

Top Level Domain (TLD) Business Strategies

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Overview

The Internet Corporation for Assigned Names and Numbers (ICANN) has begun accepting applications for new generic Top-Level Domains (gTLDs), which enables corporations and organizations to manage their own unique domain extension for business and marketing strategies. It will become possible for companies to own a web address with their own trademarked brand as the extension in their URL. This could replace the .com portion of their existing web address with extensions such as:

- .coke
- .nike
- .disney

Some consumer-based corporations are excited about the unique branding opportunities this new program presents. Companies that invest heavily in advertising and promotion will be able to create short, memorable domain names with a range of marketing opportunities. There are, however, questions about how this may benefit business-to-business companies. In addition to the high cost of acquiring and maintaining a top-level domain, there appears to be some global SEO limitations. Most major search engines are moving toward a geographic search functionality that tends to favor companies with a regional domain address corresponding with the 2-letter code for that region (for example .de, .br, .jp). Companies that have a URL ending in the country code where the search originated will get higher search results than non-regional results.

For example, if you are in Brazil searching for products, www.yourcompany.br will likely rank higher than www.yourcompany.com.

These new gTLDs could be left out of many searches as this trend toward geographic search continues. It appears that gTLDs will be most beneficial to consumer companies that already have huge brand awareness. There are 100 million registered domains utilizing the .com extension and most industry experts believe .com will continue to be the leader for many years to come, with international growth coming from the two-letter, country code (cc) extensions. By comparison, .aero, .biz, .coop, .info, .museum, .name, and .pro are domain extensions introduced in 2000 that have not achieved the acceptance once predicted.

Details

ICANN is accepting up to 500 applications for the first round of gTLDs January 12, 2012 through April 12, 2012. After such time, the application process will be closed and followed by a public notification and evaluation process that will take 9 to 20 months. There will be an “Applications Comments Period” beginning in early May when corporations will have an opportunity to review and comment on any potential trademark infringements. Subsequent rounds of applications are expected to follow.

These new gTLDs will likely fall into one of the following categories:

- **Brands** – Brand owners, such as corporations, sports teams, and other high-profile entities will be able to enhance their brand in new ways.
- **Communities** – Groups of organizations in a similar market will be able to promote their common purpose and leverage extended brand awareness.
- **Geographic** – Cities and regions will be able to promote greater recognition for their areas and generate additional revenue from integrating local businesses.
- **Generic** – Forward-thinking organizations and innovative entrepreneurs will be able to pursue new business opportunities and grow their online presence.

While ICANN has opened the door to a new frontier of potential, there are many restrictions and obstacles to consider before jumping into this, and there is no reason to believe any new domain extensions will begin to take the place of legacy domains such as .com, .org and .net.

- The Application Guidebook, written to assist applicants, is 305 pages.
- The cost of applying for a unique gTLD begins with an application fee of \$185,000.
- The annual renewal fee of \$25,000 per year is expected to increase over time.

ICANN has a three month vetting process to determine that applicants are an “established public or private organization” legally able to hold a brand name domain. This means if a company does not currently hold a registered trademark for the domain they want, they will be declined. This is part of a conflict of interest policy meant to prevent squatters from buying up domains for corporations that have trademark protection. Jeff Ernst, principal analyst at Forrester Research, said any concerns about cybersquatting are overblown. In a recently released report (“It’s Decision Time for gTLDs”), Ernst wrote, “Cybersquatters with no trademark rights would be absolutely foolish to apply for your brand name, because the probability of being awarded a gTLD is next to zero.”

ICANN is reportedly bringing in hundreds of consultants to oversee the application process, and after the initial three-month application period, the first new domains will not be live until 2013. To be awarded a new gTLD, applicants will need to provide a secure and reliable technical infrastructure, as well as demonstrate a long-term ability to administer the domain.

FAQs

Is applying for a new gTLD the same as buying a domain name?

No. The gTLD process is much more complex and is not available through traditional registrars. This process is actually an application to create and operate your own registry business supporting the Internet's domain name system. This involves a number of significant responsibilities since you will be running a piece of visible Internet infrastructure.

How and when can I see which gTLDs are being applied for and who is behind the application?

Approximately 2 weeks after the application period closes, ICANN will post the public portions of all applications received, including applied-for strings, applicant names, application type, mission/purpose of proposed gTLD, and other public data.

If someone applies for a TLD that is a brand name or trademark that does not belong to them, will the brand or trademark owners be notified by ICANN?

At this time, ICANN is not contemplating a notification system. ICANN is conducting global public outreach to educate the community on what their responsibilities are, as well as what the formal objection mechanism and timeline is. ICANN will continue to publicize the objection process and deadlines.

Can someone reserve a gTLD and decide later whether or not to use it?

New gTLDs are expected to be delegated and fully operational within one year of signing a registry agreement with ICANN. The application process requires applicants to provide a detailed plan for the launch and operation of the proposed gTLD.

Can a new gTLD name be two letters?

No, two letter extensions are reserved for current and future country codes.

How can I object to an application?

Approximately two weeks after the application window (Jan. 12 – April 12) the formal objection period will begin and is expected to last approximately seven months. Objections will be managed by independent Dispute Resolution Service Providers.

What can I do if someone applies for an extension that represents my brand or trademark?

You can file a "legal rights" objection, as part of the gTLD Dispute Resolution Procedure found in Module 3 of the Applicant Guidebook. Corporations are advised to pay close attention to the objection deadlines that are publically available on ICANN's website.

Are there any ongoing fees once a gTLD is approved by ICANN?

Yes. Once an application has successfully passed all the evaluation steps, the applicant is required to sign a new Registry Agreement which includes two fees: (1) a fixed fee of \$25,000 per year, and (2) a fee of \$0.25 per transaction.

If my application does not get approved, will I be refunded the \$185,000 application fee?

A full refund of the application fee is not available. Applicants may withdraw their application and apply for a partial refund.

Summary Recommendations

New gTLDs do not appear to be ideally suited to business-to-business corporations. The initial costs are extremely high, the marketing investment required to obtain strong brand awareness is prohibitive, and the SEO limitations are a potential restriction for global growth. All indications point to .com continuing to be the primary domain extension of choice for business-to-business marketing.

Competitors will not be allowed to reserve your trademarked names, so there is minimal risk of an outside threat infringing on your current domain infrastructure. However, it would be prudent to monitor the public list of domain applications posted by ICANN, beginning in May 2012.

Focus your Domain strategy on acquiring geographic extensions in regions of the world where you expect to see growth. This is the best strategy to preserve a global brand identity with consistent domains that are recognized by both global and regional search engines. We expect there to be an increase in geographically targeted search.

Many successful international companies have a global .com brand identity, with regional .cc (country codes) for specific regions. If you foresee global growth in Brazil, Australia and New Zealand, for example, we recommend you purchases .br, .au, and .nz domain extensions so that you can build country-specific websites when you go into those markets, with strong links back to your global .com site. This combination of global and regional branding will strengthen the local sites with good SEO content for regional search engines, while also providing strong inbound links to the corporate site.

Think ahead, 10 years at least, about where in the world your company will be and purchase those country code extensions now, while they are available and cheap, then simply park them until you need them.

- For more information on gTLDs, visit: <http://icann.org/newgtlds>
- For specific recommendations on global domain reservation strategies for your company, contact Jeff Kenyon, jeff@mediail.com