DomainMart

Branding Strategy: The TLD Dimension

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The Internet's Domain Name System (DNS)[1] has added a new dimension to the branding strategy for a company. The traditional focus of branding strategy - whether corporate, house of brands, or mixed branding – is only one dimension. The new dimension is the top-level domain (TLD).[2]

The impact of the DNS on branding not only affects branding online presence, but all brand name uses in visual and audio media.[3] An advertiser has to decide whether to use ".com" or a relevant[4] ccTLD on billboards, company stationary, and videos. Thus, the strategic implications of the Internet go beyond the traditional debate as to whether the Internet has made branding more or less important. Regardless of the answer to the traditional debate, companies need to consider the impact of the TLD brand dimension in their branding strategy.

Below I develop a model to assist in determining the best TLD branding strategy by focusing on the two main branding drivers.

Background: Branding, the Internet, and Global Brands

Because brand names convey information about a product, successful branding increases value by increasing sales, profit margins (through price premium over generics), the likelihood of new viable product introductions (through brand and line extensions), and bargaining power over distributors.

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[1] See "The Domain Name System (DNS)," DomainMart. Available online at <http://www.domainmart.com/DomainNames/information/DomainNameSystem.pdf>.

[2] For example, ".com" and ".info" are generic TLDs (gTLDs), while ".co.uk" for Great Britain and ".us" for USA are country-code TLDs (ccTLDs).

[3] For multi-word brands, the DNS has also created the issue of whether to use a hyphen in the domain name to separate the words, as a space is not an acceptable character in domain names. However, based on market prices of domain names, non-hyphenated names, in general, command a premium, holding other things constant.

[4] Relevance here relates to branding, which is separate from what is relevant for search engine results. See Alex Tajirian (2005), "Language, Country Search Engines: Implications for Domain Names, PPC Ads," DomainMart. Available online at <http://www.domainmart.com/news/language_country-search-engines_PCC-ads.htm>.

According to Holt, et al.,[5] global brands[6] signal quality, a global myth, and social responsibility. These three effects account for about 64% of the variation in brand preferences worldwide. They also find that the global dimension is more powerful in some countries than others with the smallest impact on U.S. consumers.[7]

The Model

To develop a useful predictive model, we start with a few assumptions to focus attention on the important decision drivers, and then consider the impact of relaxing them. Thus, I first consider the scenario when the company owns both the ".com" and the relevant country ccTLD versions of the brand name. For example, a company with BrandName that operates, say, in Great Britain, and owns BrandName.co.uk and BrandName.com.

The two important drivers for the decision are the global strength of the brand and the second is the importance that a consumer attaches to the company's local presence. For the former driver, I consider two scenarios: WEAK and STRONG, while for the L driver, the possible scenarios are YES and NO. This leads to a simple matrix of four branding scenarios.

Matrix of Strategies

		Global Brand Strength (GBS)	
		WEAK	STRONG
Importance of Local Presence (L)	NO	".com"	".com", ccTLD
	YES	ccTLD	ccTLD

With a weak GBS and unimportant L, the company wants to signal global presence. Thus, ".com" branding is optimal, as it signals a global brand in the traditional sense, in that it signals established global Internet presence.[8] The ".com" brand is perceived as the lingua franca of domain names. When GBS is strong, but L is unimportant, both options are attractive. However, there are tradeoffs. For one, using the ccTLD can yield an advantage in overcoming the possibility of consumer ethnocentrism, a well-established

[5] Douglas B. Holt, John A. Quelch, and Earl L. Taylor, "How Global Brands Compete," *Harvard Business Review*, September 2004, pp. 68-75.

[6] A global brand is traditionally defined as a brand that is marketed – and thus can be found - under the same name in multiple countries. However, this definition is not useful to analyze the TLD dimension, as any company with online presence has brands that can be simultaneously found by customers in multiple countries. The Internet makes the definition a tautology. Thus, a qualifier should be added, namely that the company has local presence, when it is necessary.

[7] This finding is also confirmed by the relatively low appeal to U.S. companies to use the ".us" compared to the ".com" TLD.

[8] Optimal branding with ".com" does not imply that the company should not register their trademarks under various ccTLDs to protect their brands. See "Domain Name Protection Strategy," DomainMart. Available online at <http://www.domainmart.com/DomainNames/protect/ProtectionStrategy.pdf >.

bias among many consumers in favor of homegrown products. On the other hand, using the ".com" can have an advantage in reducing cost of coordinating operational functionality of the two websites associated with the two TLDs, as there are economies of scale in using a single global website. One solution to the cost issue is for the company to adopt ccTLD branding, but forward the ccTLD traffic to the appropriate page on the ".com" website which has a minimal cost . However, the main drawback of such a tactic is that with forwarding of ccTLD, the company may be less likely to get a favorable ranking for the ccTLD name in organic search engine results.[9] Nevertheless, inappropriate local branding can backfire as trust erodes.

When local presence is important, using ccTLD is a superior strategy. Even with a strong global brand, the company wants to underscore its local presence.

For a new corporate name selection process, when local presence is important, companies should first search for available domain names under the relevant ccTLD in stead of ".com."

Thus, ".com" is no longer the lingua franca for global customers when strategic TLD branding is taken into account.

Relaxing The Assumptions

When a company does not own the recommended TLD brand prescribed by our model, it should consider acquiring it. The maximum price that should be paid is the domain name's incremental value contribution to the acquiring company, not the absolute value of benefits.[10] Some companies outside the U.S. have adopted ".info" as a substitute for ".com" branding. The strategic appeal of alternative TLDs increases as its use increases.

[9] See footnote 4.

[10] For domain name valuation methodology, see Alex Tajirian (2005), "Valuing Domain Names," DomainMart. Available online at http://domainmart.com/DomainNames/agent/appraisal/methodology.pdf.