# Relative Value of a TLD

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June 1, 2011

The relative value of a top-level domain (TLD) should be measured by its price premium over an identical domain name with a different TLD. The measure can be used to give new generic TLD (gTLD) applicants a better understanding of the drivers of past performances and can be used by investors to register and buy domain names.

A TLD's relative value premium does not necessarily translate into profits for the applicant. Registrars and registries can be profitable by selling junk domain names and names that infringe trademarks. Conversely, high market prices do not necessarily imply profitability. Since domain name registrations have a fixed cost, market prices and revenue from registrations are not related.

To determine whether Domain.org is more valuable than Domain.info, for example, you just need to compare their market values. But how do you determine that one TLD is more valuable than another? Using low-high ranges, medians, and averages is like comparing apples, oranges, and bananas. Sheer number of registrations won't help either, given the already mentioned problem of junk names and brand-infringing names. Furthermore, the number of initial registration can be misleading.

To determine the relative value of TLDs, you need to estimate their relative price premiums. All else being equal, a higher premium means a more valuable TLD. Statistical regression trees can be used to measure the premiums. They are robust to outliers and take into account nonlinearities in the data, but before using them on a new gTLD wait until market prices have filtered out the irrational exuberance that can greet a .mobi and the like. ■