



Selling Domain Names: Auction or Negotiate?

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When should you negotiate the sale of a domain name instead of going the auction route?

You should negotiate when transparency doesn't matter and confidentiality does. The seller may be embarrassed about being financially strapped or about the reasons he or she is financially strapped (for example, a divorced and avaricious spouse), or possibly the seller doubts the name will find the right price first time out and doesn't want it publicly branded as damaged goods.

Of course, when negotiating with potential buyers, it helps if the name in question has quantifiable value. If what's on offer is a made-up name with no track record, you're better off with an auction. The seller should be patient enough to give potential buyers time to overcome corporate bureaucracy and raise the necessary funds. There should be few potential buyers, and the valuations among them should be wide. This last factor can be measured by examining the number of viable substitutes available for the buyer. Toys R Us had few substitutes if it couldn't buy toys.com; For example, in the [acquisition of toys.com](#), Toys R Us had few substitutes for the domain name, while the other bidders were practically in for a good investment. (An alternative to negotiations in these situations is to use an English auction, followed by a closed-bid auction for the top bidders, as I recommended for toys.com.)

Finally, when follow-up quality assurance and service are important, a long-standing relationship between buyer and seller can count for a great deal. In such cases, negotiation makes the most sense; an example is the [allocation of new ICANN TLDs](#). However, auctions should be implemented when there are multiple qualified parties for the same TLD.

In summary, the decision depends on the type of information that would be revealed, the need for a quick sale, competition among buyers, and follow-up relationship between a buyer and a seller.

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