HOW TO SELL ICE TO ESKIMOS, DNSEATTLE KEYNOTE - WITH ANDREW ROSENER

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DOMAINSHERPA.COM

Michael Cyger: Alright, so my mom has been texting me that she couldn't figure out how DNSeattle Live was working but she found it Marc. So, "hi mom" watching from LA. It's good to have you on here.

I have three sponsor messages before we get into today's show.

Michael Cyger: ...Andrew Rosener, our keynote speaker for the evening. Andrew. Oh, there he is. Welcome, buddy.

Andrew Rosener: It's good to be here.

Michael: All right, you're going to take that seat. Your mic is on? Oh, hold on. Mom, we're friends. We're just friends.

Andrew: Is it on?

Michael: It is on, now.

Andrew: All right.

Michael: All right. Drew Rosener--Andrew Rosener--is the CEO of MediaOptions.com, an industry-leading domain name brokerage specializing in domain name acquisitions and sales. Drew is also the CEO and founder of Ganjapreneur.com, the leading business-to-business publication in the cannabis industry. Drew has held multiple positions before, running his own company in sales and technology. He's one of the best networkers I know in the domain name industry.

He's a regular on the twice-per-month show that airs on DomainSherpa.com called the "DomainSherpa Review," where we review portfolios and talk about the quality of domain names. And he is seldom without an opinion about something that's going on in the industry, which is why everybody loves to hear him on the show. And I will point out that Drew Rosener has not body-checked anybody in at least two weeks, so...

He's one of the most successful people I know from both brokerage--selling and buying domain names--as well as a development standpoint. So he not only gets development and how domain names can be put to use through businesses, but he gets the buying and selling side. So we're fortunate to have him here tonight. If you haven't had a chance to meet Drew, I suggest as soon as the educational portion is over, you head over to him and do a selfie or chat with Drew. So Drew, let's start off. You know, some people may not know you in the audience. Where did you grow up?

Andrew: Rhode Island.

Michael: Rhode Island?

Andrew: Yeah.

Michael: So you are from the U.S., even though you're technically living in Panama?

Andrew: Rhode Island-born, Rhode Island-bred, when I die, Rhode Island dead.

Michael: You're going to be buried in Rhode Island?

Andrew: Probably not.

Michael: All right. And so, what were you like growing up? What was your jam? Were you like, on the chess club, did you get straight A's, were you collecting baseball cards?

Andrew: No, I was very into sports. I played...wrestling was my main sport. I played basically everything else, until I broke my skull playing rugby. I had the nickname "Quasimodo" for like, two years. My forehead was hanging over my face. No, I was not chess club, I was smoking lots of dope and playing sports. That's what I was doing.

Michael: And so, you...

Andrew: But somehow, I actually did really well in school. I'm not sure how.

Michael: Yeah. So you did well in school, but you are one of the networkers in the industry. You get deal flow because you know so many people. Were you one of the social butterflies in school, as well?

Andrew: Yes.

Michael: Yeah. So everybody knew you?

Andrew: For better or worse.

Michael: Because they wanted to hang out with you and party with you? And so, when you...you know, I think a lot of people in the industry know you from some of the individuals shows that I've done with you. And I always point people to the show where we talk about you being a fishmonger and your first year in the industry. How do you go from graduating college to becoming a fishmonger? And before you tell me that, what is a fishmonger, for anybody that doesn't know?

Andrew: So fishmongering can take many forms. My form of fishmonger was, I was sitting in an office in Newport, Rhode Island with my feet up on the desk, selling containers of frozen, dead fish, you know, buying it in Peru, buying it in Japan, buying it in...you know, all over the world, importing it into the U.S. and selling it to large distributors. Technically, a fishmonger--I think--is more like the guys down at The Pike.

I got a degree in Management Information Systems in college, had a little software business. It was fine. I mean, we made...we had the dean of our college on payroll. It was a great experience, but I realized that what I'd just gotten a college degree in was not at all what I wanted to be doing with my life. And so, I graduated, I had a degree in this thing, then I was like, "This is useless to me."

And I got a call from somebody who was like, "Hey, you want to come sell dead fish?" And I was basically like, "Um..." And he was like, "Well, I'll give you $1000 to come hang out for the day." So I did that and we hit it off. And ultimately, I realized, you know, I wasn't shoveling fish, I was talking about it on the phone. And...

Michael: You're not...you like to talk?

Andrew: I like to talk. Nobody has ever accused me of being shy. So we hit it off, it went well. He was looking for a mini-me to basically...he wanted to retire, he wanted somebody to take over the business, but he wanted somebody from outside the business, so that he could mold them into their...you know, into his evil little mini-me. And that's what he did. And it went really well and we grew the business from like, $9 million or $10 million to a $30 million company, plus, when I left. And...

Michael: Was it online, or were you like...

Andrew: No, zero online.

Michael: ...calling people up and trying to sell...

Andrew: I mean, I was selling...

Michael: ...these containers of fish?

Andrew: I was on the phone and I was sending faxes. I probably sent--I'm not even joking--like, 500 faxes a day. I had a giant fax machine on my desk and I was just feeding price lists into it.

Michael: And people would buy it and then, you just have the truck show up, pick up this...

Andrew: Yeah.

Michael: ...container of fish and drop it off someplace?

Andrew: More or less. We had cold storage all over the world and you know, everything we owned was sitting in the cold storage. Sometimes, we did what we call the back-to-back deal, which was, we never actually even took possession. I just knew somebody had something that this guy wanted and I can make a margin, so I'd...you know?

Michael: Ah, so that's where you get it from in the domain name industry, where you will actually buy a domain name and have it sold before it even hits your account?

Andrew: Legitimately, my greatest competitive advantage in this industry is that I was a fishmonger and that I had the most insane individual I've ever met in my life as a boss. And he taught me the hard way what sales really was and deal-making. It really came down to deal-making. It was like, find something that people want, find people that are willing to pay for it, figure out if you can get it for less than they'll pay and then make a margin. And the better the margin, the better the business and...but even if it's a tight margin, as long as you're not paying for it, who cares? And so, that was kind of my...that was my 101 in sales.

Michael: So you sold a lot of fish?

Andrew: That was 101, 201, 301 and 401.

Michael: Yeah. And you sold a lot of fish?

Andrew: Yeah, I sold a lot of fish, right.

Michael: And then, how did you move from being a fishmonger into domain names?

Andrew: So I had been...I had...my interest in domains had started much earlier, but I just didn't know that they actually had value or there was an aftermarket, or...I had bought some domains because I was, you know, sort of learning about technology as the Internet was sort of evolving. And every time I had an idea, like any of us, I bought a domain. And you know, I guess my...when I really came in Ernst into domain names...Ernst or earnest?

Michael: Earnest.

Andrew: Earnest...two things happened. So one, I had met my wife and she...you know, we were dating at the time and I went to Majorca with her and we had this ham. We had this Jabugo ham and it was amazing. You know, I thought, "Oh God, I need to import this into the U.S. This is amazing. We don't have this stuff." I found out the FDA banned it, it wasn't allowed to be imported. And...but I bought the domain names anyways, because I thought, "You know, someday."

And a few years later, I'm on the...I heard on the radio that George Bush was about to get the first imported ham into the United States. And so, I found out who the distributor was and I called him and I said, "How do you do that? I looked into this. And by the way, I want one of your hams." And he's like, "No, sorry. The first three containers sold out, the next one's like a year from now." And I was like, "Well, you know, I've got these domain names," and he's like, "You're the guy that got those? Son of a bitch!"

And I sold him the domain names. It was like five or six of them and...but it was all the best domains for this category. And it was literally...at the time, it was the most expensive meat in the world. It was like, $700 a pound and a leg of this ham was like, anywhere from seven pounds to 12 pounds or something. And so, it was like...a leg of this ham was like, $5000 or more. And so, anyways, I got like $5000 in cash, or maybe...it was a little bit more than that, I think. And I got a whole leg of ham from the first container and...George Bush's container.

And you know, I didn't really know if I was ever going to get that. I kind of took a leap of faith. I gave him the domain and you know, he sent me a check in the mail and like a month later, I got this ham. And I was like, "This is awesome. If this guy in the freaking ham business is willing to go all in for these domains, everybody's going to want these." And so, then I realized I was late to the game and...but I still wanted to be in on this game. I was like, "Oh, my God. These things are off in the nether and I can own them and sell them for more money than I paid. And I can be anywhere and this is awesome and I want to be in it."

So I started the brokerage business, because I wanted to cash-flow my acquisition of more of these domains, so that's what I did.

Michael: Yeah. And so, we've done a show, "How..." that's titled, "How a fishmonger lost $300,000 in his first year of business," which I think a lot of the domain name investors in the audience can relate to, not the magnitude of the loss, but definitely buying domain names that were a loss. What kind of domain names were those and why did you spend so much money on them?

Andrew: Well, I wasn't spending much money. The problem was that I wasn't spending much money on the domains. I was buying GoDaddy closeouts and registering domains that I thought were clever. It turns out they were all worthless. I'm going to switch this over here, because I'm facing this way.

Michael: Yeah, yeah.

Andrew: So yeah, I bought a lot of garbage, you know? I was buying like...even going further back, I think I was buying like ClickProvidence.com, when I probably could have bought Providence.com.

Michael: Right. So that's the kind of domain name investments that you were making at the time?

Andrew: Exactly. Exactly.

Michael: And you probably still own some of those today, you know? And...

Andrew: Absolutely.

Michael: So today, it's a much different story. You and I have been on...doing a show for so long together that I get some of the insights behind the...behind you, behind the business that other people don't get to see. Is there a rough number? What volume of sales did your company do last year that people who aren't familiar with your business might put it into perspective and understand what you're doing?

Andrew: Yeah, we did like, low eight figures in sales just last year alone.

Michael: So it's a good, good marketplace. You guys are one of the leading brokerages in the marketplace. You've learned a lot through not only individual investing, but also dealing with other people's domain names, domains that you thought were great that you couldn't sell, domains that you thought were great that you easily sold to either companies or other investors. If an investor or a registry or registrar wanted to know what are the three most important aspects of premium domain names, what's sort of the top three that come to your mind?

Andrew: So you know, I guess in some sense, it applies to regular real estate. You know, it's location, location, location. It's, pay up for the best name. So whatever space you're looking at, don't settle for something that's slightly, you know, "Well, I can get it for 20% of the cost of this one, because I added an "s," or, "...I added a prefix," or, "...I added a suffix." You know, it's...owning...if you go for the best, don't nickel and dime. If you can get the best possible name for whatever it is that you're...whatever category, whatever landscape you're looking at, there will always be demand for that.

And so, as long as you're not being totally unreasonable, even if you pay up for that name, when the end-user--when the party that needs that name or needs a name in the space that you're targeting--comes along, it almost doesn't matter to an extent what you paid, because they have to pay more. That's the name, that's the one they need.

Michael: And if it is the defining domain name...

Andrew: Exactly.

Michael: ...for that industry, niche, segment, whatever it is.

Andrew: Exactly. And there's a lot of market for all the other stuff, but that's where it's much more price-sensitive. So those absolute top-tier names, that's where I personally have made the most money, is because I get told all the time by my friends in the industry like, "You're crazy you paid that." And you know, probably I am. But still, it seems to always work out. Those names, because I paid up, because I took hold of it, I said, "All right, forget it. Fine, I'll pay it. I need that name," somebody comes along later that needs it more than I needed it and will pay more.

And usually, that...if I buy a name and I paid $100,000, then people in the wholesale community are like, "Well, you should have only paid $30,000 for that." Well, I paid $100,000. But now, if somebody comes along and they're like, "I need that name," they'll pay $500,000. And so, to make that $400,000 spread, you need to sell a lot of $1000 names or $5000 names or $20,000 names. I'm trying to maximize every deal that I make and so, I just find that paying up, getting the best-of-breed, always pays off.

Michael: And you know, a lot of people have watched the shows on DomainSherpa and they know that you somehow come up with these phenomenal domain names that you buy for like, $5000 or $10,000 or $20,000 that are clearly worth six figures. But you're also one of the people in the industry that I know that will throw down the cash when it's not that great of a deal, just because you want to lock up the deal. Is that one of the key aspects that you...?

Andrew: It really is. Yeah, it really is. I mean, when you see a domain that you know really, truly identifies a whole category, or it identifies...it's such a strong brand that there's an emotional aspect to it...and unfortunately, there is...you know, a lot of these things are intangible, so it's hard to put a number on it, it's hard to apply metrics to it. But I think in...to some instance, you can.

If you look at the industry that it might apply to and you say, "Okay, this is an industry that attracts its customers online," "This is an industry where having that strong brand will make a difference," "It's a consumer-facing industry," "They need a leg up on their competition," or whatever it might be, paying up within reason, it makes sense. Sometimes, you've just got to be fast. You've got to be...so yeah.

So that...to your point, it's not just about saying, "Okay, fine. I know that it might be over what the wholesale market is, but I'm just going to pay anyways," but it's also about being fast, because the minute other people sniff that, "Oh, wow. Somebody actually will pay that," that's when everybody wants to follow on and then you get pushed out of a deal. So just, fast. You know, you've got to...

Michael: So it's sort of like real estate here in Seattle.

Andrew: You've got to be decisive.

Michael: If you know of a pocket listing that's for sale...and I've got some friends that have recently bought here...you know of a pocket listing that's for sale and they throw out a price and you're like, "Yes, I will take it before it goes to the market..."

Andrew: Absolutely.

Michael: ...you're going to get it. Maybe you paid a little bit more, but you also prevented 10 other people that are looking for houses in that price range from putting in an offer with escalation clauses and everything else. So if...

Andrew: Absolutely.

Michael: ...you'd rather get the deal and pay a little bit more...

Andrew: Lock it up. Get the deal.

Michael: Yeah, lock it up?

Andrew: That's the key.

Michael: Yeah, yeah. So definitely location, location, location. Get the deal, don't nickel and dime them. What would you say is the third best for...third tip for important aspects to becoming a successful investor or a successful owner of a domain name? Is there a registry holding back some of the premiums?

Andrew: I guess to some extent, we have an unfair advantage, but it's about deal flow. So you need deal flow, you need to be at the nexus of where these deals are coming to market. So we've done that through our brokerage business. And so, if you're a guy, you own one domain name, it happens to be a great domain you bought in '94, suddenly, there's a bunch of people knocking on your door, "Hey, I want to give you $5000," "I want to give you $20,000," those offers seem to be increasing and you're like, "Well, maybe this is getting interesting. I want to sell it now."

You go out on Google and you go, "How much is my domain worth," or, "I'm looking for a domain broker," or you're trying to get an expert opinion of like, "Am I underselling this? Is this a good price? Is this...how do I even make this deal happen?" And so, we get a lot of knocks on the door and we get a lot of that deal flow. We try to avoid conflicts of interest. We're one of the only brokers that is also a buyer and not just a broker and you know, I'm very transparent about that with people that come to us.

If you're looking for expediency...and a lot of people are. A lot of people, the reason they've decided, "Okay, I want to sell," is because they need cash for whatever reason. And frankly, none of my business, I don't care why. But if they're looking for expediency, then hey, I'm your guy. We pay quick. Nobody pays faster than us. If you're looking for maximizing your price, then I'm also your guy. But I need 6 to 12 months to bring this to market and do the education and the marketing and finding the exact right buyer at the exactly right time and...

But the point being that we've put ourselves at the nexus of the deal flow, which allows us to see these names that are coming up. But now...that was great...in the last two years or so, you've got a lot of young guys that are hustling as hard as I used to hustle. They're making me put my track shoes back on. And you know...

Michael: Well, and to be fair, you've got a team now that does the...

Andrew: Yes.

Michael: ...hustling on behalf of Media Options, yeah.

Andrew: Yeah. But you know, if you're out there hustling and you've got your hit list and you're like, you know, "I'm going to target every three-letter .com that was registered between '94 and '97 and I'm not going to stop until I've hit every single one," you're going to shake that tree and there's going to be some apples that fall off and there's different ways of putting yourself in front of the deal flow. You can create the deal flow by creating the demand, or you can establish yourself as a broker, establish your reputation, establish yourself from an SEO standpoint. There's lots of ways. You can have a marketplace, you can...you know? But deal flow is key. Deal flow is key.

Michael: Deal flow is key? So as a broker in the industry, how has your deal flow changed over time? What's your percentage of representing buyers versus sellers, now and how has that changed over the past few years?

Andrew: So...you know, I would actually say it's been fairly consistent. Maybe...I think we're doing a lot more very, very large sales on the sales side. So probably, acquisitions is maybe 30% of the business, now and sales being maybe 60%, 70%, something like that. Certainly, sales is more than acquisitions, let's say that. I think it used to be more 50-50. It actually...if I go back more years to really the early days, our acquisition business was 70% of the business.

I was very lucky I landed two or three really good clients. This was at a time when exact-match domains were all the rage. There was like...it was a free-for-all. It was like all these SEOs, all these digital marketing guys were trying to lock up these exact-match keyword domains, two words, three words. And we were selling them...we were going out and acquiring these names and paying whatever the hell price it cost, just to lock these things up, because...and that was a very nice time.

That was a very key time to the domain community as a whole, because I think that was what allowed me to understand how to apply a value to these names. There was a metrics-driven approach. These SEO guys could say, "Well, okay, this keyword's got X number of searches for a month. I can...if I can be number two or number three or number one in Google, I know that I'm going to get exactly this much traffic, I know what that cost per click is, I know what these guys are willing to pay me for a lead." And it was very mathematical. It was like, "Okay, I'm going to get..."

Michael: So you know, you came on the show, I coined the phrase "Rosener equation," it took off, people started using it. Is it still valid today?

Andrew: I think that there needs to be a lot of adjustments to the formula from the time that we recorded it, but it is still a very valid formula.

Michael: The basis of it?

Andrew: The basis of it, the core of that formula, still holds true and I still use it on a daily basis.

Michael: Meaning to search the exact-match search volume for a particular phrase...

Andrew: Yeah.

Michael: ...and the cost per click that advertisers are paying on Google and Facebook and Twitter and other sites?

Andrew: Yeah. So I would say the market has shifted away from...and there...to be clear, there is still very much a market for exact-match keyword domain names, but it's substantially less than it used to be. And the market has shifted towards brands.

Michael: Brands as in brandables like...

Andrew: As in Amazon.com.

Michael: ...like Amazon or Apple or...

Andrew: Absolutely.

Michael: ...taking something and using that as your brand?

Andrew: Taking something and using it for its non-generic purpose, something that's trademarkable. And for sure, that's been a massive shift that we've seen over the last few years. But I still believe--and not believe, I know, because I'm watching this--that formula at its core...some of the variables don't apply, but at its core, that formula still holds true and...because it comes down to human nature and it comes down to language and semantics. And so, a word like "Amazon" is being...before Amazon.com ever existed...well, I guess there was no Google before...

Michael: Right.

Andrew: ...Amazon.com existed. But if there was, people would still be searching for the word "Amazon" in very large volumes. It's an inherently strong keyword in language. It's something that people know. They know how to spell it, they know...they attribute it, it's got a connotation, it's got...it creates emotion to some extent or another and that can be directly correlated to search volume. So I still, to this day, believe that search volume is an inherently important factor in the value of any domain name, because...

Michael: Even a brandable?

Andrew: ...even a brandable, because the more that that keyword is being searched, the more it is being used in commerce, the more it's being used in language, the more it is being used in society. And that makes it inherently more valuable, because the more people that are searching for it, the more people you are making an emotional connection to. And even if that represents a minute percentage of your targeted audience, even if the people that are searching for that term are not your targeted audience, it just tells you that there is an inherent connection to society. You are...you're branding on a word that people relate to. They know what it is, they...there's a connection.

Michael: Now, how does that translate from the .com which my mom knows--hi, Mom--to the new gTLDs like .SHOP or .TOP or .XYZ or .BOT?

Finally, if you're struggling with how to buy, sell, and value domain names, you need to check-out DNAcademy.com. Published by me, Michael Cyger of DomainSherpa, and trusted by Uniregistry to train their new employees, you too can learn using the DNAcademy accelerated learning system for domain name investing. Learn more at DNAcademy.com.

Michael: Now, how does that translate from the .com which my mom knows--hi, Mom--to the new gTLDs like .SHOP or .TOP or .XYZ or .BOT? You know, clearly...if anybody says "Amazon," you'll only think of the company. So let's just take a generic word like "silver," or like, "flash." Does the search volume still matter if you're looking at those...

Andrew: Yeah, absolutely.

Michael: ...alternative TLDs?

Andrew: Well...so yes. So let's forget about the domain extension altogether. Again, it comes down to that keyword. It comes down to the use of that keyword in language, the use of that keyword in society, good, bad or otherwise. And so, yes, it very much matters. Now, taking into account the alternative domain extension or .com--whatever domain extension--I think it's yet to be seen.

I think that we're playing that out right now, we're going to see what...how it applies and whether or not you should be looking at the exact-match search volume of just the SLD--SLD being what's to the left of the dot--or should we be looking at the exact-match search volume of what's on...what's to the left and was to the right combined?

I saw EstiBot--I don't know how recently, but fairly recently--updated their algorithm, so it's no longer just taking into account...when you put in...if you go to look at the valuation of a domain in EstiBot, it used to be that regardless of whatever the extension is, they were looking at the search volume of the SLD, of the keyword. Now, if you go to look up the value of a non-gTLD, you know, of a...sorry, a new TLD, okay...they're looking at the combination of what's to the left and what's to the right and saying, "This is the search volume for the two combined terms."

So that's new, right? That's something that's never been accounted for with a .com, because you don't need to. And I guess we're going to suss out over the next few years whether that makes sense or not, from a valuation standpoint.

Michael: Right. And part of what we're all trying to figure out is, how are non-domain industry people figuring out how domain names are going to affect them, their business, their families? Are they going to use them for their family websites, for their email, for their small mom-and-pop shops? So I'm interested from a broker standpoint, do you have a lot of...the 30% of the business that you're doing, where buyers are coming to you, are they asking for some of these newer gTLDs, or are they still...or are they focused on some of the older TLDs?

Andrew: Mostly focused on ".com." I mean, 90-something percent of our business is definitely still in ".com."

Michael: 90-something percent?

Andrew: Yeah.

Michael: So are some of them looking for...?

Andrew: Yeah. So we...yeah. So we have a couple of clients that have said, "We'd like to explore some of these new TLDs." Well, that's not true. We've had more clients that have asked us for consulting or advice on which of these new gTLDs are important for them to get from a defensive standpoint. But I think that's less important to the conversation than the companies that are looking to use them as an actual brand or a name for their project, a name for their service, a name for their company, so I'm going to focus on that element.

So from that element of, "I'm actually going to put this domain to use in the market," I think we've only had two customers over the last two years--let's say--that have said, "Okay, we want to go get this really cool new gTLD," and we've gone out and done that. One of them is going to be massive. One of them will probably roll out in the next 12 to 18 months. That's going to be really big. That's going to be an extremely visible company that we'll all hear about.

Michael: And adoption and use drives other companies to do the same.

Andrew: Absolutely. But there's still a lot of hurdles, right, to consumer behavior, consumer awareness. There's still very big hurdles to general adoption, but all in all...

Michael: So in your own portfolio, you do own a lot of phenomenal .coms, but .club registry recently did a promotion where you could buy a fantastic premium .club and instead of paying the full amount up front, you could actually finance it over 16 months. So basically, you pay $160,000 above it over five years. And you took them up on some of those domain names.

Andrew: Yeah. I mean, so...

Michael: What kind of domain names did you pick up?

Andrew: So first off, let me say that I really...Jeff Sass is a great marketer in general. I really respect and appreciate him. And I have always looked at that model as what I thought should be the model for the entire domain name aftermarket. So if I put on my domain investor hat, I've got a portfolio of...well, I don't know, we own around 5000 names. So I look at it and I go, "Okay, if I take my top 10%..." You know, we're talking 500 names.

If I take my top 500 names, all 500 of those are six or seven-figure domains, really good, two letters, three letters, bang-on one-word .coms. And if I were to lease those out or take a payment plan at $500 a month, which would be...by probably anyone in the room's judgment, a giveaway, right? If I'm taking, let's say, Santa.com and I'm giving it to somebody for $500 a month, I'm...I mean, geez, what a Christmas gift, right?

So if I look at my top 500 names and I say, "I'm going to give these things away for $500 a month," you would think the market would go, "Holy crap, great opportunity." Even a speculator would say, "I'm on board for $500 a month, because I'll sell this for 10X someday." And I'd be getting--what is that--$500 a month, $500 domains, $250,000 in passive income a month. $250,000 a month in passive income, giving these things away for $500 a month.

So to me, I'm like, "Boom, sign me up. Who wants these things for $500 a month? Santa.com, it's yours." But you've got to be able to do that in scale and...for it to make sense. So to me, if I'm a public company, a one-off sale sucks. You know, the Wall Street hates you to just be sitting on cash, because they don't know what you're going to do with it. It's like, Apple's sitting on bazillions of cash. It's like, that's a liability. People don't realize that that's a liability. It's hardly even an asset, because investors don't know what you're going to spend it on. But Wall Street loves cash flow.

So I look at it and I go, "God, why aren't people just taking all of these names and putting them out on this monthly lease program, or premium registration?" You know, like, "Yeah, Santa.com, it's available. It wasn't registered in '93, it registered today," and you just go and pay $500 a month instead of $850 a year. So what's interesting to me with the new gTLDs is like, I kind of inherently don't agree with the premium renewal thing. But I like it because maybe it's going to move the market, maybe it's going to shift consumer perception and people become more willing to do that model.

And I think ultimately, that's where it should be and the guys that hang on long enough to see that happen are going to be rewarded. I mean, God, you know?

Michael: Yeah. And so, Drew does actually own Santa.com, if anybody wants to lease it for $500 a month. And so, what...?

Andrew: You've got to take the other 499 domains with it, though.

Michael: For $500 as well, per month. And so, what are some of the .clubs that you picked up through this program?

Andrew: Okay. So first and foremost, I love that model of, you know, walk away anytime you want, no interest, break up the payments over 60 months. If you stop paying, we take it back and the next guy can start. So I love that model. So I had a lunch with Jeff and I thought, "Geez, great idea. That's how I thought the whole domain market should be. I'm in." And so, I first came at it from the perspective of, I want to go out and broker some of these and I'm looking at this--whatever it is--one-sixtieth per month as an option.

So let's take...we've got...I don't know, we've got like, maybe 40 to 50 of these things in, let's say, Ocean.club. So Ocean.club, I don't even know what we paid, it's probably $30 a month, $40 a month. But I was like, "Okay, so you're saying I can lock up Ocean.club for $30? And over the next 30 days, I can reach out to 100 people and see if they're willing to pay more than 60 times $30? And if they are, it cost me $30 and I can sell it and make the margin? Yeah."

Michael: "I'm in. That's awesome."

Andrew: Yeah, exactly. Like...

Michael: That's all you need to know.

Andrew: ..."You're the man. I'm in." So I went out and I got a bunch of these and...like I said, maybe 30, 40, 50, I don't know. We got a bunch of good ones: Life.club, Ocean.club, Blue.club, you know, Happy.club. And you know, we went out and a few months later...so I was already two or three months into it. And we went and we tried to start brokering it the way that I'd envisioned it in my head...

Michael: Which is really just you selling them using your core competency for Media Options, right? Because...

Andrew: Yeah, absolutely. Yeah.

Michael: ...you own them, technically...

Andrew: Technically, we've locked...

Michael: ...and you were going to sell them?

Andrew: Yeah. We were...we don't own it, we only...you know, just like you don't own it if the bank's got...if you've got a mortgage on your house, you don't own it yet. But we've locked it up. We've got an option on it and nobody else can sell it, nobody else can buy it. So we're two, three months in, I'm $60 or $90 into this thing and, "Let's go sell it and see if we can get $5000 or $10,000." You know, if somebody'll buy it for $5000, I'll pay off the $1800 that I owe, minus the $90 that I've already paid and I'll make $3000. But consumers weren't there yet.

So that was my feeling, was that we went out, we contacted a bunch of people. It was like, "You want to own Ocean.club? You know, you're VirginiaOceanClub.com, you can own Ocean.club. $5000, if you want it," and it didn't catch. People...I think basically, it came down to, people just didn't even know and they were like, "What do you mean, ".club?" Like, "What are you talking about? Do you mean OceanClub.com?" Like, "Oh, I'm interested. No, no, no. Ocean..." So I think they were just still early days...

Michael: Yeah. So what are you planning to do?

Andrew: But I love the model, because even two years from now, hopefully, all of you registries out there get your act together and you...consumers do know that these things are available and they...there is a demand out there and I can actually get my margin back. But I love the model, I like .club, I like...

Michael: And there's a lot of great TLDs coming out.

Andrew: There is. There is.

Michael: So the question is, are you...as the person who has the option on these great .club domains, are you going to hold them long-term and wait for user adoption...you know, knowledge...

Andrew: Yeah, yeah, yeah. I mean...

Michael: ...understanding, adoption? Or are you going to give them back and try your hand in a few years?

Andrew: No. I mean, there's a couple I might give back that I was probably a little...but no, I look at this with a...this is early days, you know? This is like we just reinvented the Internet and the...what is the word? Not "take-up," what's the word?

Michael: Uptake?

Andrew: Uptake won't be as slow as it was with ".com" and things are going to move much quicker, I think. But you know, we're...I think that we're probably three to five years away from that really being...coming to fruition and being sort of a consensus understanding that these are available and there being a demand for it and at scale. And...yeah, I'm going to hold until that point.

Michael: So from a tactical standpoint, what's the difference between selling a premium .com and selling a premium new gTLD?

Andrew: So at the level of brokerage that we're doing, which is high-value domains, there's generally...at least half of my job is education, even on .coms. You know, even if I'm approaching a company with a really amazing .com that they absolutely should own and need, I still have to educate them about email security and not losing traffic and brand dominance, that owning this bang-on .com, it's like if you're...whatever, I don't even think...I can't even think about an example right now. But you know, saying to somebody, "If you want to actually own your brand, there's only one company that can actually really truly own that brand online and it's the guy that got the .com. Today, that is a fact. Today, that's the reality.

If Amazon didn't have Amazon.com and they just said, "We're Amazon," even they would have a problem if they didn't own the .com, because every dollar they spend is going to be deluded by the guy who owns the .com, right, because if you just say, "I'm Amazon," well, I don't know where to find you, unless you're at the .com. And that might change. It very well might change, depending on all the people in this room that own a registry. But today, that's the case. So I'm still doing a lot of education and then, when it comes to the new gTLDs, that's exponentially more, right, because a lot of people don't even know they're available.

Michael: Exponentially more in the education?

Andrew: Exponentially more education, as opposed to sales.

Michael: And it's a fraction of this sale price of the .com, as well?

Andrew: Yes, yes.

Michael: Okay. And so, we've got...I've got a few more questions for Drew and then, we're going to open it up to questions from the audience, as well. I'll come up and you can answer...ask your question. If anybody's watching live--and I know that some people are watching live, like my mom--if you have a question, either post it on the Facebook as a question or send it to DNSeattle on Twitter. And I'm checking out the Twitter account, to see if there's...

Andrew: Yeah, I've got to give a shout-out to my mom. She said she's watching, I actually don't believe it. I think she fell asleep, first. She's just an early bird. But if you're there, hi, Mom.

Michael: Yeah, she's back east. All right, we're getting some stuff coming in. So Drew, if...you know, I know you own some phenomenal .coms, but if you could own any new gTLD in the world--like all the new gTLDs that are coming out...that have been launched or that are coming out--what domain name would you pick, if you could just snap your fingers and own it today?

Andrew: Yeah, real.estate. Just...

Michael: Real.estate?

Andrew: Real.estate, yeah.

Michael: And why would you own real.estate?

Andrew: I've had a lot of success selling domain names into the real estate market. The real estate market understands online marketing. The real estate market understands the principles of real estate and what we're selling is Internet real estate, which is why the company that actually owns all of or domain names is called InternetRealEstate.com.

Michael: Yeah, that was my next question. So real.estate doesn't resolve, so I was typing in the Whois to see...

Andrew: I'll pay you good money, but...

Woman: [Inaudible 00:43:07]

Andrew: ...not if you're going to charge me a mint every year.

Michael: It's doughnuts. All right, so it's a doughnuts domain. It's actually..."This domain name is reserved by the registry in accordance to the ICANN policy." What do you think real.estate is worth today, to an end user?

Woman: You're on record.

Andrew: I refuse...I plead the fifth, because I actually want to own it. What does that domain worth? God. You know, it's a really, really hard question. No matter what I say, I'm speculating, whereas I actually feel confident giving the value of a .com. I can say, "Look, this is what it's worth," because I'm at the...I've got my finger on the pulse, I'm at the epicenter of these transactions, I know what these names sell for. You can look at the size of the market and say, "Well, relative to that," and you know, there's...but they're just...this is so early days.

Michael: Yeah.

Andrew: But you know, going out on a limb...

Michael: Ballpark it. Yeah.

Andrew: ...purely speculative, I'm going to say it's like $250,000 to $500,000 today.

Michael: Because I think it just came out that Houses.ForSale and Homes.ForSale...who sold those, Jebediah? Did he sell them for...the pair for $90,000? Is that what it was? That was public information. And so...

Andrew: So the same way that I look at a .com--or any domain name, for that matter--is...or really, actually even broader in any negotiation, what's the next best alternative and how much does that cost? So when it comes to Homes.ForSale, Houses.ForSale, I think that was a phenomenal sale. Props to Jebediah, because there's a lot of freaking alternatives.

Michael: Yeah, right.

Andrew: So you've got HomesFor.Sale, ForSale.Home, ForSale.Homes. There's like, six or seven different ways to mix that up. So I think...and you know, inarguably, Homes.ForSale is the best-of-breed, but there's still decent alternatives. So there was far more alternatives for Home.ForSale than there was for real.estate. So I think that was a phenomenal sale.

Michael: So $250,000 to $500,000 for real.estate. What would you pay for it today?

Andrew: I'm a cheap bastard.

Michael: You know, if we could do a deal, like...doughnuts is here, Paul, right?

Woman: [Inaudible 00:45:36]

Andrew: I'll give Paul $50,000...

Michael: $50,000, right here on the spot?

Andrew: But only if it's a renewal...only if it's a normal renewal.

Michael: And not...

Andrew: I'm not giving you $50,000 a year...

Michael: Not $50,000 a year? Yeah.

Andrew: ...for life. No way, man. No way.

Michael: All right, we'll see if we can get that working in the bar after the event. All right, my mom just texted, by the way. She said, "I look better on camera than you do." I'm sorry. I'm sorry.

Andrew: Really?

Mark: And Michael?

Michael: All right. So...

Mark: Michael?

Michael: Yes.

Mark: We have a question from Facebook, if you're interested.

Michael: Yeah, Mark?

Mark: So from Josh Ackman, "How do you view the recent inflation in prices in the secondary market on certain names, i.e., letter-letter-letter or VCVC--vowel, consonant, vowel, consonant--one and two-word .coms?"

Andrew: Well...what?

Mark: Yeah, that's a lot.

Andrew: So for one, I don't think it's an inflationary market anymore, at least in the wholesale market. It's extremely deflated. So if you're looking at...what was that? If you're looking at the...you said LLLs, right? So for the three-letter .coms, you know...

Man: [Inaudible 00:46:48]

Michael: Four.

Andrew: Oh, four characters. Well, irregardless. Three letters, four letters, you know, they went through this Chinese boom, they kind of peaked at the end of 2015 and I think that we're back at...you know, without actually seeing any data, I think that we're back to prices prior to that bubble.

Michael: The four [inaudible 00:47:09] are down, yeah.

Andrew: We are...the four-letters to a little bit lesser extent than the three letters, but you know, prior to the Chinese entering the market and really inflating it, we were buying three-letter .coms for $10,000, $15,000 and $20,000. And that's pretty much where they're at, now. They're $15,000, $20,000, $25,000. So if you say, "Okay, well, over the last three years, yes, there was this big curve up in the middle, but we're kind of back to where we were at, plus or minus 10%, 15%, 20," that's...you know, I think we're at a very healthy price level, from a wholesale perspective, right now.

So for the first time in two years, I'm actually really looking at the three-letter market and going, "Okay, I think I'm ready to jump back in." There's some great three-letter .coms in the market right now that are getting back to prices where I think it's really attractive. When a three-letter .com was $60,000 and most end-users are only willing to pay $60,000 to $75,000, maybe $100,000, that margin isn't enough for me to say, "Oh, I'll tie up $60,000 for the next 10 years," hoping that somebody'll pay me $100,000.

That's not that interesting, whereas yes, I'm perfectly happy to pay $15,000, $20,000 for a great three-letter .com that I think I could sell for $100,000.

Michael: All right, good question. Let me...I'm going to run, because we have a few more questions and I want to open it up to the audience. Question from Twitter, Daniel Levi, who is a past Sherpa, he sold PirateShip.com. Great sale. Type in "PirateShip.com" and you can watch his interview. Daniel asked, "Drew, what's the most common objection you get from end-users when you're trying to sell premium domain names and how do you tackle them?"

Andrew: I mean, the only objection I get is price. Ultimately, it always comes down to price. I mean, we were talking to Harbor Freight this morning, trying to sell them Harbor.com. And you know, they're like...I rarely will tell people the price of a domain when we first solicit them. And so, we've got some software that tracks how many times a domain...you know, an email gets looked at, if it gets forwarded, where it goes. And so, it's like, we sent them, "Hi, we're bringing Harbor.com to market. Are you interested in buying this domain? Blah, blah, blah."

And it was like boom, boom, boom, boom, boom, boom, boom. The domain was sent all over the ------- world and 45 people looked at it in the course of two hours in three continents and 400 IP addresses. And it was like...

Michael: Yeah, because you're tracking it every time you send out the email?

Andrew: Yeah, that's what I like to see. That's engagement, right? So good, bad or otherwise, those people got engaged. They were like, "Oh, this is interesting enough to forward to 400 people." So it's like okay, boom, they're interested. Then, they're like...okay, so ultimately, they come back, "What's the price?" And I'm straightforward. Ali, in his interview about Freedom.com the other day, said...you know, very...identical strategy to what we do. It's like, "Put the domain out there, if they're interested, they're going to come back and they're going to say, "What's the price?"

And then, I go back and very simply, "Here's the price. If you've got any questions or want to make an offer, or...I'm here. If you want to hop on the phone about the...chat for a few minutes, let me know when's a good time for you." And sometimes, you never hear from them again. A lot of times, they're just like, "We're not even close." And so, basically like, you know, Harbor...coming back to the example of Harbor Freight, it was like...they were like, "Sorry, we're way off. We'd pay like $5000 or $10,000."

And you're like, "But what are you...?" So the second part of the question is, how do you...you know?

Michael: Right, how do you tackle it?

Andrew: ...how do you tackle that?

Michael: How do you educate them that they're not buying Harbor.com for $5000?

Andrew: So it comes back to what I said earlier, like, only one person online can own the Harbor brand and it's the guy that's on Harbor.com. And so, "You guys are a billion-dollar company, you should own your...you should own that brand. You should own Harbor, because you move..." you know, they're far beyond just freight. They're in many different things, now. And so, that allows them to not be so pigeon-holed, have a little bit more broader brand.

Michael: So you will actually...you know, if they say...

Andrew: Absolutely.

Michael: ..."Oh, no. It's too much," they will follow up with them and explain to them...

Andrew: Oh, yeah, yeah, yeah, yeah, yeah.

Michael: ...why it benefits their company?

Andrew: My theory is that, "Look, I'm in this for the long game. We are..." I think we're the longest-standing actual pure domain brokerage firm. I don't think there's anybody that's still under the same name, same company, doing what we're doing. And so, the more I educate these people...I actually probably spend more time on the people that say, "No," then I do on the people that say, "Yes." You know, if they say, "Yes," I'm like, "Okay, thank you. What's your email address? We're putting it into escrow and thank you very much."

And if they say, "No," I really do feel the need to educate them and go back and really hammer the point home, almost being an asshole about it, like, "You're wrong. You're making the wrong decision. I don't care, I'm going to tell you 5000 reasons why." And honestly, it's a very small percentage of those people that actually come around. It does happen, but my theory is that I'm educating this person that down the road, they will figure this out, because I do believe in what I'm preaching. And they will come around and when they do, I'm their guy, right? So...you know?

Michael: All right, good input. Anybody have a question...?

Andrew: Actually, I...just one quick...another...

Michael: Yeah, go for it.

Andrew: In tackling the objection, it depends on who I'm dealing with, but there are a few key points that I'd like to bring up. Email security today seems to be one of the strongest arguments for buying a really big .com domain name, in that whether you're on a ccTLD or some other TLD, there is email bleeding and it's far more important than your traffic bleeding.

If I'm looking for Joe's Doughnuts--and he doesn't own JoesDoughnuts.com, he's at JoesDoughnutsNYC.com--if I go to JoesDoughnuts.com and it's something else but it's not what I'm looking for, I'm still going to find Joe's Doughnuts NYC, because I'm just going to go to Google. So the traffic bleeding is really not that strong of an argument as it used to be...

Michael: But email...

Andrew: ...but email is a different story. And there are major problems with email security. And so, with outbound brokerage recently, some of these big names where I know that there is email going to these names, I will say, "Look, I want you to create an email forwarder with a catch-all email address." I set up a folder on my end and I want that email to go to me. And that's like ammunition. And I'll take that and I'll go to these guys and say, "Look..."

You know, they'll say, "No," and then, I'll go, "Well, this might be interesting to you or not, but here's 100 emails that I've received in the last five days that were meant to go to you guys. And oh, yeah, did you see this one? She sent me her photo ID with her..." And they're like, "Oh, ----! You know..." And then, they get mad and they're like, "How did you get that?" "Well, I didn't get it, they sent it to me." And then, they go silent for a few days and they come back and they go, "Well, you know, okay, fine. Let's negotiate." So that has been a really, really important point for me to get over that hurdle.

Michael: Yeah. All right, good input. We have time for a couple questions from the audience. Who has one? No questions from the audience?

Woman: I've got one.

Michael: All right. Let me come back there for you, so that we can get your voice on the audio.

Woman: Yeah, it's just kind of random, but...

Michael: Sorry.

Woman: When you talk about purchasing the big ones, you still have a team chopping the wood. What's their day look like?

Andrew: It is...so there's a few different aspects, but primarily, it's about building hit lists and then, going out and attacking it. So we get a domain name like...I don't know. We just took Black.com under exclusive brokerage. So right now, we might have gotten that under a contract of four or five days ago and up to this point, I don't think we've even reached out to anybody.

We're building a hit list of the top...you know, on a name that big, we might build a hit list of 500 companies that have the wherewithal to buy that name where it's like, "Okay, number one, this domain name will really benefit this company. Number two, they're big enough to pay the price tag that's associated with that domain name. And number three, okay, it looks like they understand Internet marketing and why this domain might have value to them." Even if I understand it, there's a lot of companies out there that they just...they don't.

And so, even if you say, "God, you have no clue how much your cost of customer acquisition is going to come down, or how much this is going to impact your click-through rate or your conversion rate or..." they don't...that doesn't mean anything to them. So that's kind of the three points I'm looking for in identifying the companies that we want to approach and then, those guys go out and attack that list.

And it's, reach out to them, if you don't get anything back...you know, basically, my motto is, you don't stop until somebody tells you, "No," or, "Go ---- yourself." That's it, because the reason we're approaching that company is because we know that this domain name not only will benefit them, but they should own this domain. And so, until they tell me otherwise, I'm going to keep trying to help them acquire it. They might not see it that way, but that's how I look at it.

And so, that's what we're doing. And then, we've also got a hit list of domain names that we want to own. And so, a much smaller percentage of their day might be going out and trying to find the owner of that domain, because most of those domains, the only reason that they haven't been gobbled up already is because it's a dead body buried in the woods that we've got to go find. And so, that's also what we're working on.

Michael: All right, we have time for one more question. Sevan, I knew I could rely on you, buddy.

Man 2: Thanks. Can I plug Above.com? Anyway, Drew. So a lot of times, I come across the same situations you do. And if I come across a guy that doesn't understand the value of the domain name and how it could impact their business, you run into a dead end. So how do you deal with a CFO or a legal team or a marketing team that just doesn't get the value of that name?

Andrew: Yeah. So it really depends on the company, right? So domain names will affect a company in very different ways. It can benefit a company in very different ways. You know, anything from just brand protection to offensive use of this domain name, for marketing purposes or SEO purposes, or just preventing a competitor from being able to use it, there's a million different ways that domains can benefit that company. So you have to match up and say, "How will this domain name benefit this company?" And then, work backwards.

So in most of the cases, it's about online marketing and it's about, how are you going to lower your cost of customer acquisition and how are you going to improve your quality score for...as an advertiser with Google or otherwise? How are you going to stand out? If you're in...above the fold in an organic search, how are you going to stand out? How are you going to get that valuable click above your competition? And you know, it really...domain names matter. It really, really, really does.

So if you are BikeRentals.com and I'm online and I go to Maryland Bike Rentals and I just flew into Delaware and...Baltimore, sorry. And I just flew into Baltimore and I want to rent a bike--you know, Baltimore Bike Rentals--and I see BikeRentals.com pops up on the other ones are like Nick's Red Bike and Joe'sBicycleRentalsOnTheBoardwalk.com and whatever, it's like, "Oh, BikeRentals.com. Of course, they're going to have what I'm looking for."

And so, I'm going to go to BikeRentals.com, I'm going to select my city and I'm going to pay. And it's probably going to be the best rate available, because they're probably comparatively shopping all the other bike rentals, right? So it's like, boom. That's the one split-second decision that the consumer's making and having that domain name makes a difference. Regardless of what anybody else wants to tell me, I can promise you, it makes a difference, because I see it first-hand with all the people who actually said, "Yes."

All those people that said, "Yes, I'm going to buy that domain name," they've got wind in their sails, wind at their back and they are getting those clicks and their competitors aren't. And so, that more times than not is the way to illustrate the value to them. But email security, for example, can be a very big...we did a deal recently with a healthcare company that didn't really...they had no idea that they were losing email. That thought never even crossed their mind.

And when we presented them with a bunch of emails that had very sensitive information that were not going to them...I didn't even realize how important that was to this particular company, because they've got all these licenses and they're extremely regulated. And if they're losing sensitive medical information from their clients, they're actually breaking the law, even though it's involuntary. But as soon as they become aware of it--which, I've now made them aware--and they don't take any steps to correct it, they're breaking the law.

And so, again, it varies. You've got to identify, why is this domain name super valuable to this company? Sometimes, it's...I'm not going to say it to you all again, but it varies. But it's usually marketing, brand protection or security.

Michael: Yeah. All right. I know every time I have Drew on the show or bring him up in front of a crowd, he always gets me to think a little bit differently about domain names as an asset class. And I'm appreciative that you'd come and share your time and especially on a beautiful evening like this in Seattle. Please joining me in thanking Drew Rosener for being our guest tonight.