

ICANN's New Domain Options: The Good and Bad

ICANN's new top-level domain options offer marketers unique branding opportunities, but at a price—Is it worth it?

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Top-Level Points

- ICANN has approved the use of unique top-level domain names (.pepsi, .aarp) instead of traditional domains (.com, .org)
- In order to acquire these new domains, companies must go through an application and approval process.
- The ICANN application fee is \$185,000, with an annual fee of \$25,000 for continued use of the domain. However, the total cost of an application (legal fees, staff time, etc.) and site maintenance could reach into the millions.
- The new domains could benefit or harm Internet organization, depending on how the system is applied across websites.
- Customer behavior patterns suggest that these domains are an unnecessary change; however, there are interesting applications for the marketing world.

Summary

It was recently announced that starting in 2012, the Internet Corporation for Assigned Names and Numbers (ICANN) would accept applications for a new type of top-level domain name. These new domains will not be .coms, but rather reflect brand or product names, such as .pepsi or .car. Domains will be acquired either through direct purchase or by competing in auctions against other companies. This offering increases the number of potential addresses, creating implications for the Internet's infrastructure as well as for consumer behavior. Because ICANN stands to profit significantly from this change, many observers are skeptical about motives.

Key Information

Starting in January 12, 2012, ICANN will move beyond traditional domain options (.com, .org, .edu, .net, etc.) and will accept applications for expanded top-level domain names (TLDs) such as .shoes, .mobile, .movies, etc. These new domains will consist of strings of up to 63 characters and can include any combination of letters and numbers. ICANN will accept applications only from public and private organizations; individuals and sole proprietorships will *not* be eligible.

The application process will be cumbersome; interested parties have to prepare a detailed business plan outlining the reasons they should receive the TLD and pay a \$185,000 application fee. This process and cost will likely deter smaller businesses from participating.

ICANN will judge applications based on specific criteria and award the domain to the most eligible applicant. In an attempt to deter "cyber squatters" from purchasing domains and reselling them to trademark holders¹, ICANN will only allow organizations to apply for domains that are relevant to their company or industry. In cases of branded company-named domains, the process should be sound, as most brand names are trademarked. However, for generic product terms, multiple companies can claim rights: Words such as ".pizza" and ".car" will incite many bidders, likely creating an active auction market.

While ICANN will expand TLDs, it will not issue confusing TLDs. For example, if Apple Inc. owns the TLD ".apple", an apple orchard looking to use ".apples" would have to purchase the rights to do so from Apple.² TLD owners can use this as a method of protection against fraudulent sites by blocking unauthorized use of the domain. This is an important benefit for high-security industries, like banks, that are currently forced to have extensive measures in place to prevent phishing. If Bank of America purchased the domain ".boa", no other entity could create a .boa site without Bank of America's permission, allowing Bank of America to remove some of the security and authentication checks its online users currently go through.

¹ bbc.co.uk, icann.increaseswebdomainsuffixes.com, June 20, 2011 tiny.cc/ucr7f

² thedomains.com, CNN.com: [Forget .Com](http://forget.com), Here Comes .Coke, June 20, 2011 <http://tiny.cc/cb3wp>



Once awarded, there is an annual fee of \$25,000 to retain the domain, but experts estimate that the total cost of preparation, application, and website management could reach, at minimum, \$500,000.³ In rolling out the new TLDs, ICANN estimates it will issue 200 to 300 TLDs annually and the organization will not add more than 1,000 TLDs in a year.

These limits may indicate that ICANN is not set up to handle the work load (reviewing the extensive applications, judging the appropriateness of each applicant and managing auctions) associated with the new TLDs. It's possible these new responsibilities may weigh ICANN down with bureaucracy. Some believe that despite ICANN's high hopes, new TLD sites won't go live until late 2013 at the earliest.

Implications

If new TLDs are deployed, we could see major changes in the organization of the Internet. If properly organized and assigned, the Internet could be clustered into relevant domain structures, as is currently the case with .edu for educational institutions and .gov for government sites. For example, kid-friendly sites could take on the domain ".kids", so parents could ensure their children only access safe content; banks could own ".bank", hotels ".hotel" and so on. However, this domain allocation seems unnecessary — the current .com system works pretty well as is.

For branding and marketing campaigns, ICANN's new TLDs present a unique opportunity. Companies could make their URLs campaign specific, resulting in URLs such as "droid.does" or "miller.time". However, because ".com" has become such a regular part of Internet users' online vocabulary and behavior, consumers may not understand how to use these new TLDs, or they may — out of habit — mistakenly add ".com" to the address (droid.does.com), so companies will have to buy all iterations and create redirects, which only adds to the costs.

Why confuse and complicate a system that is working? And why ask consumers to learn a new behavior? As marketers we know that the Keep-It-Simple-and-Smart (KISS) approach is appropriate when selecting URLs, for two reasons: 1) consumers don't remember what they saw on the bottom of the billboard, and 2) most consumers just go to Google and type in anything they can remember — direct URL navigation is limited. Creating a branded URL system is, in many ways, superfluous. While it may create brand awareness, the behaviorists would tell you it is unnecessary.

ICANN's motives are also questionable. Though it nominally seeks to foster innovation and revolutionize Internet security, ICANN is also profiting from these new domains. Almost every step of the process has an associated (and often heavy) fee. While ICANN has stated that its operating costs are in the tens of millions, it has been relatively vague as to where that fee money and the money from the auctions will actually go.⁴

Action Items

ICANN's changes will affect different industries in different ways, so there is no blanket approach to tackling these developments. It is RTCRM's opinion that the decision to apply for a unique domain needs to be made at an organizational level, not on a brand or product basis.

We feel that clients in regulated industries should adopt a "wait and see" stance and hold off on applying for a unique domain until ICANN has conducted its first wave of TLD approvals. It will be useful to see how other companies are using the domains and for what purpose. Waiting may also be rewarded with lower fees.

Consumer product brands can act a bit more freely with these domains. Securing a TLD ahead of time will prevent other companies from gaining access to a desirable name, and provide ample time to make customers aware of the changes. For a company to really see return on the new URL, it is important that consumers understand and adopt it. The new domain should be reinforced on ads across multiple mediums with clear messaging stating "this is our new address." Companies should retain their current ".com" address while consumers take time to adapt to the new URL. Consumers will still enter ".com" regardless of any awareness campaigns, so redirecting the old address to the new one will ensure people end up in the right place.

The right time to submit an application varies, and RTCRM urges brands to regroup internally and with their agency partners regarding all the implications. Some considerations to discuss include:

³ sfgate.com, ICANN Opens the Floodgates on Internet-Address Suffixes, June 21, 2011 <http://tiny.cc/c9jzr>

⁴ Today Online, Is ICANN .necessary?, June 27, 2011, <http://tiny.cc/itnzf>

- **Brand Protection.** The decision not to apply for your company's or industry's TLD may allow others to step in and buy it. Consider the threat of another party claiming your TLD and what impact this may have on your brand. Should another entity make a claim to your branded TLD, you can issue an objection. There are associated fees and processes involved in taking this action; be sure you know which domains are and aren't worth filing objections against.
- **Overcome Current URL Barriers.** A branded TLD will allow companies to get around suboptimal Web addresses. For example, Apple does not own "ipad.com" and instead uses www.apple.com/ipad/. With the new TLDs, Apple could now purchase .ipad. If you're currently in a situation like Apple, applying for a new TLD may be worth the investment.
- **Increased Internet Security.** Because TLDs can only be controlled by their owner, they offer a greater level of security than .coms. Companies concerned with user authentication and security should consider moving to a new TLD. However, users may be wary of websites with strange (aka new) URLs, so assuring them that the site they are on is authentic and safe should be a priority.
- **Impact to Search Results.** Adopting a new TLD website will affect your website's search ranking. Proactive SEO and SEM measures will be necessary, which may add to costs.
- **Regulated Industries.** Industries that are heavily regulated, like pharmaceuticals or financial services, should be cautious when choosing a new domain. If a pharma company chooses a domain related to its drug's indication without any mention of risks (e.g. abilify.depression), then it would be in violation of the FDA's fair balance rules.

At RTCRM we remain curious about the effect these changes will have on digital marketing and on the Internet in general. Whether or not a unique domain is in your best interest, all companies should familiarize themselves with the available rules, regulations and processes associated with both the application for and management of the new TLDs. Companies should also keep a close eye on how other companies are responding to ICANN's decision, and be prepared to file objections to other TLD applications that infringe on their brands.

