

Who Should Invest in a dotBrand?

Evaluating the Business Case
for a Top-Level Domain Name



Who Should Invest in a dotBRAND?

Evaluating the Business Case for Owning a Top-Level Domain Name

Briefing Document

For October 19, 2011 Webinar

I. Introduction

A new frontier in the internet is about to open. Website names will expand from mere .COMs and .NETs to full-fledged names like .WINE and .HOLLYWOOD, and brands like .CANON and .DELOITTE. In January 2012, organizations will have the chance to own a dotBRAND domain name instead of just registering for a dotCOM website.

Global brand owners, industry associations, and internet entrepreneurs are facing an important, and immediate, decision about how they should react to this new opportunity. The Internet Corporation for Assigned Names and Numbers (ICANN) application process for new generic Top-Level Domains (gTLDs) begins on January 12, 2012 and closes on April 12, 2012, so there is a small window in which to commit—and the next opportunity to apply will be several years from now.

There are many public and private discussions being held about ICANN's new gTLD program, some positive, some neutral, some negative. While critical discussions about the overall societal value and fairness of this program are viable and important discussions to have, this document will focus on some fundamental attributes of the program as well as some of the strategic business and branding issues an applicant should consider.

The intent is to provide background for participants in Columbia Business School's October 19, 2011 webinar on "[Who Should Invest in a dotBRAND? Evaluating the Business Case for Owning a Top-Level Domain Name.](#)"

The forthcoming analysis is not an exhaustive list of the elements that new gTLD applicants need to know or consider. For more information, links to some additional resources are included at the conclusion of the document.

II. The Application Process and Requirements for new gTLDs

Below are a selection of top-level considerations that all interested parties evaluating the new gTLD program should be aware of before moving into the deeper, strategic decision-making process of whether or not to apply for a new gTLD.

What is the Program Timeline?

ICANN's open application period takes place from January 12, 2012 to April 12, 2012.

Once the application period closes, ICANN estimates that the full evaluation process for approving the issuance of a new gTLD will take 9-20 months. During this time, ICANN will take into consideration issues that include: assuring administrative and technical requirements, handling negotiations for .NAMES that have competing applicants (so called "String Contention" procedures), dispute resolution over trademark claims, etc.

Independent, third-party, expert panels will evaluate applications against criteria and requirements outlined in ICANN's [Applicant Guidebook](#).

Within one year after a new gTLD owner signs a registry agreement with ICANN, the owner is expected to begin delegating secondary domain names (whether for internal use only, or for public registrations), thus demonstrating that the new gTLD is operational.

What Concerns and Protections Are There for Trademark Holders?

Various protections for trademark claims are part of ICANN's new gTLD program both during the application stage as well as within the first 90 days a new registry opens up for new public domain registrations.

Applications that meet ICANN's new gTLD requirements will be publically published so that all trademark holders can review these strings and begin an objection-based dispute resolution process if they believe they have a legitimate trademark claim to a particular gTLD character string that ICANN is considering approving.

Additionally, once a new gTLD owner begins delegating secondary domain registrations there is a 30 day exclusive "sunrise" period for eligible rights-holders to register domains within a new gTLD. Following this, a 60 day "initial operating" period begins, during which gTLD owners will be required to cross-reference all domain registrations through a Trademark Clearinghouse database to protect the claims of trademark holders.

What Are the General Costs?

As with any new process, the full costs of applying for and operating a new gTLD will vary, depending upon the business model and usage plans for the gTLD. There are some known cost elements:

- ICANN application fee: \$185,000 (\$5,000 deposit with application)
- ICANN annual fee: \$25,000
- Operating gTLD registry back-end: estimated at \$10,000 to \$100,000 per year

Additional costs that should be expected for an applicant and new gTLD operator include legal, operational and administrative costs that will vary depending on the usage plans for the new gTLD. General estimates of the total initial costs to apply for a new gTLD range between \$500,000 and \$1 million.

What Are the Categories of New gTLDs?

ICANN has distinguished two types of new gTLD uses an applicant can apply under:

Community-based: These applications are intended to benefit a clearly delineated community, with endorsement provided by that community. Designation in this category is subject purely to the discretion of the applicant. This category is intended for narrowly focused applications where, according to ICANN, there are “unambiguous associations among the applicant, the community served, and the applied-for gTLD string.” This is because community-based applications can undergo specific String Contention procedures if there are multiple applicants. Additionally, once contracted as a registry, the operators are bound by certain restrictions in running the registry (e.g. creating an approval process for any second-level domain registrant) where changes can only be approved by ICANN.

Standard: All other applications are considered “standard” applications, and may or may not employ registration restrictions or requirements. However, an applicant for a string with a geographic name must submit documentation of support for or non-objection to its application from the relevant governments or public authorities.

The general categories in which applications are expected include trademark holders (like .CANON or .DELOITTE), general categories which may or may not have community-based status (like .GAY, .ECO, or .SOCCER), and geographic locations (like .MONTREAL or .TOKYO).

For a compiled list of publically announced and/or potential gTLD string applications visit: <http://www.newgtldsite.com/new-gtld-list/>.

Do I Need to Develop a New IT Competency?

The application for a new gTLD is a complex process that involves creating and operating a registry service that supports the internet's domain name system. Many businesses, governments, or

entrepreneurs that are considering the benefits of owning a gTLD may have initial concerns about meeting ICANN's technical requirements since the potential applicant lacks this core competency.

Because of this, many applicants will be involved in detailed partnership arrangements with existing "registry operators" (such as Afilias, NeuStar, and VeriSign). Such operators already have back-end management expertise in ICANN's technical and security requirements for operating a piece of the internet. In addition, depending on the business model and usage expectations of the applicant, there may be partnerships with existing registrars (like GoDaddy.com, Register.com, and TuCows.com) to manage or assist in the domain registration process within the new gTLD. A complete list of currently accredited registry operators and registrars is available at: <http://www.icann.org/en/registrars/accredited-list.html>.

III. Considerations for Making a Business Case for Owning a gTLD

The items listed above provide a cursory look at some of the major elements of ICANN's new gTLD program. Anyone considering an application for a gTLD must look through the full details of ICANN's Applicant Guidelines, and, just as importantly, must make a strategic evaluation of the value in proceeding with an application to own and operate a new gTLD.

Below are just a selection of issues and questions that the "Who Should Invest in a dotBRAND?" webinar on October 19 will consider, and which potential applicants should consider as they evaluate their plans to move forward with an application or not.

What Are Some Possible Brand Benefits to an Existing Brand?

For existing trademark holders, there are definite implications of crafting an internet presence that may be more easily linked to their trademark. Here are some key strategic areas that brands should consider:

Brand architecture: For any organization that has a clear master brand with multiple sub-brands, and values an alignment between the two, there can be definite consumer perception benefits gained from clearer visual links between the sub-brands and the master brand. Consider, for example, the potential value for the Marriott hotel group in clearly aligning its properties under .MARRIOTT, instead of the various incarnations that exist within Marriott.com, or even as unique URLs outside the parent company website, like www.courtyardtimesquare.com. A clearer user understanding and brand reinforcement could be gained with URLs like timesquare.courtyard.marriott, and such implementations may also provide benefits within internal server architecture.

On the other hand, for a parent company that places a lower-level of importance on building a brand association between it and its sub-brands, there may be less value in moving forward with owning its own gTLD. Thus, further decisions must be made about the cost and relative value of applying for gTLDs that are unique to numerous sub-brands.

Naming clarity: For many organizations, there may be better consumer connections and naming clarity that can come from operating a gTLD. Consider the image benefits of connecting sub-brands or brand categories to a gTLD. For example, think of the consumer ease of recognizing a URL like www.jerseyshore.mtv, versus www.mtv.com/shows/jersey_shore/season_4/series.jhtml.

Even if a company's internal server architecture requires a "less user-friendly" long URL, owning a gTLD can permit easy linking pages that can be used in all marketing and advertising collateral material.

Brand personality: While the overall impression new gTLDs will make on internet users is difficult to predict, for many they will appear to be something implemented by leading edge companies. For brands with cutting-edge or "cool" personalities, or those who aspire to be technology leaders, the ownership a new gTLD may be a good fit, encouraging such perceptions of its brand among stakeholders.

On the other hand, brands with a more traditional personality may not see the need to be a first-mover as there will be future application periods. Such brands can wait to see whether owning one's own .TRADEMARK becomes a best practice.

Brand trust/security: For organizations that have considerable security-related issues surrounding their internet presence, there may eventually be extremely high-value in owning and operating a gTLD as consumers become educated about them and potentially begin to expect them.

Financial institutions are one such industry. Some phishing and security problems come down to simple user-perception errors. For example, the confusion in seeing a referral URL to something like citibank.usbanking.com, where the third-level domain from a quick glance might seem legitimate. Imagine, instead, a time when consumers become accustomed to looking at the "right of the dot" in order to confirm the legitimacy of a financial data-collection website and avoid submitting anything where they don't see the link point to .CITIBANK.

Another possible benefit could be for brands that have a vast array of affiliates that directly interact with consumers (e.g., Ricoh, which manufactures copiers but sells them through licensees). Added consumer trust, and potentially improved brand image consistency, could be obtained from providing those affiliates with second-level sub-domains.

What Are Some Possibilities to Build a New Brand with a .ANYTHING?

While the above examples are relevant to trademark holders operating new gTLDs with their trademarks, another potential opportunity of the new gTLD program is the chance to essentially launch a new brand by owning a standard or community-based gTLD like .WINE or .SOCCER. In this respect, some areas to consider are:

Category competition: With the potential for standard applications of business categories like .FOOD, .HOTELS, .MOVIES, .MUSIC, .RETAIL, .TAX, etc. it is important to understand your business' industry category and the potential implementation such new gTLDs might have. If a major category competitor was to obtain such a gTLD, how would other businesses in that category respond? Is there a potentially strong demand among businesses or individuals to register domains within such category specific gTLDs? Will consumers and other stakeholders in that category see added value or trust in businesses that use such URLs?

Business model: Careful consideration must be made to crafting a business model that under which a new gTLD can operate viably. Is profit the primary goal of ownership, or is it simply the ability to create internet properties associated with a new .NAME? If profit is a leading desire, will it come from paid registrations, advertising revenue, or from the delivery of other services connected to the gTLD (e.g. e-commerce capabilities, hosting services, marketing outreach, etc.)? What will be the cost to acquire users that will drive revenue generation from operating the gTLD? Will the new gTLD have a completely open registration process for second-level domains or a restricted registration process, and what will be the management costs for each?

Domain services: Whether or not profit is a prime driver, an applicant needs a clear plan on what types of services will be supplied that will help drive users to register within a .NEWNAME instead of within existing gTLD options (.COM, .NET, .INFO, etc.)? Will the gTLD also offer direct connections to a host server? Will it offer other services like website design or e-commerce platforms? Will there be any direct connections between the various registrants within the gTLD that builds a sense of community among the domain registrants?

An example of a lesser known gTLD, for those looking to investigate a model for the development of a new gTLD, can be found at the “about” page for .JOBS: <http://www.goto.jobs/about.asp>.

IV. An Unknown but Potentially Exciting Future

Whatever your individual opinion of ICANN's new gTLD program is, its existence will inevitably lead to change, and potentially innovation, as the internet continues to expand and develop.

Some of the burning questions about the implications of a future with hundreds more .NAMES are difficult to analyze at this stage, before new gTLDs are actually implemented. For example, the question of how consumers will react to seeing websites with .CANON, .DELOITTE, or .WINE is a bit unpredictable until new gTLD user experiences actually happen. Will new gTLD uses boost their attention to brands and better enable their browsing behaviors, or will the usage of search, apps, and social sites minimize the impact of brand associations that are created by new gTLDs?

Many are specifically curious about how search engines will actually respond to websites developed in these new gTLDs and how these engines will adapt to redirects from long-existing .COM-style websites. At present, the major internet search providers remain officially neutral on this point, stating that their algorithms do not weight particular gTLDs more highly than others.

We look forward to a continuing discussion and analysis of ICANN's new gTLD program, whatever path unfolds on the internet as a result of its existence.

REGISTER FOR THE OCTOBER 19 WEBINAR AT:

<http://www4.gsb.columbia.edu/globalbrands/events/dotbrandwebinar>

V. Resources

The following are just some of the interesting perspectives we have used in our research on this topic:

ICANN's all inclusive new gTLD website

<http://newgtlds.icann.org/>

Landor's Karl Isaac, "Don't wait on the sidelines when it comes to .brands"

http://www.landor.com/?do=thinking.blog&post_id=25949

Afilias' Roland LaPlante, "Big Brands Recognizing the Value of New gTLDs"

http://www.circleid.com/posts/20110904_big_brands_recognizing_the_value_of_new_gtlds/

Ogilvy, "From .com to .brand"

<http://www.ogilvy.com/On-Our-Minds/Articles/From-com-to-brand.aspx>

Interbrand, "What's in a Domain? Generic Top-Level Domains and the New Dotbrand Frontier"

<http://www.interbrand.com/en/Interbrand-offices/Interbrand-New-York/dotbrand-whitepaper.aspx>

BBC, "Dot brand versus dot com: Internet domains go head to head"

<http://www.bbc.co.uk/news/business-15084318>

Bloomberg Businessweek, "Time to Rethink Your Domain Name"

<http://www.businessweek.com/management/time-to-rethink-your-domain-name-09132011.html>

The Guardian, "Generic TLDs: is it worth getting one?"

<http://www.guardian.co.uk/technology/2011/sep/27/generic-tld-worth-getting-one>