

Interview with Tim Schumacher, [Sedo.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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Here's your program.

Michael Cyger: Hey everyone, my name is Michael Cyger. I'm the publisher of DomainSherpa.com, the Domain Name Authority, and the place where you can learn how to become a successful domain name entrepreneur directly from the expert themselves.

You know what we do here – we bring on a successful domain name investor or entrepreneur, ask them to share how they became successful, and then we motivate you to do the same in your area of expertise. Then you can come on the show, and give back to others about what you learned and how you became successful.

The big question for this show is: how do you go from college student to running the world's largest domain name marketplace in less than 10 years?

Joining me to answer this question is Tim Schumacher. Tim is the co-founder and CEO of Sedo.com – the largest online domain name marketplace.

Tim, welcome to the show.

Tim Schumacher: Thanks for inviting me.

Michael: Tim first of all congratulations for Sedo being selected as the best overall domain solution by the Domain Name Industry at the Traffic Conference last month in Florida.

Tim: Thank you we were honored to get that award.

Michael: And it was a tough group of companies that you were pitted against so it was probably even a greater honor just being selected with all the other candidates that were being listed for Best Domain Solution.

So let's start the show with some information on just how big Sedo is. How do you describe the marketplace when you are talking to somebody that is unfamiliar with it with respect to the size, the reach, the number of users of your marketplace?

Tim: Sedo has about almost 1,500,000 users. Some of them are active. Some of them are not that active obviously. We have got 15,000,000 domains which are listed. Out of that are good portions of 5,000,000 to 6,000,000 are parked with us. We have got a pretty good global presence because I think we are the only company that actually has both a presence in the US and Europe which are currently the most important markets in the world. Asia is rising and we have a small team in Asia. And obviously native speakers in the other parts of the world being operated either out of Boston our US headquarters, or out of Pomona and Verbena and Asia. It is a big marketplace with obviously a lot of people interacting. And then our key work was making sure that sellers and buyers find each other. And that the buyers find the name that they really want to.

Michael: And coming from an entrepreneurial background and being a technologist myself and having most of my professional friends as being technologists I know that they have 20 to 100 domains that they have purchased over the years for special projects that they wanted to work on but couldn't quite get there. They want to list their domains for sale. They just don't know where to go. Or they need a domain name, they know that most domain names have been purchased and most are being unused so this is a great way to connect buyers and seller who are looking to offload some of the domains that they have or looking to purchase some. It is best to go to the largest domain name marketplace.

Tim: It is interesting that you mentioned that. That is exactly how we got into the business. I was back in college and studying business. And actually I wasn't developed as well. When I got my first computer I think I was 13 or 14 and it was an Apple II. And that was how quickly I did and then I got an Omega and later a PC. So we got into software development and programmed a little computer game with my friends and went up to the internet. And we had gotten a couple of domains for projects and at some point we abandoned certain projects and we wanted to do other ones. And

even then, back in 1999-2000, all the good names were taken. So we were kind of hey there has to be some marketplace. There needs to be something facilitating that. It was not that we flushed out a big business case it was just that need. That is what I would actually recommend every entrepreneur who wants to start a business. Find a need which you feel at this point and then build a solution for it. And that is essentially what we did. We just hacked up a site together. And called it Sedo (which stands for Search Engine for Domain Offers) and said let's see what happens. People came in and listed their names and buyers came and wanted names and that is how things grew.

Michael: That is a very cool story that I have read online as well and I have a bunch of questions related to that like: Why you chose a domain name that wasn't a generic category killer domain name and a bunch of other ones. But before we get there and before we dig into how you built Sedo into the world's largest marketplace I'm going to ask you a couple of personal questions, or personally related to you and not the business.

How many domain names do you personally own and how do they shake out by TLD?

Tim: Personally, you are going to laugh, but I don't own any domains.

Michael: You don't own any domains?

Tim: Not anymore, no. we actually have a rule at Sedo and the rule is customer comes first and to avoid any conflict of interest no one from the intern to the Board of Directors, nobody is allowed to own any domain names except for personal use. So a little caveat I do own two names. My own name which is mine according to our own internal rules, and I own Schumachers.de. It was a fun story too, Micha Schumacher used to own it and then they let it drop. And at some point a customer came to us, I think that was back in 2005-2006, a customer came to me and he got it through an expiring service. It came to me. I just dropped that name I really need someone to buy it fast because those guys are going to go after me. And I do have a legitimate right to own that name and I think I bought it for \$5,000 - \$6,000 - A decent price. And it was interesting because it had a lot of parking earnings on racing days. The numbers are really good on race days.

Schumacher at some point retired and the numbers went down. It is a very common German name like Miller.com. So it is really a popular name in Germany. And so it is quite valuable.

And the other one is at some point I wrenched out that name and at some point (Inaudible 0:07:18.5) and that is the schumaker.de I use that as my personal website. But those are really the only two names I own.

Michael: You know that domainers are going to go and look up Schumacher.de and they are going to go to 'whois' on Domain Tool and they are going to see that it actually says Tim Schumacher owns an additional 61 domains. How do you resolve the fact that you only own a couple domain names but Domain Tools lists that you own 60 of them?

Tim: The other ones might be the name of the company. So obviously Sedo owns a portfolio around Sedo. We own names and the question, and maybe we will get to it later on, why we chose the name and why we didn't chose a category killer but for example we do own Domain.de, Domain.co.uk. So we own a couple good domains channeling the traffic into our site. There are countries and so there might be some mismatch but internally those are all names the company owns. Names that we privately own are really those.

Michael: So when I was doing research on you before the show I was going into your LinkedIn profile I saw that you own Schumacher.de and then of course I went to a browser and typed in Schumacher.com and it goes to Practse or some business in the USA. What just happened? I know I was on his website. But then that domain actually forwards to another domain dorothee-schumacher.com, which appears to be a fashion site for very attractive women.

Tim: That is the one that I rented out. I purchased that as I said for myself and at some point that fashion company approached me. It is a big, well a fairly big fashion company in Germany. And I wasn't using it at that time and I will rent it to you. Interestingly I think at some point they did something smart because every smart buyer should know you build a business on a domain you should buy, you shouldn't rent if you continue to increase the value of it. And so I think as some point they noticed that. And they are not

domainers they are a fashion company. They did what they should do is that you forward it that way all the new links will go on dorothee or something/schumaker.com not on the site that you were forwarded from.

Michael: So they rented your personal domain Schumacher.de and they are forwarding it to their website.

Tim: Yes exactly. Schumaker.de is where I really have just a blog on and that personal website. I really don't put much content on there to be honest.

Michael: Let's go back in time, Tim. You received a diploma in business administration from the University of Cologne, Germany. I would have pegged you as a computer scientist because I read you had an Apple II and used to program. What's the discontinuity between business degree you received and programming background and the computer background – which you seemed to be passionate about in the past?

Tim: I am still pretty passionate about the computer background and I think what triggered that is I went to study and I actually wanted to study a combination of business and computer dynamics. Which there is a combined study here and then I ended up liking the business side more, probably because it was new. I have been developing in Turbo Coskow and assembler and all this stuff we used in the '90s. It was fun. I was good at it but I was never good as like a super focused developer. I was pretty good at the structural side but I am not someone who enjoyed really going into the latest little bit of detail on certain data based structures. I did always enjoy construction and creation of the business side of it. So I kind of went to business school, I really liked the business side of it. But it really does help if you are on the internet to understand what the program is and have done it yourself.

Michael: And starting a computer company and having a background in technology and then a base in business clearly is a good ramp for you. Your first job out of college was with a company you founded called Ultimasoft. Is that correct?

Tim: Yes that is correct. That was actually a company that we ran, me and my Sedo co-founders ran before I started Sedo. And that was when we had this computer game and we had internet. So that was basically our umbrella company. It was kind of my job during both high school and university years. But it was never really a big company.

Michael: So it was an umbrella entity. Whenever you ran money it came through there. And so, why the name Ultimasoft?

Tim: It is interesting and I haven't gotten that question for a long time. Ul is our CEO with Priesner, ti is me and ma is the CO of Marius. So it is just the three founder names.

Michael: See I would have guesses that you all played Ultima, that computer online role playing game that came out in the early '90s.

Tim: I never played that game, never, ever once. It is a good thought.

Michael: That is so funny because I was at Traffic with you as well and I was chatting with Bill Karamouzis and we went back to the '90s when I had my Apple II E computer or the '80s actually when I had Apple II E computer and I was playing Ultima I, II and III non-stop and we were reliving some of the geek days. I totally would have paid you for that.

Tim: Today we probably wouldn't get a udfp (spelling 0:13:42.6) for the name or something.

Michael: So while you were running Ultimasoft you were mainly using it as a shell. Where you doing some consulting? I know you were doing some game distribution with it. Was it actually producing revenue? Or was it sort of just a shell that you...

Tim: It was producing. We did some consulting work and programming websites for other people but the game was actually governed quite well for being high school kids. I think it was by success on copy disks and then later on, on CD ROMs. So you didn't get the scale that you would get today with maybe with a burn or something but it did produce quite the revenue. It

basically helped avoid the student jobs of being a waiter or something that was completely out of my profession.

Michael: So you three developed a game. You put it on the 5 ¼ at the time. And people would buy it on a website and you would ship it to them?

Tim: No it was a Word Website or at least not scaled dependent. We actually got a license deal with department stores and that got it into the stores.

Michael: That's fantastic. Do you know what the user base was at the sunset period when you decided that you weren't going to continue with software development?

Tim: It was small. The game retailed at about \$30 or so with a user base at 2010, 2,000 or so. And we worked together with distribution companies so I think we only got a very small portion of the proceeds. It is more like an author. If you write a book you get 10% - 50%.

Michael: If you are lucky.

Tim: If you are lucky. If you are a beginner author then you are not like the best of an author then yes. And we were like that. And I certainly learned something about negotiations or to how to not negotiate and got some valuable learning. I think it was good money for the times back then but it wasn't a tremendously huge amount.

Michael: Well let me ask you that. I'm sure there are people in the audience thinking about writing a book, maybe on domain names, maybe on their area of expertise, or they want to develop some software. What was your lesson learned about negotiating or about not negotiating with people at that time? What did you take away from that event that you carried on to your time at Sedo?

Tim: I think one certain lesson was to look for alternatives because I think back then somebody approached us because we did that little version. And then somebody approached us to do a Germany wide distribution and we ran

into him, or basically he ran to us and we didn't look for alternatives. We didn't look at what was standard in the industry. We just started out negotiating and I think I remember the first time he said I'll give you \$1 per game or something. And that was kind of the starting point. I think in negotiation what you call the anchoring point. You anchor the negotiation and he did that by saying \$1 and that is when we said we might sell 10,000 so that was a lot. But a \$1 a game that retails for \$40 that would be totally ridiculous. And so I think some of those dynamics is something where I would tell everyone to look what the standard is. Do some research! Go out and talk to other people and don't because someone proposes something to you say yes immediately.

Maybe say yes. Don't be greedy. In the domain world often people think the opposite. Every domain sells for \$1,000,000. Obviously not. The average price for a domain is about \$1,000. So it can be the opposite. Don't be greedy. A lot of names move fast but do your research. Like make sure you know which name can actually fetch \$10,000 - \$100,000 and which names don't. That analogy would work for asset you own and anything you want to sell when they price is not clear.

Michael: That is a great point to anchor the negotiation and I think a lot of domainers do that and some of them don't do that and I'm going to come back to that when we go to the Sedo portion. We are going to ask you some tips on pricing because I think it is important to sometimes set a buy it now price and sometimes ask for offers. And when people are inquiring is it best to return correspondence and actually anchor the negotiation with a minimum but not something that is going to scare them. So I want to get into that. I'm going to hold that though because I still want to run through some of your background here.

So while you were running Ultimasoft with your co-founders that ended up co-founding Sedo with you, you decided at some point you wanted to go back and get your MBA as well. You had a Bachelor's in Business, why did you decide that you wanted an MBA?

Tim: I think that is more of a cultural thing in Germany. In fact it has changed in the last 10 years, Back then you just never really stopped at the

B.A. level. It was always you do it all or nothing. Usually people in Germany used to study really four or five years no matter what. They just changed that to a Bachelor's Masters. But back then you did your Masters and that is it otherwise you abandon the studies. I obviously know now that some of the most successful entrepreneurs did abandon their studies but it was still something that I wanted to get through. And I worked alongside with the founding CEO so there was no need to abandon it half way.

Michael: And you also did a Masters degree in finance in addition to your MBA. You wrote your Master's Thesis on the following topic: "Price Formation in the Domain Name Secondary Market". It sounds similar to the thesis Larry Page and Sergey Brin worked on at Stanford University, which everybody knows led to the PageRank algorithm. I looked for your thesis online, but couldn't find it and I really wanted to read it. Is there a way I could get a copy of that?

Tim: Is it in German? That puts a translation. It was less exciting than Larry's. First of all I don't think I was that successful in finding an actual algorithm and was looking for that magic formula to price domains. Today we have a lot more data and back then...I learned a lot about the industry. So I think research was good not by the result but for the actual means of researching it. I learned a lot and I found that there was very little data. That is really hard to do is quantitative analysis where the industry is not very transparent. It used to not be very transparent. If we look into it later maybe with the market site that something we are trying to change by publishing a lot more information than most of our competitors do. So I did not find that formula being okay this is how I price it. I learned a lot about the factors and a lot of the stuff has been actually going into the development of Sedo and pricing algorithms. But it certainly was not what I went for when I went to get the site. But it was good because I could write a topic on what I had a passion for and founded the company which we were in the process of starting so it was good timing.

Michael: Clearly you did the thesis, most thesis in the United States most students will spend a year working on their thesis. Was it similar in Germany at the time? Did you spend about a year?

Tim: Well I spent about a half a year maybe.

Michael: I read online that the thesis led to sort of your understanding of the domain name secondary market and led to the formation of Sedo.com, you know Sedo the marketplace. But I also read and you confirmed earlier in the interview that when you were working on Ultimasoft you had developed this game and you had the URL offensive.de that you distributed the game and then when that software ran its course you decided that you wanted to sell it. And you couldn't find a marketplace and that sort of led to the idea of the domain name secondary market. Do the two stories fit together?

Tim: Yes the actual need was first so, as I said earlier, really the best way to found the company was to close a gap, or serve a need which you really feel yourself, you and your friends feel so basically you can be the first user and everybody says okay. It solves a problem. And that prompted to okay now that we have started that I really should figure out that pricing thing because that was the biggest problem of liquidity in the market. That was a time when my studies were nearing its end and it was okay now I have got to write this thesis. So let's do this thesis which actually works well for the company. It is kind of a waste of topic that really doesn't interest...

Michael: You originally had the idea, the inception and then you decided to take it forward with the thesis and do a little bit more formal research, market research and maybe even develop an algorithm for pricing domains.

Tim: Exactly.

Michael: Understood. And then you founded Sedo in 2001. What did the business originally start out doing? In a lot of the entrepreneurial circles people refer to an NBP. Minimum Buyable Product. What was your original minimum buyable product for Sedo.com?

Tim: It was the marketplace. It was a barebones marketplace. It was the ability to list the name and to buy a name here. That was our core. And I think over time we added everything around so we added for example the transfer service. When you buy a name you want to securely buy it. So you need an escrow service. You need assistance with the transfers. You were

registrars, you were needing help for pricing so we added an appraisal product. You need possibilities to showcasing your name so we added the showcase product. And I think that was our role around 2001 – 2002.

And then in 2003 that was kind of the next big product we added but it was still kind of close to our core was parking. And parking we really added accidentally. And the way that came along was that in the early days we encouraged everyone if you sell a domain just put the domain on a for sale page. So put it on this domain is for sale. And we also have banner advertising on our site. And so at some point we noticed that the click rate on those banners were abnormally high on those pages which were kind of those for sale adverts. And we were like wait a minute we have this domain and people aren't really looking to buy the domain but they are looking for the actual content. It's really boring stuff nowadays looking back but keep in mind 2002 Google Ad Sense wasn't there. There was a little competitor in Europe. It was called East Spotting in the US. It was something one.com, they made a merge and nowadays they have completely disappeared. And obviously Go To, but Buy One and East Spotting I know because they were the first coming into the domain field. But Go To which then became overturned Yahoo obviously they were around as well and they patented it and entered that concept. But they were on the search side.

And here that was kind of linked in the two things. And that was almost by accident and we increased the number of ads and at some point parking became the biggest business. At Sedo parking really fit very well and that is how we have always seen the business. Parking fit extremely well into the cycle of selling a domain because you put a name for sale and then you wait. That is all you do. Well most of the time. And it is hard to understand if you come from a lot of other products, but that is what really makes a domain unique: a domain because it is so unique you need to wait for that one person who wants that particular name. And it is hard to understand for, and especially most domainers who obviously want to move names fast and everything but it is the same, think about how long that name has been sitting there before you picked it. It might have been sitting there for 15/20 years unregistered and then you picked it. Or maybe it was registered back but expired or whatever. But usually names sit there except obviously the very good ones but even those they sit there before someone really pays the good

price. The idea was really that parking combined very nicely with selling. You sit there, you wait, you collect the dividends, you pay for your registration fees ideally and then at some point someone comes along and says okay I really want that name. And that is how we still view today more than ever the way the way it is.

Michael: Yes, it makes sense. And if you look at real estate for example, real real estate, if you have that house for sale and let's say that there was no marketplace, no multiple listing service as we have in the United States (I'm not sure how it works overseas) but you would put a for sale sign up in front of your house and you wait for people to drive by and maybe you would rent it out. Which is a similar situation to domain parking or maybe until you sell it you have an agreement that you will forward traffic to another website or what have you. So that brings me to my next analogy to the real estate market place is the multiple listings service. So as of today there is not all inclusive multiple listing service for internet real estate or domain names like there is for real estate in the United States. What do we need to do in order to get to that point? Clearly people want to go where all of the buyers are and all the sellers are. It makes sense to have everyone in one place. How can we get to that point?

Tim: That is a good question because I think that is what will really bring the domain industry to the next level. And that is why we coin our product Sedo Absolest, Sedo Marvelistic Service. And obviously we have competitors aiming for the same goal but I think in all cases it's our goal to do exactly that. To have a data base which links into the multiple system that in our case those other registrars where most people look for a name. Most people - if a small business goes for a name then they don't think the domain they think Go Daddy or One on One or one of the big registrars. And that is there they go. And so we need to be there and the domainers need to be there. And that is how we developed Sedo Marvelest and new mechanisms come into play which are very different from the usual kind of more hands on and counter system or auction system world where there is a lot of flexible pricing and a lot of haggling because when it comes to buying a domain name an end user just wants a price and they want the name delivered. Nothing else. And they don't want to auction, they don't want to haggle, they don't want to fight, they don't want to go into it with. We all know, all

domainers know how to fight out with and how to find out certain things and how to find out prices. For the normal business it is just one thing among a hundred things that they need to worry about when they start a company. So what we need to do is we need to make this decision extremely easy for them. We need to make it: Okay I have this choice and that is now \$8 or \$10 or whatever the register price and that is kind of a suboptimal name but then I have another auction that is \$100 - \$200 - \$500 - \$5,000 whatever. But I can make a choice. I can make it right here and it don't have to worry about anything else. Otherwise we lose the coin. Otherwise they go for the second best auction or another TLD or whatever and that is how we modeled the product. It will be a long way but we are making good progress and we put a lot of focus in that product because we know it is going to help domainers sell and that is what optimally will make the industry strong, which will make Sedo strong.

Michael: And I am in full agreement. Clearly if somebody is going to be working in Seattle they can live in one of the suburbs surrounding Seattle or they can live an hour north and figure out how to take a train. Unless they can look at the price of the house an hour north and they can look at the price of the house on the water in Seattle and they can make their own informed decision. You know a realtor will walk them through that decision. Nowadays they can actually go to sites like Zillow and look it up themselves. So what do we need to do Tim...I don't think that you can have a company like Century 21 (and I am sorry I don't know any real estate companies in Germany) but how do you get...clearly Sedo you have your own MLS but don't we need an industry MLS in order to actually open up the industry to outside buyers, outside entrepreneurs, small business owners that are starting up this year?

Tim: Yes that would obviously be the goal. Maybe at some point two of the competitors get together, or we and one of the competitors get together and come what is. It is like most things. I think it is a struggle for standard. I don't know how the MLS system for real estate is organized. That is a realtor organization or something neutral. That obviously is always an option. I can go and okay we implement something like that. I just don't know if I can invoke the massive technical resources. For example what Sedo is very strong in is ccTLDs as well because .com is one thing of the world but

obviously ccTLDs is huge and they are the ones trading in both areas. We model our system to be compliance with many ccTLDs. I think we are trying to be that, depending on what you are defining neutral, when you are trying to be that neutral one outside the registrar world. We are not a registrar. Sedo has never been a registrar. And purposely because obviously because we don't want to compete with any of our partners. And we want to partner with all the registrars. So that is basically our model. And I guess we want to become that type and there will be a point where we will have enough reach by making good progress. And if not maybe at some point a really non-profit organization like ICANN and says okay we are going to set something up. It will go in the next ten, five years but I think something will happen in that direction. It has to.

Michael: Is this an opportunity for an entrepreneur that has a technology background, that is a trusted name in the marketplace, is this an opportunity for them to create a partnership with you to create a partnership with After Nick or other marketplaces and other registrars, to create one unified body where everybody sort of wins and somebody is focused on this from a business standpoint? You know forming a private business rather than a not-for-profit?

Tim: I don't think that is an integral opportunity at this point because I think we are already having big building blocks of saying... Okay the companies that are competing in that space they all have a very strong background in either one of those areas. So for example we have that global reach. We have the large smart place where there are a lot of components that we through into it. It's like if you be a new startup these days you would start with a mobile phone system or something. There is no way of repeating. There was that time back in the early 2000's when Android wasn't Google and stepped them up and now I think that area has passed. Now I think if you look for entrepreneurial opportunities I would look at need, as I said earlier, but I would look at something which is not that heavily contested from bigger players. And then at some point maybe you grow into a bigger player yourself or you could acquire something. But once an industry is over a certain point in the rightness of the industry it becomes pretty hard. We were lucky that we came upon that concept in 2000/2001 where really there wasn't much. And obviously if we would start Sedo right now we would probably

face a very uphill battle against some of the other competitors which are also doing a good job.

Michael: Let me ask you what is the difference between your marketplace and partnerships with some of the registrars that might recommend your domain names that you have for sale and a multiple listing service? You know you refer to yours as actually Sedo MLS. Is it really an MLS or is it just a partnership with registrars?

Tim: It is both because the registrars can also list from their end and put inventory into it. I think we need to get further. I think we don't have all the features for example which we want to have from the registrars to really interact but in the end MLS is nothing else but a big database which links into multiple things. Almost like a real estate base.

Michael: More than one company can list into. So right now you have your 15,000,000 domains plus you also have the domains of the registrar partners that have portfolios that want to list in there as well.

Tim: And at some point customers of the registrars obviously.

Michael: So let's go back to Sedo. You mentioned earlier that Sedo stands for Search Engine for Domain Offers. And I have had entrepreneur after entrepreneur come on here and talk about how they bought the category killer domain name. I had Richard Swerdlow who bought condo.com, his interview just went live today, he also bought houses.com, and then he bought properties and properties.com from Rick Swartz and he is in the process of launching those. And he swears by the category defining domain name. Instead of paying millions of dollars over the course of ten years to do branding and marketing of that domain name you can instead spend a fraction of that. A million dollars, a couple million dollars buying the category killer domain name. Clearly you understand domain names and the power of it. Why didn't you choose something like Domain Market or something more generic when end users, someone who don't understand that whole domain name marketplace, don't understand what Sedo is, would understand your business a little bit more easily when you started off?

Tim: It is a good question and I think it is almost a philosophical question which probably people will always agree to disagree. I think there is something that speaks for generic names and some for artificial names. And I think there is no one answer. I mean it always depends on the business. Which type of business do you want to be in? Which geographic reach do you want to be in? We actually have a little decision tree, I can send it over and we can publish it together, but we have a decision tree actually for small businesses on how and when to make which decision. But like a little example is if you concentrate on the US, you know you want to be a US business and you want to define one category really well. And I think that is the example of the gentleman that you just mentioned that I think a lot speaks of his logic of having a category killer .com. Absolutely. If on the other hand if you aim for say a global market, a broader market then it can be actually hindering.

I'll give you an example. Back in late '90s obviously at some point the big fight was for who was going to be the biggest book store on the web. And in Germany there was one big competitor called the equivalents of books.de. And then there was Amazon. Amazon was smaller at first, but Amazon had the ability to expand first of all across all countries because Amazon was a brand that could be registered in every country. And they obviously could expand beyond books with a lot of credibility. If you are called books well your credibility for clothiers or something is not really that well. You need to start a new brand and add complexity and stuff. So it really depends. I think there are really examples for both successes. And Amazon bought diapers.com last year which is a perfect example for a very good category killer domain name. So there isn't really that one answer to the question.

I remember we had a long list of all kinds of names, some were generic, some were artificial names and we go at this as lingo as I would go on the name now. But I think at some point ultimately we feel it needs to be a global marketplace and we didn't think we should pick a German name which obviously we would put ourselves in a geographic niche. We also shouldn't pick domain.something because it would be pretty hard to collect all the domain.something in the world. And those names we still picked up at some point to channel traffic to us. To have like interlinking structure for SEO. There are a lot of good reasons to buying good generic domains. Naming

your company isn't the only reason. And so I know a lot of successful companies which have an artificial name and then they build several other ones around that and have a nice link structure around and start to use things so they can campaign so they can track campaign leads. So there are a lot more uses for domains than just the actual name. And the companies that master that strategy, that domain strategy, I think those will be the most successful.

Michael: And that is a great answer for entrepreneurs that are looking to start businesses that don't want to be locked into a particular category. So I don't think we need to agree to disagree on that. I think it is a great other viewpoint on that. Did you decide on the phrase Search Engine for Domain Offers first or did you decide that Sedo.com was available so then you backed into the acronym? How did that work out?

Tim: I don't know that was probably brainstorming. I don't know you know how those brainstorm always work. So one would call about a name...I could imagine that we came up with hey we are a search engine for domain offers and then you abbreviated it. And oh Sedo sounds nice. And then someone puts it on a list along with 20 other names and at some point you post it all to the wall and you cross out certain names and other ones you like and then at some point you fall in love with a certain name. And you are like hey I'm going to take you. It is not a rational process in most cases. It is at some point there is a lot of gut feeling to it.

Michael: Did you actually have to buy that domain name from another investor or user?

Tim: That is another story. I think we were really kind of beginners in this way and it is almost scary that we wanted to be domainers and the domain platform, we got it wrong ourselves. So what we did was we actually looked up the name and it was available in .de and available in a lot of different countries (which currently you wouldn't get a four letter in a .de). But it was available in a lot of companies. So we were like fine everything is good and we don't really need the .com that is open. I think we said you know oh what a pity, it was like an afterthought and a few months into it we are like we really should get the .com. Like what do we look like and we entered the US

market we didn't have the.com. We started with .co.us. And actually one former competitor told me later is like we really didn't take you seriously with your .us name.

We actually did negotiate with a guy, Mr. Sedo from Boston, who I started negotiating with a few months after we found the company. And I negotiated with him I think over three years altogether for the name. He wanted \$1,000,000 at first and we were a little start up and we definitely did not have \$1,000,000. We kept on negotiating and at some point we grew and we had a bit more financial abilities and we really wanted the name. And at some point I think he came down in his pricing and I think that it was actually the wife, his wife (or girlfriend back then) as always they have...

Michael: The voice of reason.

Tim: Yes to the voice of reason and I think she said something to him, I think he told me it was like we should get a house and you are sitting on this domain name and this makes the perfect first step for our new house. Just sell it and we agreed at some point on \$80,000 and bought that name and it was one of the best investments that we ever made because this was really the start for our US operations and in retrospect we could not have done it without that. It was a lot of money for us. We did not like paying that \$80,000 but it was his name so it was legitimate.

Michael: Did you have the money? Most startups don't have money for the first few years. Did you actually have \$80,000 in the bank from the proceeds, from the marketplace at that point?

Tim: Yes, we were profitable early on and so we had the money in the bank. Otherwise we probably would have been financing. There are companies out there that do domain financing. But back then it probably would have been harder, so we were lucky that the operations were profitable and so we had put some money aside and was fine.

Michael: How did you start a company and get it profitable so quickly? It's difficult any time you start anytime of marketplace. That is why there are so many eBay competitors when eBay was getting big. But it is hard to get the

inventory, convince people to list their domain names and then once you have enough inventories you can bring in buyers to it. How did you build a marketplace?

Tim: I think the marketplace was not profitable for a long time but what was actually an instant hit was the appraisal product. And the appraisals are not really that important anymore. We still do them but they are small compared to parking and marketplace. We found a product which was scalable, it was still not that complex and we were simply doing appraisals and selling them for \$19 or \$39 as we still do a piece. And people were really curious ‘what is my domain worth’? That was the right forum the right time and it brought in enough money to finance the initial operations. We ran a very tight ship. Most salaries, a little office, we didn’t have a lot of expenditures but that made the company that plus a couple of other things.

Michael: How did you find those customers to pay the \$19 or \$39 for the appraisal? There was no Google Ad Words, there was Go To, there was Find What as you mentioned. Did you go out and buy advertising? Did you go on domain name forums?

Tim: I think it was a combination. We did get some initial capital and I think I burned through \$200,000 for advertising that did not convert. I stopped that and said okay that is not going to work. I think it was a mixture where people listing, it was forums, it was approaching the right people, and it was a lot of gorilla marketing. Today you would do a lot of social stuff. And it was buying domains, doing press releases. I mean some of the more traditional stuff which still works very well. It was emails and it was a lot of gorilla marketing really.

Michael: In 2007, you acquired GreatDomains.com. Is that correct?

Tim: That is correct, yes.

Michael: And why, when you saw GreatDomains.com at the time what was it that seemed attractive to you to purchase that?

Tim: GreatDomains.com was always a really good brand. They were kind of the first ones in the .com boom. They made ads in the World C Journal and they were big names. I think when we started in 2001 there was a name we were looking at. And I think luckily for us (Inaudible 0:50:22.1) kind of ran it into the ground after the acquisition. Just like register.com ran into acquisition problems before the Collen Brothers picked them back up and actually put it back into life. And so that was lucky because it gave us vacuum in the market which enabled us to grow. But GreatDomains.com we always liked the name and it really had the glory brand. So we picked it up.

Michael: What was it at the time you purchased it? Was it a portfolio of names? Was it a technology? Was it just a domain with a touch of traffic?

Tim: It was a domain and a customer list and I think that was pretty much it. We just wanted to have a premium brand and nowadays we are actually thinking of retiring the brand because nowadays it is really not that relevant anymore. But back then we were really going heavy into the premium segment. That was the time of the big traffic auctions and so the premium field was heavily contested and it served a very good purpose. Now we are consolidating a lot of the stuff on the Sedo brand. We are thinking of just calling it the Sedo Great Domains Auction or something and kind of retiring as a standalone brand.

Michael: So it wasn't even a technology platform for auctions at the time?

Tim: No it was nothing back then. It was ran with one guy or so. It was a very little website and had very little revenue. The fact that you still ask about it I think shows that it carried that weight and I think sometimes still does.

Michael: So we talked about Sedo doing more than just being a marketplace for domain names and that was one of the benefits of buying sort of a generic, short, easy pronounceable, domain name that you could buy across all of the different country codes. You are taking domain names and you are offering them for sale on behalf of other people. You are doing your parking. You are doing the appraisals. You have an escrow service. You do the transaction. Where does most of the revenue for Sedo come from? Which business line?

Tim: It's parking.

Michael: Parking is still the number one revenue source? Not the buying and selling of domain names?

Tim: We have to differentiate a little bit between the revenue we put in our books and I think the revenue overall generated. And the marketplace is way more important. I think the reason being is that if you look at our profit and loss statement (and we are a public company so I think you can find out more about Sedo than about any other domain companies). So you look under Sedoholding.com which is our public company name and you can dig into our annual reports and you will find out that we only book our commission revenue. Our 10% or 15% as revenue. That is what makes the revenue compare really low.

Michael: So if you sell a domain name for \$1,000,000 through your brokerage service you are not booking \$1,000,000 in sales, you are booking \$100,000 or \$150,000, whatever the commission is.

Tim: Exactly. With parking we book everything and then what we pay out, which is the majority of the revenue is cost-of-sales on an accounting basis. If you look at the importance for a domainer and I think that the key point, that is what I keep pointing out when people approach me with a question and what we see as our biggest value at is how do we make most money for the domainer? That is our value, is add to our domain customer and that is what we strive for every day. And if you look at that question obviously selling is a lot more important, especially these days when parking has been somewhat lack luster. Domainers make two, three, four times as much money with selling than with parking. And when you look into generic names and long tail names there isn't even a multiple of that. The multiple is so high that there is no relation to the parking revenues any more. So obviously that side is more important for business but it is a little different if you look at the P & L. It is more or less that kind of accounting.

Michael: That makes sense. So if I go to Sedo.com and I go to the about page you actually list a statistic that domain transaction volume per month of

greater than \$6,000,000 US. Is that the amount of sales in dollars that you have per month - \$6,000,000 – is that only your commission?

Tim: That is the gross.

Michael: That is the gross okay.

Tim: We did \$100,000,000 in the last year. So the \$6,000,000 is kind of the conservative side. I mean every month we do more than \$6,000,000 but last year it was \$100,000,000 and 90% out of that we paid out to domainers.

Michael: Right, you are selling \$100,000,000 maybe gross margin \$10,000,000 and you still have parking revenue gross that is greater than \$10,000,000 per year. So what is the future of parking at Sedo? If I park my domains there while I am waiting for a sale what can I expect over the next year or two, given the fact that Pay Per Click has been so lack luster?

Tim: Yes Pay Per Click is definitely tricky. Some of that is because people just don't type in the name as much anymore. And the other thing is people spot parking pages I think easier than they used to. So they just close the page. That is why CPRs are usually like 10% to 20% which is high compared to banner ads. I mean with parking pages over the years we have seen the same as with banner was always called banner critique. That banner rate used to be a couple percent when they started because they were new. And now they are like 0.0 something percent. And in parking I think the same has happened. So I think the question is how to revive that. And obviously Google is pocketing more and so there are a lot of reasons...there was also sort of a bubble in 2006 – 2007 there was more susceptible for spam. So there are some things that are actually good that didn't decline but there are other factors which are kind of market driven.

But we continue because it is obviously important as a part of the sales cycle we continue to heavily invest in parking. Just two months ago we launched brand new statistics like super fast, really analytic sweep for parking. So you park your names. Obviously the revenue is one thing but you also do want to get a lot of data and analytics on that. Who comes on that? You can make decisions for pricing so we launched after a year of development a

completely revamped version which does that really well. And then on the revenue side we put a lot of research into what is the best template, what works, what is appealing to people these days compared to a couple years ago. There is a constant evolution and there is a lot of like somatic targeting and the question of which keywords you solve. There is a subsidiary company by the way that we own MinorityStakeDomainSpot.com which helps us really well with somatic stuff. So a lot of research and money goes into the question of what to serve, how to serve it, how to serve it fastest like a really fast server across the world? So there are a lot of things you need to do to run a parking service.

And last but not least basically be an advocate for the domainer towards Google and the other providers because obviously it is important to stand up for their rights. And I think that in the past couple of weeks we have seen lots of examples where there are a couple of big decisions of the ad providers, whether Google or Yahoo, which were kind of hard to swallow for the domainers. So we do act as kind of a collective bargaining company sometimes. And that is what we see as our role in the parking.

Michael: I said I was going to come back to an anchoring negotiation process. I want to put the context out there with respect to your marketplace, buying and selling of domain names. You know if I list my domain names on your marketplace do you recommend that I always put a price there, a buy it now price, that can be negotiated or do you recommend that on premium domain names that you think are going to sell for more than \$10,000 that it is a negotiated price? What are your personal recommendations for tactics on selling domain names on the marketplace?

Tim: I think what we have seen is the fixed price works for probably 95% of the names really well. And I think anything below \$5,000 - \$10,000 where you don't think there are multiple people interested at the same time you should go through the hassle of pricing. It dramatically increases the chances in most cases three to four times. You can list an MLS, you can make the conversion path so much easier and the price is key. And there is a reason now that eBay over the years also has moved from being an auction platform to a majority price name because people just don't want to wait seven days before an auction closes, don't know if they get it. It works for a small subset

where you don't know the price at all and certain things. I think that we do recommend if you make offers, if you really don't know the price, if you are kind of beginning into it you can do that. That's okay.

If you have a name where you think there will be multiple parties interested and an auction does work well...if you have a premium name where you are very sure there are multiple parties contesting for the name but for everything else pricing is the thing.

Michael: A lot of times I will go look up a domain name or I will do a search for a domain name and I will see a bunch of aftermarket, they may be coming from your Sedo MLS system, it will be listed at like \$1,888. You see the same numbers over and over again. Is there any proven psychological advantage to using certain numbers over others?

Tim: Well 88 is a known competitor of ours. Always using those 88 numbers. It is interesting because you can always see which names are from them. It is kind of unusual. I would personally rather use the \$99 because if you can get \$88, at least that is what all the retailers go by you can also get \$99 and so you are essentially wasting \$11. I think the topping of pricing is an interesting one. One is obviously the true price and the other one is what you can get from the marketplace. And it is something to experiment with and kind of see what works.

Michael: So when I was doing some research I saw that Sedo.com is a subsidiary company of the Sedo Holding AG in Germany which I understand. You started as a German company, and then you formed a US company afterwards. But I thought I also read that Sedo Holding AG is a company under United Internet AG is that correct?

Tim: Yes they are a majority holder. Sedo Holding is public. We have got the ticker SEO.de which is our stock ticker. It is somewhat of an unusual combination that we even as a public company we have a majority shareholder, which is United Internet.

Michael: And United Internet of course owns One In One Internet, an enormous webhost registrar out of Germany.

Tim: Yes they own a couple of domain brands. One On One is one, United Domains, Fast Host is among the internet mix for different areas. So that obviously is help for us. We partner with those but as I said earlier we are where we have our own port where we are arms length to United Internet. We are partnering with the registrars there as much as we partner with other big registrars so obviously there are a few familiar faces there.

Michael: And I didn't actually run across any press releases that said you took investment or you sold a majority of the company to United Internet. Was that after you went public that they became a majority stake holder at that point or was it before you went public?

Tim: That was before we went public.

Michael: And what year did you actually sell a majority of the company?

Tim: That was 2006.

Michael: Was that a public figure how much you sold of the company?

Tim: The company was valued...we only sold, they already owned something...the company was valued at almost \$200,000,000. That was in terms of the timing that was a good time. It is a little less now but it was not dramatic but it certainly was higher back then. But we only sold a couple percent. And that got them the majority because they already owned a big portion.

Michael: Everyone likes to see revenue grow. If you are a public company people who are investing in you want to continue to see revenue grow and stable profit margins. What do you see as the future of Sedo given the current market conditions around the world? You know we have got Italy in financial difficulty. We have got a lot of different countries in economic trouble right now. What does the future hold for Sedo over the upcoming three to five years?

Tim: We want to grow. And as you said current businesses it is a tough market at the moment. So average pricing has already been down. I don't know if you have seen the IDNX, the Internet Domain Index published our site which is very interesting because it shows how much domain prices are actually influenced by stock market and the mood of investors. And how close the correlation is and I think we are feeling that. But in the long run we are pretty bullish and I think domains are growing, websites are growing not only in the emerging markets but also in the US and Europe. So there are a lot of investment going into those areas. People will always need a domain whether it is some social stuff or ad stuff, they will always need a domain. So I think we are overall bullish for the market. We are investing heavily into both marketplace and parking. We have a goal of maximizing revenues for our domain owners and I think that goal we are going to have for many, many years forward. I think what is really good is our companies are in there for the long run. And the company with the United Internet as you mentioned with the shareholders they don't have to deal with an investor kind of pump it up and flip it or something but are in there for the long run.

We also in 2009, we used to have a banner display advertising unit which we sold off. And since then we actually have the cash in the bank and so unlike quite a few of our competitors we don't have heavy debt from the boom years of 2006 – 2007 but we have money to invest and to grow. And we come from a pretty stable foundation so in terms of security I think we can give people - I think that is quite a compelling market at the moment. And so we want to invest that position and kind of grow from there. Grow the features, grow the reach and make sure we deliver value to our customers. That is what we hope the future brings.

Michael: Fantastic. If you have a follow up question please post it in the comments below. And we will ask him to come back and answer as many as he can. Tim if people want to follow you and find out what you like to read or where you will be speaking at a conference, what your latest thoughts are on the marketplace, are you on Twitter? Do you have a blog that you update?

Tim: I am on Twitter and LinkedIn and Facebook and everything. But probably, I don't really post that much. The most I post is through Sedo.com

newsletter which I write something every month and a lot of my thoughts they actually go in there, and conference presence and everything. But I obviously do have the other stuff as well. Schumacher.me like I said is my personal address. I somehow like the .me concept of saying me and the domain was \$160. I can't see on Sedo obviously. That is a bargain I'm going to get that. Like I said I post something on Twitter maybe once a month.

Michael: So if you are on Twitter go sign up for the Sedo newsletter so you can see Tim's thoughts as he formulates them on the market. I also recommend to everyone watching, listening or reading the transcript of this show – or any show for that matter – the guests that come on the show make a sizable commitment of time and they share many of their hard-learned lessons over their entire career. Please take a moment and thank them through a tweet, an email, a comment on their blog, a contact form on Schumacher.me or if you see them at a conference, let them know you appreciated watching their show.

Tim Schumacher. CEO of Sedo.com, thank you for taking time, coming on today's show, and being a Domain Sherpa for other entrepreneurs and investors.

Tim: Thank you Michael and thank you everyone for listening.

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

Watch the full video at:

<http://www.domainsherpa.com/tim-schumacher>