How 3 Friends Bootstrapped and Profitably Built ParkingCrew.com and DNTX.com for Themselves and Their Customers - With Nico Zeifang

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In October 2012, we interviewed a domain name investor named Warrick Mulder, who, after years of registering and holding .COM, .NET, and .ORG domains and earning next to nothing in parking revenue, changed his strategy to buy .CO.ZA. He also changed his parking company and took his monthly revenue from one hundred dollars to two thousand plus per month. We are going to talk to the CEO of that parking company today, and see how they might be able to do the same thing for you. Stay tuned.

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

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

Second, if you have questions about domain names, where should you go to ask them? The answer is DNForum.com. Not only is DN Forum the largest domain name forum in the world, but it's the best. You can learn about domain names and the industry, buy and sell domain names, talk about domain name news, and meet other domainers just like yourself. Register for a free DN Forum account and begin advancing your skills and knowledge today. And when you do signup, send me a friend request so we can connect.

Finally, whenever I'm thinking of buying or selling a domain name, the first place I go is Estibot.com. Their service provides quick and comprehensive information about the valuation and the critical factors that you need to know

about -- like other extensions that are reserved, recent sales, search volume and cost-per-click rates on search engines. And if you haven't tried their lead generator service for domains you want to sell, you're missing one of the most powerful tools around. Those are the reasons I pay for the service. Give it a try.

Here's your program.

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

Past Domain Sherpa, Warrick Mulder, changed his parking company and took his monthly parking revenue from one hundred dollars to two thousand plus per month. The parking company he changed to is name Parking Crew, and today we are joined by the CEO of ParkingCrew.com, Nico Zeifang. Nico, welcome to the show.

Nico Zeifang: Thanks a lot, Michael, it's great to be on your show.

Michael: Thank you. How did I do on your name?

Nico: Pretty good. Pretty good. Not bad. I have hard worse.

Michael: Excellent. So, first off, thank you for accommodating us in the Pacific Time zone, here, in Seattle. You are located in Munich, Germany, where I believe it is early evening for you.

Nico: Yeah, it is 7:30 over here.

Michael: 7:30. I thought it was 6:30. It is even later than I thought. Well, thanks for being on the show, Nico.

Nico: There is no problem.

Michael: A lot of domain investors would give their left pinky to be able to earn a couple thousand dollars a month in parking revenue on their domain portfolio. Why do you think .CO.ZA domain names are able to monetize so well using the ParkingCrew.com Platform?

Nico: Well, I mean I think there are a couple of different reasons. I mean our main philosophy at ParkingCrew.com was always to scale through technology rather than having an army of people doing manual optimization, so pretty much, from day one, we set out to build a scalable system that has a self-learning algorithm where the technology does the majority of the work. And I think that has really paid off for us because, pretty much, we have managed to keep a very lean operation over here. We have less than twenty people working in our offices. We can keep overhead costs low. So, I think that is one of the reasons; because, ultimately, overhead costs need to come out of the margin of the domain name owner. On the other hand, I mean us operating out of Europe, out of Munich, Germany - our home turf. So, it is the CCTLD market, so we always understood that there is .COM and there is the rest of the world; and it makes sense to make sure that you monetize every single visitor, no matter where he comes from. And I think that is what we are doing. And South Africa, we have made sure to adapt to the certain circumstances in that market to tune our templates and to tune our delivery technology to that market. And it is great to hear that it is working out so well for some of our customers.

Michael: Yeah. So, South African market served particularly well using ParkingCrew.com, as Warrick mentioned. And I asked him how he knew that he would do so well on your platform. He was like: "I didn't. Some other domain investors told me that they were doing well, and so I switched." Are there other CCTLDs that are able to monetize especially well using ParkingCrew.com? Would you say that everything in Europe and Africa is particularly good because you focus so much on the CCTLDs?

Nico: We definitely focus on CCTLDs. I mean our single biggest market in terms of volume and revenues is the US, which is easy because it is a massive market obviously. I mean Germany is obviously our home market. It is where we have traditionally been very active, so we understand that market very well. We understand the language. What always surprises me is a lot of

people keep on telling us that we do very, very well in Japan for (Unclear 4:28.4) and domains, which continues to (Unclear 4:32.2) because we do not have a single employee that speaks Japanese. The entire conversation is done by the system. I have never understood a single word on one of our landing pages, but everybody tells us that we really do very well in that market. So, I guess I mean it is always a bit of trial and error. I mean anybody that tries out our parking company - I encourage them to try everything they have, and very over-performed state; very underperformed move because every parking company works differently. So, we are never going to win one hundred percent of the traffic and we are very confident we are never going to lose one hundred percent of the traffic, so we work (Unclear 5:09.5) to monetize where we do better.

Michael: Yeah. Do you hear from other domain name investors, like Warrick, that achieve this type of revenue improvement when switching to your platform?

Nico: I mean this sounds amazing. It looks like he has had a twenty-time increase, which is very unlikely, I think, to happen across an average portfolio. For Japanese, I have heard a couple of times that we do three to four times of what they did before. I think the usual upside that a lot of people see is that on a certain percentage, like a third or fourth of the names, we outperform by twenty to thirty percent. So, that is quite significant on upside. Then, on a lot of the traffic, we do about (Unclear 5:52.6). We might be five percent better or five percent worse in some of the names; and then there are some names where we do worse because - I don't know - our system might not be so suitable for that sort of domain name. We might deem that traffic to be of less quality than the other traffic, so it might get a bit more smart price. Some of the other parking companies out there traditionally estimate earnings, which we do not do. We pass on what a domain name actually made, so some of the estimations of other parking companies might have been off. We simply pass on what we get paid for the domain and we have various factors to factor in. So, it is really hard say what a portfolio is going to do.

Michael: Yeah, all right. So, let's take a step backward. I realize we have not even talked about really what ParkingCrew.com does. Wayne Nelson, our

Producer, has done some research on you and your company. The Parent Company is TeamInternet.de, and you provide two main products - ParkingCrew.com for parking domain names and DNTX, which stands for Direct Navigation Traffic Exchange, where you actually sell click-through traffic from those domains. Instead of showing ads on the domain names using a parked page, you actually just pass it through to somebody who wants to buy that traffic. I want to ask you about both in more detail, but first, when was TeamInternet.de founded and by whom?

Nico: I probably have to start a bit earlier too to give you an entire history about the people involved. To talk about me, personally, I started out in domains in about 2000 or 2001. I focused mainly on .COMs and their German-speaking markets. So, Austria, Switzerland, and Germany in the beginning. And at roughly about the same time, one of our Co-Founders over here, Stefan, got started out in domain names. It was not until probably 2003 or 2004 when we met in person for the first time, which was at the Beer Fest in Munich.

Michael: Of course.

Nico: It is a good occasion to get to know each other. We have been very good friends every since. In about 2007, we started to pull our domain related investments because we figured it makes sense to get a second opinion on an investment. It makes sense to have the buying power of two parties. So, we were acquiring a lot of domains in domain portfolios together starting in 2007. Then, in early 2010, in January.

Michael: Hey, let me pause this story right there, Nico. So, I think a lot of domain investors get to be in that situation as well. They will ping other people via Skype or Google Chat and they will say: "Hey, what do you think about this domain? I am thinking about buying it." But when you spend five figures on a domain, you want a second opinion, so you were doing that with Stefan and discussing them. Why would you decide that you would actually want to pool your resources and buy together? Doesn't that create a lot of complexity if you like a certain type of domain and he does not or you want to sell and he wants to hold?

Nico: It really depends. I mean we sort of had like a hand-shake agreement that, any offer that either him or I got, we would run through the other party first and see if we want to do it jointly. If one party said, "No, I do not feel it is the right investment," the other party could still buy it individually. And I think this has paid off very well. I mean I have skipped on some investments, where Stefan has made a pretty decent return. So, good for him. I mean the same way the other way around. We have done some investments together that did not go so well, but overall, I think it was really the right decision to get a second opinion and start pooling forces.

Michael: So, if you guys decide: "Hey, I have got this opportunity for a fifty thousand dollar domain. Let's go in 50/50. You put in 25k and I will put in 25k, and we will buy it," do you typically hold on to those domains and then sell them later after some period of time, or are you looking for a quick flip?

Nico: We do not really do much flipping. I mean, usually, we buy to hold and monetize. That is the main reason we buy for nowadays. Obviously all of our names are for sale if the price that is offered is right.

Michael: Sure.

Nico: But we are not really buying and speculating. For us it is more about making the return from monetizing the existing traffic on domains.

Michael: And let's say you buy a domain for ten thousand dollars and it is making five hundred dollars a month in monetization. Every month, do you just split the profits of that domain?

Nico: Definitely, we sort of used to do it back then, but in January 2012 we set up our own holding company, where we put all of those assets into. It is called Rain Maker Investments, and that is where, nowadays, all of our investments are pooled. The majority of the revenue stays in the company and is reinvested. Only a bit of the revenue is what we take out of the company to our individual companies we have behind it.

Michael: You said it was called Rain Maker Investments?

Nico: Yes.

Michael: I like that. I like that name. Okay. So you put your holding that you had together into Rain Maker Investments, and then I assume that you were using some other monetization platform at the time. Sedo, or something like that?

Nico: Exactly. I mean that was the main reason how Team Internet was founded. We had been monetizing domain names for more than ten years each, and the more time went on the more frustrated Stefan and I, individually, became with the solutions out there. We thought that technology was outdated. Overheads were too high. Domain revenues were increasing, increasing, and increasing until 2007, and then they started to tank. So, we were very unhappy about that. That is about the time Team Internet was sort of formed in our minds. Our slogan is: "We exchange markets," which is what we wanted to do. The main problem was that Stefan nor I are a tech person, so we obviously needed somebody to take care of the very important aspect. And yeah, that is when Mario Witte - our third Co-Founder - entered the scene. We recruited him from one of Europe's biggest affiliate agencies called Monster Consulting. And in April 2010, we started Team Internet.

Michael: So, clearly, you and Stefan we making some money through monetization. Some could say it was the good ol' days, when everything was increasing, but then, in 2007, it was not increasing anymore. How were you able to convince Mario, who is your Chief Technology Officer (CTO), to leave a good paying job at another company, and in an area where revenue was still growing relatively speaking - affiliate marketing - and come over to Team Internet, where revenue might not have been growing anymore?

Nico: In the end it was a lot of red wine. Stefan and Mario have known each other for a long time. Stefan was doing an internship at Mario's old company, like - I don't know - five years ago or so. So, they have known each other for a long time, and Stefan had been trying to convince Mario to join forces for about three years, when we finally got Mario to come onboard. We made sure, like we showed him some numbers. We were like: "Okay, we have this big owned and operated portfolio. We are more than able to pay your salary. Stefan and I do not need to take a salary right from the start, so you are going

to be safe in terms of salary and the upside you can potentially achieve is much, much bigger." But it took some time. I mean Mario is a very security-loving person, but I think he has never regretted this step.

Michael: All right. So, I think a lot of domain name investors have some great domain names and they are not making as much money as they used to, and they are looking to develop some sort of technology. Either they want to develop a website and build it out, and sell leads, or sell advertising, or something. They have a great portfolio. So, what advice would you give to one of them, who were like you in 2007. You had an income, some great assets, and you needed somebody on a technology side to join you. Clearly, you applied him with a lot of red wine. You gave him a salary that was pretty much commensurate with what he was making at his previous position?

Nico: Yeah, he put a bit of a hike.

Michael: A little bit of a hike. And then, what else would you say is necessary to convince a technologist to join your team?

Nico: I mean obviously he has a lot of equity. We are equal partners in Team Internet, which is important, I think, because, in the end, technology is the value we are creating here at Team Internet or at Parking Crew. And ultimately, I think it is a people's business. I mean the chemistry needs to be right between the founders. Division needs to be the same. I think responsibilities need to sort of be very clear so that everybody knows what he is doing and sort of has to find a worth on that certain area so everybody else can give them input.

Michael: Right.

Nico: I would never tell Mario: "This is the wrong technology we are using," because I simply do not know better. So, yeah, I think, in the end, chemistry between the people is really the most important part because I mean over here, we have been sharing an office ever since the beginning. The three of us sit in the same office. We have had a lot of very intense moments, but I do not think we have had serious arguments, which is very important.

Michael: Wow, that is surprising. All right. So, you convinced Mario to come aboard, giving him a salary and giving him equity. Now, was this equity in part of the owned and operated portfolio or was it equity in the technology base that he was shepherding, developing, and architecting?

Nico: Originally it was equity in Team Internet. So, the original shareholder structure was Mario in Team Internet and Rain Maker Investment, as a share hold in Team Internet. The more Team Internet became to be a substantial source of revenue the more we wanted to have Mario to be part of our joint domain name holdings. So, by now, he is part of Rain Maker Investments. And he has used his Team Internet shares, brought them into Rain Maker Investments, and now he is a shareholder in the parent hold company.

Michael: So, now you have got him locked in so well that he can never leave.

Nico: Let's so hope so.

Michael: All right. Let's pick up the story again. So, in 2010, you started this holding company. In 2007, you were pooling domain names with Stefan. In 2010, you decided to create the legal holding company, Rain Marker Investments. And then, right after that, you brought on Mario to work on the technology. Is that correct?

Nico: Exactly. And Mario came onboard and Team Internet was founded, which was in April 2010.

Michael: Okay, April 2010. So, how long between when Mario came onboard in April 2010 and you launched your first product?

Nico: ParkingCrew.com was our first major product. We have had a lot of BETA products. Trial and error; seeing what works and what does not work. ParkingCrew.com was launched in May 2011. It was not really a public launch. We only launched on our owned and operated portfolio that Rain Maker Investments holds, on those portfolios that Rain Maker Investments was a partner in, and we also had a couple of good friends from the industry that we allowed onto the platform right from the beginning. And then, until about September of last year, we were fine tuning on the system, finding

bugs, finding ways to substantially increase yield, and we opened to the public in September last year; and it has been a crazy year. I mean we have seen tremendous growth. We have had our ups and downs. We have had a lot of great experiences. We have had like a little emergency every week. So, it has been a lot of fun.

Michael: It is never a dull moment to operate a technology company. I know that. So, basically, Mario spent a full year working on the technology platform until you went to BETA launch with your own owned and operated portfolio. That takes a lot of foresight and commitment on yours and Stefan's part to say: "We are going to put in the time and effort - a full year - to develop this." Did you have other expenses besides Mario's salary to pay? Did you have other developers underneath Mario? A designer, somebody that does the user interface, or things like that.

Nico: A couple. I mean it was just growing organically. I think, until the launch of Parking Crew, we were maybe six or seven people in the company. Pretty much except for Stefan and me, everyone was in tech, so it was all on the tech or design side of the business. But if you have an owned and operated portfolio, it is not that bad because it can pay for those salaries. So, for us, we were very sure this was going to work out, so it was an investment we were very happy to make, and we have not regretted it ever since.

Michael: So, it begs the question - how many domains do you own that you were able to pay Stefan's full salary and three other people's salary to do the development from a technology standpoint?

Nico: Nowadays, I think we have about sixty thousand domain names that either we launch through Rain Maker Investments or are a very substantial partner in the portfolio. In peak times, I think it was one hundred thousand in 2007/2008.

Michael: Wow.

Nico: We have trimmed down quite a bit when the market tanked because a lot of them were not paying for themselves anymore. So, we decided to just get rid of them. It is a long tail portfolio that we have acquired over like a

ten-year period of time. In the beginning, Stefan and I independently and, later on, jointly. So, there is a bit of history to the portfolio.

Michael: Yeah. So, you had one hundred thousand at the peak. You decided to trim it. When you trimmed it, did you sell the domains or did you just let them drop?

Nico: We sold a few of them, but the majority we just let expire. I mean we had certain metrics, which were like sort of: "If they do not, at least, make half their renewal fee, we drop them." Then, the ones that made half the renewal fee, we put a fixed price on them. If they did not sell in the next renewal period, we dropped them as well. I think, nowadays, probably like ninety-five percent of our portfolio at least pays for the renewal fees.

Michael: Yeah, great. Okay, so, sixty thousand domains paying for the renewal fee and, clearly, making enough profit to pay for a tech team of essentially four.

Nico: Yeah, back then it was like four or five. Nowadays, there are a lot more people in the company, especially in tech. I think we are sixteen now. Out of them, twelve are in tech, so it is very tech heavy. Mario has to oversee most of the people. Yeah, it was about sixty thousand (Unclear 22:04.3) that were paying for all the overheads and for the initial development.

Michael: All right. So, ParkingCrew.com. It is a Parking Company. If people will have domain names and they do not want to develop them, or they have so many that development is not an option because it is not scalable, they can sign up with you guys, they can point their domain name servers (DNS) at your servers, and you will display ads based on the keywords that are in the domain name.

Nico: Pretty much, yeah. I mean it is a platform for publishers and for domain name owners, where we give them the opportunity to participate in the technology we have developed and in the relationships we have acquired over the years. And yeah, I mean there is a lot more than just teamwork that goes into what we display. I mean the geos are part of the targeting. Then, are you using a mobile? Are you using a tablet? Are you using a desktop? Which

browser are you using? Which sites did you previously visit? Have you just been on a parked domain before? Have you been on the same domain before that did not click? I mean a lot of complex factors in there. It is sort of hard to keep track of what all goes into the algorithms.

Michael: Yeah, so there are a lot of factors that go into your algorithm that determine what will be served to the visitor when they visit a domain name that is parked using our system.

Nico: Exactly.

Michael: Understood. All right. And you also operate an advertising platform, which I mentioned earlier, called DNTX.com, which stands for Direct Navigation Traffic Exchange. What exactly does that do?

Nico: I probably have to stay on the Parking Crew side of the business for a second to explain how it comes into the picture.

Michael: Okay.

Nico: I mean, basically, if you have a domain name portfolio, you will notice that some of your domains have very high CPCs and other domains might have very, very low CPCs. Essentially what happens a lot of the times that the high CPCs come from a tier one upstream feed provider, which basically is one of the three big search engines out there that have a big ad inventory, a lot of ad (Unclear 24:21.9), and a lot of advertiser competition. So, the click prices are bought higher than auction system. But some of those domains see tier two ads. So, the tier one ad networks have decided that the traffic quality coming from certain domain names does not fit their requirements and they do not want to expose their advertisers to that traffic. It is what we call tier two traffic because it has no chance of getting exposed to tier one ad inventory. And what we have learned in the past year is that a lot of times the click price differential between tier two and tier one on the same domain name, when it gets blocked from tier one and is substituted by tier two, it might be a (Unclear 25:09.9) or a fifty ad. We just could not believe that the traffic is that much worse that it should only be earning like two percent of what it was doing before. So, we put into the tier two ad networks, into the

(Unclear 25:23.3) they had, into the click prices they had, and we decided this does not really represent the traffic quality that we are delivering, and then we came up with the idea of (Unclear 25:33.2), which basically is our ad network, where advertisers can bid into this tier two domain traffic from Parking Crew that our tier one providers could not monetize for certain reasons.

Michael: Got it. So, what would be an example? I am sure you have an example; maybe it is one of your owned and operated domains that you can mention, so you are not mentioning any customers. What is a domain name that has traffic that a tier one provider, like Google, let's say, would not want to show ads for that is still perfectly monetizable in another fashion?

Nico: One example would be Bodybuilding.info. It is one of our owned and operated, so I can talk about it. It does not receive a lot of traffic, but the traffic it received apparently was of bad quality. So, at some point, it got (Unclear 26:27.1) listed by our tier one provider. Nowadays, it is sold through DNTX; I do not know if it is still the case, but last time I checked it was going to a nutritional supplement store. They were bidding on the keyword 'bodybuilding' in DNTX. So, I assume it is converting for them. Otherwise, they would not be building that traffic. Ever since we opened DNTX we have seen that tier two domains have really gone up in terms of revenues.

Michael: Yeah. Okay, so I understand the tier one from the big search engines. I understand the tier two traffic. It has some traffic, but, for whatever reason, the tier ones have decided that it is not good enough for them. So, you started this exchange; it makes perfect sense. How do customers and companies who want traffic and do not want to buy Google Adwords, let's say, know to come to DNTX and buy traffic from you?

Nico: Well, we are just starting out establishing our brand, so hopefully, at some point it will be sort of a household name. Right now, we focus mostly on affiliates. We launched DNTX during Affiliate Summit East in New York City in August this year. We have just, this week, completed the acquisition of Elephant Traffic, which was another player in this market, so this will give us exposure to more than ten thousand advertisers they already have on their

system. Ultimately, I do not think we will see fortune five hundred companies, like - I don't know - (Unclear 28:08.9) or one of those household brands buying traffic from DNTX because the volume of traffic they could potentially buy is just not big enough to empty (Unclear 28:19.9). They have (Unclear 28:20.1) that they need to empty in a certain period, so they will always go to the big search engines to spend fifty or one hundred thousand a day; because there is simply not enough volume on DNTX to spend 100k on car related traffic every day. So, ultimately, I think DNTX will become a performance driven network, where people looking for traffic that performs - that they can generate sales from, that they can generate email leads from, that they can generate newsletter sign-ups, and stuff that like from us. That is the sort of advertisers we are looking for. That is the sort of advertisers we have acquired at Affiliate Summit. That is the sort of advertisers that Elephant Traffic had. And when you have an auction system, all it takes is two advertisers competing for the same sort of traffic, and we are very close to the actual value of that single visitor.

Michael: Okay, and I want to come back and talk about Elephant Traffic acquisition that just happened last week because I went to your website and I saw that you just concluded that transaction. So, we'll come back to that, but let's say that I, as a Publisher, want to get more traffic to DomainSherpa.com, and so I want to go on DNTX and I want to buy the phrase 'Domain Name Parking'. And I want to drive anybody who is using their domain names in your system. I want to buy their traffic and send them to your video, so they can watch this and get educated. If nobody else is buying that phrase, how much would I, as a Publisher, expect to pay?

Nico: It depends. We have two sorts of campaigns in DNTX. We have keyword-based campaigns, which is what you are looking at; and we do have run of network campaigns, where you can say: "I want to buy all traffic from the United States" because, let's say, I'm promoting Groupon, which tends to work across all sorts of traffic. You can geo-target and you can be like: "You are a visitor from Minnesota. Here is your Minnesota voucher," or whatever for the date.

Michael: Right.

Nico: So, yeah, as soon you have a run of network campaign, that is pretty much setting the base fit for any keyword campaign, but bidding starts at $0.02 per visitor. That is the minimum you can bid, and then it just goes on depending on the competition for your keyword as well as the competition for the run of network traffic that always sets a base fit for every single country.

Michael: Sure. And if I got to your system, and I sign up, and I type in 'Domain Name Parking', it will tell me what I need to pay in order to get traffic?

Nico: Roughly. It will give you an estimate of how much traffic we have available based on the past couple of days, and it will give you a suggest bid price, which is the bid price was high enough to win the majority of the traffic in the past couple of days. There will have always been the occasional two-dollar bid that only bid for three visitors and then was paused or hit a cap. So, it will give you a good estimation. It is a proxy bit system, so you can bid as high as you want and you will never pay more than the second highest bidder plus ten percent. So, no matter how high you go, unless somebody is bidding extremely high, you will not pay that price per redirect.

Michael: So, how do I know that I am actually getting traffic related to 'Domain Name Parking', and I am not getting the high CPC for 'Domain Name Registration' and all that related to domain names? $0.02 a visitor is dirt cheap. I would pay for that every day, but I want to make sure that they are targeted on the phrases that I am looking for.

Nico: Definitely. At DNTX, we have two sorts of systems. We have automated tagging system that automatically takes a domain name apart, figures out what it is all about, and assigns to keywords in it in the system. Then we have a system that gives us reports of all domain names in the past couple of days that had a lot of traffic, but that do not seem to sell. So, the assumption is that either they have incorrect text or incorrect keywords, or they do not have keywords at all. Since we do not have overheads for that, again, we do not want to fifteen people sending and viewing it. We use the sort of Mechanical Turk solution. I do not know if you are familiar. Like Amazon, for example, offers such solutions, where you pay people based on

tasks they complete. We have set a pretty high cutoff, where it is the profit of people do that manual work. If the traffic threshold is too low, we will not having people doing it and we will just take collateral off not having that single domain name tagged because it would not be profitable in that case. So, I think, overall, keyword-tagging works very well.

Michael: Great. So, I just interviewed Victor Pitts from Above.com. Above.com is one of your partners that I saw on your website. So, if I go to Above.com, they will actually rotate my domain names. If I park my domains with Above.com, they will rotate them through different providers, like Parking.com. They are not a parking provider themselves. And they will determine which domain names do the best monetization at which providers. So, they may determine, for example, that Japanese CCTLDs do better at Parking Crew or South African TLDs may be do better, and leave those at your site. And so, that seems like it is a pretty good partnership to have.

Nico: Definitely. I mean we are seeing a lot of traffic from Above. Some of my guys, during the TRAFFIC Conference, talked to David and Warren. They said we have done a tremendous job given the amount of traffic we are already winning. Considering we have just been around for a year and that a lot of people do not have the brand awareness, so they have not added us to their rotation yet, which I would encourage everybody to do. I mean it does not hurt to have another provider in there that might be winning twenty, thirty, forty, or fifty percent of your traffic, and performing better on that traffic. So, yes, it is a very important source of traffic obviously.

Michael: Yeah. And I also learned that they have a direct navigation platform similar to DNTX, which I was not aware of either.

Nico: Yeah.

Michael: So, it seems like both, you and Above, are monetizing through this direct navigation for maybe the domains that do not necessarily park well or only get tier two traffic. What do you look at as the differentiation between your direct navigation opportunity and Above.com's, let's say?

Nico: I mean there are two main differences. DNTX strictly only monetizes their tier two traffic because our tier one traffic is monetized with our pay-per-click upstream feed provider - our tier one upstream feed provider - while Above does their rotation before it goes to a parking company, so they are selling before where we are sort of selling after. I think what sets us apart from other - and there is not just Above; there are a lot of networks selling tier two traffic - is that we offer a lot of targeting options. And I think this is really what we were missing at other platforms and worked. Seriously, I am surprised. I mean if you take an example, let's say you have a (Unclear 35:58.1) related website in the United Kingdom and you want to buy the keyword 'Cheap Flights'. So, you are going to go the different systems and you are going to target the keyword 'Cheap Flights'. Since you operate in the United Kingdom, you can only monetize UK traffic. If you get a US visitor for cheap flights, you are not going to be able to sell them a flight because you only have a license in the UK or whatever. This is the first crucial targeting option in my opinion. You need to give people the opportunity to target by country because otherwise, if they buy one hundred visitors and only ten of them are from the UK, they could have paid much more for those ten UK visitors had they been able to target for them, which is the first targeting option that we offer. Then, we allow people to differentiate between mobile, tablet, and desktop. If you go to mobile, you can target different carriers. You can say: "I only want AT&T traffic from the US." Even more, you can do device targeting. You can say: "I only want iPhone users from AT&T in the US searching for the keyword 'Ringtones'". I mean it is going to help you because bidding on an iPhone might work different from an Android. Bidding on AT&T might work different from Verizon or whatever you guys have over there. The more options you give people - the more granular they can go - the more they can pay for that single visitor because the more value it creates for them and the more it is, ultimately, going to push prices for that inventory. So, I think this is what really sets us apart. We are the first tier two ad network that actually allows you to target like it is a tier one ad network.

Michael: Yeah, nice. All right. So, I understand the difference there; how you are basically eating your own dog food, as the saying goes. You are developing the system because you have your own owned and operated portfolio and you wanted to be able to target on a very specific basis these

phrases. When I sign-up for your service, Nico, and I have a domain name, it automatically goes into your tier one system, but then one of the providers may say: "We do not want that domain name." So, then you just automatically move it to tier two. Is that the way it works?

Nico: Exactly. I mean as soon as we send the request to our tier one provider and we get basically, in non-technical terms, a 'no we do not have ads', we will (Unclear 38:31.9) some tier two networks to, from the first visitors, have some listing on there. And then next visit is already going to (Unclear 38:39.1) DNTX and see if we have a direct advertiser that is not just going to pay per click, but also pay per redirect. So, you get forwarded right away.

Michael: Got you. And then you have advertisers that come in and they want just run of site traffic. They will take all the traffic because it is a general. "I will take all the traffic in the US because Cyber Monday is coming up and we have sales," or "Groupon is expanding around the world and we want every single visitor that you can deliver."

Nico: Exactly.

Michael: Okay, great. Wayne Nelson did a pre-interview with you, as you are aware, our Producer, and he said that you are always adding value to the business through technology enhancements and constant innovation. What is an example of the last enhancement or innovative offering that you have added to your service?

Nico: Well, we do have a pretty big enhancement coming up in the upcoming month, but before it is ready and fully tested I do not want to talk too much about it. I mean a lot of the stuff is really small and tiny iterations. I mean you find a two percent leverage there. You find a two percent leverage there. You find another two percent there, there, and there. It just keeps on adding up. It might be a small tweaking in one market. It might be a tweaking for some device. And I think what is the most advantage we have, given our owned and operated portfolio, is we can test whatever we want. It is not going to affect the customer. Anything we add to the platform we test on our owned and operated portfolio. If results in positive (Unclear 40:18.1), we roll it out for everybody; if it does not, it goes back into development. We have

thirteen or fourteen developers pretty much working on the system all day long. They tweak the algorithm. They try new things. Some of them work great. Some of them only work on a subset of the owned and operated portfolio. Some of them are horrible. They just never make it onto the entire system. It is a constant trial and error, and I am always surprised. Like, at the beginning, our developers showed me and said, "We are going to run a test. This against this. What do you think is going to win?" I was like: "This one always won." So, we, very quickly, move to let the visitor to a parked domain decide what he wants rather than telling him what he should want.

Michael: Yeah, all right. So, it sounds like Team Internet and your offerings have been profitable since the beginning because of this owned and operated portfolio.

Nico: Yeah, pretty much. I mean given the owned and operated portfolio, we can still pay just salaries and overheads from the owned and operated; and it has been like that from day one. So, we were in a very comfortable position. We did not need the margin. We did not need to cut down on technology or cut down on development because we had the cash flow to sustain the growth.

Michael: Yeah. Now, if you and Stefan put your domains into this portfolio and you are using the revenue from that portfolio to fund the development of your company, what did you and Stefan live off of for that first year or two until you got everything up and running?

Nico: We still had some domain portfolios that were not acquired jointly, that we acquired prior, and that was not park of the Rain Maker deal. So, both of us had revenues coming from there. Both of us hold quite a few very nice generic domain names, where you sell the occasional one to an end user at a high price. And then, Stefan is thirty and I am twenty-nine. We went to college while we were building our domain business, so we did not have a large lifestyle to support. I mean it makes this easier too. Munich is expensive, but it could be worse.

Michael: All right. So you had some great domain names on your own. What are some of your favorite domain names? What is your best generic?

Nico: I sold most of my personal best generics way too cheap a long time ago.

Michael: Did you? What did you sell in the past that you wished you had not sold back then?

Nico: Kevin Anderson, this goes out to you. NY.org and NYC.org were two of my really nice names back when I was like twenty-one or twenty-two, and I sold them for ten thousand each.

Michael: And you sold them to Kevin.

Nico: Yeah, I sold them to a broker, but ultimately they went to Kevin. I do not look back and regret it because, back then it was money that I wisely reinvested. So, ultimately, there is always a trade off between money you happen to have. In asset, I mean today, I would have valued it much, much higher, but back then I used the money to buy some other great ones. Nowadays, the real nice ones we like a lot that we still own are mostly in the German-speaking market, so they would not mean much to your listeners. One of them we have developed out. We own Boxen.de, which is German for boxing. It is the biggest news site in the German-speaking market. It is actually the only real developed site that we run. We run it as its own business. It has its own editors. It has its own staff, so to speak, to run it. And it is a profitable business. I mean (Unclear 44:13.0).

Michael: Nice. And so, that is the only one that you have developed out. It is a profitable business. But neither you, or Mario, or Stefan have any publishing experience. Did you just, again, make another investment in it? You hired people who knew what they were doing.

Nico: That was actually pretty much an experiment. I mean we have had domain for quite some time and, when we actually launched it as a sort of developed site, it was before Team Internet and before Parking Crew; and basically, we just put a simple WordPress blog up out on it, and I think it was just Stefan and I just writing a bit of content. We did not understand the market, so we just published a bit of content. And it was back when Google

still valued keyword domains very highly in its search results. And I think like a week after we launched one of the Klitschko brothers had a big heavyweight fight, and the site skyrocketed from like one hundred visitors a day to like thirty-five thousand a day on the weekend the fight was on. So, we were like: "Okay, this is great. I mean thirty-five thousand visitors looking to find information about the fight." We had gotten like four or five hundred comments in user generated content on that site that weekend, so we were like: "Okay, let's find somebody that actually understand the market and have a bit more qualified content than the two of us." And that is how it started. Nowadays, it is amazing. I mean the average article we have on there is like half a page, and then, on average, it attracts like thirty or forty comments. So, there is a lot more user generated content than content we actually produce and pay for.

Michael: Yeah.

Nico: And basically, our main source of income there is we have ticket alert newsletter, where people signup and, as soon as tickets become available, we mail it out. We take the commission the ticket sales, and it is great. I mean it is more than one million euros worth of tickets a year from it. And yeah, that is pretty much how it pays for itself.

Michael: Wow, that is amazing. So, it was not Google Adwords, or display ads, or a partnership with a boxing company, which, as a Publisher, I would have thought that is definitely how you are making money. It is a ticket alert newsletters - an email newsletter - that goes out to people who opt-in to this email newsletter list on your website; and you just use a commission. You say: "Upcoming fight. Get your tickets now. Here is where it is happening. Here is a description. Here is why you need to attend. Click here to buy now," and it goes through a third party site and you get a commission from it.

Nico: Exactly.

Michael: And it generates more than one million euros in sales per year.

Nico: It is a pretty great business because those boxing fights sell out pretty quickly.

Michael: Yeah.

Nico: Tickets usually are like a couple of hundred dollars. You do not go there alone. You order tickets for you and like five buddies of yours.

Michael: Oh, yeah, people are spending a good few hundred euros just to attend a fight.

Nico: Exactly. I mean we get a lot information from the ticket site that we promote and, a lot of times, the average shopping basket is like a couple of hundred dollars; sometimes well into the thousands of dollars because people just buy ten tickets for them and their buddies. They want to sit right next to the ring; they pay fifteen hundred bucks a seat. I mean it is amazing.

Michael: Yeah, wow. So that is your number one revenue producer on that website. Do you also have advertising on that site?

Nico: A little bit. I mean we have a little bit of Google Adwords on the site. We occasionally have people sending us inquiries about whether they can display some display ads in the header or on the sidebar. We do sell them, but we only sell them if we can get at least a three-month commitment at a rate we think is fair because, otherwise, we do not want to ruin the experience for our visitors and for our readers.

Michael: Right. Yeah, definitely.

Nico: So, the revenue is from ticket sales.

Michael: And so, how many unique visitors do you have per month on this website?

Nico: That is a good question. I am not really that much involved in it. I do not know. I would say, probably, on an average day, it is somewhere around five to ten thousand a day. On a fight weekend, it is like fifty, sixty, or seventy thousand a day really depending on how popular the fight is. I mean the Klitschko. David Haye is one that always attracts a lot of attention. Since

it is in the German-speaking market, the Klitschkos are pretty big over there. We have some local sort of celebrities; when they fight, you can feel the impact.

Michael: Yeah, very good. Any other little business like this that produce a profit that are not necessarily list on TeamInternet.de?

Nico: Not really much I would say. There are probably some legacy projects that still run out somewhere around. We have done a lot of trial and error. Whatever was profitable and could of sort of run on autopilot runs out autopilot. I still, occasionally, get that page tag from some company that apparently I have been promoting for the past ten years and I did not even know about it.

Michael: Right.

Nico: I mean when I started out in domain names, I was like eighteen years old, so I started out from my kid's room at my parent's place. And back then, the only thing you could promote pretty much was adult. Like any visitor you had you would send to them adult affiliate programs. And I still remember, like years after I moved out, I got a call from my mom and she was like: "We got a letter from this company. I opened it. There was a check for fifteen hundred dollars in there. And there were a lot of flyers with pictures of naked girls. What should I do?" I was like: "Keep the check and throw away the rest."

Michael: I thought you were going to say keep the check and forward me the rest.

Nico: Exactly. That is what happened.

Michael: Yeah, nice. All right. So let's talk about your recent acquisition. So, I noticed, on your website, you have made a recent acquisition that you mentioned earlier. You purchased ElephantTraffic.com from Jan Barta, or his company. What was actually purchased? What was the deal that you did?

Nico: So, basically, I mean the parent company was Elephant Orchestra, which is a company that I think Jan and some investors founded initially. Elephant Traffic was their main product for publishers and advertisers; and I think they started Elephant Traffic - I do not really know too much of the details - like five or six years ago. It has been a pretty good business for them, but some of their other businesses under the Elephant Orchestra umbrella have simply outgrown the success of Elephant Traffic. I know they have a very successful lead generation business, especially in the Czech market. I think they are one of the biggest lead generators over there. So, for them, it was mainly where do we concentrate our resources on and where do we focus on, and some of their assets had simply outgrown Elephant Traffic. We had been partnering with them on some of their traffic for quite some time, so they were just looking to focus on some of their other activities, and actually used a lot of the people from the Elephant Traffic Team for their other activities. So, what we finally acquired was the customer base and the brand. We did not need the technology because we have our own technology at Parking Crew on the publisher's side and at DNTX on the advertiser's side. Operation-wise, they needed some of the people for their other operations. For us, it would have been quite a bit of a hassle to operate a company in Prague while we are based out of Munich. I mean it is Europe, but it is still like a six-hour drive, so it is not that easy to keep track of it. So, we finally settled on acquiring the customer base and the brand name.

Michael: Great. And so, if I was a customer at Elephant Traffic, buying traffic on keyword phrases that were actually coming through domain names and then arriving at my site, what was my experience after the acquisition?

Nico: So, basically, the transition is ongoing. I mean it is very, very fresh. A lot of the emails just went out in the past couple of days. Basically there are two sorts of scenarios right now. You have been an advertiser at Elephant Traffic. You have not really spent money recently. You do not have any balance there. So, you got an email that you can sign up on DNTX and you can buy the traffic from DNTX. We have more volume and we have more targeting options, so it is going to be a better experience for you. And then, the final pieces of transition that are happening right now is where people actually have a balance left at Elephant Traffic. The timeline, right now, is I think Elephant Traffic is or has paused the last couple of campaigns today.

They are sending out the final balances that advertisers have left at Elephant Traffic to us in the upcoming days because right now they are giving advertisers the option to claim that balance so they get a refund for that balance; anything advertisers do not claim is going to be transferred to the DNTX system. So, all the advertiser has to do is sign up on our system, let us know the username they have linked that is going to help us associate their Elephant Traffic username to their DNTX username. We are going to put the balance that they had at Elephant Traffic into the system. They can continue spending it from there. If they do not like our system, they can demand a refund; we will refund it. So, so far it has gone very smoothly. We hope it is going to be a smooth experience for any customer.

Michael: Yeah, great. So, of the ten thousand advertisers that Elephant Traffic had, it sounds like you might actually lose some that will not come over to your system. When you are looking at an acquisition like this, how do you value those potential customers? Is the acquisition ongoing for every actual customer that you get to signup and every balance that transfers over, or is it just a flat fee at one time and they agree to promote and try and get as many customers over?

Nico: I cannot really talk too much about the details because, as with many contracts, there is an NDA involved. So, for us, I mean I can talk about how we value the business and what are the main pieces that we thought are of value. Obviously the advertiser base is of value to us because it is a great (Unclear 54:54.2) list that we can follow-up on and try to get active on our platform. But I think the main learning we had during our launch at Affiliate Summit East in New York, where there were more than five thousand affiliates present then, and we had a booth, and we were talking to people. We explained to them the system and like every second was: "Oh, so you are sort of like Elephant Traffic." We were like: "Yeah, we are sort of like Elephant Traffic," and I think the next show we go to we can simply be like: "This is what Elephant Traffic is nowadays." It is much easier for us. I think Elephant has done a tremendous job in educating the advertisers out there about the quality of direct navigation traffic - about what it is, what sort of products you can promote, what works, and what does not work. So, for us, it is really the brand that is going to make entry in the market much, much easier for us.

Michael: Yeah, definitely. All right, here is the final question for you, Nico.

Nico: Sure.

Michael: We have got thousands of new GTLDs that are going to be launched over the upcoming years. What are you doing to position your companies at TeamInternet.de to be able to take advantage of all those opportunities as soon they are presented?

Nico: There are a couple of aspects. I mean Team Internet, from its products, historically is in the traffic monetization business. I have been around when .INFO and .BIZ was launched. I have been around when some of the other TLDs were launched and, speaking from my experience, those TLDs do not usually have a lot of traffic from the start because there have been probably trillions of dollars spent on promoting .COM on TV ads, on flyers, and on whatever. So, initially, I do not expect too much traffic to come for those TLDs, which is going to change as soon as some of those domains are developed. Some are dropped. You are going to have expiring traffic on them. So, what we are going to do to position ourselves is we are going to make sure that all of our products support every single one of those TLDs. So, you can enter a .SHOES into the system or a .CARS, .INSURANCE, or whatever; that we can monetize any visitor they have from the beginning. But as a company, we are not going to invest into operating one of those GTLDs, which I think there are people who are more qualified to do it. I mean Michael Berkens is operating Monte Cahn in that market. I think they are two people who I have the greatest of respect for. Then (Unclear 57:30.2) and Ferencz started Minds + Machines, I think. There are a lot of people that have been doing that every single day, so they are much more qualified to operate something in that market. So, (Unclear 57:43.1) running a registry there.

Michael: All right. So, you are going to be ready to add new GTLDs to your system and be able to take advantage of them and support your customers as soon as the new GTLDs are out. That is how you are going to innovate.

Nico: Exactly. I mean we have always made sure, like some people have told us recently that, apparently, we are the only parking company that supports

.IDN domains. So, if the TLD is an IDN - like I think it is the case for some Russian things -, apparently, we were the only ones that were correctly displaying. Delivering ads. I mean if there is a visitor out there, we want to make it sure it gets monetized to the fullest, which has always been one our maxims at ParkingCrew.com that no matter where the visitor comes from, even if it is from an outdated mobile device on a .IDN domain from Kazakhstan, we want to monetize the maximum out of that visitor because it is revenue in the end. So, that is what we are going to do to position ourselves in that market.

Michael: Sounds great. If the audience has questions for you, Nico, I want to ask them to post them below this video interview, and then I will ask you to come back and answer as many as you can. You are on Twitter at @ParkingCrew. Is that correct, Nico?

Nico: Yeah, that is our Twitter, exactly.

Michael: Okay. So, if somebody wants to stay up to date on what Parking Crew is doing, go to Twitter.com/ParkingCrew and follow them, and then you can get updates in your Twitter stream, which is what I do a lot on Domain Sherpa. Also, if people want to email you directly, Nico, they have some questions that maybe they do not want to put in because they want to cite some domains, can they email you directly?

Nico: Sure, they can most definitely do so. I mean, in terms of Twitter, I think we are more active on Facebook. So, if they want to follow us on Facebook, it is Facebook.com/ParkingCrew, I think. They can email me directly at Nico@TeamInternet.de. I will be on vacation starting on Friday though. My response time in the upcoming two weeks might be a bit low.

Michael: No worries. I think we actually have a little bit of a cash of interviews, so this will probably go live after your vacation. Two weeks? That is nothing for you guys in Europe. Come on! It is usually like a month vacation, isn't it?

Nico: I am already scared. There is so much stuff going on. I do not even want to leave the office.

Michael: Where are you going on vacation?

Nico: Argentina.

Michael: Oh, nice. And you seem like a great guy, Nico. If people want to meet you in person, interact with you, hear more stories about how you used to deal in adult domains and traffic, are you going to be attending Web Fest in February in Santa Monica or the TRAFFIC Las Vegas Conference in May?

Nico: I will be at Web Fest for sure. In fact, I have already booked my tickets, so I will be there.

Michael: Excellent.

Nico: Vegas, I probably will not be. We will probably be sending some of our other guys there because it is always a bit of a trade-up. If you go to a show, you have a lot of time to interact with people to get direct feedback, but at the same time, you cannot focus on your product at home. So, I am trying to sort cut a bit down on traveling. I only visit one or two domain shows a year, but I will be at Web Fest.

Michael: Excellent. I will be at Web Fest too. I love Santa Monica. I grew up down in the LA area, so come to Web Fest and you can meet Nico there in person.

Nico Zeifang, CEO of TeamInternet.de, ParkingCrew.com, and DNTX.com. Thank you for coming on the show, sharing your knowledge about domain name parking and monetization, and thanks for being a Domain Sherpa.

Nico: Thank you for having me, Michael. It has been a real pleasure.

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

Watch the full video at:
http://www.domainsherpa.com/nico-zeifang-parkingcrew-interview/