



## End of Domain Name Auction Sites

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Having eBay has worked out pretty well for the world at large; now it's time for the world of domain names to start using it. We need to throw away the jumble of different auctions and dealer sites. Speculators may not like having their haunts cleaned out, but corporate (end-user) buyers and investors will welcome the chance to deal with one centralized auction mechanism with one set of rules.

Right now end-users wanting to buy domain names have no idea of what listing and bidding procedures they'll find when they show up at a domain-name auction site. The sites don't even use the same terminology. Worse, online presence requires [a portfolio of domain names](#) whose components may be listed on various sites.

With end-users shying clear of the murk, not much new material comes to market and fewer of them are on hand to buy names for the long-term, as opposed to a quick profit. Instead we have a market dominated by speculators, fast operators who buy only so they can "flip"—that is, turn around and sell the name for a quick profit. Those few original sellers who shuffle forward tend to be in need of immediate liquidity. (If they weren't desperate, why would they sell at enormous discounts?) What they find are anemic prices and a crowd of smart operators ready to flip and re-flip the same few offerings until somebody down the line pays something substantially more than the name's value. By the time the property reaches an end-user, the price will have to be high enough for a chain of speculators to have money in their pockets.

So there we have it: low prices for original sellers, high prices and limited selection for end-users, and plenty of opportunities along the line for sharp players who know the terrain and want to make a fast buck. This is not the picture of a well-designed market. Speculation can serve some purpose to society, but not speculation caused by an informationally and operationally inefficient market, a market that lacks the forces needed to restore it to

functionality (see, for example, [First-come, First-served Domain Name Allocation Is a Social Loss](#)).

Thus, there is a need for the industry to move to a major centralized auction. Doing so will benefit society, end-users, investors, dealers, and consultants. Specifically, it will dampen speculation for [Internationalized Domain Names \(IDNs\)](#), those about to be launched, and those based on the [new ICANN TLDs](#).

If the current auction sites resist the move to being consultants and dealers to facilitate owners' interactions with the centralized auction, there will be new entrants. Moreover, the industry can impose a speculation tax to deter such activity with secondary markets in IDNs and new TLDs. (A speculation tax was first proposed by James Tobin, a Nobel laureate economist, and is picking up steam among government officials in Britain).

A centralized auction mechanism could also be devised for expired-name auctions. However, the live auction-dealers may survive longer because of their [theater value](#) and because of the value conferences have as occasions for education and industry socializing. (To preserve theater value, with the consent of auction winners, the new breed of dealers can advertise the identities of winners, not just the property and its selling price. Domain name sites have yet to follow that innovation.)

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