



Difficulty in Ascertaining Qualified Domain Name Appraisers

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Selecting a qualified domain name appraiser requires proficiency in statistics, as some appraisers' quantitative models used can be wrong, others are inaccurate, while those by experts using non-quantitative techniques are more often wrong. The human mind is not efficient in processing large data. Thus, you need rigorous quantitative models to appraise domain names. Nevertheless, mathematics proves that there is no model that is a complete representation of the truth.

An estimate of the constant downward acceleration of gravity “g” of 40.1740 ft/s^2 is wrong, while 32.1 ft/s^2 is less precise than 32.1740 ft/s^2 . Such a wrong estimates can have dire consequences in, say, missile launches, while using 32.17 ft/s^2 would be a reasonable estimate for ordinary practical calculations.

But why not use one of the large domain name companies for appraisals? I would like to point out that one of the reasons for the demand for appraisal services of such companies is the appraisal requester feel safe in size, despite the fact that running a marketplace and offering appraisal services require different competencies. To a large extent, these companies gained a foothold in the appraisal market largely because of their commendable successes as a marketplace. Unfortunately, the ongoing demand for mass appraisals removes any pressure on these companies to improve their models. Only when litigation is involved, on average, our legal system would render judgments in favor of to the better model. Unfortunately, however, no such data is available and most litigations end up resolved out of court, and thus, this line of quality revelation is not fruitful in identifying superior performance.

You need to rethink what makes an appraiser qualified. For example, to many, Tom Cruise in the film *Top Gun*, who flies multi-million dollar jet fighters based on instinct rather than instrumentations, is a competent pilot. However, in reality a better pilot is the one who takes seriously the invaluable information provided by the instruments.

To identify quality, you need to insist on appraisal-report transparency of the sources of data and the modeling methodology used. If you are not proficient with valuation models, ask a friend who is. Without such public information you should be suspicious of the results and would not know if appraised prices work for you or against you.

Quantitative estimates of the value of domain names can be out of whack with the underlying value. Moreover, relying solely on “experienced” appraisers can also yield disastrous results. You don't know if the value works for you or against you. However, the difficulty is to ascertain a superior statistical model. Thus, you need to be proficient or have a proficient friend in valuation modeling to select qualified appraiser to value your current and upcoming new gTLDs.

