

Interview with Steven Boal, President & CEO of Coupons.com

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Before we get started, you know DomainTools.com, right? I can type whois.sc/domainname really fast and I do it daily, but until recently I didn't know how powerful their other tools were. If I want a domain name, I can set a free alert to notify me when it changes status. If it goes to auction, I can use their sales history tool to find comps and determine my Maximum bid price. After I buy it and develop the domain into a business, I can set up alerts for any domains registered that contain my trademark, and I can set up registrant alerts of all my competitors so I can keep an eye on what domains they're buying and know what they're up to before they make any announcements. DomainTools.com needs to be in your toolbox, like it is in mine. Go sign up for an account on DomainTools.com today.

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Michael: Hey everyone, my name is Michael Cyger and I'm the publisher of DomainSherpa.com, the domain name authority – and the place where you can learn about domain names directly from the experts themselves.

In these tough economic times, people are turning to coupons to save money. Online coupon use is growing exponentially. In 2009, 50 million online coupons were redeemed, and last year the number grew by 37 percent or another 18.5 million coupons.

Over the last year the coupon craze has become even bigger with the Groupon IPO dominating the news, and a host of other players – from Google to Facebook – entering into the coupon and deal space.

Announced on Wednesday, June 8th, Coupons.com received \$200 million from investors in a deal that values the 13 year-old coupon company at 1 billion dollars.

Putting on my entrepreneur or tech-startup hat, what I want to know is this: how has the success of Coupons.com been impacted by having a single, generic keyword domain name.

Joining me to answer this question is the CEO of Coupons.com, Steven Boal.

Steven, welcome to the show.

Steven: Thanks for having me here. It is a real pleasure.

Michael: It's our honor. First of all, congratulations on your growth, your latest funding round and \$1 Billion evaluation, that is quite impressive. Can you describe for the audience what Coupons.com does?

Steven: Sure, very simply and then we can go into more detail. But very simply Coupons.com creates an exchange, or a platform, where consumers, manufacturers and retailers speak the promotions language. And to take it down one level further for many, many decades in this country, coupons were primarily sent out via the Sunday newspaper. We are back today to 40 million household circulation in the Sunday paper which is where we were in

the 1940's, and given the population growth that is a pretty dramatic negative statement. So 13 years ago when we started the company our goal was to deliver coupons. Plain and simple! Coupons we are, coupons' our name. We are going to move coupons from the Sunday paper into a digital format. And we can talk a little bit more about the path that it took to get there, but that is what we do as a company.

Michael: Can you set the timeline for us? If you go back in history when did you launch the business? When did you acquire the Coupons.com domain name?

Steven: We launched the business in May of 1998. That is when we formed the company. The actual purchase of the Coupons.com domain name – the date escapes me. The range actually escapes me but it was actually a really rewarding experience for us. And I can tell you the story, because it is a fun story as well.

Michael: I'd love to hear that.

Steven: Sure. We were not a classic Silicon Valley company. We are still not a Silicon Valley company. We did not raise venture money. We didn't beat our chest about raising a lot of money and deploying a lot of money on things like sock puppets and television advertising and expensive domain names. But we did buy the third most expensive domain name ever sold. That is a little surprise. And what we did when we bought Coupons.com was we looked at our resources as a company. We looked at the large offline players in the promotion space and said look we just don't have the resources to go toe to toe with these folks. We are digital, we are savvy. And we are here in Silicon Valley. And we are building a company that is sustainable and disruptive but we needed to deploy our resources in the fundamentally most meaningful and ROI positive way we could.

And so what we thought was, looking at the old adage Burger King/McDonalds, right? If you call yourself Burger King and you sell burgers everybody gets it. You call yourself McDonalds it is not obvious what you do. We called ourselves Coupons.com and we knew that everything that we were going to do as a business was going to be centered around the

promotion space in couponing. Whether it be digital, printable, electronic commerce, what have you. Coupons are coupons and it's something that people well understood.

And so I sought out the owner of Coupons.com. He was a great guy and he had been around the industry for a long time and very connected to the promotion industry but the day that I had set up to meet him he wasn't convinced that he wanted to sell it to us. I actually had a medical test. I was having intestinal pain. I had one of those tests where you drink a bunch of large containers of liquid and they watch it kind of go through your body. So I had six or eight of these things and I jumped on a plane and flew down to L.A. And so the gentleman picked me up at the airport and all I wanted to do was lay down. And we ended up going somewhere for his lunch. I watched and we talked a long time and we struck a deal. And we never really released what we spent on the domain name. But I can tell you that it was into the seven figures.

And at the time Business 2.0 magazine published regularly the top ten domain names ever purchased. And it was a badge of honor when people were bragging about these things. We had everybody under NDA. We did not want people to know that we had spent this much money on a domain name. It was a very painful check to write but to this day I think it was the best money we ever spent.

Michael: I did some research prior to the call and I saw that Coupons.com sold in 2000. Was that about the time that you bought the domain name?

Steven: Yes.

Michael: We didn't talk about this before the call, Steven but I actually saw a number that is actually in the seven figures. Is it still private information for the price tag of Coupons.com?

Steven: What number did you see and where?

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Michael: The number I saw was \$2,200,000 and it was on DomainTools.com when you go and you look up the price history of the domain name.

Steven: That is not the right number.

Michael: Okay, higher, lower?

Steven: Lower.

Michael: Okay in the seven figures great. So was it around the 2000 time period?

Steven: Yes it was.

Michael: So for about a year and a half or a little bit over a year and a half you were operating a coupons company without the Coupons.com domain name. Did you have a different domain name when you first launched?

Steven: We did. We ran under two different domain names but the most relevant was storecoupon.com. It was widely available. We didn't have a whole lot of dough to spend and it described somewhat what we did but not fully. Really what we were after is coupons. Now look, there is a balance, a healthy balance here. In a generic name you have intellectual property concerns. You talk about defensibility and trademark ability and things like that. But we have been able to operate successfully around that here. But in a business that hadn't changed for literally decades the notion of coupons and Coupons.com was very easy to understand.

There is a similar corollary. The newspaper delivered a book. It is called the FSI. The Free Standing Insert. We own Digital FSI and it is a mark of ours and that is because it is well understood but it is unique to us, Digital FSI.

Michael: I'm going to come back to the trademark because I have a couple of questions. I think other entrepreneurs have about trademarking a generic keyword. But I want to ask you one more question about the domain name purchase. When you purchased it for seven figures was it after a funding

event that you got at Coupons Inc. or did you actually have enough revenue at that point where you were able to buy the domain name from the previous owner?

Steven: We did not have the revenue back then but we are not venture funded as a company. We are not private equity funded. So it is very none typical. It's all been private investment. So we funded the company's growth for the past 13 years. And certainly that money came from funding.

Michael: So entrepreneurs know that naming your company, naming their company is one of the most important task that they have. And choosing a domain name goes hand and hand. What impact do you think the domain name Coupons.com has made in the development and success of your business since you acquired it in 2000?

Steven: I think it is immeasurable. Like I said before at the time it was a very painful check to write but this domain fully described what we do. And the generic way that we do it. We supply coupons on 10s of 1000s of websites every day. We operate full in the U.S. and offer coupons and vouchers in 12 European countries. And we are known to be a coupon platform. And so it was painful then but I think from a marketing perspective, and ROI, and SEO and all the things you talk about, there is no better money that we could have spent.

Michael: And that was probably an especially a painful time. 2000 was when the .com bubble had crashed. People were saying that domain names had no value and writing a seven figure check – that takes a lot of vision.

Steven: Blind ambition. You know you have to pick your terminology in not trying to be too revisionists. I'm not sure if it showed a lot of vision but it certainly showed that we had a single focus, right or wrong at the time. And look there was a lot of confusion back there. There was some company called Real Names. Remember? There was the AOL Keyword. People were trying to figure out where their place was. And we felt that domain name would survive all of the other kind of start-up naming convention companies that were coming up.

Michael: So would you recommend that a start-up swing for the fences? Get some sort of funding to acquire an industry defining keyword domain name like you did with Coupons.com? Or should an entrepreneur start more conservatively, like you did also, and spend a year and a half making sure that the business has some traction first before they go out and write that big check.

Steven: That is a tough, tough question to answer in a vacuum. You know it depends on availability. You know if you strike it lucky and you find a domain for sale that fits your mission and your purpose then there is a moment in time to strike. If you spend a year and a half quietly developing a market and people get wind of it, it is a success. On of these kind of short flash successes. You are going to have a hard time acquiring a domain for not an insurmountable amount of money. But there again there is a lot of trade-offs here.

If we'd named the company Sipidwoowoo, you know it would be no problem. Or Flippy. One of these kinds of cool catchy names. You get trademark availability, you get buzz, you get a cheap domain name but those names by definition don't describe something in the real physical world. So when you are going pure digital or you are creating something or disrupting a market with something that is unique and new. You don't have those kinds of pressures.

What we are doing is we are taking an existing mega-billion dollar industry and shifting it. So we didn't have the luxury of naming it Skippydoo.

Michael: Great point. So you broached the topic of trademarks. I'm not an attorney. Steven are you an attorney?

Steven: I am not an attorney.

Michael: Okay nobody watching this should take anything that is said here as anything but our opinions. Consult an attorney. Here is my question. I see a couple of trademarks registered for Coupons.com at the U.S. Patent and Trademark Office. Anybody can go to there and search for them. Have you

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been able to trademark the word coupons, the word Coupons.com, or the combination of word and symbols for Coupons.com?

Steven: I would have to defer to counsel. I really don't know what the nuance is at the Patent and Trademark Office.

Michael: I have done an interview with a domain investor and broker named Andrew Rosener who described a way to value generic domain names like Coupons.com based on keyword search volume and cost per click advertising data from Google. The formula places the price tag at about \$5 million on your domain name today. If you were to buy it today, if it was available, do you think that is about right?

Steven: Oh boy! I do not know the answer to that question at all. I will tell you we are pretty active buying domain names in and around our space. But typically the average prices is \$7,500 to \$10,000.

Michael: And what kind of domain names are you buying around your space right now?

Steven: I can't say yet but we have been pretty active buying domain names.

Michael: That leads perfectly into my next question. Many companies will buy generic word domain names and redirect them to their main site. Books.com goes to BarnesandNoble.com, toothpaste.com goes to Crest.com. You said you are buying other domain names. Do you currently own domain names that redirect people to Coupons.com?

Steven: We do. We definitely do. Probably in the hundreds. But we also are buying names that are in and around the space of promotions and couponing for adjacent product launches.

Michael: Excellent, and can you give us a flavor for the domain names that you own right now that just redirect to Coupons.com? Are you buying things like candy coupons or meat coupons or poultry coupons or things like that?

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Steven: I don't know. I'm sorry. There was a time here when not only did I know but I was the DNS Administrator. Unfortunately for me, but fortunately for our company that's no longer my responsibility.

Michael: No worries. So you mentioned that you were spending about \$7,500 to \$10,000 on domain names for related product launches or service launches related to Coupons.com?

Steven: Yes, things in and around the coupon and promotion space. It ranges anywhere from \$200 at the low end to \$25,000. That is the high end.

Michael: That is good to know. Venture Capitalists, Fred Wilson, who you may have heard of, of Union Square Ventures suggests that start-ups that he invests in allocate \$50,000 to buy a domain name. So we are being focused on start-ups and helping them figure out how to get the domain names, I try to bring this in. He used to advise companies to spend \$10,000 or less on a domain names, and then he upped it to \$25,000. Recently he upped it again to \$50,000. So you are on that order of magnitude. You can get them on the low end sometimes if it is just – I'm not even sure how you could buy a domain name for \$200. Most of them have been reserved. If you look at your average you are saying that it's probably around \$7,500 to \$10,000?

Steven: Yes I think that is probably fair. It is definitely going up. You know I tend to agree with that, \$25,000 to \$50,000 to buy a domain names. If it is special to you and it is going to make a difference in the way you market and feel about your products which is a lot of how we start companies. I think that probably makes sense. You know we get offers – they go all the way up to the \$100,000s. We don't buy them. Just because at this point we have got what we need at the center of our domain portfolio.

Michael: Alright, Steven thank you so much for coming on the DomainSherpa show. I wish you continued success at Coupons.com.

Steven: Thank you very much. I really appreciate being here with you.

Michael: Thank you all for watching. Bye.

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