10 Reasons Why the New Internet Extensions (new gTLDs) Are Important

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Introduction

As announced by notable news agency CNN, "the largest-ever expansion of the Internet's naming system is coming …" In June of 2012, ICANN revealed that 1930 applications had been submitted in response to the launch of the `new generic Top Level Domain'¹ program (hereafter known as new gTLDs).² This initiative by ICANN, the regulatory body of the Internet's Domain Name System, is aiming to introduce more innovation and competition to the existing extensions available on the market: i.e., .COM, .ORG and .NET. Applications have been submitted by a variety of companies and from an array of sectors. Applicants include online-visionaries with .AMAZON, .GOOGLE and .APPLE; world-renowned industrial and service brands such as .BMW, .DELOITTE and .DHL; city based applications representing .LONDON, .BOSTON, .TOKYO and .PARIS; and private vendors investing in the likes of .ART, .LTD and .MED, plus many others.

The exact launch schedule is difficult to confirm and hinges on a variety of parameters. Nonetheless, observers estimate that the first of the new gTLDs will be launched into the market in August/September of 2013. The roll out will be led by the IDN-TLDs (Internationalized Domain Names), which encompasses the proposed domain extensions that are in whole, or in part, in non-Latin script; i.e. .москва (Moscow in Cyrillic) or 點看(the transliteration of .COM in Chinese script).

Over the course of the coming months, and years, the successful applicants will systematically begin releasing their new extension/s. Whilst this process may not be complete until 2015, the number of new extensions is expected to surpass 1000.³ The system, as it currently stands, is comprised of 22 generic TLDs such as .COM and .ORG and almost 300 country specific TLDs such as .DE, .NL and .CO.UK. With the addition of 1000+ extensions, the current Domain Name System is about to expand four-fold and this will be a game-changing development in online searching and marketing as it currently stands. Having met with current and prospective clients, an apparent knowledge-divide has emerged. Those companies that specialize in online services fathom the importance of the

¹ Top Level Domains: domain names are read from right to left and each level is separated by a dot. In ebrandservices.com, ".com" is the part at the extreme right and therefore at the top level of the domain. Hence, .com is called a Top Level Domain and ebrandservices.com a second level domain.

² After a lengthy preparation of more than 6 years the first application window for the New gTLD Program opened on 12 January 2012 and has closed on 12 April 2012. The application was complex and costly. The application fee alone was 185.000 USD. Further information into applicant process and applicant guidebook may be accessed here: http://newgtlds.icann.org/en/applicants

³ Discounting multiple applications and withdrawals the theoretical number of possible TLD launches is 1398 (Status: January 2013). It is foreseeable that some of the applications will not pass the evaluation process.

new gTLD launch and the impact it may have on their business. Yet, those brand owners that concentrate only a portion of their time online, seem to lack concrete information about what is at stake and what it means.

We have observed two key reactions when informing businesses about the new gTLDs: 1) Concerns over the relevance and importance it holds for one's business; 2) A sense of being overwhelmed by the sheer number of new namespaces and complexity of the subject. Both reactions, unless properly responded to, will invariably result in inaction.

The intention of this paper is to mitigate these two key concerns. Firstly, 10 concrete reasons will be outlined – using real-life examples – as to why the new gTLDs could be of interest to your business. The top 6 reasons are relevant to marketing and will highlight the opportunities – which in turn are the costs of inaction – posed by this new development. The final 4 reasons will focus on the often neglected sphere of brand protection and the associated (social) costs of the new gTLD program. To some extent, brand owners/trademark holders are required to engage in the new gTLD program as a means of intellectual property protection - irrespective of whether they directly profit, or not. This, however, does not necessarily imply a significantly increased investment, but more so a significantly more strategic one. In our complementary article ("Six steps ..."), you will find our recommendations and best practice tips and solutions. In essence, a guide on "how to" and "what first". Nonetheless, to build on these opportunities and minimize the associated risks, it is crucial that you understand the core fundamentals of this program and potential ramifications. Secondly, we will make the case that the complexity of this situation may be greatly simplified. In fact, we suggest that the 1398 potential extensions can be systematically filtered down to a small portion of critical and brand relevant extensions that necessitate registration. Thereby, the following headers can be understood as a systematic checklist required for businesses to take stock of company needs.

Marketing

Key marketing decisions need to be based purely on Return-on-Investment. Unfortunately, problems of performance measurement are particularly prevalent when unfamiliar variables are introduced. A categorization of approaches is a valuable first step:

1) Industry, Product and Service Domains: Speed and simplicity dominates Internet users searching behaviour. Intuitive searching and the utilization of search engines like Google, are the common routes of information access for users all around the world. In the jungle of digital information, businesses are looking for solutions that are simple, direct and increase visibility and profitability online. The ideal assets of

any domain portfolio are 'speaking' or 'self-descriptive' domains, often referred to as keyword domains. Despite their high importance, keywords in a domain name are just one facet of the criteria required to reach the all-important upper ranks of search engine results.⁴ The introduction of new industry domains elevate keyword domains to an increased level of instant identification; insofar that not only do they offer the information seeker the name of the company, but instantly indicate the industrial sector this company participates in. Industry domains are very instructive and advantageous when the industry connection is otherwise not instantly obvious (compare Schultz-Myers.com to Schultz-Myers.LAW⁵), or alternatively enables the same brand equity to be leveraged off different industries (e.g. BMW.CAR and BMW.MOTORCYCLES). Industry-relevant Keyword Domains facilitate the integration of search-relevant names into domain names for a specific service or product (e.g. DENNEMEYER.TRADEMARK or MERCEDES.TIRES). These Product and Service Domains are aptly suited for focused marketing campaigns. They enable the sophisticated integration of Online and Offline Marketing and prove valuable for use in radio or TV advertising and jingles. Ultimately, and crucially, this is a valuable opportunity to take a long-term view of your relative positioning within your own market. It is recommended to not only consider the current product and service portfolio but also product developments, planned new market entries, social or sponsoring activities, future acquisitions and how this can be integrated into your utilization of the new gTLDs.

2) Non-Latin Script (IDN) and Foreign Language Domains: Having your business go global requires aligning your marketing and your message with the requirements of foreign languages and scripts. If your target market utilizes a non-Latin character script, IDN-TLDs (non-Latin script domains) are a necessity. Increase the ease with which your target demographic can maneuver the Internet and access your site in their native tongue and on their native keyboard. 43 keyword IDNs are about to enter the market and will enable you to regenerate your business by catering to the language needs of your market. eBrand Services have conducted an analysis covering 90% of global Internet users with their spoken languages. Our results have indicated that for the relevant 633 Keyword Domains, 531 of which are understood by English speaking Internet users. Notably, various mainstream terms transcend language of origin and are understood globally (.i.e. love, family, money). Integrated into our new gTLD search tool, we have compiled the

⁴ Circa 90 percent of search traffic targets the first page of search results. Another 47% of information seekers click on the first result of the first page, 13% on the second result and 10% on the third position. Subsequently, only 20% of traffic is distributed for the other 7 results of the first page. Only 10% of overall traffic will reach page 2. See Website Boosting 2.0, Mario Fischer, 2009.

⁵ All examples used here are taken from the new gTLD applicants list as published on ICANN.org.

following language relevant statistics: of the keyword domains 90 are understood by Spanish speaking Internet users, 91 by Portuguese, 163 by French, 95 by Italian, 147 by German, 115 by Dutch, 88 by Swedish, 109 by Danish, 77 by Russian and 102 by Chinese (for a Mandarin speaking frequent Internet user who can read Latin-script). Subsequently, and to fine-tune your segmental approach, we recommend cross-checking Keyword TLDs across various scripts to ensure maximum language reach.

- 3) Generic Keyword Domains Bigger Choice: A high proportion of new gTLDs are positioned to leverage off popular eCommerce, Internet and online sales terms (hereafter referred to as Generic Keyword Domains). The boom of popular existing extensions (.COM,.ORG and .NET – among others) has ensured that desirable keyword domains are sparsely available or highly priced on the aftermarket^b. New generic TLDs, in the form of .WEB, .SHOP, .SITE, .NEWS or .BLOG, are set to increase the chances of business owners and Internet users being able to secure short, searchrelevant, and self-descriptive domains. The lack of domain extensions, in and of itself, is not the underlying issue. There are 22 existing generics, albeit some more prevalent than others, and these have provided ample opportunity for the registration of adequate domains. The pertinent issue has been the intricate balance between availability and extension popularity. As the new gTLD program progresses, the crucial task will be to forecast which of the generic keyword extensions will emerge most relevant and popular. Projected popularity is hard to assess and will be heavily contingent upon designated marketing budgets, draw prioritization, launch timing and the perceived value of their respective business model. New gTLD complexities aside, and as demonstrated by the relaunch of .CO in 2010, breaking into the marketing in a dynamic way is possible. With the right tactic and right marketing approach, many extensions could be a surprise success and Domain Market frontrunner. In the case of .CO, the registry strategically capitalizes on support from innovative companies and entrepreneurs, as evidenced by Overstock.com rebranding themselves as O.CO.
- 4) Geographical Domains: One of the most notable trends in the digital landscape of the Internet is it's propensity towards localization. Major search engines – led by Google – are placing increasing importance on the geographical proximity of an Internet user when ranking search results for certain products and services; thereby allocating preferential ranking to those search results more relational to one's physical whereabouts. Consider this: to a user in Boston, locally identified by Google

⁶ For example, Insure.com was sold for 16 Million USD in 2009; Beer.com for 7 Mio USD. See http://en.wikipedia.org/wiki/List_of_most_expensive_domain_names

via her IP-Address, a search will elicit the result of AUTO-LEASING.BOSTON - all other things being equal – at a higher search rank than AUTO-LEASING.COM. This is important when one bears in mind that the potential consumer reach of a city TLD like .TOKYO, .NYC or .LONDON far exceeds the potential base of many entire countries. Furthermore, cities of this calibre have exceptionally high buying power, trendsetting potential and a very concentrated base of business clients. Corporate customers will benefit from aligning themselves with the great international metro poles of the world. Simply put, think" global player, local actor". Arguably, DENNEMEYER.MADRID, DENNEMEYER.PARIS and DENNEMEYER.MOSCOW, will be more indicative of their international presence and local competence compared to the same name in the corresponding country code of .ES, .FR or .RU. Beyond direct business presence, a strategic move for some industries would be aligning with certain Geo TLDs because it suits brand recognition. It would be intuitive for a cosmetic brand to use .COLOGNE or fashion label to utilize .PARIS, a German beer producer might want to position his brand with .BAYERN – which people associate with the best beer in Germany, or whisky producers might choose to align with .SCOT. Finally, there is a well-documented trend towards people identifying themselves more and more with their region of origin (counterbalancing globalization and the perceived loss of identity). It is important to consider regional new gTLDs and how they appeal to your target demographic with a .QUEBEC, .VLAANDEREN, .EUS (Euskadie = Basque country), .ARAB and many others.

- 5) Other Keyword Domains Improved Segment Focusing: the inherent value of online-marketing is indisputable. It represents both an efficient tool for product personalization, but also the source of direct target marketing to relevant customer segments. The new gTLDs will increase your options and facilitate in isolating target demographics and appealing to them directly; i.e. filtering customers by leisure groups (.ART, .FOOTBALL, etc.); by family status and age layers (.DAD, .FAMILY, .KIDS etc.); educational and professional background (.DOCTOR, .MED, .ARCHITECT, . MBA etc.); community values and peer groups (.ECO, .GREEN, .VIP, .RICH, .DEMOCRAT) and so forth. In addition to industry and service relevant extensions, B2B-Marketing can also capitalize on the extent to which keyword domains help isolate desired demographics. It is worth noting that Title-TLDs (.PHD, .CEO) and Org-TLDs like .INC or .LTD can also play an important role here.
- 6) **Restricted Domains New Business Models**: The declared mission of the new gTLD program is to increase competition, consumer choice and innovation. The cornerstone of innovation has been the relative freedom of the applicants to design their own policies for their respective TLDs and, notwithstanding this freedom, 70%

of the calculated 633 Keyword Domains have been designated for open and unrestricted general public usage. The remaining 30% have indicated that they will introduce eligibility criteria that restrict those that have access to their extension more or less severely. Among these are a number of future TLD operators who have announced interesting new approaches, making these extensions recommendable for the companies that meet their criteria. For example: If an insurance company wants to register their brand under .INSURANCE or .VERSICHERUNG (German for "insurance"), they need to prove to the TLD operator that the company is authorized and has the appropriate licenses to work as an insurer. Having acquired such a domain – a company could then use it as official seal, granting it to their representatives and affiliates (e.g. AGENT.AXA.INSURANCE). A special verification process, coupled with the registration of a domain name, establishes an effective authentication of the registrant by use of domain name alone. This concept is popular with several of new gTLDs, particularly those pertaining to credible industries and professional groups; namely, .BANK, .BANQUE, .ARCHITECT, .MED. In contrast, companies such as Amazon and Google are applying for their brand TLDs (dotBrands) and intend to restrict usage to strictly their own company and authorized affiliates. This, in effect, enables innovative companies to create a robust online portal for marketing and product development. Photographic industry leader Canon has alluded that their intention is to gift camera consumers a .CANON domain name. This, in turn, grants access to a value-added service platform designed for storing and managing pictures via built-in wiFi access. This is a smart and savvy way of crossselling and increasing client retention. Whilst the window of opportunity for applications has now closed, a second wave may be accepted in the future. $^\prime$ Nevertheless, nothing prevents companies reinventing the use of domain names on the basis of innovative, new Top Level Domains - e.g. ACER.HELP, iPHONE.WIKI or PORSCHE.CONSULTING.

Brand Protection

To complement the marketing implications outlined above, it is highly recommendable to analyze the new gTLD initiative from the perspective of brand protection. Whilst this final

⁷ Citing from the board meeting of ICANN: "Resolved (2012.02.07.05), ICANN is committed to opening a second application window for the New gTLD Program as expeditiously as possible. Resolved(2012.02.07.07), the Board directs the CEO to continue working with the ICANN community to refine the work plan and address the prerequisites needed to open the second round of new gTLDs."

<u>www.icann.org/en/groups/board/documents/resolutions-07feb12-en.htm#4</u> Industry observers cannot give an approximate time for the acceptance of the second wave of applications. Nonetheless, we speculate that this cannot be anticipated to occur before 2016. Potentially even later.

analysis may result in congruent business decisions, brand protection implications must be treated as an independent variable in, and of, itself.

- 7) Matching Geo-TLDs and Trademarks: 63 applications⁸ are filed under the ICANNcategory "geographic", who involves a special set of requirements during the application process. Notable applications include .NYC, .NRW and .AFRICA. An additional 25 Cultural-TLDs complement the ICANN-categorized geographical TLDs. Whilst these do not technically fall within the confines of this category, they do hold their own important geographical relevance; i.e., .IRISH, .SWISS or .RUHR. It has been clearly stipulated that a protected trademark in one trademark class and/or jurisdiction cannot prevent the registration as domain name by somebody else if based on a trademark of the same name, or confusingly similar name, under another class or jurisdiction. When considered on a global scale, the reality of this insight weighs even heavier. As previously noted, defensive registrations should be handled very selectively. However, and with that being said, it is highly recommendable that brand owners invest in new gTLDs pertaining to important countries, regions or cities. The registration of Geo-TLDs should be considered on the following basis: invest in the defensive registration of those names that correspond to Country Code TLDs (e.g. .DE, .CO.UK, ...) under which – after careful analysis – you have already taken steps towards protecting your brand. For example, if the United Kingdom is an essential demographic region for your brand, and UK brand protection is a crucial part of your current domain name strategy, then it would be advisable to at least register with .LONDON and potentially .SCOTS and .WALES. Even .CYMRU, the Welsh language equivalent of .WALES, is a viable and strategic selection (given that the eligibility criteria are met).
- 8) .COM-Aspirants and Keyword-Domains: There are many well-documented cases where companies have underestimated the importance of protecting their brands under.COM or .ORG in the past. For many businesses this has proven to be a costly error and the extent to which this is likely to also occur with the new gTLDs, is entirely up to speculation. The conjecture surrounding which .COM aspirants will be most successful is still very high and, thus, it is difficult to gauge which has the potential to pose a significant threat to your brand/s. Whilst more or less full coverage of defensive registrations may have been an effective domain strategy in the past, this is not a viable option for the new gTLDs and it is surely not recommendable to defensively register all keyword domains. Here are the key facts:

⁸ All numbers do not include additional applications for the same TLD.

a total of 73 TLDs are attempting to position themselves as the next alternative .COM. These extensions are categorized as `generic'; insofar that they do not have an industrial, service, product, or streamlined focus, and are non-restricted (i.e. as long as they remain compliant with ICANNs regulatory framework and the general law, they can be registered by anyone for any purpose). An additional 39 TLDs can be seen to compete, or complement, the existing .ORG namespace. Of notable significance, a portion of these applications are unrestricted names, such as .PARTNERS, .HOLDING, .GROUP. However, there is also a contingency of extensions that incorporate distinct eligibility criteria that must be satisfied in order to register a domain name – e.g. .GMBH, .SRL or .LLP. The category of `Online-Sales' includes 56 non-restricted TLDs in the vein of .DEALS, .DISCOUNTS or .BUY.

Modestly speaking, not all TLDs will achieve the success and draw the search traffic that they are striving for. Only some extensions will prevail, exude more mass appeal than others, and will become significant contributors to the market. Whilst this may be an accurate observation, it begs the question: Which ones?

Firstly, and as articulated above, the generic IDN-TLDs will be significant. Above all, the transliteration of .com, .org or .net in Arabic, Chinese, Korean, Cyrillic, Japanese and other scripts are a key recommendation (see above). Notably, there is more conjecture amidst the perceived value of TLDs utilizing Latin-script. Based on industry experts early forecasts and from so-called "pre-registrations" data abstraction, the following extensions are argued to have good prospects -.WEB, .APP, .SHOP, .BLOG, .SITE, .FREE and .NEWS.

Unfortunately, and to a large extent, this is purely speculation and there are too many variables to be reconciled. Firstly, all initial frontrunners have more than one applicant; .APP, for example, has 13 different applicants and only one will prevail. As a direct result, launch delays are probable and it remains unclear as to which applicant will win and thereby what policy will be applicable. A prime example is .NEWS. Of the 7 applicants, 6 applicants will allow unrestricted access whereas one (Amazon) has indicated that policy restrictions will apply. Additional parameters impinging on accurate predictions include, but are not limited to, public and governmental formal objections (GAC Early Warnings), evaluation results, applicant financial capacity and marketing budget, prioritization draw number, sequence of similar TLD launches, changing Internet trends, perceived value-added and so forth. In an attempt to not complicate the situation further, the message is rather simple: trademark holders are well advised to understand what this program means to their business, to configure a watch list of the most relevant and important generic TLDs,

and to either set up an internal evaluation team or engage with external experts for support.

- 9) Building and Retaining Brand Value: Trademark protection is important. However, it is vital that it is viewed in connection with the overarching strategic goal of building brand equity and retention. The utilization of existing trademarks for brand protection and risk minimization may superficially be a logical step and good legal decision. Nonetheless, in the ever evolving digital landscape, this might be too limiting and neglectful of long term brand positioning and future innovations. For example, particular Geo or Keyword TLDs may be ostensibly incompatible with current trademarks. However, long term plans to diversify, obtain acquisitions or drive product developments into new regional markets or industries, may be significantly more congruent with prospective brand positioning intentions. A constructive idea is to also consider core brand associations and brand mantras. Global fast food chain McDonalds, with their mantra 'I'm lovin' it', could consider MCDONALDS.LOVE. Sponsoring relationships between brands and sports could see the likes of REDBULL.RACING or ROLEX.GOLF emerge. Lastly, a final strategic outlook requires evaluating the threat posed by the Keyword Domains whose operators have indicated that they will reserve the TLD entirely for internal purposes only. The underlying concern is the monopoly held by a TLD operator over a general term, and not just a brand. In the case of .CARINSURANCE, the applicant "Allstate Fire and Casualty Insurance Company" (AFCIC) states: "The registry will be closed to registrants who do not have a formal, written agreement from AFCIC or an affiliate of AFCIC, specifically allowing the registration of a second-level domain name in the .CARINSURANCE gTLD registry". In effect, AFCIC could position itself to dominate the most search-relevant keyword for a very important part of the international insurance industry. A major player in this business should therefore analyze the threat which such a move by a competitor poses long term on his business considering the growing importance of the Internet in future. He can also consider objecting against such an application in the framework of ICANN until 13th of March 2013 or within the framework of general law.
- 10) Reputation-Endangering TLDs: A small division of proposed new gTLDs are inherently problematic and, subsequently, incompatible with professional domain name portfolios, company goals and values. The questionable nature of these TLDs, such as .SUCKS or .WTF (acronym for "What the Fuck"), could present a serious nuisance for trademark holders and companies alike. Notwithstanding their positive application mission statements, industry experts suggest that the underlying business model of these extensions is drawing from a contingency of "blocking" requests. In essence,

fees are paid to prevent a name or brand from appearing under the TLD. The domain is not registered in the true sense and does not resolve, instead it remains unresolving and unavailable. Please note that the aforementioned TLDs have received an official warning from the Governmental Advisory Council (GAC - a body within ICANN) and are still under evaluation. Of a similar nature, and potentially problematic for companies, are the 4 TLDs categorized in the `adult' category; namely, .SEX, .SEXY, .PORN, .ADULT.⁹ Lastly, the category of Social TLDs may appear seemingly benign in regards to reputational endangerment. However, and when utilized out of context, they can be potentially damaging for public figures or company executives. Drawing on examples in the political field, consider Socialdemocrat.RICH or Politician.RIP with recognizable names.

Conclusion: The Internet is currently embarking on a paradigm shift unprecedented in its comparatively short history. This transitional shift will not occur without delay or complication, and not only is this due to its technical complexity, but also due to the consensus-oriented and multi-stakeholder driven approach of ICANN. The latter variable is politically a strength and virtue of the industry, albeit administratively it is an inevitable timing risk. Extraneous variables aside, the new gTLDs are coming and some are estimated to be released as early as Q3 2013.

Whilst various Internet trends may be fleeting or seem unsustainable, such as the influx of brands to invest in the newest social media service, the new gTLDs are here to stay and will invariably impact on every business no matter their industry or area of expertise. As articulated above, a multitude of variables need to be considered to understand what it means for your specific business and the consequences that may ensue.

The new gTLD expansion should be approached as a de facto (compulsory) expansion of your business' digital market. And as such, requires a meticulous analysis of current protection strategies and foreseeable opportunities for market penetration. A comprehensive blueprint of your digital business strategy cannot be relegated to one department and should amalgamate Marketing, IT, Legal, PR, Strategy and Controlling.

A modest and calculated approach to the new gTLDs seems to be most appropriate i.e. neither exhausting your entire marketing budget by registering all available options nor entirely abstaining from engaging in this development is the right way. Instead, we recommend systematically establishing a strategic and decisive list of domains to be registered per brand, and a supplementary watch list of tentative names which seem important but where timing, subsequent traffic or prevalence of applicants are especially

⁹ Of notable significance, .SEX, .PORN, .ADULT will be implemented in conjunction with the existing adult TLD - .XXX.



difficult to assess. Of pivotal significance is the registration of all important trademarks in the Trademark Clearinghouse (a Must!: http://newgtldtool.com/app/files/trademarkclearinghouse.pdf). Only the registration with the Trademark Clearinghouse will ensure the preferential treatment of trademark holders compared to everybody else in registering their matching names as domains. Additionally, the Trademark Clearinghouse allows participation in the obligatory claims service all new gTLDs have to abide to. Should a name be registered which matches your trademark you will be notified. As this claims service has its own legal value but is somewhat limited in time and reach it should be complemented by professional monitoring tools that will benefit your brand protection efforts. Lastly, periodical checks for relevant fluctuations in local Search Engine Ranking and Traffic should be implemented in order to assess whether strategies need to be altered or corrected. Please consult our complementary white paper "Six steps..." for an expansion on this matter.

Avoid costly omissions and consider engaging with domain experts and IP-specialists who can assist you with tailor-made corporate solutions personalized to your needs. eBrand Services offer a "one-stop-shop" solution for companies and draws expertise from their customized proprietary tools, specialized databanks, and extensive and innovative network of affiliate companies and strategic partnerships. Please refer to our service offer on new gTLDs: http://newgtldtool.com/app/files/about-us.pdf.