

**Claudia Loebbecke and Sandra Weniger
The Internet Going Mobile:
A Blessing and a Curse for Sedo's Mobile Parking Business**

Research Context and Objective

Next to the widely acknowledged increase in Internet usage, the growing penetration of mobile access, lower data plan costs, and the increasing diffusion of smartphones led to the Internet 'going mobile' on a global scale. Consequently, established Internet players aim at transferring their business models to the mobile world, where they face new business conditions resulting from the fast growth of the mobile Internet¹ and the growing share of smartphones.

One such business model is domain parking. It describes the generation of revenue through advertising on unused, but parked domain names. If a parked domain is accessed due to users' wrong type-ins or outdated back-links, the page is automatically filled with ads. If the user then clicks on any of the ads, revenue is generated and typically shared between the domain owner and the parking platform provider. Conceptually, mobile parking is just a variation of domain parking, in which users access parked domains via feature phones and smartphones.

This paper investigates how Sedo AG, the leading global domain marketplace offering trading and parking services, extends its well-established domain parking business to mobile.

Research Approach

Due to the explorative, inductive nature of our research objective, we decided to conduct a single case study. For data collection, we used eight face-to-face in-depth interviews which are fully transcribed, the analysis of Sedo server data (>1.6 billion views and >100 million clicks), and published company documents.

Case Findings

The case finds that Sedo faces new opportunities, but also severe threats. On the one hand, Sedo benefits from an established player's leading position and the growing Internet usage; on the other hand, the diffusion of smartphones and apps in the mobile Internet challenges its business model. However, smartphones lead Internet navigation and traffic away from the open mobile Internet to apps, search based browsing, and real-time links communicated via twitter. Thus they pose a threat to any business built on back-links and directly typed-in URLs.

Similarly, Sedo's business figures give a mixed picture: Sedo generates only about 4% of the traffic on its parked domains from mobile devices. However, thanks to 2.5 times higher click-through rates in mobile, those 4% generate 8% of all ad-clicks and drive about 6% of Sedo's total gross parking revenues.

1 In this paper, we understand the mobile Internet as the possibility to use Internet contents and services on handheld devices such as feature phones or smartphones at any time, accessed for certain purposes. We explicitly exclude access by WiFi or WLAN as mobile Internet.

Controlling for traffic volume, Sedo's revenue-per-thousand-views from mobile parking is - on average across countries - lower than the one from traditional parking. Lower ad prices outweigh higher click-through rates. Unfortunately, the ad prices are mostly beyond Sedo's control. Google provides text-ads displayed on 94% of the pages parked on Sedo's platform and hence sets the ad prices. Only, for the remaining 6% of pages, Sedo can offer competitively advantageous programs and negotiate higher ad prices.

In addition to fixing ad prices, in 2010, Google changed the interface of its ad-feeds from XML to JavaScript. With Google's shift to JavaScript means, Sedo cannot display ad-feeds to the clicks which come from older feature phones, which usually lack full JavaScript support. As feature phones still account for 65% of Sedo's mobile traffic, Google's decision for JavaScript negatively impacts Sedo's mobile parking revenue.

Summary and Outlook

In summary, our study finds - consistent with the resource-based view (Barney 1991, Wernerfelt 1984) - that Sedo's could well manage and develop its rather unique and valuable resources and capabilities for deployment and innovation on the mobile Internet. However, it is still unclear whether and how the parking business model per se, based on direct domain type-ins and old back-links, will be sustainable in a rapidly changing environment with technological developments such as the diffusion of smartphones, search-based, app-driven browsing, and real-time links communicated via twitter.

The study offers some suggestions to further develop Sedo's mobile parking business. It proposes to extend the individuality of parking sites including search engine compatibility and to provide more sophisticated monetization means such as the integration of mobile coupons for shops, restaurants or other businesses in the vicinity of the mobile Internet user and other location-based services on parked pages.

As a single case study does not allow for deriving generalizable conclusions, the paper ends with developing some theoretical proposition for further empirical testing and theory development.

Selected References

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Claudia Loebbecke and Sandra Weniger

Dept. of Media, and Technology Management, University of Cologne, Germany
{claudia.loebbecke|sandra.weniger}<at>uni-koeln.de, www.mtm.uni-koeln.de