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