

The Evolution of The Grooming Network and Acquisition of Beard.com - With Luke Webster

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Back in 2013 I interviewed Luke Webster, then founder of VintageStraightRazor.com. Then I hosted him as the keynote speaker for my DNSeattle networking event in 2014 at the top of the Space Needle in Seattle. He found a niche, bought a great domain name, used his expertise in search engine marketing and ecommerce, and built a company generating seven figures per year in revenue. It's been two years and our audience is asking questions like, 'so what happened to so and so from your show way back in the past?' Today we're going to check in on the entrepreneur who is using exact match domain names in the 13 billion dollar shaving market to see if he's upgraded his names and whether they've helped or hindered his business growth over the past couple of years.

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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 and investor directly from the experts.

Back in 2013, I interviewed Luke Webster, then Founder of VintageStraightRazor.com. Then I hosted him as the keynote speaker for my DN Seattle networking event in 2014 at the top of the space needle in Downtown Seattle. He found a niche, bought a great domain name, used his expertise in search engine marketing and eCommerce, and built a company generating seven figures per year in revenue. It has been two years and our audience is asking questions like so, what happened to so and so from your show way back in the past.

Today we are going to do one of those check-ins on the entrepreneur who is using exact match domain names in the 13-billion-dollar shaving market to see if he has upgraded his names and whether they have helped or hindered his business growth over the past couple of years. Luke Webster, welcome back to the show.

Luke Webster: Thanks, Michael. It is good to be back and good to see you.

Michael: Good to see you too. I have to say you are one of my favorite entrepreneurs to check in with because you work hard, you always take time out to spend quality time with your family, and you are like one of the humble ones in the industry. But enough of my man crush, because Braden is going to get jealous.

Luke: Yes, he will.

Michael: So, last time you were on, I introduced you as the Founder and CEO of VintageStraightRazor.com. Today you are the CEO of a much larger venture. What is the name of your company today?

Luke: The Grooming Network.

Michael: All right. And if you look at all the products that you sell, because I know you sell a bunch of them - straight razors, knives, safety razors -, what is your most important product or products in terms of revenue generating?

Luke: In terms of revenue generating, really it is our sets. It is our straight razor set, and that is kind of a copout because it is not just one single product. If I was going to look at one product, it would be our consumable soaps, like our shaving soaps.

Michael: Really.

Luke: Yeah, and then following behind that is going to be our beard wash and conditioner, and then shampoo and conditioner and things along that nature, like beard oils and beard balms.

Michael: What is going on, man? You are like not selling blades, which is what you started selling.

Luke: So, yeah, the market changes and we have actually kind of pivoted from Straight Razor. We bought a couple more domains and then we became the Shave Network. Then I was like this is much bigger than shaving. This is grooming, and it encompasses all aspects of personal care and hygiene. So, we have a really comprehensive five-year plan and we know where we want to go and how we want to get there, and it is going to be everything from toothpaste to deodorant and lotions, SPF, and all these things are what is going to make up t=The Grooming Network in the few more years. That is where we are going.

Michael: Because if you look at your prime customer, who is male I assume.

Luke: Yeah.

Michael: Probably in the 18 to 40 range. What is your ideal demo?

Luke: 34 to 35, yeah.

Michael: And they are spending probably how much per year just on shaving?

Luke: Shaving per year, now you are killing me because I do not know all this.

Michael: It has got to be over one hundred bucks.

Luke: Oh yeah, yeah.

Michael: It has got to be one hundred to two hundred. Somewhere on that order of magnitude.

Luke: A couple hundred dollars. Our target demographic was spending more like three to five hundred dollars per year on shaving goods.

Michael: And that is just shaving. And then they are going to buy some sort of lotion, SPF, and they are definitely going to buy some toothpaste, and so you are basically looking at the exact same demographic and saying how do I take it from three hundred bucks up to six hundred bucks.

Luke: Yeah, exactly. One hundred percent. And then, on the other side of life, the guys that are not shaving, that are not trimming hair right now - the guys that are growing bears. That market is growing too, but they are all the same. Three years ago, I reached out to a friend, Eric Bandholtz from Beard Brand. They are a local company out of Spokane, and I was like hey, we should talk because reality is, is the guys that are going to be growing bears for the next three or four years are going to be the guys that are going to be back to shaving later on. It cross-pollinates, and we really found that to be true. Our number one go-to scents for shaving oil. Pre-shaving.

We have the number one selling pre-shave oil online. Two of the top five soaps online. And we sell a ton of product and people really love our scents, and those same scents transcend into beard oil and to beard balm and to beard wash and to shampoos and to conditioners and to hand soaps, and to all this stuff. And it started off as a necessity. When somebody shaves, they are like hey, I like the smell of this soap. I would love to have an aftershave, so we

built an aftershave. And I would love to have a pre-shave. I would love to have a cologne. Now we have colognes.

And so, now a man can go from the full aspect of maybe trimming up his beard to actual the beard oil that is all the same scent to deodorant that is all the same scent, and they can have a unified, if you will, experience from start to finish.

Michael: Right, and that is big, because if they trust you to shave, but then they are going to grow out their beard, they are still going to trust you and why wouldn't they want to buy your other products that are manly and grooming, and all that sort of stuff, so yeah.

Luke: Quality of products. Made in America. Natural. Those things. We make them all here in Idaho.

Michael: So, you are making your consumable soaps and your cologne in Idaho.

Luke: Everything, yeah.

Michael: Wow.

Luke: Yeah, all those products. We grind our razors here. We are doing everything here.

Michael: And it is funny to watch your boy, Dave, transform over the years because you first brought him to DN Seattle for the first time a few years ago and now he has got like this mohawk and he has got the ZZ Top beard and he is totally grooming it up. Yeah, not only are you changing, your company is changing, but everybody that works there is changing, and I did not even know that you guys were making everything local in Idaho. That is awesome.

Luke: Yeah, it is fun.

Michael: Yeah. So, you and I met in person at Web Fest Global, right before you purchased StraightRazor.com from Frank Schilling. I told the funny story

of how you snubbed me at the Magic Castle in the 2013 interview, so people can go back and watch that show. So, we know that you owned VintageStraightRazor.com, and then you bought StraightRazor.com from Frank Schilling. What other domains do you own today? What have you bought since the last time you spoke to the audience?

Luke: Well, we have been buying a lot. We have been buying a lot of domains, but also businesses, so some of those are like Razorpedia.com. VintageBlades.com, which is VintageBladesLLC.com. It is a huge business. It is one of the first really legitimate, original online straight razor businesses, so it is 12-year presence. It is a great site. It has a ton of history. The guy I bought it from is a great guy, Jim, who is a great ambassador to the wet shaving community. So, we are really excited about that site.

We built a ton of other sites. Right now we bought Beard.Club. Shave.Club. We have a ton of these projects that we are working hard on. And StraightRazors.net. StraightRazors.com. And what I did, like right after we talked, I actually I think that is right when I pulled the trigger on Straight Razor. I had already bought StraightRazor.com.

Michael: No, you were just about to pull the trigger. I think you closed that deal at the event.

Luke: Yeah, so we just closed that and I actually use Domain Capital, so Vince and the guys there helped me out a ton. Great guys and gave me the funds I needed at the time. I had to have them in order to grow the business. And since then, it was StraightRazor.com. Once we put our product on there and built it out, it paid for itself in the first month really.

Michael: Wow.

Luke: And Domain Capital was excellent. I could not have done it with their help. And the other side of that story is it just has given me the legs to do other things. We bought tons of other domain names. I am trying to think. We bought a really big one a couple weeks ago, and I used OPM for that too, so other people's money.

Michael: Other people's money. It is different than OPP. So, what did you just buy a couple of weeks ago?

Luke: So, we bought Beard.com. And instead of depleting money out of the company, we financed it. It is a great name. It is a six-figure buy. I think it is a seven-figure domain, and I know it will be shortly after we launch. And Dave is actually going to be the face on a lot of that.

Michael: Do you have to pay him extra modeling fees to be the face of Beard.com?

Luke: Not that I know of, but I am sure he has some sort of royalty thing.

Michael: Yeah, he might ask for it. So, you just bought Beard.com. So, what do you think is your best domain name? If you looked at just the domain names, not the businesses, not how much revenue they bring in, just purely domain names and what they could be in the future, what is your favorite right now?

Luke: Probably Shave.Club.

Michael: Shave.Club.

Luke: Shave.Club or Beard.Club. And right now they may not be worth as much as the other ones, but I definitely like Shave.Club. It is a unique market and nobody has really figured it out quite yet. I think Harry's the best program probably for going to a shave club, but there are great companies like One Blade. It is a new razor company, but they have a really unique offering too. So, I think that is going to be my holy grain in a lot of ways of building that out, and I am really learning. I mean the club approach is tough, but I have some great ideas and I am just trying to perfect that model because it is really tough once you get a thousand or two thousand people signed up. You have to have your ducks in a row and you have to have a good vision and plan of how this is going to maintain and grow and self-support.

Michael: Yeah. So, I started looking a little bit at the industry because I wanted to be able to ask you some insightful questions, which I hope is going

to happen today. Dollar Shave Club has more than two million members with an estimated revenue of over 140 million dollars in 2015. So, is that what you are going for with Shave.Club? Are you going to try and build a monthly subscription club with a recurring revenue base?

Luke: One hundred percent, yeah. I would not follow that path. I would love to have those. I mean two million subscribers is great.

Michael: Yeah.

Luke: They have a lot of fall-off. I think there are some serious issues with the way clubs have been handled, and this is not a slam on them. I look at how Dollar Beard Club is. I think they are profitable, where Dollar Shave Club is not.

Michael: Oh, really.

Luke: And so, I do not know. It will be interesting to see what happens, but I really like the model that they have used and executed. They have done really well and they have worked well off their grass roots. So, I think the big thing for us as a company is going to be moving into a lot more social, building our YouTube followers, content providing in those areas, and then we have a new product that we are getting ready to release. I am really excited about it, and that will be geared more towards the shave club.

Michael: Yeah, but when you said Shave.Club and Beard.Club are probably my favorite domain names right now, were you saying that because you see what your business is going to be in two to five years and you are saying it is the club model? It is that subscription, recurring model that I am going to try and get my business to.

Luke: Yeah, and it is not just that. So, the way that Grooming Network is going to work is if you are a patron of Beard.com, you are going to be in the club. So, as a member, as somebody that has checked out at Beard.com, now you can sign up. It is going to be like Amazon Prime or something like that is the way I foresee it. And then the clubs are going to go out and work for

deals maybe even with P&G. It might be other people, or specials for their club members to have.

And then there will be subscription-based models for the club, but then there is also just you are in the club. And as part of being in the club, you are always getting ten percent off. You spend over five hundred dollars per year on our sites and you are going to get 20 percent off. It is a different, thought out plan, but those clubs will tie in the network for the participants.

Michael: Interesting.

Luke: And it is not going to be exactly in a subscription-based model. However, there will be a ramification or rewards for spending money within the group.

Michael: Got it. All right. Let's talk about Beard.com. You said you bought it for six figures. Can you say exactly what the purchase price was?

Luke: It is probably out there. I do not know. I have no idea. I am not good at that part of the industry, but if you find it, I am not going to say.

Michael: Well, yeah, I do not remember. So, I actually met Chris at the Domain Conference last October and we were chatting and he was talking about the show, and he said, "Do you know anybody that would want to buy Beard.com?" I was like: "I think I know somebody that would want to buy Beard.com from you, Chris Beard." And so, I made that introduction, which Braden did not like the fact that I mentioned that on Facebook. Kudos to you though for getting it. It landed in the right hands.

So, why spend six figures on Beard.com when Beard.Club allows you to do what you are trying to do with that over-arching membership model that goes across all your properties now?

Luke: So, I do not think you can get better SEO than Beard.com, and I do not think you can get better just industry clout and just knowledge. I mean I do not think there is a better domain name for beards. I mean Beard.com is guaranteed the best domain name for beard enthusiasts. There is just nothing

better. And so, out of that, I think it something that I could not have my competitors having. It is something I had to own, and so it is a market play, but it is also a great business strategy. I have looked at a couple different ways of building a business around it. We are just going to be pretty direct and straightforward. Just beard sales and really quality products and good content.

Michael: Yeah. And so, I did do a WhoIS lookup. I did see that it was being held by Domain Capital, and you did mention just previously that they are doing the financing on that, so you are using other people's money to buy this.

Luke: Not on Beard.

Michael: You know what. I am sorry. I misstated that. It is under WhoIS privacy.

Luke: Yeah. So, Beard is not financed with Domain Capital, but some of my older ones, like StraightRazor.com and StraightRazors.com, are.

Michael: Yeah, my apology. I did misstate that, but I did want to ask you about Domain Capital and financing it. I just did an interview right before yours with a gentleman that turned down the opportunity to buy the exact match phrase of the industry segment that he defined. Like he came up with the phrase content marketing, and then he did not buy ContentMarketing.com. And so, I asked him the question: did you know that you could finance a domain like that over time, if the seller was interested in doing that, which I think they probably would have been at the time? And he was like I did not even know you could do that.

So, I wanted to bring up Domain Capital and chat about that because a lot of business owners do not realize that you can finance it. And when you do finance it, you can write off that interest as an expense of the business as well. So, not only are you using other people's money, but then you are writing it as an expense. Is that something that you considered? Nobody likes additional expenses, but the fact that you can actually write it off as an

expense over time. Is that something that you looked favorably upon as a business owner?

Luke: Yeah, for sure. Definitely. And those guys are great guys to work with. I mean I shot them an email on Beard.com. I was looking, and within a couple minutes, no problem. It can work. Vince is solid. They know the industry really well and they know a name. They understand value and they understand the market, so great guys and it is really affordable, especially when you know you can go to market with a product.

Michael: Yeah. Why did it take you almost six months to get the deal done?

Luke: I just did not want to buy it honestly. And the crazy part about my life is, is we could have at any time, but then for me the tough part was honestly working out if I was going to build. Okay, a couple reasons. I think beards - you can see the trend. It is not going up, and I think I told you before. I like bell curves that go this way, not that way. It is a fad. It is a great fad, but it is unique and it is cool, and everybody is being original and doing the same thing right now for a while and pretty soon they will go back to doing the other thing, but I think beards will always be. They have become a lot more acceptable for people. I used to work in the oil fields. They would not allow us to ever have any facial hair because of SCVAs, and now they have relaxed on a lot of these things, which is great.

So, I mean, for me, I was kind of looking at it as like I think I am buying at the wrong time. It would be like buying a house in early 2008, and so I just kind of felt like there is a lot of upward pressure on something, but the other side of it is I think, with our products and our marketing, we will recover the cost of the domain name within a few months. Probably six to eight months. So, I might as well go after it and get busy. I am running in a lot of direction. You know me.

Michael: You have got a lot going on. Not just your family with like a billion kids. So, it sounds like you were conflicted on it. You could see the value there to your business, but it would take more work and it was not like a high growth area. It is just a stable area, so I totally get where you are coming

from. Is that why the negotiation took so long, or were you sort of really hard negotiating your way to a better deal as well?

Luke: I think we negotiated our way to a much better deal for sure over time and I think we got a win-win. I think Chris got a great deal. It is a great name. I would say the market for that name is a little bit expired. It is a little bit past its due date, so probably beginning of last year it would have been a little bit different story. It was a much hotter market, but you can look at Google trends and see what is going on there. You can check. You look at Amazon and one of the number one products in beauty is men's beard oil. This is a year and a quarter ago. Now it is let's say down in the double digits, so it is just interesting, but it is a good market. It is going to be a good market for a long time.

Michael: But you are going to watch my interview with Joe Pullizi who coined the phrase content marketing and then you are going to bring that back to number one at Amazon, man. So, StraightRazor.com. You said you bought that and you got your payback in a month, you said, and you are looking to do something under a year for Beard.com. How do you do that? How do you get payback so fast on a high value domain name like those two?

Luke: And I want to clarify. I am financing Beard over a five-year term, just like I did with StraightRazor, but the payback came, and so now it is just one of these deals that there are penalties for early payoffs with some of these.

Michael: Oh, really.

Luke: Yeah. Okay, so you have that one you deal with. I did not do it this time, but with Domain Capital you are going to have a penalty for early payoff. So, for me, it is just part of the cost of doing business. It is going to cost me I think 15 percent or whatever it is, and it is what it is. It is some cost, and over time you can do that math. It is a little more like 75. But at that rate, it is just part of doing business. So, I do not know. I think I missed the question.

Michael: But before we get back to my original question, who are you financing this with if it is not through Domain Capital?

Luke: Oh, that is just internal partners from the company.

Michael: Got you. All right, so it is a private financing with an individual or individual group. So, the original question, Luke, was: how did you get payback so quickly - a month or projected to be less than a year - for StraightRazor.com and Beard.com?

Luke: Just a solid AdWords campaign that I knew how to target and just go after the direct key match of StraightRazor.com, and it worked really well. I mean there was nothing really special beyond that. It was just setting up our keywords, having everything in place and ready to go, and the site was easy to build. We had a company out of Colorado build that site for us. Normally we do all of the in-house design, but on that one we were really busy. It was a busy growth time for us and we just could not build the site the way we wanted to, so Madd Design, and they are a really great company out of Colorado and they did a really nice job and they featured it on their site. We got some good press out of it too.

Michael: Madd Design, cool. So, you are saying the cost of acquiring StraightRazor.com, plus the amount that you paid Madd Design to do it, plus the amount of money that you put into the campaign produced a certain amount of revenue, and if you take your profit, that profit paid for everything.

Luke: Yeah.

Michael: Wow!

Luke: Now, the StraightRazor.com. I think it is a six-figure name. I paid very low five figures for that name. I could be wrong. I think I paid 21 thousand for it.

Michael: I cannot remember, but finally somebody got a good deal from Frank Schilling.

Luke: Yeah, Frank was really cool on that. He remembered the day he bought that name.

Michael: Oh, really.

Luke: Yeah.

Michael: He bought it on the drop, didn't he?

Luke: P&G dropped it and he bought that along with a lot of other great names. He remembers the specific day. I mean the guy is a genius, so he knows, like this is when I bought it. He was telling me that. I was like that is great.

Michael: Yeah. So, you own StraightRazor.com and you own StraightRazor.co.

Luke: Yeah.

Michael: Which one converts better?

Luke: I do not even know if StraightRazor.co exists at this point. I have got to check. That is the brutal honesty. I need to do a little tending to the farm.

Michael: All right. So, you own StraightRazors.net and you own StraightRazors.com. Which one converts better?

Luke: .COM.

Michael: .COM. Why?

Luke: No, honestly StraightRazors.net is a forum.

Michael: Oh, it is a forum.

Luke: Yeah.

Michael: But I guess my question is if own the .COM and then you own some alternate extension, do you have any internal data that says that one converts better than another?

Luke: I cannot say that I honestly do. I mean I would love to be able to say yeah, but the reality is I think if you have a marketing campaign. I ran VintageStraightRazor.com for the first year really of my business, and I think just that site did just about a million dollars that year. And then, with eBay and the other stuff, we did over a million the first year. Well, the first year was a couple months and the next year was a full year. So, it is just marketing really.

Now VintageStraightRazor does not go after the areas that StraightRazor might go after. Different target. VintageStraightRazors has just bought bidding high keywords for vintage, old blades, or it is running campaigns that are specific to vintage straight razors, and now our sales are much less. I do not know what it did last year. It did much less than it has done previously, but as a group we are doing much more. So, I think I could probably take the .CO, and I do not want to slam .CO because none of my sites are great with SEO. I mean some of them are. They have some good traffic. They rank first here and there, but yes, the .COM does rank better than the .CO at this point, but I think I could buy marketing for the .CO and drop buying it for the .COM and do better with .CO. I mean guaranteed I could.

Now, dollar for dollar, Google is going to like the .COM I think better. If I had the exact same sites and the same bids, probably the .COM is going to be a little bit better, but I do not even know at this point if that is true. I have not done the research. I do not want to bullshit.

Michael: All right. Yeah, I thought I would ask just because you are doing a lot of this stuff.

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Michael: So, it seems like you bought [VintageStraightRazor](http://VintageStraightRazor.com) because you were into it. You knew that you could sell these and you knew that there was a market for these vintage straight razors before there was even much of a market for straight razors. Would you recommend to other entrepreneurs that they start off on a - I do not want to say subpar domain name, but not like the exact match domain name of an industry and work their way up, prove the business model on a good domain name before they get a great domain name?

Luke: Yeah, I think that is a great way to do it on a bootstrap, and I think it is a good way to do it even with a big budget, VC backing, but it just depends on how you are going to roll out. If you are going to go for a national rollout and big ad buying campaigns, you might as well have the best name possible to market that, because you are going to be spending tons of money. You do not want to spend all that marketing money on a brand you are going to dump or on a name that you might move away from.

So, I guess, but yeah, starting small. I look at this as if I am going to help somebody, start with as little amount of debt as you can. Reality is learn how to buy media. Learn how to buy marketing because at the end of the day, SEM, and it is getting tougher. I mean Google just made a massive change. I would like to talk to you about that. I look at it as so much opportunity, overcapitalizing on it, but they got rid of all their ads on the right-hand side

about a month ago, and so now you have four ads and high competition places at the top and you have three and a little bit less competition space. So, we are in a high competition space. The top two ads now traditionally in shaving are P&G, Dorko, Harry's, and Dollar Shave Club. I think they are financially running out of steam, so they are not advertising as heavy and as poorly as they used to, but P&G has done a great job. They have a solid campaign going against straight razors right now.

If you Google Straight Razors, they are usually beating me on top. I am first place or second place right now, and they have the funds to just kick me in the dump and just destroy me, but the cool part is I am smart. People that want to buy straight razors and they end up on a P&G page. They are just going to bounce and tell them to kick rocks, and there goes a few dollars for them for each click, but they can do that for as long as they want and it is not going to bother them.

Michael: Yeah, I think right before I got on the discussion with you, I typed in Dollar Shave Club and I saw Gillette in the number one position, then Dollar Shave Club, and then I think I might have. I am not even sure you are buying that phrase, or maybe it did not show up.

Luke: I would not be buying that.

Michael: Yeah, so they are paying a lot of money. I did not even know Gillette had a dollar shave club until I typed that in.

Luke: So, Gillette started the shave club.

Michael: Gillette Shave Club is what they call it.

Luke: Yeah, so they should really pick up Shave.Club.

Michael: Well, it is too late. They have got to buy the whole company if they want to get that one domain.

Luke: Yeah, I thought that was funny. So, the tough part for Dollar Shave Club, looking at the industry, is they built their company on Dorko razors.

So, now Dorko controls their product, controls their lifeblood, and now Dorko started a shave club. So, it is just tough, and that is where I think Harry's is positioned really well. They own the factory. They own their model. They are not going after the dollar crowd. They do not want the cheapest people on earth. They want people that want to buy a little bit nicer quality stuff, and I think they have a good business model.

And a majority of the masses know Gillette. They know what that is all about. They are tired of it. 12 blades. You are going to shave your way to happiness. It is not true. It is a scam. So, the more blades is not better. There is a reason why you go to a barber and he has got one blade and it looks like a straight razor.

Michael: Right.

Luke: It is a good shave.

Michael: Yeah, definitely. So, how is your business doing in 2016, Luke? What are you looking at? Seven figures. Eight figures total revenue.

Luke: This year total revenue will still be in the seven-figure range. I am trying for eight, but I am not going to sit here and blow smoke. That is going to be a tougher goal. My goal this year is going to be on the topside of the seven figures, but if I can get to eight that would be awesome, but reality is last year was a big acquisition year. We bought several companies and several content spaces in the grooming world, so we are going to work on optimizing them. Building out shopping platforms on them.

We bought Razorpedia.com. It is a great site. Tons of reviews. It is heavy on content. It is one of the top. If you Google Harry Razors or Harry Razor Reviews, we are on number one. If you Google Dollar Shave Club Reviews, we are the top two or three there. So, we are consistently at the top of Google for a ton of these phrases, and then along there, we are expanding that. We just added a store to it. We are going to start selling disposables and cartridge-style razors as well.

Michael: What? Luke, no.

Luke: It is a grooming network. I mean people want that.

Michael: They do.

Luke: But I am going to tell them. I will be honest. My goal is to get men to start using better products, consumable products, so shave soaps and brushes. If I can just get the world to go to a shave soap and a brush, they can go to a safety razor and a straight razor a little while down the road. But even if they are using their cartridge, if they can just get away from that garbagy gel that is basically toxic. You cannot eat it. It is not great for your skin and it is chemical-based. If they can go to an all-natural product that is made in America, that is quality ingredients, I would love that. And plus, when they use a brush, you exfoliate. It is so much better for your skin. You have good ingredients, like vitamin E, avocado oil, and apricot oil. It is just a lot better experience.

Michael: Yeah. All right, so you are going to be high seven figures, maybe eight figures. Last time you were on the show, you said you were getting back three dollars for every one dollar you spent, so your cost of search engine marketing campaigns were basically 33 percent. Do you still use that as your general ballpark for campaigns you are running?

Luke: Yeah, and probably reality is then it was probably more like 18 percent or so on the marketing side.

Michael: Wow. Yeah.

Luke: It is probably more like 30 to 40 percent now.

Michael: So, that gives you a lot of cash flow to buy more products, supplies, locations, and with the business growing, you have got to have a much higher need for storage facilities, warehousing, and increase in mailing. You are doing all your mailing straight out of Amazon fulfillment or Idaho still?

Luke: Both.

Michael: Both.

Luke: Yeah, so we sell a ton on Amazon. Amazon is probably 20 to 25 percent of our business now. Before I was kind of down on Amazon. I still am. There are still reasons, but if you control your product and you do not have to worry about anybody else trying to underbid you, if you have your own product, it is a good marketplace.

Michael: Yeah, so 75 percent of your product is still shipping out of Idaho.

Luke: Yeah.

Michael: Wow.

Luke: And we are growing right now. This year, 2016, the first two months we were up 38 percent above last year, so it is still good growth.

Michael: How many staff are you up to now?

Luke: We are still pretty small. About 20 guys

Michael: Wow, 20 guys and you are able to do that.

Luke: Yeah.

Michael: Jeez, I am surprised that the U.S. Postal Service has not put an outpost in your warehouse yet to take all this stuff that you are selling. That is a lot of merchandise.

Luke: Yeah, we bring them a lot of stuff. Actually Braden and I and a couple of other guys invested in the former Coldwater Creek campus here in (Unclear 33:52.0). It was their corporate campus and it went bankrupt a year ago, so we bought all their FF&E and all the campus itself, which was eight acres with about 250 thousand square feet. 120 thousand office and about 120 to 130 thousand of warehouse.

Michael: Wow. Have you moved your business into that office and warehouse space?

Luke: Yeah, we are just moving in right now. We wanted to wait till after winter and the rush. First quarter is still pretty busy. Second quarter is getting into the slower time, so we are going to start moving right now and we are taking a big chunk here. It gives us tons of room. Tons of warehouse space, plus plenty of room for light manufacturing our soaps and things like that, and beard oils.

Michael: So, if you are doing that kind of volume and clearly just your marketing costs are only a sliver. You have got staff. You have got facilities. You have got supply. You have got overhead. Why finance your domain names? Why not just buy them outright with the cash that you have?

Luke: I wish I had cash. I am always spending it. I am the guy that puts every dollar plus four more to work. With this place here, we are building a data center, so I have got tons and tons of money into servers. I mean ridiculous amounts of servers and UPS power backups. I mean really a crazy infrastructure, and so honestly the company itself has a hard time keeping up with the cash burn. We are bringing new products to market. We are bringing 12 new products to market before the end of third quarter, before fourth quarter, and the reason why is because I have to have those products seasoned in Amazon for a couple of months so the reviews are there because it does not matter if they buy it on my site or not, people go to look at Amazon for the reviews because it has a trusted user base and they know that Amazon is not going to have shill bids or shill people that are just making fake reviews and it is a quality place to really build your review market.

And I use Yapo as well, but I really like Amazon reviews and people trust them. One of the first things people do when they want to see if something is valuable is a Google, Amazon price and be like oh, okay, it is on Amazon and it has got five stars and everybody loves it. Then they feel good about buying it from the guy that makes it.

Michael: So, you do not even put the reviews on your site. You are like just go to the trusted authority, the marketplace where people know you have to

make a purchase before you can give a review. It is on Amazon. You let them maintain those.

Luke: We do both. We collect reviews too, but I mean I am happy to send people to Amazon. And they can buy there, but just to let people know like hey, this is the number one selling pre-shave oil on Amazon, or whatever. The best, highest reviewed. So, those things really help. But yeah, when you are selling this much, when you are growing in the double digits, even on month to month, it is tough. I mean next month's order has to be now 130 percent or 125 percent. So, even though yeah, there is this profit here, you are putting it all back into more product.

Michael: Into growth, yeah.

Luke: Order two, three, four months out, so it is just one of those things. It is always hungry. It is always hungry.

Michael: And you are putting a lot of that profit into buying other content sites. So, what is the strategy behind buying Razorpedia and StraightRazors.net and I think you have got another forum?

Luke: So, one of the big ones is Shaving101.

Michael: Shaving101, yeah, and you have got another discussion forum that I ran across. So, what is your idea behind buying all these content, visitor rich websites?

Luke: So, some of the main reasons. I wanted Shaving101 forever. Shaving101.com is this great site. Mike Sandoval is an awesome guy. Really cool family man, and he did a wonderful job with his photography and with his writing. Great content creator. Honestly I think it is one of the best content sites out there for shaving, and I bugged him forever, trying to buy it, and last year we made a deal. We struck a deal and I was really happy about it. It ranks well for almost all the terms in wet shaving or for shaving and for my industry, so it makes sense.

And now, out of that, what I am able to do is I am going to start building a heavier video log, so video blog, and a lot of the topics I am able to see what are the highest traffic searched thing, so it is just good data. Big data for what we do, and I am going to take a lot of his reviews and stuff and then do a video review that mirror it, follow it, and then link to Facebook and link to YouTube from there.

And then the other thing is there are little sidebar ads that he would sell and those produce tons of sales for me now.

Michael: So, why videos? Are these like how-to videos on how to get a good shave or how to maintain your equipment?

Luke: Unboxing. Here is how it works. Here is the new product.

Michael: Oh, so really product focused. Not necessarily how-to focused.

Luke: Yeah, and company focused. Like hey, these are Vander Der Hagen soaps. Here is the factory where they are made. Here is the reason why we like these guys. In-depth review of the product, the creator, the story.

Michael: Why? What do you know about these videos that makes you want to spend your time and resources building that out in 2016?

Luke: That is a traffic-driven focus for us, and the one thing I really found about videos. We have done several different videos. One of the companies we started was The Blade's Grim. That is kind of one of our in-house brands, and it has just been really successful. And we spent some money on content creating videos, and those have paid dividends, like crazy amounts of dividends. We get so many people that are happy to support what we are doing and American made. That is really good, so I have really fallen in love with video. And you probably know this. It is a great way to get your message across. And once it is done, it is done and it is out there and people can Google it and find it, or YouTube it.

The other side that is really nice is I did a deal with Antonio from Real Men, Real Style, who is a video blog content creator for Grooming and Style and

all things manliness. And Antonio is a great guy. I was just at Style Con in Atlanta, and I had the pleasure of speaking there and hanging out with a great group of guys. We did a small promotion with another gentleman, Mark Hero, who is kind of like the genius in video creation for shaving, and Mark is known as Sherpologist. We did a small series. I paid him a little bit of money for creating this content, and we have sold over six figures off that.

Michael: Wow. How do you measure that you have done over six figures from these videos?

Luke: So, it is so awesome. We created its own secret basically checkout page so that people get there from his site. They come there, and so that stream of people have converted into low six figures.

Michael: Wow.

Luke: And that has been a little over a year. We did it in November of 2014.

Michael: And does that require you starting a search engine marketing pay-per-click campaign to drive people to the videos? How do you get people to watch those videos?

Luke: He promotes them on his sites to train people how to shave and do these types of things, and it is good content for him and then it is great for me and it brings more people into our industry. These are people that are already fashion conscious, so it is a great market because they are like I do want to have a better quality shave. I do care about how my skin looks and feels, and I want to make sure I am putting vitamin E or something healthy on it as opposed to a chemical.

Michael: Yeah, definitely. So, I found my list. You bought TheShaveNook.

Luke: Did I buy that?

Michael: I am pretty sure.

Luke: I do not even know.

Michael: StraightRazors.net is a discussion forum. You talked about your 101 domain. So, you are investing in these networks. What is your reach nowadays? If you look at how many visitors across all of these, any idea? No idea.

Luke: I am a terrible guy right now. I do not know what is going on in the kingdom.

Michael: But you are buying these because you want to buy that user base that already has them. What is your thinking around paid advertising finding a user base and then these content websites that just organically bring people from search engines?

Luke: Yeah, so what was the question?

Michael: What is your thinking around that? How much do you want to have on organic, because two years ago you were like search engine marketing? They are searching for it. I have a product. I serve them when they have the need, and that is all I want to do. And then you said you were wrestling with plateaus. I only have so much supply. There is only so much demand in the market, and I am always managing that. Now it seems like you have switched your strategy to more on the content side. Organic. Creating a relationship with people. Known, trusted brand. Are you switching from SEM over to SEO and user base, or are you just trying to balance the equation?

Luke: More streams. So, the guy that is going to find it on SEO is probably a little different guy than the person that will find it on SEM. And if we have a trusted user base that let's say a genius like Antonio reaches out and says I know Luke, I know these blades he is making and they recommend that to their 600 thousand subscribers or million subscribers, that is a great way to go. That is a good place to be, and so I think it takes all sides. And when I look at what I can acquire and how I can build my network, I think YouTube is a very popular and a very smart way of building it. It is a necessity, so it is another tool that we need in the toolbox.

But anybody starting out, unless they already have this following or this ability to go out and create a following or create these content networks, buy SEM. I mean buy good media and learn how to do it. Reality is I would love to sit here and tack nuke every one of these media companies that I have used because they are terrible. They are all terrible. They are horrible. They spend your money poorly. I mean I really think anybody with just Linda and a little bit of ambition and a few weekends could figure out how to use AdWords effectively for just about any market they want to go into.

Michael: Yeah.

Luke: Do not trust an ad buyer. They are terrible. I have used all the good ones and they are terrible. They are terrible.

Michael: Yeah. Well, you know the advice that you gave three years ago. You were like hire one of them, get them to setup your campaign, run it for a few months, and then fire them.

Luke: And then you optimize it, but have them set up all your picture ads, your display network, and maybe that is the reason they are like hey, that is the guy that said that, so when he comes to town let's give him the shaft. Maybe that is the reason why I always have bad luck with them, but I still think that is a legitimate and honest way of doing business with those types of people because they are terrible. They are terrible at their jobs. I have tried them all. I would love to find a good one, so recommend.

Michael: All right. Well, if you are watching and you are a good one, post in the comments. We are looking to make recommendations. Back in 2013, you also stated during your show that you had an aspiration. You caught me off guard. You had an aspiration to open one or more physical stores across the street from the Art of Shaving stores. Do you still have that aspiration?

Luke: No. That was a dumb, ignorant aspiration. But the main reason I wanted to do that was just to have straight razors over across there, but no, I think reality is I think they have figured out how fun it is to have a thousand or two thousand locations. All these locations. And they are looking at dumping that asset. Maybe they already have. P&G. So, I think they still hold

it, but I know it is one on the chopping block. So, I think that that market has changed, and the reason why it has changed is I really believe that what Eric Malka created when he created the Art of Shaving was something really special.

He used quality products and it just got diluted. They made everything synthetic and chemical-based, and all the people that loved it for the right reasons have left, and the only people that go in that store now to patronize it do not know about it. Their user base is gone, so they have polarized their base of people that loved it for the products that it had. And they are growing. They have grown into this just trendy thing, like oh, it is cool to go get a Harley or it is cool to go do this, but people do not understand why it was cool.

Michael: Right. Yeah. Luke, that is all the questions that I had for you, man. You updated me on everything that I wanted to know. I do find once per quarter I have to go back and update an old interview and put an editorial note to say that one of the ventures went out of business, and I am always happy to come back and watch your video or read the page and see the comments and know that you are continuing to grow strong and continuing to grow your business. Any final tips that you have for a fledgling entrepreneur that is looking to start? And I think you made a great point regarding bootstrapping versus going big with private equity or venture capital money and trying to make a big splash, and it is smart that you made that distinction. Any final thoughts for entrepreneurs? Any last bits of advice that you would provide based on the past couple of years of building your business?

Luke: Yeah, for sure. I would say bootstrapping is really important. It teaches you and then it also helps your understand if there is money in what you are doing and knowing when to get rid of an anchor. I am learning. Right now I am in the process of going through this course with a business mentor of like making sure that my five-year plan is legit. I have a real vision. We have a mission statement now. We have goals. So, the main thing is have passion for what you are doing. And if you have the passion, you have a good vision and you want to improve your life, just be willing to cut out TV. Cut out Facebook or Internet, or whatever distracts you from your end goal.

If you really want to be successful, then you have to do what it takes. You have to get rid of the negatives and just work really hard. And this is not self-help garbage. This is just basics. Just spend a ton of time learning. Research. Everything is on Google. You can learn how to do anything. So, just put a little bit of hard work there, and if it fails, just keep trying. Try something new and do not be afraid to try something new. I failed a lot on this path, and I am still failing in areas, and I just try. Every year we try new marketing. I try a new way of marketing.

Facebook has been really good. People really need to pay attention Facebook. I think that with the changes in Google, Google is moving more to a solidified kind of mobile view, just a streamlined view, so there is less ad space. Facebook gives you a great way to target your market. And I think that the smart guys are going to know how to advertise. The successful entrepreneurs that are up and coming are going to be good at advertising on Pinterest, Facebook, and other social media. Instagram is tied in with Facebook now on advertising. So, getting good at all that, and then building your followers I think is going to be a huge thing too.

Michael: Yeah. So, I hate to present only the good things that happened. You did mention that you have had some setbacks. Name one example of a setback. You tried something. You lost some money or you tried building something and it did not work. What is a setback that you have had over the past couple of years?

Luke: So, a huge setback I had was when building Grim Blades, we bought tons of machinery. I got the cart before the horse in a lot of ways and hired a lot of people. Spend a ton of money on these training and getting people, and I did not have a clear vision. I have a pretty tight group of guys that have been with me through a lot of different businesses and things, and they all understand and they have trust and they believe in the leadership. I did not spend enough time instilling the vision with the newer guys, so we had a couple bad apples and just dealt with a lot of just garbage things of life, because I was focused on this stuff and I was not spending enough time making sure that the guys understood where we were going and why we were going there.

It ended up with people stealing IP and just being rotten people. And I have to take ownership on a lot of that because they did not understand what we were doing and they just kind of got thrown into it and felt like it was probably a dead-end street. So, the vision is important to be understood across the whole group. We are doing it now. We are doing a great job with it, but it set me back. It was a huge setback. It was a lot of lost money and damaged goods and stolen property. It was just a lot of garbage. So, that was a huge setback.

Other failures include bad media buying. I am always testing media, and so you have got to understand what you can afford to lose and what you cannot. I hired a big marketing firm. Spent mid-five figures on stuff that never turned out to be anything. Not even one article in Maximers or something. So, it is just learning.

Michael: Yeah, all right. Well, great lessons today, Luke, and very pleased to hear that your business is continuing to grow and moving in the right direction. I look forward to checking in with you in another year and seeing where you are then.

Luke Webster. Founder of StraightRazor.com, The Grooming Network. Thanks for coming back on the show and giving us an update and the details on your business, and thanks for continuing to be a Domain Sherpa for others.

Luke: I appreciate it.

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

Watch the full video at:

<http://www.domainsherpa.com/luke-webster-groomingnetwork/>