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## CMOs Must Drive Their Firms' Domain Strategy Now

The Decision About Generic Top-Level Domains (gTLDs) Is An Immediate Priority

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### EXECUTIVE SUMMARY

Most companies have been looking at the upcoming availability of generic top-level domains (gTLDs) as a brand and trademark protection issue rather than as a significant new business opportunity. Those firms that don't take action now could find themselves at a three-year disadvantage to major competitors. The cost and effort to apply for a gTLD is significant, so CMOs must assess this opportunity from a strategic perspective and drive their firms' position.

### BRANDS CAN NOW HAVE A DOMAIN PRESENCE TO THE RIGHT OF THE DOT

In just a few months, the Internet Corporation for Assigned Names and Numbers (ICANN) will allow organizations to apply for new gTLDs that represent their brand or a category keyword and enable them to operate a domain registry under each TLD.<sup>1</sup> For example, Starbucks will likely apply for .starbucks and .coffee. The city of Paris will apply for .paris. The creation of these new TLDs will represent a fundamental change in how people use the Internet and how brands manage their web presence, having been the subject of significant debate since ICANN started gathering feedback from stakeholders in 2007.

### Companies Are Looking At gTLDs Defensively

The people monitoring the introduction of gTLDs for companies are the trademark and intellectual property lawyers, not marketers. They are not weighing the risks against the opportunities and are looking at this as a nuisance because they think:

- **It will increase brand and trademark protection costs.** Brands spend a lot of money today on defensive registrations, primarily in the dot-com name space. Since ICANN is creating hundreds of new registries, the lawyers are concerned that it will increase the cost of defending their marks from cybersquatters, typo-squatters, and other threats.
- **Consumers won't change their dot-com habits.** The naysayers think that Internet users are so stuck on using dot-com that they won't embrace dot-brand domains. This is a very US-centric view, as Internet users in all other parts of the world are used to dealing with country-specific TLDs in addition to dot-com.
- **They will lose search equity.** Marketers know that when you switch from one domain to another, you can lose years of equity built up with search engines, so they worry about this same issue if they move to a dot-brand TLD.

## CMOS MUST TREAT THIS AS A STRATEGIC OPPORTUNITY

CMOs must take ownership of the analysis of this opportunity and drive the decision at the executive-team level on whether to apply for a gTLD now or take a wait-and-see position. CMOs must do this immediately. Forrester expects ICANN to approve the application process in June 2011, conduct an extensive four-month publicity campaign from July through October 2011 to make marketing leaders aware of the program, and accept applications during November and December 2011.

## gTLDs Present Significant Advantages To Brand Owners

In assessing the opportunity, you need to shift the debate away from trademark protection and consider the advantages of applying for a TLD:

- **Control of online brand presence.** Big brands spend millions of dollars to build their online identity today in a way that puts their brand secondary to dot-com. Now they can promote their brand at the root of the Internet with shorter, less technical URLs. Companies can unify multiple sub-brands, products, and locations under one master-brand TLD. For example, Fox Broadcasting can use its popular shows to build its master brand with sites at [americanidol.fox](http://americanidol.fox) and [house.fox](http://house.fox).
- **Proof that your communications are authentic.** Anyone can register a dot-com domain name. But not anyone can get a new TLD because of the \$185,000 application fee, the registry setup fees that could add up to \$300,000, and the technical requirements to operate a registry. Registry operators have total control over any secondary domains they issue under their TLD so that they can keep out infringers. This means that if users visit a site or get an email from a domain that ends in [.gucci](http://.gucci), they can trust that it is really Gucci and not a knockoff. The National Hockey League (NHL) could give every team a domain within the [.nhl](http://.nhl) registry, along with merchants licensed to sell NHL merchandise and tickets, which would help prevent scalpers and counterfeiters.
- **Availability of more domain names.** Since the dot-com domain is so crowded, it is nearly impossible for marketers who build sites to support campaigns or promotions to find meaningful dot-com domain names that are not already taken. With their own TLD registry, they can use any web address they want to the left of their dot-brand.
- **First-mover advantage.** Companies that launch dot-brand TLDs demonstrate that they are innovative. Companies that don't apply in the first round could give competitors a three- or four-year head start. They also run the risk of being locked out, since ICANN will not issue two TLDs that are confusingly similar. If the National Basketball Association gets [.nba](http://.nba), then NBC is locked out from getting [.nbc](http://.nbc), even though both organizations operate in separate industries.

- **Search engines will give authority to dot-brand TLDs.** Search engines make their money from advertising, and search traffic comes from providing the most relevant, authoritative results to a user's query. Since companies that get TLDs will have gone through a rigorous eight- to 12-month validation process, Google, Bing, and Yahoo will adjust their algorithms to give authority to these TLDs.

### Registries Will Enable New Business Opportunities

You are not just applying for a dot-brand or dot-keyword domain name; you are applying for the right to own and operate a registry database at the root of the Internet. The big brands are not talking publicly about their plans for the TLDs, but this opens up limitless opportunities for them to:

- **Foster brand loyalty.** Canon could give every camera owner an affinity domain that stores the camera's unique identifier in the .canon registry and allow users to easily upload to Canon's photo-sharing site without requiring a login.
- **Own a community of active enthusiasts.** Nike could apply for .run, build a community of running fanatics who get email addresses and secondary domains within that TLD, and allow them to track their mileage and pace.
- **Sell secondary domains within a category TLD.** An insurance giant like Liberty Mutual Insurance could apply for .insurance and operate as a registry that sells secondary domain and registry services to any business in the insurance industry.
- **Support a distribution channel.** Cisco Systems could allow all of its distributors to operate sites under the .cisco TLD to give them added credibility and validation that they are certified partners.

#### WHAT IT MEANS

#### TLDS WILL TRANSFORM THE LOOK OF THE INTERNET FOR BRANDS AND USERS

Once ICANN's massive marketing campaign hits the airwaves in the summer of 2011, the issue of whether to apply for dot-brand or dot-category TLDs will be on the minds of all marketing leaders. We expect:

- **The biggest brands should apply in the first round.** Although they are tight-lipped on how they plan to use them, most of the world's biggest brands will apply for their dot-brand TLD in the first round. There will be heated battles over trademarks and generic brand names like .united. Brands looking to own their category will compete at auction for names like .health, .web, or .news, driving the prices of a few highly desirable TLDs into the millions of dollars. This is a safety net for brands that they will not ignore.

- **Dot-com will become the long-tail name space.** As the cost of application and operating registries comes down in subsequent rounds, midsize companies will jump on the bandwagon. This will make dot-com the catch-all domain for small firms and those few remaining enterprises that don't rely on the Internet to conduct business.
- **Web users will surprise us with their adaptability.** Internet users will not only adapt to web addresses outside of the dot-com name space but also quickly start to build preferences for doing business with firms they view as more authentic and trustworthy — those with their own domain will fall into that category.
- **Doing nothing will be a career-limiting move for CMOs.** CMOs who do nothing will find themselves called into the boardroom to explain why a competitor has built an advantage or taken a lead while they sit on the sidelines. When they are shut out of an important domain, the company will lose visibility at best and credibility at worst.

## SUPPLEMENTAL MATERIAL

### Companies Interviewed For This Document

ICANN

iCrossing

KPMG

Minds and Machines

Valideus

## ENDNOTES

- <sup>1</sup> To see an overview of the program and review a frequently-asked-question document, go to the ICANN website. Source: Internet Corporation For Assigned Names and Numbers (<http://www.icann.org/en/topics/new-gtlds/program-en.htm>).