Direct Navigation Hubris?

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Abstract

The study presents empirical evidence that direct navigation does not generate additional returns over other forms of Internet navigation either to marketers or to owners of parked domain names.

What Is Direct Navigation?

Although there is no generally accepted definition, direct navigation is an information retrieval method that is initiated by type-ins and bookmarks, thus, bypassing search engines. Type-ins retrieve information on a topic when a searcher inputs a keyword into a browser's search box followed by .com.

The Alleged Significance of Direct Navigation

Marketing and domain name parking monetization companies claim that advertisers' return on investment (ROI) from direct navigation is higher than from other forms of Internet traffic.

Empirical Tests

It makes intuitive sense that when someone reaches a website through a personal bookmark, one expects more ad-clicks per visit from these bookmarks than from other forms of navigation to the same website. Thus, the more interesting investigation with regard to direct navigation is whether type-ins generate higher returns, other things equal.

We perform two separate tests for the significance of type-ins. The first is based on whether the volume of type-ins is a statistically significant factor impacting the value of the ".com" domain name that comprises the keyword. The second test is based on whether type-ins increase the monetization revenue of parked domain names, holding other factors constant.

The first text is based on our appraisal model.[1] The test results suggest that the type-in factor is irrelevant in predicting the value of a domain name.

As for the second test, we use Total Revenue (TR) of a parked domain name, as measured by the PPC rate for the keyword multiplied by its click volume. We use both Google and Overture data in a tree-structure regression of TR on the rest of the explanatory variables used in our appraisal model. The proxy used for type-ins is the ratio of search volume of the keyword domain name (i.e., when the ".com" is included as part of the search keyword) to total keyword-only search volume. The search volume data is obtained from Overture. Thus, a large ratio represents greater type-in traffic. Once again, we find no significant contribution of type-ins.

Concluding Remarks

1. The study does not demonstrate the irrelevance of direct navigation. Rather it shows that there are other factors that are more important in determining the revenue associated with direct navigation.

2. The proxies TR (for a domain name's monetization revenue) and the type-ins ratio include measurement error. However, the presence of measurement error underscore the need for robust statistical estimation techniques to determine the significant factors influencing revenue and their explanatory power, as well as in appraisals.

3. Understanding revenue drivers leads to better monetization optimization.

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[1] Alex Tajirian, "HValuing Domain Names: MethodologyH," DomainMart.