

What Startups Need to Know About Acquiring a Killer Domain Name - With Andrew Rosener

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Thousands of companies start up every day in the United States alone. Does it make sense for a bootstrapped company or a funded startup to spend capital on a killer domain name and brand? That is the question we are going to answer on today's show. Stay tuned.

Three messages before today's interview educates and motivates you.

First, if you're a domain name investor, don't you have unique legal needs that require domain name technical know-how and industry experience? That's why you need David Weslow of Wiley Rein. Go search for David Weslow on DomainSherpa, watch his interview and you can see for yourself that he can clearly explain issues, can help you with buy/sell agreements, deal with website content issues and UDRP actions, and even help you write your website terms and conditions. David Weslow is the lawyer to call for Internet legal issues. See for yourself at NewMediaIP.com.

Second, managing multiple domain name marketplace and auction site accounts is a pain. Inevitably, you forget to sign into one and lose a great domain...or worse. Now imagine using a single, simple-to-use and comprehensive control panel to manage all your accounts. That's Protrada. You can setup search filters, analyze domains, automate bidding, list domains for sale, and buy domains across all major marketplaces. Protrada also has a new semantic engine that builds Google-friendly websites with rich content and network feeds. Sign up at Protrada.com to get 20 free credits and start building and monetizing your domains today.

Finally, if you have questions about domain names, where should you go to ask them? The answer is DNForum.com. Not only is DN Forum the largest domain name forum in the world, but it's the best. You can learn about domain names and the industry, buy and sell domain names, talk about domain name news, and meet other domainers just like yourself. Register for

DomainSherpa.com: The Domain Name Authority

a free DN Forum account and begin advancing your skills and knowledge today. And when you do signup, send me a friend request so we can connect.

Here's your program.

Michael Cyger: Hey everyone. My name is Michael Cyger, and I'm the Publisher of DomainSherpa.com - the website where you come to learn how to become a successful domain name investor and entrepreneur directly from the experts.

About three in every one thousand adults in the United States launches a business each month. Worldwide there are about three hundred million people trying to start about one hundred and fifty million businesses. If each of those companies needs a web presence, they all need domain names. And with some of these startups being funded to grow as quickly as possible, many of those are interested in purchasing killer domain names so they can create a memorable brand.

Is spending tens of thousands of dollars a smart investment for startups? That is the question we are going to answer on today's show. To help us answer this question, we have brought back a past Domain Sherpa, Andrew Rosener, the CEO of Media Options - a premium domain name brokerage and online media consulting firm.

Drew, welcome back to the show.

Andrew Rosener: Great to be here, Michael. Thank you for having me.

Michael: My pleasure. And first off, you and your wife, Anna, are new parents from what I hear. Congratulations.

Andrew: Yeah, thank you very much. Yeah, we just gave birth to our first daughter, Mila Sophia. I am very, very, very happy.

Michael: Beautiful name. And so, what are the stats of Mila?

Andrew: 7 lb. 12 oz. 22 inches.

Michael: Hair like dad?

Andrew: Well, she has got more hair than dad actually.

Michael: Nice. All right, and you look better than I do. I remember when we had our first, or second, or third kid. I was not getting any sleep. What is going on? How do you look so good?

Andrew: I mean I think we have gotten really lucky so far. Knock on wood. She has been sleeping well. She sleeps through the night except for feedings. And I don't know. We are a good team. It has worked out well so far.

Michael: Well, congratulations and look forward to meeting her someday at a conference.

Andrew: Absolutely.

Michael: So let's start with this, Drew. What is a killer domain name for startups? What does it mean to buy a killer domain name?

Andrew: So, in a startup, a killer domain name is all about a brand. Building a brand. Something that is memorable and easy to spell. So much about startups today is viral, right? Word of mouth. And in order to get that type of word of mouth marketing and promotion, you need something that people can remember so they can tell their friends and family about it. So, it goes back to something that is short. Something that passes the radio test. The radio test being if you hear it on the radio, do you know how to spell it and are you going to remember it when you get home and out of your car? So, I think those are the primary factors that make up a good brand and, subsequently, a good domain name.

Michael: So, not all businesses are going to be the next Google or Amazon. How important are domain names to startups anyways?

Andrew: So, I think it also depends on the area of business that you are entering. If people are going to be primarily finding you through search, then

perhaps an exact match keyword domain name is going to be more effective for your brand or for your domain name at least. Even if your brand name might be different than your domain name, if the majority of your potential customers are going to find you through search, then an exact match keyword domain name may be the best option. However, if you are going to be relying on, like I said, word of mouth marketing and some viral marketing and social media in order to get new clients and more traffic to your website, then I think a really strong brand is going to be the best option.

Michael: And probably how big of an audience you are serving comes into play as well, right?

Andrew: Absolutely.

Michael: Like Google serves the entire world, so if they had UnitedStatesSearch.com, they would be limiting their growth right from the beginning.

Andrew: Absolutely. Absolutely. A few years back, sort of geo-focused professional domains were really sort of the rage. And Google, due to basically their local search and their entrance into the sort of directory market, has kind of killed off that market for those types of domain names. But I have always felt, even before that, that those types of domains really do limit your audience and you never know. You always have to plan for the future. You never know what areas you are going to grow into, or if you are going to expand outside of your local focus, and so I think having something that is generic and more broad is better planning.

Michael: Yeah. So, a brandable name like a Google.com, which was just a made up word based off of some other word, or Yahoo, which used to be the killer site to go to, is great because it does not say the exact word in the domain name. It could be search today. It could be a marketplace tomorrow.

Andrew: Yeah, and you also want to take into account foreign languages, so you have to be careful that maybe the name that you pick does not have a negative connotation in another language, or even has a direct translation to something that you may not like or your customers may not like in a foreign

language. I have seen that in multiple cases, where a client had a great name, or so they thought, and then they try to enter France and their name is no longer that positive.

Michael: Do you have an example of that that you can share?

Andrew: There was one. I am trying to remember. This was years ago and it was specifically France. I do not remember.

Michael: So it was an English word, but in French it meant something else.

Andrew: No, it was actually kind of an iteration of an English word. Not the exact spelling of an English word, but it was some made-up word that was something to do in English dictionary, but it actually had a translation in French.

Michael: So what do you do in that case?

Andrew: Rebrand.

Michael: If there are twenty main languages and you think you want to pick a certain domain name, like some brandable domain name, do you have to go find somebody in each of those languages to try and determine what that word is and if there is any slang for it in that country?

Andrew: I think, again, it comes down to how big of an audience do you expect? I mean at the end of your growth cycle, how big are you going to be? If you are going to have some secondary markets and you are going to be dabbling in those markets, then you do not need to spend the tens of thousands of dollars that it will cost in legal fees and agency fees in order to do that type of research. But we have a client right now looking to launch a global brand in the education space and we are doing a search. It is a startup out of Palo Alto and we are doing a search for them for a name, and it has been going on for several weeks now, and they do have to take those things into account. And three times now, we have found a killer name and they sent it to the lawyers and to the agencies to do the testing on the individual markets that they were going to be targeting, and all three times so far it has

come back and gotten nixed. And it was names that we were like: "Oh man, lights out." The price was right. It passed all the initial tests, but when it went to the lawyers and the agency to do the testing for specific markets and for trademark, it failed the test. So it definitely is something you need to take into consideration if you really do plan on being global and being huge. If you are going to go big, you need to take these things into consideration.

Michael: Okay. I love it when fate steps in. I was flipping through my Twitter feed, having lunch, just before we got on this show, Drew, and there is an article just out today at VentureBeat.com, entitled "Startup names don't have to be terrible. Here's the proof," and it was written by Rob Meyerson. I think it was a guest blog. And some of the examples of bad names that he gave were QOOP.com. Now, most people would think that a four-letter domain name is great because it is so short. It is easy to remember. It meets a couple of the criteria that you had mentioned right at the top of the show, but also, the other criteria you mentioned was the radio test. Do you spell it KOOP, or KWOOP, or COOP?

Andrew: COOP or COUP?

Michael: Yeah, exactly. So, I found it interesting, and I just brought it up on my phone here. A couple of the domain names that they mentioned that were good I want to get your take on. One of them was called Curious, and I assume it as Curious.com. "A Menlo Park startup that just raised \$7.5 million in Series A financing, serves up "hundreds of short, video-based lessons for people who want to learn a new skill or rekindle a favorite hobby." So if you are curious about something.

Andrew: Great concept. Great name.

Michael: Thumbs up from you?

Andrew: Thumbs up. Absolutely slam dunk name, I think, for that concept.

Michael: So, we are going to talk a little bit about pricing and how people can get a ballpark figure, and so I will come back to Curious.com and get your thoughts on that. Another one that they mentioned, based out of Palo Alto as

well, was called Datahero.com. They "analyze patterns in your data...[to] help you unmask the answers within."

Andrew: So, I mean Datahero.com is not a bad name. It is easily replaced by DataWizard, or DataMagic, or DataWorld. DataUniverse.

Michael: You name it; there are a million adjectives to take onto Data.

Andrew: Exactly. So, I would not consider that to be a premium domain name. It is a nice brandable. Probably they did not want to spend the money for something better and they picked up for a thousand bucks or five thousand bucks. I mean it passes the radio test. It is two generic keywords put together.

Michael: Yeah. Okay, here is the final - third - one. Retrace.com, also based in Palo Alto, just launched at Disrupt NY. "Unlike Curious, the word "retrace" isn't used very often, which makes it easier to lay claim to. One of the few places it does show up in everyday speech is in the phrase "retrace your steps." And the CEO describes it as "the best way to remember and organize everything about the meetings you have."

Andrew: Also, I think, a good application of a unique name. If somebody came to me with Retrace.com, I would say, "Okay, good name. One-word generic. Relatively easy to spell. Relatively short." But I would not know immediately what to use it for. What is the application? But I think that is a great application.

Michael: So Curious.com is the same way. You would not know necessarily what to build on top of that.

Andrew: Well, I think Curious has more potential applications, right? I could run off a list of ways to use Curious.com. Retrace - I would not be so sure. Maybe a private investigator. Who knows?

Michael: Right.

Andrew: But I think they did a great job in the naming there.

Michael: Okay. So, some interesting domain names there that Rob Meyerson was saying were good examples. Is it better to have a brandable dictionary word or a descriptive dictionary word for your business? Do you want to go for Alerts.com if you are running an online alert system or AlertMe.com or Alertify.com or Alert.ly?

Andrew: Yeah. I think, if done well, both are good brands. I think Alerts.com is the lights out category killer. Generally speaking, I prefer singulars as a brand than I do the plural, unless you are talking about direct retail. So, in the case of Sneakers.com, I like Sneakers.com better than I like Sneaker.com if I am going to be selling sneakers online. In the case of Alerts, you are not selling alerts. You do not put an alert in your shopping cart and it is getting sent home to you. So, in that case, I would probably prefer Alert.com. I think that that is a monster brand as apposed to Alerts.com. But at the same time, I think AlertMe.com or Alert.me are great brands. Definitely stick out in your mind. Of course, when you get into alternative extensions like .ME, .CO, and .TV, there is always the adoption factor. You and I could sit here and, of course, we know .ME, .TV, and .CO. I do not know the exact statistic, but I would imagine it is probably not more than ten or twenty percent maximum of the general public, and if we look global it is probably two percent of the general public, that actually is aware of .ME, .TV, and .CO if these are being used. Well, first off, that they exist and secondly that they are being used as gTLDs as apposed to CCTLDs.

Michael: Right. General Top-Level Domains as apposed to Country Code Top-Level Domains.

Andrew: Yeah, and actually all three of those, which I would say those are probably the three most commonly used alternative extensions for startup brands - .TV, .CO, and .ME -, even more than .NET and .ORG. And all three of those are CCTLDs by nature. They have been sort of adopted and are not treated as gTLDs. And I could be wrong, but I think that Google also treats them now as gTLDs. So, meaning that they are not getting local search preference only in those countries. They are being treated in the same way in search as .COM, .NET, and .ORG.

Michael: Right, and that was a blog post that just recently came out over the past week that a lot of the traditional country code top-level domains (TLDs) are now being treated as general. So, what I am hearing from you is that you really need to think about your audience for the business. If you are going to go to the general population with a website that provides a service or product, you probably want to go with something more traditional like .COM because, if you are trying to reach cooks in Seattle, SeattleCooks.me is not going to be as good as SeattleCooks.com.

Andrew: No, certainly not. And if you are really targeting a niche market like that, then I think it is important that you at least get the .COM. I mean you are only limiting your market by having Seattle in front of the keyword, and to then even go one step further and use a .NET or .ME or .TV, then you are really kind of degrading the quality of the domain you have chosen.

Michael: But if you are starting a company that is mainly going to service high-tech companies - you have got an API that plugs into all these sorts of things -, you can use whatever you want, because high-tech people get that there are multiple (Unclear 16:52.4) names.

Andrew: Yeah, they get it. Although I will say you mentioned earlier, in alternative branding with the .LY. I am not a fan of the .LY. That all came about with Bitly. It was Bit.ly, and that came back to slap them in the face because of the restrictions of Libya and some of the human rights issues. And I think that that is definitely something to be conscious of. Actually, there is a German company that just contacted me, and this is actually a friend of a friend. They contacted me, they had a small startup in Germany, and they had a relative level of success and they are going for a second round of funding now. Not a big round, but I think it is like a half a million dollars. And they want to upgrade their domain. And they sent me the extensions and it was all these .LY, and I just said, "Listen guys, you want to step up and you want to get a round of funding. And in order for an investor to take you serious, you need a good domain name. And get rid of the .LY." I don't know. I think that boat has sailed.

Michael: Yeah, but don't investors look at it and say, "All right, they have got a terrible .IO or .LY, or whatever extension, but I am going to fund them. I

am going to give them thirty thousand dollars for - whatever - Series A or C, and they will use fifteen of it to go buy a real domain name"? Do you think that sometimes they think that? Is it okay for startups to use one of those alternative extensions to start with?

Andrew: I mean of course, if you do not have the money, you do not have any option. If you are bootstrapping it and you do not have the cash to buy a premium domain name, then sure, build a viable product or service or website and, when you have got some level of success, use your next round of funding and take some of that money and allocate it towards buying the premium domain name. The downside to that is that you are probably going to pay a higher price than you would have originally. If you bought the .NET before, or the .LY or the .ME, and now you are very successful, when you go ahead and contact the .COM owner, he is going to do a little bit of research and probably find your company and realize that: "Okay, you guys can now step up and pay a bit more."

Michael: Right.

Andrew: So it is probably going to cost you.

Michael: And that was the case with Bit.ly when they wanted to buy Bitly.com. That was the case with Fiverr.com when they wanted to buy Fiver.com.

Andrew: Yeah, exactly.

Michael: The list goes on and on. So it happens, but at least they have the money then - later. So, maybe they pay more, but they have the money.

Andrew: Yeah, absolutely. So, like I said, if you do not have the money, you do not have any choice, so it is fine. You with what you have got and you upgrade later.

Michael: Yeah. Okay. And I know you are not an attorney, Drew. I am not an attorney either. But I think it is a fair discussion topic to bring up quickly that if I startup a company today called Bit.ly and it becomes the worldwide

sensation around URL shorteners, but somebody has owned Bitly.com for years before I started up Bit.ly, I have no rights, even though I have created a brand to grab that domain name - Bitly.com.

Andrew: Yeah. I mean yes, again, I am not a lawyer, but yes, for the most part you are right. However, what I have seen from some of the case law and from experience is that let's say you own Bitly and I am the guy that has got Bit.ly and I become a global success and now it is time for me to go buy Bitly. If you have launched a URL shortener on Bitly.com after I have become a global success, then you are not infringing on my trademark, assuming that I have one.

Michael: Right.

Andrew: Even if you registered that domain name prior to my use. If you go ahead and directly infringe on my trademark or display ads of my own ads or my competitors ads on your domain name, then you are infringing on my trademark.

Michael: Right, and so go consult an attorney, but i see, over and over again, and we see it in the domain name blogs all the time, when large corporations have a brand try and go through the UDRP filings to try and take back a domain name through the ICANN process and only to find that they are rejected, and it goes as a mark against their company that they did not have the rights to the domain name.

Andrew: It is only twenty-five hundred bucks for these companies to launch a UDRP, so it is like if the company contacts you and you say the price is one hundred grand and they think they have even a ten percent chance, it is like: "Well, I will file a UDRP for twenty-five hundred bucks." They have got in-house counsel and roll the dice. And it is unfortunate and there should be penalties against companies that do that without cause and companies that are found in violation of reverse domain name hijacking, but at this juncture that is not the case.

Michael: Exactly. All right, let's talk about Google and exact match domains. There has been a lot of hype around Google changing their algorithm to give

less of a benefit to exact match domains like SearchEngine.com, when people are going to a search engine and typing 'Search Engine'.

Andrew: Come on, you can think of a better example.

Michael: That was a terrible example, wasn't it? Give me a better example.

Andrew: How about Baby Strollers?

Michael: Baby Strollers. You want to find out reviews of baby strollers. You are buying some stuff. Which baby strollers are the best? You type in 'Baby Strollers' and then BabyStrollers.com shows up on top, even though it may not be the "best" from your determination content site for learning about baby strollers. So Google says, "We are going to not give as much benefit." Some people called it a penalty - whatever it is. What is your take on the exact match domains?

Andrew: So, I think that updates Google's algorithm has been grossly overestimated and misunderstood. Essentially, and I do not claim to be the expert on search engine optimization in any way, but I deal a lot with some of the top SEO companies and it is my understanding that what has been done is that whereas if you owned BabyStrollers.com and you had a one-page website on there with some brief content before, you could still not in some of the most competitive verticals, but in, let's say, second tier and third tier verticals, you could probably rank on page one for that term if you had the exact match .COM, .NET, or .ORG domain name. What Google has done now is they have said, "Okay, look, we are going to evaluate all the exact match keyword domains for the high competition keywords and we are going to compare them to the other results in that category. And if the content is apples to apples, then the exact match keyword domain name is still going to have some advantage." Maybe not as big of an advantage as it did previously, but there is unquestionably still an advantage given to exact match keyword domain names in the search results in Google. But the content - the user experience - needs to be apples to apples in quality with the other websites that are displayed in the ranks.

Michael: Right. So, why is that fair for Google to do that; to say if the sites are the same content, the same functionality, the same user benefit? Why would they give a little benefit to BabyStrollers.com versus AndrewsBabies.com?

Andrew: Well, because I think, at the end of the day, an exact match domain name shows intent. So, it tells the user what is this about. And if I am BabyStrollers.com, I am probably selling baby strollers. And that might be what you are looking for, mostly likely, if you are searching for baby strollers.

Michael: Right.

Andrew: So I think it immediately shows intent, which enhances the user experience. It speeds up the user's search and gets them faster to what they are looking for. Microsoft put out a study last year, I believe, that they had conducted, showing what happens in search results with exact match keyword domain names and recognized brands, and the click-through rate on exact match keyword domain names and brands that people recognized was significantly higher. I do not have the statistics in front of me, so I am not going to make something up, but it was significantly higher. And we are talking about click-through rate, so let's say you are displayed with ten results in the search engines. Nine of them are MikesBabyStrollers.com, and BeautifulBabyGirlStrollers.us--

Michael: And BabyCapital.com.

Andrew: --and then somewhere in there is BabyStrollers.com. So, the point of the study was actually not just to show intent and reaction to exact match domains, but also to show how much effect an exact match domain would have even if it was not in the top three results of Google. So, everybody has always said, "You have got to be in the top three or you do not matter," and actually they found that if the top nine were not brands that the user recognized and were not an exact match domain and that even if the exact match domain or the brand that people recognize was in the tenth position that still got the most clicks. And I think that says it all.

Michael: Yeah. Okay. And in that case of BabyStrollers, if you were only doing baby strollers and ancillary accessories, you never plan to be an Amazon.com with every single product imaginable in the world that has a skew or even does not have a skew. That might be a good brand for your company.

Andrew: Absolutely.

Michael: If you just wanted to do drop shipping as a lifestyle business for you and your significant other, like that could be the perfect brand, which is an exact match domain for your company.

Andrew: Absolutely. I mean you and I, in my last interview, talked about one of our sites - Spearfishing.com. And now we have just launched, actually last week, the eCommerce component of that on Spearguns.com. And it is like: "Okay, what do we sell? We sell spear guns." So, you cannot have a better domain name to sell spear guns on than Spearguns.com.

Michael: Yeah.

Andrew: It just gives a clear intention, and I think that it is correct that Google would give some preference to exact match domain names in the search results all things being equal. If everything is apples to apples with the other websites, then sure, the guy with the exact match domain name should have some preference because he is telling the person who is doing the search exactly what he does, exactly what he sells, and that helps that user find what they are looking for.

Michael: So now that you have got a new baby at home - a week old -, Anna is not letting you go spearfishing or buy spear guns anymore, right?

Andrew: I think it is going to be a little bit. And I have to say, it was one of the things I was thinking about after she was born. Really I had to take pause and say, "Whoa, I mean I have had some close calls while spearfishing," and it is like I have got somebody else to worry about now.

Michael: Yeah, you are going to spend more time on the discussion forums, less time doing.

Andrew: Yeah, I am not going to give it up, but for sure I am going to be a lot more cautious.

Michael: Yeah. So you live in Panama City. We are doing this call from Seattle and Panama City right now, right?

Andrew: Yeah.

Michael: So, I have recently seen that Panama.com is up for sale. I think the advertised price was nine hundred thousand dollars.

Andrew: Yeah, and I made a bid to buy that name.

Michael: You did.

Andrew: A few years back.

Michael: So, you are an entrepreneur. You are a domain name broker. You understand the value of great domain names. You are an entrepreneur. You have built multiple websites, some of which you have flipped, and we talked about those in the past. You are a businessman. Are you going to go for Panama.com as the killer domain name for your homeland?

Andrew: I am not. I am not. I think it is just too much money. I think, at the end of the day, if we look at all the statistics, the name is probably worth what they are looking for, but unfortunately Panama is a tough market, and I live here. We own almost every major city and tourist attraction in Panama in the .COM extension and a couple in the .ORG, but primarily in the .COM. And we have launched websites on several of those and they have been "successful", but small niche markets. It is a hobby project that my wife actually is in charge of. And it is fun because we live here, but it is very difficult to make money online in Panama. The market is just not ready for it. People are not accustomed to purchasing things online. They are not accustomed to making payments online. The regulatory environment for

doing local online business is also a bit more difficult. It is very difficult to get a merchant account in Panama. And getting advertisers to pay for online advertising, I mean literally it is like pulling teeth. These guys want you to pay them to put their ad on your website. It is really difficult, so I think nine hundred grand is just too much money. It would take a lifetime to make your money back I think.

Michael: Yeah, definitely. So, at the end of the day, it is about revenue and expense. And if it takes an entire lifetime to recoup your investment, it is probably not a good investment.

Andrew: Yeah. Now, at the same time, I will say that Panama, as a country name, is the best brand of any country on earth. Maybe Cuba. Cuba is pretty good too, and Canada is good. But Panama just has a positive feeling. It is Panama. Everybody loves Panama. There is nothing bad about Panama. So, I think, as a brand, it could be good. I mean I think Yahoo - this is going back years, but I think their whole advertising business was called Panama, going back a few years.

Michael: Yeah. All right. Let's say we turn back the clock to 1998. It is the year that Google.com launched. Knowing what you know right now, if you went back in time, would you have told them use Search.com rather than Google.com?

Andrew: Man, I mean that is a tough question. I mean Google has just been unbelievably successful. So, I would be a fool to say, "Oh, they would be more successful if they had Search.com." So, what is that made them successful? Is it the Executive Team? Is it the product? Is it the backend of the software and the engineering? It is probably cumulative. And I have a hard time believing that they would have been more successful with Search.com than they have been with Google, but I think that it would have been, from a defense standpoint and to some degree from an offensive standpoint, a great acquisition for them. I think that Search.com definitely would pave the way for a strong competitor given that they had a strong Executive Team, a strong business plan, and a strong Engineering Team, and then software, etc. So, launching a new search engine on Search.com could definitely take a really minute, tiny, little piece out of Google's business, but

to go back to '98 and say, "Oh, Google made a mistake. They would have been more successful if they had Search.com." It is one of the most successful companies, if not the most successful company that has ever graced planet earth. So I cannot say that.

Michael: Yeah, and I will say Search.com might have been better for them in the '98/'99/2000 time period, but now, as we have seen Google's business mature and where they get their revenue from, still a majority of it coming from the advertisements that are displayed in search, it would have been more confusing to launch Google Wallet and Google Translation or Search Wallet and Search Translation, and all the different niches that they are in.

Andrew: Absolutely. Absolutely.

Michael: So, is it fair to say that if a company thinks they are going to go for world domination, they are going to have a social media application that every business in the world can use, they are going to have a calendaring system that every business in the world is going to want to use, a CRM system - you name it, their ideal is to get a single dictionary word that maybe describes them and maybe not. Like using the word Fire.com or using the word Blue.com or Orange.com allows a company to--

Andrew: Or White.com.

Michael: Yeah, exactly.

Andrew: We own White.com.

Michael: Oh, White.com. So, is that a better way to go, because the business can grow into other areas? Like on one hand, you need to pay more money to brand it, but on the other hand, you can pivot when you need to. So, if the business model is not working, you can change it. You can grow into other areas.

Andrew: Yeah, you are flexible.

Michael: And if the business fails, you can resell the domain name.

Andrew: Exactly. Exactly. Actually that is a strong point I want to make. A lot of companies that approach me to help them acquire a name for their startup or some companies that are looking for an auxiliary domain name for their company, they do not understand that. They look at this as an expense. They say, "Oh, well, we do not have a hundred thousand dollars in our budget to spend on the domain name." Well, ultimately, you are buying an asset and, as we have seen over time, as far as I know, domain names have been the fastest appreciating asset class on earth. More than gold. More than real estate. More than oil and minerals. I mean there is n asset class that I am aware of that has appreciated more over time than domain names. And it is not an expense. If you buy, particularly, a strong one-word dictionary domain name in the .COM extension, that domain name has staying power. It is going to appreciate over time. And not only will it appreciate over time, but I think we just posted an article today maybe on our website. I am not sure, but I think it is the only asset class that appreciates over time and you can take a depreciation expense.

Michael: Yeah, you just posted that one today. I read it. Right. If you buy it as an asset, you can depreciate it over time like other assets that you are buying for your company.

Andrew: Exactly. Exactly. So, you are taking a depreciation expense. In the United States, I do not know if this is actually accepted by the IRS or if they have given it their stamp of approval, but there was a Domain Tax Guide put out several years ago that I think a lot of domainers use as guidance in how they treat their domain names. And in that Tax Guide, and it was written by an accountant, I believe that they stated that you can take rapid depreciation on domain names, which means five years. And so, you can take a twenty percent. If you pay a hundred grand for your domain name, you have bought an asset that is probably worth at least a hundred grand now unless you do not hire a good domain broker and you grossly overpay for it, and you can take a twenty thousand dollar depreciation expense against that domain name and against your profits every year for the next five years. And then, at the end of five years, you have got an asset that is worth one hundred grand and you have written off that hundred grand against profits that you have earned over the last five years.

Michael: Yeah.

Andrew: If you have got the cash, there is very few places that you can better invest it for the growth of your business.

Michael: Now, I want to clarify what kind of domain names have appreciated so much, because I own a ton of domain names and none of them have appreciated that much. So, just on those three examples that we talked about earlier - Curious.com, Retrace.com, and Datahero.com -, which ones would appreciate and which ones would stay about the same?

Andrew: Yeah, Datahero, like I said, I mean that is easily replaced with a million different alternatives. I do not see that name appreciating very much. Although it is in the data category, and big data is big business and it is growing. So, in that category - that particular vertical - names are drying up, and so I would expect that domain names in the big data category will continue to appreciate in value just because they are going to become more scarce. But generally speaking, that type of domain name is not going to appreciate because it does not have any intrinsic meaning. It is just a made-up combination of words. That is it. It is easy to trademark, which is great, but it does not have any intrinsic value because it is just a random string of words whereas Curious.com is a single dictionary word. And despite what Urban Dictionary says, we are not making any more of those, or not at a very fast pace. So, that is, by definition, becoming more scarce, and scarcity drives up value, and so I do not see the value premium .COM domain names. One-word .COM domain names. Two-letter .COM domain names for sure. Three-letter .COM domain names for sure. Pronounceable four-letter .COMs. Those things are not going to go down in value any time soon, unless there is some major technology disruption, which I do not see on the horizon for quite some time.

Michael: Yeah. Great, I am glad we clarified which names have value, you might want to spend more on, and that they are going to have a value that, if the business goes to hell and a hand basket, you still have something you can sell and return money back to investors. That has value.

Andrew: Absolutely. Absolutely. Right now we are selling Joyride.com on behalf of a client. And he had a startup that they launched on Joyride.com. He has got investors. And unfortunately it did not take off, they had a change of plans, and now they are going to sell the domain name in order to pay back money to the investors. And I do not know how much they invested, but it is my understanding that if we achieve a sale on that domain name at the asking price, a good portion of their investment will be returned to them.

Michael: Yeah.

Andrew: So, buying a strategic and high-value generic dictionary domain name adds value to your company not just from the observation standpoint, but on the books. You are putting a strong asset on your books. And in most cases with most startups, unless they have some piece of valuable proprietary software or other piece of proprietary intellectual property, in most cases, that domain name is the most valuable asset on their balance sheet, and that is important for investors. And like you said, if it all goes to hell and a hand basket, you sell that domain name. You are going to probably get back what you paid for or close to it. Even if you take a small loss, your investors are not walking away with goose egg. They are going to get some of their money back.

Michael: What do you have Joyride.com as an asking price?

Andrew: I do not have in front of me, but I believe the asking price is like sixty grand.

Michael: And you think it is fair because you have clearly coached the seller on the asking price.

Andrew: Yeah. I mean in this particular case, the seller told me what he wanted to sell it for and I thought that it was an acceptable price. I did not actually coach him on the price. But I do. I think that that is a fair ride. I think that is a really powerful brand for the automotive space, particularly either the larger automotive space, which is an extremely profitable space. Automobiles online is one of the largest verticals that exists. And whether you are selling insurance, or maybe it is just a forum for auto enthusiasts,

maybe it is a used car rental - whatever it might be. There is a million different ways to use Joyride.com, so I do. I think that that is a really powerful brand and I think it is worth the money.

Michael: Good. And I want to come back and ask you about a few more prices because I want to figure out how you think about the prices and how other startups who are looking at things and saying, "That is crazy, because I typed in that domain name and nothing even resolved. Like how could it be worth that much?" It is like the lot of land next to my building in Seattle. It has got nothing on it, so clearly it should have zero value. But let me come back to that because what you said just before this was that names are drying up. Like the good names. Every single word dictionary word .COM is taken already. All the triple letters. All the double letters. All the quad letters. But for those in the know, following ICANN and what is going on, there is going to be thousands of new top-level domains being launched in the next few years. .SHOP. APP. .BUY. You name it, it is going to be right of the dot. So, instead of .COM, if you are launching an Alert App and you do not want to pay six or seven figures for Alert.com, you can buy Alert.app.

Andrew: Yeah, that is true, and I think that - well, what ICANN has told us. That the reason for releasing a thousand plus new TLDs is because the alternatives for new companies and new individuals that want a web presence are drying up, and all the good names are taken and they want to have alternatives for those individuals. And I think that for a new company starting up, I think it falls in the line with what we said before. It depends on how big you want to be. It depends on how you intend to drive traffic to your website. I think for apps it might be a great alternative. People are finding you in the App Store. So, if you want to have your web presence at FindMe.app, then I think that is great.

Michael: Yeah.

Andrew: And you need to accept that you will lose traffic to the person who owns the .COM. That is just a fact. We saw that with O.co. Overstock bought O.co. They did a complete rebrand to O.co, and several months later the CEO came out, very candidly, and said, "You know what? We made a mistake. We love O.co. It is a great brand. The world is just not ready for it yet."

Michael: Right.

Andrew: And they saw a significant bleeding of their traffic from O.co to O.com. People were trying to go to O.com, which, of course, does not exist, and they lost a lot of web traffic. So, I think that some of these extensions are going to be great alternatives for some companies. I think that they are going to be great auxiliary extensions or auxiliary domain names for some companies. I think that they might be great for using in a specific marketing campaign, a specific television spot, or whatever it might be. There is going to be a lot of great uses for these domain names. Whether or not it is a great idea to use them for your corporate branding is yet to be seen. I can see a lot of great applications for some of the branding TLDs - the sort of in-house TLDs. The ones that are not going to be sold off to consumers. I particularly like the idea of having sort of the dotless email. So, if you have @BMW, you get .BMW, then you can have Mike@BMW. Not Mike@BMW.com. Just Mike@BMW. I think that is great. I think dotless email for these sort of in-house branded TLDs is super cool.

Michael: Yeah.

Andrew: I love that concept. I think that email has more or less been the same for twenty years, and I think that this could lead to some pretty cool innovation. But again, coming back to the corporate branding, yet to be seen.

Michael: So it could be a good alternative. And if you are starting up an app and you have a great idea for an Alert App and you are trying to find any single word, it is already taken and any two-word combination .COM is already taken likely. And then if you want to go to .ME or .IO or .CO, those are likely taken as well. So, these new TLDs that are coming out, from what I hear from you, are just going to be another secondary opportunity for startups to get something at registration cost. Ten dollars, twenty dollars, or whatever it is rather than having to pay tens of thousands or hundreds of thousands for a phenomenal .COM. But at the end of the day, it is those .COMs that are going to be able to get the leakage of traffic from just population that does not understand the alternate extensions yet.

Andrew: Yeah, all domains have a place. And like I said, if you are a startup, you do not have the budget to buy that killer .COM, these might be a great alternative for you.

Michael: Yeah.

Andrew: But ultimately, when you do blow up and hopefully you do, you are probably going to have to go shopping for that .COM that matches your URL.

Michael: So, which TLDs do you like right now, Andrew, as alternate extensions to .COM, and which ones don't you like?

Andrew: I like a bunch of them when they make sense. Like .ME, I love .ME. We own a bunch of .ME. Media Options owns a bunch of .ME domain names in our portfolio, but I like verbs. I like verbs and some adjectives, and the ones that make sense. Love.me. I think Michael Berkens and his group have got the best ones I have seen. Verbs are great on .ME. It is a call to action, and that is fantastic. That is what you want in branding. That is what you want if you are doing a per-per-click campaign. You want a call to action. You want a domain name that tells people what you are doing and is an exact match of what they are looking to do. So, I think that works great. I like .TV a lot. .TV has been around a long time. I do not know their registration numbers offhand, but I would say .TV has been very successful. In Latin America particularly, I have seen a very wide spread adoption of .TV for a lot of media companies. And I like .TV, but again, I like it for things that make sense. Sports.tv, Soccer.tv, Fishing.tv, Cooking.tv, Travel.tv - things that people want to watch on TV. That makes sense for the .TV extension. Some type of online media that people are watching on television makes a good fit for .TV.

Michael: Which TLDs don't you like? Which ones should entrepreneurs and startups stay away from?

Andrew: Man, I mean, as a domain broker and representing a lot of clients, I am hesitant to sort of put the X on any particular extension, because I have

got friends that work at a lot of these registries, but overall, I am not a big fan of .BIZ. I am not a big fan of .INFO. I am definitely not a fan of .MOBI.

Michael: What about .CC?

Andrew: Not so much. .CC has been very successful in the Chinese market. From what I understand, they sort of adopted it as sort of the .China instead of .CN, and so I see a lot of sales happening. You do need see a lot in DN Journal, but I am aware of quite a number of sales that happen on short numeric and short two-letter and three-letter .CC domain names, and some pinyin keywords on .CC.

Michael: Did you say .CO? Did you like .CO?

Andrew: Yeah, I do like .CO. I do like .CO. I mean again, I am always concerned about the confusion with .COM, but I do like .CO and there has certainly been a wide adoption of .CO among the startup community. I think more than any other TLD, maybe even more than .COM. More than anybody. I mean they have done the best marketing effort I have ever seen of any TLD that has ever (Unclear 54:01.2). I mean .CO is just a really bang-up job. Everybody that works there is great. They have all done a great job.

Michael: Yeah.

Andrew: So, I am a fan of .CO, but I would advise clients, if possible, if they have the budget for it. Some people would even prefer .CO over .COM given both options, but I do always advise clients that I think if you have the budget for it, if you can, I would still advise having the .COM just to protect your brand and to protect yourself from losing the traffic to the .COM, but I do like .CO. I mean I always say if we went back in time, I have been pretty vocal. I am a big fan of short domain names. So, anything that makes my domain shorter is good for me. I like that. I like short. I think the web is all about short. I think this year, they say, access to the Internet through mobile devices is going to surpass that of laptops and computers. And when I am on a mobile device, I do not want to type a twelve-digit domain. I want the shortest possible way to get on your website, and I think that is why apps

have become so popular, because you click on an app and you are on the website essentially.

Michael: Yeah.

Andrew: So, I love two letters. I love three letters. And .CO is two letters instead of three letters, and that makes it shorter. It is one less click. One less button to type, so I like that.

Michael: Let me ask you this, Drew. Is there any chance that domain names will go away in the future when everyone just uses a Google appliance and types in their search?

Andrew: It is a question that used to keep me up at night, and I do not think so. My definitive answer is no. Eventually probably there will be some mega technology disruption that changes the way we use the Internet and may or may not make domain names obsolete. However, that is a long, long, long way off and ultimately what we need to remember is, despite all of the various ways that we use domain names, what they are is an addressing system. And just the way that we use phone numbers, and phone numbers have been around an awful long time. And even though we do not remember each other's phone numbers anymore, they are not obsolete. We all still have a phone number. You need a phone number in order for people to reach you. And so, I think domain names are very similar. It used to be that I remembered my wife's phone number in order to reach now. Now I just go into my phone and I find Anna and I dial it, and that is it. And I do not even know what number it calls, but I end up with Anna.

Michael: Right.

Andrew: Ultimately, the browsers are trying to do away with search bars and there are a lot of different ways that people are trying to negate the importance of domain names, but at the end of the day, every business card that gets handed out, every offline media advertisement has to give people a way to find them. And it might be a hash tag, it might be a Facebook fan, but at the end of the day, it comes down to a domain name. Your web presence is on a domain name. We are already seeing there is a big trend of people

handing over their online identity to Facebook and to Twitter. Ultimately that was a big mistake. Companies cannot afford to hand over their identity to a third party. They need control of their online identity and that requires a domain name. Everybody that wants a presence online needs a domain name. A good domain or a bad domain - they need a domain. You can have a good phone number and a bad phone number, but you need a phone number. Otherwise nobody can reach you.

Michael: Right.

Andrew: So I think domain names are a good analogy with phone numbers in terms of whether or not they will become obsolete. It is an addressing system, and that is the bottom line, and that is not going to change anytime soon.

Michael: All right. Every good domain name is reserved already. I did it when I was looking to startup Domain Sherpa with these video interviews, where I bring on experts such as yourself - the Sherpas - and help people understand a concept. And when I went to try and find a great domain name, a brand that had the word Domain or DomainName in it, everything has been reserved, including DomainSherpa at the time. What do you recommend is the process for a startup or a bootstrapped company? At a high level, how should they go about thinking about finding a great brand and then trying to acquire it?

Andrew: So, I mean this is something that we do often. That represents almost sixty percent of our business now; is acquiring domain names for a startup, so we go through this process all the time. And essentially we try to get a good idea of what is the product or service that that company is going to offer, and think about ten or twenty keywords that are relevant to that product or service, and then look at which of those ten or twenty keywords are available as domain names. And if we do not find any great options, then we start looking at synonyms. And then you just go down the line. You just keep drilling down. Just keep drilling down.

Michael: So, I understand the service and understand the keywords associated with that from probably a customer's perspective, which are available. Are

you only looking at .COM and are you only typing them in to see if there is actually a website there?

Andrew: Yeah. So, I mean ninety-nine percent of the companies that contact us want a .COM. And the companies generally that end up going with a .CO or a .ME or .TV, unless it is a really high value one like a Love.me or a Date.me or a Find.me. Unless it is a really high value one, they probably just reach out themselves and purchase it or register a new one that is available, not taken. So the companies that contact us, ninety-nine percent are looking for a .COM. And first we have to look at the budget. And if they have got a significant budget or high five-figure or six-figure budget, then obviously we are going to be looking for a premium one-word .COM. Something that is a real lights-out top tier brand. My rule of thumb is kind of, and I know - I am sorry - we have kind of gotten off topic.

Michael: No, it's good.

Andrew: My rule of thumb is generally a serious startup - a serious business - looking for a new domain name generally will spend between fifteen and twenty-five thousand, even at the lower end, to buy a good domain for their brand. And take that into account also when I am selling my names. If somebody contacts Media Options about one of the domains in our portfolio, I always kind of say that to them. If you are serious about buying a good domain for your business, then I think that a fifteen to twenty-five thousand budget is a reasonable budget for sort of a second tier name. Maybe a not as common one-word .COM or a two-word .COM, and then there is a lot in between. But I think that at a minimum we are looking for companies that have got a budget of twenty-five thousand.

Michael: Okay, and so just going through this process so I can understand what your process is. So, if people want to contact you or any other domain name broker, then they sort of understand where to do it, but just like when people have their houses, if they want to sell it themselves, go for it. You put up the sign. You deal with all the sort of stuff. They remove the hassle by bringing on a real estate broker just like they remove the hassle and they can become anonymous so people do not know that they just got their Series A round when they bring on a broker such as yourself.

Andrew: Yeah.

Michael: But if they want to go through it themselves, they would do the same thing as you. They would determine the words. They would determine which ones are available. Now, when you look at it, is it as simple as saying, "It did not resolve. It is not owned by a major corporation, or maybe it does not matter. Even if there is a website, but it does not look like it is making a lot of revenue. Those are all potential purchases"?

Andrew: Yeah, I mean it runs the gamut. I mean we have acquired domain names from major corporations. I mean we acquired ReputationManagement.com from Dow Jones.

Michael: Oh wow.

Andrew: And most people would look at that and say, "Oh, it is owned by Dow Jones. Forget it. No chance."

Michael: Yeah.

Andrew: But you would be surprised. Most of these companies acquire these types of domain names through the acquisition of another company, and maybe that company acquired it through the acquisition of another smaller company. And at the end of the day, some of these companies do not even know the domains that they own, and so if they are not being put to use, obviously you are going to need to offer something that makes it worth their time to go through the internal process of selling and transferring that domain, but many of them are open to selling those domain names, and that is where having a domain broker really helps. We know what it takes. We know how to talk to them, how to get in touch with them, and how to help them through that process of yes, you can part with this domain name. Look, it has never been in use, making sure that all the processes happen that need to happen in order for them to feel good about letting it go. In many cases, companies come to us and they already know the name they want to pick or they have got a hit list of ten names. So we do not always participate in the

naming process, although it is something that I actually enjoy. It is one of my favorite parts of the job actually. I love the actual.

Michael: The creativity, yeah.

Andrew: Yeah, I love the creativity side of it. I enjoy the actual naming process.

Michael: Have you ever talked a website owner who had a functional business up and running on the website out of the domain name and into a sale?

Andrew: Yesterday. More often than that. We have actually done it quite a bit. There is a lot of people that run business that they started twenty or thirty years ago. They got lucky. They bought the name.

Michael: Yeah. Not naming the name that you just did yesterday because it probably has not closed, what was the dollar amount of that domain name purchase?

Andrew: It is about a hundred and twenty grand.

Michael: Okay.

Andrew: A hundred and twenty grand. And it was a local accountant. He had a great domain name. He has been using it. He is the original registrant. Actually, no, he was not. He purchased it for like a thousand dollars.

Michael: Wow.

Andrew: But way back. Back in the earlier mid-nineties. And he way underutilized. The guy probably had - whatever - twenty clients in his local town. He had this lights-out domain name. Probably never got a single client because of the domain name. He got it because of a Yellow Pages ad in his local phone book or whatever it might be, but he was the guy who had a great domain name and it was being underutilized, and at the end of the day it

certainly was not worth a hundred and twenty grand to him, and so he was better off taking the cash.

Michael: Yeah. How important is it that when a company - a startup - buys a killer domain name for fifteen thousand or a hundred and fifteen thousand that they get the matching social media handles? The Facebook vanity URL. The Twitter handle.

Andrew: More and more that is becoming important and more and more we are having companies actually requiring that to be in the contract that if we buy Birdie.com that they want it to be in the contract that if the domain owner owns the Twitter handle and Facebook handle that that is transferred with the domain name or that the domain owner puts it in writing that they do not own those and, if they do, that it must be transferred with the domain name. So, more and more, I am seeing that, and I think it is important. I mean we are doing more and more social media here at Media Options to promote Media Options, and I am impressed. I am impressed at how much traffic you can drive through social media and how much cheaper it is to drive that traffic through social media as apposed to search engine optimization and the financial efficiency of social media versus spending that same amount on search engine optimization.

Michael: Yeah. I know it was an important factor when I launched DomainSherpa that I could get the Facebook and the Twitter handle, but every single Twitter handle is reserved because it does not cost any money to get a Twitter handle. So, if you are into SEO, good luck getting SEO-anything without like five underscores in the handle.

Andrew: Yeah.

Michael: Or if you are into automotive or anything, it is going to be tough. Even if you own a domain name like Joyride.com, let's say, Joyride is already taken. JoyrideCom is probably already taken. You name it, and most likely they are not in use. What do you do in that case?

Andrew: I mean that is outside of my expertise. I have participated in the acquisition of a few Twitter handles and one Facebook account.

Michael: But that is not "allowed," is it? Like I think the terms and conditions of Twitter say you cannot.

Andrew: Yeah, we did not pay for it. We just negotiated the friendly transfer.

Michael: Right, okay. Got you. So you negotiate some sort of intellectual property transfer.

Andrew: We just showed them (Unclear 1:08:47.8) more purpose for it than they did. And they thought: "Oh, well, I am not using it. We will transfer it."

Michael: Oh, okay, I got you.

Andrew: It was all in good faith.

Michael: Right. Right. Right. Okay, so the terms and conditions are all up and up.

Andrew: Oh yeah.

Michael: So, I want to ask you about how much should a company set aside to buy a killer domain name. You had said earlier that to buy a good brand, fifteen to twenty-five thousand.

Andrew: At a bare minimum.

Michael: Am I to understand that if I came to you, wanting to buy a domain name, Drew, you are probably not going to spend your time contacting companies to acquire the name unless it was a domain name at least in that price range? If I came to you with a thousand dollars, it is probably not going to be worth your time?

Andrew: Yeah, I mean a thousand dollars, we probably cannot help you. But we do often work with companies that it might not be their company name. It is just a domain they want to acquire, and they have got a five thousand dollar budget. I mean we have a five hundred dollar minimum fee, and so our

acquisition fees, generally speaking, are ten percent of the purchase price with a fifteen thousand dollar maximum and five hundred dollar minimum. So, if it less than five thousand dollars, you are still going to pay five hundred dollars, and so it may become not worth it to you. But in some cases it is. In some cases it is still worthwhile. Now, I say it is ten percent, but to be honest, in most cases, there is some type of incentive factor, so it may be that a company comes to us and says, "We want to buy Joyride.com," assuming that we were not brokering it. And we say, "Okay, well, I think it is probably a name that you can acquire between fifty and a hundred grand." And they say, "Well, we have got a seventy-five thousand dollar budget." And then we might say, "Okay. Well, let's say that our fee is going to be five thousand dollars, which would be ten percent of the bottom end of the expected price range. And for every dollar under seventy-five thousand dollars that we get the domain for you, we get ten percent." So that way we are incentivized to get it at the cheapest possible price and it is still worth our time, and our interest is aligned with our client's interest.

Michael: Yeah.

Andrew: So, to be honest, it is very difficult, and I have had this conversation with other domain brokers and other acquisition specialists. It is very difficult to establish sort of just a broad line acquisition fee, because if you just say, "Well, it is ten percent," then most clients, if is not somebody that you have worked with and trusts you, come to you and they say, "Well, then you are incentivized to buy this domain at the highest possible price."

Michael: Right.

Andrew: And that is true. Now, what makes me good at my job is I am highly motivated. I love making the deal. I love negotiating, and I think I am good at it, and that is what makes me good at my job. So, I am always trying to get the best deal for our clients regardless of the incentive.

Michael: So, just to run through those numbers, if I was going to buy a domain name, I have seventy-five thousand dollars. I thought fifty thousand was fair. You thought it could go anywhere from fifty to one hundred. So, you are taking a risk, because if you think it could be at one hundred, the

domain owner could think that as well, and so a deal cannot be done. You have wasted your time. You do not get compensated for a not-completed deal, right?

Andrew: No.

Michael: So, if the deal gets done at fifty thousand, you get ten percent or five thousand dollars. But if it gets done at seventy-five thousand--

Andrew: We still only get five thousand.

Michael: You still only get five thousand. So, if it gets done at fifty thousand, then you get ten percent of the twenty-five thousand difference that you saved.

Andrew: Exactly. So, we would have basically a five thousand dollar base rate, which is ten percent of the fifty thousand. I would expect that name is worth fifty to a hundred, so we would take ten percent of that base rate, which is fifty and we say, "Okay, that is the fee." And then we have a bonus based on performance-based fee. So, a cheaper we buy a domain name, the more we earn. So, if I get that domain under seventy-five thousand, we get ten percent of that difference. You tell me you have a seventy-five thousand dollar budget. That means you are willing to spend seventy-five. And if I save you money, you give me ten percent of that. And then, if we end up getting it for more than seventy-five and you adjust your budget upwards, then we only end up with five thousand.

Michael: Yeah. So, just to be clear, because I like this incentivized compensation because then it gets the buyer and the broker on the same page, if you get it for fifty thousand, the five thousand base plus ten percent of just the difference that you save them - the seventy-five minus the fifty. So, that would be another twenty-five hundred dollars, so you walk away with seventy-five hundred dollars commission.

Andrew: Yeah.

Michael: Okay, understand.

Andrew: Which is what we would have ended up if we had gotten it for seventy-five thousand.

Michael: Right.

Andrew: But now we have saved you a lot of money.

Michael: Right. Okay. So, there is, in that process that we just described, the biggest issue that startups, that investors in startups, and that new business owners have. How do you, as an expert, know that the value of a domain name is between fifty and a hundred thousand dollars, and why is that not an enormously large range?

Andrew: So, our perception of money gets skewed in this business. It is very strange. I mean I am not even going to go there right now. That is for another day. So, basically, you and I have had, I think, our most popular interview. I think one of the most popular interviews on Domain Sherpa was establishing a value of domain names.

Michael: Right.

Andrew: And that works for exact match keyword domain names. And when we get into the realm of one-word non-specific domain names, like obviously, back to BabyStrollers. Like if you are Stroller.com, we can measure the value of that domain name because it is a product being sold, we know what businesses are willing to pay for that product in terms of advertising and pay-per-click, and we know how many people search for that product every month. So we can establish a value range. When we get into brandable domain names, it is a whole different ball game, and then it really just comes down to scarcity and quality. It just comes down to quality, scarcity, the length, how easily can it be replaced, which goes hand-in-hand with scarcity, and experience.

Michael: Okay. So, if people want to buy CreditCards.com, for example, they can type in the Rosener Equation into Google, they can find your interview, they can see exactly what your methodology is for valuing a keyword-rich

domain name on Google, where companies are buying and paying cost-per-click for that keyword phrase, and so that is cut and dry. That gives you an order of magnitude value from which to then start to negotiate.

Andrew: Yes.

Michael: But when it comes to a brandable like the color White or a generic word like Fire, or a word like Love, you cannot use the same equation because it is a brandable.

Andrew: Exactly, and it is not about search.

Michael: How do you know that Joyride is worth sixty thousand dollars?

Andrew: So, it might be worth two hundred and fifty thousand to the right party, right? Ultimately, there is even more factors that go into this than an exact match keyword domain. But ultimately are we looking to buy one or are we looking to sell one? If you are looking to sell a single-word keyword brandable domain, you are never going to achieve the same price as when that startup or that domain broker comes knocking in your door, saying, "Hey, I have got a client," or, "Hey, I want to buy your domain name." When it is the buyer's idea to buy that domain name, you will always achieve a higher price, and that is a very important concept to remember and it is something that a lot of domain investors do not take into account. Some people come to market with their domain and they say, "Oh, no, no, no, I know my domain is worth a million dollars." And I say, "Well, it could be if that buyer came knocking on your door and they need that domain. But if you want me to bring your domain to market and you want me to tell somebody that they should buy your domain, it is not worth a million dollars to them. It is worth what they are willing to pay for it." And then you start getting into those factors that I mentioned before. How easily can it be replaced? Are there alternative spellings? Is it short? Is it easily pronounced? Is it easy to spell? Traditionally, colors, short animal names. We just short Pelicans.com to the NBA team through MarkMonitor.

Michael: What was the sale price of that one?

Andrew: Unfortunately I cannot disclose the sale price.

Michael: All right, let's go through some examples then, because you do not know what the value is. I am just looking at you as an expert in the realm. Clearly there is some gut feel to this. Curious.com. If you did not know what that sold for, and I do not know, what is your gut feel on the range for how much Curious.com would sell for?

Andrew: Man. So, like you said, a lot of it gut feel, and the gut feel comes from experience. I have transacted tens of millions of dollars of these things and at some point you just have a good feeling for what they are going to go for.

Michael: Yeah.

Andrew: And Curious.com. Somebody comes to me and says, "Hey, I have got Curious.com. I want to sell this for two hundred and fifty grand," I would say, "Eh." If they came to me and say, "I own Curious.com. I want to sell it for fifty," I would say, "I think I can do that." So, Curious.com, I would say, probably has a bottom line. Probably in the domain investor community, it would have a liquid value of thirty-five to fifty grand, and I would say that to a startup looking to buy that name it is probably worth a hundred to a hundred and twenty-five, maybe a hundred and fifty if all stars aligned.

Michael: Yeah. So, it is interesting. One of the sponsors of DomainSherpa, as you can see in the right-hand corner, is EstiBot.com. It is an algorithm that values it based on a lot of factors, like the Rosener Equation does, for cost-per-click and search volume and things like that, but sometimes it is just amazing what it does for brandables. And one of the factors it uses for brandable is past sales that you and I do not necessarily know about for that exact domain, but it also looks at related words. So, if it is Curiously.com sold for fifty thousand, then clearly Curious.com is going to have a higher value than that.

Andrew: Yes.

Michael: And I do not know the factors that went into this, but I just typed in Curious.com onto EstiBot.com, and the EstiBot value is a hundred and twenty-seven thousand dollars. Bam, you just nailed it. I did not tell you what that value was. I did not even think of going there. So, you said a hundred and a hundred fifty thousand retail to a startup - somebody that wants that domain name.

Andrew: That is what I would expect.

Michael: So I am going to reach out to the CEO of Curious.com and ask him what he bought that domain name for. So, Datahero, you thought was in the--

Andrew: Thousand to five thousand range.

Michael: --thousand to five thousand range. Retrace.com. Not as good Curious in your opinion?

Andrew: Retrace.com. I mean okay. So let's say if somebody came to me to put that in my newsletter, meaning we are targeting sort of the domain invest community, the marketing and advertising community, and developer community, I would expect liquid value, meaning I know it sells, probably eighteen to twenty-five. Probably eighteen to twenty-five thousand.

Michael: Okay.

Andrew: To a startup, probably thirty-five to fifty. Maybe sixty.

Michael: I am typing my password into Safari, because if I startup Chrome, I have got a million tabs open and it would kill our connection here. So let's see here. Now I have to retype my password because I want to figure out what EstiBot thinks the value is live here. All right, we are in. I hope I typed my password correctly. I have got this password keeper on my Mac, which has the app that it connects back into, and so it is beautiful, but when I startup Safari, I do not have the plugin installed. So what did you say the value of Retrace.com was?

Andrew: I said, in the investor community, I thought it is probably eighteen to twenty-five, and I think, to a startup, maybe forty, fifty, or sixty.

Michael: Yeah. Okay. So, what EstiBot tells me is that their valuation is ten thousand dollars. That is the retail value to a startup, but it also shares what the 'for sale' price is if a sale price is listed on a marketplace, and it is listed at fifty thousand dollars I believe. So, to your point, and I have done a couple walk-throughs of EstiBot, it is not the end-all, be-all. It is an order of magnitude just like the Rosener Equation is an order of magnitude.

Andrew: Yeah.

Michael: And everything is up for negotiation.

Andrew: They have also been pretty candid with people saying, "We are not great at valuing brandable domain name."

Michael: Right, because who is?

Andrew: We are giving you a good idea of what an exact match keyword domain is worth. And I am saying exactly the same thing. I can give you a pretty good, pretty accurate idea of what an exact match keyword domain name is worth, but really, when it comes to brandables, man, the sky is the limit. You never know. I mean we had a company that wanted Cacao.com, and it is owned by not a very well known domainer, but one of the largest domain owners. He has one of the most valuable domain portfolios in the world I think. An Italian gentleman. And we were hired to acquire Cacao.com. We offered him seventy-five thousand dollars. He said no. We offered him a hundred thousand dollars. He said no. I told these guys. I said, "Listen, I mean Cacao.com, I could see, maybe is worth a hundred and fifty. Maybe two hundred if you are lucky, but beyond that you are really just paying a massive premium."

Michael: Is this the domain name Cow.com? Is that what you are saying?

Andrew: No, Cacao.com, like chocolate.

Michael: Oh, okay. Cacao.com.

Andrew: Yeah, which makes it even less valuable because there are two spellings. There is Cacao and then there is Cocoa.

Michael: Those are terrible domain names.

Andrew: I know, and it is funny, because if you walk down the chocolate aisle, even Lindt spells it both ways. Lindt chocolate spells it both ways. On one candy bar it says Cacao, and then on the next chocolate bar it says Cocoa. So I have no idea which is more commonly accepted.

Michael: Yeah.

Andrew: So these are some of the factors that I took into account. I said, "Guys, this thing is just not worth more money. Let's pick another name." And they said, "No, we want Cacao.com." We went all the way up to five hundred thousand dollars for Cacao.com, and ultimately the guy still would not sell it.

Michael: Wow.

Andrew: Yeah.

Michael: Now, doesn't that kill your reputation as a broker when you start off at 75K, and then go 100K, and then go 150K? If you have gone up three times, there is clearly a lot more money here.

Andrew: Well, I mean I guess that is what he was interpreting. Unfortunately, my negotiation ability is limited to the price range that my client gives me, which is another good point. I mean I always tell clients. Be honest with me upfront because it affects my negotiation. It affects the tactics that I use in negotiating. It affects everything about the negotiation. So, I need to know what your range is. It does not mean that I am going to go immediately to the highest price that you are willing to pay, but I need to know because it will affect the course of my negotiation. So, like you said, yes, that probably affected the price. And it is unfortunate we never ended up buying the name,

and it may or may not be because I did not know upfront what their budget was. We were talking about somewhere up to a hundred grand and suddenly they had half a million dollars to spend. So, if I had known that upfront, the course of negotiation would have been different.

Michael: Yeah.

Andrew: So that is important to share that with the broker upfront.

Michael: Yeah. All right, so let's talk about that, Drew, and this is going to be my last question. There is a ton of domain name brokers in the marketplace. If you go to DomainSherpa and you pull down the buy or the sell menus, I have a list of domain name brokers there that are sort of the larger names in the industry, but I swear I could go to any host of the number of people that tweet me on Twitter and say, "Hey DomainSherpa, look at my domains," and then I go to their website and they have got brokerage services, and I have never heard of them before. And so, with so many people, it does not take a certification or degree or anything to hang up a shingle for a domain name broker and say, "I am fully capable of doing it." What questions would you recommend that buyers of domain names ask when they are doing their due diligence in selecting a domain name broker to represent them?

Andrew: So, I think it is really unfortunate that there is not some type of certification to be a domain broker like there is with real estate, because it is equally as important and there is ethics that domain brokers need to follow, and it is unfortunate that many of people that hang that shingle on their wall and say, "I am a domain broker," do not have those same ethics. And I think that most of the people that you have got listed on your website are ethical and good domain brokers, but there are a lot of people out there pretending to be a domain broker that do not follow a code of ethics. And I think it is important that somebody does, whether you are looking to buy or sell a domain name, ask a lot of the right questions. And I think it is important to ask for references. See who else that person has worked with. Contact those references. See what their experience was.

Michael: So, if I want to get a list of, say, the last five transaction that you have done - the domain name and the person's name and maybe their phone

number -, of course you would need to clear it with those people to make sure that you could provide that list.

Andrew: Yeah, in a lot of cases, like I know in my case, it is difficult often to provide the actual last five domains that we sold. The majority of transactions that we conduct are under some type of NDA or just a commonly agreed upon non-disclosure if it is not signed.

Michael: Sure.

Andrew: And we have an internal policy of not sharing any of our client's information without permission from them. But we are happy to provide references of people that we have worked with, and that does not breach any type of confidentiality agreement.

Michael: Okay. So, at a minimum, get a list of references and actually call them. Just like if you are painting your house for two thousand dollars, you can get a list of references and you should call them to make sure that the people that they did services for would recommend them again and would hire them again.

Andrew: Absolutely. Absolutely. So, I think a list of references is important. Google their company name. See where they are mentioned. See if there are negative mentions. See if there is a lot of positive attention. Check some of the domain sales references, like DN Journal. Unfortunately, we stopped disclosing all of our domain sales.

Michael: All of them.

Andrew: Yeah, we do not disclose any of our sales anymore.

Michael: So, for those not familiar with DNJournal.com, Ron Jackson, every week, does a round up of all of the public sales that are disclosed. So, from marketplaces like Afternic and GoDaddy, he will pull those in, but also any domain name brokers that have public sales that want to disclose them. And last week, I think there were five six-figure domain names that made the top twenty list, and you can look at them by country codes. You can look at them

by major TLDs. It is a great resource for sort of getting your bearing around how much domains are worth.

Andrew: Yeah, I wish we could disclose. We would have knocked that list out of the park.

Michael: Why did you change your policy at Media Options?

Andrew: To be quite honest, the majority of our clients do not want their domain purchases or their domain sales disclosed for various reasons. Primarily the purchases. When a company is acquiring a new domain name, they do not want to disclose because they do not want their competitors knowing what they are doing, or they do not want the media knowing what they are doing before they are able to actually launch a business. And on the sales side, to some degree the same thing. They do not want their competitors knowing that maybe they are moving out of a vertical or that maybe they launched a business and it did not work out. Maybe it is for tax purposes. I do not know, but there is a lot of reasons why people do not want their sales or their purchases disclosed. So we had a couple of instances where we did disclose the sale of a domain name, and we had to retract that because a client came to us afterwards. Even though they had not told us in advance they did not want to disclose, they came to us afterwards and we had to retract it. It does not look good for us. It does not look good for Ron Jackson. And ultimately, I just made a decision that it is not my place to share my client's information. Whether we sold a domain for them or bought a domain for them, it is not my place to disclose. If they want to disclose, I am happy to get the attention. I am happy to get the mention that we helped them to acquire or helped them to sell, but it is not my place to say, "Hey, we sold this domain," or, "Hey, we bought this domain for this client." It is just that I do not feel that it is fair.

Michael: Right. And the closest thing the domain name industry has to an MLS system for real estate is Ron Jackson's DNJournal.com Weekly Round-Up.

Andrew: Absolutely. There are some other great resources like Adam Strong runs--

Michael: NameBio.com.

Andrew: --NameBio.com. And there are a few others out there, but yeah, I mean, on a weekly basis, Ron runs a great editorial.

Michael: All right. So, back to the due diligence. Ask them for references. Call the references. Ask those references if they would work with them again and if they would recommend them, and tell them it is off the record. Do a search. Find out if there are any bad reviews and any good reviews. Look at recent sales if the broker is disclosing the sales publicly, which you are not. Any other things that buyers or sellers should think about when hiring a domain name broker?

Andrew: I think ask them if they have a specific niche. Ask them if they have bought or sold domain names in the vertical that you are looking to sell one in.

Michael: Why is that important?

Andrew: Well, like in any sales business, your ability to sell a domain name has a lot to do with your rolodex. There is a lot of other factors involved. I mean persistence. There is a lot of personality traits and attributes that go into making a good salesperson or domain broker, but ultimately it comes down to contacts. A lot of it comes down to contacts. And we have built a great reputation and a great contact list in the lead generating industry. So, really, I would say our strong suits have been in the startup space, helping startups acquire domain names and in the lead gen industry. So, really focused on exact match keyword domain names in the most competitive verticals online. Insurance, mortgage, credit, home repair, automotive, health - the classic lead gen stuff. The classic lead gen and affiliate marketing spaces is where we really have built a strong business. And so, ask your domain broker. If you are looking to sell a domain related to tennis shoes, ask them if they have. First, at a high level, have you sold many eCommerce domain names? And if yes, then have you sold anything in the apparel industry or in the footwear industry, or do you have contacts in that space? And if they do, it is going to make their job a lot easier, which will affect a faster sale for you.

Michael: How do you know they are not bullshitting you? "Oh yeah, I have sold like ten commerce sites in the past two months, but I cannot tell you the names of them because they are under NDA."

Andrew: Yeah. I mean again, you can ask for references. And at some point, there has got to be a personal connection. If they are a good salesman, they can probably talk to the talk. It is going to come down to do you have a good feeling talking to that person on the phone. And I encourage you too. Do not just exchange emails. Get on the phone with somebody. See if you can built a rapport with them. You are going to get a feel for what type of person they are and whether your personalities conflict or whether you are a good fit. Just like in a real estate world, you generally do not hire a real estate broker until you have met them face-to-face. In the online industry, that is a lot more difficult.

Michael: And I would say get on Skype. Like I can look you in eyes right now and see how you interact.

Andrew: Exactly. Exactly. In this day and age, there is no excuse for not picking up the phone or getting on Skype, and having a candid conversation about your goals, the domain name you have got, the feeling, what does the domain broker think about it, and seeing if you think it is a good fit.

Michael: Yeah. All right, I am going to be promoting this to the startup communities, Drew. If people have questions that I did not bring up during the interview, they can post them under the video and we will ask you to come back and answer as many as you can.

Andrew: Absolutely.

Michael: If somebody wants to contact you, ask you some question in private, just send you a thank you note and say thanks for coming on the show and sharing. I learned a lot and now I know what I need to do in my business. What is the best way for them to connect with you?

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Andrew: You could visit us at MediaOptions.com. We have implemented a live chat feature, and yes, that is me. If you see Andrew in the chat, it is me. It is not some robot or somebody in India.

Michael: And if I see Tess, is that a robot?

Andrew: And if you see Tess, that is also a live Tess Diaz, sitting in Phoenix, Arizona. So, yes, we have a live chat on MediaOptions. You can email me at Andrew@MediaOptions.com. You can hit me up on Skype. mediaoptionsinc, I believe, is our Skype name. We try to be very available and very responsive. We try to respond to every email inquiry that we get unless it is just absolutely absurd. So, yeah, we welcome people reaching out.

Michael: Andrew Rosener, CEO of Media Options. Thanks for coming back on the show and thanks for being a Domain Sherpa.

Andrew: Thank you very much for having me, Michael. It was great.

Michael: Thank you all for watching. We'll see you next time.

Watch the full video at:

<http://www.domainsherpa.com/andrew-rosener-startups-interview/>