Saturday, May 30. 2009

TARP funds were for loosening up the credit markets, right? Right?

Can't go into this too much, but was on the phone yesterday with a friend of mine who is COO of a tech outfit in New York state. Been in business around 5 years, has customers, revenues, cashflow, etc.

They had an operating line-of-credit with Silicon Valley Bank, who in December took somewhere north of 230 million in TARP funds. TARP funds were handed out to "get the credit markets flowing again" after they completely seized up in late '08. This company has not used up a lot of their credit line, but they do use it. They've never missed a payment.

This week they've been informed by SVB that their credit-line is no more. It's been converted into a note and they've been given 10 months to pay it off.

After I got off the phone I wondered if perhaps they were registered Republicans

Posted by Mark Jeftovic in Tech Wreck 2.0 at 21:20

Tuesday, May 8. 2007

When The Music Stops

There is a saying among Native Indians "He who doesn't consider what is distant, will find sorrow near at hand". I suspect we are entering an age where, to paraphrase Douglas Casey, the inevitable is finally becoming imminent. Today's post is about a couple of trainwrecks, one that just happened which everybody could have and should have seen coming, the other is still on the rails...for now.

In the case of e-gold the hammer has already fallen, with indictments on money laundering charges being handed down and many large exchange providers having their accounts frozen.

The founder of 1MDC, (a pseudo-DGC in that it is itself backed by e-gold) once posted to a dgc mailing list that he felt his client base was safe because "if e-gold ever failed, he would simply move his users' balances to another digital gold currency", an attitude which has been proven by events, not to work when the music stops and those without chairs find that their contingency plans were contigent on having one. Now, all 1MDC users find themselves out of luck with 1MDC's e-gold accounts being seized in the indictments and there will be no flight to another DGC for their users.

Having also recently finished reading about the failure of Long Term Capital Management, I find common theme I've been encountering lately is the idea that the totality of potential failure conditions are known in advance and can thus be planned for and nullified. LTCM had early signs that their underlying assumptions may not be applicable everywhere or even valid in their original forms, yet they continued to ratchet up their leverage and diversify into more exotic trades and spreads. When things started to wrong they simply refused to acknowledge it because the things that were going wrong simply didn't fit into their models, ergo, a kind of groupwide denial set in that it couldn't be real. It wasn't until it was too late, far too late that they had to go to the fed, hat in hand, to organize a bailout.

Of course retrospect is now obvious: the time to start mitigating against an e-gold disaster was a long time ago and I hinted as much in my When Will E-gold Get Accountable? post several years ago, which earned me a lot of flames on the DGC mailing lists but got me quoted in Business Week magazine. While easyDNS is still the only ICANN accreditted registrar that accepts digital gold currencies as payment, we made it a practice to redeem our e-gold as fast as it came in. I may like digital gold as a medium of exchange, but when it comes to storing value I feel better off with the physical ingots spread around a few bank vaults.

It wasn't especially prescient of me to see trouble on the horizon for e-gold. Nor does it seem so for my favorite sparring topic in the blogosphere lately, the ridiculously overheated valuations in the domain aftermarket.

Marc Faber's market commentary this month is entitled "Is The US Economy already in Recession" makes a good case for calling the economic situation in the US recessionary.

"In fact what is interesting is that home prices have been declining at a time of even faster monetary growth. But wheras accelerating money supply has lately failed to boost home prices, faster money supply growth has continued to have some 'favorable' consequences for other asset markets".

I have long suspected the domain aftermarket has been a beneficiary of this phenomenon. Faber himself could have been referring to it when he wrote

"We are truly in the midst of a buying frenzy or buying panic during which investors collectively believe that they can play the asset inflation game until it stops and then all get out profitably at the same time."

In fact he wasn't referring to the domain aftermarket but he did go on to note that "it would seem that the global asset inflation is slowly narrowing with fewer and fewer assets still surging".

The secondary market in domains will seemingly be among the last asset class standing when the music stops but where domainers and I diverge is their belief that domain valuations will not be overly affected by a sharp asset repricing across other markets.

This to me sounds more like wishful thinking than sound economic reasoning. If one posits as a starting point for example, a sudden sharp 30% to 50% decline in the USD, any armchair economist could tell you why gold would go UP as a result. Or taking a different vector, let's say interest rates surge heavily, a logical case could be made for why the housing market would crater even deeper. These things are explainable within known economic frameworks.

Bearing in mind my core, base thesis that There is no such thing as the 'New Economy'I can't think of an economic scenario where domain name valuations would sustain or appreciate through a secular bear market in equities, a recession, stagflation or any other financial storm.

Overall ad spending will fall, not rise, cutting the legs out from under PPC, the one pillar holding up valuations that actually means anything. Nobody is going to care about "potential" future earnings of a domain name or how great a brand it could maybe someday be built into. All that is going to matter is what a domain name or website is generating in cashflow right now, and how much that cashflow will fall further through the course of the recession. Multiples will come down.

We aren't there yet. Right now we're in some Orwellian coma where inflation is undereported, GDP growth would be less than zero if it wasn't for those farcial hedonic adjustments and the unemployment rate holds steady at that magical 4.4% its been at for years (somehow those regular and frequent headlines about mass layoffs across every sector of the economy never budges that unalarming and digestable number)...and then we have the DOW at fantasy-land alltime highs, as are domain name valuations.

George Ure is always fond of saying "Better a couple years too early than a couple minutes too late", I've already sold most of my non-performing domain names, the ones that are "brandable", catchy, and full of that wonderful "potential" stuff. The ones I didn't have concrete development plans are being thinned out. I'm keeping the ones that generate cashflow and started developing the ones that don't (yet). In one exception, I have bought a name for a tidy sum, but did so for exceptional reasons (I liked it a lot, I wanted it, thought it was undervalued relative to the current parabolic valuations and it fit a development idea I've had for awhile).

Faber again puts it aptly

"If selling panics provide favorable entry points in asset markets, I suppose that buying frenzies should offer excellent exit opportunities. I would, therefore, use the current strength in equity markets around the world, which has left them in extremely overbought position, as an opportunity to sell and certainly not increase positions."

I feel the same way about the domain aftermarket, but hey, don't mind me I'm just some nutjob contrarian.

`Posted by Mark Jeftovic in Tech Wreck 2.0 at 10:59`

Tuesday, April 24. 2007

OpenDNS' address bar labels is a signpost to the type-in domainers

Predictably, most of the reaction to my Domain Aftermarket Due for an 'Asset Repricing' post awhile back was disgruntled and hostile. The domainer traffic king Rick Schwartz called it "One of the worst and most inacurate[sic] articles on domains I have ever read." and on the various forums I was called a total idiot and worse.

Since I'm talking about it, I should mention that I did get some of the numbers in the article wrong, like way off wrong. Drugs.com sold for 800K, not 4M and Yun Yi's Ultsearch portfolio was bought by Marchex for 165 Million, not 65. Next time I shall endevour to google the numbers before reciting them.

Be that as it may, the numbers may be wrong, the premise isn't. And I saw some pretty flimsy arguments why type-in traffic will increase in the future, not decline. One hopeful domainer posted:

As time passes and more and more (maybe?) parked generic domains are (finally) developed to yield their full potential I see more direct navigation activity, not less, as people will increasingly be rewarded for their direct navigation actions.

Yes, when people type something into the browser navbar and are confronted with this:

They feel rewarded and inclined to do that more often in the future.

Another key component of my premise was that type-in traffic faced impending competition from browsers, network carriers and DNS resolvers.

Along comes David Ulevitch at openDNS to prove my point:
Shortcut your way around the web describes their new service to use keywords in the browser location bar.

It is no surprise that pureblood type-in domainers don't like this. They'll be quick to tell you you're an idiot if you posit an overall decline in type-in usage in the future, but they only want the browser bar to be used in the way that suits them. Hands off to the actual makers of the browsers and if somebody from out in left field like a DNS resolver company steps in, then that's even worse!

This all goes toward what I was saying. Dave may be doing something that lends itself to more type-in activity in the browser navbar than less, but it's type-in that will take reach away from the pure type-in domainers. Remember where you heard it first:

The [domainers'] 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...access providers, network carriers, web browsers and even root or recursive nameserver operators are going to stay out of the realm of â€œerrant or exploratory internet trafficâ€• and leave it all to the domainers.

The outcry from writing that article led me to believe there was something to what I was saying (having said that, there was a lot of super constructive criticism and very well crafted counterpoint. Probably the best was from Frank Schilling) and even a few smatterings of "he may have a point" could be found if you dug around enough.

Nobody likes to hear "last call" being called. Everybody likes to think the business they are in is recession proof and poised for boundless, perpetual growth. The lemmings who are buying GOOG at nearly $500/share today are impatiently wondering how long it will take to go to $1000, the guy who spends a million or two on walnuts.ws (made up example) thinks he'll recoup in a year when Marchex or Ireit buys it for 4.

None of this is to say that domainers are fools. In fact most of the successful ones are smarter than I. The established ones, the big portfolio owners and the guys with the generic monsters built their empires years ago. They saw what was in the future, they started accumulating at well below market values, either registering the names fresh, buying below

market in the aftermarket or amassing them via the expiry drops.
My hat is off to these guys because they saw it before the explosion and they acted.

By contrast, the herd mentality is to look at what made a lot of money recently, buy-in at current market prices, assume trend continuation in perpetuity, and wait for the easy profits to roll in. Which would mean, as I always say, if it were that easy, everybody would be rich.

I think there is a lot of big money being thrown at domains today which just won't be recouped, let alone turned into a profit down the road.

I'll close with some sage advice from two very old books which had to do with speculation in the stock markets. It was Jesse Livermore in Reminiscences of a Stock Operator who observed that most people experience greed and fear at precisely the opposite time they should be. They are greedy when they should be fearful (when the market is HOT) and they are fearful when they should be greedy (when it's not).

In 1917, a Wall St. insider named Don Guyon undertook a study of the trades and performance of every client of the brokerage house we worked for. Detailing his results in One Way Pockets he found that 90% of them lost money overall and displayed the same pattern almost universally. They would enter a trade, it would show a small profit, and they would sell too early. Then seeing the stock leave them behind, buying back in at higher prices, holding on too long and then after the stock peaked, riding it all the way back down to the bottom where in the final cruel cut they would capitulate and sell and what would become the perfect entry point for the next cycle up.

So it goes.

Posted by Mark Jeftovic in Tech Wreck 2.0 at 11:31

Tuesday, June 6. 2006

Forget Ajax, a look at two good blog tracking and SEO tools

Yesterday I blogged about AJAX, and other uses aside, how I don't think it's useful as a selling feature and mentioned MyLongTail.com as an example, and then I mentioned MyBlogLog.com as another site in a similar niche.

First, as I've commented before (somewhere), the speed at which search engines and specialty filters index and disseminate has reached the point where it happens in near real time, as the comments to yesterday's post illustrate. MyLongTail's Mike Levin left a couple constructive comments within hours and I woke up this morning to find a third comment from MyBlogLog's Eric Marcoullier . Both of these guys no doubt do what any savvy website operators do nowadays, and monitor for mentions of their services via sites like technorati or google alerts. I've found these services to be invaluable for tracking references to my business and my band. On one notable occasion it helped me head off a complete misunderstanding which could have easily snowballed into a PR debacle.

Mike Levin posed the question "Do I get it?" with regard to what MyLongTail actually does, and Eric Marcoullier hoped I would give MyBlogLog a try and it became clear to me I didn't do either of them justice in the original post: I already use both services:

MyBlogLog: is a great tool if your blog resides on a third party server like Blogger or Blogware, like mine did until the weekend. Because you don't have access to the server logs, you get some overview type stats from within the blogging app itself, but MyBlogLog gave me the fine detail on exactly where the hits where coming from, and where the outbound clicks were going (more on this in a second). So I wasn't a hard sale after the three day test period to become a paid subscriber at the premium level ($3 a month, via Paypal)

So then I moved the blog onto one of my own servers for various reasons and I thought I wouldn't need this service anymore. But on a lark, I plugged the code into my new blog and things got even more interesting for me because of the outbound link tracking. Most of my blog posts contain very few outbound links, so before the move, these statistics weren't terribly interesting for me. But under the new blog setup (using Seredipity with all the third party bookmarking and tagging links enabled), I was surprised to be able to see a nice breakdown of the tagging and bookmarking action around my posts. So I'll happily keep my premium subscription here and will likely add another for the easyDNS company blog.

MyLongTail: The value proposition behind MyLongTail is that is analyzes every inbound hit and search hit and looks for keywords that reside "in the long tail" where it thinks you may have some underdeveloped potential and makes recommendations. The underlying premise is if you write more about those underdeveloped phrases you will incrementally improve your organic search traffic, I hope Mike Levin doesn't mind me hotlinking his graphic to illustrate his point:

Everything I said about AJAX aside, MyLongTail uses it to display the inbound hits to your site in realtime, which is interesting for my company site, which, accordingly to MyLongTail analytics, gets 46.5% of its search engine traffic from our top-10 keywords and the rest (53.5%) from within the long tail.

But for my personal blog, watching inbound hits in realtime would normally be about as interesting as watching paint dry. Usually it only gets a smattering of visits per day.

But owing to fact that today is 06/06/06 TEOFTWAWKI day and as I mentioned over the weekend, a blog post of mine from last year comes up #1 in google's organic search results for various "June 6, 2006" phrases, MyLongTail is getting a nice workout the last few days. 1000+ uniques on saturday, 2400+ sunday, over 8500+ yesterday to what I expect to be a blow-off high today, there is lots of fresh data going into MyLongTail to analyze and I was expecting it to be heavily skewed by this 06/06/06 hysteria. So out of all this, it has so far recommended "sovereign individual" as an under utilized search term for me. Well done. This is a topic near and dear to my heart and something I'd have no problems writing more about. I would have never thought to target it as a phrase specifically.

So I see value in both of these tools. MyBlogLog is a sneeze at $3/month andMyLongTail is still in a free beta, but all indications are I'll stick around once it goes over into a pay service.

Posted by Mark Jeftovic in Tech Wreck 2.0 at 14:00

Monday, June 5. 2006

AJAX Heresy: It's not a feature and nobody really cares anyway

Lately I've been hacking around with AJAX. Most of the time AJAX is used for little more than eye candy but I thought I had found a situation where AJAX would do actually something novel and solve an existing problem.

The problem is on our universal whois lookup site: easyWhois.com, where it has sporadically run into problems over the years where one registrar site or another (*cough* cough Netsol *cough*), would block us for "excessive queries". The idea was to use AJAX to push the query back into the client's browser, instead of doing it from easywhois. The server would be more of a switching station: it would grab the domain to be queried from the browser, find the appropriate whois server for it, send that back to the client who then would connect to that server and conduct the query. Nice, easy, simple and has the effect of difusing all the whois queries across the client IPs instead of at the central server, vastly reducing, if not eliminating blockages at remote registrar whois servers.

So it literally took 30 seconds to get Rasmus [Lerdorf's] 30 Second Ajax Tutorial working and begin to understand what all the hoopla was about. A couple of other Ajax examples later (here and here) and the entire idea took a hit. The idea in it's original form won't work because the javascript XMLHttpRequest only lets me do HTTP GET and POST method connections (as the name would imply). There doesn't seem to be anything like PHP's fsockopen() available to me to get the client to open its connection to port 43 (the whois port). I'd have to use something like Java, and if I did that I may as well load the entire application in there, never mind Ajax.

Throughout this process something became clear to me which I think is perhaps lost on a few people, Ajax is a tool, period. Granted that it is an essential component of "the Web 2.0 Kool-Aid", it is not a feature and I don't see it as an end-user selling point. It became even clearer as I explained to my wife (who is far more technically adept than the average person) what Ajax was and did and watched her eyes glaze over. And it wasn't an incomprehension glaze over, it was a "who cares?" glaze over.

"Ajax allows one to create bi-directional communications from the client to the server without page refreshes"

0.0001% of the population: Wow!

Everybody else: *yawn*....what's a "page refresh"?

So in the course of all this, and what inspired this post, was MyLongTail.com which is self-described as "The first AJAX based system for Search Engine Optimization". Something I came across co-incidently during my foray into Ajax and which hammered my point home for me. MyLongtail seems to be along the same vein as MyBlogLog.com, in that they are both search engine keyword trackers and IMHO, offer a subset of something like Indextools, which uses the same approach of embedding javascript into the remote pages to collect data and has been around for years.

But I digress, so MyLongTail talks up it's Ajax-ness. If you look at their signup form, you really see a good application of Ajax in form validation. This in itself makes Ajax worth the price of admission because I can see this being a very effective means of providing less cumbersome form validation and probably drastically reduces form abandonment. Who wouldn't want that? Answer: nobody. Roughly the same number of people that would actually care that the technology that enables this is something called Asynchronous JavaScript and XML, a.k.a "AJAX".

In short, I don't see the point in trying to turn your tools into features. We use all kinds of various tools to provide our services and most of our customers couldn't care less what they are. They just want the box to go "Bing!" when they press the "Bing!" button and the rest is our problem.

It is beyond the scope of 99.9% of web users to even be aware of what Ajax is, and of the remainder, less care.

Posted by Mark Jeftovic in Tech Wreck 2.0 at 15:46

Wednesday, May 17. 2006

Obligatory mesh web 2.0 conference post

I decided to attend the Mesh web 2.0 conference since it was taking place within walking distance of my place. I had better blog that now, since I brazenly left my laptop at home when I went (convention faux pas).
The question that I always have is what the hell is web 2.0 anyway? And how is it different from web 1.0?
There was a predictable mutual admiration club forming over blogs, tagging, social networking, RSS and communities. "100% authenticity" was being bandied about in a lot of overheard conversations.
Now that "web 2.0" is heating up as defined by a series of high profile aquisitions, it seems to me like web2.0 is really just "bubble v2". Another wave of start-ups whose business plan revolves around "social networks", "community driven", "100% authenticity"..."and then we get bought by Google or Yahoo". Sound familiar?
The "Does Web2.0 Need VC" panel with Rick Segal the celebrity blogstar VC from JLA Ventures and Jason Fried, of 37signals.com, the non-VC funded, profitable company from Chicago, was refreshing.
It was refreshing because both Jason and Rick recognized that profits and revenues count for something, and Rick's "Don't take VC if you don't need the money" was advice well received. Rick Segal, BTW, is one of the "good-guy" VC's in this world, and I've always had a very high opinion of JLA Ventures. I've also bought Jason Fried's Getting Real because I was impressed with what he had to say (don't take VC if you can help it, in today's market its more than doable to bootstrap your business, charge for your products/services, and you don't have to move to the Valley to be in the tech biz)
I remember the startup.com movie, where the guys were so smug and proud of their first round financing I remarked to my girlfriend (who is now my wife), "I think these guys have their first round financing confused with revenues."
Now that the whatever 2.0 bubble is in full force, there is a little bit of that circulating still and I am always grateful when a panel throws some cold water it.
I remember during tech-wreck 1.0, when companies were failing left, right and center, VC was drying up and shareholder value was evapourating by the billions, I got an email from somebody at RobTV asking me if I would be interested in appearing on a forthcoming "venture capital" episode, where I would have the opportunity to pitch the members of their VC panel to invest in easyDNS
I replied back with a different idea. How about instead of the same old "grovel for the VCs" I bring along 4 years of company financial statements demonstrating growing revenues and profits and the VCs can pitch me on why we should take their money and let them get their mitts into our profitable company?
I never heard back from them.

Posted by Mark Jeftovic in Tech Wreck 2.0 at 09:54

Saturday, July 30. 2005

Negative blog posts: How not to handle them.

Quick Boy's Movers became upset because of a negative comment posted about them on Joey DeVilla's weblog. The comment became the #2 result on Google for "Quick Boy's Movers" and they did not like this.
What should they have done?
Well they shouldn't have called Joey up, threatened to go over his head to his employer and made a lot of noise that he take the comment down. Now the whole saga has exploded into the blogosphere. When Corey blogs it on Boing Boing it's game over.
If you Google "Quick Boy's Movers" now, guess what comes up first? That's right. The entire Accordion Boy blog saga, complete with the threathening call from Quick Boy's and the shill posts on his blog.
So what should they have done, really?
They should have gone into their records for Jay Goldman, the original commenter, dug out his billing records, called him up, apologized. Bonus points for giving him a refund. Eat the loss and then the president or the owner of the company should have followed up with a comment of his own:"We're very sorry that Jay Goldman and his girlfriend are unsatisfied with moving services provided. We have refunded his payment in full and have issued a formal apology. This kind of service is not indicative of our company and we strive to provide complete satisfaction. If anyone has any questions or concerns about our services or policies, please don't hesitate to call or email me at.....
You can bet that that would have been blogged as well.
If it were your company, which would one of these scenarios would you rather have come up on Google at #1 or 2 for your name? For Quick Boy Moving, the decision has been made and there is no putting this cat back in the bag.

Posted by Mark Jeftovic in Tech Wreck 2.0 at 13:02

Thursday, June 30. 2005

And the most useless technology ever award goes to...

Car Alarms.
I write this as I listen to one going off steady for about the last half hour. It brought back painful memories of my last apartment, on a residential street with lots of street parking for the local residents and there being about a half dozen repeat offender cars whose alarms were on a hair trigger. They would go off for no reason several times an hour, all day, every day.
In their most common form car alarms don't do anything to mitigate threats to your vehicle. They just piss people off. I wouldn't be surprised to find out they actually incite more instances of vandalism towards vehicles where they constantly go off for no reason than prevent a crime. (If this thing is still going half an hour from now, I will seriously consider dropping an old G3 out the window onto the damn thing's windshield).
Given the technology today, it can be done so much better. There are some systems that are better: silent, networked, tracking devices, GPS, etc. Yes, they can be circumvented but at least that's the car thief's problem. These ones are just goddamn ignored, and that's everybody's problem.
I would like to see a municipal bylaw that set fines for oversensitive car alarms. If one is going off for no reason you could just call the parking authority and they'd ticket the vehicle for noise pollution (or even better, tow the damn thing away).

Posted by Mark Jeftovic in Tech Wreck 2.0 at 16:31

Thursday, May 19. 2005

SEO RIP

The Preparing for the Death of the Link Based Algorithm on Threadwatch.org discusses a Death to Link Based Algorithms posting which prompted me to foward the links and my own observations to "SEOSteve".
SEOSteve's name has been changed to protect the paranoid: which is Steve himself. He's an SEO professional and a good friend of mine, lives down in the US. Big city. Great guy and a personal friend as long as we agree never to discuss politics.
SEOSteve is embarking on a very committed, in depth project which involves SE rankings. When he describes it to me I tell him he is f***ing crazy. Some times it's hard to get a word in edge-wise when I talk to him so it was hard to articulate why. So I finally managed to accompany the above links I forwarded him with the following thoughts:Steve:
This thread talks about sustainable business models for SEO's and it hits what I've been trying to articulate for awhile: if your business model is held up by getting #1 thru 5 top organic search engine listings on some key terms, then your business model is flawed.
This is why I think you're nuts doing ...[SEO Steve's proprietary idea and tactics deleted for the benefit of the paranoid]. Because even if you're successful in attaining your goals you are still at the mercy of the next algorithm change or the next radical shift in the SE wars (i.e. somebody storms out of a garage and knocks Google off the top and uses completely different heuristics).
In any case, you're going out and doing a lot of work and not accomplishing much other than still being at somebody else's mercy, which kinda runs contrary to what people like you are all about. That's not why you build businesses.
It seems to me you could channel the same effort into building something that users would gravitate to which would cultivate linkpop and rep on its own inertia. The SE's will help speed the momentum as the process feeds back on itself, and it will not cripple you if they make a change.
Caveat: it may take longer.
Benefit: it'll last longer.
-mark

Posted by Mark Jeftovic in Tech Wreck 2.0 at 11:38