, sell, and trade domains. Members build trust through regular forum participation and feedback earned through positive transactions. When buying domains through forums it is recommended to take some simple precautions, especially in dealing with high dollar volume purchases. For example:

- Verify the seller in fact owns the domain name they are selling
- Check their reputation by reviewing feedback left from previous buyers
- Establish whether the seller has a history with the forum, or is a new member
- When in doubt, ask to pay through an escrow service such as Escrow.com

Domain Auctions

From individuals selling on eBay up to the largest domain industry events showcasing collections of category killers, and everything in between, so many domain auctions are taking place on any given day it can be quite difficult to keep up with what domains are selling where.

Most domain marketplaces run their own featured auctions, as well as incorporating auction-style formats as part of their regular sales platform, as do domain forums. Recently, a new service has begun to monitor daily closing auctions across many auction venues at **ClosingAuctions.com**

For Sale By Owner (FSBO)

When typing a domain name into your web-browser, you may come to a page that includes text such as “*this domain is for sale*” which links to a contact form or email address where you may submit an offer or request further information directly from the owner.

As with buying on domain forums, a few simple steps may be warranted to ensure the seller's integrity. A contact address and/or telephone number in email correspondence is generally a clear indicator the seller is upfront and has nothing to hide. Again, when in doubt always opt to use an escrow service.

It is also important to address here a misapprehension that remains concerning domain investors, wherein there are those that believe them to be nothing more than a lot of unscrupulous cybersquatters. This is untrue, except for a small unfortunate minority of bad seeds, as exists in any industry. By and large domain resellers value their professional integrity and wish to conduct legitimate business.

Domain Name Brokers

In addition to selling, many domain name brokers also offer assistance with acquiring domains on the secondary market, and can be a valuable asset for sourcing quality domains, as well as negotiating prices. Brokers typically have access to the widest net of domain industry aftermarket channels, and are able to leverage their position to the benefit of their clients.

Moreover, working through a domain broker offers the chance to speak with someone first and foremost about what your particular goals are, to obtain valuable feedback on the best way to achieve them before opening your wallet.

Conclusion

Owning generic keyword domain names that target specific products, services or industries as a core component of an online marketing strategy holds several advantages including improved search engine optimization, traffic and lead generation, advertising, and branding, while at the same time lowering costs.

Due to their many benefits, demand for top keyword domains can be high. Nevertheless there are now a large and growing number of options available for businesses of all sizes to obtain domains on the aftermarket within their budget in order to help boost marketing and sales.



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