Candid Advice for All New gTLDS - With Xavier Buck

Watch the full video at:
http://www.domainsherpa.com/xavier-buck-eurodns-interview/

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 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 entrepreneur directly from the experts.

Today we have a domain name pioneer, successful entrepreneur, and the keynote speaker from the Domaining Europe 2012 Conference. Joining us, from Luxembourg, is Xavier Buck - the Chairman and EuroDNS; who is also Chairman of Data Center Luxembourg - the first in leading data center in Luxembourg, VoipGATE - a voiceover Internet provider for residential and businesses, and LuxCloud - a cloud service provider of software to small businesses. Xavier, welcome to the show.

Xavier Buck: Thank you Michael.

Michael: For the part of the audience that hasn't heard, or visited, or register domain names at EuroDNS before, can you describe what EuroDNS does and what the differentiator of this service is?

Xavier: Well, we are just a registrar just as many registrars are out there. Our strength was actually that we were very fast and well accredited in many, many countries worldwide. Nearly, I would say, we covered up eighty/ninety percent of all the countries. And we were also one of the first platforms at automating processes that were a hassle filling out like paperwork for Italian domain names and/or finding local addresses in the different countries; and we took all these problematics away and streamlined and automated all these processes. And that made our success.

Michael: Excellent. And so, how many customers do you typically serve? I don't know how you look at it; if you look at it as new customers you bring on per month, or current customers that have domains under management at EuroDNS. How many customers do you serve per month?

Xavier: Well, we serve about ten (Unclear 2:12.1) customers all at once; meaning that all together we have about, I think, over a hundred thousand active customers, which seems to be very low, but you have to remember that we are not in the low cost area and we are specialized in the small, big sized companies that need actually many TLDs in many countries. So our average

basket, when somebody registers a domain name, is about two hundred euro while others are probably only at five/nine bucks for one of their domains.

Michael: Right. And I can vouch for that. Just before we hit the record button, I told you that I was a customer; and I am a customer, I believe, of your DNS. I have a trademark in the US for one of my other publishing companies and when I needed to register domain names, I think in Germany and some of the other European countries that were large and growing, I couldn't find them on some of the US-based registrars and I needed to go to find them on another registrar; and I believe EuroDNS was where I went. So, I am one of those customers that probably gave you a few hundred euros in order to reserve those domain names and continue to do so.

Xavier: Thank you.

Michael: So, a hundred thousand is definitely not a small group of people that you're serving. Do you know how many country code TLDs you actually have under management right now? You mentioned eighty to ninety percent of the countries out there. How many CCTLDS do you manage?

Xavier: Actually, in more than three hundred, but that also comes from the fact that some countries have more extensions. Where you have .COM.PL and so on; (Unclear 3:46.6).PL, for example. There are more extensions than countries, so I think, right now, we are on plus three hundred and twenty extensions.

Michael: Wow.

Xavier: Then you have some of the extensions like, the invent one from Central Nick with U.COM. And so, that comes on top. So that's why there as so many out there.

Michael: So, it's not that you only provide CCTLDs - the country code TLDs -, you're providing the regular .COMs, .NETs, and .ORGs as well. Is that correct?

Xavier: Absolutely. Our customers want the one-stop shop, one-stop solution; have everything centralized. For security reasons, for reasons that it's, first, out of the US. Also that it's in Luxembourg, and especially, everything in one spot. To have one invoice and everything centralized to make sure that for you it works fine and that they're not losing domains. Many people just lose domains because they don't remember login passwords of different registrar accounts.

Michael: Right. So having them all in one place is a benefit because it simplifies the life of business owners like myself. I don't have to go to three different registrars in order to have cheap ones for the .COMs, other ones for International ones, and maybe another registrar for brand new TLDs that are coming out.

Xavier: Absolutely.

Michael: Okay. And so, I want to focus on the new TLDs in this interview with you, Xavier. It was one of the topics that you discussed in your keynote speech at Domaining Europe. But before we get to that, I want to go through a little bit of your background and figure out what gives you the experience and the breath of knowledge to talk about the new TLDs; setting up relationships with so many TLDs. Let me ask you a couple more questions that set the framework for EuroDNS. Is it a profitable business right now?

Xavier: Oh yes. Absolutely. Very profitable.

Michael: What is the revenue of EuroDNS?

Xavier: I don't want to give specifics for company by company because, in our group, I am now Chairman and I founded more than nearly ten companies, but in the entire group we now reach and we are far above twenty million euro in over a year.

Michael: Okay. And the group is DCL Group, which is the umbrella company above EuroDNS - Data Center Luxembourg; VoipGATE; LuxCloud.

Xavier: Yes. We have a whole thing on top of it, but it's, mainly, also for our employees to understand that they are part of something larger and that they are under that umbrella so that nobody feels like they are excluded of some part of the joy we have one or the other companies.

Michael: Right. Okay. That makes sense. And how many domains do you have under management with EuroDNS right now? Do you know that number?

Xavier: The latest figures; I don't have. I think we are top seven hundred thousand or eight hundred thousand names.

Michael: Excellent.

Xavier: And, again, it sounds small compared to others where they only have the generic, who can talk that they have millions and millions, but, again, we have high margin. Our average, per domain price, in sale is about twenty euro a domain. So, imagine versus the seven dollars that is an average. So, much more margin.

Michael: Yeah. Well, I don't know about any other business, but, for my businesses, I'd rather have fewer customers making more money per customer than more customers making less any day because it's less customers for you to have to service, it's less people for you to make sure you have a hundred percent satisfaction with, and you know that every customer is delivering value to the company and that you can focus on delivering that value right back for the customer. So, I'm not making any conclusions about the number; I'm just sort of giving the audience an understanding of the differentiation between EuroDNS and some of the other providers out there, so I appreciate that.

Xavier: Absolutely.

Michael: So EuroDNS wasn't actually the first company that you founded in Luxembourg, was it?

Xavier: No. Actually, the first company I founded was, in 2000, was Data Center Luxembourg. So we are, in Luxembourg, one of the largest - actually, we are the largest - host firm in Luxembourg. So, hosting company running data centers for co-location. Recently we bought a company called Woot, which is a low-cost hoster with dedicated low-cost servers and, actually, it works pretty well. Luxembourg has a lot of attraction in Europe for everything around eCommerce, and so, hosting capacity and demand is growing very fast.

Michael: Now, why is Luxembourg such a good location to host your data and to form a data center?

Xavier: Luxembourg had this image back then, from the banking times, where Luxembourg has a bank secrecy, and people bring money and it's a safe place. So I think we still have that image and, actually, Luxembourg's government did everything by building a very strong, tier four, data center. Tier four means the highest security level in data center. Very strong as well on the security side and on the redundancy side. So, Luxembourg's infrastructure is very strong as well as interconnectivity for Europe. We have the fibers going to Frankfurt, London, and Paris, so we are a little bit seen as a central point when it comes to connectivity and when it comes to the image of security and having secure data. Along with the fact that, if you open a structure in Luxembourg, Luxembourg (Unclear 9:17.2) language of the people. So they speak French, German, English, Luxembourgish. So the capacity of cover a continent and to do business all over Europe out of Luxembourg is one of the best spots to be in.

Michael: Excellent. And so, what was the original idea to create a data center? Why was there a need? What need did you see and how did you see that need?

Xavier: Actually, it's because of a fiscal niche of Luxembourg. I just mentioned a lot of advantages on infrastructure languages and security, but Luxembourg has, of course, on the fiscal side; we have the lowest VAT in Europe. Meaning that everything that you sell in Europe that is non-material - every download, music, eBooks -, and when you sell it out of Luxembourg to Europe, you have the lowest VAT set. So that's why, actually, we have

Amazon, iTunes, (Unclear 10:11.4), Microsoft all in Europe to do their business and to promote all their downloads out of Luxembourg.

Michael: So if I'm a company and I have a lot of customers in Europe, I may way to go to Luxembourg, open up an office, and then host my website in a data center in Luxembourg because then, I only have to pay VAT - the taxes - for Europe at the Luxembourg rates.

Xavier: Yes. Especially in eCommerce. What to do as they sell eCommerce? Mostly, when you buy something, it's always for 9.99 or 19.99; and that's end user price. You're not going to change that end user price. So, the less VAT you have to pay, the more margin you have on this 9.99; so that's why Luxembourg. And back then, in 2000, that was exactly what we saw. We saw the European rule coming out saying, the VAT is done out of the countries where the service is delivered from; which changed a little bit, but it was still okay for Luxembourg. It still came out that Luxembourg was the best spot to be in. And, out of that, we said, 'okay, we have to create' and that's why we created Data Center Luxembourg. Back then, the keyword approach -- I had it already back then and I decided to call the company Data Center Luxembourg. And, from there, we continued and today, this rule of VAT is going to change. End of 2015, it's going to change, but still, now, Luxembourg has new fiscal (Unclear 11:37.3). Now we have something around intellectual property law and now, when you bring your software to Luxembourg, or your domain names to Luxembourg, and you can ask for royalties for your software that you run; then you can bring the benefit down and paying taxes down. All the way down to five, six percent taxes to be paid on on your profit.

Michael: Wow.

Xavier: So Luxembourg is always trying to find some niches. And Luxembourg governments, and the politicians, run Luxembourg like a company and they try, 'what can we do next to attract business to Luxembourg?' So that's little bits and pros they have.

Michael: Yeah. Excellent. And so, you have a Co-Founder that helped set up Data Center Luxembourg. Is that correct?

Xavier: Yeah. I got me two Co-Founders. Marco Houwen and (Unclear 12:21.1). We call ourselves triocart. We're really just these three guys. We started Data Center Luxembourg and later, EuroDNS. Absolutely. And now, as we grow, everybody went his own way. So, Marco is now really in charge of LuxCloud. Data Center has a part in LuxCloud and LuxCloud is really becoming very big very fast; and now Marco is fully in charge of that and I am really charge of the domain name industry and the ecosystem we have built around the domain industry.

Michael: Okay. And I'd like to talk more about that ecosystem because I think it's important for other entrepreneurs to figure out how one can really be the center of, sort of, your universe and how everything else sort of synergistically fits together and they all grow together. But, when you and your two founders were thinking about the VAT taxes and saw the opportunity and saw how the Luxembourg politicians were trying to create a pro-business environment from a fiscal perspective, did you guys know anything about data centers at the time? Did you have a background in technology?

Xavier: Well, I was still quite young, so, yes; I used to a work for a company called Metline, which was an ISP and we helped them. I helped another company Telephone (Unclear 13:44.8) to raise up and build up an ISP, so yes, I had three years helping build up an ISP back then.

Michael: Okay. So you had some understanding of how ISPs work and data center work. Was that critical to setting up Data Center Luxembourg, or would you have figured it out regardless?

Xavier: I was, anyway, always an Internet freak and a software freak, and computer freak, so since during my student time; since twelve, I'm always just behind computers. Then, I went to start informatics and I realized that was truly mathematic and that I was much more businessman, so that's why I shifted then on becoming and starting my own business.

Michael: Got you. Okay. So you set up a data center. What even goes into setting up a data center such that you can approach these businesses and say,

'we'll operate your website, your data centers, you backend' and do it at the highest operational efficiency and with the greatest security?

Xavier: It's not that difficult. It's just a matter of reaching, quite fast, a critical size because it's nothing else than mutualisation. Large banks and companies do it themselves. They run their own small data centers. And actually, running a data center is doing the same; simply, buying bandwidth; making sure that the redundancy on every single (Unclear 15:10.8) is covered from power to cooling, to backbone, to the equipment everything at double and redundant. So it's really a mutualisation of all these infrastructures and the whole goal is to simply go and get it out fast and getting the critical matters together.

Michael: Did you take funding from outside or was it all bootstrapped from the beginning?

Xavier: That was bootstrapped, so we only started some small funding for EuroDNS in 2003. Since before it was all bootstrapping and we were lucky to convince some banks to give some loans without even taking personal guarantees on it, so we were quite lucky on that part.

Michael: So when you bootstrapped Data Center Luxembourg, did you partner with another data center and rent out some racks, or space, in their facility and then call it your data center to get started?

Xavier: So, not the racks; not the bandwidth. That was all ours. But, yes, facilities - the walls - with the cooling, yes, because that's very expensive, so we went into an infrastructure that only offered the room and the cooling, and all the rest was not provided; especially the service. Managed services was not offered by us and the back room.

Michael: Okay. So you took loans out from the bank, you put your own money up, and then bought a lot of equipment and a lot of bandwidth in order to support it.

Xavier: Absolutely.

Michael: That was a big risk at the time, wasn't it?

Xavier: Oh yeah. Especially because it was just after the bubble burst. So yes. Absolutely.

Michael: Right.

Xavier: But I think we were lucky that the bubble did burst otherwise we wouldn't have raised a lot of money and we would have done just as many others - simply spend that money -, so, yes.

Michael: Interesting way to look at it. All right. And so, you built the data center, you go out and you convince customers to bring their data centers to you; that you could operate it effectively, cost effectively, and efficiently than they could. You brought on customers. The company was growing in 2000/2001/2002 and then, in 2003, you decided that you wanted to start your own domain name registrar.

Xavier: Absolutely.

Michael: Why was that?

Xavier: It comes from the fact that we were in Luxembourg. That, by attracting eCommerce and hosting to Luxembourg on data center, many customers always ask us, 'okay. Now we set up from Luxembourg, and we now operate. And we want to have hosting on our side and everything, and we want to operate and address the entire world'. And these customers started to ask us to go and do some registrations from them in many exotic countries. So, by having even Data Center Luxembourg, we had demand for it for doing so. Especially then that all of Luxembourgs; they try to address the entire world. But at some point, that was only a small part of it. At some point, I wasn't thinking, 'okay; well, Data Center is doing fine, but what can we do more in the Internet and where is the most need?' And actually, one day, I was actually showering and I was shaving with Gillette myself in the shower, and I was looking at the Gillette and I said, 'dammit. These guys got it. You need that every single day and it cost, for like five Gillette's, like twenty bucks or I don't know how much you pay for this. It's too expensive

regarding the size of it and that you need it everyday'. And I thought to myself, 'well, what is then going to be the equivalent of the Gillette in the Internet?' And, pretty fast, the answer came back and I said, 'well, it's domain names'. And the reason I said domain names, back then, was actually because IP v6 was old, high, and everybody was talking about IP v6 and I was thinking to myself, 'well, if my card, if my coffee machine, if my washing machine and my fridge get an IP v6 and I need to address them through the Internet, then I certainly will not address them through their long IP v6 (Unclear 19:12.8), but I will do that through a domain name'. I was thinking that every single person on this planet - six billion people - will need at least a domain name and, even today, we are only at two hundred million domain names. So there is still room to grow with this logic. That was logic.

Michael: Right.

Xavier: Well, my logic was wrong back then because the vision was way too early. We are still getting there. It will still take years and years before we get there, but luckily, because of search engines and how search engines work, the demand for domain names has grown a lot and EuroDNS has become very successful.

Michael: Excellent. So you saw the need through the Gillette razor; that you wanted to find the analogous situation in the Internet. You decided it was going to be domain names. What was the first step that you took in order to build EuroDNS? It's not an easy task to build a registrar.

Xavier: Yes; but as we already had some demands of customers, as the customers asked for this and this country, we started to become accredited in those countries. And then, along by doing that service, which was a manual service, I hired a small team that was only two developers at the beginning to start and say, 'okay; now, try to automate these processes and keep it as simple as possible'; integrating this registrar accreditation to a single interface and then, slowly, we can start offering that service online. That's how it went.

Michael: And so, once you build the framework and then you want to form a relationship with a different country code top-level domain operator, each of those relationships is an individual basis, right?

Xavier: Absolutely. So that's why it's so interesting. That's why it was so successful. So, every single country had its own interface - how to connect - back then. EPP was, by far, not the standard. It didn't even exist; EPP. Every single country has its own strange codes - how to look up; how to connect; how to see if the registration was a (Unclear 21:21.9) -, but many, simply through the web interface, actually and we automated the fact to simply fill out the form through the web. And then came complexity of the rules. Who had the right to apply? How? Etcetera. So, all that; we streamlined and tried to make it into an automated process.

Michael: Yeah. It's an enormous amount of complexity to have to deal with because every registrar and every country has their own definitions around how they operate and their own processes; and you need to figure them all out and bring it into your own system to manage.

Xavier: Absolutely. But luckily, we had the success coming along as we added the countries, so it allowed us to have the team, to increase the teams, to have people that really understood it, and to have a strong team around it to build it up.

Michael: Yeah. I went out and I bought - I think it was just a few months ago - one of my trademarked works in the United States as a domain name in another country and I bought some hack of an extension like .TO for Tongo or something like that, and I can't remember what country it was, but it was a manual process. Like I actually used a service, bought it, and then I had to wait two weeks for the domain to resolve. I can't imagine that people are still operating domain names in a manual process. Does it happen a lot with the countries that you deal with?

Xavier: No. That's really the very small countries. Mostly some Islands somewhere, where this is still the case. No. No. Most countries, now, are fine. Most are on EPP and definitely they are going there.

Michael: What is EPP?

Xavier: EPP is the language - the standard - (Unclear 23:08.6). Actually, ICANN imposed it to all the new TLDs to communicate as a registry with a registrar with this standard. So, it's a kind of XML form, but every field is set, every field is known, and it is now a standard that is now accepted by the industry.

Michael: Okay. That makes sense. So I would assume as a domain name registrar, as a company, that manages multiple business underneath the overarching umbrella that the DCL Group of companies owns a lot of domain names; either for the brands, or your own domains that you have in your portfolio.

Xavier: So, yes; we do, of course, for all the different companies. We have, of course, all the extensions and we do believe in having the need to have most and all the large countries. Definitely. And then, I also co-founded the company Domain Invest, and there, we raised quite a lot of money, so there we have seventy thousand names in that company. So yes; we do have a lot of name.

Michael: Okay. I want to ask you about Domain Invest, but do you have your own portfolio of investment domains through EuroDNS or DCL Group?

Xavier: I used to have a small portfolio. Not a big one, so very small one. And the day we founded Domain Invest, then, of course, now in my (Unclear 24:30.3) agreements, there is a big clause saying, 'stop. You don't have the right to buy any names directly. That would be in conflict with what the (Unclear 24:37.1) gave money for to do'.

Michael: Okay. That makes sense. I've also seen that DomainNews.com, which is the number one site if you go to Google and you type in Domain News - exact match domain name -, is managed by an Editor named Roland Buck. Any relation to you?

Xavier: Yes. That's my brother.

Michael: Does Roland work with your business as well? What is that relationship?

Xavier: Roland helps me. He runs the menus. He likes to run that, but he's now very busy on other sites, so he's less focused on that. But he likes to do that and he still tries to manage it and keep it up and running. There's not much focus around that, but you're right; it's still one the best indexed websites. It still gets a lot of traffic and at some point; I think we might pick it up and try to make something better out of it. Actually, if people are hearing this interview and looking at it, if we just would need many people, we would like to jump in to make it a nice content website and all the news on it. Why not?

Michael: Okay. So if people want to contribute to the news on DomainNews.com, you're saying contact through the website.

Xavier: Yes. Actually, to contact to see if somebody has an idea of what to make out if. We know that that is our property; that is our (Unclear 26:00.3) brother managed and that needs to be refocused and looked at one of these days.

Michael: Okay. And is that part of DLC Group as well? Or is that owned by your brother?

Xavier: It's co-owned. So it's not far from the group somewhere, but it's not like directly below the group.

Michael: Got you. And is Roland your older brother or younger brother?

Xavier: Older brother. Three years older.

Michael: So he used to beat you up when you were younger?

Xavier: Always.

Michael: Yeah. Now you get back at him.

Xavier: Absolutely.

Michael: All right. So, we understand EuroDNS; we understand Data Center Luxembourg. You mentioned earlier that you bought Root.lu - the country code for Luxembourg, of course. And Root is a low-cost hosting provider. Is that correct?

Xavier: Absolutely. Yes. So they do simply dedicate server. Like you go; they can choose between four, five types of servers that range from forty-nine bucks to eighty-nine bucks a server. And you click a button and, within a few minutes, you have a server on a dedicated server connected and ready to go.

Michael: Excellent. And do you do virtual, private system accounts, or partial hosting; VPS accounts?

Xavier: We do that at Data Center Luxembourg. We also have VMware and everything. Also, entire services; we do have that private clouds even. But this one is really for the low-cost hosting, which segment is very big out there and a lot of demand for that to get dedicated, full access servers.

Michael: Yeah. Okay. Let's talk about Domain Invest. It's a company that you founded in 2008. I think you said that it has about seventy thousand domains. What was the purpose of Domain Invest, which people can find at DomainInvest.com?

Xavier: Actually, on DomainInvest.lu; not .COM because I had switched guys.

Michael: I apologize. DomainInvest.lu. I think I typed that wrong in my notes.

Xavier: Yes. And actually, I'm active in the domain industry and since I want really to be active and understand all of it or parts of it, and Domain Invest was really an opportunity to go out there and to make the bridge between knowing what are good domain names and learn how to monetize them best. And so, that was a challenge I wanted to step into. And so, with Frederick Schiwek and Markus Schnermann, we (Unclear 28:30.0) are managing the companies. We came together; decided, 'let's go and raise some money and do this on a serious level. So instead of simply having small portfolios, we all

had our portfolios. Markus Schnermann was a very successful domainer already for ten years with a big portfolio. So, we had people together; we had the knowledge together and we simply said, 'okay, let's bring this to the next level and do this seriously'.

Michael: So you all contributed your own domain names to the investment portfolio and you brought in external money that compensated you for your domain names as well as purchased some other domain names?

Xavier: No. So we raised money to go and buy other domain names. It would have been too complicated to bring existing portfolios to it because I will always have a value issue with that at that moment. So it's easier to raise and then go and buy.

Michael: Okay. So, even though Markus had a large portfolio, he didn't contribute his portfolio to the investment fund?

Xavier: So, not by contributing. Later on - much later; over a year later -, we discussed and saw that Markus had a tremendous liquid portfolio, so Domain Invest went there and we bought it at that moment. Then we were able to assess a price and we did the acquisition.

Michael: I understand. And who invested in the initial round of this fund?

Xavier: A lot of high-end network individuals and some VCs. We have a Paris-based VC, called RS Capital, which is quite a big one. Luxembourg's VC is BIP. So, meanwhile as it popped up in other deals; and that's it more or less. And then, Luxembourg found SNCI to (Unclear 30:13.0) and a lot of high network individuals.

Michael: And how much, total, was raised for the first round?

Xavier: Close to twenty million euros. It's 19.6 if I remember.

Michael: Wow. And was there subsequent funds created? Or you're still operating this first fund?

Xavier: No. We operate this first fund for now and we're quite busy on doing so; especially, as we all know, PPC is going down and that Google is squeezing everybody more and more. So we are quite busy creating value for our investors by adding smarter ways to monetize and also by building some extra properties out.

Michael: Okay. So the entire idea was that you would take this close to twenty million euros and you would buy a portfolio of domain names through which you would monetize through pay-per-click and through building out. Any sales involved in there also?

Xavier: Yes. More and more now. Not at the beginning. Strategy was not going directly for sales, but now, as we reach, we want to probably exit in about two years. So, as we reach that date and get closer to that, now we also start to push sales.

Michael: Okay. And why exit in two years?

Xavier: Because investors want to see some of their money back, so that's one part. But it doesn't mean that then we will not create another vehicle, or do a partial sale and then go for fund two; whatever. A lot of possibilities are open.

Michael: Sure. And what's been the return on investment for investors to date?

Xavier: Nothing. Because we managed to negotiate with investors that, during the life cycle, there is no payout. All the payouts come to the end. We have the right to reinvest the earning we have right now into the portfolio and building out the portfolio.

Michael: Okay. So, instead of getting earnings that would then be taxable on probably an operating basis, you're going to wait until the end, until you have a liquidity event, until you sell the entire portfolio, or recapitalize; in which case the investors can then take the gains as capital gains at a lower tax bracket?

Xavier: Absolutely. For the ones that are Luxembourg, yes; absolutely. You got it.

Michael: Excellent. Okay. Let's see what else I want to ask you. We talked about EuroDNS being successful because you have so many country code TLDs - hundreds of them - and you're a one-stop shop. You're not the low-cost provider, but you are the ease provider. You provide ease to customers. Do you attribute any of your marketing campaigns to the success of EuroDNS to date?

Xavier: Not really. The marketing company itself; more the approach that we built by creating a lot of websites. So, by addressing the markets through the ecosystem, how I call it, by having a lot of different sides. For example, well, domain uses one. It's not really ours, but we still can have banners on it, etcetera, but we have plenty of those. We own InstantDomainRegistration.com, which drives traffic to us. We own WhoIs.de, which is the WhoIs people seeing its official website of WhoIs in Germany; drives and has more than six thousand uniques a day. So that gives us visibility. We have websites. We own DomainTransfer.com. We own DomainAPI.com. So, you see, it's an approach and the fact that took - you haven't mentioned yet - participation into DomainTools.com, where, also, we have a banner and where we show available CCTLDs on DomainTools.com, which has more than six hundred thousand uniques a day on such a website. So, it's really an approach on how to get visible on the Internet and really doing it from all possible sides and especially, within the domain ecosystems, where you attract a need of a user. A user who wants simply to see a WhoIs, or a user who wants to find out how to transfer a domain, or a user who wants to have an appraisal, or etcetera. So, addressing, by catching that user and showing him, 'oh, and by the way here are some CCTLDs that are still available around your domain name. Why don't you get them at EuroDNS?' So it's really like a marketing approach of covering all the aspects of the ecosystem.

Michael: And those aren't just domain names that you own that you redirect to EuroDNS; those are actual websites that you've built out.

Xavier: Yes.

Michael: So if somebody is searching for Domain Registration, they might find your DomainRegistration.com?

Xavier: Yes. We have DomainRegistration.com.

Michael: What would a user see on DomainRegistration.com that would then translate into a sale - convert into a sale - on EuroDNS?

Xavier: First of all, for every TLD, we created a subdomain, so you have Asia.DomainRegistration.com; DE.DomainRegistration.com. That's simply for pure SEO tactic on how to get indexed in Google; because people search DE Domain Registration. And, out of the results, you have then DE.DomainRegistration.com. People click on it, they come on the website with data about the German - DE. What are the restrictions and all the information around the TLD, and they can start a search on that page to see if a domain is available. And from that page, they then land and come to EuroDNS, where the results are shown.

Michael: Okay. I see it. I just went to Domain Registration. I see all of the different country codes and it gives me all of the information, and then I can do a search and it was lead me right back to EuroDNS. So it's a website unto itself.

Xavier: Exactly.

Michael: But then takes me right back to EuroDNS. I know Google is trying to figure things out to make sure that people aren't gaming the system. Do you find that you need to keep all of these separate websites, like DomainNews.com, and DomainRegistration.com, and WhoIs.de on separate websites, on separate servers, on separate C-classes so that Google views them as separate, or do you not worry about any of that?

Xavier: No, you don't have to. Anyway they are, but you don't have to be worried as long as you really offer a good user experience. So, as long as (Unclear 36:58.2) on domain, as long as you show WhoIs DE and you can show all the DE WhoIS and keep the user happy, it's absolutely no problem.

Michael: So as long as you have good content; not content that was written for five dollars an article, and it's just pasted up there, and it's not really relevant to the domain name, to the keyword phrase that you're targeting, you don't need to worry about it.

Xavier: Absolutely.

Michael: You create websites that are all focused on that topic; and yes, they may lead you back to EuroDNS.com, but they provide useful content related to that topic.

Xavier: Exactly. So they all work. Except for domain use. Domain use works very well on the keyword domain used to reach domain use, but as most of our articles are not unique content because we post most of the press releases of Sedo, and Vipis, and etcetera; press releases of the industry, we don't have many. We only have David Goldstein who writes, from time to time, an article; you're right, but otherwise, because that's on double content, it doesn't work for domain use. But all the other websites we have built going from WhoIS DE and Domain Registration, yes, absolutely.

Michael: Okay. Let's turn our sights on the new TLDs, Xavier. I want to know what you think about all of the new TLDs and we're actually recording this interview on Tuesday, June 12 our time - evening your time; morning my time. The new TLDs are going to be announced tomorrow by ICANN. What do you think the end result, a few years from now, is going to be for all of the new TLDs?

Xavier: You're right. So, tomorrow they will release the 1900 domain new TLD list, so we will know the entire list. And out of 1900 applications, I believe there are going to be only fourteen hundred to fifteen hundred uniques, so you will have to remove three hundred to four hundred doubles. And from here, then you have a split and you have fifteen hundred uniques and out of that, I believe that two thirds - sixty-six percent more of less - are going to brand names. So, companies who applied for their brand.

Michael: Wow.

Xavier: So, that's quite a lot and I can tell because, in our group, we also have a company called EBrand Services that is below EuroDNS that covers, especially, the large brands. And we did some consulting and we helped some of the large brands to go for their new TLD. So that means that we will have like seven hundred or sixty-six percent of fifteen hundred - if we do the calculation, that's nine hundred more or less - of brand names out there. And then we will have a split of cities. That will be definitely, I would say, a hundred fifty to two hundred city names coming. And then we will have the gTLDs - the generic ones - where it's probably then another four hundred to five hundred generic ones. That's more or less where I see the split, but that we will see. That's really one day before the list came out.

Michael: Yeah, I know. You're going on record. The list is going to come out tomorrow; this is going to air the Monday afterward and people are going to look at you, Xavier, and they're all going to say, 'this guy is brilliant! He nailed it'.

Xavier: Or not.

Michael: Say something else. So, we'll see. Okay. So the nine hundred brands that are going to come out. That makes sense. People want to control it. IBM may want .IBM for some reasons; for their own internal purposes. They will control that top-level domain. It'll only be used by them. They won't resell it to anybody else. Let's talk about the cities and gTLDs. Will a majority of the cities and gTLDs coming - those six hundred or so top-level domain applications -, will they be successful?

Xavier: I don't believe in gTLDs and the generic ones. I don't believe in them. I believe in the cities ones, but only in the big cities. There are many small cities who went out there - (Unclear 41:21.1) -, so they will have a hard time on getting the critical mass. But the large cities, definitely, going from Moscow, London, Paris, and so on; they definitely will get it and I believe in it because of Google - on the way that Google indexes and on the way people surf. First of all, I believe in the mind of the people. We always say, when they surf, it's 'what.where?'; and not the what.what or where.what. So that's why the generic TLDs. Just as the ones that already exist - .TRAVEL, .JOBS,

and .(Unclear 41:53.9) -, they were not successful because, in the mind of people, it's always what.where. And the .where meaning, .com for global and country for local. And now, the next steps are going to be the cities. So, if you go for hotel Berlin or hotel London and you search that, then Google will definitely like somebody that has Hotel.London or Hotel.Berlin. So that will work. And for domain investors, though, it's the quantity of names per city is still quite restricted. I only see five hundred to a thousand names that would be worthwhile being really invested into for the cities. What are really relevant; what people look in and around and then local.

Michael: Yeah.

Xavier: But we all know that Google is becoming more and more local. The results in Google, even in the US now, results, city by city, are completely different for certain keywords and it used to be all over the place the same. And Google becomes so local that the city domains will work, but I don't see any room for the generic ones.

Michael: Can you make a conclusion based on the success of the country codes that you sell at EuroDNS with respect to the size of the country? So, can you look at it and say countries of this size tend to do better than countries below this size and then, make a conclusion about the city domains and which cities will be successful with respect to using an exact population?

Xavier: Yes. We can absolutely do the correlation because, actually, small countries like Luxembourg and others who have below a hundred thousand domain names and the larger the country is, the more domain names they have. Especially when you look at Germany with its fifteen million domain names; you look at UK, where it's now above ten million domain names. And you look at France, which is, again, not an example because France didn't get it with their restrictions, they're only above two million domain names, but that's because they have local restrictions that only French people are now, European people can get it. But yes; if you don't look at the restrictions and you only look at the population, there is absolutely a correlation and that will be the same with the cities. Cities with a certain number of populations will get their critical mass and the critical number, and they will be successful.

Michael: And so, what is the city size that will be successful for the new gTLDs coming out?

Xavier: I think that the city and the area around would have to have two million inhabitants to be successful.

Michael: Two million.

Xavier: With the area around.

Michael: Yeah. Surrounding areas. So, London and surrounding areas. Los Angeles and surround areas. Any, I guess they call it, city and outlying areas above two million will be successful. And then, there's probably a grey area around that number, but as a guideline, it's a great number to have. So, we talked about the brands. Clearly, the cities. You mentioned to me previously that you're not a fan of the new generic TLDs.

Xavier: Yes, but I want you to highlight something. So, at Valencia, on my speech, I said, "but still, even though I don't believe in the generic TLDs, in the next ten years, we will reach a billion domain names". So we are only at two hundred million domain names today, but as I said, in ten years, we will do five times that. We will be at the billion domain names. And why? Because of the brand TLDs. Actually, brand TLDs; we need to talk about that. Big brands got their TLDs and we did a lot of consulting for some of the large brands; and what is going to be interesting is to see what these brands are going to do with it. Ninety percent of the brands, for now, have no clue what they will do for it. They went in and they said, 'marketing-wise, cool. Protective-wise, we have to do it anyway. And half a million bucks spending here is peanuts versus our marketing budgets we have'. So that's what most of them did, but some of them already did a reflection. They were thinking much farther away. Take one example of - I cannot say the brand, but I will list all three. Take DHL, FedEx, and UPS. One of these three brands, we helped to do some consulting with them. And all of a sudden, they came with the idea and said, 'well, why shouldn't we do TrackingNumber.brand?' TrackingNumber.Fedex or TrackingNumber.DHL. Imagine one brand would go out there and do that. How many domains do we have per day? How many parcels are there delivered per day? And another example; take Sony or

Samsung and their devices, their TVs and so on. Imagine that they come up, SerialNumber.Sony or SerialNumber.Samsung. And all of a sudden, every single TV set that you buy and every video recorder that you buy, you have a domain name. (Unclear 47:10.7) before is that IP v6 related will make that everybody will have a domain name; except that my vision of everybody having to register a domain name was making people way too smart because people, before they get that, that's going to be another hundred years. So it's the brands that will do it for the people. The brands will ship devices later, where actually the domain name is preconfigured on it to reach your device. And so, that's why I'm saying, depending on what the brands will do with it, it will be a revolution that there will be billions of domain names coming.

Michael: So some domain investors may hear the sound byte and say, 'one billion domains are going to be registered by 2025, let's say, and we're only at two hundred million, so we're going to have a five fold. I better go invest in domain names'. But what you're saying is that there's going to be a new use case for domain names that may put out magnitudes more domain names being used, but it's not necessarily going to allow an entrepreneur or investor to capitalize on it.

Xavier: Absolutely. This is going to be a private play just for the big brands under their top level. Absolutely.

Michael: Okay. Is there a way for investor to capitalize on that growth, even though the growth isn't going to public?

Xavier: The investors will capitalize on the fact that there are, now, a few hundred new registries coming and the fact that all these registries will have so much money to pour into marketing and create awareness that the general awareness out in the world for domain names will grow again strongly and that the demand, a lot of people will realize, 'oh dammit, yes. Domain names are important'; and then, the input of knowing how domain names and search engines work together. So the general awareness will grow and that will be good for domain investors.

Michael: Okay. So it's going to release a whole new slew of domain names that are going to need marketing, they're going to need technology, they're

going to need consulting; you name it - the spectrum to figure out how best to use those domain names in their products and services.

Xavier: Absolutely.

Michael: Okay. So, we understand how the brands are going to revolutionize the quantity of domain names being registered every year. We talked about the cities and how city sizes over two million will likely be successful because people think in the what.where mind set. And what about the gTLDs?

Xavier: So gTLDs; what will happen. There are some smart guys out there, of course, like (Unclear 49:56.4) we all know is quite smart. So, the people that went for the critical mass of TLDs; that went for twenty to more than twenty applications and will end up by having at least ten to forty, fifty gTLDs, they will have the critical mass and be able to survived because all the single ones of these TLDs will do between fifty thousand registrations to two hundred thousand registrations. But it wouldn't be enough to have one single name to be a successful and be a sustainable registry. So, what will happen is, all the small ones that went for one or two extensions, up to six - even eight -; they will simply be absorbed after time. They will not have enough cash to survive, not enough cash to do the marketing, and simply what will happen: they will launch; they will see that they are not successful; that nobody wants to auction their premium names. Because what will happen is, if there comes four hundred gTLDs and they are going to be released over two years, that means that every single week - so, four hundred divided by fifty - are eight new TLDs being launched. So, eight auctions for these new TLDs. So, see, they're doomed to fail. It's simply not possible. And so, all the small ones; there will simply be a consolidation of the market and all the big guys will simply absorb the small guys.

Michael: And do you think that the big guys will actually absorb the small guys? ICANN is requiring new registries to have, I believe, a certain amount of money in the bank or in escrow to make sure they have the capital to run it for two to three years. I can't remember the specifics. Will they just close up shop and shut down the registry, and then ICANN is going to be responsible for it?

Xavier: No. So, okay; there is some money in the bank for the registries on the side to be able to be sustainable, but actually, that money is really just a time to be sustainable in order for somebody to take it over. And actually, the amount has been reduced in the last RFP that (Unclear 52:11.4) reduced them all. Probably too many people said, 'that's way too much money', so in the end, now, we're actually not talking much money.

Michael: How much is it now?

Xavier: Depending on the how, you simply had to say, 'I think I will have so many registrations'. So people, first, had to say what they believe the registrations they had and then there was a table where you fit into it and most of the people stopped. I think at two hundred and fifty thousand was the maximum that you had to put aside; and with that, you don't run long.

Michael: Got it.

Xavier: And then, actually, ICANN always looked on backup failure over solution or who could take over. So everything is set for already allowing other registries to take over the ones that will not be able to survive.

Michael: All right. But all of the good money is going to come right at the beginning because the registries are going to hold back their best domains. The Hotel.something, or the Sex.something, or the Gambling.something. They're going to hold those back, right? So they'll have the best opportunity to make the most amount of money up front.

Xavier: Yes. So, because they're holding back, they're not getting cash immediately. So it's really a dilemma because either you are one of the first ones being able to launch and then, I would suggest to these guys to make, immediately, the auction; or you wait and you risk the fact that everybody out there realized, 'oh, well, it's really stinky here. None of these TLDs are doing very well' and then the auctions will never pick it up, so it will never be successful and then they can never launch it because there are simply too many out there who want to do auctions. So it's really a dilemma.

Michael: It really is. Yeah. So what's your advice to the registries that are applying that are going to get granted for the gTLDs? What is your advice that you would give them now?

Xavier: Try to be one of the first ones with a digital archery system. Really try to be one of the first and try to do your auctions very fast. And try to partner up already. Do deals on becoming bigger. And if you only have one to five TLDs, merge, immediately, with others in order that you can have all the efforts of marketing and convincing registrars to hook up to you and bring it all together as fast as possible.

Michael: All right. That makes sense. Do you see a lot of venture capital coming into the domain name industry as a result of all of the new TLDs, or do you think that venture capital, private equity looks at this and says, 'whoa, there's just way too many questions. We don't even want to get involved'?

Xavier: Well, when you look at the 1900 applications, you see that a lot of money went into it. Donuts raised more than a hundred million. And actually, people were fighting to be able to participate in the second round and it was actually even private doors behind private doors. It was not even the public tender in trying to find new ones. So, no. A lot of people managed to find a lot of money. There will be a lot of deception. Some will be successful, but that's it. So, no. A lot of money came in and so, that's the interesting part of it. The entire industry will benefit from so much marketing money and so much awareness coming out of that, so that's the nice part of it.

Michael: Yeah. All right. Well, it's definitely an exciting time. Xavier, final question for you: What are your plans for EuroDNS as it relates to all of the new TLDs coming out? How do you plan to continue to grow EuroDNS and support all of these new TLDs?

Xavier: On a few levels. On EuroDNS, of course, we will continue offering all the extensions, so we definitely intend to have all the gTLDs in our portfolios; even if that means having four, five implementations a week. We have a quite strong team. We have more than sixteen developers and everything is also already streamlined and automated in order to do so, so EuroDNS definitely all these extensions will be available. And then we have,

on the EBrands Services side, which is our EuroDNS brand for the large brands for release. There was a fortune five hundred out there, where we offer a lot of consulting and registrar back ends for the new TLDs. So these brands need themselves a registrar backend, so we are offering them a registrar backend and a lot of consulting. And then, when you come to Domain Tools, where I'm also very excited is that this complete mass of one thousand nine hundred new extensions will bring a need for monitoring and alerting systems. For the big brands, this is huge. So, Domain Tools is really positioned. We are already the leaders in that field, but now, every company in the world will need to know, 'okay, I cannot register this one thousand nine hundred new extensions, so what do I need to do? I need to monitor what happens with my brands and who is registering it'. So a lot of subscriptions on monitoring is setting up. So that I'm quite excited about.

Michael: Excellent. All right. If you have a follow up question for Xavier about EuroDNS, about the new TLDs, please post it in the comments below and we'll ask Xavier to come back and answer as many as he can. If people want to follow you, Xavier, are you on Twitter? Do you a blog? Any place where people can follow your day-to-day goings on?

Xavier: I post more on Facebook when I'm doing a speech somewhere, so it's more Facebook. Not updated too often.

Michael: Do you connect with people on Facebook?

Xavier: Yes. I'm really using Facebook and LinkedIn for professional reasons, so yes, I absolutely connect with all the industry.

Michael: All right. Great. We will promote your Facebook and your LinkedIn links underneath the interview. Xavier Buck, Chairman of EuroDNS; thank you for coming on the show, sharing your tactics for successfully building a successful registrar, and thank you for being a Domain Sherpa for other entrepreneurs and investors.

Xavier: Thank you Michael for having me. Thank you.

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

Watch the full video at:
http://www.domainsherpa.com/xavier-buck-eurodns-interview/