

Investing in China's New Domain Names - With Simon Cousins

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Out of the almost one hundred new top-level domain names that have been launched in the past two weeks, two TLDs stand out to me in the top ten list. They are Chinese TLDs called Internationalized Domain Names (IDNs).

We are going to learn why so many domains have been sold in the couple of weeks that these Chinese TLDs have been in existence, why some notable investors have purchased these domains, and if the opportunity still exists for new investors to register some valuable domains. Stay tuned.

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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 and entrepreneur directly from the experts. I visit NTLDStats.com fairly often now that new top-level domain names are rolling out almost daily. I want to understand how quickly TLDs get out, how fast they grow, if they are hitting a plateau, and if there are opportunities for investment still. Two of the top ten new TLDs serve China with Chinese characters to the right of the dot, which is pretty interesting.

Why is China important? Well, to start, China has the largest population in the world with over 1.3 billion people, the largest middle class in the world with over 200 million people. It is the number one destination for foreign investment, the number one exporter to the United States, and the second largest economy in the world, second only to the United States.

Today we are joined by someone who is no stranger to China, having lived there for more than a decade with his family. I would like to welcome Simon Cousins, Chief Marketing Officer for the TLD Registry, what Simon calls "The Home of the Essential New China TLDs, .ChineseOnline, and .ChineseWebsite." Simon, welcome to the show.

Simon Cousins: Thanks, Michael. It is a real pleasure to be on Domain Sherpa.

Michael: Let's start with the Chinese marketplace, Simon. I have already described why China is an economy that investors - all investors - should pay attention to. Let's drill down to the domain name space. Why is China so appealing that your company, TLD Registry, would focus on Chinese character top-level domains?

Simon: Well, it was six years ago, a little over six years ago now that the founding team at TLD Registry saw one tiny, little newsing brief article in a finished newspaper that said that, in the future, this group that very few of us had heard of, ICANN, was going to open up to new top-level domains. So,

we saw this tiny, little newsing brief and we thought: "Well, that sounds like a good business for us to consider getting into." So, we originally were considering regular Ascii or English TLDs, but some of the founders are Finnish and one of the national characteristics of Finnish entrepreneurs is that because it is such a small country and a country with such little sunlight through most of the year that Finnish entrepreneurs really need to go out of the country.

Look at companies like Rovio, for example, or Kona, or Nokia. The market inside of Finland is simply too small to support substantial-sized businesses, so Fins typically go out, as do Australians and some other populations from national economies that are not necessarily large enough to be large consumption economies. So, we looked at the most difficult TLDs that we could possibly get involved with and the largest economies that we could export them to. And when you applied both of those filters, the China just pops out as an obvious target to be building a TLD business.

Michael: So, TLD Registry is offering .ChineseOnline and .ChineseWebsite. I made the mistake on a recent Domain Sherpa Discussion about two weeks ago of saying that they were .Online and .Website in Chinese. Adam Dicker, who is one of our Sherpas on the panel for the Domain Sherpa Discussion, corrected me and said, "They are not .Online and .Website in Chinese. They are .ChineseOnline and .ChineseWebsite," but I am still confused, Simon. I got my record set straight, but then I went to your website in preparation for this interview and it says, "When Chinese consumers search Baidu or Google for an online product or service, such as hotels or shoes, they type in the search term 'hotels' plus the Chinese word for online, the same characters as .ChineseOnline." And then you say the Chinese word, and it is in Chinese, is the precise and only translation for the English word online.

So, is it not correct to say that your two extensions .ChineseOnline and .ChineseWebsite are .Online in Chinese, or is that wrong?

Simon: Yeah, well, there is a lot of ambiguity between Chinese and translating Chinese into other languages, Michael, and we really wanted to be sure that the two TLDs and domain names inside of the two TLDs were as approachable as possible by domain name investors and by end users all

around the world. It is very important for us to build the global market for our domain names and not simply focus on the China Mainland market. So, we took the decision some time ago to introduce our TLDs in both the English language and the Chinese language.

So, when we are talking about our TLDs in the China speaking marketplace, whether that is Chinese Mainland or Hong Kong, or Taiwan or Singapore, or right here in New York City, where I am now, which is the biggest population of Chinese people outside of China, Chinese people do not need to read English words, .ChineseOnline or .ChineseWebsite. They see those two characters for .ChineseOnline, which is pronounced [Xi Shen - Chinese Word: 6:03.7]. Now, they literally read the words [Xi Shen - Chinese Word: 6:06.2] and they hear exactly, Michael.

Michael: So I came prepared. These two Chinese characters to the right of the dot. So, this could be Simon. - how do you pronounce it again, Simon?

Simon: Yeah, the two characters. The one of the left is [Xi - Chinese Word: 6:17.8] and the one on the right is [Shen - Chinese Word: 6:19.6]. [Xi Shen - Chinese Word: 6:20.3], which literally means online.

Michael: Which means online in these Chinese characters. So, it does mean online in Chinese.

Simon: It is the exact match to the English word online. And the reason we selected Online and the other TLD, which literally means Chinese language perversion and website, and I am going to give you a quick Chinese lesson, Michael. The very first character after the dot is pronounced [Chinese Word: 6:44.2]. It is the character that Chinese people use to stand for their country. It is a little bit like saying USA rather than United States of America. And what it is is a pictogram of a rectangle with a line right down the middle. So, that character literally means middle or center, so if you want to say if you are in the center of something, you would say you are at [Chinese Word: 7:03.6]. You are at the center.

And the word for China in Chinese is middle kingdom, or the kingdom at the middle of the world. So, the first character in China, [Chinese Word: 7:12.0]

or middle, stands for China. The second character, the one in the middle, if you look at it with a slight squint, it looks like a writing desk with a pen or a brush on top.

Michael: It does, yeah.

Simon: Well, that is literally what it is. A pictogram of a writing desk with a little brush. It is a very ancient character. And what you do when you sit down at a writing desk with a brush is you write words. You write language. So, you put those together, [Chinese Word: 7:36.2], and you get Chinese language. The third character with the X's is literally a pictogram of two fish, which have been caught in a net. The fish are the X's and the net is the almost enclosed rectangle, and that is the pictogram that is used in China, meaning net, because it literally means net. It is what you catch fish with.

So, you put those three characters together in Chinese, [Chinese Word: 8:00.8], and that literally means Chinese language website.

Michael: Love it. I love it. I love those characters. And these characters are characters that go back thousands of years, right?

Simon: Yeah, they really do. As you probably know, there are two popular or commonly used character sets in Chinese. The so-called traditional characters, of which there are about 40 thousand, and they go back about five thousand years. And since 1949, the simplified Chinese characters have been used in the Mainland and Singapore and some other markets. They are simpler to learn and simpler to write than the old, traditional ones, but both are in common usage pretty much all around the world. In fact, Chinese people, we understand, make up about one-fifth of all humanity, so we think that is a pretty good market.

Michael: That is a pretty large market. So, you have defined them, for non-Chinese people like myself, easily .ChineseOnline and .ChineseWebsite so I can understand what it is, but it is not incorrect to say it is .Online in Chinese and .Website in Chinese.

Simon: Correct.

Michael: Okay, excellent. And why did you choose these two Chinese words out of the millions of words that you could have chosen?

Simon: Right. Right, exactly. Yeah, going back five or six years ago, we did a very detailed, very in-depth statistical analysis of Chinese search terms. Our team in Beijing and Hong Kong largely executed this research program. It took around eight months in total. We discovered through the very detailed search results that when Chinese consumers were most commonly searching for a product or a service, they were not just searching for keywords, and this is a phenomenon that you see across the Chinese-speaking world. Chinese netizens, or Internet users, do not tend to use keywords so much as they use phrases.

So, when a Chinese consumer is looking for shoes online, well, she does not just type in the keyword shoes. She is typing in cheap shoes online or wedding shoes online. Now, there are other words that substitute for online. For example, store, easy to buy, free deliver, and so on, but we found through our statistical analysis that the word for online, which is what we selected for our TLD, was by far the most commonly used phrase for those kinds of searches. And similarly, for the other TLD that we have, .ChineseWebsite, when Chinese consumers are searching for the Chinese language version site of a company, which is not Chinese - let's say Mrs. Wong has just acquired a new Nokia telephone from her son, who might have just come back from Europe. She switches the phone on. The interface is in English and she cannot figure out how to use her phone.

So, naturally, she will go to Baidu, the Chinese Google if you will, and she will search for the manual for the phone, but she will want the Chinese language version of the manual. So, what she does is she types in [Notia - Chinese Word: 10:55.3], which is the Chinese version of Nokia. [Notia - Chinese Word: 10:58.1]. [Chinese Word: 10:58.8], which means Nokia's Chinese language website. So, we think that by offering domain names with these two most commonly used modifiers, we are able to help our registrants to create domain names, which perfectly match search phrases, which, as theory has it, will rank higher in search engine results (Unclear 11:20.9) Baidu and other search engine searches.

Michael: That makes sense. So, not only are you satisfying the user intent if somebody sees a keyword or keyword phrase .Online all in Chinese that is exactly what they are looking for, but then also, if somebody builds a website and has great content, it might help them rise up the ranks of Google.cn and Baidu.cn. I guess Baidu operates on .CN, or .COM? I cannot remember.

Simon: Yeah, Baidu operates on both.

Michael: On both.

Simon: Yeah, but it is actually not a theory. It is a fact, at least we think it is a fact because organizations such as the UN, such as New York Times, Forbes Magazine, BBC World Service, and even M&M have all selected the Chinese characters, [Chinese Word: 12:04.2], which is the same as our TLD for their Chinese language version sites. This is absolutely the standard way of describing your non-Chinese brand; its availability in the Chinese language

Michael: So, when one of these sites selects that phrase, .ChineseWebsite, after their name, is it TheirNameChineseWebsite.cn that they are currently using, or do they use .COM, or do they use some other?

Simon: Look, a famous brand might be McDonald's. So, currently, McDonald's standard website in China is McDonalds.com.cn. Now, that is fine and it makes sense to you and I, but to the average Chinese consumer, who does not speak English, who has rarely seen the English letters McDonalds, because in China, McDonald's is not McDonald's. It is [Chinese Word: 12:59.2]. So, for the average Chinese consumer to have to type in McDonalds.com.cn is very cumbersome and annoying for Chinese people. Chinese people really want to be able to type in their own language. [Chinese Word: 13:15.1] or [Chinese Word: 13:18.1]. So, typing on one's own language is always preferable.

We sometimes like to ask our friends to imagine (Unclear 13:27.2) had of been a Chinese guy. 25 years ago, if the web had of been invented by a Chinese guy, well, we could have all been typing in Chinese characters for the last 25 years into our URLs.

Michael: Right, yeah.

Simon: So, that is kind of how the Chinese people feel.

Michael: So, just so I understand what the life of the average Chinese consumer is, do they have a computer or do they only operate or primarily operate off of their mobile phone?

Simon: Yeah, almost entirely mobile phones. And while the Apple iPhone has done very well in terms of market awareness in China, overwhelmingly mobile devices, smart mobile devices or Android, and this is simply because most Chinese people do not have the same kinds of disposable incomes that Westerners do. Many do have that kind of disposable income, but the vast majority do not. So, given Android is free, it has quickly become the ubiquitous operating system for the smartphones. And a smart phone can be had in a big city in China for less than one hundred US dollars.

Michael: Wow.

Simon: So, it is really, really common for quite young or Chinese people of very modest financial means to have an inexpensive Chinese smartphone. And I will tell you they are not targeting the Ascii keyboards on their smartphones. They are literally using their fingertip to write Chinese characters.

Michael: So that was going to be my next question. When they want to visit a website or they want to do a search on Baidu, let's say, do they use a keyboard or do they swipe Chinese characters like you were just mentioning?

Simon: Yeah, with their fingertip. So, I can simply go to Baidu by opening my web browser on my Chinese phone, and ask them, talking to the Android phone, saying, "Go to Baidu." And then, once they are there, they can either use voice recognition for, in Chinese, [Chinese Word: 15:09.3], for their search, or they can just tap into the search box and write Chinese characters with their fingertips, as we write English all day, every day.

Michael: So, that massive middle class, the average Chinese consumer, are using smartphones primarily. They are either dictating their search or they are swiping characters. They are not using a keyboard.

Simon: Oh, you know what. Keyboards still exist all over the country on PCs, and many, many PCs in China are relatively cheap, relatively low spec PCs and many can be quite old with very old versions of Windows. But you know what. In my 12 or 13 years in China so far, for every one of those years, even on the most nasty, dirty, Windows 98 computer, there will often be a small fingertip or stylus input device right next to the keyboard or the mouse. These can be had for one dollar in China, in any of the markets in China.

So, Chinese character input into PCs kind of way, back to Windows 98, is the standard. So, yes, Ascii keyboards exist all over the country, but on smartphones it is kind of annoying to have to type out an Ascii when it is not your language, when your language is pictogram-based. And on the average PC, also character input has been standard for many years. There is also a method of typing in Chinese on Ascii keyboard. Most kids, most school kids and University kids, know how to use it, and it is how we do use an Ascii keyboard to get Chinese into a computer. But increasingly, we think, with the improving voice recognition technologies and touch technologies, Ascii keyboards will become less and less relevant, which means, we think, Ascii URLs will become less and less relevant in the Chinese-speaking world.

Michael: All right. So, according to NTLDStats.com, as of the day of this show, .ChineseOnline had 30,795 registrations and .ChineseWebsite had 14,605. Are these numbers accurate according to your information, Simon?

Simon: No, actually, current numbers are quite a little bit higher than that. Current numbers hovering around. The issue we have is that several of our registrants in China have not yet correctly configured the DNS servers for some thousands of domain names, which have already been sold to those registrants. So, as you know, until the DNS server is entered into the domain name, it does not start to appear in the zone files. So, according to our registry numbers, we have somewhere just north of 50 thousand domain names created across both of the TLDs.

Michael: Okay, great. I am glad you mentioned that because that actually does put you in the top ten for both those domains, whereas today, on NTLDStats, the .ChineseWebsite was number 11. So, I wanted it to say on (Unclear 18:06.9). You actually do have better numbers. You have got two in the top ten. So, it seems like you are adding between, according to my rough figures, 30 to two hundred domain names per day over the past week on .ChineseOnline and maybe between 10 and 130 on .ChineseWebsite per day over the past week. Will we see growth at these rates continuing?

Simon: I think we will see growth accelerating, Michael. And of course any new TLD registry will claim accelerating growth, but we believe that as China has just come off its four-day national vacation for Mayday, China returned to work after its national vacation only on Monday, we will continue to see accelerating numbers coming out of China and we know that the initial interest from Western domain name investors will also continue to accelerate in the West. And increasingly, we are seeing large brands come into the TLDs.

For example, last week we saw China's category-killer, number one online apparel retailer, a company called Vancle transitioned across to their two-character Chinese brand .Online in our TLD, where previously they had been at, I think, Vancle.com.cn. So, as we see more and more large companies such as Vancle come especially into the .Online TLD, we will see increasing numbers. We are pretty satisfied with our first week, as you pointed out. In our first week of availability, both of the TLDs (Unclear 19:46.6) every other TLD into the top ten. And I think that our .Online is still sitting at four position, but we do caution ourselves every morning not to get too wrapped up in the data statistics.

Michael: Sure. And I did take a look at Vancle.com. I went to it. It displayed in Chinese characters for me of course because it is primarily serving a Chinese audience. They do have over one billion dollars in sales, and so they selected .ChineseOnline. So, when I did a search for Vancle in Chinese .ChineseOnline, it was the exact same site, just resolving at a different URL. In your discussions with them, have they mentioned that they will be moving completely from .COM and redirecting to their .ChineseOnline website, or will they run both in parallel, do you think?

Simon: Yeah, it is a good question, Michael. I think, if I was running digital marketing for Vancle, or any other company that was considering IDNs, not just our Chinese IDNs, but Russian IDNs or Hebrew IDNs or Japanese IDNs, I think you have got to look at the visitation numbers. So, you want to see the number of referrers that are coming into your .COM versus your IDN, and you will see those numbers change over time. So, you obviously want to be putting your attention and spending your marketing dollars in the URLs that are more likely to convert into clicks, but I think it is really smart for companies like Vancle and many of the Western fortune five hundreds that have also come into our TLDs to at least configure the Chinese IDN, because when Chinese people are searching for Vancle in Baidu, they are not typing in Vancle. They are typing in the two Chinese characters that the company is actually called in China. The Vancle is really there as a convenience for non-Chinese.

Michael: Right.

Simon: So, it is perfectly sensible for a Chinese company with a Chinese name that sells to Chinese consumers to use a Chinese domain name because it is the same as their brand name. We do know that when a Chinese URL matches the Chinese content in the webpage, because remember, for the Chinese web, everything about the Chinese web is in Chinese. The company McDonald's is already localized into Chinese. They have got a Chinese brand name. [Chinese Word: 22:00.3]. They have got a Chinese website. Ronald McDonald has got Chinese eyes with a Chinese name. Everything about digital marketing for every brand, whether it be Chinese or major Western brand, has been localized into Chinese, except the URL.

So, when the URL perfectly matches the content, then the URL does become a signal to the search engine optimization routines that Baidu or Google or the other search engines that are used throughout the Chinese-speaking world. So, I mean no one really knows outside of Baidu or Google how powerful a search signal that is, but it is a fact that the URL itself is a signal. So, we believe that for brands to have a URL that perfectly matches their brand name and their website content will give them a boost in their SEO.

And considering the price of SEO consultants, the price of a single domain name in Chinese is a pretty cheap investment in an SEO boost.

Michael: Yeah, definitely. According to information that you have shared with me, Simon, you have sold greater than 580 thousand dollars worth of premium domain names in the first month.

Simon: Yeah, that is right, Michael.

Michael: So that is before going to general availability. These are premium domain names that your registry has reserved and then sold to people at a price higher than the regular registration cost.

Simon: Yeah, exactly right. So, we spent about nine months building our premium domain name list, line-by-line, name-by-name, with our team in Beijing, Hong Kong, and here in New York City. And from the first auction, which we held in the Southern Chinese gaming capital of Macau on the second day of our land rush, we had terrific sales on that day. If I recall correctly, it was around 300 thousand dollars was taken on that day in premium name sales at auction, and the remaining have been private transactions for domain name investors and for end users since that auction in Macau.

Michael: And most of these auctions and private sellers - can you say that a majority are to American investors, Canadian investors, or Chinese investors? Where do you think people are coming from, if you can even say?

Simon: Yeah. For the current premium domain name sales, the split would be about 30 percent to Chinese registrants and about 70 percent to Western registrants, but that 70 percent that has gone to Western registrants, the investments are being made with an intention to develop sites or to otherwise monetize the premium names for Chinese consumers. And I should point out not just Chinese consumers in China, but Chinese consumers in Singapore and New York and London and South Africa. Chinese consumers are everywhere and Chinese media and newspapers and websites are everywhere. So, yeah, even though you have got Western, like non-Chinese domain

investors coming into the TLDs, the content is still intended for Chinese consumers.

Michael: Got you. And when you say 70 percent Western, you are not just talking about United States Western. You are talking about Europe Western.

Simon: Yeah, we have investors from across Scandinavia, from France, from Canada, from Australia, from the United States, and from the UK.

Michael: All right, that makes sense. So, in the past, these internationalized domain names (IDNs) that are in a specific language to a country have really only been interesting to the people in that country that speak that language and who have keyboards maybe in that language or the ability to write in those special characters, but what you are seeing is that it is changing with your two new TLDs, these new IDNs, where a majority of them being registered are people who want to serve that country or invest in domain names that serve that country's population.

Simon: Yeah, exactly right. You are exactly right, Michael. So, we think of it more in terms of Chinese language users than people who live in a given country, because I have many friends here, where I am sitting right now, in New York City that are Chinese and that speak Chinese at home. Tomorrow morning I will be heading out for Hong Kong, and it is the same story there. So there are many people who speak English in Hong Kong. It is almost ubiquitous. And Chinese is spoken also in several different dialects, but Mandarin and Cantonese.

Michael: Yeah, but the people that live like in New York, which is the second largest population of Chinese, let's say. I am not sure if that statistic is correct or not, but when they go online, do they type in Ascii or do they type in Chinese?

Simon: Well, if you are searching for Chinese news for news from China or news in the Chinese language, then you are typing in Chinese or writing in Chinese. So, you are going to Baidu or Chihu or 360, or any of the other major sites, and you are searching in the Chinese language.

Michael: Makes sense. For those of us in the United States, .COM is definitely the preferred domain name extension. If I go to China right now, do a majority of Chinese people prefer a website in .COM or .CN, would you say?

Simon: Yeah, I think there is a preference for domain name investors in China's Mainland for .COM, but there certainly have been some excellent sales at high price sales of premium domain names in .CN, but there is a clear preference for .COM over the two options: .COM and .CN.

Michael: What about regular people? The regular Chinese consumers. Do they have a preference, do you think?

Simon: Regular people just really dislike typing in English full stop. And one of the reason we think the .COM zone has continued to grow so strongly in China is because, in China, it does not really matter whether you are typing an English word .COM or a random number of English letters .COM, because to many Chinese people, even though it is an English word or a Chinese word in Ascii, it is not necessarily comprehensible. So, Chinese people are accustomed to simply having to type in TCXHFN.com, and that resolves somewhere because it is all the same to them.

Michael: Right.

Simon: It is not their native language. It is just symbols on a keyboard.

Michael: Yeah, makes perfect sense. So, what people may not understand is that a Chinese entrepreneur can register one of many variations of domain name. If an investor, say, were interested in cats, for example. They wanted to start a cat online pet store. They could choose Cat.com, Cat.cn, Mow.com, now being the Chinese character for cat, and so I have got another pop-up here. So, we have got Cat.com, Cat.cn, Cat.ChineseOnline. Right? So, Cat.online basically. We have got Mow, the Chinese character that you can register in .COM. You can register Mow in .CN, and then you can also register Mow.online.

Simon: Quite right. You have left one off there, which would be Mao, which is the Pinyin or the Romanized Mandarin. So, you could be doing Mao in all of those extensions also. Nobody (Unclear 29:29.4) of course in Chinese Pinyin system.

Michael: So, if I were an average Chinese consumer, what would I most likely type in or would I just go to Baidu and say that I want Mao online?

Simon: Michael, you know what. If I were a domain name investor and I were interested in purchasing Mao.[Chinese Word: 29:52.7] or Cat.online, or any of those other Chinese character options, I have to be ready to work pretty hard to get it to the top of search engine results pages, because Chinese consumers - I mean there are just so many people in China. There are some 650 million people online in China.

Michael: Right.

Simon: There are so many webpages in China. So, that one word, that one character that means cat, is not necessarily going to return high quality results in a Baidu search, unless it either has a ton of SEO, which forces it to the top of the first page of search engine results pages, or the content is just so well publicized that is a no-brainer for everybody interested in cats to go.

Michael: But in the United States, for an English speaker, Cat.com would have infinitely more value than Cat.info or Cat.biz, or even Cat.tv or Cat.me. The Cat.com is just the category killer because people assume that the short domain name and the .COM has been around longer. It is the authority value. And yes, you would have to work just as hard to have Cat.com ranked well as Cat.info in search engines, but one has more value. In China, which one of these has more value, Simon?

Simon: Well, wearing my TLD Registry hat, I am obviously an advocate for Mao [Chinese Word: 31:28.7], the last one on the list there. I think you could create even greater value, Michael, by creating names that are more search query friendly. So, in China, there will be many people looking for particular breeds of cats. You will be having people searching for 'how do I adopt a cat'. Now, in English, you would never. Well, maybe someone would, but

typically you would not register IWantToAdoptACat.com, but in Chinese, you can encode that into three or four Chinese characters. It can be very compact.

So, there is arguably equal or even greater value for Chinese IDN domain names, which encode full search phrases into the very compact Chinese language.

Michael: Sure, and I understand that, but I think that that methodology, that strategy has played out in .COM and it is three or four years old. People were registering those long domain name search phrases, like IWantToGoToCollege or INeedADegree.com, to try and match the search volume. But when you start to segment so small the topic, it becomes difficult to rank it well when like College.com can talk about everything or Cat.com can have a page that is about adopting a cat and use those special characters after the Mao.ChineseOnline here.

Do you feel like that might be the case as well with what you are suggesting in the Chinese? That maybe going for a category killer domain name and then having a topic for each page would be a better idea than going four characters .ChineseOnline.

Simon: Yeah, I think if you compare the user resistance to typing very, very long Ascii .COMs versus typing surprisingly short Chinese URLs, I think you will find that user resistance will be higher or would be higher for Westerners or English speakers having to type lots and lots and lots of letters, where you probably will not see the same degree of user rejection from Chinese consumers or Chinese netizens. So, while the two examples are analogous to each other, I think that you will see search phrases as Chinese URLs play out slightly differently, if not very differently, in Chinese-speaking markets.

We are only eight days into our general availability now, so I wish I had more data to share with you, but this time next year, let's get together again and we will revisit this topic and see exactly what has great value in terms of the big search engine indexes.

Michael: That sounds good. Yeah, and I think I mentioned two weeks in the intro. It has only been eight days on the day that we are recording this.

Simon: Right.

Michael: Yeah. So, the other thing I wanted to point out was that your TLDs, .ChineseOnline and .ChineseWebsite, you can register second-level domain names in simplified Chinese characters and traditional Chinese characters and Pinyin, like you mentioned, and Romanized Cantonese, and in English. So, I can have Cat.chineseonline, or I can have ChineseCharacter.

Simon: Yeah.

Michael: Which one do you think will be most prevalent?

Simon: It depends on the subject. So, if there is a particular type of entertainment, for example, like let's say something cliché, like Kung-Fu movies. Kung-FuMovies.online is likely to be more popular in Hong Kong, for example, than China's Mainland. So, in Hong Kong, those guys down there speak Cantonese and they use the traditional characters, where people in China's Mainland speak Mandarin and use the simplified characters. So, you probably want to think about your target audience for the domain name that you are registering, or rather the content that you are planning on populating the domain name with, and if that target market is in Taiwan, for example, or Hong Kong, or almost any Chinatown, Western or non-Chinese country, then you probably want to be thinking about using the traditional characters, because practically all people in Chinatowns around the world still use the traditional, old style of writing, where if your target market is China's Mainland, the developing market in China's Mainland, then you will be using simplified Chinese.

I guess, Michael, this all sounds very complicated, but it does not have to be.

Michael: Well, it does, but it does not. You are explaining it very well, Simon. If you are targeting Chinese people with a domain name, you want to register in the language that they are most comfortable with.

Simon: Quite right.

Michael: Yeah, makes perfect sense. And if somebody does a WhoIS lookup for the domain name Mao.com, let's say, using the Chinese character, they will see that the domain name is actually converted to XN--TG3A.com, which is called Punycode.

Simon: Yeah, exactly.

Michael: Can people register a domain name, both in Punycode and in the Chinese characters?

Simon: Oh man, Punycode is complicated. It complicates our lives. Those of us that are in the IDN world, Punycode complicates our working lives. Punycode should never have to be seen and probably should not be seen by end users and typical web users. Punycode is merely the Ascii encoding of Unicode characters. So, the special non-Ascii characters that appear in Russian or Korean or Chinese. These cannot be handled by DNS servers, the backend server. The DNS server only works in Ascii characters. So, for non-Ascii URLs to work correctly, behind the scenes, the browser is converting, for the user, the Unicode characters, the proper language characters into the encoded Ascii characters, and it is the Punycode, which is being indexed by DNS servers.

But typically all of that stuff is behind the scenes. That matrix behind what looks like reality is hidden from the average user.

Michael: Got you. So that would be like showing the user the IP address of the server that a domain name resolves to. They do not care.

Simon: Oh man, that is a great analogy, Michael. You are exactly right. So, those of us that do work in a technical capacity in Internet business and domain names, of course we deal with IP addresses and of course we will have to deal occasionally with Punycodes, but for the average user, they will never see a crazy XN-- thing. And hopefully, these statistics sites that are attracting new gTLDs, increasingly, I hope will be able to mask the crazy

Punycodes and simply show users like you and I what the actual Unicode is. Some are doing it already. Others are not.

Michael: All right, that makes sense.

Simon: It is all just an indication, I think, that the whole world of IDNs is really quite new and it is growing, arguably growing very quickly and arguably growing quicker than the first wave of transitions from IP addresses to domain names.

Michael: Definitely.

Simon: But there are some rough edges with this break net development.

Michael: All right, that being one of them. Out of the hundreds of new top-level domains coming out over the next couple of years, do you know how many of them will be Chinese IDNs?

Simon: Yeah. When we last checked the market for applicants for IDNs, if I recall correctly, there are about 72 applications for Chinese IDNs. Now, since then, a couple have pulled out for various uninteresting reasons. Mostly corporate reasons. So, I think currently we are looking at about 69 or 70 Chinese IDNs are currently in application. Now, of them, about half. If I recall correctly, about 32 of them were brand domains. So, .Walmart, for example, in Chinese. Also, one of the big, rich tycoons in Hong Kong applied for its own TLD.

So, to take what we call brand TLDs out, you have got about 30, which are in various stages of openness or various degrees of openness. Most of those are quite narrowly defined. .Jewelry in Chinese, for example. .Watches in Chinese. So, when you sift the original 72 down to what you have left over, which is generally available, unrestricted, generic TLDs, there are, if I recall correctly, around 12 to 15, of which our .ChineseOnline and .ChineseWebsite are competing.

Michael: Got you. And I believe some of the ones that I found are .Everyone, .Mobile, and .Organization. Those are all ones that are coming out in Chinese.

Simon: Yeah. Well, we think of .Mobile as being more niche or more specific than a general generic. Some, for example: .World. .World in Chinese, we think, would be directly competing with .ChineseOnline and .ChineseWebsite. And we know the guys at .World in Chinese. They are a terrific group of guys. So, the Chinese IDN community, we all pretty much know each other. It is a quite small community in China and outside, so we are all very supportive and collegiate, and we are friendly competitors with each other. We actually have more in common than not, so yeah, it is a relatively small pool of truly generic, open, unrestricted Chinese TLDs.

Michael: Makes sense.

Simon: And we are very happy that we were the first two to go live. Our friends over at .Donuts did get their .Games in Chinese out to market prior to our, but our .ChineseOnline and .ChineseWebsite are the first to open in generic Chinese TLDs to come to market.

Michael: Yeah. According to DomainNameWire.com, your company, TLD Registry, has sold 10,226 domain names in each of your two top-level domains to the Chinese Government. The domains include the names of every city in China with populations over 200 thousand people, all three thousand counties, all provinces, all municipalities, all special administrative regions, and a number of key locations such as mountains. In addition, China's Ministry of Industry and Information Technology has made it a requirement that all Chinese Government websites transition to fully Chinese domain names.

Is all of that correct, Simon?

Simon: Yeah, you have done your research very well, Michael.

Michael: Well, Andrew did, but that is quite an accomplishment to have a partner in the Chinese Government. How did that come about?

Simon: Yeah. Well, it is uncommon, and in all of my years of doing China business, in many sectors other than domain names, it is very uncommon for a group inside of the Chinese Government to be so interested.

Michael: And not just China. I think we can go across pretty much any Government. Any domain name that has been in existence so far. Maybe other than .MIL and .EDU, which are restricted, you have done something pretty phenomenal here that nobody else has done and I think registries could potentially learn from going forward. How was that accomplished?

Simon: Yeah. Well, it was accomplished with lots of old fashioned hard work. Specifically, the part of Government that is the registrant for these domain names is known as the SDC of SCOPSR, and that acronym stands for the Service Development Center of the State Council Office for Public Sector Reform. Now, SCOPSR, or the State Council Office for Public Sector Reform, was founded in the year 1949, which is the year that Mao Zedong founded New China, and SCOPSR is responsible. It is a very, very high level Government Organization. It is effectively the Capital of China's Cabinet.

So, it has a responsibility for naming things in China. The names of cities and the names of places and the names of things is named by SCOPSR. SCOPSR has a number of other very important centralized Government purposes, but that is one of its purposes. So, it is quite natural that the Service Development Center of SCOPSR is the registrar to Government. So, Government Organizations across China, of which we believe there are more than 700 thousand, acquire the domain names from the Service Development Center of SCOPSR. So, the Service Develop of SCOPSR looked at, or they told us that the registrar to Government studied all of the forthcoming Chinese IDN TLDs and they believe that ours were excellent and worthwhile to support the new Government Policy to, let's say, strongly encourage Chinese Government websites across China to transition to fully Chinese domain names.

Every other part of Chinese Governments is done in Chinese. Chinese laws are written in Chinese. Chinese regulations are in Chinese. Your driver's license is written in Chinese. Why should domain names be written in

English? It makes no sense from the Chinese Government's perspective. So, when you think about it, it is not really all that radical a policy that now, finally, Chinese domain names are fully available and relatively simple to register and upload with data if that makes sense for the business of Government in China to transition to Chinese domain names.

Michael: Yeah. Now, in China, the Government has been known to hold a lot of the power to dictate how things and how society is going to run, so it makes sense that this department within China that is in charge of naming selects the best top-level domains in Chinese to set as a policy going forward, and you were in the right place at the right time. Can this example be taken to other countries - Japanese, Hebrew, Greek - and have this kind of success? Is this a model for other registries that are launching IDNs to model after?

Simon: I think it should be a model, Michael, or at least that sounds a little boastful. It is not meant to be, but I think those of us in the IDN world need to do everything we possibly can to encourage the uptake of IDNs because IDNs are good for people. IDNs are good for people that do not speak English. The (Unclear 46:05.7) of English over the non-English-speaking world's Internet is quickly coming to an end. In fact, it has come to an end as far as the big, global brands are concerned. Every big American or European brand that is in China uses its localized Chinese name. It cannot sell things in China unless it has a localized Chinese name that can be pronounced by Chinese consumers, or by Greek consumers in Greece.

So, I think that business has already realized that it is necessary to localize to your local, non-English-speaking marketplaces, culture and language. There is no reason why domain names should be carved out from this perfectly sensible and respectful approach to doing multi-national business.

Michael: Now, is the Chinese Government concerned that they will not have control over .ChineseOnline and .ChineseWebsite? If something goes on, a Government can shutdown their own CCTLD. They can shutdown .CN because they are in control of it. But with .ChineseOnline, they cannot shut it down. They could block every single website in that extension, because they control the Internet in China, but they cannot shut it down. Have they mentioned that that is a concern with partnering with the registry?

Simon: No. No, we have demonstrated, Michael, or TLD Registry has demonstrated that we are good partners to China. We have demonstrated many decades of collective experience of not just working in China, but living in China. So, we understand the special local cultural differences that exist in China. China is a very, very proud nation. China is a country that they are rightfully proud of the contributions that it has made to world history and world technology and world language, and really good food for the last five thousand years.

So, those of us that have made our careers in China, we work in China in a very respectful way, so not only our partners at the Service Development Center of SCOPSR have not expressed any concern that we are going to come in like vandals and terrorize or hurt the feelings of the Chinese people. China does have its own methods of ensuring the content that is not in China's national interests is not available inside of China. There are different opinions as to how right or wrong that is, but it true that many parts of the world have systems that limit access to content that is not in the national interest, and China is a Sovereign country, so it is highly China's people and China's Government's decision as to how they choose to run their Internet.

Michael: Yeah.

Simon: We are just very happy to be partners with them.

Michael: I would think, if I were working at TLD Registry and the Chinese Government came to me and said, "We would like to use your two top-level domains. We would like 10,226 in this one and 10,226 this one," I might be inclined to say, "Sure, take them for free because this shows that the Chinese Government is dedicated to our TLDs over other ones, we get 20 thousand plus domain names registered right off the bat, and the sooner websites can get up, the better. Was that actually the case, or did the Chinese Government pay for the domain names?"

Simon: No, we have invested a tremendous. I mean for six years now we have been building the business with absolutely no income. We are one month of land rush and in eight days of general availability into revenue

generation, so the investments which we have made in our business and in the application fees to ICANN and staffing and branding for the last six years are very, very considerable, so we do not give free domain names to anybody.

Michael: All right. Let's talk about how English-only-speaking domain name investors might be able to evaluate this opportunity. What steps would somebody like myself, who primarily only speaks English, take if I want to know what and how to register .ChineseOnline and .ChineseWebsite domain names? What is the general process, Simon?

Simon: Okay, so the first thing, as much as I love Google Translate, I would, first of all, caution our friends in the domain investment community to use Google Translate as a guide, but to not trust Google Translate for your important business decisions. It is frequently right. It is also frequently wrong. To be frank, to seriously invest in any IDN, not only in the Chinese IDNs, but in any IDN, I think those of us in the IDN community would counsel that an investor hires or partners with a native language speaker.

Now, fortunately for us, the Chinese education system produces extremely competent, well-educated graduates, which have streamed into foreign countries and the Universities of foreign countries in the millions. So, in any city, first or second or third tier city of the United States or Australia or Europe, it is not difficult to find Chinese undergrads or post-grads in your local community, which are not only willing and able to help with local language advice, but are enthusiastic to do so, because for many Chinese undergrads and post-grads, to get an opportunity to interact with the people of the host country is really valuable and outside of their University campus, it is not all that common.

So, Michael, if you were the average American domain name investor and you were interested in joining the Chinese domain name land rush or the Russian domain name land rush - the Russian IDNs have done exceptionally well - the first thing you do is you get someone from that country to help you with the language. Now, second thing I counsel is remember that being Chinese is not necessarily a qualification, because if I was to grab the average Australian on the street of Sydney or Melbourne - I am Australian, so I am

criticizing my culture. I am allowed to criticize my culture. If I was to grab the average Australian, the average Australian does not have really superb language skills. I dare say that the average American does not have really superb language skills.

The average person in the world typically does not have really superb language skills. We can all speak our language of course, but most of us are not trained in English or in Chinese or Russian. We are trained as engineers or as managers, and we do not necessarily do great in our language and literacy classes. So, if you really want to be doing business in Chinese IDNs or Russian IDNs for that matter, make sure that you are getting a Chinese person or a Russian person that is very competent in the language. A great place to look is the local journalism schools and Universities. The local PR and marketing schools and Universities. All of these schools and local Universities have plenty of really qualified, very literate, very wordy Chinese undergrads or post-grads.

Michael: Great, so you can look at community colleges. You can look at local colleges. You can call the Journalism Departments, the Masters in Business Departments, and ask them to post something. Maybe they will ask you to send a flyer you can post.

Simon: You have got it.

Michael: "Hey, I am looking for somebody with native language speaking skills, born and raised maybe in China or Russia and now living in the United States," and you can even put on there, "I am willing to pay 50 dollars per hour," because you probably will not need more than a few hours and whatever kid sees that is going to be quick to call you.

Simon: Right. Right, and we have just counseled for years now for our friends and colleagues. Do not go and grab Cindy from accounting, because Cindy from accounting may be a wiz with tax planning, but Cindy from accounting maybe only has tabloid the language skills at best. So, Cindy from accounting is usually not the right person to be thinking about, making sometimes-substantial decisions on creation of domain names for investment and content purposes.

Michael: Yeah, and maybe good questions to ask are: "Do you read native language newspapers? Do you read what is going on in China," if you are looking at .ChineseOnline and .ChineseWebsite.

Simon: Right. Exactly right, or you could, for example, take any of the really big domain name sales. For example, the numeric sales. The 88888, for example, and you could ask Cindy from accounting, "Why is 88888 so valuable, and would 8888 be as valuable or more valuable or less valuable than 88888?"

Michael: Right.

Simon: And if Cindy is really someone who understands the nature of the language and the roots of the language, then she will tell you that: "Oh, no, 88888 is very valuable," because in Chinese language, in Mandarin, five sounds like Woo, which sounds like Wa, which means Me or I. And 88888888 sounds like Ba, which sounds like Fa, which means Wealth in Cantonese." So, I, rich, rich, rich, rich, rich makes better sense than having four, which might mean death or corpse rich. So, it is better to be I Rich than Death Rich.

Michael: Right.

Simon: So, for this reason, 88888 is particularly auspicious. So, if Cindy can answer a simple numeric domain name in Chinese culture, then that is good as a test.

Michael: Definitely.

Simon: Yeah, so step one: find yourself a good partner to work with. Step two: think about the things that Chinese consumers like to do. So, Chinese consumers like to do a bunch of different things and a bunch of similar things that Americans or Europeans like to do. Know, for example, that the number one activity out of the home in China is eating, so any domain names around eating and around food are going to be really great. And remember also that Chinese people tend to search in phrases. So, Shanghai Noodles is not

necessarily as valuable a domain name as Beijing'sBestShanghaiNoodles.online, for example.

Think about things that Chinese people like to do, such as tourism, travel. Chinese people have not had the opportunity since 1949, for various reasons, to widely travel outside of China, but now Chinese people are free to travel almost everywhere in the world. And not just travel as parts of organized tour groups and Universities or companies, but tourists as pleasure tourists. So, anything around tourism and travel is really hot. I am just referring to a list I prepared earlier.

Michael: Sure.

Simon: Chinese people love to watch TV and love to watch movies. So, domain names such as AmericanTVComedies might be a really great domain name. British.TV Dramas. Now, that is a crazy long .COM you have written in Ascii, in English, but in Chinese, British.TV Dramas is three or four characters. Really tight, concise, little URL. And by the way, all of these domain names are not on our premium name list. They are available to register right now. Think about weddings and families and relations. So, in China, they do not just have the word the aunt or uncle. Every aunt on your father's side or your mother's side, in various generations, has a completely different word in Chinese. So, based on the sorts of gifts you might buy for various aunts or uncles at different times of the year, different festivals, these would also make really great domain names.

So, think about life in China and the sorts of things that occupy Chinese people's thoughts when they are shopping and when they are enjoying themselves. These all make really great domain names.

Michael: Yeah, that makes sense. All right, so now that they know what kind of help an average non-Chinese-speaking investor might need and what things to focus on, they generate their list. Then they can go to one of the registrars that have signed up to work with your registry to buy them. I went to your website. I saw a list that included 101Domain.com, Hexonet, Instra, IP Mirror, Key-Systems, Macaria and Name.com. Are those the registrars where people can register them?

Simon: Yeah, the current count was about 40, I think. 40 registrars.

Michael: Okay, so that is just a few of them.

Simon: That is just a few of 40. Yeah, so a quick Google search for .ChineseOnline Registrars will return that page of registrars.

Michael: All right, and I see a general cost between 39 dollars to register a .ChineseOnline to 45. Is that generally?

Simon: Yeah, we have seen prices from about 36, 38, or 39 dollars up to 50 dollars. And remember of course that many Chinese registrars are also enthusiastically selling our domain names, so there may be an argument for registering through a Chinese registrar or through a European registrar or an American registrar.

Michael: Okay, so if you hire somebody that does speak Chinese and you go to a Chinese registrar, it might be advantageous to make the purchase there.

Simon: Yeah, the biggest registrar in China is XinNet or XinWong, which means New Net, but they are an enthusiastic partner of ours. 35.com is also a very, very large registrar in China. They have one thousand direct sales working in their building, in the Southern city of Xiamen and about 40 thousand resellers across China. The scale is really gigantic. It is almost like GoDaddy scale across a half-dozen different registrars in China, and we have all of those registrars selling our Chinese domain names.

Michael: Great. I mentioned that we discussed .ChineseOnline and .ChineseWebsite in a past Domain Sherpa Discussion. Adam Dicker said that he was registering, I think, thousands of them and that he had found a native Chinese speaker and they were going through the list and making the reservation. That is a big testament to the TLDs that you are selling, Simon, but I think investors also want to know what the registry is doing to make it successful. So, they can go to NTLDStats. They can look up how many are being registered. They can see we have the discussion about the Chinese Government supporting them.

But I think domain investors also want to know about is there press or media purchases or marketing that you are doing. Do you have large corporations? You mentioned Vanc1 that has taken up the domain name. Are there smaller companies that are migrating to them? So, it is an entire ecosystem. What can you tell investors about your registry going forward with respect to marketing and how that will drive continued growth of the top-level domains?

Simon: Yeah, Michael, marketing and branding is so, so important, and marketing and branding has been built into the DNA of our registry from day one. We are only trying to equal the gold standard set by the guys at .CLUB, who I think are arguably the marketers in the English new gTLD program, and of course many viewers of Domain Sherpa would be familiar with the very wide scale marketing that .CLUB is engaging in, in the English-speaking world. We have a similar degree of marketing in the Chinese-speaking world. In the last 12 months, since April of last year, we have generated over 1,400 media stories about our .ChineseOnline and .ChineseWebsite, and it continues to increase by dozens, if not hundreds, every month.

In fact, just yesterday, I saw a (Unclear 1:02:02.1) report an hour before on conversation in which I think I have listed out 40 new media clipping just overnight on the first day back to work for most Chinese people after the Mayday vacation.

Michael: Wow.

Simon: So, we have a really, really broad public awareness campaign through Chinese media. As many people do business in China in all sorts of sectors would know, China's media is very effective at introducing a new product or service. Chinese people tend to trust what is in their media, so when stories appear in Chinese media, they have quite a lot of credibility. We are also in China all the time. I mentioned earlier I am flying down to Hong Kong tomorrow morning. I am spending the next three weeks in China. My colleagues and I usually spend two weeks of every month in China and Hong Kong, and the other parts of the Chinese-speaking world.

We have a team of guys and girls in Beijing and in Hong Kong. We are giving a talk this Thursday at a managing IP magazine event in Hong Kong. We are exhibiting at the Inter Trade Show, which has ten thousand delegates from the intellectual property world coming into Hong Kong all of next week. We are exhibiting and speaking, Keynoting, at the Momentum Event in Hong Kong next Wednesday. We are then on a road show through all of our Chinese registrars. We are then exhibiting at the first Hosting Con in China, in Shanghai, in about two and a half weeks. So, that is just the next three weeks. We are back again one week after that for a partner road show through one of our Chinese registrar partners, and then the week after that we are off the ICANN meeting in London.

Michael: Wow.

Simon: So, like many of us in the new gTLD world, we travel a lot, we talk a lot about our domain names, and we absolutely are relentless with talking about our domain name products in the Chinese-speaking world. So, I think domain name investors can see the results that we have been able to generate. And I think the general level and quality of branding and marketing that I think is on the public record is quite high, and that is absolutely, as I said, baked into the DNA of our entire business plan. Our marketing must be excellent.

Michael: Yeah. All right, Simon, here is the final question for you. I, like most domain name investors - let me qualify that by saying, in the United States -, make a sometimes-incorrect decision about a company merely based on the domain name they choose. For example, I might look at a company with a .NET and think: "Oh, they could not get the .COM." In the case of TLD Registry, your company you operate on InternetRegistry.info. Why did you pick a .INFO to run your online company?

Simon: Well, .INFO is one of the old new gTLDs. So, we think it is really important (Unclear 1:04:43.2). So, while we continue to resolve to InternetRegistry.info in English, in Chinese-speaking markets, we have already transitioned to [Yu Ming - Chinese Word: 1:04:53.0], which literally means DomainNames.online. And [Yu Ming - Chinese Word: 1:04:58.0], which is DomainNames.chinesewebsite. So, for the majority of consumers

that see our domain names, they do not see the .INFO. They see the .ChineseOnline and .ChineseWebsite. But the non-facetious answer, Michael, is that we think it is important to (Unclear 1:05:16.5), so we deliberately selected a new gTLD, an old new gTLD.

Michael: Fair enough. All right, if you have additional questions about China, about Chinese TLDs, or .ChineseOnline or .ChineseWebsite, please post them in the comment section below this video and I will ask Simon to come back and answer as many as he can, as he is traveling all over the world in the upcoming couple of weeks. Simon, if someone wants to contact you, to partner with your organization in some way, what is the best way they could reach you?

Simon: Oh, Domains@InternetRegistry.info is the simplest address that comes directly to the Senior Management Team.

Michael: Fantastic.

Simon Cousins, Chief Marketing Officer for TLD Registry. Thank you for coming on the show, educating investors about the Chinese domain name investing opportunity, and thanks for being a Domain Sherpa.

Simon: And thank you, Michael, for the fantastic service you provide to the domain name community through Domain Sherpa.

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

Watch the full video at:

<http://www.domainsherpa.com/simon-cousins-tldregistry-interview/>