Twitter Thread by Nat Cohen



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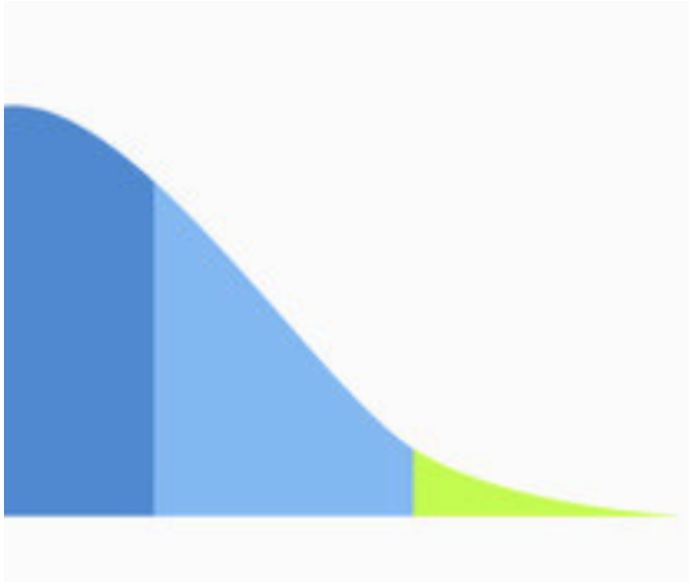
I sympathize with mid-size companies seeking to acquire a premium domain name. Even if they stretch to make the maximum possible offer, it often still can't compete with what a larger company can offer. Their desired domain name remains always out of reach. /1

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From the broker:

"The prospective buyer responded and explained that their absolute maximum amount they can spend is $100,000 USD. They are accountants and explained this is an extraordinary amount of money for them." /2

The distribution of how much a domain name is worth to a particular company may look approximately like the right half of a bell curve, with values increasing along the X-axis and the # of companies for which the domain name has that value on the y-axis. /3



Since each domain name is unique, a domain owner wishing to maximize the value of that asset will often wait for an offer in the (light green) rightmost tail of the distribution, from that small percentage of companies for whom the domain name will deliver the most value and /4

as a result can justify making the highest value offers for the domain name. But that means that the domain name will remain out of reach for the vast majority of companies that would benefit from owning the domain name. For even a company at the 80th percentile, in the /5

light blue portion of the distribution, for whom the domain name will deliver far more value than for most companies, may only be able to justify an investment half that of one of those few companies at the 95th percentile or higher. /6

This can be a particular challenge for industrial or Business to Business (B2B) focussed companies, as a stronger online brand may deliver less value to them than to a consumer facing company that may be spending huge sums in advertising to build brand awareness. /7

A B2B company, even a large one, may find it cannot acquire its desired domain name because it will always deliver more value to a similarly sized (or even smaller) consumer facing company. /8

This presents a tough question for the domain owner. If you know you are dealing with a buyer who has maxed out its offer, even if it is less than the maximum amount that the domain name could likely sell for, is it still worth accepting? /9

Domain investors adopt different strategies. Some see their goal as maximizing the sale price for each domain name. Others look at the value of their entire portfolio and consider that even if they sold for less than top $ they could reinvest those funds in similar domains /10

such that the value of their portfolio could increase by more by selling than if they held out for top dollar. But this requires that similar domains be available for purchase at wholesale prices that are far lower than the proposed sales price - which are hard to find now. /11

Timing is also an issue. Is it better to accept less than top dollar now, if waiting for a top dollar offer means that it will be many more years before the sale occurs? Could the funds from a sale now be reinvested to be worth more than a top $ sale years in the future? /12

Each domain investor has his or her own answer to these questions. There isn't a right or wrong answer. It fits in with the overall strategy of how active or passive the investor is in buying and selling. /13

I'm less active and am now finding it hard to successfully reinvest. I'm also increasingly aware of how scarce and desirable top domain names are and of how difficult it is to replace them with comparable domain names. That leads me to be willing to wait for top offers. /14

It is also leading some domain investors to be willing to pay very high prices for the highest quality domain names - prices that would have been unthinkable a few years ago - as those most desirable domain names are now recognized by companies as being exceedingly valuable. /15

Valuing a domain name and pricing strategy are challenging issues for domain investors. We're dealing with rare assets, with few meaningful comparable transactions to compare, where each domain name delivers different value to each potential buyer. /16

We're not going to make the right decision in every case. As long as you make more rights calls than wrong ones, you'll likely to come out fine. /end

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