Do New gTLDs Disrupt .com?

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August 24, 2015

The essay examines whether the new gTLDs program is a disruptive innovation to the dominance of .com. I then use the idea of disruptive innovation to explain the relative adoption failure of previous generic Top-Level Domains (gTLDs), such as .biz, .info and .mobi.

Harvard Professor Clayton Christensen's theory of disruption explains battles between market entrants and incumbents. Examples of markets transformed by disruptive innovations include classified ads (Craigslist), long-distance calls (Skype), record stores (iTunes), research libraries (Google), encyclopedias (Wikipedia), and taxis (Uber).

To answer the question, the model is driven by two fundamental questions: First, does the new product either offer lower performance at a lower price or create a new market by targeting customers who couldn't use or afford the existing product? Second, is the incumbent motivated and able to fight it?

The choice between buying a new gTLD or a .com domain goes beyond either-or. First, is the name for branding or other use? Second, consider whether the .com is registered by an ongoing business, is not registered, or is available for sale. We emerge with the six mutually exclusive scenarios in the table below.

New gTLDs Disruption Scenarios

gTLD Role	.com Status	Scenario	Disruptive?
Branding	Registered	1	No
	Not Registered	2	No
	Available for sale	3	Yes
Not Branding	Registered	4	Yes
	Not Registered	5	No
	Available for Sale	6	Yes

I analyze the decision of a business to opt for a .com or a new gTLD under the six scenarios.

Scenario 1 (Branding, .com Registered): Not disruptive

These are typically brand names, some them trademarked. New gTLDs don't affect an established and globally recognized .com brand. Owners of big league domain names rarely brave the costs and risks of rebranding to take on a fledgling name. Hence, acquiring branded .com domain names by a new entity is prohibitively expensive, and thus new gTLDs are unlikely to disrupt them.

Scenario 2 (Branding, .com Not Registered): Not Disruptive

Such a .com can be registered at a lower price than a number of the new gTLDs. Moreover, there is as yet no clear SEO advantage for new gTLDs. Even if studies show more favorable rankings for new gTLDs, that does not translate into higher chances of clicking when customers are unsure of the novel gTLD in the link. There are a number of recent examples of start-ups creating new brand names under .com. Examples include Eargo (hearables), Polyvore (a fashion start-up recently acquired by Yahoo), Beme (video-sharing app), Terrafugia (building a flying car), and Monkey Learn (a machine learning service that gathers data, like sentiment, from text). Also, with constantly new technologies, it is doubtful that gTLDs with relevant keywords reflecting such technologies will be launched anytime soon or would even be economically viable (wearables, hearables, flying cars, AI).

Scenario 3 (Branding, .com Listed for Sale): Disruptive

Secondary market prices for .com domains are high, with prices in the hundreds of multiples of their registration prices. Moreover, the secondary market is mostly for generic domain names, rather than creative brands such as the examples noted under Scenario 2. For a few start-ups with too much money to burn, such domain names may provide an expensive alternative to new gTLDs and unregistered novel names. But they must look out for potential trademark violations in this category.

Scenario 4 (Not Branding, .com Registered): Disruptive

A large number of these names are used for parking or generic SEO-motivated doorways and can be bought at the right price, which can be substantial. Compared with .com, new gTLDs offer lower-quality signaling but more precise targeted marketing, and at considerably lower prices. This last is especially true of non-premium new gTLDs names.

Scenario 5 (Not Branding, .com Not Registered): Not disruptive

New gTLDs' registration prices may not be cheaper (especially premium names) than the .com and more targeted marketing. However, for non-premium names, businesses may choose to acquire both to take advantage of .com branding combined with targeted marketing.

Scenario 6 (Not Branding, .com Available for Sale): Disruptive

The disruption occurs even though the .com secondary market is deeper and, on average, more expensive than new gTLDs. Moreover, new gTLDs have labeling and other advantages. Combined with the above study indicating that Google will treat new gTLDs on equal footing with .com, this indicates that new gTLDs can be a viable alternative.

The objective and strategy of previous expansions of gTLDs were to compete with .com, instead of complementing them for product label signaling. Moreover, the previous gTLDs had at best a diffused label-signaling message. Their role was as a .com alternative that would provide a cheaper and lower-quality branding message, while ignoring the potential market for labeling domains. Thus, previous expansions were not in a position to disrupt.