

HOW TO Select & Buy an ELITE DOMAIN NAME

Steve Baba, Ph.D.

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Technically, the “page numbers” are “sheet of paper” numbers. Each sheet of paper contains a left side/page and a right side/page.

How To Select & Buy An Elite Domain Name

Introduction

This book will help you obtain a brandable, memorable domain name within a few weeks at a reasonable cost, which will contribute to your brand equity and profits. You will be able to obtain a better name than your competitors have.

There are at least 10,000 words in a dictionary that would make great domain names plus at least 10,000 proper names and 10,000 great short coined-words. With a supply of 30,000 great names and millions of good names, it has always been a buyers' market.

There is no need to pay more than a few thousand dollars for a great one-word domain name, and many good domain names are available for free. This book provides you with the information needed to beat domain name speculators at their games.

This book provides quick, summary information to decision makers in short to-the-point chapters.

Both naming methodology to identify great domain names and negotiating/purchasing methods to obtain great domain names at low prices are covered. After a couple of introductory sections, we start with domain naming goals or the criteria for choosing a great domain name: image, memorability, trademark-legal, and price. Then quality domain naming strategies – generic, arbitrary words, dictionary words, and so forth – are discussed. Inferior domain naming styles, which you want to avoid, are then discussed.

The second half of this book explains how to buy a great domain name. Auctions, expired domains, speculators, and other sources are discussed. Finally, many other topics are expanded on.

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About the Author - Steve Baba, Ph.D.

Steve Baba has a Ph.D. in Economics and ebusiness experience. Steve earned a Ph.D. from the University of Maryland at College Park in Industrial Organization. His specialty is the economics of information. Steve also has a B.S. in Computer Science from the University of the State of New York and a B.S. in Business from the University of Maryland at College Park.

Steve taught undergraduate and graduate (MBA) courses and has won teaching and academic awards. He also developed an award-winning Web site, FreeVocabulary.com, which won an award from the Philadelphia Inquirer and was recommended by the Los Angeles Times. He has published papers in academic journals.

Steve has five years of ebusiness experience. Most of the experience has been in developing business and marketing plans to help new ebusinesses, of which obtaining a domain and building a brand name was essential. Steve provides consulting services to businesses.

Disclaimer – This is Not Legal Advice

This book provides information and general advice about trademark laws. Different people can interpret trademark laws and conflicts differently. For specific advice geared to your specific situation, consult a lawyer. No book or other published material is a substitute for personalized legal advice.

Domain Naming Goals - Summary

Online naming compared with offline naming

Domain naming has four major goals or criteria, which are sometimes contradictory and tradeoffs must be made. Many of the goals are similar to offline naming goals, but there are important differences. A quick summary introduction of the four goals follows:

A) Image – Names project an image or may have a neutral image if the name is entirely new (coined words). Choosing a name to project a good, appropriate-to-the-business image is similar to offline branding, but online domain names have additional characteristics that affect the image. For example, short one-word domain names have a better image than long names, everything else constant.

B) Memorability – Without reminders, such as seeing a product on a store shelf, memorability is more important online than offline. In addition to having a better image, shorter names are easier to remember than longer names, everything else constant. There are sometimes conflicts between memorable shocking names and image.

Memorability also requires that your name or brand be distinguishable from competitors, which is often a problem with generic names. Is the company iHosting.com, eHosting.com, iHost.com or eHost.com?

Memorability is more important for smaller companies with smaller marketing budgets and less known products. No one is going to forget the names Pepsi or Coke.

Online, the **exact spelling** of the domain name must also be memorable. When typing in a domain name, close does not work.

C) Minimize Trademark Problems – There is no such thing as a perfectly legally safe name, but you can minimize the risks. Trademark problems fall into two groups:

- 1) Can you prevent competitors or other businesses from using a name similar to yours?

- 2) Can a competitor or other business legally challenge your name because it's similar to their name?

If a competitor can use a name similar to yours, you will have both memorability and customer-confusion trademark problems. In severe cases, you will have difficulty building a brand name. For example, there is BankOne, CapitalOne, and occasionally fraudulent firms that use the "one" in their name to mislead customers/victims.

There are often conflicts between minimizing trademark risks and memorability and image, since other companies may have already used most dictionary words. It's difficult to claim total ownership of dictionary words – especially popular dictionary words.

The major difference between online and offline trademarks is that every online firm is effectively national and international, with trademark conflicts possible with other firms regardless of physical location. In the past, small firms could just worry about trademark conflicts with other firms doing business in their geographical area.

Online there are anticybersquatting laws and mandatory dispute resolution, but these are narrowly aimed at cybersquatters 1) operating in bad faith and 2) without any trademark rights.

D) Buy the Domain Name at a Minimum Cost – There is no comparable activity for offline names. Offline, one can just pick a name and use the name after making sure there are no trademark problems. For example, the television show Survivor did not purchase Survivor.com, which is owned by Survivor Software – an unrelated company (as of late 2002).

Obtaining a domain name at a reasonable price is one area that conventional offline naming consultants have little knowledge of. But since consulting clients are usually large Fortune 500 companies who may want the best name regardless of the cost – up to \$20,000 - most consultants have succeeded in spite of little knowledge of the domain name market.

The Winner's Curse and Fool's Gold

The original academic study of the winner's curse analyzed government auctions of oil drilling rights. Oil companies would estimate the amount of oil in an oil field and use the estimate to bid on an oil field. But, estimating the value of oil in an unproven oil field prior to drilling is difficult and estimates vary.

Each oil company had different estimates of the oil in the ground – some higher and some lower. The firm with the highest estimate generally was willing to pay the most and submitted the highest bid.

After the auction, it became obvious to the winner that the other oil companies thought there would be less oil in the ground – which was usually the case after drilling. The winner was cursed in that winner was unlikely to recover as much oil as the winner estimated. **Auction winners usually overestimated and overpaid.**

In searching for an affordable domain name, many people suffer from the winner's curse. If you find what you think is a great name for \$1,000, you always have to ask yourself if it's a great name worth more than \$1,000 or are you overestimating the value by not noticing a problem with the name.

There are occasionally great names for \$1,000, but there are also many inferior names or fool's gold names available for \$1,000. The sections on inferior domain names - domain names to avoid - cover domain names with problems.

In searching for a great domain name at a bargain price, you will have to brainstorm and estimate the value of dozens of domain names. **If you make one mistake on one estimate and don't catch the mistake, you could end up bidding for fool's gold – and suffer the winner's curse.**

The desire to finish the naming process and move on to your real business also leads to mistakes. "Let's just take the name and move on."

Domain Names Have Their Own Image

Image is the most obvious goal or criteria. While a few technical people who underestimate marketing ask why does a name matter, they probably would not want to be named Adolph after 1945.

Your domain name is a third of your image. Online, one can't have an impressive store or an impressive building. But one can have an impressive domain name. For a Web site standing alone, there is only the site design, content, and domain name.

Domain names have their own image. In general, the largest companies have the shortest, often one-word, domain names, while the smallest companies have long domain names. A company with a domain name like AmericanWidgetsOnline.net, tells people that they could not obtain the .com, could not obtain AmericanWidgets.com or American.com.

A domain name can either make you look like a fly-by-night email spammer or an established company. Established companies make the effort to have a great domain name, and customers know this. A great domain name will increase your traffic and your sales.

Below are the domain names from companies that advertised in one business magazine:

JennTech.net
AdvertiseToMillions.com
ProfitEbook.netfirms.com
FreeWebSiteCenter.com
Mktforce.com
Vitaminbusiness.com
SubmitSnake.com
TotalNetIncome.com
Alleykats.com

Without knowing anything about the above companies, you probably have the impression that they are not large companies. The above companies were all the businesses with a domain name in the May 2002 Opportunity Showcase (small ads in the back) of Small Business Opportunities magazine.

In contrast, below are the Top 10 Internet Properties (Media Metrix, July 2002) as defined by traffic:

AOL.com
MSN.com
Yahoo.com
Google.com
Lycos.com
About.com
Ebay.com
Amazon.com
Classmates.com
CNET.com

Below are the domain names of the Largest U.S. corporations:

WalMart.com
Exxon.com
GM.com
Ford.com
GE.com
Citigroup.com corporate, Citi.com - consumers
Chevron.com
IBM.com

From their own experience, consumers have learned to associate certain types of names with certain businesses. Consumers have learned that large, established companies have short domain names – such as those on the last two lists. Consumers have learned that small companies, like those on the first list from Small Business Opportunities magazine, have different domain names.

Not all of the names of larger firms are great names or even good names. Many of the larger firms are stuck with long legacy names – names generations old.

Shorter domain names are also easier to type, which is often given as a reason for short domain names. While true, saving customers the time to type in a few characters is less important than the image and memorability aspects. Short names, with less to remember or less to forget, are more memorable everything else constant.

Why Domain Names Must Be Memorable

Every customer who forgets your name is money that you can forget about.

Domain names must be memorable because domain names stand alone without reminders. Customers do not see your product on a shelf to remind them. Customers do not see your store on a street to remind them. Customers type in domain names from memory.

Domain names must be memorable because there is no packaging or logo design to help customers remember your brand. Long and difficult-to-spell names, OK offline, aren't acceptable online. Every customer who forgets your name by just one letter is lost money.

Domain names must be memorable because you may be competing with hundreds of online stores. You are not competing with a handful of other products on a shelf or a handful of local stores. If forgotten, it's not easy to refind a domain name.

Even offline, memorability is often overlooked or minimized. In my opinion, memorability is overlooked or minimized for two reasons:

1) Businessmen and businesswomen who devote a significant portion of their life to their business often forget that their business is just one out of a thousand businesses to customers and one out of a million businesses to potential customers. Consumers are bombarded with thousands of advertising messages every day. Even if a customer notices your message, few customers will make an effort to remember your name. Sometimes customers may write down or bookmark your name, but many won't.

2) Most books on branding are written for famous brands, which are household words. McDonald's does not have a problem with people forgetting the name McDonald's. McDonald's problem is projecting a quality image. I am not faulting these books since by dollar volume famous brands – almost by definition – sell more than smaller nonfamous brands. But for every famous brand (McDonald's), there are hundreds of less famous brands (small local restaurants).

Trademark Categories and Trademark Strength

Legally, trademarks and potential trademarks are often divided into either four or five categories. These **categories from weakest to strongest are:**

Generic – Generic names such as Hotels.com are **not entitled to any trademark protection**. Ownership of the .com name can only prevent people from using the same exact domain name. Others can use Hotels.NET, Hotel.com (singular) and so on. On a positive note, since no one owns generic names, trademark lawsuits are unlikely.

Descriptive – A descriptive mark describes something about the product, such as the intended purpose, use, size, quality or effect of the goods. **Descriptive trademarks are not entitled trademark protection – until they acquire a secondary meaning though years of association with your product or store.** GreatDomains.com is a descriptive name since they sell great domains. Because of the time and cost involved establishing a secondary meaning, descriptive names are not recommended – especially for small companies. Established companies may have a secondary meaning while the new company does not, which is extremely unfavorable legally.

Suggestive – Suggestive trademarks have a subtle relation to the product and **can be trademarked**. Jet Printing suggests quick printing or speedy printing but is subtler than the descriptive Speedy Printing or Quick Printing. About.com and Ask.com are suggestive trademarks.

Arbitrary Dictionary Words: – A word that can be found in the dictionary, but that is not normally considered related to the product. An example is the Mustang automobile. But others may be able to use Mustang for other products such as the Mustang airplane or the Mustang Ranch. Yahoo, Moster.com and Google are arbitrary trademarks which have **strong trademark protection**.

Fanciful Coined Words – New, created words such as Exxon and Kodak have **the strongest legal protection**.

Buying a Great Domain Name at a Great Price

A heterogeneous, thin market – No two names are the same and there is a small number of buyers and sellers.

Most markets contain similar products. New, mass-produced products are for all practical purposes identical. For example, a new Honda Civic is similar to other new Honda Civics. Even buying a used car is a matter of determining the true condition of the car, looking up the price of similar cars, and negotiating within a set price range. But buying a used car is much easier than buying a domain name.

No two domain names are identical. Mom.com is not Tom.com or Rom.com. One business selling gifts may prefer Mom.com. Another business selling to young men may want Tom.com, but definitely not Mom.com, which would give it the image of mamma's boys. Another computer business may want Rom.com, but not Mom.com or Tom.com. In economics terminology, this is known as a heterogeneous market and the problem of matching buyers and sellers is called a matching problem.

Thin Market

In economics, a common assumption for most markets is that a large number of buyers and sellers drive the price to equilibrium. This is shown by supply and demand curves intersecting at an equilibrium price.

But since each domain name is different, there is not a large number of sellers. Since there is only one owner of a domain name, there is only one seller.

There is also usually only one interested potential buyer at a time. There is usually only one computer firm interested in the name ROM.com during one month and probably the only serious interest in a year. This leads to one-to-one bargaining positions, with brinkmanship.

But one exception is the wholesale market, where numerous speculators are bidding on one domain name.

Limited and Asymmetric Information

Compounding the heterogeneous and thin market problems is the limited and asymmetric information.

When buying a used car, one could look in the paper for the prices of similar cars. There are publications summarizing the price of used cars. Both buyers and sellers know the prices of similar cars.

In contrast, a domain name speculator is comparing your offer with what he thinks someone may offer him in the future. This is often optimistic, wishful thinking. A speculator may have read that a domain name sold for \$100,000. But this is like a beginning novelist hearing that another novelist earned \$100,000 and expecting the same, when most novelists get a tenth of that if anything.

Buyers have no knowledge of what other opportunities the seller has, if any. The seller doesn't know what the name is worth to the buyer. A speculator does not know if a buyer is willing to pay \$2,000 or \$10,000 for a name. Likewise, the buyer does not know if a speculator is willing to sell for \$2,000 or \$5,000.

Therefore, the percentage of unsuccessful negotiations is high.

How to Get a Great Deal In a Heterogeneous, Thin Market

In general, the key to getting a great deal in a heterogeneous, thin market is to be flexible, shop around, and avoid the winner's curse. If you set your sights on just one domain name regardless of the cost, you will likely pay a very high price.

If you are more flexible and willing to take what is for sale by a motivated seller, the cost will be much less – often 80% or 90% less. Later chapters discuss specific techniques to obtain the best price.

There is not a domain name shortage. There are 30,000 great names. There are not 30,000 businesses willing to pay \$3,000 for a great domain name. At any one time, some of the 30,000 great names are for sale at bargain, distress prices.

Domain Naming Strategies – Great, Good and Inferior

Generic names, arbitrary dictionary words, coined or made-up words, modified generic names (generic plus) and unrelated two-word names are quality domain naming strategies.

While the categories are clear, names do not always clearly fall into one category or the other, and there is a continuum from one category to another category. For example, Widgets.com is 100% generic, but iWidgets may be 90% generic and HotWidgets.com is a generic-plus name (generic widgets plus hot).

Each naming strategy is introduced with a one-page introduction outlining the strengths and weaknesses. Later, the quality domain naming strategies styles are discussed in more detail, and information on how to implement each strategy is provided.

But, each quality strategy has strengths and weaknesses. There is no such thing as a perfect name.

Inferior domain naming strategies are also discussed. These inferior domain naming strategies also let one learn good domain naming by looking at bad examples. As with all generalizations, there are a few exceptions, which are noted.

Informally I occasionally use the term "domain names that suck" for inferior domain names to emphasize the point that they should rarely be used.

While there is no such thing as a perfect domain name, inferior domain naming strategies are beaten on every criterion by a quality naming strategy. **Inferior domain naming strategies should not be used unless you know why the name is a rare exception to the rule.**

Domain names must be memorable and project an impressive corporate or brand identity. One-word names are both easy to remember and impressive. One-word names may be generic, arbitrary or coined.

Generic Names – Highly Controversial & Expensive

Examples of generic names are Hotels.com, Shoes.com and Furniture.com. The generic name strategy was always controversial and peaked during the dotcom bubble.

The generic naming strategy is virtually never used offline, but a very few small stores do business under generic names such as the “Mattress Store” in Annapolis, Maryland. Offline, anyone can use the same generic name and open a store name “Mattress Store.” Online, ownership of the domain name MattressStore.com can only prevent competitors from using the same exact domain name.

Since, generic names cannot be trademarked, competitors can use Hotels.NET, Rooms.com, Hotelrooms.com, Motels.com, Hotel.com (singular), Inns.com Hotels.us, and so on. Often, there are a half dozen simple generic names for each industry not to mention generic names with a prefix (e, i) or suffix such as eHotels.com.

Since competitors can use similar generic names, developing a distinct, memorable brand is difficult. Memorability or the need to spend less on advertising is often an argument for high domain name prices – but this argument is only half true.

At the same time, with only a few first-rate generic names in each industry, the generic domain names may be unavailable or overpriced, and are rarely bargain-priced.

A generic name also hampers brand extension beyond the generic category – Hotels.com selling plane tickets?

Generic Name Quick Summary:

Image B (sometimes associated with Internet bubble)

Memorability B (easy to remember category from name, but difficult to differentiate)

Trademark B (can't be trademarked, but can't be sued by others)

Cost D (highest cost, proportional to industry size, few sellers)

Unrelated, Arbitrary Dictionary Words

Examples of unrelated dictionary word names include Amazon.com Yahoo.com, Google.com, Target and Staples. Both the words yahoo and google are in the Oxford dictionary, but were rarely used prior to becoming famous brands.

Compared to generic names, it was not immediately obvious what business Amazon, Yahoo or Google was in. On the other hand, Yahoo can legally prevent competitors from using similar names such as FreeHoo via trademark laws.

SearchEngine.com would be the generic name for Google. “Fast” and “All The Web” are used as trademarks by another search engine. But “fast” and “all the web” are not unrelated or arbitrary. Other search engines can also claim to be fast, speedy, quick, the entire web, or something similar.

The key to having the most trademark protection is to choose an unrelated, arbitrary word. Descriptive words, such as fast, are unlikely to earn much trademark protection. Instead of fast, it may be possible to use a suggestive name such as jet, rocket, or race.

With 10,000 good, short, easy-to-spell dictionary words, it is always possible to find one for a few thousand dollars. Shorter four or five character dictionary words are more expensive. Three character dictionary words are extremely expensive.

Arbitrary Dictionary Words Quick Summary:

Image A (Most of the largest companies have short domains)

Memorability B (Easy to remember single words, but have to associate product with name)

Trademark A- (as long as the word is unrelated)

Cost C (\$500+ for rarely used words, \$1,000 - \$5,000+)

Coined or Fanciful Words

Trademark safe but difficult to remember

Coined or fanciful words are words such as Exxon or Kodak that had no prior use.

In theory, coined words are the best from a trademark-legal point of view, since no one has used the word before. Ideally, a coined word is totally new and unrelated to any other word.

But, memorability requires a short name, which has led to a number of similar coined names such as Duron, Enron, and Micron, which diminishes the legal advantage, since confusion is possible. LexIs sued LexUs.

While the legal protection is not perfect, the legal protection is considered the strongest of any category.

But from a marketing point of view since no one has used the word, coined words may be as difficult to remember as nonsense syllables.

The travel Web site Expedia.com is a coined word. But, Expedia is close to the dictionary word expedient, demonstrating the point that there is a continuum of names from one category to another.

With a supply of thousands if not tens of thousands of short, coined words, it is always possible to find one for a few thousand dollars or less – often free.

Coined Word Quick Summary:

Image A- (If short)

Memorability C (If short, D or F if Long)

Trademark A+

Cost B (\$500+, but could be free)

Generic Plus – The Combined Solution

Because of the lack of trademark protection for generic names, the lack of distinctiveness, and the cost of many generic domain names, many businesses have used a “generic plus” or “modified generic” naming strategy.

A prefix, suffix or second word can be added to the generic name. Examples of this are Carmax, CarMart, eCars, CarDepot, CarOne and CarLand.

This works if the generic word, such as car, is short. Longer generic names, such as CarpetCleaningMax.com, can be too long. But many of the longer generic words have common abbreviations. For example, computer is often abbreviated “comp” as in CompUSA. Software is often shortened to “soft” or “ware” in names. Tech is a common abbreviation for technology, overused in names.

These names range from virtually generic, eCars.cars, to nearly coined, QuanCars.com, with descriptive, suggestive and arbitrary second-words in-between. Since the generic word lacks any trademark protection, the trademark strength depends on the trademark strength of the “plus” part of the name.

The generic plus strategy is often an attempt to have the benefits from both a generic and a distinctive name, but may have the problems of both if one is not careful. At worst, it could infringe on someone's trademark based on the second word such as CarsRus or CarBay. The generic part of the word is usually trademark safe.

Generic Plus Quick Summary:

Image B- (If short)

Memorability B-

Trademark A- to D (Depends on the second word/prefix/suffix)

Cost B (free to \$500+, depending on industry & second word)

Two Unrelated Words – The Economy Solution

Examples of two unrelated words are RedEnvelope.com and BlueTooth.com. The two unrelated words strategy differs from the generic-plus strategy in that neither word is related to the generic product.

Technically red is related to envelope by being an adjective, but neither word is closely related to the product or service being sold.

The main advantage to this method, two unrelated words, is that it's cheap and often free. With 30,000 single words, there are 900 million combinations of two single words (30,000 x 30,000).

The main disadvantage is that two unrelated words are twice as difficult to remember as one. Two words that are commonly related to each other such as "happy birthday" or "hot wire" are easier to remember, but rare and may be as expensive as single words.

Since this method is inexpensive, it's often used by and associated with second-rate companies. But many first-rate companies also use the two unrelated word strategy.

From a trademark viewpoint, it could be twice as risky. It could infringe on someone's trademark based on either the first or second word. If you are RedDog.com selling computers, either Red Computers or Dog Computers could consider trademark action against you.

Because of the ease of finding two unrelated words, people often fall victim to convincing themselves that they found a great name – fool's gold – in this category for free.

Two Unrelated Words Quick Summary:

Image C

Memorability C

Trademark B

Cost A (free or inexpensive)

Inferior Domain Names

Acronyms and Initials such as UIMG.com

Using initials (initialisms) is a classic beginner's mistake. There were even initials in the list of top companies presented earlier in this book. People look at IBM, MGM, and GE, then think if we use initials, people will think we are a big company.

Quick, without looking, what are the initials used as an example at the top of this page? Hint: It started with the letter "U." Remembering initials is difficult.

People will remember initials of billion-dollar companies, such as IBM and even nicknames such as Big Blue because they have to – not because it is easy. But people will not remember the initials of smaller companies since they don't have to remember them. Some large companies have changed their legacy names to initials with limited success. Do you know the corporate name of United Airlines or U.S. Steel?

Another company using initials is CDW. This company usually has two full-page advertisements in PC Magazine and other computer magazines. They even advertise on NFL football games. Do you know what CDW sells or was it CDY?

NFL is another initialism. Part of the reason people use NFL instead of the National Football League is that NFL is shorter when speaking. People use LA for Los Angeles because it's easier to say. People do not use NYC or NY for New York because New York is easy to say. But **your original name should be easy to say and remember, without people having to use abbreviations.**

If you must use initials, consider arranging them into an acronym (word). For example, Mothers Against Drunk Driving uses MADD.

An exception may be when initials are used as dictionary words such as PC or DVD in PCshop.com or DVDshop.com. But SEOshop.com is not a good name since few people know that SEO stands for Search Engine Optimization.

Inferior Domain Names

Three Words such as RedDogComputers.com

Three words are more difficult to remember than two words, which are more difficult to remember than one word.

Each additional word is also an additional trademark conflict, such as with Red Electronics and Dog Electronics. RedComputers.com would only have possible trademark conflicts with other red-named businesses. DogComputers.com would have possible trademark conflicts with only other dog-named businesses.

There are plenty of two-word combinations. If there are 30,000 good words, there are 900 million two-word combinations. But there are literally trillions of three-word combinations, making three-word combinations extremely easy to find for free.

Because three-word names are so easy to find for free and take little effort to find, three word names are often associated with fly-by-night businesses. For a little more effort, time or money, a two-word combination can be obtained. This leaves only the lowest budget or the extremely marketing challenged with three-word name. Choose a three word combination and customers will associate you, consciously or not, with other companies that use three-word names.

Why use three words when two words will work better? A better two-word combination can usually be found for free.

The few exceptions when three-word domain names are OK are when two words go together and are short. Some product/service names take up two words instead of one: rug cleaning, business law, and so on. GeeksOnCall.com uses three words but two, on call, function as one and is short making it as good as a two word name. In these cases, the two words function as one.

BuyaWidget.com may be an inexpensive generic name but one also needs to purchase ByaWidget.com.

Inferior Domain Names

Long Coined Words such as GreTelTech.com

Short coined words are fine. The main disadvantage of coined words is their memorability. Since a coined word is new, it's difficult for customers to remember. Using a long coined word takes this disadvantage and magnifies it.

People notice other firms use coined words and try to do the same. Since the good short words, one or two syllable combinations, are taken, they then create longer words with obscure syllables.

This is similar to the folly of using three word domain names. With long coined words, three or four syllables are used instead of one or two syllables.

The reason for this folly is the same as the reason people use three word names – they have trouble finding a shorter name and take the easy way out. Likewise, often the extremely marketing challenged or cheap companies use long coined words.

Large companies, such as DiTech, spend millions on marketing to overcome the memorability disadvantage of coined words. With enough advertising, a firm can make a coined word a household word, which is why they were noticed instead of the many failures.

With a longer coined word than large companies obtain and a smaller marketing budget than large companies have – failure is likely.

Inferior Domain Names

Misspelled words and difficult to spell words

Consider Shaddup.com. Each misspelling is one more thing for customers to remember. Customers must remember both the name and how it is misspelled.

When giving the name verbally, customers have to say "Shuddup.com," it is spelled "S" "H" "A" "D" "D" "U" "P."

The misspelling Cheep.com or Cheephost.com could be used instead of Cheap.com. If the misspelling is not obvious, people may not notice the misspelling or think it's a typo.

People sometimes resort to misspellings when they can't purchase the correct spelling. One must really be cheap to purchase cheEp.com.

Sometimes people resort to misspelling in an attempt to gain trademark rights for a descriptive meaning. Cheap, meaning low priced, is descriptive and can't be trademarked. CheEp's trademark potential is also minimal – but one should consult an attorney. Suggestive trademarks are almost always better legally.

Sometimes the misspelling has an edgy, comic book image such as Shaddup – especially when the misspelling is obvious or slang. More often people are just confused about the name or wonder why the correct spelling was not used.

The opposite case is difficult-to-spell words. How many people misspell Mississippi.com?

It may be possible to purchase most common misspellings. There could be one common misspelling or there could be a dozen misspellings. If the misspelling is another dictionary word, it may be expensive and difficult to purchase.

On the plus side, difficult-to-spell words usually cost less than easy-to-spell words. It may be worth pointing this out in negotiations. Even if a word is misspelled only 1%, 2% or 3% of the time, it's a lot of customers to lose.

Inferior Domain Names

Taglines as Names

One of Amazon.com's taglines is "Worlds Largest Bookstore," which is great as a tagline. There is also the problem that people will try to type in the apostrophe in World's. But WorldsLargestBookstore.com is not a good domain name. It's long, three words, and descriptive. WorldsBestBooks is not a great name either for the same reasons.

One of Amazon's competitor's is "AllBooks4Less.com." AllBooks4Less.com also has a tag line which is "The Worlds Bargain Book Source."

Taglines are almost inherently and obviously long.

Taglines are usually generic and descriptive and can't be trademarked. BooksforLess.com has a very weak trademark case if some else uses AllBooksforLess, Booksformuchless.com, Cheapbooks.com and so on.

One reason people often use taglines as domain names is that they are usually free. This means that the image is associated with fly-by-night companies.

In my opinion, even if you want a free domain name, you can usually find a better two-word name or a generic plus name for free.

Instead of a tagline as domain name, consider a generic plus name that suggests the same thing. CarMax could have been named LargeSelectionofCars, but CarMax suggests the same. AllBooks4Less could have been named BudgetBooks.com or something more suggestive.

Inferior Domain Names

Homophones – words that sound alike

Made.com sounds like Maid.com. Homophones are words that sound alike but are spelled differently for different meanings. For example, Jerry Seinfeld made it with his maid in one episode. The domain made.com was advertised on the home page of GreatDomains.com for over half a year with no takers.

Every time the domain name is communicated by voice, people will have be told that it's "M" "A" "D" "E" .com - not "M" "A" "I" "D" .com, and people will still misspell the name. This will eliminate the possibility of radio advertising and reduce spoken word of mouth advertising.

I once received a phone call. The caller said he was from "iWAITless.com," but what I heard the first time was "iWEIGHTless.com." I did not want to look like an idiot asking how to spell weight, but "I weight less" did not sound right to me. I only found the correct name when I received a follow up email. The company also has WaitLess.com, but I suppose they can't use it without being mistaken for a weight loss company. The company is actually about ordering in advance to spend less time in lines.

Homophones are fairly common. There is fair and fare. There is their and there. There is knight and night and thousands of others.

Homophones are so common that there are entire (small) dictionaries of homophones. There are also dictionaries of rhyming words, which are less confusable than homophones, but still confusable. Arrhyming dictionary may include homophones since they rhythm perfectly – but rhyming dictionaries are often incomplete.

Before you purchase a domain name, make sure it's not a homophone by using both a homophone dictionary and your knowledge of the English language.

Inferior Domain Names

.net, .org, .biz ... and other TLDs.

The .com extension is the best and only suitable extension for serious businesses. Avoid .net, .org .biz. and other vanity extensions, which are officially called Top Level Domains or TLDs.

First, not having the .com is one more thing customers will have to remember. If you had Hotels.NET, people will have to remember that you are Hotels.NET, which is two things to remember.

Second, customers will be lost to the owner of the .com. If you had Hotels.net, perhaps 10% to 20% of your customers will type in Hotels.com by mistake.

Third, this signals customers that you could not afford the .com name. Having Hotels.Net tells customers that you are second-rate compared to Hotels.com.

Fourth, if your business grows, you may end up buying the .com name at a huge premium, as Gateway Computers did. You might not even be able to purchase the .com at any price if it is owned by a going business which Hotels.com is. If the .com is owned by a speculator, the speculator will realize that your options are limited and demand a premium.

Fifth, some customers may not know what the newer extensions are. While every computer-literate person understands that Widget.com is a domain name, some people may not understand that Widget.us is a domain name.

Sixth, using one of the newer extensions will tell customers or imply that your business is new. Since the .us TLD were only available commercially since 2002, using a .us TLD will tell or strongly imply that you were not in business before 2002.

Inferior Domain Names

Domain names that sound like verbs or adjectives.

Domain names must be speakable and not confusable for word of mouth advertising, radio advertising and other publicity. Imagine the following conversation:

"Go to GoTo."

"Where should I go to?"

"Go to GoTo.com."

"I mean visit the site GoTo.com."

"Then check out GreatSales."

"GreatSales on GoTo.com?"

"No. I mean GreatSales.com."

"Then try BestDeals."

"What best deals?"

"The best deals on GreatSales.com?"

"No. Check out BestDeals.com."

"Checkout.com?"

"No. Look at BestDeals.com."

Inferior Domain Names

Numbers in domain names such as Toys123.com, 123Success, MD55, OneZoo and Zebra1

First, numbers are similar to homophones in that they have two spellings – one with the number (1) and the other with the number spelled (one). Is the domain site Widgets1.com or WidgetsOne.com? This can be solved by purchasing both domain names. But numbers have other problems.

Numbers are difficult to remember. Can you remember any of the names at the top of the page? Were they 123Toys.com, ZooOne, Success123.com, MD50, and OneZebra? (Answer – they were all changed from the top.)

Very few offline names use numbers other than "one" or "first." While it's easy to think of examples such as Motel 6 and WD-40, these are exceptions out of millions. If offline products rarely use numbers where memorability is less important – even fewer online businesses should use numbers.

Numbers are often selected to have a short domain name. M8A.com may be unregistered and free. But it's more difficult to remember than three unrelated words. A short name to type should not be confused with a short name to remember.

Numbers often lack distinctiveness. There was a joke in the movie "There's Something About Mary" about a hitchhiker's plans for a 7-minute workout as better than 8-minute Abs. The driver brought up the possibility of a 6-minute workout. Without giving away a subplot to the movie, numbers usually lack distinctiveness.

The possible exceptions are when the numbers mean something, such as Live365.com. But even this takes a long time to pronounce. One or first usually means the best. For banks, first may mean the first in time.

Why Inferior Domain Names Happen

Why do so many firms use inferior domain names? Although total lack of effort by fly-by-night Web sites is one reason, more often simplistic theories lead to "fool's gold" domain names. Don't follow in these footsteps.

Often, people copy a large company's name style or are inspired by a large company's name. Initials and coined names (Exxon) are examples. The difference is that a large company has millions to spend on marketing and you don't. The large company's name may be based on names popular 100 years ago – their legacy name.

Of course copying a name too closely – not just copying the style – also is trademark infringement. Even if BidBay.com was not forced to change by eBay's lawyers, BidBay.com's name says it's a second-rate copycat.

Creative naming consultants who specialize in making up new fanciful words love new coined words and recommend them in their books. These creative names are better for drugs (Viagra), consumer products, and companies with multimillion-dollar advertising budgets that can add a new word to customers' vocabularies.

A trademark lawyer, a lawyer who took one intellectual property course, or a book by a trademark lawyer will suggest using a word never used by anyone else – a new coined word – to reduce the risk of trademark conflicts, which is true. Unfortunately a new coined word also minimizes the chance that people will remember it. Note that both lawyers and creative naming consultants like new fanciful words – but for different reasons.

Hubris and amateur do-it-ourselves naming often leads to discovering "fool's gold" domain names. "We found this great name, and it was free." This reminds me of someone who had his wife make his TV commercial for free, but wasted \$100,000 broadcasting the third-rate commercial. An inferior domain name is a drag on all your other efforts.

Inferior Domain Names

Apostrophes, ampersands, hyphens & other characters

Special characters can't be used in a domain name other than the hyphen or dash (steve-baba.com), which is not advisable to use. The domain name has to be spoken "Steve Hyphen Baba dot com." Many people don't know the difference between a dash and a hyphen. The hyphen is often called a dash, which adds to the confusion. (A dash is longer than a hyphen.)

People will wonder why you don't have the name without the hyphen. Customers will be lost when they fail to enter the hyphen in the name. The easy solution to hyphens is just not to use hyphens in names.

Apostrophes in existing names are not as easy to avoid.

JohnsWidgets.com could be mistyped in proper English as John'sWidgets.com.

StevesBar.com could be mistyped in proper English as Steve'sBar.com.

People will mistakenly type in McDonald's.com (with the apostrophe) instead of McDonalds.com. For McDonald's, people may realize their mistake, realize that McDonalds has not gone out of business, and try again.

But for a company named are JohnsWidgets.com, people may think that 1) John's Widgets has gone out of business, 2) think that they have forgotten the name – Maybe Jon'swidgets.com and/or 3) just not make the additional effort.

Unless you have a legacy name with an apostrophe, I would avoid any name with an apostrophe.

Another problem is the ampersand (&) as in Smith & Sons. The ampersand can't be in domain names. The & is usually spoken as "and." A domain name could be SmithandSons.com. Unless you have a legacy name with an ampersand, I would avoid any name with an & or "and."

Don't Make Me Think About Using Your Web Page or Your Domain Name

The title of an informative book on Web usability by Steve Krug is "Don't Make Me Think." "Don't make me think" is also his first law of usability:

It means that as far as is humanly possible, when I look at a Web page it should be self-evident. Obvious. Self-explanatory. I should be able to 'get it' – what it is and how to use it – without expending any effort thinking about it.

While Web usability is not branding or domain names, the same advice – don't make people think – applies.

Don't make people think if you have the .com or the .net.

Don't make people think if you spell your name Steven or Stephen. Use an easy to spell name such as Steve. Don't make people think if you are Cars4sale.com or Carsforsale.com.

Don't make people think if your Web site is Widget.com (singular) or Widgets.com (plural).

Don't make people think that IAAA stands for I Am An American.

Your Web page, your business and your domain name may be very important to you. But to your customers and potential customers – your business is just one of thousands of others.

Make people think as little as possible. Taken to extremes, this would suggest generic names, but these have problems discussed elsewhere. Too many generic names make it difficult for consumers to distinguish between the generic names.

WWWRRR.com sounds like a site developed by a child. That would be almost correct. WWWRRR.com employed about 120 people and burned through \$15 million in funding before ceasing operations in 2001. WWWRRR stood for World Wide Web Reading, Riting, Rithmetic. It was an educational site. WWWRRR.com is also difficult to say, limiting word of mouth advertising.

Short Case Study – Domain Names of Web Hosting Firms

Web hosting is a highly competitive field. It is possible to enter the Web hosting business as a reseller with an investment of under \$1,000. Over 4,000 Web hosting firms are listed on Yahoo.

Web hosting is largely differentiated by the reliability quality of the hosting – which is extremely important to business Web sites. If Web sites are down or slow even 1% of the time, sales will be lost. People also want a Web hosting firm that will be in business six months from now. If a Web hosting firm goes bankrupt, it's time consuming to find a new host and resetup the site, not to mention any downtime.

Web hosting firms use the traditional methods of signaling quality to consumers: testimonials, warranties, endorsements from technical magazines and so forth. Image is also a signal of quality. Firms concerned about their image and spending money on advertising to earn a good image are less likely to damage their own image by providing low-quality service.

A more extreme and controversial view is image over reality. The image of reliable service may be more important than the actual reliability.

In addition to the thousands of small firms, large companies with famous brands such as Dell and IBM now provide Web hosting. These firms are extending their brand name.

The number of competing Web hosting firms also makes having a memorable name crucial. If a potential customer forgets a name, he is likely to find a competitor before remembering the forgotten name. Having a memorable domain name is also crucial for word of mouth advertising (buzz).

With thousands of Web hosting firms, only the names of a fraction can be discussed here. The following sample is biased towards and contains proportionally more of the larger firms.

Hostway.com – This is a generic plus style of name.

Timehost.com – Another generic plus name.

Both Hostway and Timehost lack distinctiveness. Other companies may use "host," "way," (GateWAY) and "time" in their names.

Fatcow.com – This is two unrelated words.

BlueGenesis.com – Another two unrelated words.

Because FatCow.com is only six characters long, FatCow.com is more impressive than the eleven-character BlueGenesis.com. Both names are slightly edgy. But both names face the risk that fat or blue may become dated. Genesis could be confused with genie.

AIT.com stands for Advanced Internet Technology. As with most initials, this name is difficult to remember. This is a leading Web hosting company with full-page advertisements in the major computer magazines. This company was formed by former military men, and has a good reputation. But it appears they carried their military taste for acronyms to business. Initially they were using longer initials with a .net name. This is one company that lost millions of dollars in business because people could not remember or recommend their name.

ADDR.com is another visible company that uses initials or is it the unpronounceable beginning of ADDRESS?

The generic named Hosting.com is a subsidiary of Allegiance Telecom. Hosting.com has little visibility. With the meltdown in the telecom industry, Allegiance's stock has fallen from a peak of \$100 to under \$1. The decline or bankruptcy of many generic-named Internet firms has tarnished the image of generic names.

With thousands of Web hosting firms, there are literally thousands of firms with inferior names. Below are a few:

Host45.com – Read "host forty five" – Three "words."

123easyhost.com – Why not 123host.com or easyhost? No distinctiveness.

Click4host.com – Is it 4 or four or for? Not distinctive. 3 "words."

Sgbiz.net – Initials and abbreviations and .net.

How much is a great domain name worth to a business?

A simple rule: 1% of sales

If a great domain name compared to a good domain name will increase sales 2% and the margin is 50%, then a great domain name is worth 1% of sales.

For example, a domain name that will increase profits 1% in a \$10,000 business is only worth \$100 to that business.

If that same domain name will increase profits 1% in a \$100,000 business, the name is worth \$1,000 to that business.

If the same domain name will increase profits 1% in a \$1,000,000 business, the name is worth \$10,000 to that business and so on.

But, this is only the demand side of supply and demand analysis. Price is determined by both supply and demand. A \$10,000,000 business is not going to pay \$100,000 for a domain name if similar domain names are available for \$10,000 or less.

In some businesses, such as pure-play dotcoms where consumer branding is important, a great name may increase profits 2%, 3%, 4%, or even 5%. In other businesses that are more offline than online and branding is not important, a great name may only increase sales a tenth of a percent or less.

In theory, one should take the present value of expected sales over the life of the product/business. However, since most new products/businesses fail to earn a profit, I am using a certain 1% of 1-year of sales instead of expected sales over several years. Therefore, the 1% rule is somewhat conservative.

There are two implications of this rule, one obvious and one not so obvious.

First the obvious. Your maximum budget for a domain name should depend largely on your expected online sales. If you are trying to run a \$100,000/year online business, \$1,000 is about the maximum you should spend on a domain name. If you are trying to run a \$1,000,000/year online business, \$10,000 is about the maximum you

should spend on a domain name. Of course this should be adjusted by how important branding and image is to your business.

The second, but less obvious, point is that this 1% rule gives you an idea of the maximum others are willing to pay for a domain name. If other firms are about the same size as yours, the maximum they are willing to spend is about the same as yours.

There are far more part-time \$10,000/year businesses than \$100,000/year businesses. Likewise, there are far more people scratching out a living with \$100,000/year businesses than \$1,000,000/year businesses. Likewise, there are far fewer businesses with online sales of \$10,000,000 a year – and these already have legacy names and trademarks.

This means that others trying to purchase similar domain names most likely have sales of \$10,000 to \$100,000 to maybe \$500,000 maximum and are probably only willing to pay \$100 to \$5,000 maximum. Very few businesses are willing to pay \$10,000+.

Of course there are a few large corporations trying to buy domain names to launch new product lines. This is the hope of many domain name speculators. “I hope General Motors will want GreatCars.com and pay me \$100,000.” This is usually a false hope, but you may encounter it.

The big company will pay me \$100,000 is usually a false hope because it ignores the supply side. This is similar to the water-diamond paradox in economics. Why is water so inexpensive when it is essential? If people had to, people would pay \$10/gallon for water to live. Diamonds, while beautiful, are not essential but they are expensive. The answer is that the supply also matters.

More realistic speculators have a more realistic but a very long-shot hope that a large company using expensive naming consultants will pay \$10,000 to \$20,000 for a domain name to stop the search process, since it costs consultants and executives thousands of dollars to evaluate each name.

The Cost To Change A Name

Once a name is promoted and becomes known to consumers, it becomes more difficult and expensive to change. First a new name has to be selected and purchased.

Then there are the “menu” costs of changing the printing on menus, catalogs, letterheads, signs, logos and so on. A logo has to be redesigned. These may cost 1% of sales.

There is the marketing cost of informing customers and running a renaming marketing campaign. There may be some customer confusion and some loss of brand equity (goodwill). This may cost 3% to 9% of sales.

This 5% to 10% rule is also very approximate. The cost of changing a name is the reason why many firms don't change a limiting legacy name.

The most common mistakes that force people to change their name are:

- 1) Trademark problems.
- 2) Choosing a fad name.
- 3) Choosing a non-serious name for a small company.
- 4) Outgrowing a generic or descriptive name – such as expanding beyond computers or cheap.
- 5) Choosing an inferior domain name.

If one becomes involved in an expensive trademark legal dispute, the cost can rise. But punitive damages are rare except in cases of intentional or willful infringement. Usually having to change the name is the only legal penalty (and pay your lawyers).

Going from a good domain name to a great domain name may be worth only 1% of sales. But choosing a terrible domain name may cost you over 5% of sales. The downside risk is more than the upside.

Resell Your Name and Get Some of Your Money Back If Your Plans Change

Or it's not all money down the drain.

In addition to contributing to your brand equity and profits, a quality domain name is an asset that can be resold if your plans change. In other words, your investment is not money down the drain.

If you purchase a quality one-word domain name for \$3,000, you may be able to sell it for \$3,000 if your business fails.

This only applies to quality domain names. The market price for domain names may rise or fall like the stock market or any other market.

Because the domain name market is a thin market, don't expect to sell the domain name right away.

Also, if you overpay for a domain name, because you want that one specific name, don't expect the next person to overpay you. Overpaying usually happens with generic domain names and clever or fad domain names.

Of course, if your business is a success, your investment, say \$3,000, is tied up in the domain name.

The cost of investing in a domain name is one of the few marketing costs that can be recovered in the case of failure.

Still, many businesses don't want to invest the cost of one advertisement in their name. A quality domain name is one of the bargains in marketing.

Domain Name Prices

How much does it cost?

Teenage juvenile drug dealers often make boastful claims that they make \$10,000 a week, which are reported in the press. Likewise, domain name speculators often make claims to have made \$10,000+ and the most extreme claims are reported in the press.

Have 15-year-old drug dealers made \$10,000 in a week? Maybe one out of a hundred had a \$10,000 week, in addition to bad weeks when they made little or lost their "investment" to the police, rivals or bad debts – similar to a cybersquatter losing a domain name.

Does the average 15-year-old make \$10,000 a week selling drugs in the ghetto? Does the average domain name sell for \$10,000?

There are two ways to look at this. One way would be with statistics. It would be rather easy to show that nurses don't earn \$10,000 a week with statistics. However, drug dealer don't report their income. Likewise, there is a dearth of statistical information on domain name sales.

There are examples, but no comprehensive statistics. It may be possible to point to a few true cases where teenage drug dealers actually earned \$10,000 in a week. Likewise, it is possible to point to the many cases of teenage drug dealers earning only \$100 per week. But without comprehensive data or some knowledge of the distribution, it's difficult to determine the average from small biased samples. Likewise, it's possible to point to examples of similar domain names selling for \$100 (a fire sale at an auction), \$1,000 (the most common price), \$10,000 (one out of a thousand) and \$100,000 (one out of a million).

The other way is to look at the supply and demand. Is \$10,000/week an equilibrium price for teenage drug dealers? The supply of teenage drug dealer – at any high school in the country – is so large that no top-level dealer would pay them \$10,000 per week. In economics terms, it's not an equilibrium at \$10,000 per week. Likewise, the high prices reported for domain names are not equilibrium prices.

Reported High Prices Paid for Domain Names

It's a matter of supply and demand. There are 30,000 words in a small dictionary and 150,000+ words in a college dictionary, but not 10,000 businesses are willing to pay \$4,000 for a domain name.

Since there are no comprehensive statistics on the prices of domain names sales, a few reported sales can skew perceptions. These high prices are from:

1. Dueling Trademarks. Many of the high prices paid for domain names in the past were paid because trademark owners wanted the domains. Trademark infringement, now known as cybersquatting, is illegal, but if one legitimate trademark owner, such as Gateway Computers, wanted a domain name (Gateway.com) from another legitimate trademark owner (Gateway Consulting), they often had to pay six figures. These high-priced sales reflect the value of the preexisting brand and not the value of similar domain names.

2. Fake Auctions. Many of the reported sales and auctions are fraudulent. In the 1970s, unique historic cars were auctioned off several times to fake buyers, creating the impression that the cars were worth many times their true value and obtaining publicity. Eventually a victim became interested and purchased at an inflated price. Today, it's the same scam with domain names. Since scammers can bid on their own auctions with multiple online names, it's even easier online. It has been my observation that over half of today's domain name auctions have fake bids by the seller or his friends.

3. The Top 100 Names and Sales for Stock. There are a very few domain names that are worth six figures. There have been a few dozen high-profile sales, but most of these were for stock, not cash. I might even pay "\$1 million" for Sex.com if they took near-worthless stock in my private company.

4. Outright Hoaxes. Then there are outright hoaxes done just get in the paper.

In short, the perceptions of many domain name speculators are warped by some examples that don't apply to them.

How To Search for Domain Names For Sale

Wish List or Thrift Shop

There are two ways to search for domain names for sale. One way is to make of list of desired domains names – a wish list. Then working from the list, you research the names. Is someone using the domain name? Does the name have trademark problems? Is the domain name for sale? Most owners are willing to sell for the right, high price.

The wish-list method is necessary when there is a short list of domains that you are interested in. If a first-class generic domain name is desired, the wish list may contain only a half-dozen generic terms. If a generic-plus domain name is desired, a wish list may contain a hundred names.

The wish list method can also be used for arbitrary or suggestive dictionary words. Go though a dictionary or thesaurus and develop a list.

It is advisable to keep a written list to avoid rechecking domains that were previously ruled out. After looking at a few dozen names, it's easy to forget especially if the naming project is done intermittently in between other work.

The other way is to see what domains are for sale cheap. I call this the **thrift-shop method.** **You will find great bargains but your choice will be limited.** You will also end up looking at a lot of junk domain names for sale.

One can use both the thrift shop and wish list method to search, but the best method largely depends on what you are looking for.

If you are looking for something specific, such as a painting by a specific painter, you would have to be rather lucky to find it in a thrift shop. On the other hand, if you just want any painting of an ocean, you are more likely to find one in a thrift shop. And if you are willing to take any great looking painting to fill up an empty wall, you can always find something bargain-priced.

The Domain Name Wholesale Market

There is a wholesale market for domain names. But it's not a market for buying in quantity for a discount. Since every domain name is different, even the concept of buying in quantity is questionable.

The domain name wholesale market could be defined as either 1) speculators selling to other speculators or 2) speculators desiring to sell fast.

The retail market is a speculator selling to a final user. Final users generally pay the most, but a final user may not appear for years, if ever – It's a very thin market. Final users lose in the bargaining process because speculators know that final users are willing to pay more than other speculators.

Because of the chance of never selling (retail) to a final user and the time it takes, a speculator will only pay a fraction, a half or less, of the retail price.

The reason a speculator will sell to another speculator is to have the cash now, even if it is only a fraction of the cash he could get by waiting maybe years for a final user - the bird in the hand theory. Sometimes speculators tire of being in the business or have to sell their names for legal reasons such as divorce or bankruptcy. Other speculators specialize in obtaining dropped domain names, but don't want to hold the names for years. Other speculators just like to trade often like gamblers and lack patience.

There are many bargains to be found in the wholesale market – but the drawback is that choices are limited – It's the thrift shop approach.

The key to winning in the wholesale market is to be willing to accept a wide variety of names. For example, if you are looking for any short one-word dictionary name, you can probably find one on the wholesale market.

On the other hand, if you are looking specifically for Widgets.com, iWidgets.com or eWidgets.com, you are unlikely to find it in the wholesale market.

Where is the wholesale market? It used to be mostly on Afternic.com, but is now dispersed on several sites, some that come and go. The wholesale market may include some auctions on eBay. Dnforum.com (Domain Name Forum) is a popular message board after the fall of Afternic, but the way things change on the Internet, it may be gone by the time you read this. A search such as a Google groups search for "domain name for sale" or "domain name speculating" should yield several active message boards.

If a speculator wants to sell a domain name fast, he or she will usually put it up for auction on eBay, some other auction site, or ask for email bids. A speculator may also post "for sale" messages on domain name forums such as:

"ok, I am in desperate need of cash. I am prepared to sell costs.com for \$775 (firm). Email me at [email address omitted for book] if you would like to do this sale immediately. I have had people email me that they are willing to buy the name for \$1,000, but they want to wait a while. Unfortunately I need the money now. So don't email me if you arent interested in doing the deal in a hurry."

The above Costs.com sold in a day. Most sellers will put their domain names up for auction for 5 or 7 days. The auction process is the easiest since all one has to do is bid. You don't even have to take the trouble to write emails in the negotiation process.

Also the auction process does require you to say anything that may tip the seller off that you are a final user and not a speculator. While the seller does not care one way or the other if you are a speculator or a final user as long as you pay, the seller may realize that a final user may pay more and try to increase the price.

Avoid asking beginner's questions, such as how to transfer the name, that may tip off the seller that one is a final user.

Domain Name Auction Tricks – Part 1

Hidden Reserves

One common legal sales tactic is to auction domain names with a high hidden reserve price. The reserve price may even be as high as the buy-it-now price.

For example, Widgets.com could be listed with a starting bid of \$1 and a hidden reserve price of \$10,000.

Bidders do not know if the reserve price is \$500, \$1,000, \$5,000 or \$10,000. Consequently, bidders could lose a week of time hoping to buy Widgets.com when it's really offered for \$10,000 – expensive and out of their price range.

Sellers do this because the auction generates exposure for their domain name. The cost to list a domain name for sale on an auction site is only a few dollars. The more expensive commission to the auction site does not have to be paid unless the item is sold.

In 2002, a seller could list a domain name 52 times, every week for a year, at a cost of about \$160 on eBay. It's really advertising the domain name for sale, not a real auction. In 2003, eBay imposed much higher fees on reserve auctions because of this problem.

The only loss to you is if you waste weeks trying to win a name cheap at some of these auctions. The seller is just waiting for a big-spender to come along.

To counteract this, see if the same domain name has been "auctioned" previously. Also look at the seller's past auctions.

You can always ask the seller what the hidden reserve is, but he is not obligated to tell. I have found that usually a polite email saying that you are interested in purchasing the domain name, but you have to make other arrangements if the name is out of your price range, elicits the reserve price.

A hidden reserve does not violate auction rules and is ethical, but the next section explains unethical hidden-reserve auctions.

Domain Name Auction Tricks – Part 2

Shill bidders instead of hidden reserves

Since official hidden reserve prices developed a reputation for having overpriced items that rarely sell, many potential buyers avoid auctions with hidden reserves.

This applies not only to domain names but also to other high priced items. What's the point of bidding on a radio if the reserve price is higher than the price at the local Circuit City store?

It is common to see "No Reserve" on eBay auctions, not only for domain names but many other items. Saying "No Reserve" tells bidders the seller is serious about selling the item. The item will sell. Bidders are not wasting their time bidding. In other words, someone will get the domain name, the radio or whatever is for sale – At least one bidder is not wasting his or her time.

Of course some unethical people thought, I want both to have a reserve price and I don't want to tell potential customers that I have a reserve price since that will scare them away.

The unethical and unlawful solution is to use a shill bidder to bid the item up to the reserve price. The shill bidder can be the seller himself using a different online name. If the bidding by real bidders goes above the shill bidder's bid (the real reserve price), the item is sold.

If the bidding by real bidders does not go above the shill bidder's bid (the real reserve price), the shill bidder wins the auction. While unlawful in most states and against auction rules, when the shill bidder does not purchase the item, the auction house almost never takes any action against shill bidders and does not track down shill bidders and make them pay.

Shill bidders are usually new bidders with low feedback – but not always as explained in the next section.

Domain Name Auction Tricks – Part 3

Shill bidders to create the impression of value

Another unethical use of shill bidders is that they create the impression of value. If three other people are bidding for the domain name and willing to pay thousands of dollars, the domain name must be worth thousands of dollars. Right? Wrong.

Shill bidders usually have a low feedback because they are by definition not real bidders. However, sometimes sellers develop “reputable” shill bidders with significant feedback.

These good-feedback shill bidders keep their feedback high by never being the shill bidder who wins and defaults on an auction.

A throwaway account is used for the high, winning shill bidder who will default on the “purchase.”

For example, I could have three eBay accounts: one account to sell my domain names and two other accounts that I use for buying small items and earning good feedback. Or I could ask my domain name speculating friends to bid on my auction.

I could then auction ForSuckers.com. I would use my second and third account to bid on the item I am selling. It looks like two people with good feedback are willing spend \$500 or \$600 on ForSuckers.com.

If someone wants to buy ForSuckers.com at a price that I am willing to sell, I stop bidding – or could take a chance on bidding him or her higher. If someone does not want to buy the domain at a price that I am willing to sell, I would then use a throwaway account – one that I am going to abandon – to place the last winning bid. Eventually the throwaway account gets kicked off eBay, but then another throwaway account is used.

It's not the most serious fraud in the world, since at worst the buyer overpays – It's not like someone pays \$1,000 for a diamond ring and receives cubic zirconium.

The auction house such as eBay gets paid the same listing fee if the item sells or not. The auction house, such as eBay, actually gets a percent of any sale whose price is inflated by shill bidding.

If a domain name is sold for \$2000 instead of \$1000 because of shill bidding, eBay actually makes more money on the sale. But eBay's reputation may become tarnished by shill bidding, and it's not clear if eBay financially benefits or not.

In any case, it's not the auction houses highest priority to cut down on shill bidder – but they have been making some efforts. In most cases, people do not realize that they have been the victims of shill bidding and don't report it. But it's a cat and mouse game between the auction sites and shill bidders.

This shill bidding also contributes to the perception that domain names are valuable. When people see hundreds of these fake shill bids on dozens of domain names, they may think these names are really worth thousands of dollars – when they are nearly worthless.

Domain Name Auction Tricks – Part 4

Using shill bidders to drive up the price

Once a real bidder is in the auction, a shill bidder can be used to bid against the real bidder to increase the price.

Suppose the maximum that you are willing to bid is \$2000.

Suppose the second real bidder would have bid \$1000. You should have won the auction at \$1001 (or \$1000 plus the bid increment).

The seller using a shill can bid up to \$1999 – but he does not know that \$1999 is the most he can bid. The seller/shill might guess and bid up to \$1600. You would win the auction at \$1601, \$601 higher than you would have paid in a shill-free auction.

Suppose the shill/seller bids \$2100, and you don't top it. Is the seller entirely out of luck?

The seller can then email you saying the other (shill) bidder did not go through with the purchase and he would be happy to sell it to you for \$2000. By emailing you, the seller may also avoid paying the auction fees. But you are not legally obligated in this case. But \$2,000 is twice the amount that you would have paid in a fair auction.

A variation of this is to use two shill bidders. One shill will bid high then cancel his bid just before the auction ends. The second shill will then use the information that you bid up to \$2000 against you to drive the bidding to \$2000. Beware of any canceled bids. The way to defeat this is to bid near the end of the auction when there is not enough time to cancel bids. The downside to this is that you may be legally obligated to purchase since the high shill bidder cancelled before the end of the auction.

Aside from the ethics of some domain name speculators, shill bidding happens more with domain names because it's a thin market with few bidders. In thick markets – markets with many bidders – sellers can rely on other real bidders to drive up the price.

Unclaimed Domains or Dropped Domains

One-word domains worth \$5,000 for free?

Technically and occasionally, it is possible to obtain great domain names worth \$500 to \$5,000 for free (the registration fee of <\$35).

Companies go out of business and don't reregister domain names. People lose interest after years of paying the registration fee and don't renew their domain names. Some people just forget to pay the annual fee and lose their domain names.

As with all other great bargains, others know about the bargain and competition to get the bargain occurs. Specifically, domain name speculators know what domains are expiring and invest much time, effort and money to get the great names. This is similar to people waiting in lines for days to obtain concert tickets.

Just as there is a cottage industry of ticket resellers (ticket scalpers), there is a cottage industry devoted to getting unclaimed domains. For more information on these firms, search under "dropped" or "expired" domain names.

In short, because of competition, you are unlikely to get a \$1,000 name for free unless you are very lucky or spend a lot of time. These domain speculators know what they are doing and you are unlikely to be able to compete with them in their field.

What you can do is buy a domain from one of the domain speculators or hire one of the companies to help you obtain a great one-word dropped domain – similar to dealing with ticket scalpers.

Several of the companies will take bids on domains about to expire or drop in the domain lingo. Then they will TRY to obtain the domain for you. In general, you pay them only if they are successful in obtaining the domain name for you.

But the rules of the game are constantly changing. Verisign is trying to monopolize the expiring domain market with a new Wait List Service and charge with no promise of success.

Unclaimed Domains or Dropped Domains

\$500 domains for free?

While competition for expiring domain worth \$1000 to \$5000 is heavy, there is less competition for expiring domains worth only a few hundred dollars retail.

Two-word domain names are also more likely to drop – not be reregistered – because they are not as valuable to hold on to. Domain names worth only a few hundred dollars retail are unlikely to be snapped up immediately by speculators.

If you notice an interesting domain name that is about to expire, you may wish to put a \$35 bid on it with one of the snap-back name services.

You can also wait for the name to drop and manually register it for the registration fee, which may be as low as \$10. This is what some speculators do.

If a name was highly valuable to speculators – that is they are sure they could sell it – they would pay \$35+ to have a company constantly monitor the name and try to buy it the minute it dropped. But the speculators' problem is that only one out of ten names may sell. If a speculator can buy ten names for \$10 each, he has only invested \$100. If a speculator pays \$35 for ten names, he has invested \$350 in ten names.

To get a jump on the speculators, use one of the services that monitor expiring domains.

For a few years, I was watching the name InternetEconomics.com, which eventually expired. But by the time it expired, the Internet bubble burst and anything with an Internet in the name lost much of its value.

Unclaimed Domains - Warning

If someone just forgets to reregister their domain (pay the annual fee) and has been using the domain name with an active Web site, they may have a common-law trademark in the name.

People unintentionally let their domain names expire by not responding to bills for the annual registration fee. How can someone forget to pay his or her bill? They may have moved and not updated the contact information. Their email address may have changed. Sometimes bills are lost in large companies. Even Microsoft forgot to pay their domain name bill once. I have seen large bankrupt dotcoms lose interest and not renew their domain names.

The best case is if the previous owner never used the expired domain and never established any common-law trademark rights to the name. The previous owner could have been holding the name for speculation or been holding the name for a project that never happened.

If the domain name is 100% generic or 100% descriptive, there may be no trademark rights. The previous owner may have been in a different industry than yours – minimizing trademark problems.

There is a cottage industry of cybersquatters that purchase expired domain names partly in the hope of selling the domain name back to the original user. This is unlawful, but it's quicker and cheaper to pay a cybersquatter \$500 to get a domain name back immediately than using mandatory arbitration, which costs \$1,000+.

With all domain names and especially for expired domains, you have to make sure the name does not have trademark problems. Trademarks don't expire immediately just because a company stopped using the trademark.

To research the old use of a domain name, use Archive.org. Use a search engine to see if anyone linked to or described the domain name in the past. Alexa.com may also be useful for recently active sites.

The Problems With Domain Name Brokers

The rise and fall of GreatDomains.com and AfterNic

The two largest domain brokers were GreatDomains.com and Afternic.com. GreatDomains.com is owned by Verisign (formerly Network Solutions), and Afternic was owned by Register.com. Both Verisign and Register.com are publicly traded companies as of 2002 and both reportedly made hundred million dollar investments in their brokerages.

GreatDomain's and Afternic's plan was to become the eBay of domain names and earn a percentage of every sale. The plan seems to have failed for several reasons.

First, buyers can find sellers using Internic's (www.internic.org) Whois or other Whois tools. The value added by the brokerages is limited.

Over 75% of domain names are for sale, but only a fraction were listed on GreatDomains or Afternic. It's easier to search for domains for sale by using Whois and emailing the owner. Using Whois and email, one also does not have to pay a 10%-15% commission to GreatDomains or Afternic.

Listing the domain on GreatDomains or Afternic could be taken as a signal of cybersquatting and used against the seller. Many sellers are afraid to list with brokers for this reason.

GreatDomains and Afternic are finding that earning 10% - 15% on the small number of \$1,000+ domain name sales is not enough to support a business.

There are many smaller brokerage sites, set up by speculators, which are part-time virtual businesses. These vary widely in quality from those just trying to sell their own domain names at exorbitant prices to real marketplaces. As of late 2002, PerfectName.com had some bargains but given the nature of the marketplace, things may be different by the time you read this. Active smaller brokers may be found on domain name forums (dnforum.com).

Finding the Domain Name Owner

If you are using the wish-list method, you have a list of domain names that you want.

The first thing to do is type in the domain name online and see if the domain name is being used. There could be:

- 1) A professionally developed Web site. Unless it's the Web site of a small company and you don't mind paying a premium of \$10,000+ for them to change their name, try the next name on your list.
- 2) A pay-per-click advertising page. This may be a link to a search engine, a link to a gambling site, or a link to any other site that pays the domain name owners a few cents. This says I am making a few cents per click, but I would be willing to sell. It also says that I am a speculator since I have taken the trouble to link to another page.
- 3) A minimal site developed in an evening. The site could have been developed to protect against cybersquatting claims.
- 4) A hobby site.
- 5) A "Coming Soon" or "Under Construction Sign." This could be owned by a speculator or a business that just never got around to using the domain name.
- 6) Nothing. The name could be unregistered or a default Web page was not set up.
- 7) Redirect to a real business. For example Watch.com redirects to NationalWatch.com.

The second step is to use Whois. You can find contact information using Whois. Most registrars provide some form of Whois. If you are not familiar with Whois, do a Google search for "Whois."

Speculators often give fake contact information to avoid being called a cybersquatter. If someone owns 100 domain names and has never set up a real Web site, it could be used against them in mandatory arbitration or in court.

Fortunately, speculators want to sell their domain name – so they provide a working email address. You might be able to email them, but not know who they are.

I have had speculators refuse to give me their name. They may have thought that I was a lawyer gathering evidence for a cybersquatting case. I refused to do businesses with anyone who would not provide a name, but if I really wanted a name, I might do business using escrow of course (Escrow.com).

Often the names and companies listed on Whois are fake names. Speculators often make up a different name for each domain name that they register so that no one can tell that they own other names.

One registrar, GoDaddy.com, started offering private “unlisted” registrations, but I am not sure if this is legal and if will be allowed in the future.

One can then do a Google search on the company and people listed on Whois. If nothing shows up on a Google search, the names may be made up.

Domain Name Speculating

If you are about to pay \$2,000 for a domain name, I can understand the negative view of domain name speculators expressed by a Webmaster in his ezine:

“A domain scavenger is someone who purchases a whole bunch of domain names on the theory that people will want to purchase some of them.... These people are bottom feeders, as they hold useful domains, demand huge prices, and do not provide any real value.”

My view is that speculators perform a socially useful function in keeping valuable domain names available for businesses to choose from.

If domain name speculation and trading were outlawed, businesses, such as yours, would not be able to buy or trade for a better name. If domain name speculation and trading were outlawed, the system would be a first-come, first-serve system where all the one-word dictionary domains names and virtually all of the great names would already have been taken.

A speculator's fantasy is that his domains are worth \$50,000. A businessman's fantasy is that if there were no domain name speculators, I could register a one-word name for free. The truth is that the first 30,000 would have got a one-word name for free and you would be standing in line Soviet style for leftovers.

But we are not here to evaluate the economics of speculation. You can have your fantasy or views, but don't let that interfere with the goal of getting a great domain name.

Actually, I have rather negative views of most domain speculators, not because they are speculators, but because many of them are not that smart or honest as described in the next section.

Domain Name Speculators

All it takes to be a domain name speculator is an Internet-connected computer and a credit card. There is no minimal education requirement to become a domain name speculator. There is no minimal skill requirement, such as knowing how to program or design Web pages. There is no requirement to know anything about business or dealing with people. Even teenage kids can be domain name speculators, as long as they have access to a credit card.

While some domain name speculators are respectable, most domain name speculators are comparable to day traders or gamblers. There is an element of risk involved, a minimal capital requirement, and the, usually false, hope to get rich quick without much work.

Like most day traders and most gamblers, most domain name speculators lose money. Even if you are about to pay a domain name speculator \$2000 for a name he may have invested \$200 in, he may have a dozen other unsold domain names that he also invested \$200 in.

The few domain name speculators that make a profit rarely earn much on an hourly basis. The exceptional domain name speculator may earn \$1,000 a month. But if he spends 100 hours online searching for and buying domain names, that is only \$10 per hour.

A domain name speculator is more likely to be paying off his credit cards than having made a fortune from people like you.

Starting with the self-selection of gambler-type personalities, the thin market and asymmetric information encourages shady business practices and self-delusions (hope) that one domain name they own is worth \$100,000 and "will change their life."

If you start negotiating with domain name speculators on your own, be prepared to deal with some difficult characters.

If you are considering becoming a domain name speculator, there is an ebook "The Insider's Guide to Domain Name Speculation" by Lee Hodgeson (DomainGuru.com).

Cybersquatting and Cybersquatters

In contrast to speculating, cybersquatting is illegal and has no socially useful function. Cybersquatting is purchasing a domain name containing a trademark, such as CBSnews.com, with plans to sell it back to the trademark owner, CBS.

In some cases, there is a fine line between speculating and cybersquatting because some domains can be both trademarks and generic, such as Camel.com. Does camel describe the generic animal business or Camel cigarettes or the Camel airplane?

Since you are choosing a domain name specifically to avoid trademark problems with other businesses, you should have no reason to deal with blatant cybersquatters.

But domain name speculators are highly sensitive to being called cybersquatters, – not because it's insulting or illegal – but because they could lose their valuable domain name. This has resulted in many domain speculators trying to remain anonymous or not making any first moves in selling their names.

The domain name speculator has a similar trademark problem that you, a domain name purchaser, have. The domain name speculator is not a blatant cybersquatter and tries to avoid conflicts just as you do. The domain name speculator also realizes that blatant trademark problems will scare potential purchasers such as you away.

Most domain name speculators will perform a quick 5-minute online trademark search before investing their money. But since their investment may be as low as \$10/year they don't invest much time or any money in the search.

Negotiation – The First Email

Set the price range

While 75% of registered domain names are for sale, only about 25% are for sale at a reasonable price.

If you email someone and just ask if they are willing to sell, 75% may email something like “if the price is right/fair.” Seventy five percent of the time their idea of a right or fair price is five to fifty times higher than yours. You are still at square one.

In general, it is a good idea to let the other side set the starting price in negotiations. For example in salary negotiations, if you state a high salary initially, the business may not look at you – and if you state a low salary, you may be giving money away. But domain name negotiations are an exception to the general rule. And someone has to be the first to state a price.

In domain name negotiations, because of the wide variations in prices – most of the time the seller will start with a very high price if given a chance to. The price may be ten or twenty times the price he would accept.

If you email someone asking if they would be willing to sell in \$1,000 range and they respond back in any positive way, you know that the range is in the low thousands. But it’s just as likely that a speculator will find a “low” offer insulting.

Lee Hodgeson, the DomianGuru.com, also advises:

You certainly don’t want to be spending days negotiating back and forth, so you may as well make your “final offer” in the first e-mail, or just leave a little in reserve to increase the offer and make the deal go smoothly. ... But if the current owner writes back and starts asking for silly money, then just walk away. You have better and more profitable ways to spend your time than negotiate with someone who has suddenly decided they are sitting on a gold mine.

Negotiation – The First Email

Don’t make long-term binding offers and don’t look rich

In searching for a domain name, you will be looking at several domains at one time either from either a wish list or on the wholesale market.

It is important not to make open binding offers on multiple domain names or you could be stuck with 2 domain names – one more than you need.

Since you may have to go through 5 to 10 names, taking just an average of one week on each name would take 5 to 10 weeks of your time. It is essential to quickly move on from undoable deals.

One solution is to make 48-hour offers. This obviously puts time pressure on the buyer. But you can explain to the buyer that it’s because you have other alternatives and not to pressure him and you would be happy allow him a few more days to think about it if he is interested.

Another solution is to make non-binding offers, which really aren’t legal offers but just invitations to offer. The risk is that sellers will take non-binding offers less seriously than binding offers such as, “You can have \$1,000 cash Friday when the transfer happens.” Using legal fine print can make the offer non-binding.

You also don’t want to look rich or look like a large business. If you are starting a part-time business, don’t use your work email from a Fortune 500 company.

If you are a large company, you may want to use a Yahoo or Hotmail email to negotiate. I wouldn’t lie, but I wouldn’t volunteer the truth if you are a large company either.

The seller has no legitimate need for information about you or your proposed use, other than you can pay – which escrow guarantees. It is possible to close a deal, and transfer the registration (title) through most escrow services (Escrow.com) without revealing your business name. Using escrow is standard and recommended.

Negotiation

"I have plans to develop the site, but I might be willing to sell."

This is a common reply to an email inquiry. There are obviously slight variations in the wording, but the message is the same.

"I am working on the Web site, but might sell."

"We have future plans for the domain, but might sell."

They may actually have plans for developing the site or they might not.

Often the reason they say they have plans is to avoid being labeled a cybersquatter.

Saying, "I have plans to develop the site," is claiming that they have a "good faith" fair use to the domain and have not acquired it to resell to a trademark holder.

Many speculators do not want to come out and say, "I bought the domain just to resell it." Some speculators are afraid to come out with a counteroffer for the same reason.

Other speculators will come right out and say, "I bought the name to resell, I am a domain name speculator." This happens more when the domain name is priced under \$2,000. When a domain name is priced under \$2,000 if someone really wants a domain name, they are likely to pay \$2,000 to the speculator/cybersquatter than call a lawyer and instigate a more expensive and uncertain action.

The other reason for saying that they have plans to develop the site is to imply or directly ask to be compensated for changing their plans. "We have a Web site designed." "We have brochures designed." "We are working on a logo." It's a way to ask for money with appearing greedy. It's asking you to do the "fair" thing and reimburse them for their (nonexistent) work.

On the other hand, they could really be developing the site.

Negotiation

Believe none of what you hear and half of what you see.

The saying "believe none of what you hear and half of what you see" applies to criminals. Unfortunately, it also applies to many domain name speculators and even the largest domain name brokers.

The largest companies of course would not lie, especially in print, but they do paint a very rosy picture and stretch the truth.

Just one click from Great Domain's home page, is their list of "Domain Names Sold." "These represent a shortlist of the high profile Domain Names recently sold, and constitute only a fraction of our total Domain Name sales."

The list includes:

Loans.com \$3,000,000,

Birthday.com \$55,000,

and many others that were sold over a year ago before the dot-com bubble burst. The most recent sales were listed with "confidential" prices.

I don't know what your definition of "recently" is, but in the Internet world, over a year ago before the bubble burst is not recently to me. Somewhere else on their site, they explain that many of the high profile sales were partly for stock. Some were for stock in dot-com companies.

With the largest companies stretching the truth, the smaller companies inadvertently or not also do it.

I have heard the same names as examples often. "I know someone who sold a name for \$3,000,000." I ask what was the name, and it's Loans.com.

Appraisals – For Fools and Suckers

Virtually all domain name appraisals are worthless. Domain name appraisals are largely for fools who want to believe that owning a one-word domain name is worth \$250,000 and will “change their life” or for suckers buying domains names.

Jewelry appraisals are typically twice or three times the true retail price (the always-on-sale price). Domain name appraisals make jewelry appraisals look saintly.

Domain name appraisals range from 1 to 100 times the true retail value. Even the concept of a retail price is questionable given the heterogeneous, thin market.

Most, but not all, speculators understand that appraisals are not accurate. As one speculator mentioned in a domain name forum, estimating appraisals as 10 times the value is just “the way it’s done.” It’s more of a sales tool than an accurate appraisal.

Unfortunately for unsuspecting buyers, even respectable companies, such as Great Domains, generate highly inflated appraisals.

Aside from overestimating by a factor of ten, most appraisers perform a very quick appraisal. Many are even computer generated.

As a test, I submitted Shrewd.com, Seemly.com and a coined six-letter word to GreatDomains. Their computer-generated appraisal generated the same result for all three names. Others have submitted the same domain names to different appraisers, and ended up with wildly varying results.

On domain name discussion forums, it’s common to ask for appraisals from fellow speculators. About half the time, appraisals vary from “worthless” to “\$3,000.” Aside from the difficulty of making domain name appraisals and the intentional inflation of domain name appraisals, most appraisals are done by speculators who are bullish on the domain name market, leading to an upward bias.

Negotiation - Dealing With Appraisals

As previously mention, virtually all domain name appraisals are worthless.

When negotiating for a domain name, someone will occasionally say, “This domain was appraised at \$20,000.”

If possible, just ignore the appraisal. Pretend that you did not hear it and just continue with the conversation. Don’t appear shocked or impressed with the appraisal. Don’t ask what company performed the appraisal.

Ignoring part of the conversation is easy to do in an email conversation. **Hopefully the seller realizes that appraisals are wildly inflated, and he is just using it as a sales tool.**

If the seller really believes that the name is worth \$20,000, then you have a problem.

It’s possible to get quick and free amateur appraisals from domain name forums. The drawback is that more than half of the people will give inflated appraisals.

One response is, “Did the appraiser offer to buy it?”

Another response is, “I have a domain name appraised for \$40,000. I would be happy to swap names.” But this only works if you own a domain name. He is unlikely to say yes, but it may drill in the point that appraisals are inflated.

Negotiation - Imaginary Other Buyer

After inquiring if a domain name is for sale and suggesting a price, occasionally, the seller will reply with something like:

“By coincidence, I just received another offer. If you would care to beat his offer of \$2600....”

This is more than just the usual hype: “It’s a great name. Other people are interested in the name.” (But omitting to say he was a domain speculator friend of mine, he did not come up with an offer, or someone emailed me two years ago.)

There are two problems with the other bidder. First, the other bidder is most probably imaginary and the seller is most probably lying. Over 99% of domains names receive no unsolicited offers over the course of a year.

The 0.1% of domain names that receive more than one unsolicited offer are popular generic dictionary words such as computers.com, sex.com and so forth. Most of these offers are low, wholesale offers by speculators or novices.

The second problem is that even if you beat the imaginary offer of \$2600, you could get into a bidding war with an imaginary bidder.

Of course one shouldn’t directly call the seller a liar, since you are not 100% sure he is a liar, a conflict gets you nothing, and it is a waste of your own time and energy.

If you really want the one domain name and the money is trivial enough to you to overpay, you could go along with the fake bidding – just don’t seem to desperate in your bidding. Beat the last bid by a nominal amount. You could make it clear that your last bid is as high as you will go to discourage another higher fake bid.

Another option is to just say if the deal (with the imaginary bidder) falls apart, you would be interested in a cash deal in the \$1,000 range. If the seller wants to sell in that price range and the other bidder is imaginary, he may contact you later.

Negotiation – The Second Email

Flaws in the domain name to point out.

If lucky, the seller may respond with an acceptable offer 25% to 100% above your opening offer. But most of the time, a second email is required.

If the seller responds with an offer 100% to 500% above your opening offer, successful negotiation is possible. Obviously, the range of price in negotiations is much wider than for most other products and services – which encourages much of the mischief in negotiations.

Point out possible flaws in the domain name. Is the name a homophone, difficult to spell or easily confused? For example, if you are trying to buy Bee.com, point out that it’s easily confusable with Be.com or even B.com. Hopefully you have a bee logo to remind people it’s “B” “E” “E.”

Point out possible trademark conflicts. Point out that **larger companies are unlikely to choose a name with any potential trademark problems.** If you are trying to purchase Bee.com, tell the seller that there is already a Bee Publishing, a Bee Child Care and so on. **You don’t want to come out and directly threaten the seller, but pointing out possible trademark conflicts reminds them that they could be on the receiving end of a cybersquatting arbitration/lawsuit** and lose the domain name for nothing.

Point out other options that you (and others) have. If you have obtained zBee.com for the registration price of \$10 as a potential backup, tell the seller. If Bee.net is for sale for \$300, tell the seller.

Point out that the Internet and domain name bubble has burst and domains are selling for a fraction of past prices, if necessary.

You could offer to split the difference. The risk is that he could respond with an offer to split your split giving him 75% of the difference.

The Trademark Search Timing Problem

Offline, if you decide on a name, the last step is to do a final legal check for trademark problems.

For domain names, if you decide on a name, there is the additional step of buying the domain name. You could spend \$1,000 on a trademark search and end up not being able to buy the domain name at a reasonable price.

If you do a final legal trademark check after buying the name, you can be stuck with a name that has trademark conflicts. You could make an offer contingent on trademark clearance, but sellers will probably quote a higher price or not take the offer as serious as, "I will pay you \$1,000 today (via escrow)." If you admit to using a lawyer, who may charge \$1,000 per trademark search – this will tip the seller off to charge a high price.

If you do a final trademark search before bidding on a name, you may have to perform five or ten trademark searches. Five or ten trademark searches by lawyers is prohibitively expensive to small businesses. Also, trademark searches by lawyers take time.

One possibility is to perform a preliminary trademark search, error on the side of caution, and buy the domain name. You can then have your lawyer perform a final trademark search if you wish, with the expectation that 95% of the time the lawyer will confirm your initial search.

It's less expensive to notice glaring trademark problems on your own instead of having a lawyer later point them out for \$1,000. No lawyer can guarantee or prevent trademark problems.

When performing trademark searches, lawyers and trademark search firms have the advantage of knowing the laws, but you know more about your competitors.

But remember the winner's curse. The name iBay.com may be inexpensive because of potential trademark conflicts with eBay.com.

Avoiding Trademark Problems

Confusing, Similar Marks – Sight, Sound and Reason

Unless you are making a second rate knock-off, such as ROLOX Watches, you also don't want your product to be confused with other products for business reasons in addition to legal reasons.

The problem is that with so many products, services and companies, it's difficult to come up with a 100% distinct name. **Names must have different sights, (mainly spelling for domain names but also logo design and packaging), sound and meaning.**

The sight is the easiest to check for domain names. One can perform a search engine search on the name. One can also search registered trademarks online for free at the U.S. Patent and Trademark Office Web site (uspto.gov). But remember that common-law trademarks are not on file (registered) at Uspto.gov.

But just one letter change or one misspelling is not always enough to guarantee a legal difference. Tom.com is different from Mom.com, but McDonald's (extra "n") is not different from McDonald's.

Sound is more difficult to check for. Your name can't sound like another name. NightWidgets.com and KnightWidget.com sound exactly the same (homophones). But what about NightWidgets.com and LightWidgets.com? It's not a clear-cut case.

The meaning of trademarks must also differ. CatWidgets and FelineWidets have the same meaning and customers would become confused. But would consumers confuse JetWidgets and RocketWidgets? It's not a clear-cut case. You can use a thesaurus to check for similar meanings.

In most cases, confusion can be avoided if the products/services are in different industries. The same name can be used for Alligator Raincoats and Alligator Cigarettes, as long as one of the names is not famous.

Avoiding Trademark Problems

Step 1. Avoid famous or even semi-famous trademarks

Even if there is no possibility of confusing consumers, a few popular trademarks known as “famous” trademarks are awarded extra legal protection.

Examples of famous trademarks include Coke, Pepsi, McDonalds, Ford and other “household words” trademarks. One can’t start a Ford Web Hosting even if people are unlikely to confuse it with a Ford car. Likewise, one can’t start a Coke Hosting.

The difficulty is that there is no clear definition of a famous trademark. A case was *Lexus Automobiles v. Lexis Legal Services*. Lexis Legal Service provides legal services to lawyers, but it was largely unknown to people outside the legal profession. Still Lexis Legal Service did manage to bring an expensive lawsuit against Lexus Automobiles, which Lexis Legal Services eventually lost.

The court held that Lexis Legal was not well known outside the legal community to have suffered dilution in the value of its trademark at the hands of an automobile manufacturer.

Unlike Lexus Automobile, you probably don’t have the money and don’t want to spend money on lawyers. In my opinion, if a company has enough money for trademark lawyers, famous or just want-to-be famous, give them a wide berth.

Often a famous name has descriptive, generic or common parts in it. For example Disneyland does not own (have exclusive rights to) “land.” Microsoft does not own “micro” or “soft.” However, Toys’ R US does own the “R US.”

One can see if new, separate companies are using the descriptive/generic/common word. For example, there is a ComputerLand, but not a Computers R US. Use Uspto.gov to search for new trademarks. Additional information is available online by searching for “famous trademarks.” There are several books on trademarks written by lawyers. Consult a trademark lawyer if uncertain.

Avoiding Trademark Problems

Step 2. Avoid the large firms in your industry

If you are in an industry with only 10 competitors, it’s easy to choose a distinct name. If you are in an industry with 1,000 competitors, it’s difficult to choose a good name that has absolutely no sight similarity, no sound similarity, and no meaning similarity with 1,000 other names.

Consider two firms named JetWidgets.com and RocketWidgets.com. Would some consumers be confused? Maybe one or two percent of customers would. Remember that most consumers don’t put much effort into remembering product names and have thousands of names to remember. Suppose 1% of the customers would confuse the names.

Avoid the large firms in your industry for two reasons. First, the top competitors are likely to have lawyers on retainer – who don’t mind running up the legal bills.

Secondly, the top firms have a higher brand value and are likely to suffer more from the confusion. If Jet Widgets sells \$10M a year, having 1% of their customers be slightly confused about the name could cost them \$100,000 in sales – at most. If Jet Widget sells \$100,000 a year, having 1% of their customers be slightly confused about the name could cost them \$1,000 in sales at most. The former is obviously much more likely to sue even if their legal case is weak.

If there are 1,000 firms in your industry, the smaller firms are unlikely to notice that you even exist unless you do something blatant such as taking virtually the exact same name. This is the **third step – Don’t do anything blatant to upset a small firm.**

Of course the large and small, rich and poor have the same legal rights. **Confusion is also two ways; you lose customers to the other firm – which is another reason for a memorable, distinct name.**

Large Companies Overextend Their Legal Trademark Rights by Threatening to Sue and Suing

It's not technically legal or ethical and it's expensive, but large companies often claim more than their legal rights by spending money on lawyers to threaten and sue.

Large companies do this for several reasons including:

- 1) To get the benefits of both a descriptive name and trademark rights – protecting a weak trademark.
- 2) To try and claim famous status for less-than-famous trademarks. The company owning Ajax detergent sends out cease and desist letters to anyone else using the name Ajax.
- 3) To protect their brand's image from any confusion.

It does not matter to a large company if similar cases have been lost 9 out of 10 times. Your odds of getting monetary damages to compensate you for your lawyer and time are slim. The large company knows that the small company may fold instead of mounting an expensive legal defense.

Companies are quick to send out threatening cease-and-desist letters, which take an hour of a lawyer's time. I have received one obviously fill-in-the blank boilerplate letter with two factual errors about my product in it. The lawyer obviously did not even take the time to look at my product on the Internet. Most cease-and-desist letters have the same amount of legal thought involved – none.

Companies are not so quick to initiate expensive lawsuits. **The drawback is that you could win a legal case, and still be out the legal costs and time.**

But the main point is to avoid trademark conflicts with large companies by giving large companies a wide berth. Just following the letter of the law and having a good legal case may not be enough.

Avoid Popular Words

Popular words will be unavailable or expensive and there will be trademark conflicts.

There are many popular words, such as American, national or united, that are used in many names.

The major corporations starting with American are:

American Brands, Inc.

American Electric Power Company, Inc.

American Express Company

American Financial Group, Inc.

American Home Products Corporation

American International Group, Inc.

American President Companies Ltd.

American Standard Companies Inc.

American Stores

There are thousands of smaller companies named American, not to mention America or USA (same meaning).

First the chance of getting American.com is next to none. Even if a new company were able to obtain American.com, the products that they would be able to sell would be limited by trademark conflicts with other American-named firms.

One might be able to get generic plus names such as AmericanWidgets.com. But one would have to ensure that no other American-named firms made widgets, was in a similar industry, or any other confusion was possible.

Other popular words may not infringe on other trademarks because they are generic, common or description. But you can't exclusively claim the words either. These words in the technical field include: Comm, Info, Data, Soft, Tech, Micro, Net. Microsoft can't claim exclusive use to either the micro or soft part of its name.

Short Case Study - Google and Yahoo

Arbitrary domain names where the inexpensive, rare name is better.

Both the words google and yahoo are in the Oxford dictionary. A google is an old, obsolete spelling of goggle. A yahoo is a member of a race of brutes in Gulliver's Travels.

Prior to being used by the companies, google and yahoo were infrequently used words. Because they were infrequently used words, the domain names were probably available at a reasonable cost. Dictionary words similar to google and yahoo would sell from \$500 to \$3,000 retail today.

The since the words google and yahoo were rarely used, it reduces the chance of trademark problems, since rarely used words are rarely used in trademarks. But one still has to check.

If Yahoo were able to purchase the name American.com, it would have trademark problems with many other businesses named American. Having a rare name minimizes the chance of trademark problems.

The words google and yahoo are also not descriptive or suggestive. If they were able to obtain the domain name Best.com, it would be difficult to keep others from using BestWidgets and so on.

Ironically, some of the more expensive words, like mother.com, are both expensive because of the use (positive connotations) and are likely to have trademark conflicts with the many other businesses using mom or mother in their names.

This is one benefit of an inexpensive dictionary word. It's inexpensive because it's rarely used and it's also far less likely to have trademark conflicts because it's rarely used.

But the drawback to a rare word such as google or yahoo is that not all of the population is familiar with the word. In this aspect, a very rare dictionary word is similar to a coined word. (Note: GoogLE is also a misspelling of GoogOL, which is 10 to the 100th power.)

Trademark Case Study - GoTo.com and Go.com

Too short for their own good.

Go.com is a portal owned by Disney. Disney reportedly invested \$815 in the portal during the dotcom boom. The portal is now a shadow of its former self.

GoTo.com used to be the name of Overture (Overture.com) a publicly traded company with a market valuation of approximately a billion dollars in mid 2002.

Go.com and GoTo.com are not generic. Portal.com or SearchEngine.com would be generic.

GoTo.com sued Disney's Go.com claiming that Disney's Go.com logo was too similar to GoTo.com's logo. Both firms used a logo similar to a green go light on a stoplight.

Disney reportedly settled by paying more than \$20 million. The moral of this section could be hope a large company takes legal risks, infringes on your trademark and pays you off. But if Disney used a different logo or was in a slightly different industry, it may have had no legal problems.

Even after GoTo.com won a \$20,000,000 settlement, GoTo.com decided it did not like the GoTo.com name and changed its name to Overture – which is more distinct.

What is wrong with GoTo.com or Go.com as a domain name? Go and To are far too common. Both Go and GoTo also sound more like verbs than names.

There is little trademark protection for either "Go" or "To." Other firms can use GoFor.com, ToHere.com, ToWidgets.com, GoWidgets.com and so on. While short is usually good for domain names, if it's too short and common, others can include it in their domain names.

Very short 2 and 3 character words tend to be popular: I, we, my, the, a, hot. Therefore, trademark protection is unlikely and/or weak, and the words are not memorable.

Dueling Trademarks

Multiple firms with the same word in names

Delta Airlines, Delta Faucets and dozens of other companies with delta in their trademarks coexist in different industries. Which company gets to have Delta.com?

For the ownership of domain names, **it's first come, first serve among multiple or dueling trademark owners.** This means that as long as you have any trademark right to the name, another trademark owner cannot take the name away from you. They can only prevent you from using the trademark (domain name) in their industry.

As a new business, you do not want to get into any trademark battle with any existing business for both legal-trademark reasons and cost reasons. It would be expensive to purchase a domain name with multiple buyers interested.

But often when researching trademarks, one finds a very small business with a similar name that has shown no interest in the domain name. Numerically, there are many more very small businesses – such as garage businesses and sole proprietors – than large businesses.

Likewise, when researching trademarks, often one finds a low-sales product with a similar name. Numerically, there are more unimportant, low-sales products than popular million-dollar products. Since many products fail, the product may be neglected.

As long as the other use is in a different industry and there are no legal trademark conflicts, it's first come, first serve for domain names.

How To Measure Memorability

A simple memorability scale is to count the number of things a consumer has to remember to remember the name. For example:

Shoes.com = 1 since only shoes has to be remembered. I am assuming the customer naturally assumes the .com and assumes shoes is plural.

Shoes.net = 2 since both the shoes and .net must be remembered.

BlueShoes.com = 2 since both blue and shoes must be remembered.

Brightest.com = 2 since both the "bright" and "est" must be remembered.

BlueShoes.net = 3 since blue, shoes and .net must be remembered.

Arbron.com = 2 since coined words must be remembered syllable by syllable at least initially. A multimillion-dollar advertising campaign can make an arbitrary word a household word and change the memorability to a 1.

Arbrontech.com = 3.

This is obviously a rather simple scale, but it is proportional to the number of items consumers have to remember or the number of possible mistakes they could make. This simple scale is a good starting point.

Since dictionary words with the .coms have only one thing to remember, they are the best for memorability.

Two words that go together, such as "hot wire," "happy birthday" or "strong arm" effectively require the customer to remember only one thing. But these usually cost as much as single words or nearly as much.

For memorability, having a .net is as bad as having a second word – if not worse. A second word has some logical connection to the first word – making it easier to remember. A .net or .us is entirely arbitrary having no logical connection to the first word or company.

Shocking Memorable Names

One way to make a name memorable is to make it shocking. Shocking names also attract attention and publicity. Al and Laura Ries recommend this in their book "The 11 Immutable Laws of Internet Branding." In fact their title is a bit shocking and a slight exaggeration. The 11 laws are not really laws or immutable.

There is a fine line between shocking and bad taste. The battery DieHard is now recognized as just a battery, but I can imagine the concerns they initially had about associating a product with death – especially an automotive product.

The domain bomb.com would have been a good shocking domain name before 9-11. It was short, easy to spell, and shocking. There is a magazine named Bomb.

FuckedCompany.com is a shocking name great for obtaining publicity. But its name does not help selling financial information, which it does. Fucked Company does not sound like a serious name. Fucked Company could not even print its name on its book since there are children in bookstores.

My opinion is that shocking names are better for products than companies. DieHard is not made by Death, Inc. You may purchase a DieHard battery from the trusted company Sears.

Is a domain name a corporate identity or a product name or both? In my opinion, corporate identities should be more respectable than products names. Shocking names are usually better for consumer goods, notably fashionable goods.

Advertisements are often purposely shocking to attract attention. But it's easier to drop an advertising campaign than it is to change a name if the shocking exceeds community taste standards.

Other Memorability Factors

Use logo images to increase memorability.

Shocking names are memorable, but usually have unwanted image side effects. But there are other ways to increase memorability without these side effects.

A logo of the domain name can increase memorability. Monstor.com uses a logo of a monster. FatCow.com uses a logo of a fat cow.

Gateway uses a real cow in its advertisements, but the cow does not tie in with Gateway's name. One Gateway advertisement had a cow bobsledding. Some Gateway boxes look like cow-skin dots. But a cow does not remind customers of a gateway. A Gateway press release claims that the cow is a, "symbol of Gateway's success and its Midwestern roots."

To have a picture, the domain name needs to represent something concrete that can be visualized and drawn. Most of these are nouns.

Abstract nouns and adjectives such as great, quality, and good are not concrete and difficult to use in logos. How can one draw great? Have you ever seen a picture of "fast"? But you have seen pictures of rockets and jets which can be used suggestively for fast.

This technique is often used offline. Target stores is an arbitrary dictionary word style of name. Target uses a red target as its logo. The office supply store Staples uses a logo with the letter "L" folded over like a bent staple, but this is barely noticeable.

Of course the image must fit in with the marketing. But don't go the extreme of making a tagline into a name.

But avoid clip-art logos. Consumers are very good at noticing cheap clip-art designs vs. custom logos. A \$500+ logo can make a free domain name memorable.

Generic Names

Singular – Plural Problem

Is it Car.com or Cars.com?

Is it Computers.com or Computer.com?

Is it Vacations.com or Vacation.com?

Is it Trips.com or Trip.com?

Is it Host.com or Hosts.com (for hosting)?

Is it BestDeal.com or BestDeals.com?

In most cases for products, even if people only want to purchase one car (singular), they look for cars (plural).

Still, some people looking for Hotels.com will mistype Hotel.com. Purchasing both the plural and the singular is obviously more expensive and usually difficult or nearly impossible when two different people own the two domain names.

This is one additional weakness of generic names. Depending on how obvious the singular/plural choice is, mistakes may only be a few percent, but a few percent of potential customer is still a lot to lose. Other choices, such as BestDeal.com or BestDeals.com are not so obvious and you may lose 20% or more of your customers. It's one more thing your customer has to remember.

There are programs/services that count the number of times people search for words on search engines. Popular words searched for include sex and dictionary. These tools can sometimes be used to see if people search more for the singular or plural – but in most cases people search for both. These tools include Overture.com's search suggestion tool (free, but fewer details, registration required) and WordTracker.com (fee).

Names such as CarHeaven.com and CarDepot.com, where the generic is used first as an adjective, usually avoid singular/plural problems.

Hope the .COM remains the most popular extension (TLD).

If you choose a generic name, such as Hotels.com, you can't trademark Hotels. Likewise, if you choose a descriptive name such as CheapHotels.com, you can't trademark "Cheap Hotels" because it's descriptive – until it has acquired a secondary meaning to customers. Therefore, competitors can register and use Hotels.biz, Hotels.us, CheapHotels.us and so forth.

If you have an arbitrary or suggestive dictionary word with trademark rights, another company may also have trademark rights to the word in a different industry. For example, Delta Airlines can keep competitors from using Delta in the airline industry but not in unrelated industries.

Delta.us could be registered by the Delta Faucets or any other business with a fair-use trademark in Delta. Would Delta Faucets having Delta.us be harmful to Delta Airlines? - Probably not as long as the .com remains the most popular domain name TLD.

Some firms devote great effort and funds trying to register their name in new extensions. Amazon.com sued the registrar of .us domains to obtain Amazon.us. Other companies just hope that the .com remains most popular by far.

It is my view that the .com will remain the most popular, most prestigious domain name TLD. Virtually all major companies use the .com.

New extensions were supposed to relieve the domain name "shortage," but having many extensions really does not make remembering names easier. It's easier for consumers to remember a distinctive name rather than an extension. It's easier for consumers to distinguish between Dell.com and Gateway.com than Computers.com, Computers.net and Computers.us.

If you have a coined, distinctive trademark such as Exxon, you have the very strong rights to Exxon.com, Exxon.biz, Exxon.us and Exxon.tv and don't have to worry as much about obtaining new TLDs.

Generic Names, Type-Ins and Search Engine Optimization

One slight benefit of generic names is that people may actually type in the domain name.

People may type in Toys.com when looking for toys.

People may type in Computers.com when looking for computers.

People may type in Books.com when looking for books.

This rarely happens, but it does happen – maybe on one search out of ten thousand or less often. The only time I type in the generic dotcom is to see who owns the domain name. **Virtually everyone uses a search engine or directory.**

A generic domain name or a generic plus domain name will improve search engine placement very slightly.

Search engines use a wide variety of factors in determining search engine placement of which the domain name is a minor factor. More important factors include the site's content, description, title, directory category, click-throughs and link popularity.

When people search for hotels, everything else constant, hotels.com will probably rank slightly higher on most search engines than a similar site with an arbitrary name such as Palace.com.

Likewise, with everything else constant, PalaceHotels.com may rank slightly higher on most searches for "hotels" than a similar site with an arbitrary name such as Palace.com.

For pay-for-placement or pay-per-click search engine placement, the domain name does not matter, since placement depends on payment.

If (free) search engine placement is a major part of your marketing, you may want to consider the effect of having a generic word in your name. My observation is that the domain name may slightly improve search engine placement – It may move you up 10% on the list at most. You can find a good, free summary of search engine optimization at SearchEngineWatch.com.

First Step – Rule Out 100% Generic Domain Names

Usually the first step in choosing a domain name is to look at generic domain names and decide a generic name is not for you.

The first reason to rule out a generic domain name is the trademark problem. If you need a trademarkable domain name, generic names are out.

The second reason to rule out a generic domain name is cost.

The third reason to rule out a generic domain name is that it may limit your future line of products to the generic industry. If Amazon.com were Books.com, they might have less success selling electronics.

Generic domain names are usually for companies that retail the generic items that other companies make. Shoes.com sells many brands of shoes. Hotels.com sells the rooms of many hotel chains. Even for retail operations, generic domain names are not for larger companies because they can't be trademarked or differentiated.

If I made watches, I would not name my watch "Watch" or "watch.com." It's like a dog named dog. However, Watch.com might be a good suggestive (not generic) name for a security firm.

The three advantages to a generic domain name are:

- 1) Generic names may signal to customers that you have invested in a domain name and are not a fly-by-night business. First-rate generic domain names may be OK for small and medium size companies that want to get noticed.
- 2) A first-rate generic name may stand out and be easy for customers to remember – especially in a crowded field of 1,000 firms.
- 3) A very slight increase in search engine rank.

If you want a generic element in your name, compare a 100% generic name with a generic plus name.

Coined Words – Method 1. See What is Unregistered

Short 4 and 5 Character Coined Words

One way to obtain short coined words is to search for words – really random characters – that are not registered domain names and not trademarks.

This method was used long before the Internet to search for unused short words. Coke used this method to find the name for its diet soft drink Tab.

Since there are 26 letters in the alphabet, there are 676 two-letter combinations (26 x 26), some of which are words (it, is, at). Every two-letter combination is registered. It's possible to check all 676 two-letter combinations to see if any are unregistered, but it's a waste of time since all are highly sought by speculators.

There are 17,576 three-letter combinations (26 x 26 x 26). Virtually every three-letter combination is registered. Speculators usually purchase three-letter combinations as soon as they are available. It's possible to check all 17,576 combinations or have a computer script check all 17,576 combinations.

Three letter-combinations may be used as words or initials. RTG.com is unpronounceable as a word, but may be used as initials.

There are 456,976 four-letter combinations (26 x 26 x 26 x 26). Not every four-letter combination is registered – but most of the pronounceable ones are. Even if a combination of letters is not a word in the English language, it may be a word in another language.

There are 11,881,376 five-letter combinations (26 x 26 x 26 x 26 x 26), of which only a fraction are registered. Some of the five-letter combinations are words (seven.com, steve.com), and some of the five-character combinations are coined words (Exxon.com, Kodak.com). Many of the 11 million combinations are unpronounceable because consonants and vowels are not in the right place (CCANN.com).

There are over 300,000,000 six-letter combinations (26 x 26 x 26 x 26 x 26 x 26), of which only a small fraction are registered and over 8 billion

seven-letter combinations. Also, with 300 million six-letter combinations, these coined words are not that rare or valuable.

It would take too much time to look at half a million, eleven million or 300 million unregistered names. You can look at a subset, such as 4-character words that start with the letter "A."

There are some companies that publish lists of unregistered domain names. But they have used some criteria to shorten the list – since a list of million would be useless.

Unfortunately, these small companies come and go. Most are run by speculators for speculators. I was about to include the name of one, DomanEye.com, but they are "reorganizing" their service.

You can search for these lists online by looking for a list of "unregistered domain names."

Occasionally these lists will include very rare English words. Most people will not know the meaning of these rare words, but they are pronounceable.

Expired domains are another way to find short coined words. On one typical day the following five-character "words" starting with the letter c expired: cadvu.com, camir.com, celah.com and cukor.com.

Words that you think are coined may be foreign or rare dictionary words. Foreign dictionary words are also expensive. One company had to pay \$5,000 for a coined word that was a Japanese word. A Google search will usually turn up foreign language uses of a word.

Free four-character coined words are more difficult to find. The free four-character words probably use less frequently used letters such as V, K, X, J, Z and Q.

The letters from most frequently used to less frequently used are:

E A T I N O R S L H D C M U F P G B Y W V K X J Z Q

Coined Words – Method 2.

Build a word from word parts.

Another method to develop a coined word is to use word roots, suffixes and prefixes to build a new word.

Most drug-naming consultants use this method. Viagra suggests vitality. Prozac suggests proactive or professional, the opposite of depression.

There is a book titled “Word Parts Dictionary” by Michael Sheehan. The “Word Parts Dictionary” provides standard and reverse listing of prefixes, suffixes, roots and combining forms. There are other similar books on Latin, Greek and other word roots.

Vocabulary building books, such as “Merriam-Webster’s Vocabulary Builder,” also may also inspire you with word roots. Vocabulary building books are inexpensive but not as complete as word root dictionaries.

There are even computer programs that will generate possible new words from word roots. Some firms offer the same computer generated result online. But these programs don’t do anything that a human and a reference book can’t do. Computer programs can do it faster, but computer programs also generate a large number of stupid suggestions. It’s computerized brainstorming.

One is not constrained to “official” Latin and Greek roots. You can use word roots that just sound like a meaningful word.

One advantage and weakness is that these roots are not meaningless and they are not blank slates for a brand. A positive connotation is an advantage, while a negative connotation is a disadvantage.

A weakness is that other firms also use the same word roots. The two-volume reference book “Brands and Their Companies” lists major brands in alphabetical order – which may inspire you with ideas from other companies. But it’s obvious that every positive word root has been modified into a trade name several times.

Coined Words – Method 3.

Modify an English Word

The third way to generate a coined word is to modify an English dictionary word.

For example, Expedia.com is similar to expedite.

The phone company Verizon is similar to horizon.

Netuitive is similar to intuitive.

Sometimes a letter can be added to a dictionary word:

The tile cleaner TileX is just the word tile with the letter “X” added.

Sometimes a long dictionary word is shortened:

Intel is the first part of intelligent.

Because these words are similar to dictionary words, they may be easier for consumers to memorize – thereby reducing the main weakness of coined words.

But since these “coined words” are similar to dictionary words, they don’t have as much trademark protection. TileX certainly can’t keep others from using “Tile” or “X” in their names.

For trademark purposes, coined words are sometimes referred to as fanciful words. Fanciful means not similar to other words. A fanciful word – not similar to any other word – has the most trademark protection.

Modifying a dictionary word may create a coined word, but it’s not necessarily fanciful. For example, spelling quick as Kwik can’t keep others from using the descriptive quick.

Since memorability is more important online, if a dictionary word can be modified with just a one letter change or addition, it may be easier for consumers to remember than two nonsense syllables.

Borrow From Small Companies In Different Industries.

The book "Web Pages That Suck" has screen-shots of four different Web sites that look surprisingly similar to Amazon.com. It is obvious that if the HTML code was not directly copied, they were inspired by Amazon.com's design. The point was that if you copy from a large company, everyone would know you did it – aside from legal problems.

The same advice applies to domain names. If you like the name eBay.com, you are asking for nothing but trouble if you try and use iBay.com or BetterBay or anything with a Bay in it. There may be legal problems with eBay and consumers will know you are a copycat site. Even eHarbor.com or eSea.com could get you into legal trouble (similar meaning).

On the other hand, if you like the name of an unknown company, variations of the unknown name will not be noticed. Also don't copy ideas from people in the same industry as you for the same reason – people looking at your and your competitor's sites will notice the similarities.

People are most familiar with large companies because they have the most visitors. Therefore, these large companies are often a source of inspiration. But these are the companies that it's most dangerous to use as a source of inspiration. Also, people are most familiar with companies in their own industry and these are often a source of inspiration. But these are also dangerous to copy ideas from since competitors may notice you.

If you are looking for inspiration, there are printed directories (yellow pages, guides) of 10,000 to 20,000 Web sites. There are also online directories, which may have millions – too many – of sites. Of course many of the names from smaller companies will be inferior, but a few may inspire you.

Or look at names of companies in unrelated industries. The reference book "Brands and Their Companies" or other reference books may be at your library. There is always the Yellow Pages or business white pages for looking at company names.

How To Evaluate Arbitrary Dictionary Words

One obvious but often overlooked step for evaluating dictionary words is to look the words up in dictionaries. Random House, Oxford, and Merriam-Webster publish comprehensive **unabridged dictionaries**. They also publish college and other smaller abridged dictionaries, which don't contain all definitions.

You may be thinking of Coach.com as in the coach of a football team, but others may be thinking of a horse-drawn carriage or a coach airline ticket. There are fourteen definitions of coach in the Random House Unabridged Dictionary.

Another way to evaluate connotations is to see how the words are used in print. An Internet search on a word should yield thousands of examples. Negative connotations, slag and rare usage, while not always problems, should be noted.

The frequency that a word is used on the Internet is also a measure of the word's popularity. A rarely used word may be unknown to many people.

The Internet is also a place to start a trademark search. Even if a small company does not have an Internet site, a reseller or customer may have written about the trademark on the Internet. But popular words, like American, may be used on a million Web pages, and it's difficult to check every page for trademarks.

An elementary school or short abridged dictionary is useful to determine if everyone knows a word. If a word is in an elementary-edition dictionary, it's safe to say that even people with an elementary education know the word.

Difficult words that would appear on the college entrance SAT test may only be known by half of the population. Not everyone has gone to college. If you are selling largely to the highly educated, this may not be a problem for you – or even have an educated connotation. Plus in negotiations, you can bring up the fact that not everyone knows the word and it should be half-priced.

Inexpensive Dictionary Words

But most are worthless

My unabridged dictionary contains 400,000 words. Most college dictionaries contain around 150,000 words. Most vest pocket dictionaries or elementary dictionaries have about 20,000 words. Just being in a dictionary does not make a word valuable.

Consider the word health for Health.com. There are also the following dictionary words:

Healthful.com

Healthy.com

Healthier.com

Healthiest.com

Healthily.com

Healthiness.com

Health.com is obviously the best followed by Healthy.com. The other words are worth much less. Using our memorability scale, Healthier requires consumers to remember both the "heath" and "ier" part. This makes healthier about as valuable as most two-word domain names.

Similar domain names are often on the wholesale market for one or two hundred dollars – about a tenth of root word's value – because of their obvious flaws.

Some of the longer, more difficult to spell, rare dictionary words may even be unregistered (free). There are lists of unregistered dictionary words. These lists can be found by searching for "unregistered dictionary domain names." Don't expect to find any great unregistered dictionary words.

Generic Plus Names

Generic plus names can fall into any trademark category depending on the second word. Because of the number of possible generic plus names, these are much less valuable than single words. Many are available for free (the annual registration fee).

Generic + Generic:

WidgetStore.com WidgetShop.com

WidgetCentral.com WidgetDepot.com

WidgetMarket.com WidgetHome.com

WidgetsRus.com? Trademark problem with ToysRus. "Rus" is not generic.

Generic + Descriptive:

GreatWidgets.com FastWidgets.com

QualityWidgets.com BigWidgets.com

Generic + Suggestive:

WidgetMaster.com (compare to the descriptive QualityWidgets)

JetWidgets.com (compare to the descriptive FastWidgets)

Generic + Arbitrary:

MustangWidgets.com

MonsterWidgets.com

Generic + Coined:

RoniWidgets.com

TamxWidgets.com

As with 100% generic names, watch for the singular/plural problem. Is the company WidgetsOnline.com or WidgetOnline.com? This is not a problem if you can buy both the singular and plural.

Short Case Study – Generic Plus vs. Arbitrary

Gateway Computers

Gateway Computers could use Gateway.com, GatewayComputers.com, GateWay2000.com or the shorter Gway.com which they own.

Gateway could be a generic word for a firm designing gateways with a gate. But when applied to computers or any other industry, gateway is an arbitrary dictionary word. GatewayComputers.com is a generic (computers) plus an arbitrary dictionary word (gateway).

Gateway.com is obviously shorter, easier to remember and easier to type than GatewayComputers.com. Gateway's corporate name was Gateway2000 Inc. – not Gateway Computers – until it dropped the "2000" in 1998.

GatewayComputers.com being partly generic may limit brand extension beyond computers. Would you buy Web hosting from a computer company?

While the word gateway is arbitrary to computers, gateway is a fairly popular word. Other businesses have legitimate rights to use the word gateway in their names. In fact an unrelated firm, Gateway Consulting, first obtained the Gateway.com domain name.

Today, Gateway may be able to argue that its name is famous. But this famous trademark argument is unavailable to the 99.99% of firms that are not famous – probably you.

If Gateway Computers were not famous, it would have little argument to keep other companies in different businesses from using the term Gateway.

Even if Gateway meets the legal definition of famous now, Gateway can't stop older firms that previously used Gateway in their name from continuing to use gateway. For example, there are some old firms that have "Coke" in their name from selling the fuel "Coal & Coke" which Coke-Cola can't stop.

Offline Stores vs. OnLine Stores

Different Search Processes

I live in a small post-war suburban town of Washington, DC, which has about a thousand small stores. Most of these stores have the generic product in their name. There is Mattress Discounters, Mattress City, Livingston's Jewelry, Bonifant Books, Nick's Diner and so forth.

The reason these stores use the generic product or service in their name is that there is a large amount of drive-by or walk-by traffic. Using the generic lets people passing by know what they sell. On an outdoor store sign, one is usually limited by size and people's attention to two or three (readable) words.

It is also notable that as a store or brand becomes well known, they tend to drop or not emphasize the generic. For example, Domino's Pizza can go by Domino's, with its logo, since people know Domino's sells pizza. Gateway could use all of its limited sign space on "Gateway" since consumers know Gateway sells computers. But the unknown local store has to have "Computers" in large letters since few people know what they sell from the other half of the name.

But online, the search process is different. People do not drive by all 20 million Web sites. People search for a specific subject. People searching for computers on Yahoo or Google know the search results are about computers.

Even the few people randomly "driving by" your Web site do not notice your domain name first. People notice the title of the Web page first. Then depending on the search engine, they notice the description of your site or how the search terms were used.

The names of magazines are often generic (travel or mechanics) to let people know the type of magazine. The names of products on store shelves often contain a benefit (slim, quick). The sales environment – online, magazine rack, offline store, product on a shelf – should be considered when naming. Don't blindly follow naming advice written for a different business or different product.

Focus Groups and Friends

Not recommend for naming

By definition, focus groups focus on the subject being studied, which is the name in this case.

The problem is that in real life, people do not focus on brand names or domain names. Potential consumers barely remember most names – as they barely remember most advertisements.

Do people think I like the word Mustang; maybe I will buy a car named Mustang? People may focus on, think about, and compare the features of a car when comparing to other cars. But virtually no one consciously compares the name. “Will I seem more manly driving a Mustang or a Rodeo?”

The name may evoke positive association of mustang horses roaming free, but people usually don't consciously focus on it.

By forcing people to focus for a longer period than they normally would, results are naturally changed. They are likely to give amateur reconditions such as GreatAmericanComputers.com.

Informal focus groups or asking families and friends also has the same problem. There are many cases of upper management functioning as a focus group or brainstorming in a meeting with terrible results – often generating long names or long initials.

Sometimes I ask friends and family what a word, such as shrewd, means to them. But the answers rarely differ from the dictionary definitions.

Consulting firms sometimes conduct short surveys asking people what they think of words such as “mustang,” “rodeo” and so on. This is essentially another way of learning the definition, connotation and number of people who know the definition.

Asking friends if the name reminds them other (trademarked) products may help identify famous trademarks to avoid.

Fad Names

Risky and can be dated.

Consider three imaginary names:

WidgetSoft

MicroWidget

WidgetScape

It's obvious that the first two names are similar to Microsoft and the second name is similar to Netscape.

Do you really want people thinking of another company when they hear your name? What happens if the other company runs into trouble as Netscape has?

Fad names also date your company with the fad years.

When you see “scape” in a name, what decade does it remind you of?

When you see “soft” in a name, what decade does it remind you of?

When you see “blue” in a name, what decade does it remind you of?

I was once reading a book on “Modern Firefighting.” It was published sixty years ago.

Most of the fad names have been registered by speculators, who have noticed the fad. Widgetscape, BlueWidget and MicroWidgets are likely to cost \$500+ while an equivalent nonfad name will be free.

One speculator registered thousands of B2B names such as B2Bplans, B2Bcars and so on. Unfortunately for the speculator, the B2B fad was a bubble that burst after a year, making most of the names worthless.

Fad names by definition are popular fads making trademark problems more likely than with similar less-popular names.

Your Domain Name Does Not Have To Be Your Business Name

Amazon.com is of course just Amazon.com.

Ford.com is the domain name for Ford Motor Company.

Amazon.com could be the domain name for a business officially named "Amazon Books, Inc."

Using the dotcom as an official business name has fallen out of fashion after the Internet bubble burst. Publicly traded firms have sometimes dropped the dotcom from their business name for investment reasons. Garage.com is now Garage Technology Ventures.

A few directories, such as Yahoo, will list either the business name or the Web site name in their directories. For example, Dell Computers could use Dell.com as their domain name and Dell Computers as their business name.

In directories, there is a slight advantage to using the generic word in the name. People searching for computers will find Dell Computers. They should also find a company named Dell in the computer category.

Most other search engines/directories list the title of the Web Page. This gives firms the option of listing anything on their own Web pages. For example Dell could have different Web pages with:

Dell Computers

Dell Hosting

Dell Consulting

Dell Small Business

This allows both brand extension and better search engine optimization.

Surnames and Geographic Names as Business Names

Using surnames is an old business naming strategy. For example, Ford Motors is named after Henry Ford. Using surnames is still prevalent for professional service firms such as lawyers.

There is an argument that having the founder's name be the firm's name leads to more publicity, but I have doubts about this argument. Steve Jobs has obtained much publicity for Apple and Bill Gates has obtained publicity for MicroSoft.

No one is perfect, and the founder's personal weakness or politics may also become associated with the company. Firms named after a founder may be associated with smaller firms and nepotism.

The domain name for even a relatively rare name, such as Baba, is likely to be owned by someone else – and unavailable or expensive. There was Ali Baba and the Forty Thieves. There is an Indian guru who's firm owns Baba.com. There is even another Steve Baba who writes poetry. Baba is also a dictionary word in many foreign languages, making the domain name even harder to obtain.

Many names are ethnic. The ethnicity adds nothing, except a distraction, to most businesses. Exceptions may include ethnic food or other ethnic products. A name like Dell, which rhymes with Bell, is easy to spell and is short, is OK for a domain name.

Surnames are classified as descriptive trademarks. Smith's restaurant is a restaurant owned by smith. Descriptive names don't receive trademark protection until they have acquired a secondary meaning.

Likewise geographic names are considered descriptive. Tristate Printing is a printing firm in the Tristate area. With the international Internet, a geographic name is geographically limiting – it tells people outside your area to go away. (It's obvious that Amazon.com is not selling to those only on the Amazon River.) Federal Express wanted to have a more international image beyond "federal" when choosing the shorter FedEx.

Legacy Names

Barnes & Noble is an acceptable name for an offline bookstore since customers do not have to remember the name exactly. I have shopped at Barnes & Noble for years, but I would not be 100% sure if it was spelled Barns or Nobles or with an "and" instead of a "&."

Many firms had or have names OK for offline stores that are not OK online. These old names are known as legacy names.

Barnes & Noble could have obtained the most common misspelling of Barnes & Noble. Still, the name is too long.

Barnes & Noble could have used just Barnes.com. But this has a possible misspelling with Barns.com. Charles Schwab shortened its online brand to Schwab.com. Barnes & Noble now uses the initials BN.com for its online store.

Usually, there are only a few possible shorter names or initials that preserve the value of the brand equity in a name. This is a very weak bargaining position to be in.

Occasionally firms use both an online and offline name. Bank of America is not a great name online since it's long. It's thirteen characters without the spaces.

Bank of America purchased Loans.com for \$3 million in January 2000, at the height of the Internet bubble. This was the fourth highest amount paid for a domain name. Bank of America's idea was to use Loans.com as a generic name in addition to "Bank of America."

Other companies with long legacy names have sometimes used generic names or purchased the generic name to hedge their bet. The obvious disadvantage is that two names are used instead of one name. This trend has noticeably declined.

Of course the legacy name could be dropped for a new online name, but this requires the costs of a name change.

Domain Name (Legal) Disputes

"Domain Name Disputes" is the title of a \$165 book by Robert A. Badgley, Esq. This is a legal reference book for lawyers. If you ever get into a domain name dispute, this is probably the book your lawyer will use for guidance.

But of course your goal is to avoid most domain name disputes - which is largely done by avoiding trademark disputes.

In the 1990s, speculators or cybersquatters obtained domain names containing trademarks owned by others, with the intention of selling the domain names back to the trademark owners. This wave of disputes was caused by the initial rush for domain names - and is largely over.

Another source of disputes is when several trademark owners want the same domain name. Should American.com go to American Airlines or American Beer or one of a thousand other companies with American in the name?

Since you are looking for a domain name before you have invested in the value of your trademark - you can steer clear of these disputes.

Assume that you are only going to spend \$1,000 to \$5,000 for a domain name. If someone else had trademark rights to the name - in a different industry - and really wanted the domain name, they should have been able to obtain the domain name by paying the same \$1,000 to \$5,000. Or they could use a legal procedure to recover the name from a cybersquatter for \$1,000-\$5,000. One would assume that no other trademark owner wants the domain name, but this is only an assumption.

But as long as you have legitimate trademark rights for one industry, another trademark owner in a different industry can't take the domain name from you. **The new cybersquatting laws apply only to those with no trademark rights and operating in bad faith.**

If You Had \$100K To Spend On Naming

Fortune 500 Blank Check Method: Find the best name by spending \$100,000 on naming consultants and lawyers. Then run a \$2,000 legal trademark search on every name on the short list. Evaluate the names in every language. Then pay whatever it takes to purchase the domain name. One expensive consultant bragged to the press that they were able to obtain the domain name, "for only \$20,000" - ten times what I thought it was worth.

Fortune 500 Companies do this because they invest millions or tens of millions of dollars in marketing and branding. For them, having a name 1 percent better is worth \$100,000.

Your goal is to get a name almost as good for a tenth or a hundredth of the cost. But almost as good is not as good. Below are the shortcuts:

- 1) Not have the name checked by linguists in every language. Your name may literally sound like shit in Polish. If you are not planning to have a Polish language Web site or to sell much in Poland, it's not as important to you as a Fortune 500 company with a Polish branch office.
- 2) In searching for a bargain, you will probably not get your first or second choice domain name.
- 3) No focus group testing or surveys. I am not the biggest fan of focus group testing for names.
- 4) By not spending \$10,000+ on trademark attorneys, you may have trademark problems later. But Fortune 500 companies are bigger targets for lawsuits because they are richer and visible. It is also much more expensive for a Fortune 500 to change their product or domain name after spending a fortune on advertising. The monetary costs of trademark problems are much less for small companies - probably not justifying spending a large amount on lawyers.

Conclusion - Similar Markets

To simplify, economists like to classify markets into certain categories such as perfect competition and monopoly to make studying and explaining easier. Examples of perfect competition, such as the grain market, are given. Examples of monopoly, such as a patented drug, are explained.

Unfortunately, the domain name market does not fit into an elementary or intermediate economics category. There are heterogeneous products, thin markets, asymmetric information and a matching problem.

Two somewhat similar markets that I came up with were original art from unknown artists and unknown actors.

Each work of original art is different and difficult to value if the artist is unknown. The market is also thin (few buyers) for unknown or emerging artists. The price could also vary from \$1,000 to \$12,000 for highly similar works.

Like original art, each domain name is different, and the owners often have unrealistic ideas of the values. If a beginner shops for art, a beginner is more likely to pay \$4,000 for a painting worth \$1,000 than stumble across a painting worth \$8,000 really on sale for \$4,000. Also, most of the art may be worthless just as many domain names for sale are worthless.

The market for unknown actors is also heterogeneous. Each actor is different, but it is possible to find certain types. Each actor has to fit in a certain role, just as a domain name as to fit the business. An unknown actor could cost \$1,000 per week or \$10,000 for the same quality.

But the \$1,000 per week actor could ruin the entire show if the quality is low or the acting does not click with other actors, which is why casting is such a difficult and important job.