



Increasing Domain Name Industry Pie

One of the most important success factors of the New York Stock Exchange (NYSE) is that it is an efficient risk-sharing marketplace among the participants. To create a successful market it must first be financially able to operate and be able to provide the necessary liquidity to reduce transaction costs. Besides market driven entrepreneurial and technological forces, industry stakeholders can take positive action to increase the industry pie.

Below, I outline some of the areas that need special and immediate attention and the necessary conditions for successful voluntary cooperation.

- More transparency in sales information:
 - Make data publicly available without “window dressing.”
AfterNIC.com is the only marketplace that has been providing such data. Keep in mind that the domain name need not be revealed, as it can be represented in terms of the factor characteristics used in appraisals.
 - In addition to providing sales figures, provide appraised value, if available.
- Educate buyers and sellers:
 - About
 - Value creating roles of domain names.
 - The value to buyers and sellers of obtaining appraisals from reputable brokers.
 - Ethical issues with domain name investments.
 - How
 - To focus some of the energy at the two successful conferences ([Domain Roundtable](#) and [TRAFFIC](#)) on industry coordination and cooperation.
 - To make industry-related studies and information by third parties more accessible to their customers.

- To take an active role at bulletin boards and forums that are not exclusively for industry participants.
- To listen to customers. For example, at the last Domain Roundtable conference a consultant commented on how she would instantaneously move to another webpage when she encounters a parked domain. Unfortunately, she received unflattering comments. To my best recollection, there was no immediate or belated satisfactory response from any of the service providers.

Two issues arise when talking about cooperation: maximizing joint rewards and dividing the gains fairly. There are a number of win-win cooperation situations in the domain name industry. However, all participants must feel that they are being fairly rewarded. The first principal of fairness requires that no firm in a cooperative arrangement should receive less than it could obtain in a non-cooperative setting. Thus, cooperation is unlikely to be voluntarily sustained if any of the participants can do better by refusing to cooperate.

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