

How to Value Short Letter and Number Domain Names - With Aron Meystedt

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There is a new way to sell domain names and it includes a whole new pool of affluent buyers. If you want to learn about it and determine if your domain names might be a good fit, and learn how to price two-letter, three-letter, or two-number and three-number domain names, stay tuned. This is the show you do not want to miss.

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Michael Cyger: Hey everyone. My name is Michael Cyger, and I'm the Publisher of DomainSherpa.com - the website where you come to learn how

to become a successful domain name investor and entrepreneur directly from the experts.

Today we are going to learn about domain name pricing, but not any type of domain names. We are going to learn about two-letter, three-letter, two-number, and three-number domain names. For example, the domain name 114.com just sold for 2.1 million dollars in July 2013. But I am thinking that is an exception and not the rule. Today we are going to find out.

Joining us to help us understand pricing and share a new way to sell domain names is Aron Meystedt, Founder and Director of the Intellectual Property Division of Heritage Auctions. Aron, welcome to the show.

Aron Meystedt: Hey Michael, thanks for having me. I appreciate it a lot.

Michael: It is great to have you here. So, Aron, we are going to talk about domain name valuations at Heritage Auctions, your new employer, but I think most people know you from your August 2009 domain name purchase. So I want to start with a little bit of background so people know how you fit into the domain name industry. What was that purchase and what makes it so significant?

Aron: Sure, you are alluding to the Symbolics purchase.

Michael: Symbolics.com.

Aron: Yeah, Symbolics.com. It was the first .COM ever registered on the Internet and it was taken by the Symbolics Computer Corporation back in March of 1985. And just being in the domain business, a lot of us have always known that that was the first one ever.

Michael: Right.

Aron: It was quite perfect timing because I know dozens of people who had reached out to the company, wanting to inquire about the name and buying it, and they always just blew it off. And about the time that they decided they did want to sell it was about the day I picked the phone up and called them,

so it was just one of those serendipitous God things. Perfect timing. Just came together. The company was looking for some money and I bought it kind of just as a trophy piece, but also legitimacy. I mean it helps get my foot in the door places, saying, "I am Aron. I actually own the first .COM," and then the conversation kind of: "Wait, what? Are you sure," and then I explain there is 250 million registered names. That was the first one taken. So, it is really neat. I am really honored to have it and, quite honestly, a lot has changed since that domain journal story kicked off.

Michael: Yeah. So, that was the very first time that you reached out to the registrant of Symbolics and they say, "Yeah, we actually are." You didn't reach out to them like ten times before?

Aron: I literally picked the phone up and called them, and expected a: "No thanks, we have heard this a million times," and they said, "You know what? We were just talking about selling the name to raise some money." I was like: "Wait a minute," and then once I found out it was doable price-wise, I mean I am not a billionaire, so it was just complete perfect timing and it was one of those 'I'll pick it up and worry about what to do with it later' or something will present itself.

Michael: Yeah, right. Well, talk about fate. I always look at situations like that and I say, "It is meant to be," if I had contacted them right when they were interested in selling it. But the problem I always have, when I reach out to people, is that if they are interested in selling it, they usually have been contacted by a number of other people, just like you said Symbolics.com was, and then say, "So we are going to offer it for sale. Make your best and final offer by this date," and then I end up negotiating against or putting in a higher bid than I probably would. They did not do that with you?

Aron: Not really. I think they did follow up on a few of their leads that they had had in the recent months and kind of put it out there for a bidding situation. The people involved in the story know that I had the top bid. They gave everybody like a couple days that they had heard from the last month to put in another bid, and there was really no other bids, and they even gave me the right to beat the top bid at the end of the few days. So, it was one of those perfect situations. And I do not really know why they thought so just highly

of me, like let's give this guy a chance. I think and it is a lot of people give the advice that if you are serious, it is smart to put a number down. Instead of being like: "I am interested," say, "Here is what I am thinking. I mean I have the money. I will pay it now," and that usually gets a long way because I mean I have sent out a lot of inquiry emails and stuff, especially three and four years ago. I mean I was sending out a hundred a day on names that I would want. And you get a couple that are priced right and you show that you are serious, then you can get a hold of some pretty good names.

Michael: Yeah, but I am always hesitant. If I throw out a number that is too high, they are going to think that is halfway of where I am willing to go. How do you throw out a number that is high enough to show you are serious, but does not get them to think crazy numbers? Like I am throwing out ten thousand; they think they should get a million for it or a hundred thousand.

Aron: I usually start about at half of what I think I would want to pay. I do not want to lowball and be like ten percent, like: "Here is a two-letter .COM. I would probably pay a hundred grand for it. Let me see if they will take fifteen." I mean that is just idiotic, but I would say fifty or sixty and they will know I am at least in the conversation.

Michael: Yeah.

Aron: And I am flexible to go up a little more, but I usually start about half. Then if it is an instant yes, it is a home run, and if it goes back and forth, I am still in the game. That is just what has worked for me in the past. And I do not know what has worked for everybody else, but that has done pretty good.

Michael: So, on Symbolics.com, did you offer half of what you thought it was worth, and then you negotiated back and forth and went higher on the final sales price?

Aron: I think I just threw out a number, because that is kind of hard to value.

Michael: Yeah.

Aron: And it was pretty much what I bought the thing for. I mean they were wanting some money. The company was restructuring and they have since done other things now, and they were just like: "Yeah, that sounds fine. Let me get back with you," and I mean I did not sleep for a couple days. I was like: "Is this seriously going to happen?" And again, I mean, to some people, it is: "Yeah, that is kind of a cool name," but to others it is like: "You know what? That is really cool. It is kind of like the first model T to roll off the line."

Michael: Right.

Aron: I mean it is not quite that amazing, but I mean it is pretty cool to have and I am honored to have it and very happy to have it.

Michael: Yeah. How much did you pay for it, Aron?

Aron: I cannot tell you. We signed an NDA. And honestly, I really do not kiss and tell, with many of my names, what I am buying or selling. If you are on the buying end, it really hurts you down the road. And if I am on the selling end, you know what? I do not really need to praise a notoriety. I mean I still have a lot of two-letter .COMs and stuff like that, that would make sales lists and very few of them have been public. It is just a corporate policy of mine.

Michael: Yeah. So, you purchased this domain name relatively soon after you entered the domain name industry. I read Ron Jackson's cover story about you of how you sort of changed directions in your life, looking for a profession that really appealed to you, that you enjoyed doing, and that you had success in. I think we all bounce around from thing to thing. Heck, I went to school as a Nuclear Engineer and I am not doing that nowadays. But you ended up in domain names and I am going to assume that you paid a pretty penny for Symbolics.com, just because it was the first domain name ever registered. where did you get the money to purchase a high value domain name when you were bouncing around from profession to profession?

Aron: Yeah. In high school and college, I always tell everybody I scheduled my classes at eight, nine, and ten in the morning. And I would run home to

like little Internet businesses that I had, and I would import from China watches and shoes, and stuff like that, and I ran a bunch of mini businesses, just kind of serial entrepreneurial or maybe ADD. I just kind of changed direction and always did something different. So, I kind of built up, made little baby businesses and sold them, and stuff like that, and then thought: "You know what? Just buying and selling the domain names will be really easy. Nothing to ship. It is really clean," and I wish I had had that thought back in like '95/'96, but late to the game - whatever.

Michael: Right. And instead of buying things for five dollars from China and selling them for fifty dollars, you are buying things for a thousand dollars and selling them for five thousand. So, the scale goes up, but the profit goes up too.

Aron: Yeah, it was a gradual progression. And then I kind of really jumped in when I bought XF, because I knew I wanted a two-letter, because of the finite 676 (Unclear 9:03.3) elements and stuff like that. So that is kind of how I really jumped in, but I had some sales that I kind of going with before then.

Michael: Got you. Great, and now you are working for Heritage Auctions. Who is Heritage Auctions? I have never heard of them.

Aron: Heritage Auctions is the third largest auction house in the world. We have double the Internet traffic of Sotheby's and Christie's combined.

Michael: Wow.

Aron: The Internet platform is unbelievable, and I know that has been a problem with domain auctions in the past that were trying to integrate online bidding and it crashes, and it is dependent on the hotel room and everything else. And that is really the forte of the company; is their Internet technology. Heritage will sell around a billion dollars worth of merchandise this year. The home office is in Dallas with about five hundred employees. We have got an office in Beverly Hills and San Francisco, New York, and a presence in Europe as well. So, it is a company that sells across thirty or so categories of fine art, gold currency, comic books, and it really started out as like a numismatic-like coin and gold business and it really has just grown. And

their MO has been find an expert in the category, let them run with the category, and just see what we can build it into. And the category previous to domain names, which is what I am doing, is handbags. And they have got a kid in New York that is selling six or seven million dollars worth of handbags every year, because they pulled an entrepreneur, give him the resources to be successful, and just let him run with it. So it is quite an opportunity. I am very fortunate and thankful for it too.

Michael: That is awesome. So, I read, in your bio on the HA.com website, that you are a big vintage sneaker fan. So, vintage sneakers have a pretty high sales price also. How did you decide between going domain names intellectual property with them and just representing their sneaker division?

Aron: I am trying to tell them. I am like: "There is a huge market for these shoes." Yeah, I have got some on right now.

Michael: Those are vintage right there.

Aron: Those are vintage Jordans.

Michael: Why are you wearing them?

Aron: I do not know; because I am nuts, because I have got a ton of them. But I always tell them, like: "Guys, these shoes are worth a fortune. If anything, let's open a boutique in Dallas." But the cool thing is the Founders of the company are entrepreneurs. I mean like crazy. We totally gelled on my interviewed. I was pretty much hired on the spot.

Michael: That is awesome.

Aron: They are open for anything. I mean it is so awesome. Yeah, sure, we will open it. If it is feasible and it is not a waste of money, they are down for it, which is really why I am there; because they give me an opportunity to be entrepreneurial kind of in the controlled setting, using their resources, which is a dream, because I have had web developers and programmers and stuff that I have outsourced to, and I do not know how many times I have sat home at midnight and thought: "I wish I had some people just standing around me

that I can bounce ideas off of or develop something." And I finally have that, so it is very exciting.

Michael: Yeah. Well, I think anybody in the domain name industry that had a portfolio would kill to have 800,000 in their database that they know have exhibited interest or purchased something in the past and are relatively affluent, and have a technology that could support some sort of auction. Right? Like people can maybe create the technology, but they do not have the readership or maybe they have great readership, but their technology just does not work. Yeah, it is great. So, how did you even become aware that Heritage Auctions was looking at the domain name intellectual property division?

Aron: Right along the lines of how Symbolics was acquired. Things just seem to fall in my lap, and I have attributed it to God's favor, but I do not know. Where do you stand on those types of situations? That is just the way my life has been. I moved to Dallas a little over a year ago, and I was in Grad School for Business at Southern Methodist University. I thought I would want to get out of Missouri. Let's do something different. I will go to Grad School; kind of get plugged into a business-friendly environment. Long story short, the kid that sat next to me in my very first class is best friends growing up with one of the founders of the company's sons. Like every day over at their house, etc. So, he was trying to do a project, found out that I am kind of a domain expert of sorts, and we just built a friendship. And he passed my name to Heritage, saying, "Is there anything you want to do with this guy? I mean he seems really sharp in domains," and the owners of the company said they had been wanting to do it for about six years. They had been wanting to jump into the domain space, but they do not do things on their own. They get an expert locally that can kind of walk them through everything, and they give them the resources to run with it. So, it was a serendipitous, amazing, just coincidence that the guy that sat next to me introduced me to the company. And again, we hit it off from day one - the interview - at Heritage.

Michael: Yeah, I love stories like that, because it is not just the one event that you happened to talk about domain names and it is not the one event that you happened to sit next to each other. It is not the one event that you happened to go to Southern Methodist and you happened to decide to take an 8AM class

rather than sleeping in and take the 11AM class, like I did in my college career. The chain and chain goes back and back, and you have to go to figure, at some point, some things are meant to be. But that is cool that Heritage Auctions looks for the experts; looks in the Dallas area, so they have some control, and then uses their resources, their technology, their proven methodology, and they just bring in an expert to fill in what is of value.

Aron: Definitely. And we have sat down and I said, "Guys, I really love being an entrepreneur and making my own hours," and I have been doing it for the last eight years or so. And they have promised and they have fulfilled it to make my life and job as entrepreneurial as I want to be, and they have explained, "The sky is no limit here for building whatever we want to build." And honestly, probably in my professional life on my own, I have kind of plateaued. I mean you can only buy and sell so many names before you are looking to: "How do I make this bigger and what do I do?" So it is a great opportunity. It is a challenge. It is very exciting.

Michael: Well, definitely. If you are an entrepreneur, you love the thrill of the kill, right? You love to buy a big domain name, get that rush, "Am I going to be able to sell it," and then sell it. It is more the rush, and the monetary aspect may just be sort of a stripe on your shoulder. If you are successful, that is not necessarily the end-all be-all. And being able to start this up at Heritage Auctions, I am sure, makes you feel the same. Not just with the domains that you are buying, which you are capped at unless you grow it into a large corporation, but now you get to bring in a whole bunch of other domains and sell them to people who never realized that they were a valuable asset class before.

Aron: Yeah. It is the challenge and the whole process that gets me excited and gets me going in the morning. I mean money only takes you so far. I mean you can make twenty million dollars a year and absolutely hate what you do for a living and wake up miserable, or you can get involved in something that you really believe in with a group of guys you love to be with. And I mean I walk into the office every day and think: "God, this is awesome. What an opportunity." I am excited, and the monetary potential is still there, but that is not really what motivates me, and I think a lot of people can relate to that.

Michael: Definitely. So you said Heritage Auctions is going to do a billion dollars this year. Was that the right number?

Aron: Yeah, they are going to sell about a billion dollars worth of goods. I just went to their comic book auction. And you never know who is on the phone or in the room, or on the Internet. It is crazy. The Batman #1 comic book. They had the first appearance of Batman, graded a 9.2, which is the highest point.

Michael: Wow.

Aron: It sold for five hundred thousand dollars. I mean, like I mentioned, there is 850,000 registered bidders, and I do not want to make this a big commercial for Heritage Auctions, but you never know who is on the phone or who is eyeing what you have, with money, and thinking: "That is exactly what I want." I mean these people have money they want to put places. There was a guy in the room, wearing sweatpants, who bid four hundred grand on the Batman thing. I was like: "Really?" He was sitting with his kid, eating snacks and stuff. I mean just: "Yeah, four hundred," and then 450 was like: "No, I'm out." And I'm like: "I would be sweating." It is awesome. They have got a great network and great reach, and that is something that I have been wanting the domain industry to tap into for a long time. It is a perfect fit.

Michael: So, how big do you anticipate the domain name sales and intellectual property division can become for HA.com?

Aron: The thing we are doing is we decided this is a marathon, not a sprint, so we want to start it the right way. We want to get names that will sell not just in any auction house. We want names to sell because we want to make money. We want names that will sell to this buyer base interested, thinking: "God, these are really awesome." If we put up a bunch of names in at five million dollars, while it gets a lot of press, but you do not sell anything and it kind of fizzles out, at the end of the day, kind of what is the point.

Michael: Totally. Yeah.

Aron: So, when we have our first auction or event, I am going to put a couple names of mine in there. There is a lot of people that already onboard. I spent the last week reaching out to a lot of domain owners. And it is about half and half. 100% know that this is great for industry that we could bring in a lot of new money and investors. Some people are curious to see how it goes the first time, which I 100% understand there is no pressure. I will take the other half and we are going to run with it, and then maybe we can all work together eventually.

Michael: Yeah, I am a bit surprised that everybody is not onboard. I do not think there is a single person in the industry that would not want domain names to become mainstream; domains to become on par with Forex, and gold, and different types of currencies, and stocks. Like who would not want that?

Aron: I know. I think everybody is onboard for what this represents and what it could bring. Some people kind of want proof of concept, like: "Let's see how the first domain auction goes," and I am like: "Well, we have got thirty other categories that are killing it," but again, I am not a hard sell type person. It is like: "Let's work together down the road." Some people do not want to be the early adopters. They just want to jump in after it is rolling good, but the other half is like: "Rock and roll, I cannot wait to do this and put my name in front of who knows." And the 850,000-userbase is just the beginning. I mean the Marketing and PR Teams are incredible. And when you could do an auction tied to some awesome item in the lot, that is when they can really spread the news. Like this Batman comic that they had was paired with an original work of art from the Batman comics the first time the guy sketched out what the Dark Knight would look like, and they sold that piece of paper for well over five hundred thousand, and so that spread the news.

Michael: Yeah, I was just thinking. There is no reason why, if you are at a comic book convention, you cannot sell the domain name SuperHeros.com or some sort of generic that some collector or some comic book store or chain might want to have as their centerpiece online.

Aron: And there are businessmen (Unclear 20:16.9). There are collectors. There are investors. I do not want to say you never know who we are going to reach because I know the type of people that it is, but you really never know who is going to show up, pick up the phone, call, bid, and that is kind of what is exciting to me, because nothing against the domain auctions that we have right now, but it is kind of the same buyers and I am wanting to tap into a new group of people. I want to bring in new people. Like you said, make it kind of a legit asset class, like gold or real estate or stocks, or anything like that. And just educate the people that: "Hey, these are a good store value. They appreciate in value. You can make money with them passively. There is a lot of good benefits, and there is a finite number of really premium .COMs," which I know Frank and Jeff Gabriel allude to in their domain video that they have on DomainNameSales.com. That is a great video that just shows there are a finite number of truly premium names, and that scarcity is what drives the value up.

Michael: Yeah. So, what type of domain names are you looking for, Aron?

Aron: I think the two and three-letter and the two and three-number names would be very easy to tell investors that this is the value because of their finite nature and comparable sales, and some historical sales, like you mentioned the 114.com, which are kind of outliers. But I think it is easier to say, "Look, every two-letter .COM has sold for between 125 and X. So, if you could pay on the low end of this and there is only 676 of them in existence, I think that would be something worth buying and it would honestly be something that I would not mind recommending to somebody to buy." There is a lot of three-word .INFOs and stuff that, hey, we all like making money, but I could not, in good conscious, pass this along to an investor. So, names like that. One and two-word, product, service, category names like that, and even like generic names. Like I saw Elephant.com on TV the other day. It was insurance and I had no idea, and I was like: "That is a great generic name. It is like Amazon." Names like that, so I think we can get a good inventory for this first auction, and the response has been great so far.

Michael: Cool. So, what is the typical commission for running a domain name in your auction?

Aron: Yeah, that is good that we can cover all this now. The standard in the industry of Christie's and Sotheby's is 15% from both ends, so 15% buyer's premiums and 15% seller's fee. And that is higher than what we are used to do, but the 15% on a seller's end is normal. We do that with brokers. But it is because we spend so much money and advertising and promotion, getting the event out there, we have got to kind of make it worthwhile. But the Founders of Heritage have really given me leeway to get some early people in and try to offer some incentives. So, any big players that want to consign a lot of names over the first couple of years, we are willing to be flexible on those numbers. And again, they want to make it work. They want it to be successful, and it is less about just making a killing and more about just kind of having the presence in this industry and seeing where it goes from there.

Michael: So, let me see if I understand, because I did not understand the 15% on the buying and the selling side. If I sell a domain name for a hundred thousand dollars through one of your auctions, do I walk away with seventy thousand or do I walk away with eighty-five thousand.

Aron: As a seller, you walk away with eighty-five. You pay 15%. Another 15% comes from the buyer's end, so the final price will actually be \$115,000 with the buyer's premium. They will tack a 15% buyer's premium on. And that kind of took me aback at first.

Michael: Yeah.

Aron: (Unclear 23:49.4) that is a buyer, but the mentality is that the bidders just bid what they want, and that is just the fee at the end that they are totally used to paying. Again, it is a different type of clientele. It is a different type of mindset investor that are used to doing that. That Batman comic went for five hundred grand; there is an extra seventy-five or whatever it is on top of it. Whatever. That is just the fee part of doing business. So, that is a standard, and I think we can play with the seller's fees a little bit to try to entice people to consign with us.

Michael: Sure. And will the registrants - the people who are selling domain names - have to sign exclusivity with you in order to get them in an auction?

Aron: I think so, because Heritage really prides itself on transparency, honesty, integrity. You can go to the About Page or the Ethics, and it is a great company. The worst thing in the world that could happen for Heritage is to sell a name and the domain owner would be like: "Oh, well, we sold that a month ago," and that would completely tarnish our reputation, or: "You know what? I kind of changed my mind. I was hoping 150, but it went for 130," and so we cannot have anybody pull back anything like that because you have a couple of those and then there is not confidence in the marketplace whatsoever. So, yeah, they will have to do exclusivity, but we are not looking out years from now. If we have an auction to bid, it will be three or four months from now. So, it is typical and, hey, give us a few months to promote this thing and see what press we could get this covered in, so yeah, it is a few months agreement.

Michael: Yeah. So, when will the first auction take place? Do you have a date set yet?

Aron: We were thinking about later in the fall, towards mid-November. I am friends with Rick Schwartz, and we did not want to step in on the TRAFFIC Auction, which is in October, and we are trying to work together. And there may be even ways for us to help out with that auction in the future; bring in what we can to the table. So we wanted to do it after his. Not to step on his toes and do it the week before, so there is no conflict there. We are thinking late November, but we are going to see how the next month pans out with consignments. I am going to consign names until about September 1st, and then do two and a half months straight of promotions. But if the consignments by September 1st do not go as we have planned, then we will push it back until the first of the year. So, I am not under the gun to get this thing rolling immediately, but I anticipate wide acceptance from domain owners and excitement. And I have gotten it so far, so I think we can probably do the November auction. That will be solidified later within the next few weeks.

Michael: How many domain names do you think you need to run an auction?

Aron: I want to keep it exclusive. We would kick around ideas from a couple hundred, but I am thinking I am going to do fifty to seventy-five, because I like to give personal attention to each one. Our Marketing Team can do direct mailing and emailing and calling. We have got call people setup in-house. So we want to give personal attention to each name. So, if Tablets.com comes across, let's direct market it and call and mail to all the computer manufacturers and retailers. If Shoes.com comes across, let's do the same thing. So, I am not looking for a big volume so we can make a killing. I am looking for a small quantity of names that I think will sell.

Michael: Yeah.

Aron: So we can have a successful auction and keep the momentum going.

Michael: And if I own Tablets.com, well, I would be you, right?

Aron: That is correct. That was a plug for my name for anybody listening.

Michael: All right, but if I own Tablets.com, can I set a reserve price? "I will not take less than 150/250 for it."

Aron: It is typical in the auction industry that very few things carry reserves. It is more about liquidity, but again, we have talked to the guys and the founders, who are incredibly accessible. We talk multiple times a day with the guys that founded the company. I mean they are so cool. Yeah, we can do reserves as long as they are reasonable. I know domain owners may be hesitant. This is the first auction, so pop a name in there at a reasonable reserve. If we do not market it to our people and sell it, we have all lost nothing and you honestly hit several million people that have seen your name in the auction.

Michael: Right.

Aron: So it is kind of a win-win for all of us. We prefer no reserves, but I think we are going to take some reserves when it is applicable for certain names.

Michael: Okay, and you will help registrants set the reserve pricing on their domain names so it is reasonable?

Aron: Yeah, we need to kind of talk back and forth, and do a little bit of valuations and be kind of realistic. Again, I have told people this is not an auction to put something in there for three million and hope somebody big shows up. While bids may go into seven figures, let's start it low with a reasonable reserve or let's start it low with the absolute minimum you would take for it, entice people to bid, and get people interested. The Heritage founders always say, "You need people emotionally invested in your auctions. And if you can start something pretty low, I mean people keep looking at it every day and then they are married to it after three weeks," and so that is the kind of thing that we are looking for. It is a liquidity event, but it is not fire sale type stuff.

Michael: Right.

Aron: So I want to make a distinction between that.

Michael: Yeah. So, you said you spoke to Rick Schwartz, who has the TRAFFIC Conference coming up in October. Have you discussed actually running their auction online in sync with them doing it live in the event?

Aron: Yeah, we did talk a little bit about that, and I do not want to share any private info that is between me and Rick, but I think there is an opportunity for us to help. I just know that we could not pull it off together this time, but I think having the legitimacy of the company like Heritage Auctions and the technology we bring to the table of the web and the phone bidding and service of live auctioneers, I mean we can handle it and promote it. So I think that is a good marriage for the domain conferences and auctions going forward. So, I think we may see something like that in the future, but again, we want to let Rick do his thing; maybe jump in with ours later. We did not want to time it weird with Domain Fest, which is January/February, so we are trying not to step on anybody's toes, and that includes brokers, so that is something we can discuss at any point too.

Michael: Great. So, let's talk about the domain names that you would love to have in your auction. Your LL, your LLL domain name. So, it is AB.com or it is XYZ.com. How do you personally look at valuing two-letter and three-letter domain names, Aron?

Aron: The reason I like those so much is because there are direct comparable sales. Like we mentioned Tablets.com before. What do you compare it to that has been sold? I mean we all know that all of these are unique in nature. They are all one of one. So, at least the two and three-letters have other comparable and while there are a crazy wide range of sales, I mean Facebook paid 8.5 million for FB.com, but I bought two-letter .COMs for fifty grand before. Well, that is kind of strange, but it is easy to do comparable sales. It is easy to kind of get an eyeball and gut feeling. I know a lot of professional domain investors talk about gut feeling, and it is kind of hard to explain, but a lot of it is common sense. Like does that name price fairly when you inquiry about it? But I think the comparable sales, which is why I am really going for the two and three-letters and two and three-numbers. There is direct comparables to where we can give like an estimated price range because, if you have seen any big auctions like Christie's and they send out the catalogs, and here is Shoeless Joe Jackson's baseball mitt, there is always an estimated range at the bottom that we think the name may sell for to give the buyers an idea of what would be a fair price to pay. And a lot of times it goes above that estimated range, but that is kind of the thing that I am looking for. How do you estimate what Tablets.com is worth? We will put something like that in the auction for sure, but I would love to load it with the two and three-letter names to where the investors can really understand, hey, this would be a good buy at this price. So, hopefully that explained it and I did not just talk in a big circle.

Michael: Well, it is not clear enough for me though. So, if I just look at LL.com, because you are not looking at any other domain names. You do not want to see any .BIZ, any .ME, or any .LE.

Aron: Probably .COMs for now.

Michael: Probably .COMs. And so, if it is AB.com or it is DC.com, what is the range that you have ever seen LL sell for? Fifty thousand up to five million?

Aron: Yeah, I know now there is not a single LL owner that would sell for less than a hundred or 150.

Michael: Okay.

Aron: So, I am kind of looking for someone that would want to do it on the lower end of the 150, 200, 250, and 300. I know people that are shooting for: "Let's get 750 or a million dollars." Those are not right for this auction. And it is hard to evaluate. I mean the names are worth what somebody is willing to pay.

Michael: And how good the letters are, right? There are better letters and worse letters?

Aron: Yeah, I mean I sold YQ.com for just over a hundred grand I think a couple years ago because it has got a Q in it, but to the investor I think that would be a great name to buy. Just hang on to it. It is one of the 676. And again, a lot of it has to do with the domain owner. If people are shooting for several million dollars just for whatever reason. I am holding out. It is not right for this auction. Every LL owner knows that the low end is 150, 200, 250, and 300, so let's get a few of them in there at that value and just see what happens. And I think we can not convince the investor, but educate them enough that this is kind of the range that you would be smart to pay.

Michael: Makes sense. And so, what about three-letter domain names? What is the range? What do you think the lowest would sell for nowadays?

Aron: Yeah, same thing. A lot of non-premium ones go for the five grand range, but I am kind of looking for the ten to fifteen thousand dollar ones. I know there is always the - what - DJI just sold for a fortune to a Chinese company.

Michael: Right.

Aron: So I know that there are outliers like that in the data.

Michael: Just like FB.com. It is an outlier because a company who has those initials just wants to own it.

Aron: Absolutely. It is: how motivated is the buyer? So, we are looking for like the ten to fifteen thousand dollar range. And overall, in the auction, I am thinking names from five thousand up to maybe mid-six figures, so that is kind of the range I am wanting to work with, with the one and two-letter .COMs. But the three-letter names - if anybody has got any that they are looking for ten or fifteen for something like that, I would like to put them in there, and they may go sky high; they may go for ten. It is not one of those you have no idea, but we are going to promote it better than anybody ever could on their own, which is the exciting thing.

Michael: Yeah. All right, so let's talk about numbers then. And numbers is something that I just do not get at all. I know Domain Shane loves his numbers and he gets onto CN.com, and 114 just sold. I had no idea that it was the information number in China.

Aron: Yeah, I missed that one.

Michael: So let's just talk about NN.com, so 11.com, 99.com, 77.com, or 74.com. How do you look at the value range on those?

Aron: To me it is similar. It is very similar to the letters, except there is even a smaller number of two numbers. There are 99 of them, if you do the 01 and 02, and those are big with the Chinese and Asian buyers because the numbers relate to them. They have meaning behind them. So, I think the NN and NNN are going to be the exact same. Let's eyeball them. Let's get some comparable sales. Let's try to show the buyer that, hey, these are very similar that just sold for these prices in the last couple years. So, if you paid X, I would feel comfortable recommending you buy that.

Michael: Yeah.

Aron: And I think we are going to get some. I do not know a whole lot of NN sellers. I know a lot of LL people just because I have a few of them and I have had a bunch of them. So I do not anticipate a lot of numbers being in the

auction, and I think those buyers are in China mainly, and so I do not know what kind of presence we have, but I do know that our 850,000 registered bidders are across 187 countries. So, if you want to reach some people in Japan, by God, this just may do it.

Michael: Yeah. So there is probably less of a pool of people buying numbers because they do not understand them as well. If you have a lot in Western Europe or North America, let's say. But there is less of them, so they might be a higher value. So, if you are looking at LL.com going for a hundred to three hundred thousand range, what would you say the NN.com go for? Is it less or is it more, or is it the same?

Aron: I would say about the same range. And again, I am not up with Shane and all them because I know he does a bunch of four numbers, but I think all the big sales are in China. So, I know a lot of the big LL sales are Merrill Lynch, and Barnes & Noble, and American Airlines. So, that is relevant here, so that is kind of what I have been focusing on more. But I think the big number sales are in China/Asia, where the numbers have so much meaning in their daily lives. But I would think the NN's would be valued the same as LL's. I think it is easy for me just to eyeball them and say, "74.com. You want 175 grand for it. I think we could probably do that. Let's go for it." But 74.com and you want 750. This probably is not the right venue.

Michael: Right.

Aron: I have had to tell that story a few times to people, but it is fine. It is an auction. It is about liquidity.

Michael: Okay. And then NNN.com. You think you are looking for five to fifteen thousand dollars, maybe a little bit higher than that range.

Aron: Yeah, probably ten to fifteen. I know many three letters and three numbers sell all day long for thirty, thirty-five, and forty, but I would like to put them in lower and give them a chance to actually get up there if we get a couple people interested. But I just do not think putting a three-number in there starting at forty or forty-five or fifty is really going to get attention like I

think if we started at ten or fifteen. That is kind of why I am throwing those prices out there.

Michael: Right, and so people need to realize that this is an auction. While you may allow a reserve, this is a liquidity event. It is not you are holding on to 77.com, let's say, and you think you can get five hundred thousand for it, and you are just waiting. Like if you put it in an auction, you want to sell it because you need the cash. You want to free up some investment capital for some other opportunity or something. So, you cannot go in asking for retail on an auction.

Aron: Definitely. And although we think some bids may go up there, like if we put Tablets in and contact all the people, and the auction lets the buyers know this is serious. This is a one-time event. The thing is going to sell. Apple, Samsung, Sony, Best Buy. You better show up and bid on this thing if you ever wanted to. So, while they may go that high, like you said, it is a liquidity event. It is not fire sale type stuff. And although big windfall and homeruns and end user sales are great, a lot of us need turnover to keep the thing going and keep it chugging. So that is kind of what we offer; is opportunity to turn them over, get some liquidity, get some cash, and keep moving on.

Michael: Yeah, awesome. All right, here is the final question for you, Aron. You have been doing it for about seven years now, so if you look back at your early domain name flipping days, what advice do you have for people that are new to the industry that want to get up to speed as quickly as they can and generate some cash in flipping domain names?

Aron: I know a lot of people mistakenly start off thinking: "I am just going to register a bunch of names. I am going to buy five thousand names," and it truly is quality over quantity. I think the DN Journal cover story back in '09 about the same time as Symbolics, I was featured in there and I gave the same advice of: if you can pick up one or two or three really good, solid names, that will do more for you than if you go hand register a thousand of them as lottery tickets and just kind of pray. I think the days of doing things like that are almost over. I know there is a lot of good drops and a lot of good hand registrations left, but I think if you can pick up one or two or three and

kind of get your foot in the door, and a lot of people think: "How do I know if a name is premium?" If you have to explain what the name is, I do not think it is premium. I get a lot of that. "Here is a submission. Would you take this kind of made up word," and it could mean this, and it is a plural of a term." It is probably not premium. So, if you can pick up, even for a couple thousand dollars, there are names out there - two-word names - for a couple thousand dollars, get a couple of those. Try to flip them. Put yourself out there. And honestly, your site and domain blog and stuff like that. I mean I have checked your site recently and it has become just an incredible resource; how you have your categories listed. And if anybody wants to learn, listening to the experts explain how they got started and what they did is far better than just spray and pray. Let me shotgun five hundred names.

Michael: Right. So, instead of buying a thousand names at, let's say, ten bucks a piece, so you are in for ten thousand bucks initial cash outlay plus another ten thousand dollars every year, you are saying take that ten thousand bucks and go buy two 5000-dollar domain names or three 3000-dollar domain names.

Aron: Definitely. Definitely. And I mean I have all but given away a couple of good two-word names in the past couple years. It would be great for somebody to start out with. Just for whatever reason, I am like: "I am kind of sick of that." Like I had ImageSharing.com, which is great with all the photo sharing, and I gave it away as a part of a domain trade I made six months ago. And I am like: "I would have sold that for nothing to somebody if they wanted to start an image sharing site or an app, or just wanted to hang on to it." So those kinds of deals are out there. I would go for the two word ones, even pick up a three-letter one. Those are easy to flip. Stuff like that. But yeah, quality over quantity. Do not just try to dream up thing. Do not try to reinvent the wheel. Do what has been proven that the other people have suggested that you do.

Michael: So, if somebody does pick up a three-letter domain name or let's say it is a four-letter, but it actually has some meaning, what is the best way that you would advise to flip it?

Aron: I would say the three-letter names; I think forums are really good. I think forums are good. I have sold all of my names by just direct outreach to whoever I think may be interested. Starting build a network. Start reaching out to other domain people. Start reaching out to companies you think may want them. Like the two-letter .COMs. A lot of times they would come to me, so make it available on the website. Put a for sale banner. Put a for sale sign. If you go to HY.com right now, I have got just a for sale inquiry box and I get several per day just because that box is on there, where if I were to monetize it or tried to do something else with it, I would get zero.

Michael: HY.com. That seems really good. Like it seems like a startup would want to buy that. It is like: Hi!

Aron: It seems good. I used to have a little logo with the hand, like: "Hi!" And I know the HY is how some people spell hi over at I do not know where. So I know there are several Chinese companies with HY initials, but totally different story. I am holding out. Let me get a big windfall one of these days.

Michael: So you are not going to put that one in auction.

Aron: Actually I might, just because I really believe in this process and I have always wanted to get my name in front of some people with money that could make a statement; could do something. I am excited. I am going to put several of mine.

Michael: That would be the true test, Aron. If you believe in the marketing and the power of your 800,000 at Heritage Actions to put in Tablets.com and HY.com with a lower or no reserve auction price, that would convince me, buddy.

Aron: And I know you are calling me out on it, and you will read and hear about it soon that I am doing exactly what I promise.

Michael: Awesome.

Aron: So, you will find out that I am putting a few of my names in there, because I believe in it and we will see.

Michael: And clearly Heritage believes in it because they own HA.com.

Aron: I do not know how many people in the company have come up to me as the resident domain expert, because everybody has got names. "I registered a name back five years ago." I am like: "I do not even want to hear it." If you have to explain it to me, it is just like ugh. You know what I mean? People have knocked on my door and have been like: "What do you think this is worth?" So, they have come to me, saying, "Do you think that was a smart move? Do you think we paid fair for it?" And I am like: "I think it is one of the greatest moves you ever made," because if you drive in Uptown Dallas, HA.com is on the side of the building. It is on the business card. It is awesome.

Michael: I cannot tell you the number of times that I have misspelled Sotheby's.

Aron: Oh yeah.

Michael: And most people do not go to Sotheby's, but we actually have a relationship with them here, in the town that I live, because we have a print magazine and they have a real estate office here, and so we work with them for real estate leads. And try and spell Sotheby's. Oh my gosh, but if they had SO.com or S.com, yeah.

Aron: Any two-word companies, two and three-word companies. I mean if you could just shorten that thing down and you can slap HA.com somewhere, and that is what a premium name does. I keep using Tablets because I am not that creative, but if you could slap Tablets.com somewhere, you know exactly what the company does without having to go into it and explain it. And I think the companies have realized the value in that, but yeah, they kind of rebranded themselves as HA now. We are Heritage Auctions, but we are known as HA, and it really was not that big of a process. I mean a lot of companies think: "Oh my gosh, we are going to have to do all this stuff to go to AA.com instead of AmericanAirlines," and it is like: "Are you kidding me?" If you fly American, AA is right there on the wing. I mean it is awesome.

Michael: Exactly.

Aron: Companies are realizing that. A lot of fortune five hundreds have them right now. So, I think we can get people like that to show up at auctions, so anyways, I really excited. I do not want to over promise and under deliver, but I think my excitement kind of is resonated out of my pores.

Michael: Yeah. All right, I lied. I have got one more question for you, Aron, because you said it a couple of times now. If you have to explain it to somebody, then it probably does not have value. And I am one of the guys that like I am relatively new to the industry. I sort of look at myself as from outside the industry. And I look at a name like Tablets.com. Nowadays I understand it because I go and lookup the search volume. I can look at who is buying advertising and how much they are paying. But if I had not done these interviews for the past couple of years, I would be like: "Well, what are you going to do? I am not a tablet company. It does not have any value to me. What am I going to do? Sell tablets?" But it is not Best Buy, where you sell everything, or Amazon, where you sell everything under the sun. So, what do you mean exactly when you say if you have to explain it to somebody?

Aron: Well, using that example, some people still do not get it, which is totally fine. Like that comes up in conversation.

Michael: Right. Like you would have sold it by now because I know you have had it for sale for a while.

Aron: Yeah, I am shooting for the sky. How much do you want? Five million. Whatever. I am not desperate to sell it. But if one is going to hit the big time, then maybe that one sells.

Michael: Right.

Aron: But a lot of people just dismiss it. Like: "Oh, Tablets.com. That is cool. Well, what would you do with it? What would I do with it?" I have had that conversation with end users, like a couple major retailers. What would I do with it? I am like: "I do not know. What is Cars.com doing with their name or

Hotels.com, or anything big?" So, some people get it and some people do not, which I know everybody is not going to completely get it from now on. And tablets does have more than one meaning. If the industry goes under, I could sell pills or something.

Michael: Right.

Aron: If you have to explain it was kind of in reference to a lot of people with made-up spellings and words, pluralizing things that are not necessary. Putting an LY at the of something and it could mean this. That is probably not a smart move while these funky little Weebly (Unclear 47:27.2) type names. Some of them are stuck. That is not the type of lottery ticket name I would buy if I was starting out. I would buy something that has some meaning or a three-letter acronym or two words that go well together. Not ShoeChair. You want something that actually goes together. And again, that is how uncreative I am. I saw a chair.

Michael: Well, ImageSharing. That makes sense. Everybody wants to share images. It would probably be better as PictureSharing or I do not know.

Aron: PhotoSharing.

Michael: PhotoSharing, yeah.

Aron: I tried to buy it from that guy, but I am not talking fifty grand. I mean I would have sold the thing for a thousand bucks to somebody if they had caught me on the right day, which I think that is a great name to get started with. So I think there are deals like that. It takes a little bit of hustle. I alluded that I have stayed up all night, back when I was starting, just emailing everybody I can think of with names that popped in my head. Now I know there are programs and stuff. It is a little better for them, but it takes hustle and it takes a thousand people telling you to take a hike, but one person saying, "That sounds good. I think now is about time to sell," like Symbolics.com, and that is how you get rolling.

Michael: Yeah, definitely. All right, if you have follow up questions for Aron, please post them in the comments below the video and we will ask him

to come back and answer as many as he can. Aron, if someone wants to contact you and say thank you for coming on the show and sharing or if they want to contact you and say, "Hey Aron, here are a couple of names that I think might fit your auction that I would be willing to go with no or low reserve," what is the best way for them to connect with you?

Aron: You can go to HA.com/IP or HA.com/Domains, and you can get me through there. There is a little form on there where you can signup for an update and we can blast everybody, saying, "Here is our first auction. Here is a submission." And if you want to directly get me personally, you can do AronM@HA.com, and I am usually quick to respond. And finally, if you want to go to XF.com, which I still have that site up; it is my personal site. You can go to XF.com and there is a form on there, and that is tethered to my hip on my phone, so I will respond. And if the names are not a fit for the auction, there may be a way to work together in the future. I have to be really picky this first time around, but I think it is going to go well and I am excited for the opportunity. I think it is really good for the industry.

Michael: Yeah, definitely. I agree and I have signed up on your mailing list, so I cannot wait to see what comes down the pipe.

Aron: Awesome. Well, thanks for the opportunity to get this out there.

Michael: My pleasure.

Aron Meystedt, Founder and Director of the Intellectual Property and Domain Division at HA.com. Thanks for coming on the show, sharing your knowledge about pricing the domains and how you are going to move forward at HA.com, and thanks for being a Domain Sherpa.

Aron: Thanks Michael, I appreciate it.

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

Watch the full video at:

<http://www.domainsherpa.com/aron-meystedt-ha-interview/>