DomainMart

Roles of Corporate Domain Names

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A company's domain names are instruments to create shareholder value through their use in the following areas that need not be mutually exclusive:

a. **Marketing**

(1) Product **positioning is achieved** by communicating the appeal and attractiveness of the product (e.g., SmartLoans.com).

(2) Creating and enhancing a **brand name**. Because brand names convey information about a product, successful branding increases value by increasing sales, profit margins (through price premium over generics), the likelihood of new viable product introductions (through brand and line extensions), and bargaining power over distributors.

(3) Marketing can be effectively used in executing **price differentiation** for various market segments (e.g., BrandNameRack.com or BrandNameOutlet.com to differentiate products from BrandName.com).

b. Sales: Create Traffic

Domain names can be used to direct customers to the corporate website. The acquiring firm, however, has to ascertain that existing and potential traffic is complementary to their existing traffic. Using the domain name in advertising media complementary to online can enhance the acquired traffic.

This role includes registering typo domain names and relevant keywords under different TLDs. It is not a defensive strategy against speculators, but a preemption strategy, as participants are not playing a game of chicken**.**

c. Advertising

A secondary domain name used to forward traffic to a specific page on the corporate website should be used beyond redirecting traffic. The landing page of the domain name can be designed to provide information that is high quality and persuasive to buyers. Some companies have been wise enough to register such domain names. For example, Nordstrom uses NordstromRack.com to point to the Sale section of Nordstrom.com. However, not really the Rack!

d. Protection

A company's secondary domain names act as instruments to protect other intangible assets owned such as brand names, trademarks, and service marks against value dilution. Speculators can dilute the value of a brand name when, for example, customers unexpectedly encounter a pornographic site associated with a company's product or service.

It should be emphasized that domain names primarily intended for non-traffic roles can have a tremendous positive impact in driving traffic to a website.

e. Substitutes

A company can register substitute domain names to reduce search engine rank risk. The motivation behind a portfolio approach is that when the ranking of one of the domain names drops unexpectedly, others in the company's portfolio may end up with a higher ranking. Thus, reducing the risk of putting all the eggs in one basket.[1]

f. **Strategic Signaling**

Companies can use registration of new domain names to confuse competitors about technologies, products, and services that the company is pursuing. However, the threat of competition has to be credible, not cheap talk. Nevertheless, a company should conceal its identity on domain name registrations when it does not want to alert its competitors about the direction of future developments.

This practice of confusing the competition goes back to German companies in the 19th and 20th centuries that issued misleading patents to confuse competitors about products being pursued.[2]

Above I outlined the rewards of domain name ownership. However, companies should not forget to manage domain name risk. ■

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[1] See Alex Tajirian , "Optimizing Search Engine Presence With Domain Name Portfolios," DomainMart.

[2] A. Arora, "Patents Licensing and Market Structure in the Chemical Industry," *Research Policy* 26, 4-5: 391-403, 2000.