Monday, December 14. 2009

Because your security is very unimportant to us

We're forcing you to use a watered down, weaker password to authenticate your credit card info:

For your convenience, and the convenience of those attempting to crack the password protecting this account, please only use characters in your password from this smaller, known set of values so that the total potential keyspace required to crack your account is a minute fraction of what it should be.

Thank you.

This is from Verified by VISA btw.

Posted by Mark Jeftovic in Living off the net at 13:48

Saturday, September 26. 2009

Lifestyle business? Damn right!

I had to respond to Rick Segal's dig at "lifestyle businesses" in EYODF Part 8 - How to Hold Down 10 Jobs Simultaneously. Even though he's no longer a VC, he seems to still hold the standard VC dogma which despises that dreaded L-word.

God forbid somebody builds a business and gets to a point where it requires very little work and just spins off cash. To VC's that's a travesty. They have a pejorative term for it, "the lifestyle business".

First, Iâ€™m sorry. Very sorry. Iâ€™m very sorry for ever (E-V-E-R!) calling your business a â€œnice lifestyle business.â€• The only thing I can think of that would be a worse insult? Throw a shoe at you. Seriously. If an investor uses the term lifestyle business, YOU throw a shoe.

Thanks Rick, where would I be if I followed your advice unerringly? (Oh yeah, cashed out of my own business at some stink bid valuation years ago and heading up some JLA funded start-up that went into the deadpool....)

A lifestyle business is one in which the company is profitable and the profits flow to the last place VC's ever want to see them going: into the founder's pockets. Even worse is if the company is on auto-pilot and the founder can do whatever he wants.

While the lifestyle business is unsung and frowned upon, the VC-funded start-up is celebrated and adored. Profits are optional and more frequently absent. As 37 Signals noted in their parody VC tombstone:

"When it comes to valuation, making money is a real obstacle. Our profitability has been a real drag on our valuationâ€•

The most important thing in a VC-funded startup is that it can garner subsequent funding rounds at successively higher valuations which eventually culminate in "an exit". In today's climate that is generally a euphemism for finding that last, greatest fool who will take all the earlier investors out at some terminally high valuation, and basically ends up "holding the bag" chock full of eternally unrecoupable goodwill. Whether that terminal investor is a big fish with deep pockets, or an unwitting public drooling over the next big thing IPO is immaterial.

Over the summer easyDNS was on the receiving end of an unsolicited buyout offer. I told the investment bank that I was about the least motivated seller that could possibly be found. After putting together an offer that was about half of what I would get my attention they told me (get this), "They have VC's on their Board, so any deal would have to MAKE SENSE from their perspective".

Which really cracked me up. Making sense is a laudable goal. Except when it comes to VCs, where it means "the deal has to be totally slanted in our favor and you get screwed". Uhm ok. Where do I sign?

Posted by Mark Jeftovic in Living off the net at 21:00

Tuesday, July 8. 2008

I once was lost, but now I'm found

For some reason, PrivateWorld.com, the domain name I recently moved my personal blog to, a domain I've owned since 1997 and used to house the company website from a previous partnership (Private World Communications) was delisted from the Google index. I'm not sure when it happened as I was receiving traffic from google via this domain almost immediately over the cutover.

To avoid a possible penalty for duplicate content I began using a 301 redirect from my previous Mark.Jeftovic.net blog hostname. No good deed goes unpunished, they say. Once PrivateWorld got dropped from the index I was gone completely since the 301 redirect had basically transferred all my pagerank and indexed pages to the now dropped name.

I think way to handle a situation like this is to ask around on the Google webmaster groups and ask about your particular domain, because Google staffers tend to read these and can sometimes address your site's particular circumstances.

Then watch this video and follow the steps therein. If you haven't already used the Google webmaster tools , there really is a wealth of information and diagnostics there about the Search Engine visibility of your website. I added my sitemap there so I could see what Google saw, I've requested reconsideration - which is supposed to take weeks, but after a few days I seem to be tricking back into the google index.

One of things I did notice under the webmaster tools is the keywords associated with my site content looked pretty "spammy" and I think those were old and dated back to a brief time when I just had the domain parked with a commercial domain parking service. If this is what got my domain dropped from the index, it is mildly startling to say the least. I'm used to seeing parked domains not appear in the google index, but I have also routinely "unparked" domains by developing them and found them appearing in the index within reasonable intervals (less than a few weeks) without seeming to be penalized for their past "parked" status.

So it's a mystery, but an unsettling one when it's unknown why it happened. When my personal blog gets dropped from the index, it's not the end of the world. But had it happened to a domain more central to my business interests, like say, easydns.com, it would be a non-trivial event that would really impact my business - and that scares me. So even though I seem to be re-appearing in the index, I'm hoping my reconsideration request produces an explanation on what caused this.

Posted by Mark Jeftovic in Living off the net at 20:11

Friday, June 29. 2007

My Domainer's Magazine is in

I was just wondering about this last week, "didn't I subscribe to some domainer magazine, sight unseen a while back?"

Yes I did, and my first issue of Domainers' Magazine arrived this week. It looks quite professionally done. Looking forward to checking it out, I'll bring it home with me going into the long weekend (Happy Canada Day hosers and an early Happy 4th of July to our southern neighbours eh)

Posted by Mark Jeftovic in Living off the net at 11:28

Wednesday, May 23. 2007

Attack of the TechnoPinkos

I have been toying with an adage in mind for a few months, I think I may have invented it. It's one of those "there are three kinds of people" type quips, goes something like this:

There are three types of people, libertarians, conservatives and socialists.

Libertarians think they know how to live their own lives.
Conservatives think they know how to run everybody else's lives.
Socialists think they know how we all should live.

This morning I was forwarded a link to the Business2.0 article on domainer Kevin Ham about a half-dozen times and one sent the reddit comment thread on it (titled "This guy is a piece of s**t") and I had to chuckle and replied "I see Techno-Pinkos are out in full force".

Some of the comments are just classicly clueless:
"He's just a parasite. Someone gaming the system for their own financial ends without providing a useful service to anyone, and making it worse for many."

and

"If you donÂ´t see anything wrong in the concept of "speculator", I donÂ´t think I can possibly explain it to you. ItÂ´s wrong and hurtful for so many people that it should be obvious to anyone."

Newsflash: Speculation is any time you choose one path, good or service over another in the hopes that you will do better with it over time than you will the alternatives. Deciding to go to college and becoming an accountant instead of dropping out of high school and becoming a garbageman is speculating that over time, you will have a more secure, financially rewarding career as an accountant than as a garbageman (which may not be true)

The techno-pinkos hate it when they see the speculation of others pay off and compound their irrationality by denying that they ever partake in speculation themselves. Pretty well most productive endevours in life, including ALL investments are a form of speculation, get it over it.

Readers of my blog, especially the domainers may be surprised to find out I have no problems with Kevin Ham's deal with the Cameroon government to wildcard .CM, and in a wider sense, no problem with domainers buying up thousands of domain names. Yes, I believe the aftermarket valuations are overheated. No, I do not believe "there ought to be a law or something" that forces domain registrants to use their own names in a manner that the technopinkos hanging out on the reddit, digg and /. comment boards find suitable.

Bringing my 3-types of people into the analogy, here is how they think things should be "run" in the naming space:

Conservatives want to see government regulation on content and to see other websites they don't like banned. They completely miss the point when it comes to reform (like the misguided FOISA bill which did nothing to protect the personal data of domain registrants and penalized them for taking measures to protect their own privacy)

Socialists as a rule of thumb, don't get rich on the internet or anywhere else, (unless they are socialist politicians) because to them, profits are evil. As such, they hate it when they see somebody else earning a profit or god forbid, getting rich. They think prosperity and wealth creation is a zero sum game and anybody who isn't living paycheck to paycheck is a capitalist pig grabbing more than his "fair share". They eschew marketing in all its forms as "spam", they often won't even mention a product or service they use by name because they think that's "spammy" (see the Digg comments on Domainwarning, below). They lead strange lives of constant outrage, holding jobs, earning salaries from companies who market themselves in ways they would probably consider "spammy".

Libertarians think socialists and conservatives spend so much time and effort on other people's business they don't have any energy left to take responsibility for their own lives. And that's where libertarians start. This is more than "looking out for number 1", this is chalking up your lot in life to yourself, not blaming others for your own shortcomings or taking credit for other people's successes. Very few libertarians enter politics. Very few libertarians think they have the right to tell others how they should live their lives. Libertarians don't waste excessive amounts of time complaining about how the rules should be. Libertarians pick up the hands they are dealt in life and figure out the best way to play them. Many of them are successful in business and many of them are financially independent.

Both socialists and conservatives hate libertarians. Socialists think they're capitalist pigs and Conservatives think they're liberal degenerates.

Over the years I have been baffled by the leftists in the tech sector. Because in my naivity, I figure techies are of above average intelligence. If you're smarter than the average lemming, then I figure your approach to life's trials and other things that are none of your business would come from a higher thought process than socialist mob rule.

Examples:
"Oil companies make obsene profits!"
Socialists take to the streets chanting and carrying placards calling for "More taxes on oil companies" or "Price Controls".
Libertarians buy up oil company stocks and maybe use the dividends to buy a hybrid or put up solar panels to heat their swimming pool.

"Evil domainer owns 1000 domains he's not even using!"
Socialists post "he's a piece of sh*t" comments to reddit and advocate nonsensical rules like "use it or lose it" (what and who decides what proper "use" is?)
Libertarians shrug. Good for him. Maybe he'll buy some domains. Maybe he'll sell some domains to the domainer.

One of the comments to my now semi-infamous Domain Aftermarket overheated post was "the guy probably has sour grapes". I stand by everything I said in that article, but to the person who said that, you were not entirely off-base. I have expressed regrets over the years that I came very close to being an early pioneering domainer but didn't because I failed to make the last crucial mental connection in my mind to grasp what was happening. I blogged about this on my old blog and I can't find the post now.

Alas, I was grabbing expired domains in 2000 as a hobby and never made the connection that there was money to be made. Had I done so, I would have seriously dived in and maybe ate Frank Schilling's lunch But alas, I didn't, I missed the point so now Frank sits on a billion dollar domain portfolio and lives in the Caymans and I'm stuck in Toronto owning and running easyDNS.

Life sucks? I don't think so. I still pinch myself every day to make sure I'm not dreaming (especially since I haven't slept since my daughter was born) Rather than slag Kevin Ham, Frank Schilling, Rick Schwartz or David Chernoff, et al for figuring out that which I failed to figure out, I salute them.

Last year after listening to Joe Polish and Tim Poulson's Barracuda Marketing seminar, I put together a one page website at DomainWarning.com "10 Things you must know before registering a domain name with anybody. Eventually, it made the front page of Digg and the comments were marked by indignation (ooooh what an awful pun). People "accused" the page of being "nothing more than easyDNS marketing" Uh, well duh. Yeah, that's exactly what the page is. Somehow that's a "bad thing"? Apparently telling the truth about widely used tricks in the domain industry is, especially if anybody is going to profit from it, as per the Digg comments:

"1 thing you MUST know about the linked site is, it's an advertisement.
Whatever you do, DO NOT CLICK THE LAST LINK ON THE PAGE. The site owner will get affiliate credits if you do.
F***ing cheap a** wh*re, that uses Digg to get some quick cash."

or

"After reading that entire page, why should I trust the link at the very bottom? How do I know the entire page wasn't built to bring business to easydns.com ?
Question everything.."

Well now you know for sure: the entire page was built to bring business to easyDNS. The entire page explains why you should do business with easyDNS. I don't understand how these people think it's supposed to work. Maybe we're just supposed to take out a Superbowl ad with scantilly clad models being hosed down like circus animals a la Digg sponsor, Godaddy, and I guess that's ok.

There was the odd supportive comment:

"I don't know what you're flipping out about. The article is good, offers a lot of good tips on how to avoid being screwed with your domain name, and at the end they provide one small discrete link to a good DNS service. This is a good example of honest advertising."

But the technopinkos beg to differ. Whether domainwarning was put up by an affiliate marketer who would make money off clicks or referrals, or by easyDNS as a marketing vehicle, they called it "spam" and it was somehow "worse" because it made the front page of Digg which I find even more ludicrous. We didn't digg it. Their own community put it on the front page. Market forces in action == bad, spam, evil.

The one thing the socialists and conservatives do have in common is how upset they are by the things other people are doing. The technopinkos seem to have more spare time on their hands, watching the comment thread on reddit, seems to be one extremely upset technopinko responding to every thread, belaboring his point, he's been at it all day while us libertarian types have been off doing stuff.

But these are just two examples. Go to any high profile tech board, read a story about somebody, anybody doing well in business, click into the comment forums and odds are you'll find the threads slanting heavily to the left as the technopinkos run livid.

More stuff to do my lunch just arrived...

Posted by Mark Jeftovic in Living off the net at 15:24

Wednesday, February 28. 2007

Domain Aftermarket Overdue for an "Asset Repricing"

For the last couple years the domain aftermarket has been hot again, we're seeing valuations not seen since bubble1.0, which saw valuations like 7 million dollars for business.com and 4 million for drugs.com. The TechWreck was induced by the Nasdaq crash of 2000 and the fun was over for awhile.

What differentiates this bubble in the domain aftermarket from Bubble 1.0 is domain parking and monetization. While it existed in 2000, it was a weirdism on the fringe. Yun Ye was quietly building his Ultsearch empire and cleaning up.

When he sold out to Marchex, for 60+ million cash, the masses "woke up" to parking and PPC. Now we have Internet REITs, domainer conferences and, the second last sign of an overheated market dropping in to place: VC funds are tripping over themselves to invest into PPC and the monetization game. (The last sign of an overheated aftermarket are the sales letters I get from places like domainprofiteer.com offering me courses in how to get rich buying and flipping expired domain names)

Now individual domains and portfolios sell for multiples of their revenues plus a premium for the name itself in the case of generics and other "type-in" names. These multiples have gone vertical over the last twelve to eighteen months. During the nadir of the tech wreck, actual web businesses were going for about 1 year's revenues and that was the departure point for domain sales.

The interesting thing is since then, the multiples on domain names have outstripped the multiples on developed websites. To me, this is the equivalent of the "inverted yield curve" that portends economic recessions.

The logic, apparently, is that "developed websites" require actual work to keep them current and maintain the userbase. As such they often sell along typical business valuations: 1 to 2 times revenues or 3 to 5 times earnings. Often less.

PPC domains, type-in, generics, et al are going for minimum 5-7 years revenues and that was before things were heating up. Among domainer circles 12 and 15 year multiples are becoming more common, more sellers are looking for 20 years.

I've heard domainers talk in terms 40 or 60 year multiples or more. Really.

Valuations of this magnitude are financially unsound. We should all be familiar with the Rule of 72 (if you are not then you shouldn't be "investing" in anything, stop daytrading or whatever you're doing right now and go read Benjamin Graham's Intelligent Investor or something).

This handy rule of thumb instructs us to divide the rate of interest on an asset into 72 and you're left with the number of years it takes to double (or recoup) your money. With valuation multiples, do the opposite, divide the multiple into 72 to find out what your actual rate of return is:

MultipleRate of ReturnSnide comment
7 years10.2%not bad
12 years6%GMAC territory, if you sell yours before GM goes bankrupt and buy a domain at this multiple you may actually be better off for it
15 years4.8%we're getting into 10 year T-bill territory here
20 years3.6%we're below the nominal inflation rate here
60 years1.2% here we'd be better off hoarding empty aluminum cans

As one "domain flipper" on a closed domainer board gloats,

"In the domain aftermarket returns of 30-50% a year are commonplace. It's almost a certainty that $65k [for] will turn into a $100k within six months from my experience. This is what I term "long term" as I tend to flip within days.."

Evidence of tulipmania in the modern age.

"All my short term flips have made me 50%-200%"

"I agree [that it is] madness of people paying 10-20 years on ppc domains, but if you buy at even 8 years and sell asap to someone higher up the food chain, you don't have to agree with their madness, do you? :)"

At the time I started writing this article, John Gotts had recently paid 3 million dollars for the wiki.com domain name because he thinks "wikis are going to be hot" and from that premise, a lot of people are going to type "wiki.com" into their browser location bar.

Then "after he makes his money back on the 3 million he paid for the name, the rest will be pure profit". No, that isn't a line from a Simpson's episode, it's a real strategy, and according to Gotts there were two VCs interested in funding it. Big surprise. (Recent speculation is that the deal hasn't fully consumated and that Gotts left himself a large escape hatch if it didn't work out. The whois record doesn't seem to reflect a completed transaction.)

Type-in traffic is always nice, but anybody building a long-term business strategy or "investing" large quantities of cold hard cash on the premise that it will continue forever (or even escalate) will, I think, be disappointed. The underlying premise is that internet users will grow less sophisticated over time and that there will be no further or meaningful user interface changes from here on in, that net neutrality will prevail and ISPs, access providers, network carriers, web browsers and even root or recursive nameserver operators are going to stay out of the realm of "errant or exploratory internet traffic" and leave it all to the domainers.

Type-in traffic is the realm of grandmothers and the not-so-tech-savy. As people get more knowledgeable about the internet, their type-in usage declines. They stop "typing into" the browser's location bar and start using the browser's search tab.

I think these facts will work against any assumptions about type-in traffic, especially those who hope it will increase into the future. In Gotts' case, anybody clueful enough to know what a wiki is, knows better than to stumble their way around the internet typing what they want into the location bar. He'd have been better off buying wiki.org, which at least comes up near the top of the organic search engine results for "wiki", while his wiki.com doesn't even list on the first page.

Further, all it takes is one major browser (IE, for instance) to make a shift in the out-of-box layout of the browser dashboard: say putting a search input field right where the current location input bar is and type-in revenues will begin to decline in earnest.

Whatever type-in domains are doing now, I don't think there won't be as much of it in 10 years. So paying 10 years revenue on a type-in domain or porfolio seems highly speculative to me. Paying 20 borders on insanity.

One of the reasons I take this view is because I disagree with the wider sentiment that domains have an innate underlying value like a piece of real estate.

The argument goes that if you pay, say $100,000 for a name, then it has an underlying value of that amount, and the revenues earned by parking the name is a return on investment over and above the initial outlay.

I disagree with this. I think the domain has an underlying innate value of zero. If you pay 100K for a name, you are out 100K until the name earns it back for you, at which point you've broken even (aside from the loss of purchasing power of the currency via inflation in the intervening time).

You haven't turned a profit on the name until it earns back your initial investment plus an amount greater than inflation, at which point you're finally in the black on your "investment". If you do sell the domain for some amount afterwards, either recouping your funds or turning a profit, it's because you got lucky and you've succeeded in speculating, not investing.

Repeat after me: What makes a domain name valuable? It's what you do with it. If there's one thing the whole "Web2.0" phenomenon has proven, it's that for the most part domain names don't matter.. Pick a word, any word. Is the domain name taken? No. Great. Reg it, and get back to business, building the website and advancing the business plan.

While nobody really knows what "web 2.0" means, the naming styles that emerged from it were a direct result of unfunded, agile start-ups working within the gaps left by domain hoarding and an overheated aftermarket.

So what will trigger "asset repricing" in the domain aftermarket? Basically aftermarket domains will be another casualty of the current liquidity bubble bursting, which will happen any day now. The talking heads on CNBC are already "upbeat" after yesterday's 400+ point selloff on th DOW. Downplaying the extreme imbalances in the financial markets. But I have maintained for years that the entire 2003-2005 runup in the equities markets is just one big-ass bear market rally and I stick by my assertion that we will see new lows on the Nasdaq a lot sooner than we will see new highs.

Yes, the DOW hit a series of new highs which technically violate a bear market rally scenario. The DOW has hit new highs due to credit expansion and excess liquidity, pure and simple, and will unwind soon if it hasn't started already.

Yes, I am one of those nutjob quacks who is convinced there is a global recession bearing toward us like a freight train. Many early indicators already show successive months of contraction. In it, housing values, equities and corporate bonds are all going to take a dump.

The domain aftermarket isn't gold bullion or a t-bill. It isn't by any stretch a safe haven. There is no reason to think for a second that aftermarket domain pricing will move inversely to the wider asset classes which are going to spend the next few years cratering.

We're in a secular bear market, they tend to last 12 to 20 years. It started in 2000. Do the math.

My advice to anybody sitting on some monster domains or portfolios is to either sell them fast or develop them into something useful that can produce an income stream that doesn't depend on blind type-in traffic or pre-existing link-pop from an expired domain's previous incarnation.

The domain parking services are going to have to get a whole lot more creative if they want to survive the TechWreck2.0. Marchex may be headed there with their much anticipated openlist initiative, other operations like communicate.com are developing their properties into verticals.

Lots of people are working on a better, smarter,parked platform. The problem in this space is that there is a fine line between dynamically generating "contextual content" and an automated scraper splog.

At the end of the day,I don't see a lot of long term upside for domains on their own, there has to be a viable website on them, there has to be something original, innovative and useful. There is real work involved.

The pink cloud days of easy PPC money from type-in traffic are numbered, get used to it.

Posted by Mark Jeftovic in Living off the net at 17:57

Thursday, January 25. 2007

The problem with remora websites

In the biological world, remora's attach themselves to larger organisms such as sharks or whales and they "benefit by using the host as transport and protection and also feeds on materials dropped by the host".

I've coined the term "remorasites" to refer to the crop of websites that spring up around any big internet whale and derive their value entirely from servicing that website. The plethora of MySpace profile builders, AOL Instant Message Icon sites, Youtube scrapers all fit this category.
The sites could be further segmented into those that add value to the user experience of the host site, or those that simply extract value from it (leeching).

Examples of the former would be third-party AWS toolkits, which would enable people to easily build third-party websites that can hook into the Amazon product base. Examples of the latter would be the "Video Code" sites that had a heyday about a year ago (all they did was rip html for music videos code from Yahoo)

Building remorasites is a dicey proposition. The value-add ones can rely almost entirely on the existance of "blind-spots" in the host website's awareness or marketing niche. They see a value and then devote the time and energy to adding value, fulfilling a need. Clickbank for the longest time didn't have a "search" function for it's product base. A whole host of third-party sites emerged providing clickbank-malls which basically layered a search on top. Now clickbank has a product search. I haven't seen a "clickbank mall" around in awhile. I'm sure they are still around, but a change in the architecture of the host site can sure change things for the remorasites.

I've been bitten by this one myself. Shortly after building FeedBay as a way of playing with the Ebay Developer Tools I began to notice that little [RSS] icon at the bottom of Ebay categories. I'd been obsoleted!

People still do use FeedBay, but from here on in it's a straight case of residual crumbs: anybody looking for customized Ebay RSS Feeds finds FeedBay first, they use it, otherwise, they use the built-in Ebay feeds.

Over the last few weeks I got burned again. When I launched FeedBay, I got a few emails from people asking if they could generate RSS feeds using their own affiliate codes. Now there's a value added service I thought to myself, and promptly forgot about it while I went out and became a daddy, bought my company, moved houses, in short, lived my life until I revisited the FeedBay idea.

A week ago at night after the baby went down, I started coding in the ability for other people to generate feeds with their own affiliate codes. I finished it last night, typed "Ebay Rss" into google and realized I've been scooped again.
Ebay already allows affiliates to generate RSS feeds with their own affiliate codes.

So there were a few lessons I learned here:

If you see a value-add niche for a remorasite, MOVE FAST, the blind spot in the host won't last forever. If you have momentum when it ends, you have a chance to hold your own against the overwhelming advantages the host website has. If you are really lucky, part of their blindspot may be have been exposed by your site and to rectify their oversight, maybe they'll just buy yours. Who knows.

People will still use remorasites for functionality available directly from the host if they don't know the host offers that functionality. This then comes down to things like SEO and marketing.

There will always be ways the small operator can stay viable by doing it better, faster, simpler. When I look at the Ebay Affiliate RSS feed a number of value adds still come to mind: Adding in-depth tracking and reporting features, monitoring active RSS subcriptions from the major aggregators. There are still many possibilities to make FeedBay viable, but I'd hafta move on `em pretty quick (see #1). My Copious Spare Time isn't what it used to be.

The major issue about remorasites is that the entire ecology of your website is defined by an external entity in the host website. Whether the relationship is friendly (value added, encouraged via API's and toolkits) or hostile (leech sites) greatly impacts the longterm sustainability of the project. But either way, you are still subject to the whims of the host.

You could wake up tomorrow and your entire business case is moot, obsolete or facing new competition from the host itself.

Posted by Mark Jeftovic in Living off the net at 15:06

Friday, September 1. 2006

5 things your customers want from you

After a long absence from blogging (again), I've compiled a short list of the 5 things your customers want from you and they have nothing to do with web2.0, social bookmarking, widgets, marklets, CSS, RSS, Ajax or search engine optimization. In fact this post formed in my mind over the course of buying a new house, moving into it, and selling the old condo.

In other words, these 5 factors became evident to me offline, in the bricks and mortar world, and in keeping with my tired old view that "there is no such thing as The New Economy", it all translates back into things I can take back to the online world I live in.

The five things:

1. Customers want to be heard and have their communications with you acknowledged.

Sounds pretty self-explanatory, who in their right mind wouldn't do this? Well, all sorts of people. In the offline world it's the contractors who kept leaving the front door to my new house open after I told them not to do that. It's the painter who walks into the place with his boots on and upon being told "please remove your boots until you get a drop sheet down" and being told in response "oh, well these boots aren't dirty". That's not listening to your customer.

Meanwhile, back on the web, I've been emailing a private US agency about an immigration issue. It's been proceeding as planned, but they never even acknowledge receiving email. I sent them a short "here's my new address, and btw, how's this stuff going?" and not getting any cursory response until a form letter (the next step in the process) showed up at our new address.

It doesn't matter if you're doing what your customer wants you to do, you have to tell them you are doing it or they are going to feel like they aren't being acknowledged or listened to.

2. Customers want the organization to respond to them as a unified whole.

You read a lot of things about why small companies have advantages over the behemoths, most of them centering around agility, but this is also a contributing factor. It's easier for a smaller company to respond to the customer as a single unit than it is for the 800 pound gorillas. So when an 800 pound gorilla pulls it off, it impresses me.

Example: ADT. When I booked a test on the alarm system at the new house, the technician told me:

"we're getting a fault on zone 14, which is your basement motion detector, probably a battery needs replacing, 3 Volt lithium. We can't proceed until you replace that battery, but I'll be here until 10pm tonight, my direct extension is...."

Several hours later, I call back and navigate the voice mail labyrinth precisely as she told me, but got some other guy on the line...

"she's doing another test right now, and has another booked afterwards. I'll find somebody else to test your circuits and we'll get you activated tonight like you wanted, by the way, did you get that battery replaced?"

I had never told this guy that I wanted to get the system activated before I left for the night, and hadn't mentioned the battery, but once one tech knew this information, it seemed the entire company did. It made me feel like I was dealing with a benevolent, competent Borg collective.

Too many companies bat their customers around like a tennis ball. "You want to pay an invoice? Ha! I just generate them, go to hell (extension 123)" with marked disinterest in their customer's situation and an ingrained "not my department" mentality.

3. Customers want explanations, not excuses.

Yeah but, yeah but, yeah but, who cares. Customers don't care. Whatever it is you're about to say to a customer that

basically distills down to "it's not my fault", your customer doesn't care. It is your fault.
Doesn't matter what went wrong and how far removed that was from your direct involvement, if it happened on your watch, it's your problem.

The movers we hired were great. They explained everything that was going to happen ahead of time, offerred to send somebody out in advance to review our stuff (we declined) and then went over and above the call of duty on every aspect of the move.

So even after it took more than twice as long as their phone estimate, and took over two hours to arrive at the new place ("we went one way, hit traffic, tried another way and hit more traffic, then we stopped for dinner, then we got lost, we'll knock all that time off the bill"), we still sent them on their way that night with a tip and instructions to go get themselves some cold beer after working their butts off in the unbearable heat all day.

4. Customers want their concerns addressed

Professionals and experts take note of this: you may know more about your field than your customer can ever hope to understand, but your customer knows exactly what will and won't work for them, your expert knowledge aside. So listen to your customers concerns. They probably have little to do with the subject matter and everything to do with what will and will not work for themselves.

Most people sell their house and then buy another one before the first sale closes. Some particularly masochistic people will have both deals close and have their move booked all on the same day. So we decided we would look for and buy our house, MOVE, and then sell our condo.

This resulted in huge pushback from our real estate agent. Her expertise in the field: "empty condos don't show well, the market is hot now, it won't be too difficult for you to have the condo ready while you're still living there", completely clouded out the needs of her customer: "we have a baby in the house and it's very difficult to keep the place ready for showings while we're still living here, let alone get ready for the move at the same time".

So experts remember: you may know it all, but only your customer can tell you what they really need and what works for them.

5. Customers like it when their expectations are exceeded

Numbers 4 and 5 follow from #1, because you can't do either of these if you haven't listened to your customer and acknowledged their input. Once you have done this though, it is your opportunity to shine.

Going back to the movers again. They told us everything they were going to do, and then they showed up (on time) and did more. They wrapped every stick of furniture in a tarp and taped them up. They wrapped the sofas and the mattresses in cellophane. They brought in portable wardrobes with the expectation that they (not us) would load all the clothes from the closets into them. In short, they blew us away.

Promise less, deliver more is an old adage, but it still rocks the customer's boat.

I like to think my own business does these five things already. As I thought about these factors, once again it becomes apparent to me that there is no magic pixie dust to doing business on the net, and that it is really no different that doing business anywhere else. That is because doing business is not about clicks or conversions, retention, churn rates or burn rates, it's about the fair exchange of value.

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Posted by Mark Jeftovic in Living off the net at 14:24
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Sunday, July 2. 2006

Better Living through Private World Domination

After reading Seth Godin's So What's Wrong With Small Business, it occurs to me that my blog's subtitle, describing myself as a "serial entrepreneur" may have been somewhat inaccurate.

"The distinction I've always made is that an entrepreneur is trying to make money while she sleeps, and does it with someone else's money! That she builds a business bigger than herself, that scales for a long time, that is about processes and markets. A small businessperson, on the other hand, is largely a freelancer with support, someone who understands the natural size of her business and wants to enjoy the craft of doing it every day."

I didn't quite know where he was going with this, but I realized that if that's what an entrepreneur is, if Other People's Money (OPM) is essential to the definition, then that's not me. The problem with OPM, I've personally found, is the "Other People" part. Not to sound like a misanthrope. Other People's Money comes with other people's expectations and the expectations of VC's, and external shareholders crimp my own objectives which are more about total personal freedom than leveraging OPM.

My "lifestyle" is important to me, and I've found over the years that "lifestyle" is a type of "L-word" to venture capitalists and other investors. They don't like to hear it from their prospects and if any of the founders cite their "lifestyle" as important to their future plans, that in itself can earn them an earmark as one of the founders who's gonna get fired down the road (in the inevitable purge that occurs after the VC's get the thin edge of the wedge into your company).

He continues:

"The more I see both, the happier it appears that small business people are. They often make more money, take fewer risks, sleep better and build something for the ages, something they believe in and can polish and be proud of."

This resonated with me and felt like a more accurate description of my circumstances. I've read some of the "Rich Dad" book series and having made the transition from the self-employed quadrant to the business owner quadrant during the course of easyDNS, I feel like I'm on the beam and living exactly the type of life I've always wanted.

The prospect of being some celebrity entrepreneur a la serial bankrupt Donald Trump does not excite me. And when I look at CEO's of public or VC funded companies, it seems like most of them have maybe 2 to 5% equity, and a Board of Directors who have the power to fire them, perhaps from the very company they founded. That doesn't sound like freedom to me, it sounds like servitude. It seems closer to Kiyosaki's first quadrant (that of being an employee). When and if that "liquidation event" finally comes, I think the above mentioned CEO, after all the special share prefs of the VC's get converted out, etc, they may wind up pocketing the same amount of money I'd walk away with if I sold out my 100% stake in the business now.

What does excites me is the idea of the Sovereign Individual. Having your affairs setup in manner where you are independent from the whims and pitfalls of OPS (Other People's Stupidity). This is accomplished by owning income producing businesses, assets and investments. One of my role models in this respect has always been my friend and mentor, the Atavist, who has owned a medium sized regional courier company for 35 years. When I met him he was piggy-backing a self-funded financial software company on his setup and today he's developing a property in Panama. The only people he's had to answer to are his customers and himself for decades, and that is a laudable state of affairs.

So while Seth summed saying in effect "Don't worry, I'm still an entrepreneur", I will sum up by saying that after thinking about it, maybe I'm not. So I've changed the subtitle of my blog from "Mark Jeftovic's blog for serial entrepreneurs and loose canons" to Better Living through Private World Domination.

"Private World" is an archetypical concept for me. Back in the early 90's when I was playing in a heavy metal, glam rock band called Landslide, our indie label was called "Private World Entertainment", so later on in the mid-90's my friend and I founded a technology company called "Private World Communications". The ideal of being fiercely independent, beholden to nobody was always my guiding vision. Today, one of my holding companies (and parent company of easyDNS) is Private World Domination Inc.

Thanks to Seth Godin for helping discover something about myself. No wonder he's a net.guru.

Posted by Mark Jeftovic in Living off the net at 18:49

Friday, June 30. 2006

Drink your own kool-aid and scatter some acorns

While I have always been quick to point out that there is no such thing as "the New Economy" I have to admit that several playing fields have been more than levelled in the internet age, they've outright cratered.

What makes a lot of the innovation possible is the drastic reduction in the opportunity costs of failure. Examples range from telephony to the recording industry. Where once a state-of-the-art SS7 telecom switching station cost several million dollars to construct, today you can pratically hookup a laptop with
SER and Asterix to a PRI card and be in the same business for under two thousand bucks.

Yesterday if an artist wanted to record an album, he usually needed major label backing and minimum several hundred thousand dollars went into one album, and even the indie cinderella stories spent in the 10's of thousands of dollars to record their sleeper hits. Today you can do it for, again, under a two thousand bucks.

So today in many cases we have virtually cost-free failure, and that fuels a lot of innovation. People don't have to bet the farm, max out their credit cards and mortgage their house in order to give an idea a shot. They can bootstrap, edge-in or hell, spend one afternoon coding and 10 bucks on PPC and they'll have a good indication of whether an idea may have legs.

Unsuccessful searches are opportunities in disguise

Out of all my ideas I realize the ones that seem to work best are those for which I have personal use for. Rather than sitting around trying to think up something to invent, I end up wishing for something I could use, right now. If it turns out not to exist, or at least I can't find it, the lightbulb goes on. My basic assumption is I am not the only person looking for this, but I just may be one of the few who will do something about it sooner than later.

This occurred to me yesterday when I was explaining the origins of easyDNS to a reporter. It's background was in another company where we kept running into the same problems whenever we added a new client and needed them to make changes to their domain name. So we built a system to solve this problem, and this tool took on a life of its own. Nobody remembers the original company.

Around the same time I was playing with what I called a "context-based junk mail filter", because I wanted something like that but it also didn't exist yet. A couple other guys joined in on the collaboration but eventually, it just petered out and died on the vine. But then one of the guys took that failure, refined it, made it into something new, and you may have heard of the result. It's called SpamAssassin

I'm constantly spinning out ideas and launching things and they don't always get off the ground. I have one website I launched last year and I'm the only person using it. It has lots of members, they never actually activate the service. I personally find it invaluable,but I consider the site, on the whole, to be a flop. It didn't take much more than some coding time and a server.

Failure in this context is no big deal and one person's failure may be an acorn for somebody else's grand slam.

So build things that you find useful for yourself. There is no shame in building yourself a tool even if nobody else uses it. Even if it stiffs, it may plant a seed that somebody else can run with.

It all adds to the sum total of knowledge and exerience.

Posted by Mark Jeftovic in Living off the net at 00:52

Monday, January 30. 2006

The bubblelicious benchmarks of ROI in Google

For amusement I have been watching the share price of Google for awhile now. I remember being taken aback at the lunacy of it all when I heard the CNBC cheerleading squad call for $400 back when it was still in the $200 range.
Well, it's been trading above $400 for quite some time now and the other day on a long car drive I did some back-of-napkin calculations to compare what gives you the greatest ROI from Google.
First, some review (at least I hope this is review
The object of investing is what? It is to obtain an adequate return on capital commensurate with the risk.
Why does one buy a stock? Trick question. Most people will say "to sell it a higher price", buy low, sell high, etc. This is why most people buy stocks, and in case you didn't notice, most people lose money in the stockmarket.
You buy a stock to gain ownership in a business, and thus to partake in a portion of its earnings.
Circling back to the top and closing the loop: you make investments in order to generate returns on those investments.
Remember that as we work through the following:
Google's Adsense program is truly ubiquitous across the internet. Nearly everybody has those contextual text ads on their websites and they are a true bonanza for content and forum related sites. Some people are making truly stupendous amounts of money monthly from Adsense revenues.
Take a website that earns a steady $25/day in Adsense (I know a modest website that does this much and its far closer to the bottom end of the ladder than the top). That's $750 month, or $9,000 a year in income. Lets figure $100/month for a server and bandwidth, you're looking at net $7,800 annually in free cashflow, paid monthly out of Google and to the website owner.
Now, Google is currently trading at a p/e multiple of about 95 (!). So it's earning about $4.50 share. Divide 4.5 into 7,500 to arrive at the number of shares of Google you would need to own to get the same earnings = 1,666. You would need to own 1,666 shares of Google to derive the same earnings as our hypothetical website earning $25/day via Adsense. 1,666 shares of Google would cost you $713,731 on the open market today.
Which gives you the better ROI? Owning shares in Google or owning a website that earns income via Google Adsense?

Consider that there is a fairly liquid marketplace for revenue generating websites and current valuations are anywhere between 1 to 5 years' revenues. Even at the top valuation, you should be able to buy an established revenue generating website earning $25/day for around $40,000.
I think this may be the internet equivalent of the "inverted yield curve" as we see an alternate method to extract cold hard cash out of a company trading at nearly 3-digit earnings multiple that doesn't even pay dividends.

Posted by Mark Jeftovic in Living off the net at 13:57