Chapter One

The New Regime

The debate is over and ICANN is moving full steam ahead to create the next generation of the Internet. What is happening? What will change in how people use the Internet? How will businesses make money from it and what was the reasoning behind it all? How much will it cost companies to protect their brand when the Internet just infinitely grew in size? These are just a few of the questions answered in Domain Names Rewired.

In case you hadn’t stumbled across the limited and often buried articles in the mainstream media covering this topic, for the first time in the history of the Internet, ICANN (the non-profit organization that runs the Internet and is formally known as the Internet Corporation for Assigned Names and Numbers), has approved the release of up to thousands of new generic top-level domains (gTLD or TLD) such as .yourbrand or .restaurants, to anyone who wants to apply for one. While it is costly to obtain a new top-level domain—at least $250,000 to $500,000 or more in the initial year—this is the new frontier, just like it was when .coms became mainstream, full of opportunities to create the
future, adopt disruptive innovation and new business models, along with challenges to protect existing business models and brands.

This rapidly changing new regime of the Internet will impact the hundreds of millions of Internet users around the globe, not to mention every business that already has a .com. Largely under the radar of even sophisticated and savvy business executives, when the new Internet launches in 2013, businesses of all sizes will need guidance on how to respond. Those who caught on early and applied for their own top-level domain between January and April of 2012, will be in for the biggest paradigm shift since the Internet began, and potentially capitalize on the next channel of the Internet. Even for companies that didn’t invest in the new Internet, they will need to protect their existing .com and brand in an exponentially increasing Internet world and evaluate new opportunities.

In this first chapter, we provide an overview of the business community response to the program, opportunities, new business models, and what is needed to defend your brand in this new regime. Throughout the remainder of the book, we interview global leaders in trade organizations, corporations, technology, and other thought leaders to identify and predict trends.

The rollout of top-level domains includes not just generic top-level domains that are available to any organization and branded top-level domains reserved for legitimate brand-rights holders, but also community groups and geographic locations, with special rules that apply to those top-level domains.

Imagine if you had a heads up in 2004 that social media was about to change everything or knew that the .com bubble would burst in 2000? What might you have done differently? In Domain Names Rewired, we hope to give you the tools to take advantage of opportunities and how to prepare for threats to your brand in the next generation of the Internet. But not everyone thinks it’s such a great idea. Many are concerned that the cost to brand owners to protect their brand from cybersquatters in a .anything world is too high. They are concerned that there really wasn’t a need or desire for this other than to create new opportunities for existing players in the registry operator, registrar, and service-provider industries. We’ve interviewed thought leaders with differing views and centered our book on providing advice going forward. While the rationale behind the program and process for rollout of the campaign may still be in question,
since the debate about whether or not it should go forward is over, we focus on the potential positive outcomes for businesses as a result of this changing landscape, as well as provide tips for defending your brand in a changing Internet world.

**An Overview of the Business Community Response to gTLDs**

According to a 2010 study conducted by the World Trademark Review (WTR) magazine, 54 percent of global brands responded positively when asked whether their company/client would be applying for a new gTLD; of those brands planning to apply to run a new generic-top-level domain (gTLD), 81 percent planned on making their gTLD their master brand. With these new gTLDs, companies will have an opportunity to cement their brands on the Internet, creating second-tier domains for sections of their organizations on branded gTLDs. In the same WTR survey it was found that 46 percent of in-house counsel said “Yes,” “It’s Likely,” or “Maybe” when asked whether their companies would apply. One respondent in the survey from an international publishing company summed up the opportunity when he was quoted as saying, “We need to be able to provide a safe and reliable web space that will give our customers the trust and confidence to trade with us... with our own registry we could control our web estate.” In a second study conducted by ABC Namebank in 2008, it stated that there were already some 18,700 companies in the world today that will apply under the new policy. According to these numbers, this will have a global impact and bring a new face to global e-commerce and open doors to what many are calling the new cyber brands.

Many corporate marketing professionals see these cyber brands as an opportunity to enhance user experiences by creating a universal signal. These new domains would signal users of a tighter association between online brands, site legitimacy, and even subconsciously signal a company’s industry leadership. In addition to site legitimacy, branded gTLDs would reduce unauthorized sales, and issues like counterfeit activities could only transpire outside of a brand’s gTLD, making users more confident in their secure purchases and site interaction. Consumers have
shown they will be loyal to brands that carry personal meaning. For example, if a user is an avid runner, they will have no fear of clicking on a running.nike site and feel confident it is an authentic product.

Although operating a gTLD means capital investment in initial fees and ongoing operations costs, the opportunity for some companies to maintain control over their brand’s online security and community outweighs those costs. If you consider a domain name for many technology companies is its single most valuable asset, is any price too high to have total and complete control over it? Top-level domains and the explosion of the next generation of the Internet in 2013 also presents a unique opportunity for all companies, whether they have applied for a top-level domain or not, to consider opportunities for disruptive innovation; to push the boundaries on how they connect with their consumer, manage supply chains, and distribute their product or service.

According to speculation by our thought leaders, there may be 500 to 1,000 or more new .brand TLDs and a similar number of generic TLDs. If companies decide to wait until round two or later, they risk waiting a long time, as potentially thousands of applicants will be evaluated in round one, making the next opportunity to apply for a specific domain less valuable. Our thought leaders estimate the window of opportunity may not open for another five years. Simple logic dictates that it will be at least five years before another round will be up and running. This initial round will not go live until 2013 at the earliest. ICANN has pledged to evaluate the stability of the infrastructure and the process before opening another round. Given the anticipated time for ICANN to approve a new round, modify the guidebook or processes, obtain applications, process applications, and then go live, it couldn’t happen much sooner than five years. Five years in the Internet business can make or break most businesses. Accordingly, for companies that can afford it, a wait-and-see approach is not encouraged. Given the significant risk and opportunities available, each company will have to carefully assess that impact and begin developing a strategy. A company’s top priority should not just be to ensure they submitted an application that meets ICANN criteria, but that they are developing a solid business case for the domain they chose. With the rise in Internet presence and keyword searches, name identities and how consumers interact with companies digitally is becoming just as important as logos, design, and traditional brand identities, if not more so.
Executing a campaign to interact digitally with consumers can propel a brand to new heights overnight.

The benefits of these new gTLDs, ranging from new branding and marketing opportunities to enhanced security, are substantial, but they also come with costs and potential risk. Most notably, the investment required comes without any guarantee of a paradigm shift to follow. On the flip side, if the gTLDs change the way consumers use the Internet and competitors obtain important top-level domains, companies that wait-and-see may miss an opportunity to dominate in the next channel of the Internet. With or without a gTLD, companies will need to carefully assess the impact, choose an offensive, defensive, or combined strategy and begin developing processes to execute that strategy. This shift in the way information is found by users has the potential to fundamentally change the face of the Internet.

To provide a brief overview of the program, the Board of Directors of ICANN approved a long-debated program to expand the Internet in June 2011. On January 12, 2012, the application period opened for anyone to apply for one of four types of top-level domains (see Figure 1.1):

1. Brand
2. Community (special requirements to qualify)
3. Geographic (cities or regions—special requirements to qualify)
4. Generic terms

Figure 1.1  The Scope of New Top-Level Domains by Category
The application period closed in April of 2012 for any new applicants. It was expected that there would be anywhere from 500 to 1,000 or more applications, but there were 1,930. ICANN’s plan is to review the applications through the remainder of 2012 and start launching the first batch of the new top-level domains in 2013. We completed this book in April 2012 and have added some information following the publication of applicants in June 2012 to Appendix A. We will continue to follow and predict trends as this evolves online. We provide a more detailed analysis of the list of applicants and applications in the Preface.

**Potential Benefits for an Organization Applying for gTLDs**

Although the application period is closed, to get a grasp on what all of this will mean, it’s important to start by understanding the fundamentals and weighing the pros and cons to a business or organization in obtaining a top-level domain. We’ll start with the pros for obtaining a top-level domain.

**The SEO Impact**

Since 2008, when ICANN approved the gTLD plan, registry operators have been evaluating ways to maximize the new TLDs. A major benefit to registering the new gTLDs is the potential impact these domains will have with search engine optimization (SEO). According to public reports by VeriSign, the registry operator of .com, after speaking with the three largest search engines—Google, Yahoo!, and Bing—VeriSign anticipates that if the new gTLDs make it easier for consumers to acquire the content they are searching for, the search engines will adjust their algorithms accordingly to incorporate the new gTLDs. While it is not clear how exactly search engines would adopt the new gTLDs, the registry operators expect the SEO function to be optimized through the new gTLD scheme and, in turn, reduce security concerns about phishing sites by diverting web users to correct websites. Although having to type in long domain names and not knowing specific spellings of company names may lead web users to rely completely on search engines to avoid confusion, the authenticity of the top-level domain will
provide greater assurances to consumers that they have found the site they are looking for in their search.

Overall, a short, memorable domain name means fewer impressions are required before customers remember the domain, resulting in improved advertising return on investment (ROI), in addition to improved search ranking for landing pages and second-level domains that are easily associated with the brand by search engines. With the rising number of portable devices being used to access the web, short URLs will become increasingly more valuable since lengthy strings can be impractical for mobile users. Additionally, there are questions about what a strong top-level domain will do to search. If a consumer knows they can go to search.sports and get access to any sporting event they want, they may go directly to the niche site to search for what they need rather than through a big search engine. Search engine optimization depends on the relevance, quality, and popularity of a domain name. While domains may become less important as more and more people access the Internet through new devices and apps, the keywords that they contain will continue to remain relevant.

Because search engines consider keywords within domain names in their search result algorithms, gTLD registrants will be able to register second-level domain names containing carefully chosen words and phrases that reinforce their messaging and positioning. Owners will have the opportunity to control and/or sell second-level domains to third parties, as well as have the ability for significant control over the guidelines of who can register for these domains. For brand owners, selling second-level domains likely doesn’t fit the purpose or mission of the TLD, but for generics, this is the primary reason for acquiring a top-level domain.

**Second-Level Domains and Navigation of the Internet**

One of the benefits of introducing the new gTLDs is improved navigation on the Internet. For example, companies may achieve better navigation through to their websites by having domain extensions closely targeted toward their specific site content. This easier
navigation is due to the likelihood that the new gTLDs will be designed to serve consumer needs that the .com domains do not meet particularly well. Some new gTLDs will have the ability to facilitate consumers’ Internet navigation and search by more quickly and accurately directing users to websites with the designed content. For example, company-specific gTLDs such as info .yourcompanyname could facilitate the ability for those consumers to obtain general information as well as promote interactions with partners and suppliers with the company.

One additional advantage for owners of a new gTLD should be better and more intuitive navigation for users. Companies will have the ability to break down the new branded domains to focus on more specific audiences (restaurant.vacations, newyorkcity.vacations, bahamatours.vacations, contest.yourbrand, spatreatments.hotelname, yourfavoriteshow.abc, or drama.abc, etc.). Easier access to company content should in turn create potentially better ranking results within search engines. More intuitive navigation could also cut down on advertising expenses to promote a previous unapparent URL. Overall, brands can create an unlimited amount of microsites and landing pages for all of their vertical product lines and sub-brands.

This new system could allow not only for enhanced brand promotion and visibility, but also for secure corporate and client networks (used for purposes such as facilitating the provision of services to clients by creating a dedicated portal site)—which could then prevent fraudulent practices such as offers of counterfeit products through the Internet. In theory, once a new gTLD is awarded, the structure would be in place so that registrants could start registering second-level domain names as soon as the gTLD goes live.

It’s important to note that most brand top-level domains won’t want to sell second-level domains. ICANN requires that top-level domains that are open or selling off second levels follow a number of fairness rules that brands likely won’t want to do. Accordingly, most of the top-level domains selling second levels will be the generics run by registrars, existing registry operators, or entrepreneurs backed with investors hoping to create the next .com, but even brand TLDs will have the opportunity for full control of the second-level domains, offering key strategic advantages in the long term.
Email

As organizations adopt new gTLDs, email addresses are another aspect of branded technology that could be impacted significantly. In the future, companies could use their new brand gTLD as a simplified email address (name@domain versus name@organization.domain), or, for example, name.nike or name.nbc. If email clients and servers are changed to recognize this format, companies that offer such branded email addresses may be able to potentially strengthen the connection between themselves and their customers, fans, and other supporters and may build interest and attract new Internet interactions. Further, organizations can use this enhanced connection to better understand its customer base without the cost and expense of traditional market research.

In addition, with the ownership of a brand domain, companies also have the option of creating mail exchange (MX) records for second-level domains for resellers, customers, vendors, and so on, (name@vendor.domain), which was not possible in the past. This could also create potential new revenue from the sale of affinity-branded email addresses.

Social Media

Another critical opportunity with the new gTLDs is the opportunity to build a Facebook-like presence. The social-networking giant surprisingly did not apply for its own top level domain. Major brands have used a www.facebook.com/brand URL for campaigns and corporate information targeted towards a younger crowd. Recently, a contributor to Advertising Age asserted that company websites may become a thing of the past and provided statistics: Starbucks, in one month, had 1.8 million website visitors versus 21.1 million “likes” on Facebook. It was 270,000 visitors versus 20.5 million likes for Coca-Cola. For Oreo, 290,000 versus 10.1 million.
However impressive those statistics are, they don’t tell the whole story. While many corporations have Facebook sites, they are still trying to quantify the value of social media, and they are not abandoning their corporate websites. Facebook “likes” will never be the same as website visitors, in part because you can “like” a company Facebook page without having ever viewed it. While most marketing executives realize the importance of expanding their brand’s reach through social media, they also realize that any brand that surrenders itself to simply become a sub-brand of another (Facebook) could be leading to the loss of control of that brand’s image, privacy, and even monetization. Having a .brand allows owners to create their own online policy regarding the brand’s core web presence and security, as opposed to building a brand presence on Facebook where companies are subject to Facebook’s particular policies and security measures. While we can’t know the strategic reason behind Facebook’s decision not to apply for a gTLD, it does mean there is an opening for an innovative company to build a new social network. While that could surely exist in a .com world, the expansion of the Internet provides the paradigm shift to potentially migrate Facebook friends into more segmented social groups in a more segmented Internet world. Likewise, many of the other social networking companies such as Twitter, Pandora, and Pinterest could all face new competitive threats.

**Anti-Counterfeiting**

By enhancing brand owners’ control over their channels of distribution as the top-level domain owner, the introduction of new top-level domains has the potential to significantly disrupt the abilities of counterfeiters to distribute counterfeit goods and of unlicensed content providers to distribute protected content, which would bolster brand purity. Brand owners applying for new TLDs will be able to approve and monitor all sub-domain registrations made under that TLD. This will give brand owners the control to affiliate themselves with only those entities (partners, licensees, affiliates, resellers, customers, etc.) of their own choice. This will allow them to ensure that there are no unauthorized resellers that are offering counterfeited goods by obtaining domain names identical or substantially similar to their domain names. For example, Apple could create a program whereby only authorized resellers of Apple’s goods
would be able to obtain a resellernamem.domain name. Such control enhances the brand’s value by guaranteeing that consumers will find authentic, legitimate quality goods of the brand and will no longer be tricked into obtaining counterfeit goods, thus decreasing the effectiveness of those counterfeiting channels. From a content provider’s perspective, it proves useful for preventing infringement since a content provider has the ability to consolidate its distribution channels such that any online content distributed outside of its TLD would be infringement.

Brands looking to enhance security for their on-line customers will use a top-level domain to signpost authenticity and to guarantee trust.

“Brands looking to enhance security for their online customers will use a top-level domain to signpost authenticity and to guarantee trust. If it does not end in Rolex, it’s not Rolex.”

Nick Wood, Managing Director, Com Laude

**Industry Leadership**

The most prominent reason for applying for a top-level domain is to obtain industry leadership and market dominance within a particular industry segment. By purchasing a .brand domain, companies have obtained exclusive leadership of that brand through their 100 percent, ironclad ownership of that name identity. If the public responds as anticipated, a brand or company owning an entire industry category will have complete ability to own the new channel of the Internet within that product category. For example, if an organization owns .style, .news, .movies, or .independentfilms, it can become a single source for all consumers interested in that topic and lead the Internet market space with content, products, and promotions. Because of all of the reasons listed above, an organization can become the market leader in any category in which it owns the top-level domain and box out competitors from owning this new channel.

Some marketing professionals have cited the ability of a TLD owner to build an Internet-based island, controlling all access and content.
Since domain owners will operate the registry that accepts second-level domains, a company can ensure that only companies with whom it has beneficial commercial relationships with, such as partners, co-ventures, customers, and so on, can obtain second-level domains. Marketing professionals have predicted that the domain name system will develop into a directory of leading corporations and that Internet users will become accustomed to associate the top-level branded sites with greater prestige and authority. And, never again will a company have to question in a brainstorming session whether a new product name is available as a .com—they own their own domain and can build whatever contests, promotions, campaigns, or new product lines it wants in its own top-level domain. Companies can then tie their top-level domain to mobile applications or other tools and devices that their target consumer uses to stay connected in a more robust way.

At the time this book was printed, the application period will have closed. While the most telling argument for companies to apply was the ability to control one of its most valuable assets, many will have opted to wait and see because of the cost of the new TLD program and uncertainty. For comparisons, a .com can now be purchased for about $8 a year and a top-level domain will cost about $250,000 to $500,000 to acquire, plus operating costs of about $252,000 per year and business resources toward new business models. It’s certainly a drastic difference. But at $8 a year, you

![Figure 1.2](image)

**Figure 1.2** Survey of Marketing Professionals’ Interest in Top-Level Domains by *World Trademark Review* magazine, December/January 2011
don’t own .com—VeriSign does. And VeriSign controls .com. While most top-level domains will partner with VeriSign or another registry operator, at the end of the day, they actually own the domain. For technology companies, that can be an invaluable difference. See Figure 1.2.

While many trademark counsel are fearful of an entirely new domain market, marketing professionals surveyed in the 2010 study by the World Trademark Review magazine could see the benefits of owning your own gTLD registry. On the flip side of the pros of applying for a top-level domain are the cons; let’s take a look at the risks and cons associated with running a top-level domain.

**Potential Risk if Applying for gTLDs**

The cost to an organization that chooses to offensively obtain a new generic top-level domain is anticipated to be approximately $250,000 to $500,000 to obtain a site that does not go to an auction (oh yes, if more than one company applies for the same top-level domain, it goes to the highest bidder), and an anticipated $250,000 per year in additional hard costs with the registry operator, plus those additional internal costs to operate the new domain.

**Cost and Lost Investment**

The biggest risk if an organization chooses to obtain a new generic or branded top-level domain for offensive purposes or just to ensure no one else has it, is that the investment for obtaining and maintaining the TLD does not exceed the return. The most likely scenario is that the general public does not respond favorably to the new top-level domain naming system and that consumer behavior remains unchanged as it relates to domain names. In addition to the application costs, maintaining a TLD will require a commitment of around $125,000 per year for operating the TLD (technical maintenance, escrow costs, etc.), a figure that does not include any internal costs borne by the applicant for its own employees performing internal management of the domain and the marketing efforts it would support. There would also be the additional cost of monitoring and enforcing for all top level and sub-level domains, which would likely amount to around $100,000 per year (although that figure could vary substantially based on the number and nature of the domains obtained).
For mid-market to very large companies, $250,000 to maintain a mission critical capital asset is not exactly breaking the bank. But, for smaller companies it is simply not in the budget.

**Failure of Public to Respond Favorably**

The additional risk is that if an organization applies for and obtains a new top-level domain and the public does not respond favorably, then the investment of time, money, and resources is lost. It is possible that consumers may continue to search and go to the tried and true .com infrastructure rather than adapt to the new .brand approach. Of course, once an organization obtains the new gTLD, if it determines this consumer response is not as anticipated, it can terminate the new gTLD to cut losses going forward, following some contractual guidelines, but the initial investment is an un-recouped cost.

**Consumer Confusion**

Additionally, if the public does not respond favorably, consumers may be confused about the new top-level domains and be unclear how to find information and content from an organization’s family of brands. Despite ICANN’s four-month campaign to raise global awareness leading up to the new gTLD initiative, numerous surveys have shown that the public may not be as enthusiastic about the upcoming changes. The Future Laboratory, on behalf of domain name registrar Gandi.net, found the majority of consumers polled (60 percent) agreed that the liberalization of domain name extensions will change the way they use the Internet, but not for the better. The reasons for negative feedback range from the Internet becoming full of pointless domain names (65 percent), messy and confusing (57 percent), too complex to navigate (46 percent), and out of control (41 percent). Critics of ICANN argue that it is doing too little to promote the program.

**Cybersquatting**

Owners of trademarks and brands have claimed that a new round of gTLDs might leave them facing an onslaught of cybersquatting and
typosquatting, and that their policing and enforcement costs would be substantial. It is possible that the new gTLD program could lead to hundreds, if not thousands of new gTLDs, which is likely to cause brand abuse, such as cybersquatting, to grow exponentially. As a result, the legal costs for brand owners associated with monitoring, registering, and enforcing domain names are likely to rise substantially.

The Business Model—How Can It Work?

To help set the stage for what may transpire as new top-level domains are launched and to start your plan to build and protect your brand, it’s important to evaluate and understand the business model for those that did apply. After all, the ability to make money or see a return on investment will drive most top-level domains. And, for branded, closed, top-level domains, since they won’t be selling second-level domains, there will have to be a way to monetize their investment.

Today, the online world as we know it is defined by a relatively small number of generic top-level domain names. Currently, there are 21 active gTLD extensions and roughly 270 country-code top-level domain (ccTLD) extensions available for registration. In 2010, there were an estimated 183,000,000 domain names registered to those domains in operation according to Melbourne IT Services and Business Wire. The .com registry had the most domain names of all gTLDs with over 81,000,000 domain names registered as of last year. This newest gTLD expansion to the Internet naming system holds the potential of significant opportunities for branding, cross-media advertising, improving website traffic, and creating new business applications that can help create thousands of new domains in the next year alone and numerous potential revenue streams. See Figure 1.3.

Because the initial investment and ongoing cost is substantial, a clear return on investment analysis is required. What follows is an initial evaluation of potential revenue sources and positive return for an organization for its investment in a gTLD. In many ways, the business model for the new generic top-level domains is not unlike the business model for any Internet site or traditional .com. The unique differentiator, however, is the ability for market dominance and industry leadership by owning an
entire category, and the potential that it changes the way consumers think about and navigate the Internet. While it may be easier to extrapolate why owning .gambling, .sex, .money, or .sports would be valuable, the same model and approach extends to any category, such as food, lifestyle, fashion, music, technology, and so on. It’s also critical to keep in mind that for all companies, the opportunity to think in a disruptive way, to toss out old assumptions or business models, and breakthrough to a new, successful model must be discovered in this new and changing Internet.

**Content Distribution Channel—What if This Could Displace Cable?**

A prime potential business model is the distribution of content and programming, similar to the existing cable network model. If the new generic top-level domains perform as anticipated by ICANN it could become a new channel of distribution—only instead of channels on a cable box, it’s top-level domain networks distributing their content directly on the Internet. If this takes hold with consumers looking for programming and content it is possible, in some market segments, that this could replace cable. What if new programming might be on the spring.fashion or election.news channels only and not on the cable networks? If this eliminates the cost of distribution through cable
networks or traditional advertising, what long-term impact could this have for an organization’s bottom line? This is a slow-building opportunity, but one that should be evaluated as the biggest potential upside of the investment—almost every company is producing some content targeted to its audience. While many argue it’s no different than the threat in the .com world, the reality is that by opening up the Internet to so many possibilities, the ability to innovate and push people to a new way of thinking can accelerate the shift that is already underway.

A similar example is the start-up company Hulu, founded in 2007 as a joint venture between a group of several media entities, now between NBC, Fox, Disney-ABC, and Providence Equity Partners. Through its joint-venture structure with content providers, Hulu offers both free and paid content. It functions as an ad-supported site and maintains a subscription-based service, Hulu-Plus, that offers additional programming and user features for $7.99 per month. According to CNET In March 2011, Jason Kilar, CEO, forecasted that the company would hit the $500 million mark for ad and subscription revenue, up from $263 million in 2010 and $108 million in 2009. At that time they counted 627 advertisers and 264 content partners. Hulu is on pace to hit 1 million paid subscribers on Hulu Plus—launched in November 2010—and their advertiser base grew 50 percent, from 194 in the first quarter of 2010 to 289 in the first quarter of this year. According to comScore, Inc., as of May 2011, Hulu accounts for around a third of all U.S. online advertising, generating 1.1 billion impressions of advertisements during the month of April. That means Hulu accounts for around 29 percent of all the 3.8 billion online video ad impressions seen by U.S. Internet users. The report also shows that Hulu is tops for total advertising minutes, at 470, and also for average number of ads per viewer, at 45.

According to CNET, the expected impact that online content providers like Hulu and Netflix will have on consumer behavior, according to 2011 research from Convergence Consulting Group, is that “an estimated 2 million households are expected to have cut the cord and drop paid TV services in favor of broadband video services between 2008 and 2011 . . . Though the pace of cord-cutting is expected to slow this year, it is still happening at a faster rate than in 2008 and 2009.” Big cable companies are losing paid TV customers. Comcast reported it lost a net of about 56,000 TV subscribers during the third quarter. The
company reported it lost 275,000 basic cable subscriptions during the quarter, but it added 219,000 digital TV subscribers. Also during the third quarter, Time Warner Cable lost 155,000 video subscribers. Overall, 172 million Americans, 81.9 percent of the U.S. Internet audience, watched video online last year and although the .brand domain might not be an overnight success, the potential to build demand surrounding online content is there. TLDs make it easier to build those channels.

**Social Media and Ad Revenue**

An additional source of potential revenue is in building the social media connection with consumers interested in a variety of business, community-based, and lifestyle issues. If an organization views this as an opportunity to build the next social network of followers in their market category, then it could become the Facebook for people who like that market category and create its own social network. Much like Facebook, an opportunity then exists to gather data and offer promotions, products, and other offerings to its network and community, as well as to research and gather important data of value to advertisers.

According to figures released from eMarketer in 2010, Facebook, with about 500 million users, reached about $1.9 billion in ad revenue alone. As for ads, Facebook is serving more than 50 billion display ads per month and is on track to serve 1 trillion display ads per year.

While other social networking sites can’t compare with Facebook’s numbers, many are still using online advertisements as the majority of their revenue. According to Tim Westergren, founder of the newest personalized online radio service, Pandora, the company made $77 million of revenue based on advertising in just the first nine months of 2010. Similarly, the professional networking site LinkedIn revealed in a filing for an IPO that it made ad revenues of $51.3 million in the first nine months of 2010. Analysts predict that with the IPO filing, future ad revenue could rise to $175 million next year.

Additionally, top-level domain owners in key market categories could build their own Google business model by developing search algorithms in more focused areas. For example, if I want to search only for high fashion or only five-star hotels or only for discounts,
sports, or name your category. If I find a top-level domain that I trust and know they will only produce search results that are relevant to me, then that top-level domain owner has a business model like Google, Bing, and Yahoo!.

**Subscription Model**

An additional model for the new top-level domains is to build subscription-based, second-level domains off of the parent domain with specialized information and content for members only. Sites could charge a subscription, similar to the set up of the *Wall Street Journal*, which made about $60 million in online subscription revenue in 2009. In comparison, the *Wall Street Journal* generated $120 million of online ad revenue in 2009 versus the $150 million of online ad revenue the *New York Times* generated while not charging a subscription fee. The *Wall Street Journal* implemented its subscription fee brilliantly; the WSJ.com site offers some content for free and the whole site is still fully searchable by Google, but if you want to read the entire *Wall Street Journal* online, you need to pay for a subscription, and about 1 million of those users do.

Other popular sites, such as Pandora, Hulu, YouTube, and LinkedIn are all offering upgraded accounts based on the subscription model. In 2010, 25 percent of LinkedIn’s revenue came from premium subscriptions, totaling around $61.9 million. Pandora’s upgraded subscription service brought in an estimated $12.2 million for just the first nine months of 2010.

**Second-Level Domains**

In addition, the ownership of second-level domains will be a new frontier in the online world. Owners of the new gTLDs will essentially become registries for that domain, setting its own rules for registration, members, licensees, and even sales to third parties, creating another potential source of revenue. This could bring a possible return on investment as well as create domains of great value, such as resellers .shopping, brand.shopping, or partners.shopping. While this will be the first time companies will have the opportunity to resell online space, the potential revenue could be similar to that of current domain
registries selling .com sites. On average, companies charge anywhere from $9.99 to $19.99 per year for domains and with an unlimited amount of second-level domains included with a .brand or .generic, gTLD owners could be looking at a considerable amount of annual revenue from reselling. For example, ICM, owner of .xxx, anticipates earning $200 million a year in sales. It’s important to recognize, however, that top-level domain owners were required by ICANN to declare in their application whether they would be open—selling second-level domains or closed—they would control all second levels. Most brands will be closed systems. Closed top-level domains, however, could still be ripe for partnership opportunities, but companies won’t be able to simply buy their domain like other open top levels. The majority of the open top-level domains will be run by industry players, such as existing registrars or registry operators, as well as new entrepreneurial companies looking to get into the industry.

**Licensing Revenue and Retail Portal—Bolster Anti-Counterfeiting Efforts**

Another source of revenue and opportunity is to build market leadership in the top-level domain and then become a retail portal for products and services with other licensed brands and/or direct to consumer products. With global commerce growing approximately 19 percent over the past year and 58 percent of consumers turning to the web to conduct research before making a purchase, the impact domain names can have on a brand’s reputation and, ultimately corporate value, is a strong argument for managing domain names as carefully and diligently as other intellectual property. Popular retail portals like BlueFly.com made over $81 million in web-based sales in 2010 alone from more than 698,000 unique visitors. And online shopping in general is on the rise, according to a survey of 2,104 U.S. consumers conducted by Harris Interactive, showing that consumers are spending more time shopping online than ever before, and spending more money, too. The survey found that consumers shop online an average of 3.4 times per month (up from 3.1 times per month in 2009) and that 16 percent of consumers shop online four or five times per month, up from 14 percent last year.
In addition to the growing number of online consumers, by enhancing brand owners’ control over their channels of distribution, the introduction of a .brand domain has the potential to significantly disrupt the ability of counterfeiters to distribute counterfeit goods and the ability of unlicensed content providers to distribute protected content. This will allow companies the ability to create retail portals or authorized resellers that ensure security and provide users with a 100 percent guarantee that only authorized resellers are offering your product. For example, the .rosettastone or .tiffany domain would serve as a constant indication that the products being presented are from the genuine Rosetta Stone brand or Tiffany brand; not only would this simplify the online retail approach but it also enables the company to maximize the multimedia marketing potential of the brand.

**Disruptive Innovation**

A final source of revenue and opportunity is to throw out every assumption you have about the Internet business and the brick and mortar business to allow you and your company to imagine a universe with more possibilities. For example, a consumer product company relies primarily on distribution through traditional retailers such as Kroger, Target, Walmart, and other grocery and retail outlets. Although consumers can order those products online from those retailers, in some cases, they can’t typically buy direct from the brand owner. But many consumers have become frustrated with pacing the aisles of traditional retail stores looking for favorite brands only to find the retailer has stocked most of the prime shelf space with variations of its own house brand. Often in a hurry and giving up in frustration, consumers buy the house brand rather than the well-known consumer brand. Perhaps this may be a time for those consumer goods companies to rethink their distribution model and, in fact, their entire relationship with the consumer. While most consumer goods companies often cite that consumers don’t even know which of their famous brands belong to the parent corporation, the truth is that consumers love their products and are loyal to them—so why not disrupt everything you think, build the relationship at the parent level, and own the entire experience and distribution chain like Amazon? Think about it from the consumer
perspective. If I could go to myname.shopping.company and maintain a shopping page with favorites of absolutely everything I love by a big consumer goods company (which I sometimes can’t find at the store) and have it shipped to my home right when I need it—I would be captive to their messages and new product offers and my loyalty would only grow. What if I could select all of the products I love and manage purchasing, delivery, and even point of purchase responses in one place? What if I could find the coupons I need all in one place? I would be captive and love them. And, I would likely be interested in other new products they offered because I knew it was high quality and what I wanted. Oh yes, and of course, if they want to advertise to me, they can do it all right there. No more searching—no more forgetting a coupon or having to search for coupons—no more wondering what else they have that I might like. If a consumer goods company follows a similar model, it transforms an aspect of its business model into an Amazon model, and significantly reduces its advertising spend for repeat customers and changes its approach. Now, they don’t need to rely on search as much, don’t need to run as many ads, and probably significantly reduce a large portion of its cost model. They know what works and what doesn’t instantly. Sure, that’s completely disruptive and outside the box, but that’s exactly what this new expanding Internet can offer.

That’s just one example. There are countless others. Were gTLDs needed to think disruptively like this? No, absolutely not; but they can be a catalyst and the ownership of the registry gives the companies that own them more flexibility and ease of managing their web presence with consumers.

There are so many possibilities to rethink everything. Top-level domains were fostered by ICANN to drive innovation. While many brand owners may be applying primarily for defensive purposes or to make sure they don’t lose out, they will look to monetize their investment and find new ways of doing things. And, when money gets pumped into innovation or new ways of thinking, there is an incentive to invent and develop around those opportunities.

So we challenge companies, even those who didn’t get in on the first round of gTLDs, to think differently and disruptively. Question: How can I tap into the way people are about to use the Internet in a
new and different way to transform my business and be entirely relevant and beneficial to the society we serve? The possibilities extend to retail, business to business, technology, everything. You just need the leadership to set the tone to challenge the status quo and a few visionary risk takers to push thinking and champion the idea. There are few opportunities in business that present a unique look at the way in which you do business. This is the perfect opportunity to rethink everything your company knows about its interactive and .com universe.

“The gold rush to get all of the great .coms is occurring again only at a whole new level to get the great .whatever. Most of the applications will be .brand gTLDs. Strategic enterprises are buying them and will, quite predictably, extract value from them. There are many companies that have chosen to sit this one out. When they see the list of their competitors who have likely applied and obtained that important Internet .whatever, their CEOs will be asking who made that decision.”

Josh Bourne, Managing Partner, FairWinds Partners

“One of the greatest innovations that will impact the Internet is the expansion to include Internationalized Domain Names (IDNs)—the ability to utilize non-Latin characters. New TLDs in Chinese, Arabic, Cyrillic, Hebrew, and other characters will have enormous consequences, and dramatically transform the Internet.”

Ellen Shankman, Principal, Ellen B. Shankman & Associates, Rehovot, Israel

Chapter One Highlights

- The launch of the 500 to 1,500 new top-level domains in 2013 will change the business landscape with opportunities and challenges for business owners and brand owners.
- Top-level domains will include: generics, brands, communities, and geographic regions.
These new top-level domains will begin to go live in 2013. ICANN will likely provide a second opportunity to acquire a top-level domain within a three- to five-year time window. There was a long-lasting debate about the pros and cons of whether or not ICANN should allow the Internet to expand at an accelerated pace, but the program is fully underway and this book seeks to provide guidance to brand owners to find new opportunities in a changing Internet landscape. There is a substantial cost associated with applying for a top-level domain and there are no guarantees of reward without a major paradigm shift in thinking and strategy by brand owners. While there are a number of major risks for those who applied for a gTLD, such as cost, failure of the public to respond to the new system, and customer confusion, there is likely an opportunity for disruptive innovation that will result in new business models for companies to explore new ways of consumer interaction, heightened security, and brand protection. The primary benefits in applying for a top-level domain include: positive impact on search, sale of second-level domains or control of second-level domains, changing navigation, social media, and industry leadership. For those that applied for a brand top-level domain, there are numerous potential business models to explore including: channels of distribution for content, social media, advertising revenue, licensing and retail portals, reduction in counterfeiting, subscription revenue, and other additional sources of revenue for brand owners. The greatest opportunity to come from top-level domains is the opportunity for all companies to rethink their Internet strategy and be challenged to perform disruptive innovation at all levels of the company. The launch of thousands of new top-level domains may improve navigation on the Internet with greater focus on consumer needs through a more intuitive navigation system. On the flip side, it could become a source of great confusion for consumers. The introduction of new gTLDs can be used to significantly disrupt counterfeitters and the Internet distribution of counterfeit goods.