

Zappy's Proven Process to Extract Maximum Value from Domain Names - With Michael Zapolin

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I love entrepreneurial stories. If you love to hear how deals are done, businesses are built, and the successes and failures that come along the way; if you are inspired by them, like I am, then this one show you do not want to miss.

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 or online entrepreneur directly from the experts.

I pride myself on being a lifelong learner. This means that I approach life, both professionally and personally, with an open mind and an eye for improvement and innovation. And I know the best way to take advantage of this is to observe others, and learn what they are doing, and understand why.

Today's guest has a track record of several notable online business successes, and has developed relationships with some extraordinary people. His process for online business success begins by securing a quality domain name.

Today we are joined by Michael "Zappy" Zapolin - Internet visionary and entrepreneur who most recently added the title of Film Maker to his bio. We are going to learn about that later in the show. Zappy, welcome to the show.

Michael Zapolin: Yeah, great to be here, Michael. I love this show.

Michael C: Thank you. First off, everyone calls you Zappy. I want to know who was the very first person to call you Zappy.

Michael Z: It was some kid in my neighborhood growing up when I was real young and just started the nickname, and people, for whatever reason, love saying it. And then, later in life, my first name is Michael and there are so many Michael's out there. I guess my parents weren't overly creative back when I was born. And so, I get on these conference calls and it would be like: "Mike, Mike, Mike," and I have like two or three Mikes on there. So I just said, "Look, I am just going to go with Zappy," and it has been pretty good. You get off the call and it is pretty clear which person was speaking. So, that was key.

Michael C: I love that. I had the exact same problem growing up. There was always at least two or three other Michaels in my Elementary School classes. It seemed to thin out a little bit as I got older, but I need a good nickname like that as well. So, you have blazed quite a trail on the Internet for the past fifteen plus years. Do you remember the first domain name that you purchased?

Michael Z: Yeah, legitimately, the first domain that I bought was Beer.com. And the way that that happened was I was making infomercials at the time, and I had a pretty successful Internet company going, and I had a couple of shows that were doing really well and I was making money. And I started to think to myself about what I was doing, and I thought: "Wow, if I could just get my own 24-hour television network with 24-hour ordering, that would be like the Holy Grail. If I can find that, then it is going to be incredible." And 1997 or so I saw the Internet and I was like: "Oh my God! That is a 24-hour network. 24-hour ordering. This is going to be incredible." So, I came up with the idea was that if I was going to enter the Internet, I did not want it to be like my infomercial business, where I had all this process where I had to find a product and license it, and then market it and get people to know about it. I thought to myself: "If I could eliminate some of the process by having like a category generic domain name - something like Beer.com or Diamond.com." I was thinking: "I would already have credibility, I would already have some traffic, and then, when other people came on the Internet, I would rise with the tide." And I thought: "Wow, this is great. Let me go find a domain name to work on." And I thought to myself: "If I am going to jump into this business and take a few years to develop it, I want it to be big enough so that, when I am done, it is not like ForMike@Table.com and then I build it up, and there is nobody to sell it to." So I did what I called my Super Bowl Test, which was: If it is a big enough category to advertise at the Super Bowl, then that is a big enough category for me to spend a few years developing. So I made the list and it was like Beer, Cars, Computers, Insurance, and Diamond Rings. Top of the list was beer, and so I typed in Beer.com into my browser. This was now 1998. And up comes this kind of what I would call a hobbyist site. It was a young kid - 21+ year old kid - who had pictures of him and his friends on there. They were like throwing up from drinking too much. And, at the top, there was a banner and it said, "We need

advertisers so we can buy more beer." And I was like: "Wow, that is interesting," so I look him up in the WhoIS Directory at the time and it comes up with this kid. He is Colorado and I am thinking: "The guy is in Colorado and he cannot find a beer sponsor? Like you really need some marketing assistance."

Michael C: Yeah.

Michael Z: So, I, again, thought to myself: "Before I just jump head first into the beer business, I would love to eliminate some of the process of getting to all the Millers and Budweisers. How do I do that?" And I thought: "I know some guys that do liquor promotions all around the country. Maybe they have some access to these beer companies." So, I approached the owners of that company and they had Miller and a couple of other beer companies that were already clients.

Michael C: So they were agencies. They were marketing agencies?

Michael Z: Yeah, they were a specialty agency, where, if it was Bacardi night in two hundred bars across the country, they would have the good looking people there with the signage, and they would be passing out the schwag and everything.

Michael C: Got you.

Michael Z: But they had a couple of beer guys. So I went to them and I said, "Look, I want to make Beer.com like a beer advertising portal for people to hang out, but also advertisers to be able to connect with these passionate beer people." So, they loved it. They were smart guys. They said, "Let's do it," so we approached the owners and he said, "Yeah, I will sell you Beer.com and let you develop. It looks like you have got a lot of good stuff going on." So we had to come up with a price at the time. This is 1998. So, I said, "Look, let's just pretend that this is worth one hundred thousand dollars. And I think we should give you eighty thousand dollars in cash, and you keep twenty percent of Beer.com because I am going to develop it and all of these advertisers are going to come in; and you are going to be bummed out if you do not have a piece of this as it grows." So, he said, "All right. Sounds like a

good deal." We gave him that eighty thousand in cash. He actually claimed he was a retiring to Breckenridge along with eighty grand.

Michael C: Love it.

Michael Z: Yeah. So, he went off. He was doing his thing. I just, very inexpensively - several thousand dollars or less -, put a new looking Beer.com. So, it was How to Brew Beer, or Rate Your Favorite Beer, or Get a Free Beer.com Email. And what I noticed was the cool thing about the email was I was giving them out and people were signing up for FallingDownDrunk@Beer.com or Michael@Beer.com, but a few hundred of these were being registered every day and given out. And so, I was excited about that. And I, again, wanted to eliminate some of the process, and this is one of the business mantras that I have; is eliminate the process in your business. So, instead of waiting for all the beer companies to figure out what we were doing and how it matched with what they were doing, I put out some press in the industry about the fact that we were redeveloping Beer.com into this beer portal community site. And boom, I get calls from all the beer companies.

Michael C: Really?

Michael Z: Calling and asking: "Hey, we would like to advertise or we would like to talk to you." One of the calls I got was from McKenzie up in Toronto, and they said, "We represent Interbrew, which is now called Ambev - a five billion dollar beer company -, and we want you to come up to Toronto and talk to us about how we could get involved." So, I went up to Toronto; and this is from a negotiating domain standpoint. This is probably a classic case.

Michael C: And at this point, you had a website - what some people may call today a mini-site - with maybe five or ten pages on How To Brew and Where To Buy, and Hops and things like that, but you did not even have this social community, where people could interact or rate beers. You had assigned email addresses, and that was pretty much it.

Michael Z: Yeah, it was really thin. It was very thin. It was kind of like we were a poster for what was going to come.

Michael C: Right.

Michael Z: And so, classic negotiation with Interbrew. They would get me in their corporate suite and they are feeding me beers and stuff, and they say, "Look, you guys are having fun, but we are a giant beer company. So, no matter what you do, it is never really going to add up to what we could do. So, why don't, instead of doing your crazy stuff, you just let us buy Beer.com from you?" And so, I said, "All right. Well, I guess I am probably up for it at the right price, but we are having a good time." So they said, "All right. Well, we want to give you one million dollars. You are going to be a millionaire," you know?

Michael C: They just threw that out. You are sitting around the table; you are drinking beers. They are like: "How about one million dollars?"

Michael Z: Yeah.

Michael C: Back in 1998.

Michael Z: 1998. And they were super psyched to give me that. And again, I said to them: "Look." I go: "Well, we already have some advertisers that are going to come onboard, and we are having fun, and we are developing maybe even our own kind of beer, and we have got a network of people, and we are giving these Beer.com emails." I go: "I do not think my partners are going to let this thing go for less than ten million dollars." And they were like: "What? Ten million dollars? That is ridiculous. All you have is a placeholder site." And I was like: "Well, we are having fun, and you can advertise or I am sure (Unclear 10:45.8). We can figure it out." So they said, "All right. Well, hold on. We are going to huddle up." So they huddled up and they came back in the room and they said, "How about seven million?" And I was like negotiation. You try not to get too crazy-eyed, but at the same time you do not want to take a step back where they go: "Oh, wait a minute, but we meant five."

Michael C: Right. You got to make them earn it. Yeah.

Michael Z: I was like: "I don't think my guys are going to let it go for less than ten," but I said, "Let me make a phone call. I will huddle them up." So they said, "All right." So, they gave me a few minutes, I called my buddies, and they were freaking out like me. So, I get back into the room and I said, "Eight million; we will do it." And they gave me all this rationality like: "Seven million, and we give you a bunch of beer and schwag," and I was like: "All right. Let's do it."

Michael C: Is that like beer for life? What would it be?

Michael Z: Yeah, it was not beer for life, but it was like enough that they felt like they had tricked us at the end, which is always, I think, how you want that negotiation to end.

Michael C: Sure.

Michael Z: So, it was really a great experience. And then, when I called the kid, one of the great phone calls of my whole life was when I called this kid who sold me Beer.com and I was like: "I just sold Beer.com!" I go: "I am sending you 1.4 million" because he had twenty percent. He's like: "What? You sold it for 1.4 million? Oh my God!" And I was like: "No, no, no. I sold it for seven million; you are getting 1.4 million." So, it was like a lot.

Michael C: Unbelievable. Have you stayed in touch with the kid that originally sold you Beer.com?

Michael Z: Yeah, I mean I track him along the way, and he has done some really cool stuff since then. He was already into like Internet hosting and all kinds of cool stuff. So, he is really done. He is a smart guy. I do not want to discredit him. He is not just some drunk college kid. And just to show you what the environment was like, you had to be pretty creative back then. He originally, when he called up and wanted to get Beer.com, we had to actually physically call up to get these things, and he said, "I want to reserve Beer.com," and they said, "Well, you cannot because you have to have a business use for a domain." So, he went out and he set up a company; and his first name is Bill, so he set up Bill's Energy Exchange Reserve (BEER). And

he called them back and said, "All right. I need the name," and they gave it to him.

Michael C: Wow, smart guy.

Michael Z: Yeah.

Michael C: All right. So, let me unpack this because it's a phenomenal story. Of course, the late '90s leading up to 2000 was a boom time in the economy. The .COMs were taking off. Everybody was investing in Internet startups at the time, so it was perfect timing for you to buy Beer.com in '98, get it for a great deal, throw some vision onto what it could be, and convince other people to do that. Would you say that timing was one of your best allies in this deal?

Michael Z: I actually think it is sort of always the same timing because you are always trying to come up with what the pricing is and what the eventuation of the situation is going to be. So, when I bought that back in 1998 and I told people I was going to pay one hundred thousand dollars, they were like: "Are you out of your mind? That is the stupidest thing I have ever heard," you know? And I was not getting a lot of feedback like: "Great price," you know? I was getting quite the opposite because it was a little bit early. And leading into the next domain name that I wound up buying was -- after that experience I went right back to my Super Bowl list and I was like: "Oh my God, what is the next category?" So I am looking at the list and I am thinking: "What industry is going to be effected by the Internet over time?" And I saw the name Diamond.com on there, and I was like: "It is pretty cool because a diamond, they just De Beers it or somebody mines it out of the ground. And then they cut it, and they finish it, and they cut it again. And then they sell it to a wholesaler, and they sell it to retailers, and there is all this process and all these markups; and if the Internet could compress that, then it would be a better system for people to be buying diamonds." So, at the time, I reached out and it was a software company in Texas. A business-to-business software company called SI Diamond Technologies; and they had taken Diamond.com. I showed them what I did with Beer.com and I said, "I want to take this thing and do what I did." So, they said, "Okay." So we agreed on a price, which was three hundred thousand dollars and them

keeping about twenty percent of the LLC so that they had upside too. And, again, at the time, to make the point of what people were saying, I said, "I am going to buy Diamond.com for three hundred thousand dollars," and they were like: "That is ridiculous. Nobody is going to buy a diamond on the Internet. You know what I mean? Yeah, maybe a fifty-dollar little trinket or whatever, but nobody is buying a diamond on the Internet." So, for a domainer, you have to be willing to go against all the nay-sayers who are saying bad idea; here are all the reasons this is not going to work. You have to put your blinders on because, again, even today, it is such a future category and future vision that you have to ignore all those people. So I ignored them and we bought it. We, again, put up a very thin site. It was like How to Buy a Diamond, Diamond Auction Sites, and Diamond Retail Sites. We were not even selling anything. I put up press about what I am doing on Diamond.com - what it is going to be. Of course I get calls from all the diamond companies. This is now 1999, so there was starting to be a frenzy. And I spoke to De Beers and a bunch of other pretty good-sized companies. Some just totally did not get it. And De Beers said, "Look." I wanted crazy money and they said, "Well, we do not think we can disrupt our diamond channel that we have right now. We have plans to go direct in the future, but it is quite a ways off. You should be talking to one of our major site holders - one of the people that we sell to - because they are going to get in and they are already thinking retail." So, they matched me up with a guy named Beny Steinmetz out of Israel, who is one of the big diamond buyers out of Israel. And I contacted him. He immediately got it. He had started a company in the online diamond space. He had got one hundred million dollars from SoftBank and he was rolling along. So he had a management team. I did a deal months after buying that Diamond.com for seven figures of cash, plus equity in this company that was being managed that had a whole budget and Beny Steinmetz behind it, and just kind of put that deal in place and moved back to the list.

Michael C: Wow. So, it sounds like you have got two deals now. The deals were done, the sites were built, and then you sold them off. And they almost seemed identical, Zappy. They seem like you had a category killer domain name - something that has wide mass appeal. I love what you call the Super Bowl test. I have never heard of that before. So, using anything that might advertise to the masses on Super Bowl, so it has got to be an enormous industry - something that a majority of people in the United States are going

to purchase potentially by watching the Super Bowl commercial. And then, you put a website. You have a vision of what it could become someday. You put out press regarding that vision. You get as many interested parties thinking about the deal; then you negotiate and you close it.

Michael Z: Yeah.

Michael C: So it seems relatively easy. Can something like that be done today do you think?

Michael Z: Yeah, I mean it is happening all the time. I think the mistake that people make is they are not willing to do some of that really simple stuff. They will get a good domain name or a great domain name and they will just try to market the domain. And it is like such a waste because, if I had not put up that placeholder for Interbrew to see what it maybe could become or Beny Steinmetz to see what Diamond.com maybe had the possibility, I would have had to rely on their vision to happen. And I do not want that.

Michael C: So, instead of hoping that somebody else is going to have the vision of what it can be and then realize the value of that, you are saying here is what it can be; now put your value on that.

Michael Z: Yeah, and I would add to that, that it shows proactivity so that, when the guys at the big beer company said to me: "Sell it to us," and I look back at them and go: "Well, I am having fun and I am doing all this stuff," it was like legitimate.

Michael C: Right.

Michael Z: It was not just I got a domain name and hey, I might do something. So they had to like factor that in, and I think any time I am buying a domain name or selling I always look at how the person is using it; and as soon as I see how they are using it, it gives me a much better indication of where their pricing is probably going to be because to walk away from the opportunity is something that you are able to factor into your price. And most people do not do it; and that is like kind of the tragedy of domains because it is somewhat easy. And when I describe, let's say, my next couple deals, I

went much deeper on the development because of the time and place, or the opportunity that I saw and what the methodology is seems to be the same. And I think I am doing it today and I have done this in the past few years and had some of the same types of successes doing that along the way. So, it is not a 1998, 1999, and 2000.

Michael C: Yeah, it is not a pre-2000 model that only works there. Okay. Let me ask you a couple more questions about both of these two deals, and then I want to talk about some of your newer deals, Zappy. The step in the process where, after you have developed sort of Version One of the website and before you sell it - that step right there is market the hell out of it. How do you take your vision for what the site can become and get that out into the public in front of the people that may be potential acquisition targets?

Michael Z: So, that is a good question. Again, my thinking is that you have to be able to give them something visually to show what is possible, or where you are going. That does not always mean that they want to go that direction, but it gives a sense of forward momentum. And so, when I do that, what I try to do is to leverage the press because that is great. Every industry has industry press, and those people you know are reading the industry press. So, when they see that in the industry press, it has another level of credibility because they start thinking: "Oh my God, if I am seeing this, my competitors are seeing this too."

Michael C: Right.

Michael Z: And then, third, I will make a point of contacting all the major players in the industry. Contact them. CEOs; Heads of Marketing. Send them an email. Send them a screenshot of the site. Send them a link. Send them an article that recently ran in the industry press. And just create that anticipation and some of that desire in them, where some of these people resurface a year or two/three years later and you have laid this foundation along the way. And I will never forget. The next deal that I wound up doing was Computer.com. And we bought Computer.com and the phone number 1-800-COMPUTER. And the idea was, in 1999, when we bought it was to launch with a Super Bowl ad.

Michael C: Yeah, I want to talk about that. That is a great story, Zappy. Okay, but hold on. I want to back up for a second because I am going to come to Computer.com because I have watched that Super Bowl ad. So, in that process step where you are marketing it, you want to go out to the industry trade magazines. So, if you are running Beer.com, you go to Beverage World, for example, which is one of the largest trade magazines - it has been around for one hundred years - and you want to try and make sure that they write some sort of Editorial about Beer.com launching; how it is going to be an industry focal point for consumers to come together and what your vision is for the future.

Michael Z: Exactly.

Michael C: So, they go do that. Not Beverage World per se, but one or more of the industry trade magazines goes and does that. And then you are going to take that link to the website, or you are going to take that PDF of the print magazine article, and then you are going to find the contact address for major CEOs in the industry and you are going to email or write to them.

Michael Z: Yeah, and nowadays it is so easy. You have LinkedIn; these places where you can literally figure out who is who at the corporation, send them a message, email them, call the company, and say, "Hey, I am sending John Smith an email." It is so simple now.

Michael C: It is a lot easier now. You can go onto Elance. You can hire somebody for fifty bucks to find the CEO contact email address or guess the email address, and you print off some letters, you FedEx it to the address, you call the secretary, and you say: "Hey, I am sending something very important. Can you make sure it gets on the desk? It is arriving tomorrow," and you are done.

Michael Z: That is it.

Michael C: Like for five hundred bucks you have got the attention of every single major CEO in the industry.

Michael Z: Yeah, absolutely. And getting to where I was going with the Computer.com thing is if you can get an industry expert involved in what you are doing, that is going to be an incredible thing. So, Jeff Taylor, who is the Founder of Monster.com, who had done Super Bowl successfully the year before. We reached out to him immediately when we bought Computer.com. And when he heard computer and said, "You did Super Bowl successfully. We think we could do it with these properties. What do you think?" And he, number one, got really excited, but the point I was making earlier was I asked Jeff Taylor at some point in my relationship with him: "How do you figure out? At Monster.com, you are buying all these different companies. How do you figure out which ones to buy?" And he is like: "I wish it was a little bit more scientific." He was like: "I will hear about some company and then somebody in my company will say something, and then I will see a news story." He was like: "By the time somebody pops up two or three times, they are on my radar and, who knows, if it is the right fit, we might buy them."

Michael C: Great advice. So, you need to try and get as much PR as possible for whatever you are trying to sell because everybody has a lot of information coming to them; and if you can reach them, somehow, two or three times via different sources over the course of some time, then they are going to say: "Hey, there is something to this."

Michael Z: Yes.

Michael C: "Let me take a look at it."

Michael Z: Exactly.

Michael C: Great point. All right. Back to Beer.com. Where did you get the eighty thousand dollars to buy that domain name to begin with?

Michael Z: That is a good question. So, I had been doing these infomercials fairly successfully. So, I had some money around, but at the same time I was bringing in this Beer Group - this advertising niche agency who had the beer sponsors. So, they wound up putting up a significant portion of that eighty thousand dollars. To come into the deal, I was going to run it and ride shotgun, so it made sense that I was going to put in some cash to show I was

serious, but the lion share of it came from those guys. And ultimately, they owned the biggest piece of it as well, so they were pretty excited.

Michael C: All right. So, a seven million dollar sale to Interbrew. You were not a majority stakeholder in Beer.com, but you were running the company and you had some stake in it.

Michael Z: Yeah. Yeah. I think I had about twenty-five percent of the company after I gave the kid a piece and gave the guys who were putting in the money and were bringing the advertisers to the same. And that always feels like a significant enough piece along with whatever other additional little tidbits you might be able to earn for yourself in the way of income and things like that.

Michael C: Sure. And so, did you have a partner on Beer.com in addition to the investor?

Michael Z: No.

Michael C: No. Andrew Miller?

Michael Z: No, the first deal that I did with Andy was Diamond.com. When I decided to make that acquisition, I went to Andy and said, "Look, obviously you know what I just did with Beer.com. Here is what I am thinking of doing with Diamond.com. And it is a bit more money that I am going to have to put in here and I need somebody valued-added to the industry." And in a couple of those places, he was a great fit for that. So, we did Diamond.com together and it was, obviously, a pretty good, quick success.

Michael C: Yeah. And I do not have it in my notes, Zappy. What was the end sale price of Diamond.com?

Michael Z: When we sold it, it was like a combined value of around seven million dollars. Pretty similar to Beer.com.

Michael C: Yeah.

Michael Z: Ours was cash in equity. A few years later after the Internet bubbled and they had burned through their capital and stuff, they wound up selling Diamond.com off for seven and a half million to the guys up in Canada Ice. And so, what was cool was you could see that the domain had retained its value. Even though the company had tanked, it was great to see that the domain was still holding value.

Michael C: Yeah, definitely. So, the key in both of those sales was not necessarily an operating business; a valuation based on a multiple of the earnings. It was, basically, you put up and running a website, you talked about what the vision could be, and then people looked what that potential growth could be, what it could cost in opportunity if they did not take advantage of it - what their competitors might be able to do -, and you sold it based on that potential.

Michael Z: Yeah, absolutely. And I could have even left some money on the table after the fact; in knowing these guys, I had talked to them. And part of what they had told me afterwards was that they did not know if they would wind up making money on Beer.com, but they saw it as a way to market to beer lovers. And they have a broad portfolio, so Beer.com makes a lot of sense. And they said to me that a one percent shift in the beer drinking market - if one percent of beer drinkers switch from one brand to another, that is a billion dollar swing.

Michael C: Wow.

Michael Z: So, who knows what it did for them or what the real value was, but I think at some point, again, you have to negotiate something that you can live with and something that, in that case, I was not so passionate about beer that I needed to be in that category for the next ten years.

Michael C: Now, beer is both singular and plural, but diamond is a singular versus diamonds - the plural. Was that a concern to you when you were buying Diamond.com for three hundred thousand and thinking: "Oh, did I buy the wrong one? Is this one going to be the category killer domain name?"

Michael Z: Yeah, that is funny. It was an important variable. In my mind, there was a difference between Diamond.com and Diamonds.com in that I believe that two domains are different if one is singular and one is plural. So I was confident in that. The plural was owned by a company that was setting a lot of the prices. They were like the rap sheet. Rapaport had this rap sheet in New York that was calling prices on diamonds; they owned Diamonds.com. One of the reasons that I actually wound up doing the deal with Beny Steinmetz and these guys and having all this money behind me was I did see that there was a clash coming between us and Diamonds.com, and that Rapaport did have some money to fight that I would have had to fight the battle. So, a part of what my partners were taking on was that potential legal situation. It did come to a head and it was decided, as sort of domain precedent, that Diamonds.com was different than Diamond.com. They were two totally different things. Obviously we could not have pretended we were Rapaport or something like that, but if we were going to do our own thing, then we were two different companies in the eyes of the judges and people like that. So, it was important. It probably set a lot of precedent - that Diamond-Diamonds situation.

Michael C: So, you did both of these deals. You gave twenty percent back to the company that sold you the deal. It seems like that is a nice maneuver. It is a nice-guy maneuver. It is a good karma business decision. You are trying to convince somebody: "Hey, this is going to be big. I want to cut you in." It is a good way to also bring down the price, but it makes the process much more complex because now you have another investor in the process. You have more people to potentially listen to and have to deal with. Why did you decide to do that - give twenty percent to the people or companies that sold you that - rather than just buy it outright?

Michael Z: Yeah, I mean I am a big believer in, if you share something, it is going to come back to you in some multiple. I mean I believe that fundamentally, so I want to have that happen in any business. I want to share, whether it is employees or people like that. But for a lot of the reasons that you just said - intelligent reasons, like bringing the price down, get the deal, separate myself from somebody else who might be offering them one million and a half dollars or something for the domain -, that is a way to set it. But at the same time, with the Beer.com kid, I really felt like I was going to affect

the value pretty substantially. I did not want this kid to come back to and say: "Oh, you sophisticated marketer, you suckered me in; now I am going to sue you." With the Diamond.com guys I did not feel quite the same, but in both of the cases I convinced them that I had some expertise - some intellectual capital - in doing this that they were going to be a passive investor - passive shareholder - and that they were going to own the stock, but I was going to do what I was going to do and they were going to have to except what I did and when I sold it. The only caveat was they were going to have some piece of that upside.

Michael C: Yeah, all right. And when you did the deal for Beer back in 1998, hosting was not very cheap back then, design work was not as cheap as it is today, legal work was probably cheaper back then. So, this eighty thousand dollars that you had some investment and that you put your own money on the line for was only the first step. You actually had to close the paperwork, get your lawyer at one hundred or two hundred dollars per hour to write that up, go back and forth on that, design it up, and host it. Do you know how much more you spend besides the eighty thousand dollars to get it up and running to the point where you could say here is my vision for it?

Michael Z: Yeah, we actually, between myself and the other party, threw ten thousand dollars into like an operating kitty; and it was enough. Again, it was a thin site. I do not want to claim there was a whole lot of depth to this site, but it was enough to reface the site; have the documentation real clean, which I think is important to domainers. If you are going to do something that you eventually think you are going to sell, do everything really clean. Spend the time to put together the LLC Operating Agreements. Do everything right. Lay out the distribution of capital. But it was definitely, since I sold it three or four months later, really had not spent that much money. We never spent the whole ten thousand we had put in there, but it was probably several thousand dollars went in. And the good news was if we had wanted to bring in some outside capital at that point, I think we could have presented to somebody. "Hey, we have got some press. We have got a site. We got interest from some of these companies. Why don't you come in now at five hundred thousand dollars or a million dollar valuation?" So, I think every time you move forward you have to worry a little bit less about what you gave away or how much capital you are going to need to take it to the next level.

Michael C: Right. All right. So, we talked about those two sites that you bought that you built sites for, marketed, and then sold not too much later. So you rolled out of Diamond.com with another seven million dollar sale; by this time, you are probably a multi-millionaire. Was there any thought that: "Hey, I am done, man. I have got enough. I can go to Puerto Rico. I can live where I want and I am done."

Michael Z: No, I mean, at that point, I had made a couple million dollars for myself and what not, and everything was looking great. But I was having a lot of fun. I knew this was a very early industry. I knew that the Internet, as I was seeing my friends using email and using America Online, was rolling. It would have been insane to just kind of stop right there and, quite frankly, that did not seem like a whole lot of money to me, especially even early on there. You started to get the sense that this was going to be pretty big and there may be some hundred million dollar sales and some billion-dollar sales. It was like I was interested in participating in that.

Michael C: So this was just a prelude you were looking at it. Was your next purchase for CreditCards.com?

Michael Z: No, the next purchase I did sort of simultaneous to Diamond.com while it was happening was I wound up buying Computer.com.

Michael C: Oh, yeah, that's right. Let's talk about the Computer.com one.

Michael Z: Yeah. And that was during the 1999/2000 total exuberance. You call up your dentist to get a cleaning appointment and he would say: "Oh, I just started an Internet hedge fund." You know what I mean? It was crazy. So, I really liked the domain. I thought to myself: "Computers. Everybody is using the Internet on a computer. I have got this 1-800-COMPUTER phone number with it. This is really a big play." And I got together with a guy named Mike Ford on this one; was my partner on this. And he came from the computer background and he is a sales guy. He sold to some of the big computer companies in the past. And told him what I wanted to do; he loved it. We came up with a price. It was five hundred thousand dollars and the owner was keeping something like twenty percent. A little bit less. And that

was the deal. We went out and talked to our friends and family, and folks like that, and we wound up talking to Jeff Taylor. Mike Ford did at a Boston College Entrepreneurial Event. Jeff Taylor from Monster.com was speaking there. And so, after the event, he went up to him and said, "Hey Jeff, we bought this 1-800-COMPUTER and Computer.com," and Jeff was like: "I love it." He said, "This sounds amazing." He said, "We are thinking about doing a Super Bowl ad, like you did last year," and Jeff said, "I think that would be a great thing." He was carrying like a multi-billion dollar market cap after doing that. So, long story short, Jeff agreed to come on as an advisor, to come on as an investor, and chaperone us to do a Super Bowl commercial

Michael C: So, let me pause the story right there for a second, Zappy. If anybody is watching this show and they have not seen the Super Bowl commercial from January 30, 2000, they need to pause the video right now. They need to start a new tab in their browser, go to Zappy.com, and I believe it is in the upper right hand corner is the commercial. It is hilarious, so go ahead and pause the show, watch it, and then come back.

Michael Z: Yes. Welcome back. Yeah, it was a blast to do that. And it was an insane time, so we very quickly raised the money to do a Super Bowl commercial, which, at the time, that year was 2.7 million dollars.

Michael C: Wow.

Michael Z: You got a one 30-second commercial in the game and you got two commercials in the pre-game. So, we were the very last advertisers to buy a spot in the game. They were really already taken, but somebody like Pepsi or Budweiser had three or four spots, and so they sold one them to us. The network did. And the network said to us, "Super Bowls have been lopsided events in the last few years, so a lot of people may tune out of the show, but you guys are getting the last commercial break in the game, which traditionally is not great, but there may be still a critical mass of people watching at that point. So, do you want to take a shot?" And we said, "Absolutely. Sounds like, between that audience and the press that we can potentially get leading up to it, it is worth the risk." So, we bought the commercial with Jeff chaperoning us, we worked with an ad agency out in

New York, and we created this Super Bowl commercial; and Mike Ford and myself being total egomaniacs, we were like: "But where is the spot that we are in? Like you have got Dave Thomas from Wendy's. He is in his. And Michael Bell is in his spot. Like where is our spot?" So they were like: "Oh yeah, yeah, we got that spot." So, we did a spot that is kind of like a spoof on Woody Allen. It is an old Woody Allen movie, where they are talking to relatives of his and about himself and stuff. So these people were actors and actresses. They were not really our relatives.

Michael C: It was not really your family.

Michael Z: No. The idea was to do something. Our concept for Computer.com was computer stuff for the novice. So we felt like if we could give that novice message and the site had all kinds of information and stuff for novices, the phone number was backed by a computer reseller. And so, the plan was launch the Super Bowl, launch the site the same day as Super Bowl, which was obviously a technical thing that we needed to get right, and then launch the Super Bowl commercial. And so, it was total (Unclear 43:13.6) and faith, but as it turned out, we were the last spot in the game and it turned out. It was the Rams v. Titans game, which, if you remember, came down to the very last play in the game, where the guy kind of reached out to kind of score the touchdown on the last play. So our commercial went off and it was prior to that play, but everybody hanging on the edge of their seat. I will never forget. It was one of the most surreal moments of my life. I was in the ABC Disney Box at the Super Bowl in Atlanta, and in the booth was Michael Eisner, and Joe Nameth, and John Travolta, and all these people. And the advertisers were there, so each time an ad would go off, everybody would like hug the advertiser or something, or go: "Yeah, good commercial." So, leading up to it, everybody kind of knew we were the last spot, was rooting for it to happen, and so they had to make a first down on a fourth down play, and they had a get out of bounds. All this crazy stuff had to happen for us to still be relevant.

Michael C: Right.

Michael Z: So, when the spot went off, the Head of Disney - Iger, who is the Head today - said to me: "I don't know if you have a horseshoe up your ass, but that was the highest rated commercial all (Unclear 44:36.8).

Michael C: And it went on to be declared by Adweek, which is one of the largest advertising publishing companies in the industry of advertising and marketing, to be one of the best Super Bowl commercials of all time.

Michael Z: Yeah, they loved it. I mean it was a lot of fun. The funny thing was, when you see the commercial, you see, at the end, my buddy, Mike Ford, who is my partner laughs. He lets out this like grunt.

Michael C: He lets out a snort.

Michael Z: Yeah, and it is so ridiculous. Like we were totally mocking the whole thing. I think they appreciated that. But what happened when the commercial went off was pretty incredible. We could see back at the servers and Jeff Taylor had made sure that we were not going to crash that, and we had all kinds of amazing technology in place, but we could see that within the first twenty-four hours - while the Super Bowl commercial was happening we were starting to get flooded, and then after it flooded after the game - we had one million people come to Computer.com within that period.

Michael C: Wow.

Michael Z: And so, after that experience, we went on to raise more money at a much higher valuation - exactly what we had hoped would happen. And a couple months after that, if you recall, that is when the Internet completely melted down. And the Super Bowl commercial that we did really, I think, saved us because, by doing that commercial and being proactive, when everything melted down, we were showing people what we were doing and what our stats were. And our partner in the eCommerce store that was answering all the calls and taking all the orders online was a company called Siberian Outpost at the time. And when we showed everybody, you could see that when people came to Computer.com, because of the credibility of being Computer.com and then the education and information we were giving people, when they went into our store, they were buying ten percent of the

time, which was five or ten times what Siberian Outpost was getting when they got traffic from CNET or AOL.

Michael C: Right.

Michael Z: So, we showed this to all the retailers and we had a deal set up that was millions of dollars in cash and equity in a publicly traded company worth one hundred million dollars plus. Just a great deal, but their stock was ticking down every day from like fourteen dollars to twelve to ten to eight to four. It was just melting. So, as that was happening, we shifted and started talking to some of the business-to-business companies that were in that space. And then they started. (Unclear 47:25.1) fell from like three hundred dollars a share to eight dollars a share in one day, and that whole segment disappeared. But one of the guys we were talking to said, "Office Depot. Their online division. They are actually growing it. And I think you guys should talk to them." So, long story short, we wound up doing a deal with Office Depot - their online division. Sold them the domain, sold them the phone number, sold them the business, all the data that we had, and wound up being able to pay off our investor notes and get a small token amount of Office Depot stock. And quite frankly, if we had not done that Super Bowl ad and we would not have those metrics, it probably would have been next to worthless. And I think, again, I am trying to evangelize development for anybody who has got a good domain or category that they are passionate about, and I just think you have to be proactive because there are so many great things that come out of that development that you maybe cannot see in that moment, but that come back to help you.

Michael C: Definitely. So, did you walk away from the sale of Computer.com with break even; basically, taking the cash that you got and putting it towards the investment, and then walking away with stock that then became valuable?

Michael Z: No, it was a loss, but it was a partial loss as apposed to a complete loss, which, at that moment, was like a victory to people who were the note holders. People like Jeff Taylor and people who had given us investor notes. I mean they were happy to get their investment back that was not happening for them for most of the places they were invested.

Michael C: Definitely. So, the lesson from this. The very beginning of the show we talked about how we are going to learn the wins and the losses, or what you learned and what you unfortunately learned negatively during the experience; and I love that you brought up this story and I love that you are open with the fact that it was a loss because you had two, what sounds like, really easy wins with Beer.com and Diamond.com, but you show that the same game plan that you executed against those was used in this case and, if you would not have done that, yes, you would have ended up just like every other .COM startup in 2000 that started up in '98 or '99, and you would have walked away with nothing except for a domain name.

Michael Z: Yeah, absolutely. It is a learning curve. So, just to transition to the next domain that I wound up doing, which was CreditCards.com, a lot that I learned during that Computer.com experience affected my critical thinking. So, I thought to myself: "What I did not like about the Computer.com experience - the limitation there was, was a physical product." And they always come out with a new computer, so the old stuff is no good, and there are all kinds of (Unclear 50.21.3). You have to be always on the cutting edge. So, I thought to myself after the Internet bubble burst. I thought: "I want to go back to my Super bowl list of what categories I would buy, but I want the non-physical product ones. Those are the ones that I am going to go for now." So, if you think about it, credit cars are non-physical. Mortgages. Insurance." Those are like non-physical products that were on the list. So, I thought about credit cards and I thought: "Wow, what a great category. I am using my credit cards like crazy. I would love to be on the other end of that food chain." And I thought: "There is no product. It is just a promise between you and a credit card company to pay. That is amazing." So, I approached the owners of CreditCards.com and, like a lot of people, they were, post-Internet bubble, throwing the baby out with the bathwater. They said, "Oh, we have this great business doing backend credit card processing," which they did. And they said, "CreditCards.com. It is a little too .COMy. Like we do not need it. Take it," and I was like: "Okay."

Michael C: Wow.

Michael Z: So, bought it for one hundred thousand dollars, which I had budgeted way more than that to buy it. But again, they just wanted to distance themselves.

Michael C: Let me pause the story there, Zappy. One hundred thousand dollars back in 2003?

Michael Z: 2001.

Michael C: 2001. Okay. 2001. So it was right after the .COM bust. They did not want it, but clearly it still had value. A six-figure domain name. Tell me about the negotiation process. Do you remember that because all of these are great domains, but I think a lot of domain investors that are watching this right now would say: "CreditCards.com? That is like the holy grail for making money online"?

Michael Z: Yes.

Michael C: What was the negotiation process? Did you make an offer to them? Did they say: "Well, I think it should be about two hundred"?

Michael Z: It is funny. All of these things, as you learn, as you know, they all have these all crazy situations involved with them. And, as I remember it - I am just remembering it right now -, something happened, where I had been willing to pay substantially more, but I said, "What do you want? You are not going to develop it. You are going your way anyways," and they wound up having a very successful IPO for their backend credit card company. So, they really did not need it. I mean they should have kept it, but they did not need it. And they had originally said something like two hundred thousand; and while that was happening, there was some kind of an Internet scandal, where Russian hackers had stolen people's identities and things like that related to credit cards. And they just called me up and they were like: "You know what? If you do one hundred thousand, we will just do it together." And I was like: "Okay." Like who calls you up and gives you fifty percent off? But it was just the nature of that moment for them. And so, we very quickly did the deal. Andy Miller was my partner on this. Jeff Taylor, who was in Computer.com, came in as an investor, and I said, "Let's do this in a similar

fashion of what I have been doing, but this seems like the holy grail, so let's spend a few years trying to get good at search engine optimization and affiliate marketing. Let's try to maybe build this into something real." But at the same time, Michael, there were a lot of people that I talked at that time who thought Internet is over. (Unclear 54:05.9).

Michael C: Yeah, sure, there were the nay-sayers that thought you were crazy at that time for spending one hundred thousand dollars.

Michael Z: Yeah, and the fact that they were not being approached by other people to buy it. Again, you got to be proactive because I think there is a lot in that proactivity that comes out of there.

Michael C: Yeah, definitely. So, you strike me as a pretty personable guy, Zappy, and we have not spoken before today. But you are a likable guy. You are a clear communicator. I think you are a good person. How much of the relationship aspect comes into play when you are negotiating for Beer.com, or Diamond.com, or CreditCards.com? At the point where the sellers of CreditCards.com called you up and said, "Hey, give us one hundred thousand dollars and it is your," did you have a long standing relationship by telephone with them? Did you meet with them? What was that relationship like?

Michael Z: Yeah, I knew one of the people over there originally, which is how I got really synced into talking to the Senior Management. I went and met with them because I thought it was important. I thought it would elevate the relationship. I still think, again, face-to-face communication is the best; second is what you and I are doing, which feels almost like that; third would be the telephone. And just coming back to what you said, I am sure there are plenty of people that do not think I am a good guy that think I am an opportunist or whatever they think. So, my philosophy has always been there is some percentage of people who are going to like you for who you are, there is another group of people who, if you said all the right things, would like you, and there is a whole group of people who are never going to like you no matter what you do. You cure cancer. You save the planet. They could care less. They do not like you. And I think just to try to focus on being who you are and trying to communicate clearly, you are going to have your haters and you are going to have that anyway, so do not focus there. But I

think that is a good point. If you develop a relationship with a domain seller who you are working with or somebody you are trying to sell your thing to, it is just another part of the equation that you can leverage into maybe getting a better price. I have had circumstances where I have wanted to buy a domain name and somebody stepped in last minute with a bunch more money and I was still able to get the deal because the person felt like they did not want to go back on their word or their relationship, or they valued the relationship with me going forward. So, they did not just take the highest bidder.

Michael C: Yeah. Yeah, I have heard of that case happening in real estate - in physical real estate - a lot. And when we actually moved to the Seattle area, we found this beautiful home overlooking Seattle. And it was older, but the view, you just cannot get that kind of view every day. And so, we started to form a relationship with the sellers who we knew were going to retire in a couple of years and probably move some place closer to their kids. And we wanted to have that relationship with them so we could be on the inside track; and maybe, if somebody else put up the exact same offer as us, they would pick us because they knew us.

Michael Z: Yeah.

Michael C: Maybe.

Michael Z: It is a good point. It is an important point for domainers because I do think a lot of this comes down to relationship and, in this case, a lot of the folks that took domains early on - the beauty of it is that they are not maybe marketers or developers, or even business people. They are just intelligent, savvy people who have an asset. And for you to be able to build a relationship there, I think it could go a really long way. There is always this moment at the very end when they are about to sell you the domain name where they just go: "You know what? Before I sell this, maybe I will just send an email to everybody in my email box that I am selling it just in case." And of course people come out of the woodwork, and want to pay more, and want to disrupt you from getting it or something. So, having that relationship, whether it is by phone or in person, I think that is a great thing to have if you can develop it.

Michael C: Yeah. So, I think this is a fantastic interview so far, Zappy. I love to hear all these details. I have a ton more questions to ask you, so let me just finish up the CreditCards.com story. You bought it in 2001. One hundred thousand dollars. You actually created the website. You did not just create a "mini-site" of what it would be and then market it and sell it to the highest bidder. You actually created a functioning website. Is that correct?

Michael Z: Yes, definitely. So, with a couple of people in Boston - a real small team -, we just set out to make a search engine for credit cards. It was not really deep. I do not want to claim it was as complex as somebody might think it was. It was: What Credit Card is Right For You, Good Credit, Bad Credit, Airline Miles, What Do You Want, and then we would show you the top credit cards for those different categories. And you click on one; if you fill out a form, the credit card company would pay us. And originally we started out doing that through Commission Junction and just getting paid. And at a certain point, where we got enough confidence, we started to contact the credit card companies directly to try to make direct deals. And I want to make this point. This is like the power of the generic domain. You can literally get anybody on the phone when you are the domain category and you start calling around. So, we were able to get Sandy Weill from CitiBank on the phone.

Michael C: Wow.

Michael Z: Left a message: "CreditCards.com calling." He comes to the phone. We talk. We said, "We want to have a direct relationship." He said, "Oh, okay. Great. It makes sense. I will connect you with my head guy there." And of course, when the CEO is calling the head guy, you are going to make a deal. So, we were able to make some direct deals and that increased some of the bounties we were getting. And we were learning as we went on search engine optimization and affiliate marketing; and about three years into the process, it was going well. We were making money every month and distributing it out, and it was going really nicely. But a guy came to us three years in, and he was from Texas, and he had a company called Click Success and he said, "Look, I am doing really well with financial lead generation. If I were CreditCards.com I would be doing incredibly well and I would like to figure out a way to work with you guys." And this is like the

classic fish that got away story for me, where we continued to talk it through and negotiate with him. And the internal group, who maybe had not had some of the sales that I had had maybe wanted an exit that was post the Internet bubble, said, "Hey, let's sell CreditCards.com for cash. Let's take the money and diversify into a bunch of domain names," which sounded pretty good too. So we wound up making a deal with this guy to sell it to him for 2.75 million dollars, which, again - you buy something for one hundred thousand dollars, make money for three years, sell it for 2.75 -, is not the worst thing in the world.

Michael C: Yeah.

Michael Z: We sold it to him. He immediately took the natural traffic that we had, he took the credibility, and he started to buy traffic in the paid search. We were doing all SEO for the most part and haggling a little bit. He started to go heavy at what he knew, which was paid search. He very quickly increased the number of cards he was doing each month; went back to the banks and said, "Hey, instead of fifty bucks a card, I want one hundred bucks," they said no problem, and, long story short, two years to the month that we sold it to him for 2.75 million, he sold it to American Capital for 133 million and he kept some stock in the company too. And the painful thing is that it is the same logo, it is the same website, and it is the same business model. Nothing changed. It is the exact same thing. It is just he leveraged in the next evolution of Internet marketing, and so that was obviously a lesson. Every night when I am watching TV, at some point, CreditCards.com commercial comes on. You want to jump out the window, but at the same time, I took the money, diversified into some great domains, and have all kinds of amazing domain situations and companies that have developed and flourished from that. So, again, you got to put your blinders on and move forward.

Michael C: Yeah. So, on your first two deals, you actually left a portion of the company with the person that you bought the domains from - Beer.com and Diamond.com. Did you think about, when you were selling CreditCards.com to this guy: "Hey, let me keep ten percent of it or twenty percent of it so I got some portion of upside"?

Michael Z: Yeah, it was back and forth, and there was definitely that deal was on the table as well. But from my group's standpoint and, again, when you have investors and partners and things, you have to be willing to go with some of what works for them. And the consensus was that we should sell it and take the cash and diversify into a broader portfolio. Maybe try to create the next IAC or something like that with (Unclear 1:03:54.4) domains.

Michael C: Right. Yeah, everything is 20-20, right? 20-20 hindsight because cash is king when you get a deal. I would rather have cash in the bank today because you do not know what the buyer is going to do with the website. They could run it into the ground.

Michael Z: Yeah. No, there is definitely opportunity costs and there is risk if you do the wrong deal. If you do not mind if I fast forward to a more recent deal just so people do not think that this is like ancient history; that this cannot be done. It can actually be done in more niche now because, back then, I was thinking I would want to own Insurance.com. That is the domain I want. I do not want something.

Michael C: Yeah, I think about that all the time. If I only had a time machine and I went back and I bought Insurance.com, and Esurance.com, and AutoInsurance.com. Like yeah, I would be set.

Michael Z: Exactly.

Michael C: But today your strategy has changed.

Michael Z: Yeah, I broadened it, where I realize that some of the niche domains could potentially be stronger than the broad category names because you might be attracting a more qualified consumer with those. So, the example is I was watching TV like everybody else in the last few years and, in 2006, every commercial was Geico, and State Farm, and everybody saying go online, change your insurance, and save money. Get an insurance quote. So, I started thinking: "InsuranceQuotes.com is a really cool name because I would love to have Insurance.com, but it is long gone. It is a big business. But InsuranceQuotes - somebody who types that in knows the terminology and they are asking for a quote. I mean that is like a really prime direct marketing

opportunity." So I looked it up. It turned out it was owned Ken Lawson, who is a great domain guy with great stories that you should definitely have on Domain Sherpa at some point.

Michael C: Right. Ken Lawson.

Michael Z: He is the guy who bought Porn.com for a couple million dollars with a portfolio and sold it for close to ten million dollars just for the Porn.com name. And he has a lot of great domains, and he owned InsuranceQuotes.com and he was not really doing anything with it. And so, I approached him. I said, "Ken, this name. If I do natural search engine optimization and affiliate marketing - some of these things - leading into paid search, I think InsuranceQuotes.com has a chance to be a lot more than just a flat domain."

Michael C: Yeah.

Michael Z: So, I said, "Let's start a new CO. You contribute the domain name, contribute the operating capital for the budget, and I will have my crew go out and develop this thing in the same methodology that I have done in the past with my partners." So, he said, "Sounds great." We set up InsuranceQuotes.com as a place to get insurance quotes. We put out press. We did everything we normally do. And, as we were watching it, just like CreditCards.com, every month we were doing more and more commission revenues. And the amazing thing was that we were seeing that the metric that was blowing me was forty percent of the people who were coming to the homepage were filling out the application.

Michael C: Wow.

Michael Z: And I am like: "Oh my God, that is ten times probably what anybody else is getting." What it showed me was the domain was so credible, just like CreditCards.com. When somebody types in Credit Cards or Insurance Quotes, they get the search page; and, let's say it is insurance quotes, they get a page that has Geico, State Farm, AIG, and then, hopefully at the top of the organics is InsuranceQuotes.com. And they go: "Oh, InsuranceQuotes.com? I know what Geico wants."

Michael C: That is exactly what I want. Yeah.

Michael Z: "Yeah, this is a cool place. Maybe I will do my due diligence." They click on it and you have to have a page that represents what they think it should be when they get there. So you do not want some schlocky page. But as long as that page looks strong, they are going to think to themselves: "They have more to do with their time than just stealing my identity; maybe I am going to have various better quotes. So, okay, instead of backing out and going back to State Farm and Geico, or back to the Google search page, I trust this situation; I am going to fill out the application." And that is an incredibly important element of owning a domain name. I think it is more important now than ever because in the past it was all about having somebody find you in a search engine. Well, now, if they find you but they do not trust you, you spent all that money for nothing. So, in today's age, who does the consumer trust in the two seconds or one second when they are making that decision of what to click on? It is either very large brands who spend billions of dollars on branding, or it is going to be a generic domain for the category that they trust. And so, even people who typed in InsuranceQuotes.com. Those people would will out the application at like sixty-five percent. But people coming from organic search - forty percent consistently. It was amazing.

Michael C: Yeah.

Michael Z: So, again, we put out press, we talked to everybody in the industry, and, long story short, hoping we did not leave too much money on the table because they were not willing to let us retain a piece, we wound up selling it to Bankrate for an undisclosed amount, but an amazing sale. Something that was multiples of what the domain was worth two years earlier that it would have sold for. So, we were able to separate ourselves. We were not selling a domain name. We were now selling a domain business with search integration and brand; and that is what you wind up getting - a super premium for somebody like Bankrate because, when you sell to Bankrate or somebody like that, believe me, they are going to go into your site and your log files. They are going to dig it out and, if there are any shenanigans with search engines - any fake traffic; any garbage -, they root that out in a second.

So they had to be comfortable that we had attained all of this properly. And that is how you do a sale with them, but it was very similar to all the other sales. It happened really quickly once they got it.

Michael C: And did they price the purchase based on a multiple of your earnings?

Michael Z: Yeah, they priced it based on a multiple of our earnings, which was, again, I think the power of the generic domain. And I make this case all the time, but Rent.com was doing forty million dollars in revenue, Ebay bought them for 440 million - eleven times revenue. If they were RentalConnection.com, I think they would have sold for some multiple of earnings.

Michael C: Right.

Michael Z: Dealttime.com became Shopping.com and had one of the biggest IPOs; sold also to Ebay. When you are the generic domain, there is this good will value that they have to appreciate, and you wind up getting some extreme multiple. So, we got a multiple of more like our commission revenues as apposed to somebody else who would have gotten a much lower price because they did not have the good will and everything factor.

Michael C: Yeah, and what year did you close that sale?

Michael Z: 2008.

Michael C: 2008. So, four years ago. Does it still work today? I know it is only four years, but times are tough now. It is a tough market. The economy has just gone into the crapper. We are coming out of it hopefully. The markets are improving. Do you think that you would be able to do that deal today with Bankrate or not? Do you think you would be able to do that deal today and get a higher multiple based on some other factor of revenue or some sort of good will rather than just basing it on multiple of earnings, which is what people will pay for?

Michael Z: Yeah, definitely. It is one hundred percent doable today. There are a lot of people who are doing it. I am consulting to a few people that are literally doing it. I think it is actually easier right now; and I say easier because, even back when we were buying or doing the deal with InsuranceQuotes, we called State Farm, we called Geico, we called AIG when we were calling on Bankrate and everybody else, and they did not get it. Some of those big guys were like: "I will give you a half a million dollars. That is what it is worth," you know? They did not get it. At the same time, in that window, I think ad agencies have started to get it in these last four years. I think major consumer have started to get it. And I make the example. The reason it is better today is that, when you own a domain name like InsuranceQuotes.com, or Chocolate.com, or something like that, which is an Internet real estate brand that I am associated with, there is a trust factor that is very expensive to create. You have to spend a ton of money to get that credibility. So, nowadays, when the consumer is looking to trust somebody, there are a lot of people in business who have to or are trying to cover their ass. And I make the example. If you work in American Express and your boss says to you: "Hey, we are going to have one hundred of our biggest clients come. I want you to go get some chocolates made with the American Express logo on it. Have it ready for the big meeting in a month, or a week, or whenever it is." So, the person goes online and, at Chocolate.com, every day we get tons of inquires for corporate-type chocolate and stuff like that. So, when that person goes on Chocolate.com and does it, my example is: if they have that event and the chocolate comes and it is all melted, and the boss is like: "Oh my God, it is all melted. You are making me look like an idiot. What happened?" If you say to them: "Well, I don't know. I went to Chocolate.com and I bought it, and I guess they screwed up. I am going to get the money back." The guy goes: "All right. I get it." But if you said, "Oh, I went to GrannysChocolates.net and I got it, and I don't know," the guy is going to say: "What are you talking about? GrannysChocolate? Are you out of your mind? You are like fired." So, same example with the insurance quotes. I mean if my wife says: "Oh, we got to get insurance today. It's lapsed." I say, "Okay." I do my thing. I come home that night and she is like: "Okay, what did you do about the insurance?" Oh, I went on InsuranceQuotes.com; they are getting me a bunch of quotes. She was like: "Oh, okay." But if I was like: "Oh, I went to MichaelCygersInsurance and I am waiting for him to call me back," it is like that is not good enough.

Michael C: Exactly. No, I came from Corporate America after a decade and the saying in the IT world, which I worked with a lot, was you never get fired for buying IBM computers. They may not be the best. They may not be the cheapest. They may not serve your company the best. But you will never get fired by buying big blue.

Michael Z: Yeah, exactly. I saw the Head of Search at Google talking at a Web 2.0 Summit, and she said they try to return the search results in like 0.5 seconds - half a second. And she said when they move that up to 0.7 seconds - two-tenths of a second more -, forty percent of the people would not wait. It was too long, you know? And when you think about that and then you think about somebody coming to your search page, it is like you better really stand out. You better have real credibility. If you want somebody to come to your site and then fill out a form or give you a credit card, they better trust you more than ever. And right now there are so many bad choices for them to make that an obvious choice is Chocolate.com and InsuranceQuotes.com. And if you make that easier for them, your conversion rates are going to be off the charts.

Michael C: Yeah. No, I get it. The Castello Brothers were on here. They talked about the credibility a PalmSprings.com gives them when they go and sell advertising, and being able to close that deal, and people pick up the phone when they call. Just like you said when you are calling Sandy Weill from Citi Group and others. So I understand the credibility. A lot of people have talked about just the sheer type-in traffic, and I think that Beer.com would get terrific type-in traffic, but when I think about a two-word domain name like InsuranceQuotes.com, I started to wonder. Well, how much of the fall off from having to type in two words and the whole thing is longer than ten characters. And I go back to my research that Wayne Nelson did when he spoke to you in preparation for this and, on Zappy.com, you have a great Business Week article, where you were the focus of it and you were quoted in it. And in that article I am not sure if you said or if they just quoted it. "About one in six Internet searchers never go to a search site, opting instead of direct navigation." What does your data show today? Has this number changed? Do more people use the browser as a search engine and look for the top search result instead of typing in the .COM?

Michael Z: The numbers probably have not changed a whole bunch, but there are different reasons why it happened. Meaning I think people sometimes do not even mean to direct navigate. They just start typing in Google. I mean it is like the number of times that people put something into Google that they could have just put the word (Unclear 1:18.15.1) Google.

Michael C: Tack on a .COM, right.

Michael Z: You know what I mean?

Michael C: Right.

Michael Z: It is ridiculous. So, people are trying this stuff in. I notice, on iPads and iPhones, there is a little .COM button there. I mean how easy as you are typing InsuranceQuotes, and there is that little .COM. It is like click it. These are major strategic advantages to owning a good brand and, of course, a .COM brand. But I think the search engines too have their own credibility issues that they are trying to flush out in their algorithms. And they, quite frankly, trust InsuranceQuotes.com more than they trust InsuranceQuotes.il, or .US, or .BIZ because they know, in their algorithm, that if that person winds up doing something they should not be doing, they are just going to scrap the domain name and move to another one. Where InsuranceQuotes.com, you have to play really clean and they know that. And so, I think type-in traffic is still relevant. One of the sites I am involved with is Music.com. Site still gets over one million type-ins a month.

Michael C: Wow.

Michael Z: So, you think about that and it is amazing. But you think about all the reasons that people kind of default to whatever they find; when they find you, that is when you have to really be credible to get them to click on you, and then you got to be super credible for them to do business with. And I think all the proactive things that you can do to help yourself, why do you all the work and then have a bad domain name, and have the people go: "Well, I do not really know who they are, so let me click back to Google"?

Michael C: Sure.

Michael Z: You just did the same amount of work we did, but we closed forty percent and you closed one or two percent.

Michael C: Yeah. Music.com. I did type that in before our interview and I took a look at it. It looked like sort of a video-sharing site. A bunch of little thumbnails down the page. Is that a revenue producing website for you right now?

Michael Z: Yeah, it is definitely a money producer. It is definitely a cash flow positive type of situation. What it is not that I have always wanted it to be that I hope it becomes; and there is leadership there that is headed in that direction. It is open for sale if somebody wanted to buy it at the right price. But I have always felt, when I acquired that, that music is something that you buy or listen to when somebody that you trust tells you about it. A lot of my friends. I do not even have to listen to it. If they say get this, I go get it.

Michael C: Right.

Michael Z: So I always felt like social media and the Internet were perfect for music. And people are really passionate about it, so I still have high hopes that that is going to be somebody's strategy to try to take on Rhapsody, or Spotify, or whatever service and says: "I have the next best mouse trap, and I am going to harness on Music.com, and it is going to be a phenomenon at some point."

Michael C: Yeah. So you are in sort of wait and see mode. Maybe you develop it out. Maybe you sell it. Maybe somebody comes along and asks you to do a partnership. But right now it is making money primarily through advertising.

Michael Z: Yeah. And I think the hope is that we find the right partner. That has always been what we have been looking for. Somebody who can leverage their technology or their critical mass they have already created, and we come in with kind of like a super accelerant in there being able to brand something really well.

Michael C: Yeah. So, on your website, InternetRealEstate.com, I can see phenomenal brands like Carbs.com, Chocolate.com, Consultants.com, MedicalDevices.com, Phone.com, and Relationship.com. It is phenomenal. I do not see any .MEs on there. I do not see any .COs. Are all of these websites - businesses - in partnership with somebody else?

Michael Z: For the most part they are in partnership with somebody else. That is sort of the model of Internet Real Estate. It (Unclear 1:22.17.7) to be like a closed-end mutual fund that owns these domains, has no real operating costs of its own, and that we can do the best deals. So, Consultants.com is in a deal with Elance. Phone.com is operated by Ari Rabban, backed by Mike Mann, and it is an amazing top Inc. one hundred business that is doing incredibly well. So, I think you want to partner with the people that you feel are the best operators and who are the most passionate about that vertical because it is very hard to be in all of those verticals and be experts at all those different things. You really need good partners.

Michael C: Definitely. And that is what Ken Lawson saw when you came to him and said, "I want to develop out InsuranceQuotes.com." So let me ask you this because I think there are a lot of people out there that either have development skills and they do not have a fantastic domain name, or they have some great domain names but they do not want to sell it, they are not making enough money, and they know they need to develop it. Given your past experience with a lot of these types of deals at Internet Real Estate and back to InsuranceQuotes.com, what is a fair equity split between the domain owner, who has the irreplaceable asset, and somebody that is willing to put in the hard work to build it into a business?

Michael Z: Yeah, I will tell you that is a total case-by-case basis; and it is going to come down to how bad they need it, what it is going to do for them, how much money do you need, how attached to that property are you, and so many different factors. What I would say is if you are in either of those positions, you should proactively take your domain and just window dress it. And by that, I will make the real estate analogy. If you own a piece of property, let's say, on Miami Beach on Collins Ave, it is just a piece of beach and that is all it is. It has a certain value. And if you were then to start

dress it up - pull the weeds out and everything, put up a fence around it, and get some architectural plans. Do not build the thing, but just get some architectural plans. Have somebody put a picture up of what kind of thing you are thinking about and so forth. A phone number to contact you and that kind of thing - now you are in the game. Now there are people driving by and going: "Yeah, you know what? Jeez, I would like to be developing that property" or "Hey, you know what? I think a retirement home would be better right here. It looks like they might be developing a building. Let me get in contact with them. Maybe you should be doing a parking lot and getting paid like that." But the more that you can define or add some value and good will on top of it, that is going to attract the better partner and it is going to allow you to do a better negotiation. So, if you are the domain owner and they want ninety percent, well, maybe you convince them you should be seventy-five percent of fifty percent because: "Hey, I have the domain; I am going to go do this other amazing thing. I have all these other opportunity. I do not need to do it with you" as apposed to: "Yeah, I see you are sitting here with the same domain name; not making any money. You have been sitting there for the last two years, seven years, or whatever. I want to buy your domain name." That is a totally different thing. So, I would say to them, if you are a developer and you have a music platform that you want to develop, start developing it, get a little thing going, and then approach the owner of Music.com and say: "Hey, this is my cool widget kind of thing. Imagine if this was Music.com." It is going to be a lot better off than you just calling up and saying: "Hey, I have a great idea."

Michael C: Yeah, great point. So, on your specific example here - InsuranceQuotes.com, where Ken Lawson put in the domain name and he put in some money -, how much equity did you get in that deal?

Michael Z: Ken was still the majority shareholder is how I would put it. He still owned - I don't know - close to fifty percent or something like that. I do not even remember exactly, but, as the domain owner, he had a price that we could not sell for less than was how it went, and then he owned a piece of the equity beyond that. And depending what price we sold it for, that either escalated or went down, so we were able to capture some piece. I do not remember exactly, but it just felt like the right deal and, at certain points, we actually had the right to buy the domain out for the cash price, which we

should have done because we could have taken back a lot more equity. But again, hindsight 20/20, and again, I wish I had a crystal ball. That would be amazing.

Michael C: Yeah, all right. I have got a ton more questions on here, Zappy. We are into this interview for like an hour and a half. It is phenomenal information. People are going to love this, so I am trying to weed through and just pick a couple more. I do want to ask you about your book. You have got a couple of books; one of them is called Internet Warrior, and I think it is at InternetWarrior.com. Do you own that domain as well?

Michael Z: Yeah, Internet Warrior. I put together this How-To book of how to acquire a domain name, how to set it up, and how to negotiate a purchase. Basically, what we are talking about right here. I just spilled my guts in the book. And the idea was I wanted it to be something that I could pass out to people to enhance the entire domain space; to really evangelize the domain space. A lot of people, when I was doing it, were like: "Why are you telling everybody what to do? Just keep it for yourself." But there are so many domains, and so many categories, and so many new categories. It just seems endless, and not something that I needed to necessarily worry about. I was dealing at the high end and I did not really care if some Nano technology was happening or some great Nano domains and somebody could take the information. Great. I think all of us evangelizing this opportunity helps each other. That is why I did that.

Michael C: I agree. So is that a free eBook or is it a paid eBook?

Michael Z: I think right now there is a video version of it that you can watch for free on Internet Warrior.

Michael C: Okay.

Michael Z: That is how it goes and, from time to time, we put out free eBooks just based on what people are doing. I have not really proactively marketed it. I have been pretty busy working on this documentary film with Deepak Chopra, so that has sucked out a lot of my time. But I just left there as a resource for people if they want to watch a video of me giving the

information that is available to them, or they want to figure out how to get the book or eBook. It is out there.

Michael C: Yeah. All right. I want to ask you about Domain Fun. I want to ask you about your other book. I want to ask you about your movie because now you are a filmmaker. So, let me start with your other book. It is called Ask the Kabala: A Beginner's Guide to Spirituality and Kabala; and you wrote it with Deepak Chopra. And so, people have probably heard Deepak Chopra's name in the past. He is a world-renowned physician who has then intertwined science and spirituality with respect to the medical field. You co-wrote this book with him. How did you meet Deepak and why did you write a book on Kabala?

Michael Z: Yeah, it is funny. I was going through a program at Harvard Business School. A three-year program. And while I was there, I was acquiring Music.com at the time. And I was having a lot of fun with it. A couple of my classmates were involved. And one of my professors - a strategy professor - said to me: "After making this acquisition, you should sit down with the Head of Media Acquisition Strategy at Harvard Business School - Professor (Unclear 1:30:37.8)." And so, I was really excited. I sat down with him. I told him what route I had been doing and what I was doing, and he said, "This is great, but when you are back in California, you should get together with my cousin, Deepak Chopra, because he has got a lot of cool media and Internet stuff that I think you guys would do well together with." So, I got back to California and made the call to Deepak. And I met him, and started to tell him what I was doing and, as it turned out, he had a lot of opportunities in the media space that he wanted to take on in that space. So I helped him and his daughter with a property - Intent.com, which is a community that they have created. And I even helped them, of course, with the domain acquisition negotiation and so forth, and contributed and so forth. But as I was developing my relationship with Deepak, at some point in the relationship, knowing him, I felt confident enough that I told him I had written a manuscript about Kabala and how I was interpreting it and using it in my business, and my relationships, and health, and stuff like that. He sold fifty million books and he is on Oprah all the time, and I took out my manuscript and I was like: "Do you mind just reading this? I know it is amateur, but just check it out." So, he reads it and, as he started to flip

through it and as I am standing there, he was like: "You are not going to believe this." He reaches into his top desk drawer and he pulls out a manuscript that is how his Vedic Tradition overlaps with the Kabbalistic Tradition. And he was like: "Look at this," and I was like: "Oh my God." So he said, "Let's collaborate because we will put these two things together, and we will try to give people like a beginner's guide to what is Kabala, what it is all about, mysticism, Vedic wisdom," and we did it kind of a fun way, where there is even like a deck of cards that you can almost like a tarot card read and get an interpretation Kabbalistically of whatever it is that you are going through. So, it was a great experience. Like I was saying to you before we started the interview, Deepak is amazing. He will just call you up and say: "Zappy, you got to go to the Con Film Festival next week and represent us" or "You got to go to Lollapalooza and VIP." I got my bag half packed all the time because of that.

Michael C: All right, am I pronouncing it incorrectly? Does it matter?

Michael Z: I do not think it matters. It is kind of like Hanukah and Chanukah. It is a Hebrew word that has all kinds of spellings.

Michael C: All right. So you bonded with Deepak Chopra over Kabala and you wrote this book. You co-authored together. You put it out there. Then he calls you up and says, or maybe you called him and said, "Let's put together this documentary." What is the documentary called and what is the purpose of it?

Michael Z: Yeah. So, the documentary is called The Reality of Truth. And it is a subject that Deepak and I talk about all the time. About reality. What is reality anyways? People's perceptions of reality, and just how off those perceptions of reality can be. And so, I had an epiphany one night where I was thinking about reality as it related to my life; as it related to spirituality, religion, things I have been taught, and everything right up to psychedelics. So I was having this thought and I was like: "Oh man, I got to call Deepak tomorrow and just tell him what I am thinking." So I call him up and I had told him my theory, and I was waiting for him to say: "Zappy, that is ridiculous" or "Yeah, I have heard that twenty times over the last thirty years. Here is this guy, and that guy, and here is why it is not the case." And I told

him and he was like silent on the end of the phone. And I was like: "What's up?" And he was like: "Well, this is like really exciting me." He said, "There is something in my Vedic wisdom that relates to this that also is a hidden element of truth and reality and touches on these things." And he was like: "It so overlaps with what you are telling me. This is so important. We got to sit down and do an interview and we will figure out what to turn it into, whether that is a film or a standalone, but we got to talk about this on video. A book would not even do this the right service." So I was like: "Wow, this is awesome." So, I sat down with Deepak and did an interview with him that you can see on the website, TheRealityofTruth.com. The conversation was blowing my mind as it was happening. Some of the things that he was talking about were so incredible that I was just amazed and, at the same time, we were talking about shamanistic practices, and ancient wisdom, and things like that. And you will see, when you look at TheRealityofTurth.com and look at the video, that, at the end of the video, I said to Deepak: "Yeah, you and I believe this and we are sitting here, but how do we break through to everybody else in this 21st Century? Like what do we have to do?"

Michael C: Right.

Michael Z: And Deepak was like: "Let's have a party." And I was like: "What?" And he was like: "Yeah, let's have a party. We will take some people down to Peru and stir it up in the pot, and let's drink it. Let's have that experience." And right there I was like: "All right. I am in. Sounds good to me. I will go sit with a Shaman down in Peru and see if I am tapping into spirituality or if I lose my mind, or what happens."

Michael C: Yeah.

Michael Z: So, I was in. So, Deepak and I, right after that interview, sat down together and said, "Let's do a documentary film, where you guys go down to Peru; you talk to all these other thought leaders that are out there about reality and about everything from religion to spirituality. Psychedelics. And let's try to get an answer for this, but let's create a movie where you romantically show people what is happening. Not just you and I talking." So, I wound up getting a group of friends of mine, including Michelle Rodriguez - the actress from Avatar - and some really cool friends to go down to Peru with me and

film this whole experience of us hiking the Inca trail, going to Machu Picchu, sitting with Shaman, and drinking ayahuasca, which is a sacred medicine down there that claims to tap you into spirituality, enlightenment, and God-consciousness; and went round to Fairfield, Iowa, where the Transcendental Meditation Movement is based. There are seven million people around the world doing transcendental meditation to figure out: Could meditation tap you into alternate reality? Could psychedelics? Could chant? Could prayer? Like all these methodologies for transcending out of what we usually think of as reality. This day-to-day reality that we think is real. Can you transcend out of that and, if you can, how do you do it and why should you even bother doing that?

Michael C: Wow. So, I watched the excerpt of this. Sort of the promo reel for this film. Now it all makes sense to me. So, people should go watch that. When is this film going to be released and where?

Michael Z: So, the goal is to finish it up around the end of the year and to bring it out just after the beginning of the year 2013. And we are going to release this. We are going to do some of the festivals and things like that. We think it is going to obviously have an interesting group there. There is a lot of controversy within it that I will save for the film. Quite controversial. And we are going to release this directly on the Internet, like some very successful movies I have done recently. There is a movie called Thrive that was brought out by Foster Gamble. He was the Heir to the Proctor and Gamble Fortune, decided he did not like what was going on at Proctor and Gamble, and he spent several years and several million dollars of his own money creating this movie Thrive. And so, he put it online direct; he has had five million plus people download it. He has made all kinds of profits from this releasing. We interview Foster Gamble in our movie as well, and he is kind of chaperoning us in this direct release along with Deepak. And we have got all these thought leaders, like Deepak, and Foster Gamble, and Marianne Williamson, (Unclear 1:40:07.6) Dawson, and even Joel Osteen - the mega preacher from Houston. All these people that we have talked to. They all have their audiences. So, we feel like if we put this out directly and they let their audiences know and stir some of the controversy, we are going to be able to put the movie out directly and do a lot better than we could do in a traditional release. And it is just one of these phenomenon that the Internet is allowing you do it. There is a

Comedian, Louis C.K., who recently started putting out his concerts direct to the Internet. Instead of having some development group do it, he is doing it directly. He spends a couple hundred thousand dollars setting up that situation and then he releases it direct; and the guy is making millions of dollars directly. He can do is exactly what he wants. His fans do not have to pay eighteen dollars to get the DVD. Instead, they get it for five bucks, they get it right away, and it feels really good.

Michael C: Yeah. I was down at TRAFFIC. I heard that John Stewart was debating Bill O'Reilly in preparation for the debates that were happening and the election that just took place. And I am like: "Well, I need something to watch on the way home when I am tired of working," and so I paid my five bucks, downloaded it right there, and I enjoyed it on the plane ride back. So, yeah, the direct-to is a business model that is definitely opening right up. Let me ask you about this, Zappy. You are working on putting together a domain fund. Is that correct?

Michael Z: Yeah, I do not want to say I am putting it together in the moment. I will say that all of my experience has me thinking that, as I have been doing it, it has been sort of the one off. I find a domain I like. We have to raise funds around it. Develop it. Do that business. And when you are doing it that way, often times you are not getting the domain at the cheapest price, like you would if you walked in with a load of cash. You are also not able to react as quickly to situations if you are not sitting there with kind of a war chest. And I thought to myself: "It would be really great if I could have more of a domain fund, where I could go and look at opportunities and be able to buy those opportunities for cash cheaper because I have the cash; make more moves at the table because more of a fund approach."

Michael C: Right.

Michael Z: And so, that is in my thinking because I think there are such great opportunities today. Best time ever for domains.

Michael C: Well, I guess. Could you say that 2000 was maybe a better time?

Michael Z: No, I do not think so. I still think that when I was telling somebody in 2000 what the domain was worth, they did not get it or why it affected their business. I have had an ad agency in 2007 tell me they did not think the domain was really important. And then, a year later, here they were working with some client, begging me to allow that client and them to buy the same domain name for millions of dollars more than I had been talking about before. So, just the fact that the Internet is defined; the people are looking for credibility sort of like we are talking about today. Maybe people think that these other domain extensions are a good thing for them. I feel as though they might be great for some people, but just like the 800 phone number, every time they come out with a new extension - 888, 877, 876, 866 - it just makes the 800 number that much more credible. So, the .COM is that. And the more extensions they come with, the more credible that is to consumers and to search engines. So, I look and I think: "Well, if .BIZ never really worked and .MD, and .US, and .WEB, like why would one hundred more work?" And I think this is a great time. I would still urge people to go for quality because, if you are going to spend the time developing, you should get a much bigger multiple than you were going to get if you have a non-quality domain name. And you can see, if you look at a modern chart of fortune five hundred companies and you look at what domains they own, across the board they own a lot of these category generics, especially the really intelligent ones, like the pharmaceutical industries and people like that. They have deep domain portfolios because they are able to monetize those really effectively. So, it is a great time. I think it is better than that because then you were up against all kinds of chaos. You were doing something good with a great brand, and then your dentist comes along and says, "Hey, I got a community for dentists and I am raising money at a hundred million valuation." There was just too much noise. Now it is like people understand what a good quality domain with a good quality business could equal. Rent.com. Hotels.com. Whatever it is, they understand now.

Michael C: So, let me ask you this, Zappy. If you did put together this fund, and you raise some money, and you had the war chest to go out and pick up great names because you can close them quickly and negotiate with the support of that financial backing, would you still use your Super Bowl test?

Michael Z: I would use not the Super Bowl test because that is too limited, but I think I would use what I call my observation of society model. Observing what people are doing. So, that is why InsuranceQuotes.com, which would not have been on my Super Bowl list per se, became onto my list. And I will give you another example. Just like maybe a year and change ago, I was sitting there watching TV with my wife, and we were watching these commercials, and the Kmart commercial comes on and they start talking about layaway. "Hey, put it on layaway." And I was thinking: "Oh, that is cool. They are bringing back layaway. Everybody spent all their money and their credit cards are tapped. Oh, here comes layaway." So I started thinking. My wife says, "We should get a bunch of layaway domains." I am like: "Oh, that is right." So, we sat down right then and there. We started popping off all of these LayawayBoats.com, LayawayEngagementRing.com, LayawayCars.com, LayawayPlasticSurgery.com, and LayawayNoseJob.com. They were all available and it never would have occurred to me that those had value to somebody prior to understanding where people's general consciousness or where niche consciousness is at. I get certain newsletters - and I have not had enough time to do this in the last year, but I get these newsletters from people, like (Unclear 1:47.13.4) while the Futurist, and people like that. And I get these newsletters and then sometimes, on a whim, I will see what they are talking about and I will go to the GoDaddy or whatever. I will look at it and it is available; and it is like how can this domain in this category, whether it is Nano technology or all these things, be available? This is like the greatest opportunity ever. All you have to do is observe culture and then assume what is going to be valuable to different parties.

Michael C: Yeah. Just making a note right now. Great points. Zappy, I want to thank you for all your time. We have gone way over what I wanted, but this was a fantastic interview packed full of information. I am going to have to invite you back again. We will talk about your movie. We will talk about a couple of the other deals that you have done in the new year when it is out. If people have follow-up questions for you, Zappy, I want to ask them to post them in the comments below and we will ask you to come back and answer as many as you can. I do not believe that you are Twitter if people want to follow you, but you are on Facebook and you openly connect with people there. Is that correct?

Michael Z: Yeah. Facebook and LinkedIn I am pretty active on. And yeah, I totally appreciate what you are doing and evangelizing the space and really giving people concrete information. It is great. And I watch the videos on Domain Sherpa too. I watched some of the videos and some of the stuff that I get out of it is awesome. Just watching those videos and getting a sense of how some of these other people are operating, it makes me better as I am doing it. So, just kudos to you and I would say I am sort of a user interface junkie. I like to look at people's user interface and, really, I like to always hopefully have a good new username face. You have the best username face of any of the domain related sites, or blogs, or anything. It is just perfectly done.

Michael C: Thank you. Thank you for that. Michael "Zappy" Zapolin, thank you for coming on the show, sharing your background and tips for online success, and thank you for being a Domain Sherpa.

Michael Z: All right, thanks a lot. Have a good one.

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

Watch the full video at:

<http://www.domainsherpa.com/michael-zappy-zapolin-interview/>