



Domain Name Appraisal: An Overview

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Outline

- Value definitions
- Value components
- Alternative methodologies
- Portfolio considerations
- Which methodology is best for you?
- Buyer, seller market power
- Service providers' check list
- Myths
- References

Value Definitions¹

- Fundamental/intrinsic
- Market
- Liquidation

Value Components²

- Cash flows
- Flexibility options
- Trademark options

Alternative Methodologies

- **Cash Flow**

- Discounted cash flows
P/E³, payback

- **Comparables**

- Statistical: combine sold & unsold information
 - Market value
 - Likelihood of sale⁴
 - Liquidation value⁵
- Ad hoc

Alternative Methodologies (Cont'd)

- **Price generating process**
 - **Pre-selected predictors**⁶
 - Intuitive
 - Parsimonious
 - **Unspecified predictors**⁷
 - Statistical factor analysis
- **Wisdom of domainers**
 - Scientific: law of large numbers⁸
 - Ad hoc: forums⁹

Portfolio Considerations

- Risk reduction¹⁰
- Return enhancements¹¹

Which Methodology Is Best for You?

- Objective of appraisal
- Developed or undeveloped site
- Budget constraint
- Single vs. Portfolio

Buyer, Seller Market Power¹²

- Buyer can pay fraction of intrinsic value
- Seller can extract high premium

Service Providers' Check List

- Be skeptical if
 - Their **model** is **not well described**, i.e., a black box or ad hoc
 - Their source of **data** is **not transparent**
 - Users **cannot publicly challenge** or **comment** on their **service**
 - The report is **not prepared** by a **lead appraiser**
- Cost for standard appraisal is \$10-\$50 per domain name

Myths

- The more predictive factors used, the better
- With only one natural buyer, a domain name's price cannot be estimated
- A predictive factor has either a positive or negative impact on value
- Naïve appraisals are useless¹³

References

1. [Domain Name Liquidation Value and Market Price and Value Can Diverge](#)
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3. [Domain Names Are Cheap!](#)
4. [Likelihood of Sale, Given a Domain Name's Ask Price?](#)
5. [Domain Name Liquidation Value](#)
6. [Appraisal Based on Estimating the Value Generating Process](#)
7. [Strategy for Optimizing Domain Name Monetization Revenue](#)
8. See <http://WisdomOfDomainers.com>
9. See, for example, [DomainState.com](#) and [NamePros.com](#)
10. [Domain Name Protection: A Risk-Analytic Framework](#)
11. [Toward Large Domain Name Portfolios and Value Synergies from Domain Name Portfolios](#)
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Thank You!