

# CONQUERING THE \$15B NORTH AMERICA BATTERY MARKET WITH BATTERIES.COM



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Episode 372

How would you like to buy a premium domain name – you know, one that costs more than \$50,000 or \$100,000, but just like when you're buying a home, you're not putting 100% cash down, but instead leveraging your down payment into a large sale. You can do that in the domain name industry too. Stay tuned to learn how!

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Michael: Hey Sherpa Network. Thanks so much for joining me today. My name is Michael Cyger and I'm the publisher of domainsherpa.com, the website where you can learn how to become a successful domain name investor or entrepreneur directly from the experts. My goal is that you'll watch these interviews, take away strategies, tactics and ideas, become successful yourself and then come back to DomainSherpa and do an interview. As domain name investors we sometimes come across killer exact-

match domains. Every once in a while we come across a killer exact-match domain that includes a business, and it's really hard to pass up the opportunity to put our money where our mouth is and try our hand at running a real revenue generating business.

That's what today Sherpa did and we're going to hear all about it today. I'm pleased to welcome David Clements, president and CEO of batteries.com, one of the internet's oldest battery and electronics retailers. If the name sounds familiar David Clements, it's because he is the owner of brannans.com a consultancy and newsletter that helps Fortune 500 companies and high-net-worth individuals purchase and sell premium domain names. David, welcome to the show.

David: Hi, thanks for having me Mike. Hey Sherpa's, I'm looking forward to the interview and looking forward to hopefully getting some really good questions from you.

Michael: Great. So, you know I gave a quick little summary of batteries.com David, but when you're speaking to family and friends, or people that aren't familiar with batteries.com, how do you describe it?

David: We've got around 10,000 items for about 50,000 uses. We've got the standard batteries, the double A, triple A, C D 9-volt and different chemistries, alkaline, nickel-metal hydride and lithium. But we've got a ton of coin cell batteries, hearing aid batteries, sealed lead acid batteries that power wheel chairs, that power kid's toys for the backyard. We also have an entire other category of electronics. We sell flashlights, portable generators, we've got jump starters for cars, we've got tool sets, we have...This year we really brought in a lot from China, and actually brought in so much inventory that we haven't even gotten it all online before Christmas. So, it's been challenging.

Michael: 10,000 skews, 10,000 individual items, that's a heck of a lot of stuff and we're going to dig into how you store that, and itemize it, and pick it, and ship it, and all that sort of stuff. What's the oddest battery type that you

have? Like my boat battery died recently, can I go onto batteries.com and buy a marine battery for my boat?

David: Yes.

Michael: Wow.

David: There's a chance we've got exactly what you need and if we don't have it online it's an oversight on our end because we could get it.

Michael: So, we're wrapping up December 2016. This show will probably go live in January 2017. If you look at just November let's say, because December hasn't closed by the time we're recording this, how many orders did you fulfill in November 2016?

David: You know, I know these questions are probably right in front you Mike but we're a privately held corporation so I really don't want to discuss the numbers. I discuss them you know, with my banker and my accountant.

Michael: Yep.

David: If that's okay.

Michael: You bet, is December gonna be higher than November.

David: Yes, by far. The three biggest months in the battery business are actually November, then December, then January. With e-commerce usually it's the time between Christmas and Thanksgiving that's the big run, but we find that January is a little bit bigger than December because of all the gifts people get that didn't come with batteries, our assumption. That's what the pop in sales is, but January is generally actually the bigger month.

Michael: Yeah, that's interesting, I would have pictured December being the biggest month and then January, November sort of trailing off from there, but data doesn't lie.

David: Right.

Michael: If I ask you for your projected revenue for 2016, is it bigger than a breadbox? Is it over seven figures?

David: It's bigger than a breadbox.

Michael: Is it over seven figures David?

David: It's well over, and I mean I really don't want to talk about the numbers.

Michael: All right, I appreciate you giving us an idea, right? Like it's well over seven figures. I just like to know what size are we talking about here. People watching the show would love to know like well, are we talking about you know, a business that's an upstart that maybe is only doing \$50,000 or a \$100,000, or we're talking about a business that's over a million, over 5 million, something like that. And so you gave us a taste of that and I appreciate that. Let's take a step back David, before we get into the details of how the business, I know a lot of people love to know how you got started in the industry. How you became familiar with domain names, and how it led to this batteries.com opportunity. How long have you been in the domain name industry?

David: So, I've been in the domain name industry about 10 years. I got into it, actually had just finished up my degree, I had gone back to school to go to medical school. And while I was waiting to find out if I got into med school, I really accidentally got into the domain name world by buying, selling, and brokering 3L.coms.

Michael: How do you accidentally get into the domain name industry by brokering 3L.coms?

David: Through a friend that was doing it and I mean, within six months I was hooked. You know, my wife got into med school, finished, has finished

residency and she's practicing medicine and I never looked back. I mean, I never even tried hard to get in after seeing some sales in the domain industry. It's more exciting...

Michael: It is exciting.

David: ...being in that kind of environment where we did the trade shows, we did some auctions, and we traveled and we really got to know a lot of domain investors globally. Really U.S., Europe, and Canada, you know.

Michael: And so, when did you start your own brokerage? Was it 10 years ago, like did...

David: I would say...If I had to guess I'd say probably 2009, maybe 2008. I sold the interest in the auction company a trade show, started a brokerage but I also bought cheesecake.com and I ran that. That was just a pure domain play and some of the numbers are public, purchase number is public, we paid a \$100,000 for it and turned it into a company selling cheesecakes nationwide. I think it's the largest in the country now selling cheesecakes. The owner and I keep up but I haven't really been able to get him nailed down on whether or not he's the biggest in the country. I think he is though, and he's doing really well with the brand.

Michael: Yeah, I'm gonna come back and ask you about Cheesecakes as well, so this is not your first foray into buying a killer exact-match domain and building it, in the case of Cheesecakes I believe you're drop-shipping whereas in batteries you're building your own supply chain. And so, I wanna contrast those a little bit later in the program. So your brokerage brannans.com, brannans.com, it's primarily focused on premium domain names.

David: Yes.

Michael: What types of domain names do you typically serve and who are your clients?

David: For Brannans, most of the things on the newsletter right now are one and two word, .com, .net, .orgs. We do some other TLDs but I generally steer away from everything with the exception of the main three that are the U.S., bread and butter TLDs. Every now and then we'll run something else and we do have sales in them, but I would say the core business is 95% .com, .net-centric. And my real focus is one word.coms, or two L.coms for long term brokerage.

Michael: And do you find that most of the people on your newsletter list are investors or do you have a mix of investors and end users?

David: It's a mix, I mean, we've actually got some Fortune 50 buyers, really mergers and acquisitions guys, that have actually over the years given us names to sell or wanted names for different divisions of companies. We've got investors, we've got small and medium size businesses. It's funny because there is no one persona to write the newsletter to because there are so many different people, different backgrounds, educational backgrounds, different cultures. You know, sometimes I find it...I'm writing something really, it seems bland to me, but I've got to try and keep out idiomatic expressions, and make sure that I'm trying to communicate with the audience, so overall audience.

Michael: Yeah, that's smart because a lot of people don't interpret those expressions the same way in different parts of the world.

David: That's true.

Michael: So, how do you balance your brokerage with starting up and running a business?

David: When batteries.com came up as a chance for me to buy it last year, I told my wife I was gonna try and operate it adding an hour or two a day. And I would be able to spend time on Brannans, a typical 8/10 hours a day, and it's turned into a second full time job. I'm working now, you know, sometimes I'm working a lot actually till 10:00 or 11:00 at night. As I'm falling asleep I'm

thinking about a problem, I wake up at 4:00 or 5:00 in the morning...I wake up and the first thought is that problem and it seems like I don't even know when I drifted off to sleep, right? It's 80 plus hours a week to run 2 totally different types of businesses, where Brannans is a much smaller operation in terms of who I can get to help me with it. With batteries there is a team here now at this point, that really helps me with the operation, which does make it easier but at the same time I mean, the batteries to me is much more challenging because we've got such an opportunity to really hit some significant growth.

Michael: Yeah. All right, let's dig into the batteries then.

David: Okay.

Michael: So batteries.com was first registered I believe in March 1999.

David: Okay.

Michael: What was the history of the website up until last year when you purchased it?

David: So batteries.com launched live September 27th 1999 and the Petruzzi Brothers primarily Dale Petruzzi had the site. He went from...when he really got serious he went from 300 indexed pages to about 8,000 no...60,000 indexed pages in Google. It was an internet retailer 500 company. They did business to consumer, B2C, they did B2B stuff, they also had a wholesale distribution arm where they were an Energizer master distributor. So, batteries.com was also providing batteries for companies like Bestbuy Wholesale.

Michael: Wow.

David: And that relationship with like Bestbuy, the wholesale arm, an entity went all the way up to 2007 under the Petruzzi Brothers. And then in 2007 Vox International, I've always known them as Audiovox, but they rebranded



as Vox International, they bought the company from the Petruzzi Brothers. Vox must have probably 40 brands globally. They are in all kinds of things, you know, multi-billion dollar publicly traded company. So, they took batteries.com and they kind of split it, they ran the online portion, business to business, business to consumer, sales of batteries on batteries.com the website. And then they separated the wholesale side of the house, and really focused more on that business because that was the interesting thing to them for the acquisition.

And I tried, I actually approached them, it's 2016 now, probably seven years ago, 2009. I approached them and tried to buy batteries.com from them. And I got the, "It's not for sale, thanks for your interest" email, which turned into a five year conversation. And I basically ended up with the deal that I had first tried a refusal to purchase the domain name and the U.S. trademark, at such time that they decide that they're gonna sell such asset. It was really long conversations on the phone and by email with several people at the company, all the way up to the CFO. Actually an amazing guy, super approachable and I would talk to him a couple times a year about it.

And last year when he did approach me, and said that they had decided to sell it, it took us a couple more months to put the deal together with the domain name and the trademark, and that's when I took over the business. During the period that Audiovox had it, when they took it over, it ranked for over 400,000 keywords. It ranked for so many long tail search terms, it was crazy, organically and for e-commerce, high converting terms. And when they decided that they were gonna sell the business they waited years to do it. They pretty much stopped buying batteries, and even though I got everything else that came along with it, I may be jumping ahead here.

Michael: That's okay.

David: The customer database was almost 700,000 transactions just since 2007. A lot of those folks we've had to reengage because you know, for that 2 and half year period they decided they were gonna sell it they stopped buying, they ran out of stock.

Michael: Yeah, so let me understand this David, so they bought it in 2007 from the original owner, 2007 was right before the housing bubble burst 2008. So the economy was pretty good, they probably paid a pretty good amount for batteries.com in 2007?

David: Yes.

Michael: Okay. And then the onslaught happened, the economy you know, the housing bubble burst, people lost their homes. The market turned sour, a lot of businesses went under because they...people weren't spending money. And I assume that batteries.com probably fell into that sort of turmoil as well, is it fair to say that, that sales decreased from 2007 to 2009 when you first approached them and then continued decreasing to 2016?

David: I don't know.

Michael: Okay.

David: There were certain things that I didn't get access to. My best guess is... And I've got to be careful there is a really thick nondisclosure agreement in place on this.

Michael: Sure, yeah.

David: Is that, this wasn't the interesting business unit to them, of the acquisition and my gut was even if it was doing a \$100 million a year it still wouldn't have been the interesting business unit to them. So, I don't know what the sales numbers were but they were still actually substantial. I do know what they were, but they were substantial.

Michael: Yeah.

David: Honestly I don't know why they didn't really continue to grow the channel, but they even had...there were some relationships in place with

some vendors. I don't think I'll break NDA by saying that you know, they were paying \$13,000 a month for hosting, okay, in 2014.

Michael: Yeah, that's crazy.

David: And that was the discount paid annually. So, the bill was due and when I bought the thing, I'm talking to the hosting company, they're like, "You know, it's gonna be \$156,000." I'm like, "Hold on a second, for what?" "Well, we're PCI compliant." I swear to you that was...

Michael: So HostMonster for \$3.99 a month, yeah.

David: It's normally 15,000 a month but this is a discounted rate for paying annually. And it flabbergasted me how... I mean, they were doing business with this company that had been around since you know, the last millennium and still had that pricing model.

Michael: Yeah, it's crazy.

David: I had to evaluate every line item and really do a lot of things that... Like when I switched from that hosting company I did lose some organic ranking, and I lost some SEO, having to move but there was...you had to make those kinds of decisions moving forward, what's the right thing for the company.

Michael: Definitely. So why in 2009 did you approach batteries.com and start discussions that would take years to buy it. What was the interest in batteries?

David: This is where every true domainer watching this is gonna relate. I love the chance of getting super high value assets. So I had made a list of a 100 word.com domain names that I thought were basically the top-tier domains out there, that if I could get any one of them, okay, I would really focus my life for several years of it, trying to do something with it. One of them was baby.com. And I mean, I stopped asking Johnson's Johnson if they would sell me that when they sent me a cease and desist letter. You know, so you make

the list, it's like, "Okay exclude, or you know continue talking." And I [inaudible 00:18:25] the letter they really sent it. I had been kind of aggressive trying to ask you know, if it was possible.

Michael: I can assume, yeah.

David: But with batteries, I built a rapport with them and this is one of the ones that has turned into an acquisition. I'm still talking to few other people but this is the one that turned out to be really, really interesting because as much as I can go through the history of batteries.com now, I didn't know it at the time. I did the list, I looked at the 100 names, I didn't even know it was an online company. I decided not to check because I didn't want to not approach someone, right?

Michael: Sure.

David: You know, just in case it might be for sale. So I made this list never checking who was active, who owned it, didn't care. And then I decided I was gonna approach all 100 of them, but when I made the list I did, since I didn't know that the company had been online five years later when I'm negotiating for this thing. I'm negotiating for the domain name and the trademark and I do the deal. Once that deal was finalized, then I picked up the phone and it's like, "Okay so, do you have anything else for sale?" You know, favorite question to ask somebody has just sold me a domain name.

Michael: So let me back up here for a second. So, you only purchased the domain name and the trademark to begin with, that was the first deal?

David: It was a pure domain play, doing that.

Michael: Pure domain play, wow.

David: And the question when I asked, it came back like, "Are you serious? We have two warehouses full of batteries, we've got almost 700,000 customers. We've got a Rolodex with contacts that go all the way to Chinese

manufacturing, and high level contacts with Energizer and Panasonic and Renata." And I'm trying to look at these brands so I don't miss anybody. But basically I'm like, "No, would you consider selling that?" Then another probably 60 days I put together a second deal and I bought all the batteries and I got the contact list. I actually bought the rights to the website, to the images, to the backend engine minus some of the proprietary things that required licensing, that \$13,000 month hosting deal. And I also got some other intellectual property, social media accounts which I think you've actually noticed I'm not using the social media accounts yet, but I did get those too. I feel like I...

Michael: So, when you were dealing the deal for just the domain name and they probably had a bunch of domain names, didn't they? They probably had like defensive registrations, they probably had... maybe they bought some .text or whatever, like no they did not, they had a single domain name, batteries.com?

David: It's the only one I got. They didn't have a single typo, they didn't have a single defensive registration. It's a pure category crashing domain term.

Michael: Yeah.

David: So, the only other domain name I would be interested in with this like pairing with batteries.com is battery.com which is Battery Ventures, it will never be for sale.

Michael: It's a venture capital company, that's...yeah.

David: They will never sell that.

Michael: Right.

David: I'm thrilled with it and like I said, it was...

Michael: So, let me ask you, doing the deal with just the domain name and the trademark, that is a very clean deal. You can put a value on the domain name, you can put a value on the trademark, would you have done it the same way again if you had to do it over again, where you buy the domain and trademark separately and then go in negotiate all these other stuff that really decreases in value if it doesn't have the domain name and the trademark?

David: In a heartbeat.

Michael: Yeah.

David: In a past life, I was a partner at a company, we were doing Nextel wireless cell phones, the two-way radio and Singular. And we got into satellite tracking systems for companies to basically track their vehicles. We had Home Depot as a potential client, we had QT as a potential client because they were gonna wear these units on their side. But the technology was analogue cellular at the time, and digital was in its infancy, and every time you tried to talk on a digital cell phone, the call quality was...it was horrible. So we basically went all in, me, two business partners, over a million dollars of financing for the company, building the satellite tracking system and the unit, the analogue technology. So, we missed disruptive technology. Of course, you know, analogue is done and the company folded. And it was a big lesson for me, stick with something you really know, what is your domain expertise. Domain as in your personal experience, not domain names.

But I know retail, I was at Home Depot for almost five years. I know domain names called, and so when it came up, the way I had to evaluate the decision was, okay what could I do with this if everything goes sideways, you know, what's my exit strategy. And I felt confident in my mind of valuation that I could get for the domain if I took three months or six months and spent only my time meeting the right people and talking about a domain name acquisition. I felt pretty confident that this was the best grab I could make, at the time. It's by far the best domain name I've ever owned.

Michael: So, we often talk on DomainSherpa, [inaudible 00:23:57] Academy about retail pricing for a domain name, selling it to an end user that wants to build a business and then wholesale pricing, right? What's the lowest price that you can buy it for where the person that's selling it feels like they're getting some quick money, some liquid cash, but then that's where you make your money, between buying at wholesale and selling at retail?

David: Right.

Michael: Where on that spectrum do you feel like you bought batteries.com, did you buy it closer to retail or closer to wholesale?

David: In that, I don't think in terms of that distinction but I do believe that in any investment, you make your money when you purchase. So, I felt like I bought it well. I guess because, you know, you've got a unique market segment that really understands domain names. I think you know, probably 9 out of 10 people watching the show, if they knew what I paid for it would never have considered paying as much as I did. You know, there is a core group of guys that do invest at the level that I bought batteries.com and I don't think any of them would hesitate a second to try and make a play for the name on it.

Michael: Yeah, so EstiBot puts the retail value, right, EstiBot is just an estimation, it's not looking at revenue, it's not looking at customer accounts or anything. They put it at, and I don't know if you know it, \$783,000 order of magnitude. So if I looked at that I would say, "You know, batteries.com is probably worth retail between 500,000 and 1.25 million." And I would suspect that you bought it for probably 250,000.

David: I'm not gonna talk about numbers.

Michael: I just wanted to see the look on your face David, thank you for that.

David: Yeah, yeah, yeah. No, and I'm not trying to look at the report to say, "We're a privately held corporation I generally don't discuss the numbers,"

because I know you ask the tough questions. I mean that was...I know you're gonna ask, right? Honestly I think you're in the top-tier percent of people that if you'd found out about the opportunity and gotten a chance to do it, you would have bought it too.

Michael: I would have, I would have and I just had John Rampton on the show. He's probably going to air just before your show, he bought due.com D-U-E. And he did something interesting, he bought the domain name which is payables, accounts invoicing, due and he bought a business separately for \$20,000 and then combined the two. He bought this domain for 130,000 but a business that was just plodding along for 20,000, then combined them. Now he's doing \$60 million in accounts processing per month, getting up to speed quickly.

David: That's awesome.

Michael: So, I totally get where you're coming from by looking at the domain name and it's a business in a box, you can immediately put it up and people understand it. What I wanna know from an exact-match domain name perspective David, clearly you were ranked for 400,000 key words. You had hundreds of thousands of pages probably on the website before it shut down, before you just bought that domain name. Did you learn anything about the organic type in traffic level of batteries.com?

David: The entire transaction I bought blind. I didn't know traffic, didn't ask. It didn't matter to me.

Michael: Why, why didn't it matter?

David: Because the domain name itself, it's that categorycrashing.com that was on my list. It's the kind of domain name that if somebody were to submit a domain name to me on the newsletter, when I see two or three paragraphs talking about one domain name, before I even get to the domain name that they put at the end, I already know I'm probably not interested. And it really doesn't matter on the price, if somebody has got to explain to me why it's



such a great domain name, and take three or four paragraphs to do it, it's just not gonna be interesting, right? This is a kind of domain name that when people submit they submit a domain name and a price and they hit sent. They know that's all they need to do, and they also know I'm 9 times out of 10 I'm gonna say, "Look, it seems a little hard but you know I'm gonna run it anyway," right?

Michael: Yeah.

David: I'll try anyway and it's one of those names that I decided the way I made the decision was, you know, at this amount, if I add for profit, if I add for commission, okay, as a broker, would I take this on for a six-month exclusive and focus my time and energy for six months working for free only making money if it sold on a commission? And the answer to me was yes, every time, every time. I slept on this thing and really waited a few times, because it... Sorry I'm trying to really make sure I don't break the nondisclosure...

Michael: But when you bought the domain name and the trademark was it your intention just to try and flip it and sell it because you saw the value, or was it your intention to actually build a business at that point?

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Michael: But when you bought the domain name and the trademark was it your intention just to try and flip it and sell it because you saw the value, or was it your intention to actually build a business at that point?

David: I really wished I could tell you I had a plan. But as long as I've been trying to get it, I wanted to put an e-commerce shop on there, but I also didn't know a thing about the battery business. The amount I've learned about batteries in the past you know, 18 months has been staggering to me. I mean, it's competitive, it's true, some of the products are true commodity products that people don't care about the brand. And then on the other end of the spectrum, some folks you know, I want the Duracell version of this, nothing else would do.

Michael: Yeah.

David: So there are certain brand-centric products out there. So, I did wanna do the e-commerce because I'm familiar with it, I'm familiar with retail, high volume retail from the Home Depot days and turning inventory, managing, turning inventory. I did learn about inventory obsolescence something I hadn't really learned at Home Depot. The fact that these two warehouses with these batteries that I bought, some of them were laptop batteries. From laptops that hadn't been made in 10 or 15 years. So, they're still back there. We break the cases open and right now on some of those we use the cardboard boxes to ship some things out in.

Michael: Yeah, but then you got these batteries that have acid inside of them, what do you do with those? Suddenly you got to deal with hazardous waste in some cases.

David: We got a whole section on recycling batteries at the foot of the website, and that could probably be a half an hour of discussion on recycling.

Michael: I totally get it. You mentioned battery.com was on your list as well in addition to batteries.com which you purchased. People often debate the merits of owning the plural because it's what you sell like batteries.com and owning the singular which is more of a brand. But it could be something that you sell as well. In this case, which domain name is better in your opinion and why?

David: I'm sorry, you faded right out as you asked which domain name?

Michael: Which domain name is better in your case, would you rather have had battery.com, or would you rather have what you have, batteries.com?

David: In this case I think the plural was absolutely the one to have.

Michael: Because?

David: I made a comment that I think the only other name I'd be interested in is battery.com, but it was not on that list of 100. It wasn't on my 100 list.

Michael: So in your opinion batteries.com is memorable, it's brandable and it is the domain name that describes exactly what you're doing?

David: Right.

Michael: Okay.

David: That's right. And then you've got the...even over the years I kept trying to go after this because, you know, what Elon Musk has done with Tesla just the past 24 months, okay, with the cars pre-selling \$15 billion in model 3's, car that hadn't even been built yet. And then they get the Powerwall, and then SolarCity, the Tesla acquisition of Solar City. So the batteries, it's becoming, it's so big now, it's so much bigger now I don't think I'd be able to

buy it today. This phenomenon that's happening with Tesla it's almost like they've got the halo effect that Apple had for years under Steve Jobs, you know. Tesla, it can do no wrong, right?

Michael: Right.

David: So, the batteries discussion is you know, really right at the center of a lot of people's talk, you know people going electric with their vehicles. I've got friends, they brag that they've gone all electric with their cars and they're trying to get off the grid. It's really interesting seeing all of these unfold. I didn't put it on the table but I actually have the exact battery that stays on my desk that does power the Tesla Model S.

Michael: Oh really?

David: Yeah.

Michael: You're not only looking at the double A, the triple A's, the coin cells that go into my calculator and all the way to my marine battery. But you're looking forward to where Tesla is going with renewables, and battery storage at home, and looking to that as a future for batteries.com?

David: Yes. And even because it becomes the conversation when people are looking for batteries, we ranked number one for the organic term batteries, right now. And actually have every month that I have been in business.

Michael: Wow, yeah.

David: You never know what's right around the corner. And it's really because Google wants to put the most relevant search results in front of their customers every time you do the search, because that's how they get their advertisers, is look, we got everybody using our search engine. So, it does rank I think for the right reasons, when people are typing that in, a lot of people are looking to purchase batteries. And we are fleshing out the blog and the discussion forums on battery technology, what to be aware when

you're looking at things. Like Amazon, is a great example of you know...you think you're getting one thing and you get something else. Because there's so many shippers and sellers on Amazon, in the marketplace and now everybody's got a marketplace, right, that you could be getting a second hand, you could be getting a five-year old battery, you could be getting something used, you could be getting a counterfeit battery. We get all of that stuff every month when we're buying things from Amazon and price checking, you know, how are they doing that for this price and we order it, and it comes in and it's not what was the picture. It's not. We've actually bought stuff on eBay before that actually had little burn marks on it because they were used batteries. So, batteries, it's also tha because it's a... I think it's a perfect fit if we can position ourselves as the battery experts.

Michael: Yeah, definitely. So right now you don't have a blog and a discussion forum, do you?

David: No.

Michael: But you're looking...

David: We've got five blog posts written, we literally are in the mid to late stages of relaunching on a completely different platform and that's probably gonna be the end of Q1 '17. The new look is up, we went with the new look two weeks ago, three weeks? Two weeks? Three weeks ago, which the numbers are looking good. We look at six different demographics, this is when I fall off and stop talking to a lot of just the guys that buy themselves domain names. But I mean, we look at the 18 to 25 crowd, 18 to 24 is an interesting crowd, 25 to 34 is an interesting crowd, they represent a lot of the traffic to the site, they don't convert as well as 65 plus or 55 to 64.

Michael: Interesting.

David: The site converts really well for 55 plus, okay. I mean really well. The site converts 1 in 10, 25 to 34 years olds, that it does 65 plus. So you know, I wrestle with that, how to get conversion rate up for that specific

demographic and it was the new look. And then we also have some other things we know we need to do, you know, some better logic with the search, better logic with the predictive...not predictive cart but the predictive technology to show you when you're on the site, batteries you're gonna be interested in based on what you just looked at.

Michael: Sure, that makes sense. I went to builtwith.com which allows you to type in a website and see what kind of technologies they're using, it seems like you're using Shopify as your e-commerce engine, is that correct?

David: Yes, yes.

Michael: Okay, so in Shopify you use them as the engine and then you can customize the look and feel which you've done and it's a beautiful looking website. Did you choose Shopify when you relaunched the business after you bought the assets?

David: Yes, and I'd do that again in a heartbeat.

Michael: Yeah, so they were on a different technology like Magento or something like that before you bought it?

David: Well, Shopify came highly recommended and I knew somebody that knew the inner workings of Shopify I guess, if you will. So, they knew how to code around the specific features and bells and whistles that Shopify had and within their platform. Because each platform has their own set of requirements that you can't really... You can make it look custom but under the hood you pretty much are getting the engine that they use, and the transmission and all the other gearing that they use. And you can't easily change some of that you know, with Shopify you also have the app store where you can add some things. But that was you know, getting off that expensive hosting package I mentioned, and then needing to do something in the next 30 days you know, because I didn't want it to go offline.

Michael: Yeah.

David: I wanted to transition from a site it's been online since '99, I didn't what to shut it off. So that was a decision we made, was with the Shopify platform.

Michael: How was it migrating those 700,000 customer orders from the old system into Shopify, so that when people sign in to their account they can still see the batteries that they bought last year and reorder them?

David: Unfortunately impossible.

Michael: Yeah.

David: The data was corrupted, we got the names, addresses, email addresses, we got all of their contact information basically including the phone number, and all order history data is gone.

Michael: That's a bummer.

David: Yeah, because basically...

Michael: If I had to make a choice I would choose the name and email address over losing everything. So, at least you have that marketing list.

David: And we had...I guess there were 150,000, 145,000 opted in email addresses also, that was one of the other things that we got was the email database that they had been marketing to.

Michael: Yeah, that's great. How big is your staff David? You're doing millions of dollars in sales, multi-million, I don't even know the number. How big is the staff as required in order to service all of those orders that you're putting out?

David: In the past 30 days I think we're down to 12. We were up to 15, if things stay on track what I'm really thinking that we'll be at is around mid 2017, probably around 40 people.

Michael: Forty people?

David: Yeah.

Michael: Wow.

David: We're hoping to do 24/7 customer service. You know, we pick, pack and ship to the U.S. and to Canada. We do use some drop-shippers but we're more dependent on our fulfillment than theirs. We're looking at becoming a marketplace here, and with our drop-shippers what we found is I think, one of the biggest marketing tools, one of the biggest marketing things or initiatives that we did was offer free shipping to everyone. Anyone that goes online, anything you put in the cart, we will ship it to you for free. And by doing that, with some of our B velocity skews that we have some drop-shippers fulfilling for us, if we have an item or two we're fulfilling out of this warehouse, then one from the drop-shipper we're paying for shipping twice. So we're now starting to bring in merchandise from our drop shippers you know, 20, 30, 40 skews at a time. And I think ultimately we'll get away from using drop-shippers completely. You know, I look at what Tony Hsieh did at Zappos, and heard him saying that was one of the toughest decisions he ever made was stopping all drop-shipping a 100%. We're gonna have to really evaluate that in 2017 as one of our biggest decisions because we'll need a bigger warehouse, which will be the problem to have, I think.

Michael: So, you're getting away from drop-shippers for what reason?

David: Margins, things are so competitive that one percentage point makes a difference in high volume e-commerce, from somebody that's on the fringes and somebody that's profitable, 1%. We can by going from 5 boxes to 15 box sizes in the back, we can probably add 0.8% to 1.1% to margin just by having the right size boxes. I mean, Amazon is the master [inaudible 00:41:31] in the



box, you know the pillow packaging that they've got. They really have done the analysis on that, on how to save everything they can because the shipping costs are...they're expensive.

Michael: Yeah.

David: And we get our mail now at 8:30, 9:00 at night. I mean, 20 years ago versus now, what the postal service is doing because of Amazon you know, they deliver on Sundays.

Michael: Yeah, it's amazing that the U.S. Postal Service is now operating on Sundays because of Amazon.

David: Right, and there are other companies that are close to being able to get delivery on Sundays as well, but Amazon's got that locked because they deliver their packages to the appropriate post office for the final leg of the trip.

Michael: Yeah.

David: But they're not the only ones in town, I mean the big e-commerce operators, the ones that I really look at, I mean Amazon, when they absorbed diapers.com and soap.com, I took note. And I know that the founder...one of the founders of diapers.com and you know, when he sold Diapers to Amazon. He worked for Amazon, I don't remember if it was a year and a half or two and a half years, then he parted ways with them and then he raised \$400 million and he launched Jet.

Michael: Right.

David: And he just sold Jet for the 3.3 billion to Walmart.

Michael: To Walmart, right.

David: And the folks that are my age plus, I mean we remember that Sam Walton was probably the greatest retailer of the second half of the 20th century. So you've got the largest retailer on the planet aiming their guns at Amazon now. And everybody who thinks Amazon is just all that, a slice of bread, I mean it's you know... They really...for all of their positioning in the marketplace they're not always the best place to buy things from. They don't always have the best price, they don't always have the fastest shipping. No one always has all of those things, right?

Michael: Right, right.

David: Because if you try you're going to just be out of business. But we find that there is room in the marketplace for us but the consolidation that's happened in e-commerce online in just a really short period of time has really been interesting to watch for me.

Michael: And you know Amazon is driving the margins down. They wanna be the biggest retailer in the world, they don't wanna just make the most amount of money, they're willing to play the long game which means that they're compressing margins down to very small percentages, in some cases where they wanna drive competitors out of business. So what you've seen is that you cannot use your drop-ship model where you're taking an order and then you're having a supplier ship directly to the customer, maybe under the batteries.com brand, maybe under their own brand, because the margins just don't support it. And that's one of the questions that I have because a lot of domain investors feel like, "Well if I bought that great domain name, I could just set up a drop-shipping business."

David: Right, right.

Michael: Does drop-shipping only work when the margins are larger?

David: Yes. If somebody is really going to buy domain to get in the drop-ship business they need to get into areas that Amazon doesn't dominate, or Walmart or Jet doesn't dominate. They don't need to try and get into

commodity based products, they don't need to get into products that have such skinny margins and such competitive periods during the year when you're buying them that they can't make money on low volume.

Michael: Yeah. What kind of margins would you expect are necessary in order to get into a drop-shipping business with a domain like batteries.com, let's say.

David: When you hear 30% on a margin or profit, or 40% it sounds decent until you see what's in the bank at the end of the month. But I would say anybody interested in doing the drop-shipping at a lower volume, 30% or 40% or better is something that they're gonna wanna look at.

Michael: Yeah, okay. Like if they were buying teak furniture, clearly that has a high cost of moving, Amazon may not wanna store all that furniture. So they might be able to take orders, do the marketing and then drop-ship it from some other lower cost country directly to the customer and make the margins that are necessary.

David: Yes, as long as the margin covers shipping, then they really have something.

Michael: Right.

David: Because I'll never forget a conversation with another person in the domain industry that also has businesses, he's really private so I'm not gonna name names, but he ships things online. And I asked him once the same question he did on margins. So I was like you know, "So it would make sense to ship something like bowling balls?" He's like, "Well, sure, you have to look at shipping as part of the cost. If there is money made after shipping, yes, I would buy bowlingballs.com that would be great." That's one of the bigger things that has helped me get in this game. But seeing batteries go to scale, 15% margin is where you know, we're probably gonna see if we really have all of the levers pulled that we can and we make sure that we are really

competitive. I mean, in some cases the margin dips just below 5%. So we can sell and get customers because customer acquisition is important.

One of the things I learned that has helped me is the philosophy that Walmart had early on, that Home Depot had early on, that Zappos is famous for, is a customer service group that answers the phone and when you call them and you say, "I'm frustrated, I got this from you and it's broken." "Mike I am so sorry to hear that, let us take care of you. Would you like your money back? Do you want us to send you something else out, it's not a problem. What's your address, what did you order?" And they fix it, so our customer service is all about trying to give people that wow experience, and our repeat business is really high.

Michael: Yeah, because when it comes to like taking care of problems, if you get your problems taken care of people aren't gonna care that they pay a little bit more because they know if there is a problem they're gonna get taken care of at batteries.com.

David: Right and the other thing that's really important, this is really like a retail concept is turns. And by that I mean, if you've got an A velocity item versus a C velocity item, the A velocity item is moving off the shelf say, two times a month. The C velocity item might be moving off the shelf four times a year, okay. So, if you're making 30% on that C velocity item, you're making 30% on your money four times a year, okay. If you're making 15% or 20% off that A velocity item that's leaving the shelf let's say it's a nice rate, it's leaving the shelf twice a week, okay? You're turning your money 104 times a year okay? So, what seems like a smaller margin on initial discussion, when somebody is really looking at the business side of things that the turns, the amount of times that you're turning that money, it has the same effect that compound interest has. And that's to me, that's where batteries.com has the ability to really ramp up and become as big as diapers.com did. Because we have the products people want, we do have the eyeballs on the site and it's about finding the product mix I think.

Michael: Yeah. You know oftentimes people refer to the Pareto Rule which is that 80% of your sales comes from 20% of your products. So if you have 10,000 skews that means that 2,000 of them are producing 80% of your revenue. How do you balance the fact that like you do have some that just turn on the shelf, like as soon as you fill the shelf, you're selling them and you're moving them out? And so maybe your margins are a little bit lower but they're constant sellers. How do you balance that with making money with being the one stop shop, making sure that you have the batteries that everybody is looking for regardless of their need?

David: It's a constant challenge, in terms of how to balance, the C velocity items if they're not batteries I'm okay with them being on the shelf and they become the special buy things, okay we got the 30%, 40%, 50% blow out kind of deal. But it's more like a 90/10 rule here, and I think really at the end of the day that's what a lot of e-commerce shops operate on. You know, we even have a couple of loss leaders, the same as a grocery store, Home Depot which you know. Grocery store puts the milk in the back of the store because they know you came to buy it but they hope you put something else in the buggy so they're gonna make some money while you're there.

Home Depot does that with Drywall. They actually lose money on every sheet of Drywall they sell, they hope that you get some tools to put it up with and some sheet rock mud and some paint, when you're in there buying Drywall. So, it's a constant challenge because you have to rotate those items and in this world I think, because it's the different demographics, and we don't have one persona or two personas buying from us. We have a...it may be an 85/15 split, consumer, business to consumer versus business to business, and when I say B2B it's really that, that includes schools, churches, the colleges, the police departments, fire departments. We sell to NASA. We've sold to like four different people at NASA without ever marketing to them because they've been buying from batteries.com for over 10 years.

Michael: Yeah.

David: We get phone calls from people in the middle of the country that don't own a computer because they have a magnet that's been on their fridge 15 years with a phone number.

Michael: That is awesome.

David: That is something else I got. Once I realized that it was a business I also bought the phone number. That turned out to be the most difficult thing to get, because it took six months to get that transfer because there were so much red tape involved in, first Vox proving that they own the number because they you know, their phone bill was insane, hundreds of pages per month, phone... It took forever, but basically with that phone number the magnets on the fridge, we still get phone calls from people who don't own a computer.

Michael: That's fantastic. So one thing I didn't ask you is your customer base, are you primarily in North America, United States and Canada?

David: Yes. Most of the business is United States, we do business in Canada but with the laws changing I think that's probably gonna drop January 1st. The laws for lithium shipments by air are getting stricter and they're actually gonna start labeling it as hazardous shipping piece so the prices are gonna go up.

Michael: You know, I hope that the audience can appreciate all of the complexity that's going in because we're having these discussions around inventory, inventory turns, how you're making sure that items that are sitting on the shelf get moved through a clearance process and promoted and sold so that you don't have dead dollars sitting on your warehouse. Shipping costs, you know, you're selling to United States but inevitably you're selling to people all over the world because they're gonna type in batteries.com because they have the magnet that they've taken with them all their whole life to hold things to their refrigerator. And you know, the phone number has to work. If they're calling from North America, if you're taking an order online you need to understand where you're shipping to before you promise

somebody what that's gonna cost, what the legal ramifications of shipping cross borders are, whether it's even allowed. There's a lot of complexity involved in this.

David: For the shipping there is a ton, for fraud prevention and fraud control, it's a whole other animal. You know, when the sales are in the hundreds, you start really kind of at least 20...the gut check when the sales are over a 1,000 you at least make sure it's legitimate. Like I had a sale recently that was over a \$1,000 and the credit card had been issued in Venezuela, but the shipping address was to a shipper, an exporter in Miami and on a gut check... Okay wait, that person was using a Gmail address, okay, it's probably fraud. I decided to dig in a little bit, it turned out it was the president of a medical manufacturing company. He wanted the batteries we had, he and I ended up with this exchange and now it looks like they're gonna be one of the larger corporate customers for us in 2017. But so, while we ship to the U.S. and Canada we're actually doing shipping globally because of some of these facilities that actually specialize in sending things from the U.S. outside the U.S. basically from companies that they can buy and ship to those facilities. Honestly I didn't even know those existed.

Michael: That's funny.

David: I didn't know that business model existed.

Michael: Yeah and it's amazing. So what percentage of your revenue right now is B2C selling directly to consumers and B2B, you selling to like this gentleman who is an exporter of batteries?

David: Eight five percent is probably B2C, and then 15% B2B.

Michael: Where do you think you'll be in like three to five years let's say?

David: I'm hoping to increase the B2B. We are doing some interesting things on that front. We've got an inside sales group that we are starting to really build that channel and we're focusing on a few specific verticals, sealed lead

acid batteries is one of them. And then some others that make sense to sell 50 or a 100 or 200 or 500 or a 1,000 batteries per purchase. We had some vendors actually in from New York, they flew down and had lunch with us yesterday to talk about that exact thing.

Michael: Yeah. And let me ask you David, what's it like owning an exact-match domain name like batteries.com and then calling on suppliers or customers. What's the general reaction?

David: I get through. Everyone on the other end takes the call seriously, returns the call, or will take the meeting. When I had...and I learned this with cheesecake.com, I wanted to do a couple of videos to show people how to make cheesecakes, I figured that will be relevant. I could get some YouTube traffic that might convert. And so, I contacted Philadelphia Cream Cheese and said, "Look, I wanna do these videos, if I did, really did four videos well and it cost 10,000 bucks. If you paid for the videos I'll use Philadelphia Cream Cheese as the product in the video, what do you think?" So that was an initial outreach. Four hours later I get a phone call on my cell from a vice president of Craft. And I'm like, "You're a VP at Craft, okay you own Philadelphia Cream Cheese and you're calling me, why?" He goes, "Cheesecake.com, man, that's a great domain name, right?" Mike that... So, it was like, okay, always get the best domain name you can. If I had a choice between buying a \$1000 domain name and \$1 million domain name that I think really is the right investment, I will do it. I would buy the bigger name because it's never going to lose its value. Panda and Penguin and those updates, they're never going to affect the top-tier category crashing .com domain names.

Michael: Yeah. Hey David I went on your website and I searched for an Energizer CR2032, for anybody knows, those are those coin batteries that fit in a ton of stuff, kids electronics, calculators, things like that. Your two-pack for that item is 20% less, that's it right there, 20% less than what I can buy at Amazon and you have free shipping. How is that possible?

David: We want you as a customer.



Michael: You got me, David.

David: I'm serious. I'm so glad you checked and brought that up. And that's the reason we're doing it.

Michael: That's a popular battery.

David: What's that?

Michael: That's a popular battery when people search for that they're gonna, you know...they...

David: I also checked before this call and you haven't bought anything on batteries.com.

Michael: Not yet, but I need a new battery for my motorcycle.

David: The question I've got is, if you needed this battery why didn't you click and go ahead and put it in the cart if it was only you know, at the time did you see the sale, we were selling it for a \$1.25 with free shipping per battery, so you could have gotten it for 2.50.

Michael: I didn't actually need it, I just wanted to do some price comparisons to Amazon.

David: Okay, okay.

Michael: David, what keeps you up at night about the business today?

David: Mostly the supply chain problems, making sure we are showing the right inventory on the site. But only because we've made the right decisions to buy the right things from the vendors, that we've brought them in, that we priced it right, that we can make the turns. And that at the end of each day, at the end of each month that we're making the right decisions that are gonna grow the company, and maintain cash flows so we can stay in business.

Michael: So you can buy inventory, so you can pay your employees, so you can pay the hosting bills, yeah.

David: Because one thing I have been able to do with this company is I don't have any investors. I don't have anyone else at the table right now and that's another thing that keeps me up, you know, so nobody really has skin in the game to sit down and say, "Okay I think we should also do this, and this, and this." But making the right decisions and it's also you know, the months that money is not the bigger issue, that there is a core group of people here that are phenomenal. A very good friend of mine I've known almost 20 years Christian Wolf has been with this thing from the beginning. And he's standing right over here and the thing is, if I make the wrong decisions, okay it affects him. So that's something else that would keep me up.

Michael: Yeah, yeah. Is it fair to say that running batteries.com is in order of magnitude more complex than running a brokerage business?

David: Yes, yes.

Michael: Let me ask you about a couple of questions real fast. Because I know that people are wondering, if I need batteries like today, because I forgot to buy the batteries for my kid's birthday or gifts or whatever. I'll run to the local hardware store, they have the Duracell which I love, they have the Energizer which is a little bit less, and then they have like a no name brand, is there really a difference between the batteries David?

David: It depends, there are some no name brands I don't trust and don't like that I've seen leak. There are some...and I don't even wanna call them no name brands, okay. There are some batteries out there that have fantastic shelf life, output, and are just as good as the name brands. If you just had one takeaway though, when it comes to batteries, are you thinking like double A type batteries?

Michael: Yeah the double A, the triple A's let's say.

David: So, this battery is the Energizer Ultimate Lithium battery, okay? And I didn't realize how big a deal this thing was until I bought batteries.com, but Energizer, their most valuable asset is their name. Their next most valuable asset is that they have a patent on a 1.5 volt lithium battery, double A and triple A's are 1.5 volts. No one can make a competitor to this. These last six to nine times longer than an alkaline battery while it costs twice as much, even if it only lasts three times longer, you always want to buy this. But actually they've changed this recently to 10, do they go back to 9 or was it 10 and they went to 9?

Man: [inaudible 01:02:33].

David: Okay, they last so much longer than the alkaline batteries, there is never a time to buy an alkaline battery. You don't buy Duracell, don't buy the Energizer Max, don't buy the...

Michael: So on the double A's and triple A's buy the Energizer lithium because it's the one labeled six to nine times longer, because nobody else can produce those. What about like nine volts or D's or something like that?

David: That's a great question. Nine volt is still twice as much and it lasts 20% longer on lithium. And there are actually some uses where you don't want lithium nine volt, because the lithium has a nice tapered output until the very end of life, then it drops off a cliff, okay?

Michael: Right.

David: A nine volt alkaline drops off, drops off, drops off. So if it's in a smoke detector and you're out of town for three days and your smoke detector battery dies, you miss it beeping. The alkaline battery is gonna beep for three or four weeks and you're gonna definitely change it.

Michael: Yeah.

David: But that's a great question.

Michael: And this is the kind of stuff I knew that there were insider secrets to this, this is why you need a blog because where else do you get this information, right?

David: Right.

Michael: I wanna come to batteries.com if you put out like information like that on which batteries are the best bang for your buck, even though it may cost a little bit more, that's valuable information. That's what I would expect from the leader of batteries.com.

David: Thank you.

Michael: Do people have to worry about spoilage? Do you have to worry about spoilage of batteries David?

David: Yes.

Michael: You do?

David: One of the first things my...a sealed lead acid battery vendor told me is the batteries have these spots dead. They all find that spot okay, so they have shelf lives. The ultimate lithium battery has a 20-year shelf life, the date code on the thing, the ones that I've got in the back now is like 2036. But a lot of them have date codes and they do have shelf lives, but that's where inventory turns come into play. If you're turning the inventory, you're buying it straight from the distributor or manufacturer then you don't have aged inventory on the shelf. The things I worry about that could be aged inventory would be laptop batteries and power tool batteries. And those you stock far fewer quantities, and you also end up deciding to get out of those certain skews all together because there may be a Makita or a Ryobi or a Skil drill that they just stop making or decide to stop using that particular battery style.

Michael: One of the questions I want to ask you about was creative financing David. Oftentimes people will look at a domain name like batteries.com, not this exact case and say, well I can't afford that, or I can't buy all the assets that go with it. Was there any...and I try and get people to think creatively, you don't have to pay everything all at once, you can pay over time, you can use your cash flow coming in from the business to actually pay off the assets that you bought with owner financing or seller financing. Was there any type of creative financing involved in buying the domain name, trademark and then as a second tranche buying the assets of the business?

David: Yes, there was. First I went traditional, I talked to Bank of America, talked to my bank guys. And since Bank of America, they have the holding account for escrow.com, it's broken \$3 billion in transactions. So I actually almost had them finance the domain purchase. They were interested in loaning against inventory and then the line of credit and all the other stuff that comes along with just being a customer for years. But there are creative ways in this industry to finance non-traditionally. You've got Domain Capital and you've got Lendvo, and you've got intelend. And anybody that's listening to this and thinking about financing a domain would probably be best to shop because each of them has a little bit different strategy when it comes to what they want to back, and what they want on their books, and what they're really looking for. Mike hold on just a second, let me just...I'm gonna plug the computer up.

Michael: You bet. And so in one of those cases, while you're plugging in, if you're buying a domain name for \$250,000. They may require you to put a \$150,000 and then they may actually finance the other 100,000. Which means that they put up the money to finish buying it, they'd hold the domain under their name and then you'd have a payment plan, agreeing upon payment plan for making payments every month until that \$100,000 is paid off let's say.

David: That's right, and those are the numbers. I mean on a \$250,000 note Domain Capital would want 40%, a 100,000 of your money and then they'll

finance 150,000. I used Domain Capital to buy cheesecake.com. I called them for batteries.com and I did actually borrow money from them for batteries.com. And with those guys, it's a quick phone call, I mean with cheesecake.com I called them from Milan at the auction, I walked out. I said, "Hey cheesecake.com is coming up. I think the reserve is a 100 grand, I like the name, what do you think?" "That's a great name David, okay, we could do that." And literally like that's how quickly it gets approved when you get them on the phone or send them an email. At batteries was...it might have been a 10-minute conversation but I mean, without exaggeration that's how quickly they'll make a decision on names like these.

Michael: Yeah, so you did use Domain Capital to help acquire batteries.com and the trademark?

David: Yes.

Michael: And then what about the assets that you bought later. The warehouse inventory, the customer information, the supplier information, the social media accounts, did you use some sort of creative financing for those as well?

David: I had just sold...last year I had just sold a couple of really high-valued domain names, and the timing couldn't have been better. So I was in a cash position to be able to throw money into this thing too.

Michael: That's great.

David: It was a fast in and out experience, I mean look, literally I've had like...up to that point, the best year in brokerage I've ever had in my life. And then it's like, "Hey, do you wanna buy batteries.com?"

Michael: Yes, here is all that money. Hey, David inevitably you know this industry, someone is gonna be watching this show and they're going to be like, "David runs batteries.com, I've owned lithiumionbatteries.com, or I own

powercell.tech, or I own whatever." They're gonna wanna contact you, are you interested in entertaining any of those solicitations?

David: Thank you so much for asking. No, I'm not interested in any of them and I would even go so far as to say some of them I would list on the newsletter, if their price is right. But I would not be interested in them for the company

Michael: Because once you won batteries.com, you don't really need anything else.

David: I don't think so.

Michael: You know, one last question before I get to the final ones, social media handles. You did say that you purchased...you can't sell social media handles, so you probably had those thrown into other assets that you purchased like the warehouse inventory and things like that. Do you think that social media will be important for your business in the near future?

David: Yes. That's probably one of the reasons I don't convert as well from 18 to 35, is I don't have some of the channels that they use instead of going straight to Google. I think it's a combination of that and our mobile experience, it still needs some work. In the next couple of months I think we got some really interesting features going out for the site, but we're really focused on the mobile experience. But the social I'm sorry, didn't mean to kind of get off the rails there. I think the social, the Facebook, Twitter, even YouTube to a degree is vital, is really important. I mean you of all people know how valuable video content is for SEO. You do a transcript of these interviews, right?

Michael: Yep.

David: So you also have the SEO from the transcript of the interviews which is really smart. I think that that's actually... For me if I do that battery blog you know, the difference between the Energizer Max and Ultimate Lithium, and

here is why you should buy the Ultimate Lithium. The people reading that blog are gonna be converting well if they go to those pages.

Michael: Definitely.

David: So I think, the social media aspect, if I can also talk to people and let them know about the blog or give them some cool images, or cool toys, I think that they'll get them, you know. Pokemon Go you know, we sell power banks. The power bank is a really good idea for... talk to Facebook marketing, that kind of stuff.

Michael: I think you have the opportunity to just be a content marketing killing machine. Can you imagine if you had a 10-second or a 30-second video for every single calculator and how to change the battery on YouTube? So here was like Casio X59 battery change, and suddenly like, here is a 10-second video, and in the description of every single video was a link to where you buy it on batteries.com with free shipping. Like that would...

David: That's a great idea.

Michael: That's the kind of thing that nobody else is gonna do that you guys could just kill when it comes to content marketing. Not that you're not already killing it, because you know, you go search Google for all phrases that you're in their index for and you're doing a great job.

David: Go ahead, I'm sorry.

Michael: No, no, please.

David: The content marketing I think 1aauto.com, the number one, the letter A auto.com. Their YouTube channel has tens of millions of views, and they do with their auto parts what you're talking about with the calculator batteries. This is my test okay, the banner we had made is a little too big okay, but the table I've got in front of me with all these batteries is where I'm thinking



about trying to do some sort of video SEO. You're kind of bringing the end to the digital age here on the video interview.

Michael: Yeah, definitely. All right, the final question for you David, put yourself in the shoes of an investor that is thinking about building a company on a domain name that they own, or investing in a serious domain name, maybe taking all their money, all the investment money that they have and putting into domain name. What final advice do you have for them about how they should think about that investment?

David: I mean in terms of evaluating the domain name, everybody that's in the industry has a few really trusted friends that they can bounce things off of to get a gut check. So, trust your core group of trusted advisors, or friends, or people in the industry. I'm happy to evaluate things, I'm happy to sign a nondisclosure agreement and just talk to somebody or just a short confidentiality and talk to somebody about that. But more importantly I would suggest anyone thinking about getting into it as a business, make sure that they know the business side of things. Don't get into something if you don't know the business itself.

It may seem like a great idea that you wanna get into a certain industry, but what you'll find is like with something I learned about cheesecake.com. I wanted to get into the gift business okay, selling cheesecakes, shipping them nationwide. What I learned was that I got into the shipping business, because I had to use a five-pound block of dry ice, put it into a 1 and a half inch thick polystyrene container and use overnight or two-day shipping for every customer, every day. There was more money spent on FedEx and UPS than was spent on the product, because you couldn't ship a cheesecake and take three days to get anywhere.

I didn't realize I was getting into the shipping business. So you will find that you know, those things will happen but at the same time I didn't know e-commerce, I thought well enough to do it. I knew marketing, I knew some of the things. I didn't necessarily know the cheesecake business, but it didn't scare me off of it. So I would say you know, stick with what you know to a

degree, but you also bounce it off of people because I mean, there are some really smart people in this industry. In fact I'm looking forward to NamesCon, I don't know if this is gonna go out before or after NamesCon. But the bottom line is I mean, that group at NamesCon is one of the most dynamic groups of people I know. There is no other conference I go to with more interesting conversations okay, people that have just really interesting life experiences. And it's a great place to bounce ideas off of people.

Michael: Yeah, I feel the same way. If you're watching this show and you have questions, please post them in the comments below this video and I'll ask David to come back and answer as many as he can. If you received benefit from today's show, if you learned something new, if your eyes got opened to what it takes to run a physical inventory business and not just doing drop-shipping on a killer domain name, please take a moment to thank today's Sherpa. You can click the Tweet button below, you can post a comment below, you can like it on Facebook. Lots of different ways to say thank you that take no more than just a few seconds of your time. The best way to say thanks is to go to batteries.com and actually make a purchase there, because it's cheap, you get free shipping and it's supporting a great guy in our industry.

I'm gonna be the first to say thanks to David. David Clements, president and CEO of batteries.com. Thanks for coming on the DomainSherpa show, sharing your year-long blood, sweat, and tears of what you've learned building your company. And thanks for sharing back with the DomainSherpa audience.

David: Thank you Mike, I've had a great time on the show, I appreciate you having me. Hope you have a great afternoon.

Michael: Thanks, thank you all for watching, we'll see you next time.