Buying a Domain: A How-To Guide

Add to Favorites | Email to a Friend | NetProfit Archives *Nov. 9, 2001*

I've already dealt with registering a domain from scratch and which of the umpteen dozen extensions you need to secure to protect your domain name. Today, I'm looking at the market of existing domain names and what it takes to get a domain if somebody else has it registered.

What's in a Name?

Again, to recap, a good domain name can be judged on a number of factors. Ultimately, it has to have the "intuitive" factor. These are the names that someone would type in as a first shot if they were looking for you. If your company name is your main identifier, than your domain should be the simplest possible variation of that name..i.e. www.ford.com, www.coke.com, www.ibm.com..etc.

By the way, if you were looking for a Holiday Inn, where would you go? You'd probably try www.holidayinn.com. Unfortunately, this would only get you the Holiday Inn at Niagara Falls, with no visible links to the corporate site. How about www.holidayinns.com? Nope..this is a generic hotel reservation portal. Okay... how about www.holidayinn.net. Now you're on Washington Island, Wisconsin. www.holidayinns.net? Nothing. This is a perfect example of the value of an intuitive domain name. After this, in frustration, you would turn to a search engine and find out that the corporate domain is www.holiday-inn.com. Did you think of adding a hyphen? No... you went with the most logical choice. If I were Holiday Inns, I'd be approaching my Niagara property and cutting them a pretty sweet deal for their domain name.

Other valuable online real estate includes any generic terms that describe a product, service, area of interest or industry. For example, www.mp3.com, www.movies.com, www.beer.com, etc. If you're one of the lucky few that has one of these domains, you can count on a ton of traffic just from people trying your name in the hopes of finding the definitive website on the subject.

Finally, the name should be short, easy to type and easy to remember. I'm not a big fan of obscurity or irrelevant cleverness in domain names. Your website is a marketing tool, so in naming it, keep in mind the golden rule of marketing, K.I.S.S...Keep it Simple!

Benefits in a Domain Name

When choosing a name, there's just one more factor to remember: all search engines and directories have one thing in common, they show your main URL when returning your listing. In fact, any site that links to you will probably have your domain name showing prominently. For this reason, many companies use that domain name to list a benefit.

This goes back to the marketing fundamental that it's not the product that sells, it's the benefit it offers. So, if your company name doesn't have huge market awareness or if a generic industry term would be too broad based, you might want to consider this.

For example, someone selling a new treatment for hair loss called Viadox might use this strategy. The domain name www.viadox.com wouldn't have much meaning because it's a new product with no name

recognition (although I would certainly reserve the domain for later use). Www.hair.com is a little too broad, and besides, it's gone (I mean the domain name... not the hair). In this case, www.endhairlossforever.com would provide a domain name that might just entice someone to click through based on the benefit it provides.

Use this strategy with caution. Often benefit based domain names are the mark of an unprofessional and cheesy website.

Shopping the Domain Market

Okay, now that you know what you're looking for, where do you start shopping for your domain? Well, the first place is any of the many domain registrars to see if the name is available. This is by far the cheapest and easiest alternative. I covered this pretty thoroughly in the last NetProfit.

Failing that, you're looking at delving into what's becoming a thriving market on the Internet, the buying and selling of used domain names. Here, you have three alternatives: one, looking for domains about to expire, two, looking for domains up for sale on bid sites, and three, making an unsolicited offer to a domain owner. I'll look at each of the three.

The Great Domain Drop

Domain drops have become the speculators market of choice on the Internet. A thriving and rather unscrupulous industry has grown up with brokers snapping up domains as soon as they expire and, in many cases, holding them up for ransom if the negligent owner ever wants them again (see Domain Pirates, High Tech Lunacy on the Cyber Seas). In fact, if you try to register a domain between 6:30 and 7 am EST, chances are you'll find yourself staring at your monitor waiting for some response from your registrar's server. Each morning at that time, registrars "drop" expired domains and they go up for grabs. A feeding frenzy ensues as brokers try to snap up the choicest ones, which could net them top dollar on the open market.

So, how do you "catch" a dropping domain? First, you have to understand the sequence of events that occur before a domain goes back on the open market:

1. Domains are registered for a fixed period of time.
2. As the expiry date draws nearer, notification goes out to the registered billing contact. In many cases, contact information for this person may be out of date and the notification may never get to the intended recipient.
3. If the original registration period expires without the domain being renewed, it's put "on hold". The original owner then has anywhere from 0 to 60 days (there are no set standards here, it's up to the registrar) to submit their delinquent payment and reinstate the domain.
4. If the "on hold" period goes by without any payment from the original owner, they lose the right to renew the name. If registered with Network Solutions, the domain is put on a 6 day countdown and the status is changed to "soon to drop". Other registrars don't seem to have the same countdown.
5. At precisely 6:30 am, or up to 15 minutes after on the 6th day of the countdown period, the domain is back on the open market and is available on a first come, first served basis.

There are services available that will help you track soon to expire domains without you having to pour

through the WhoIs database every day. Check out Domainbot.com or Snapnames.com. For a subscription fee ($18.95 for a month) Domainbot provides access to their database of expired and soon to expire domain names. The database is updated twice daily. Snapname's Snapback will track one particular domain for you and, if it ever becomes available, will purchase it for you... all for $49 dollars.

Domains for Sale

If your ideal domain name is currently the property of someone else, barring the chance that the owner will let the domain expire, your only other option is to purchase a domain from them. There's two ways this can take place. Either the current owners are looking to sell the domain or they have no intention of selling and you have to convince them by making the right offer.

Determining the Value of a Domain

The first thing you have to do is determine the value of the domain name you're interested in. This can be a difficult calculation because the domain that could be worth thousands to one company can be worthless to another. Remember, there are only two assets a domain can have: it's traffic potential and it's branding. Your job is to determine the worth of these two factors in your particular instance.

Determining a domain's traffic potential has to be done in two stages. First, you have to assess current traffic. Of course, this can only be done if there's currently a site parked at the domain. If so, ask to have access to raw visitor logs for the past several months. If it's a high traffic site, these files could be huge, but it will be worth it. If you just go by the seller's numbers, without checking the actual files, you're completely dependent on their honesty. Even better, the traffic to the site may be audited by a third party, although this is relatively rare with smaller sites.

Secondly, you have to determine the likelihood of this domain bringing you future traffic. Again, access to current visitor logs will help you immensely. Check out search engine traffic and see which current rankings are driving traffic to the site. Great rankings could be a huge bonus in buying a domain, but you'll have to be carefully not to wipe out ranking pages in a site redesign (see "Redesigning Your Site, Read This First!"). Also, check out the No Referrer numbers. These will include visitors who just type in the name or have it bookmarked.

Once you have your numbers, you have to determine what this potential traffic is worth to you. You'll need to take the total number of potential visitors, divide by your conversion factor (how many visitors will it take to generate one sale) and multiply by your average sale. If your site is not an e-commerce site, the numbers are not as cut and dried. You'll have to use more intangible factors to determine the worth of each visitor. Once you have the worth per potential visitor, forecast that forward for a year to 18 months. From a traffic perspective, this will give you a rough calculation of the worth of the domain to you. Use this number to establish your budget, not your first offer! (see below, How to Make Your Offer).

The other asset a domain can bring is it's branding value. In this case, it's a tough calculation to make. Use the characteristics of a good domain name I previously discussed and determine how valuable a domain really is to you. As a rough guide, take search terms related to the words used in the domain name and use Overture's search term suggestion tool to see just how often these terms are searched for.

Finally, there are several domain appraisal services available that will look at other variables to help you determine what fair market value is for a domain name. The cost for an appraisal can range from under

$20 to $100 and above per domain name. While I wouldn't base my whole pricing strategy on this appraisal, it's certainly worth spending a few dollars to get some objective data to help you make your decision. For appraisal services, try DomainGuru ($14.95), PremiumAppraise ($75), or FastAppraise ($19.95).

Shopping for Available Domains

It's currently estimated that between 80 and 90% of all registered domains are inactive. The majority of domain names are for sale, at the right price.

If you're in the market for a used name, there are a number of online sources for browsing through available second hand domain names. One is Greatdomains.com. Asking prices will vary widely for these domains. Currently on Greatdomains.com, Heads.com and Americans.com are going for $100,000, offices.com is $25,000 and photoslides.com is going for the bargain price of $100. Loans.com just went for a whopping $3,000,000!

Other online starting points for your second hand domain shopping spree? Sedo.co.uk, afternic.com, urlmerchant.com and bestname.com

Making an Unsolicited Offer

Perhaps the domain you're really looking for is currently being used and the owner hasn't thought about selling it. In this case, you can find out who the owner is through a WhoIs search and approach them to see if there is interest in selling it. This will be the first step in a very delicate negotiation, so before you send off the e-mail or phone them, make sure you read the next section carefully!

How to Make Your Offer

You've found your domain and established its realistic value to you, now you're ready to start dealing. Here are 3 things you must keep in mind:

Open Low

Don't make your first offer too high. Experts recommend going in with about 10% of your budget. If the owner is serious about selling, they'll counter and then you can see how close you are. This one step could save you hundreds or thousands of dollars. Also, make sure you set a budget and stick to it. Don't get caught up in an escalating bidding war.

Remain Anonymous

As I mentioned, there is no fixed value on a domain name. The final selling price will be decided purely through the negotiation between the buyer and the seller. The one that knows the most about the other party will have a huge advantage. For this reason, you may want to consider making the offer through a domain broker.

Give Yourself Some Time

Generally, it will take 2 or 3 months for the entire process, from beginning to end. If you're starting your shopping trip, allow for time for negotiations, making offers, letting the party sit and think about the offer for awhile and follow up.

Finally…

If you're considering grabbing up a domain on the open market, start by visiting Domainguru.com. Webmaster Lee Hodgson has done an excellent job laying out a resource for those interested in acquiring domain names. Many of the topics I've dealt with briefly here are explained in much more detail on the site.

Happy Shopping!

Copyright 2001 - Searchengineposition Inc.
This article can be reproduced in it's entirety, if the author credit is retained and there is a prominent source link to www.searchengineposition.com.