

TUTORIAL: How To Buy A Geographic Domain Name - with Elliot Silver

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Michael: Hey everyone, Michael Cyger back with DomainSherpa. This is a special edition to the interview that I just did with Elliot Silver of Elliot's Blog and Top Notch Domains. Welcome back Elliot.

Elliot: Thanks.

Michael: We're going to spend another 5 or 10 minutes with Elliot. He's been kind enough to share some of his time before he runs off. He's got to run out to the office today to head to an appointment and I want to dig in to geo domain names.

So, we've all got cities that live in, we've got cities that we're born in, that we're passionate about, that we want to have a strong connection with. In the interview, Elliot mentioned that he bought Lowell.com in 2008 for \$50,000. He grew up 30 minutes north of Lowell. It has a rich history. It's got a sports team. It's got a large population, 105,000 people, 38,000 household, household income of \$55,000 per year. And it's got a decent search volume and cost per click on Google, \$1.53 per click.

So, during the pre-interview yesterday, I threw out an example. I live 30 minutes West of Seattle across Puget Sound on Bainbridge Island. And I started throwing out this example with Elliot and it was a wonderful tutorial that I want to share with everybody else in case they want to buy a geographic domain name for a city that they're passionate about. It could be a vacation city. It could be a tourist city. It could be the city that they grew up on. So, Elliot, BainbridgeIsland.com, you got a chance to take a look at it very briefly yesterday.

Elliot: Mm-hmm.

Michael: It's a website that's up. It is owned by a company that I'm completely not affiliated with. I have no idea who owns it, but it looks like it kicked up a family of virtual companies. They own some websites around Washington State and relatively major cities on the western portion of Washington.

Elliot: Mm-hmm.

Michael: If I want to buy BainbridgeIsland.com, how do I go about determining a price to offer them?

Elliot: Sure, well first thing, you want to kind of have an idea of what you want to do with the site. I imagine you want to build the website and have advertisers on the site, so—

Michael: I want it to be like Scottsdale.com or Burbank.com or any major place where people travel. They want to learn more information about it. They type in that city name like Bainbridge Island, Washington. I want it to show up top in the list and be the directory that people go to, to learn about that city.

Elliot: So, let's assume that you wanted to do it, maybe not full time but you want to do with a majority of your time. It's going to be your hobby and something that you're really passionate about.

Michael: Okay.

Elliot: You can afford to spend more money than somebody else like myself who wants to buy it to sell it to another guy. So, in your mind you have to justify, this is something that's going to be your passion, just like if you were going to become a golfer, you going to want to buy the best clubs. So, in any case, the first thing I do is look at the site and see how often they update it, a site that's updated more often, like if it says it was last updated in 2007 or 2008 or they have election results of the homepage run 2009 chances are good, the person doesn't spend a ton of time updating it. And it's probably become a site of less interest to the owner than it was in the past, so that would be a good thing.

You also want to check out the advertising to see how many advertisements were on the site and check out their rates, because if you're offering like we discussed, if you're offering a guy \$5,000 for this domain name and he's making \$1,500 a month or \$1,000 a month in advertisement, you can just see. Even if some of it's free or some of it's like an exchange, if you figured he's making like \$500 a month, there's no way he's going to sell the website for \$5000 if he's going to make that in a year. I mean, generally speaking, and if there is there's probably a reason why so you should probably figure out what that deal is.

Michael: Okay, so how do I figure out how much they're making on the website? What's your advice for that?

Elliot: Look at the banner ads. Ask for a media kit, email them for a media kit.

Look at their website to see if they have an advertising page. See how much they're charging for ads and then you can kind of make a back of a napkin guesstimate of how much they're making per month on the site and then throw that out for the year.

Michael: Okay, and do you get any insight if they've got like two Google ads and an Amazon.com banner on that. Does that give you insight about how much they're making on the website?

Elliot: Great question. If they have Google AdSense and you can tell that they don't get a ton of traffic based in the Alexa and Compete rankings, so they're probably not making a ton of money from AdSense and probably not from Amazon either. And then also, one thing to consider though is that if they're doing that and they've got a local site, how hard is it going to be for you to get those advertisers they haven't been able to get? If you've got a way to get them, maybe a realtor in that area and you know other people that are going to advertise then bingo, then you have the competitive advantage that he doesn't have. But as David Costello once told me, he said, "Open the phonebook in the Yellow Pages and see who's advertising and see if anybody

is advertising. If you see advertisers in the phonebook, those people there are going to advertise in your site, you've got a compelling site."

So, with that being said, you want to figure out how much they're making, how much you think you can make more based on what you know you're going to do. And if you don't have any idea how much money you're going to make on your site, you probably shouldn't buy it to develop it unless you're passionate about it and you want to go in and just do something that you're passionate about which is totally cool. But you need to know if they've got a full site on there. You need to know how you're going to improve it if you're not just willing to throw out the money and you don't want to just to be able to walk around town and say I own this website. So assuming you plan to monetize it, figure out, kind of do a back of napkin how much you're going to make from it and then come up with a reasonable offer, what you are willing to spend. Keep in mind that unless you're developing it yourself it's going to be a few thousand dollars for development cost, in photos, in articles, in just the platform, it's expensive.

Michael: Okay, so you should set aside \$3,000 or \$5,000 for the development of the website and the content?

Elliot: If you're going to build a website that you really, like Lowell.com, that you want to have people add content to or a robust site that you can really grow then yeah, it's say so maybe even more. Like I had a mini site slipperyum.com. It's like a 5 page mini or 10 page mini site and that doesn't need to grow very much more, so it was pretty inexpensive. But with a site like Lowell.com it continues to grow, you have to be able to grow it, so figure that.

Michael: Okay, so I want to buy Bainbridge Island and I did a back of the envelope calculation, I think I can sell 10 ads to realtors and large stores that are making money on the Island for \$100 a month, so I'm getting \$1,200 per customer per year and I can sell 10 of them so it's \$12,. It's not a big dollar amount but it's something, that's a nice revenue stream for me...

Elliot: Yup, yup.

Michael: ...For a first website project. Now I'm willing, you know based on that \$12,000 income per year, I'm willing to spend, you know a I got a lot of hustle to get those sales but I'm willing to spend \$3,000 to develop it. How much should I spend to buy the website? And is that a function of what I think I can do with it or is that only function of what the company is currently making off of it?

Elliot: I think everything goes into that evaluation what you offer, but if I thought comfortably I could sell to 10 advertisers \$1,200 a year, I probably figure 5 because you as much as, like I've had in the past where I had an advertiser advertise for a year and every 3 months he tell me, "The check is in the mail," "I'm sorry, I forgot it. I'll send you another invoice." And you know, as tough as it was, it's \$1,200 lost income pretty much. But for me, it was like, I had his content. He had his listing on the site which is driving traffic and I'm not going to be a guy because you know I don't want some guy talking bad about me for \$1,200. I'd rather him say, "You know, he's the nicest guy. He didn't hassle me. He didn't whatever."

So that is the type. You know I figure what the best case scenario is and what the worst case scenario is. Because you don't want to say, "You know, I want to make \$12,000 a year on this website from advertisers," and then you're like, "You know I can afford to pay \$25,000 to this site, because I'll make it back in 2 years. And then everything else is great, in the 3rd year I'll be rolling the money and it will be all profit".

Because you know if you don't get advertisers you've overpaid.

Michael: Sure.

Elliot: So, for me, just off the top of my head, I have no idea where Bainbridge Island is. I know where it is but I don't know much about it. But like how many people are in Bainbridge Island?

Michael: So Bainbridge Island, so if we compare it to Lowell, Lowell was 100,000 people, 38,000 household, average household income of \$55,000. Bainbridge Island, 23,000 people, so a quarter of the population of Lowell, 8,000 households, about less than a quarter of Lowell but the household

income goes up from \$55,000 in Lowell to \$118,000 in household income. So it's somewhat affluent community, suburb of Bainbridge Island, beautiful ferry ride, 30 minute ferry ride over the Puget Sound to Seattle, lots of realtors, lots of boutiques, you know somewhat sheltered but artsy and highly educated.

Elliot: How about tourism?

Michael: Lots of tourism because the Washington State Ferry System is the largest attraction in Washington State. People will take the boat across to look for orcas in Puget Sound and they'll come across and spend money in Bainbridge Island and then go back to Seattle.

Elliot: Are they spending the night there? Because I find in, you can talk to David and Michael, I think they'd be great to interviews too because they've got tons of insight. But I think they'd agree that the hotels are generally the people that pay the most. I've never had luck selling a domain name to a realtor or real estate agent, just maybe it's me. I don't know what it is but I've also had a difficult time with advertising. I mean, I was pleasantly surprised when I get an advertisement in Lowell.com that was in the real estate business, so I've had a tough time with that.

So, I dig more on the hotels and tourism and restaurants, those are the type of people that usually pay more. So, I do some comps and see what they're making, so you don't want to insult them, that's the biggest reason why you're looking at their site to see what they're making because you don't want to offer them \$5,000 for their domain name and you know they're making \$10,000 a year, just doesn't makes sense.

A lot of times you can even ask them. You can say, how much you're making a year on the site, what are you making? If you ask if they'd sell or you call them on the phone and you'd say just, "How much you're making?"

If they're interested in selling, will tell you. I mean most of the time they will tell you and if they're b.s.ing you they have to document it. And if they don't then you can back out the deal, they've lied to you or whatever.

Michael: Good point. So start with, “Are you willing to sell?” They come back and say, “No.” You’re done. They come back and say, “Yes,” then you say, “How much are you making on the website?” You can ask them for the revenue and their actual profits because they have expenses clearly and then you can make an offer based on that.

Elliot: Generally for me I always make an offer when I, 90% of the time I’m making an offer when I send an email. Because just open the door, because there’s so much spam going around. You sell your domain name with no offer and just like it kind of, I figure everyone has gotten those emails.

So, I generally make an offer based on my gut feel for the name, what I can do with it, whether I’m flipping and or developing it, things of that nature. Searching to see if it’s sold before, how much it’s sold for, how long a person’s owned it, things of that nature. You know, smallish place like that...

Michael: So let me just back up here a second. So let’s say that it’s flipped 10 times versus they’ve had it continuously since ’97, how does that affect your pricing?

Elliot: Well then I know I can kind of gauge where the price is, what they paid for based on how much it’s flipped for in the past. I mean that’s a big...

Michael: Okay, so it’s been flipping in it’s public information, then that gives you more information on the pricing.

Elliot: And if they recently bought it and they’re developing it, you know that they’re planning on putting money into it and building it out.

That’s enough pieces of information that’s good for your intelligence.

Michael: I understand.

Elliot: But if they have owned it for 10, 12 years you have to figure people have probably inquired it about in the past, so you’re going to have to have a decent offer. I mean if no one’s inquired about it, it’s probably not the best name, maybe there’s a misspelling. You also have to figure that Bainbridge

Island isn't the easiest thing, isn't the easiest name to spell B A I N B R I D G E, I imagine.

Michael: Yes.

Elliot: But it's not as easy as say PalmSprings.com or LosAngeles.com or whatever. So, that being said, you have to take that into consideration. How many searches are out? As I told you yesterday, I like "broad match" when it comes to city names. Well, for city like Burbank or Lowell, broad match is great because Lowell Mc Adam is president of Verizon Wireless or Verizon and people search for his name and you know, just the exact match people will search for like first names who will search for last names, so with Burbank and Lowell you kind of it's a little mislead with the exact match I think anyway, so I like to...

Michael: So, I do a back of the envelope calculation because I'm going to do what you do and I'm going to make an offer right off the bat that gets their attention without having to ask them if it's for sale. My back of the envelope calculation, I'm just making this up, I didn't actually do it for BainbridgeIsland.com. But let's say that I have back of the envelope calculate, ask them for their media kit. They told me that they charge 100 bucks an ad. I see they have 2 ads on it. I'm saying they make 1,000 bucks a year. It's really not a money maker. It doesn't look like they've updated the website. It looks like they've got a template, not to insult Bainbridge Island because I live here, love the place but it looks like maybe they haven't updated it for a while. You know, they've got a Japan earthquake people finder, so they have updated it but not, you know, it's looking like they've got a template from a few years ago, let's say. 1,000 bucks a year, what do I offer them? What's the value?

Elliot: I probably come out, well, the value is really...

Michael: It's personal.

Elliot: It's a personal thing so the value is higher for you. If I end up making 1,000 bucks a year, I probably come with like \$4,000 or \$5,000 just to kind of kick the tires a little bit and say, "Would you sell it for \$4,000 or \$5,000?"

Michael: But was that the value that you think that you'd be willing to pay, so you'd come out with an offer of \$2,000 knowing that you need to go up to \$4,000 or \$5,000?

Elliot: No, I'd come out to \$7,000 or \$8,000 for a name like that. If it's making \$1,000 a year as the site that's not really looking the most fashionable, I think I can make it more. And you know, I know for gut feel, if I offer 5 and they're like 10 and we agree at 7, worse comes to worst I could probably sell it for \$5000 or \$6000 or something and take a \$2000 loss. But a name like that, it seems like it's a nice community. Personally I wouldn't pay more than 10 for it just at a personal note, I don't know much about it, just 27,000 people.

Generally speaking, on names that I have no interest in developing, just for flipping, I try to buy it at 10 cents a person or less. It's like really, really, it's a terrible way to value names and it's really inaccurate but just generally speaking, if you can buy an actual city .com name or town name for 10 cents a person, you're probably not going to lose much money. I'm talking like incorporated town, I'm not talking like the city of Bainbridge Island or the city of Lowell.com, I'm talking like straight up city .com name. If you're paying 10 cents a person, you're probably not going to lose very much, there's probably not that much margin to lose.

Michael: Just like Seattle.com.

Elliot: Well, I mean there's a huge difference between like the premiere names like Seattle.com, but I'm talking like smaller cities because even if there are 10,000 people and your spending \$1,000 for the name. I mean you can really probably sell a couple of ads for 100 bucks a month, probably but...

Michael: Okay, EstiBot, Valuate, I think they use the same formula to value a website or value a domain name.

Elliot: I think that Valuate uses EstiBot's algorithm.

Michael: Okay, it puts the value at \$13,000 for Bainbridge Island. What do you say about using EstiBot?

Elliot: I would say, if you had an offer, 50% of the EstiBot valuation of my entire portfolio I'd sell it to you and retire. So I think it's a great gut check kind of and I respect EstiBot, I like the tools that they offer with EstiBot like the revenue per click, cost per click, the searches, things like that. I don't think the value holds a lot of water to be quite frank.

Michael: Okay, that's too bad because I was going to say, I'll give you half of the EstiBot value for Elliot's Blog right now.

Elliot: Yeah, I'll pass on that.

Michael: Clearly you've got a wildly popular blog and then I think the last time checked it, it had a value of \$160.

Elliot: Ah, nice. Well, I think that's probably very much overestimating value, my website. It's a high value.

Michael: Alright, so you throw out a price, let's just pick a number, \$4,000 knowing that you want to go up to \$8,000. You'll throw it out by email or you throw it out by telephone, since it's a home town person?

Elliot: Send an email still. I'd like to send an email just to gauge the response and then depending on how the reply—stop Lucy. Sorry, I apologize.

Michael: That's Lucy, Elliot's pug, for anybody that's listening to the audio MP3.

Elliot: Yeah, I'm sorry about that. She wants some attention. But you know, I'd send an email first, see how they reply and then depending on the response, if they don't respond I'd follow up for the phone call.

Michael: Okay.

Elliot: It's kind of, I've never really had to do this before, actually one time, maybe even visit their house, I don't know, if, I don't know that'd be weird. There's a guy...

Michael: Like stalker.

Elliot: It kind of.

Michael: It's kind of a stalker maneuver.

Elliot: There's a guy who lives next door to my building in this famous building called The Dakota and it's like there, it's a huge building and there's like 30 apartments, it's like very like super high value apartments. And there was this guy, he owns this big restaurant. He owns a great generic.com name that he's never developed. So, I mean, I emailed him and I said, "Hey, I saw that you live like right next door," and I said, "Hey, you're my neighbor, let's discuss this over a bottle of wine," so I knew he had this great wine restaurant and he's like, "Thanks, it's great to talk to you but no, thanks." So, it's, I don't know, I don't think, I don't know if I was not getting any email back and the phone wasn't, my phone calls weren't getting returned if there's no answering machine or whatever, I might stop by just to see if there's any life at the house and maybe just I don't know. If I really wanted the name I might stop and do that but it really depends.

Michael: Okay, so you go back and forth over email, you agree on a price, Escrow or agreement?

Elliot: I always use Escrow.com and an agreement. If I don't know the buyer, if I don't know the seller, I'll send my own domain sales agreement generally and Escrow.com, because the Escrow.com agreement that you sign is really for the Escrow, it's not really talking about the domain names, it's not mentioning if for whatever reason their trademark issues there for the person has a lien on the name whatever, or a domain sales contract would have that and NDA in there and all that kind of stuff, so...

Michael: Okay, and why don't you publicly tell people what you're paying for domain names to help the industry and raise up the, you know sort of the stature of MLS for domain names like in real real estate?

Elliot: Sure, well, most of my buyers don't want their information published. They don't want to know how much I sold it to them for. I don't want to limit my sales ability. If a year from now, I try to sell a name and someone's doing research and they say, "Hey, I see you paid \$20,000 for the name, I'm not going to pay you \$30,000, I'll pay you 21,000." And you know it's just, I don't want my, the Lowell.com sales I think is one private sale that was reported. It was just kind of I don't know, it was just, I don't necessarily regret it but it cost some, people were asking questions in Lowell when I bought it for \$50,000 when I—It was a good way to show that I'm serious about the site that they knew that I wasn't just some out-of-towner coming in who whatever.

A lot of people were like, "Wow, you paid \$50,000 for Lowell.com?" I just generally don't like to report my sales. It's just the financial stuff is the one thing I really try to shield. I don't think it benefits my personal business and I'm just, I don't know, I do say that I have nothing shady in terms of taxes, it's just a personal preference and I just don't like to report my sales. Everything is above board with my tax. I use my dad's business accountant and he just emailed me today with my file number, tough but...

Michael: Right, anyways, so fantastic information on people that want to buy a geo domain. What's the hardest lesson that you've learned from Lowell.com or Burbank.com that you can save somebody a little bit of time in the learning process?

Elliot: Geo domains are great, great branded, we've already discussed that but you really need to have someone on the ground who's going to be an aggressive seller, who's hungry and you have to trust that person quite a bit to be selling your website to local businesses. That's the hardest lesson I think. It was a lot tougher to get there than I anticipated. I have huge respect for the people that are doing it because they've got good businesses on their sites but it's a lot harder than I thought it would be.

Michael: Yeah. Fantastic input, wonderful tutorial, walking me through. If I want to buy my own city domain name, Elliot Silver, editor, publisher, ElliotsBlog.com. Thank you so much for the additional time today Elliot and thank you all for watching.

Elliot: Thanks for the interview. Thanks, and if you have any questions feel free, my information's public, you drop me a note and I'll do my best to answer as thoroughly as I can.

Michael: Thank you so much Elliot, we appreciate the extra time.

Elliot: Thanks have a good day. Thanks.

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