Chat-up Lines, "Hard to Get," & Domain Name Markets

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1. Introduction

A popular way to buy and sell domain names is through personal interactions[1] instead of arm's-length relationships such as auctions. When taking the personal route, the process *initiator* needs to go through six stages: determination of the target audience, signal, follow-up, screening, negotiation, and the exchange of funds and title. We assume e-mail to be the vehicle for sending the initial signal, to which the *receiver* needs to decide on his or her response strategy and tactics. The essay focuses on selecting the target audience and crafting the signal, and on the merits of a "hard to get" response strategy.

2. Target Audience

One of the most important decisions is whether to make the target audience broad or narrow. A broad message allows more responses from qualified buyers. Moreover, during the negotiation stage factors other than price can be on the table, so you don't want to eliminate such opportunities. Thus, the advertiser needs to attract a lot of responses, encourage informational inquiries, and then sort through them. Use of a narrow signal can result in a very limited number of responders, which limits subsequent choices and suitors. By limiting inquiries and interaction, you may also forgo valuable information. Moreover, the initiator cannot assume that the signal will come across loud and clear; if the signal is also narrow, a thin audience of responders becomes even thinner. On the other hand, of course, a narrow target audience reduces the cost of screening and follow-up.

3. Signaling

Whether buyer or seller, whoever initiates a domain name transaction will do so by sending an e-mail to the prospective transaction's other party. The signal is the content of this initial e-mail.

In general, signaling refers to sending a short informative message to the receiver. The two sides are typically strangers and the receiver has scarce time and attention. The initiator needs to work hard in crafting the signal to get the attention of the receivers and has to be convincing. Thus, effective signaling is costly.[2]

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[1] Although bazaars also involve personal interaction, in such markets the buyer is typically ill informed and there is no mechanism for the buyer to get access to unbiased price information. Thus, they are not analyzed here, as those factors do not come into play with domain names.

[2] As in personal relationships—although it is "the thought that counts," diamonds go further than a box of chocolates.

The initiator needs to determine the tone and the relevant information to convey, so that receivers who benefit from the use of the domain name will not exclude themselves.[3]

(a) What should the signal emphasize?

The initiator should emphasize what's in it for the receiver (WIIFR) and should eliminate any potential hurdles that can prevent the receiver from responding. The WIIFR can, for example, include an asking price below fair value and/or underscore the true benefits of direct navigation[4] when applicable. Nevertheless, simultaneously pointing out the domain name's tremendous return potential and asking for a fair price is contradictory, as return potential would already be reflected in a fair price. One of the commonly encountered hurdles facing sellers is that some buyers might not respond because they are afraid that they might not qualify financially. Thus, a seller needs to show flexibility in payment arrangements and consider leasing the name. Another potential hurdle is the need to convey trust and credibility.

Thus, a signaling buyer needs to convey the ability to do the job right,[5] namely that the initiator is serious about doing business and is able to transact fairly. On the other hand, a seller needs to signal that the domain name being offered is worth buying. Some practitioners advocate low-balling the owner. Such a tactic might have worked in the past, but with domainers becoming value savvy it can only irritate such sellers and, possibly, induce them not to sell even at what they might have considered a fair price.[6]

From experimental studies on chat-up lines, we know that jokes and compliments do not impress women. On the other hand, those revealing helpfulness and wealth are highly effective.[7] There is no reason to believe that this information is not applicable to domain names.

(b) Response motivation

There is no easy way to create incentives to motivate receivers to respond. For example, including as a hook in the signal the name of an entity with a deep pocket can backfire, as the name can make other receivers conclude that they cannot compete with the deep pockets. Moreover, such an entity can use the information regarding the lack of other serious suitors against you. To encourage competition, you can refrain from making name information public until a few names have become available, though further prospects may still be scared off if the list has deep-pocketed contenders. Hence, motivating receivers to respond is a hard problem to solve when you don't have prior history, which

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[3] When the signal is presented through a broader vehicle, such as a forum announcement or through an ad, audience targeting becomes imbedded in the signal.

[4] See Alex Tajirian, "Direct Navigation: Marketing Implications," DomainMart, 2006.

[5] This is no different than when looking for employment. Simply sending mass resumes does not work. The candidate has to go the extra step beyond displaying impressive but far from unique credentials and tailor his or her approach to the target company. It is the extra mile that makes all the difference.

[6] See Matthew Rabin, "Incorporating Fairness into Game Theory and Economics," *American Economic Review*, 83, December 1993, 1281–302.

[7] Women responded well to pick-up lines revealing helpfulness, generosity, athleticism, "culture," and wealth. See Bale, et al., "Chat-up lines as male sexual displays," *Personality and Individual Differences*, Volume 40, Issue 4, March 2006, 655–664.

is why established brokers and auctioneers have an advantage over inexperienced individual buyers and sellers. They can reward clients who sign up early, especially when there is a limit to the number of domain names to be listed for sale. Conversely, the threat of being excluded from an auction is a means to motivate those who procrastinate in listing their domain names.

(c) Asking price

We humans have a tendency to overestimate the quality of things that we have (or think we have) control over. For example, 84 percent of Frenchmen feel that their lovemaking abilities put them in the top half of French lovers. This phenomenon applies to experts as well. For example, 94 percent of polled university professors regard themselves as better than average at their job when compared to colleagues. Hence, on average, one tends to unjustifiably perceive a higher value for one's own domain names.[8]

Nevertheless, there is experimental evidence that people are more "rational" about making judgments that do not concern them. This suggests that one should seek an unbiased third-party valuation instead of relying on the owner's value estimate.[9]

4. Should You Play "Hard to Get"?

Say you receive a signal that someone is interested in purchasing your domain name. Should you play "hard to get," i.e., should you ignore the e-mail in the hopes that the sender responds to your silence with a higher offer?

The "hard to get" strategy is flawed[10], as it does not contain enough information for the signal initiator to understand your position.[11] For example, the potential buyer might interpret your action to mean that you are not interested in selling, and thus he or she may move to acquire another domain name. If the signal being ignored is interesting, you might easily lose a great opportunity.[12]

5. Summary Recommendations

a. Unless you have a good reason, avoid sending a signal to a narrow target audience.
b. Effective signaling is costly.
c. Convey WIIFR and address potential hurdles.
d. Obtaining domain name valuation from a third party can add value.
e. Playing "hard to get" and low-balling are flawed strategies. ■

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[8] Thomas Gilovich, *How We Know What Isn't So*, New York: Free Press, 1991.
[9] Also see Alex Tajirian, "'Human' vs. Machine Appraisals," DomainMart, 2006.
[10] This does not suggest that it is a bad strategy for women to play hard to get.
[11] Technically, it is not a separating equilibrium.
[12] I will definitely not play hard to get when Salma Hayek asks me to recover her domain name SalmaHayek.com. ☺