# Your Domain Parking Monetization is Under-Performing

**Alex Tajirian**

May 10, 2006

**Abstract**
The essay evaluates the general performance of the domain name parking monetization services. It provides support for under-performance, points out the reasons for its persistence, and clarifies the motivation behind the essay.

## Introduction

Performance evaluation can be measured in relative and absolute terms. The former ranks each performance subject based on some measure. 'Revenue per 1,000 impressions' (RPM) is the commonly used in monetization performance comparisons. However, the major limitation of such a comparison is that it ignores the question of whether the top performance is best, or, at least, 'good enough.' Thus, using an absolute measure of performance is an imperative for domain name owners and service providers. For example, a grade of A+ represents the best possible absolute performance.

In the absence of such a standard performance measure, one needs to rely on a performance maximization model and on the existence of a market mechanism to discipline bad performance. For example, the market disciplining mechanism for corporate performance is takeovers. Nevertheless, relative performance can be informative, especially when there are significant performance clusters.

The objective of domain monetization service providers is to maximize their profit, which maximizes the profit from the portfolio of domain names under management. This, objective, however, does not necessarily imply that the revenue of each domain name owner is also maximized.

## Evidence

There are two components of revenue maximization: allocating of traffic to the highest paying advertisers and enhancing landing-page design - an art and a science - to maximize the likelihood of clicks by searchers and to optimize search engine ranking. The focus of this paper is on traffic allocation, as it is the subject of the review article [1].

The performance analysis is based on an essay on the parking methodology of a leading monetization service provider. The essay, "A Review of Dan Warner's 'Traffic Targeting and Wastage,'" [1] provides the smoking gun for an inferior modeling practice, although the opinions of the company's COO may not reflect the company's true monetization strategy. Moreover, comparing the relative performance results gives a solid picture of the industry's performance in general.

One can look at performance data provided by PPCIncome.com. Although the data collection methodology may not be scientific, an examination of performance trends can shed light on relative performance. Below is a summary of the current performance data:

| Performance Data | | |
|---|---|---|
| **Rank** | **Company** | **RPM ($)** |
| 1 | SmartName | 120 |
| 2 | DomainSponsor | 65 |
| 5 | Fabulous | 30 |
| 11 | NetVisiblity | 5 |

The above table suggests that there is a relatively high performance among the group. However, more historical data is needed to determine the statistical significance of ranking. Nevertheless, Fabulous has ranked near the top of the unrestricted service providers, those that don't require a minimum traffic or the number of domain names owned by a client.

Thus, if a historical leader seems to be under-performing, so are the rest of the service providers.

**Why it Persists?**

As noted earlier, under-performance can be sustained if there is no performance disciplining mechanism. Below are the reasons for the lack of such a mechanism for domain name monetization services:

1. Service providers lack quantitative sophistication, as evidenced by the review [1]. Obviously, the service providers are unaware of their lack of skills; otherwise they would have utilized such techniques to maximize their profits.

2. The job of industry specific, as well as the major media, companies is to report news and act as cheerleaders for a segment of the stakeholders. They have no incentive to dig deeper. One notable exception is circleID, but its focus is on a different area, namely, on domain name infrastructure.

   It should be noted that a request to publish the review of the article [1] was declined by the editor/publisher of the original article.

3. Companies like iREIT and Marchex may be using sophisticated optimization techniques. However, their business model is based on optimizing revenue from their own domain names, and thus, it is not easy to measure their monetization performance. Moreover, inference from their stock market performance (Marchex is listed on NASDAQ) is futile, as market prices reflect the average performance over the company's various lines of business. Nevertheless, my hat's off to them! They

have been able to raise tens of millions of dollars, which requires evidence of solid performance.

4. A large number of online reviews are not dated nor updated. Thus, the publicly available information may be outdated.

5. Domain name owners seem to be only concerned with relative performance measures. When making allocation decisions, they compare the performance of their portfolio with others in the industry. However, this allocation tactic provides only the best performance among potentially inferior performances, i.e., not necessarily the best absolute performance.

6. Allocation advisers and aggregators, not unlike the owners, use an incorrect performance yardstick. However, they have a large number of domain names to allocate among various service providers giving them better information on relative performance compared to the average domain name owner.

**Motivation**
This paper is part of my campaign to raise funds through increasing the awareness of VCs and private equity firms of the tremendous investment opportunities in the domain name industry.

**Concluding Remarks**
Some of the service providers seem to be using the wrong performance objective. Moreover, the industry, at its current stage of development, lacks a disciplining mechanism, and thus, under-performance can persist.

**References**
[1] Alex Tajirian, "A Review of Dan Warner's 'Traffic Targeting and Wastage,'" DomainMart.

[2] PPCIncome.com