Is your domain name working for you?

While the registration of a URL can prove to be one of the most valuable investments a company can make, writes Dominic Speller of CPA, the strategic importance of domain names is seldom recognised at corporate level – often because companies are unaware of how to measure the value of their domain name portfolios

Maintaining an IP portfolio can be a costly exercise, however, domain names can generate tangible financial rewards without having to cost the earth. A domain name in active use can generate revenue, both directly, by providing online access to a retail outlet and indirectly, through brand awareness and marketing.

Can domain names really be valuable?

The domain name portfolio of an average company contains domains of differing value, depending on initial costs, incoming revenue and brand awareness they generate.

For businesses such as Amazon.com, eBay and lastminute.com, where the Internet provides a sole source of revenue, a domain can generate a large portion of the company's income. Google provides a case in point; in its 2005 revenue report, the company revealed it had almost doubled its net income to £215.8 million that year. More recently, online businesses, such as YouTube.com and MySpace.com, have illustrated how valuable domain names can be: Both non-revenue generating sites were purchased for $580 million and $1.6 billion respectively. Of course, not every website or domain name is going to be worth millions, but without a secure domain name registration, none of these organisations could function or exist on the Internet.

Value is also reliant on other criteria. For example, domains registered for defensive purposes hold an almost self-contained value. Here, the reward is generated through brand protection and avoiding the costly and time-consuming exercise of retrieving a domains from infringers.

What makes a good or valuable domain name?

There are several factors to consider when valuing domain names for resale or purchase – valuation reports are a good first step in any negotiations, but here are some considerations:

(1) How generic is the domain name? Generic terms are usually of higher value. (2) Is the name easy to remember? The length of a domain name can adversely affect its value. (3) Does the name contain hyphens? Hyphenated domains are generally considered less valuable. (4) How well known is the name? (5) How descriptive is the name? (6) Does the name receive incidental traffic? Domains with higher incidental traffic are usually of greater value. Finally, (7) is it a .com or similarly popular top level domain (TLD)? These retain a higher value to a potential purchaser.

How can I protect a domain's value?

Generic domains can cost as little as £30 per year when managed by a secure and expert provider, so there's little business sense in allowing a domain name to lapse – especially when you consider the ramifications. Despite this, lapses occur on an almost daily basis. Such problems can be avoided if the IP, information systems and marketing departments take a more consolidated approach to managing their domain assets. Often it's simply communication between departments that needs to be improved. Fortunately, there are tools on the market that cater for all stakeholders involved in domain management and many offer digital content protection services to detect online brand infringement.

Leveraging value

Unlike patents and trademarks, domain names are less frequently recognised as exploitable assets. But they should be. Cybersquatters and domainers use domain names to generate revenue, so why shouldn't brand owners use the same approach?

Domainers are increasingly opting to register generic domain names that contain high search engine value. They use these to generate profit through online advertising. For example, www.food.co.uk takes users to a pay-per-click (PPC) page run by Google. The BBC reported that Google's ad revenue was likely to hit £800 million in 2006 – proving that it's not only domainers benefiting from PPC, but also the search engines.

Brand owners should be thinking about registering these generic domain names themselves, whether they choose to link them to their corporate websites or to an informative (softly branded) industry-related webpage that subtly showcases their own range of products. For example, if Harrods owned www.food.co.uk, it could position itself as 'the' place to find out about food. Perhaps more importantly, it could also charge non-competing third parties to advertise, instead of paying to advertise itself. And this approach enables brand owners to use their domain names as a key business driver.

Ten ways to maintain the value of your domain names

- Know what you own
- Renew your names via a reliable provider
- Increase security by opting for an automatic renewal
- Understand which domains are important for your technical infrastructure as well as your brand
- Keep those who have a stake in the management of the domain-name portfolio in the loop
- Construct a registration policy for brands but be flexible for domains with technical priority
- Be aware of new top-level domains being launched
- Review your portfolio regularly – cut away deadwood or redirect to corporate sites
- Conduct valuation studies on domains you wish to abandon
- Think like domainers – if they are trying to register a domain name, it is generally because it is of value

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