Corporate Domain Acquisition Strategy

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Introduction

Value drivers for corporate domain management (CDM) services have evolved from trust and operations to valuation and acquisition negotiations. Legal expertise and internal procedures for new domain name registrations are still important.

Below, we focus on the domain name selection strategy and develop a value metric for prioritizing the acquisition process.[1]

Identification Strategy

The fist step in any domain management process is to identify a list of relevant domains. To do so, one needs to develop criteria to determine which domain names are relevant. Our tactical criteria flow from recognizing that the objectives of domain management should be consistent with the client's marketing and IP protection strategies. For example, a policy for registering domains that are more valuable to a competitor can be established based on the client's corporate strategy and acceptable competitive tactics. However, we don't believe that registering or buying domain names just because they are cheap falls within the scope of corporate domain management, as it is that of an investment strategy. A company's asset management department can better pursue such an investment.[2]

Priority Metric

Obviously, not all domains on the list identified above are equally valuable. Moreover, it can be prohibitively expensive to secure all of them. Thus,

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[1] Details on the classes of domain names considered and the scope of our services are provided in Corporate Domain Management (CDM).

[2] DomainMart provides private domain name investment management accounts. More information is available at http://domainmart.com/Investment_Management_Account.htm.

establishing criteria for identifying domains that matter requires estimation of shareholder value that a recovery will create. Hence, we prioritize the wish list into high, medium, and low.

As a first-pass at measuring value, we use a statistical methodology based on comparables. For domain names with high priority in the preliminary valuation results, as in any bargaining based exchange, the acquiring party needs to estimate value to the buyer, as well as the value to the seller. Assuming no asymmetry of information between a buyer and a seller, acquisition would make sense only if the value to the acquiring company is greater than that to the current owner.

An appraisal methodology for the acquiring party must consider acquisition urgency and the strategic competitive positions of the domain names in the firm's portfolio. For example, if a domain name has considerable traffic overlap with domains in the acquirer's current portfolio, it may be worth more to the current owner than to the acquirer, other things being equal. Moreover, a defensive IP protection strategy should not only look at the damage from unprotected domains, but also the additional value such domains would create.

Divestitures and Renewal Strategy

The flip side of acquisitions is the sale of domain names that are worth considerably more to someone else. This arises as a firm's line of business and product mix change, as well as indirect ownership of domain names through corporate mergers and acquisitions. Renewal strategy should also be periodically reviewed.

More Information

For additional information, visit our website at www.DomainMart.com. ■