

Interview with Howard Hoffman, PPCIncome.com

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Here's your program.

Michael Cyger: Hi everyone my name is Michael Cyger, and I am the publisher of DomainSherpa.com- the website where you come to learn how to become a successful domain name entrepreneur directly from the experts.

Then, when you have a success to share, you can come on the show and give back as today's guest is going to do. In the midst of a recession and with domain name parking revenue down what can you do today to maximize your income on domain names that you own?

Joining us today is Howard Hoffman. Howard is the president of ppcincome.com and he is also the founder and president of O2cool oxygenated water. Howard welcome to the show.

Howard Hoffman: Hey Michael, thank you. Thanks for having me on.

Michael: So I want to go through your story in chronological order, Howard, but let's just tell people quickly what ppcincome.com is. I think it's an innovative idea and I don't think many people out there have done an analysis like this. So, let's start with that. What is ppcincome.com?

Howard: Okay it's a site where I post my personal results with my own domain names and where I have compared them and taken a test portfolio and monetized it at different services pretty close together time wise trying to make sure that the domains did not have too many seasonal variations involved because that would bias it towards whoever is being reviewed at that time of the year when a particular domain is strong based on its' traffic. The idea is just to figure out which of the parking providers are going to provide me with the most income with my domains and hopefully that's useful to other people.

Michael: Great, so you had a personal need to evaluate all the different parking providers, all the different providers that will monetize your domain

names through pay per click or pay per lead or however they do it but you look at the revenue that you are generating from those domains and you said here is a methodology I am evaluating, I am going to publish my information on my website.

Howard: Well, it took me a while to get to that point.

Michael: How long did it take you to get to that point, Howard?

Howard: It took years. I mean, I started out buying domains seeing how valuable they were really as an outgrowth of starting my bottled water and when I built my website nobody came and so I had to start learning about internet advertising and marketing and one of the first things I found out was that paying for traffic was actually a very valuable thing because I tried all types of ways of getting somewhere with the search engines and found it to be very challenging to get visitors to my bottled water site but one site that I really liked was goto.com and that was the first PPC where you pay per click to get a visitor to your site. So as an advertiser, I was one of the first advertisers at goto.com. They changed their name to overture.com and then they were acquired by Yahoo. That's the primary source of revenue for Yahoo and later Google is the pay per click advertising.

So, that whole industry started out very small and I was lucky to be a part of it because it gave me some insight into the value of traffic from the advertiser's standpoint. At the same time, I had been acquiring some additional domain names for personal purposes and then for enhancing my own website like creating auxiliary websites and feeding traffic into my main website. Then I started realizing how valuable domain names were in general. I probably wouldn't have gotten anywhere but it was the dot com bubble and there were a lot of companies with a lot of money to spend and one of them paid me \$10,000 for a domain name. I was like "whoa, this is great!". Well actually I think I asked \$10,000 and they offered me \$5,000. It was a name I just registered out of the blue. So my total investment back then was maybe \$30/year so I had spent maybe \$60 on that domain and I sold it for \$5,000. So, if nothing else it convinced me and my wife that there is some potential in this business.

I was acquiring domains and noticing that they got traffic but I could never really figure out a good way to monetize that traffic and I knew there had to be some way. I tried different things. I tried creating an affiliate site and never really got anywhere with that. There were some early prototype parking services that I found online and made a few dollars there. Actually, I think I got my count up to \$100 dollars and I was actually taking some of the money I was earning and buying traffic back from them. I don't think I ever got a check from them. I think they went out of business owing me a \$100.

Michael: Oh, that's a shame.

So, you had your bottled water business that was called O2 Cool and you were buying domain names for your bottled water business? Is that how you got started with domain names?

Howard: Well that's part of it. I have a lot of water type domains cincannatiwater.com, bcwater.com, healthwater.com, sportswater.com and besides that I diversified. I saw that short names were good. There weren't many three letter .coms available but I started acquiring a lot of four letter dot coms.

Michael: This was about what year, Howard? Twelve or thirteen years ago?

Howard: Yea, right 2000-2002.

Michael: Okay, 2000-2002? So this was when the dot com bust had just happened just after 2000? You had your water company you were buying water domain names and realized you were getting some traffic from that. You realized that people were moving in mass to goto.com. You saw some traffic going into your domains and thought you should buy some more domain names because they might be worth something. You saw that some domain names had worth and you spent \$60 and sold for \$5,000 so this sort of accumulation of information was coming into you and you said, I want to be more in domain names I want to own more domain names.

Howard: Yes, exactly.

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Michael: So, let me pause the story for a minute. Today how many domain names do you currently own?

Howard: About 9,000

Michael: Okay, 9,000. Do you acquire more domain names on a regular basis? Do you acquire a handful of domain names a day or are you pretty satisfied with your portfolio and holding static?

Howard: I am basically holding static. I sell some. Occasionally, I get an idea and register something new, occasionally I buy something in an auction or from snapnames or something like that but for the most part I have so many good domains and so much potential for developing them and so many ideas. I have more ideas than I have time.

Michael: That is the bane of all good entrepreneurs. Let me ask you this. You have so many good domains. I want to find out what those are. Tell me, of the 9,000 domain names that you own right now what TLD's do they fall in? Do you just own .coms or have you diversified and some .tv's or .me's? How do they shake out?

Howard: Well, by far my biggest concentration is in .coms. Probably about 40 to 45% are .com and then some .nets a few .orgs and then I have a really strong portfolio in .us and in .info. It was partly a matter of the timing. Maybe if I was acquiring more of my domains recently maybe I would have tried some of the other TLDs and I did experiment actually. I have a couple of .ccs and .cms. No European domains because most of them make it a little bit difficult for Americans to own. I got some .vcs because I live in California where there is a lot of venture capital and I thought some of those names would be cool. I have a few of those still.

Michael: So on these CCTLDs the country code TLDs you own something like .vc for- I don't even know what country that is.

Howard: Saint Vincent and the Grenadines.

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Michael: So you probably have some pretty sweet single word generic domains .vc. Do you own venturecapitol.vc or something like that?

Howard: Well, I did. I was the first person to register it- but it was a pretty messed up little registry. I think it was being run by some college student in Puerto Rico and you could register the domains but there didn't seem to be any way to renew them or any way to sell them any way to change the name servers. It kind of went inactive for a while and then I think you could register them through dotster. There was a little more of an interface there to actually manage domain names you purchased. I mean, it was very frustrating to have what seemed like these fantastic domain names and not be able to do anything with them.

Michael: Definitely

Howard: So I was the original registrant of venture.vc and capitol.vc and venturecapitol.vc things like that.

Michael: Great, and was that the same case with .cc or .ws or whatever else you bought? You got some great single word generics?

Howard: Well, actually, I have always been partial to geography. So, I think I still own Alaska.cc and San Jose.cc.

Michael: Now, are those worth anything today in your opinion?

Howard: I don't know. Do you want to buy them?

Michael: Maybe we will find a buyer for you on this show.

So, we know how your TLDs shake out. You talked about owning some good domains. If you had to give away all of your domain names except for three, Howard, and I am not including your O2cool.com so let's set that aside. I am just looking at your domain names that you are monetizing through pay per click advertising. Which three would you keep?

Howard: Well, Honolulu.us is certainly one of them. I have been a surfer since I was seventeen and it was my interest in surfing that got me to make a move from the Washington DC area to California. Honolulu is fantastic; well the whole island of Oahu is a great area for surfing. So, I have a personal interest in that and Honolulu is a great city. So, even though it is a .us it is a very international destination and people from other countries tend to think of Honolulu as being an international city. It is not in the middle of America. A lot of people from Asia go there. So, I think that it is a logical place for a .us domain to do well as just a city.us.

Michael: Definitely. I will give a quick shout out for Ron Jackson's interview that was taped months ago. That was taped about 10 months ago. Ron owns a large.us portfolio. You are probably aware of this, Howard. He opened my eyes to the fact that everybody else around the world uses a .co .something like a .co.uk or a .country code. Using country codes may be a bit foreign for us in the United States but for people outside the United States it is very common place. You probably actually receive a lot of type in traffic from people who want to go to Honolulu and type in .us.

Howard: That is correct. Ron Jackson is my first and best domain friend. I met him online before the first traffic conference even. I was emailing him. He influenced me a lot and we were both picking up .info domains together and then later .us. Ron has some great .us names as do I and so do a few other people.

Michael: He does- so go watch Ron Jackson's interview after Howard's. Okay, Howard, I need two more domain names. What are your other two favorites?

Howard: Okay, another one-same thing, Makaha.com. Makaha is basically considered the birthplace of surfing. It is a relatively small quiet town on Oahu about 40 minutes West of Honolulu past Pearl Harbor, kind of in the middle of nowhere. It is not far from this new major resort by Disney. It is an undiscovered place. Besides this, Makaha was the first brand of skateboard.

Michael: So now I have to ask. Since two of your favorite domain names are surfing related why are you living up in the bay area and not down in San Diego, California where the surfing is warmer and more enjoyable?

Howard: Well, there has been a battle, and this has been in the news and trademark issue between Santa Cruz and Huntington Beach about calling itself Surf City. So the northern, Surf City is 45 minutes from my house. Right, you have to drive through Los Gatos and over the mountains and down into Santa Cruz. It is not among my top three but I do own visitsantacruz.com.

I also own visitmonterrey.com which is at the other side of Monterrey bay from Santa Cruz. You have to wear quite a bit of neoprene when you go surfing in Santa Cruz but the surfing is phenomenal and actually farther North we have Mavericks which is Half Moon Bay, and those are the biggest waves that anyone is riding on the California coast. Northern California is really a great place for a surfer.

Michael: Great. What is your third favorite domain name?

Howard: Well, I have one that I have had a lot of inquiries on. I will just say it is more emblematic of the domains in my portfolio. I have a lot of really good four letter .coms. I remember the first time I met Frank Shilling and actually I talked to him on the phone before I met him at the first traffic conference in 2004. He told me that he had spent a lot of time picking up four letter .coms in the drops and I saw the name administration pop up often when I lost. I was competing a lot with Frank for a lot of these four letter .coms.

The one that I have gotten the most inquiries about over the years is Zana.com. It is not a common name in the United States but it is a European female first name. Sometimes you can see it as a surname. I get inquiries on that domain all the time. People wanting to buy it for a few thousand dollars. That is one I plan to hold on to until someone makes a big offer. The one that helped me the most was the dodo.com. It sold for a million dollars.

Michael: Recently, right.

Howard: So I am going to hold out for six figures on Zana.com for sure.

Michael: Great, so now I am wondering since your main focus in domain names is monetization through pay per click and owning PPCIncome.com of the 9,000 domain names that you own, Howard, how many of those domain names earn more than reg fee per year?

Howard: Probably only about 30%.

Michael: So 3,000 of your domain names earn more than reg fee per year?

Howard: Yes

Michael: The remaining 6,000 that you hold onto because you are one of those domain name owners that can't bear to drop any domain names or you think they are valuable and someone is going to approach you some day and buy them?

Howard: Well, no I was up to 11,000 domain names. So, I have been pruning my portfolio. I can bear when I see that something didn't work. Like, I had a whole bunch of optometry domains.

Michael: Like what?

Howard: Paloaltoptometrists.com, Cincinnatioptometry.com and they didn't generate much revenue. Like hardly any. No one really made any offers for them. An optometrist has a lot of different name strategies and most of them for some reason or another just did not care about the domains even in the larger cities. Maybe newyorkoptometry.com would get some interest. I just found that was one particular group I bought quite a few or and held onto for a few years. They didn't go anywhere so I just started letting them go.

Michael: Yea. So, when you come to the realization that it is not going anywhere do you actually try and package them up and say I have these 200 domain names related to optometry or optometrists and try to sell them to

someone else first or do you just say I am done and press the delete key on GoDaddy or another registrar?

Howard: I pretty much just allowed them all to drop and thought my activity started out just picking up name. If someone else can do something better with these. I could spend a lot of time on DMforum or somewhere else trying to sell them but the amount of money that I would probably get compared to my time, I thought it is better to just let them delete and let someone else take the chance that they could do something better than I could.

Michael: So when do you decide that you are going to allow a domain name drop? Is there a number of visitors per month or an income threshold or some other characteristic that allows you to determine- I'm going to keep this one versus I am going to let this one drop?

Howard: Yes, well, obviously if it earns registration fee and you don't put any value on your time you could justify holding onto it- if you think it has sales potential. If it's getting a lot of traffic but the RPM is low- the revenue per thousand visitors is low- and you think that there is some other place you can move it and generate more income then it is worth holding onto. But, if it is getting a couple of visitors a month- unless it's in some extraordinary category like poker or something that can generate some occasional large value clicks- it's generally not worth holding onto. So, I have let a couple of thousand domains- maybe 3,000. I am down from my peak but I have acquired more over time so I have probably allowed 3,000 domains- I have done domain tasting the legal way- not holding onto them for five days to see if they work but in some cases holding onto them for 3 or 4 years and it's worked pretty well and I learned from my mistakes- you see what works.

I wish early on I had thought about playing monopoly- what's your objective in monopoly? Make money- yes- but your objective is hotels. So, I do own quite a few pretty good hotel domains like tahoehotel.com, laketahoehotel.com, and domains like that generate revenue. Those are great revenue domains. You know, if anyone ever offers you any kind of decent city, particularly if there is a significant tourist element to that city or town or resort or whatever- having those hotel domains are great. So, a lot of my

portfolio is names that are city or state and then a service of some sort. It could be visitpaloalto.com or visitsantacruz.com or it could be hotelsantacruz.com or santacruzhotels.com.

Michael: So you'll buy the keyword before and after the city name.

Howard: Yes

Michael: Just to make sure you have got them both.

Howard: No, in most cases I buy what I can. If I could have all the different combinations of Santa Cruz and hotels singular and plural and hotel first and hotel last- I would take the geography first and then the class second usually in plural works best. So, I would rather have lasvegashotels.com or vegashotels.com then hotelvegas. Now if someone is going to actually name a hotel they are more likely to call it hotel Vegas than Vegas Hotel. So it can cut either way but the point is that people type them both in-both ways- and in a lot of cases the plural beats the singular by about 2 to 1. I did have names where I was able to acquire the singular and the plural and just see what happens.

Michael: So, you just gave a ton of great information there, Howard. I am going to summarize it real fast. So, people want to buy the city name and then hotels plural .com as the most premium type of domain name and if that's not available you will get city and then hotel.com. But you will also take hotel and put it before the geographic location and you will also try and get hotels and then the city as well. Just to cover all the bases.

Howard: Absolutely. I mean the bigger the city and the more tourist business it gets obviously- the better so newyorkhotels will do better than eastpaloaltohotels.

Michael: I used to live out there so I know what East Palo Alto hotels look like. Now, what other major services might you try and search for domain names around? Hotels is a great one but are there other major ones that people should keep an eye out for?

Howard: Well, when they are appropriate casinos are great. I mean, often they are packaged with hotels so I own domains like- I think when you are driving down interstate 80 from Salt Lake City- the first town you come to in Nevada is Windover- so I own windovercasinos.com.

Michael: And you will go for the plural again over the singular?

Howard: Yea, and I do own californiacasino.com. Now, particularly with all the Indian reservation casinos- there are now a lot of casinos in California. Everyone used to drive to Reno or Las Vegas or Tahoe to Nevada to get to the casinos. Now, we have more in California so the domain name californiacasino.com really makes sense. Likewise, I own neworleanscasino.com and there are casinos in New Orleans. Those are not Indian casinos those are big name casinos. So- I love those.

Michael: Right, if you had to pick another service- hotels, casinos- what would be the third best one?

Howard: Well, I like visit because again it is travel. In there I always want the visit first. Visit has become a brand.

Michael: It has become a brand. Often times you will just see the brand. You know I had the Costello brothers on here both individually and they talk about Palm Springs being one of the gems of their portfolio and that Palm Springs actually bought and promoted visitpalmsprings.com and they had this great story that every time a radio commercial came on it would say and go to visitpalmsprings.com and it just sounded like an advertisement for their domain- not visit palmsprings.com. So, my only point is that visit is becoming a brand in itself.

Howard: Right, if you look at a Pennsylvania license plate. Well, Pennsylvania is kind of long to spell out so they use the abbreviation. It doesn't say anything except visitPA.com and if you watch Los Angeles Dodgers baseball right behind home plate in the past they have a big sign that would say visitlasvegas.com. So, you see a lot of these around and a lot of the visitor's bureaus and convention bureaus for cities and states have got either the.org or the .com or whatever they could get in visit because most of

them were too late to get the city.com. The Costello brothers, as smart as they are got visitpalmsprings.com before the city figured it out. So the city was left getting visit. That has kind of helped all of the other visit domains.

One of my domain associates is a guy from New Hampshire, Michael Donaven, he owns visitnewyork.com, visitwashington.com, visitmiami.com, visitboston.com etc. Those are killer domains. They are not as good as newyork.com or washington.com but they generate a fair amount of traffic.

Michael: Now let me ask you this? When I think of a visitnewyork or a visitboston.com I am thinking there is a great brandable domain name but I can see people typing in newyorkhotels and then typing in the .com on the end- but will they actually type visitpalmsprings.com without going and doing a search? Without knowing there is something there? Will they type visitboston.com?

Howard: Absolutely yes. Because I can say, even the Costello brothers may be benefitting and they are laughing all the way to the bank with the traffic they get from that advertising, still the majority of people figured out and go to visitpalmsprings.com so, the majority are going to go where they are supposed to go. The Costellos are happy to take the 10% or whatever that do it wrong and get that for free.

Michael: So you own visitsantacruz.com and visitmonterrey.com, right?

Howard: Yes

Michael: Those are great cities. I grew up in the area and I love going to those cities. They are sort of sleepy communities- not very big- if I had to guess 50,000 or less - good amount of tourism fairly affluent educated communities. Santa Cruz has a lot of surfers coming into the area, there's a university close by actually in both of those locations. Are you willing to say how much you make per year off of ppcincome from a domain like that?

Howard: Well, most of these are not absolute killer domains but each one earns a few hundred dollars a year.

Michael: Okay, I just wanted to get an idea. So, it covers reg free it pays by tenfold at least and so that gives me an idea knowing how big those cities are and the demographics other people who may want to buy something like that then can sort of look at the situation can say Howard gets about this much on those- If I'm going to buy this here is what I might be able to expect.

Howard: Well, in general the approach that I have taken in terms of buying domains from other people is- show me your stats. In other words, anybody that has had the domain for any period of time- and there was a time I was actively contacting people out of the blue and I had an employee working for me and we would call people up and send them emails and try to acquire more of these kinds of domains and- particularly looking for hotels and visits and things like that and we were able to acquire some that way and our standard practice was not to estimate what they would be worth. Initially, when I took a stab with my first visit which was visitidaho.com I took a stab on it and it misled me a little bit because it turned out that the Idaho visitor's bureau is at visitidaho.org. So, in addition to the normal type in traffic that it would get I am getting the people that were making another one of the type in errors in that they don't type in the .org they type in the .com. So, it misled me to think that all of them got as much traffic as that one did.

So what I learned was that- for either myself or some of the accounts that I manage- like I got visitmichigan.com which is a great domain and a lot of visitors go to Michigan and a lot of beautiful lakes in that state- the northern part of that state is really beautiful and so my brother in law who has a second home in Michigan- he lives in Chicago- he owns that domain and it doesn't generate as much revenue as we thought it would. So, it's proof that you have to be a little bit careful when you buy domains for traffic. First, it should make sense. If it doesn't make sense- if someone says I have this great name- it's visiteastpaloalto.com and it gets tons of traffic. Well, you have to say to yourself- why? It's a small community not particularly prosperous and so why would it get a lot of traffic? Well, sometimes it's bogus or sometimes it is some links that were built up somehow that are going to die out before long or could be a bot or who knows? So, even seeing the stats I have learned the hard way that you have to be careful. The domain needs to make sense on its' own and then you want it backed up with stats.

Michael: Okay, so let's say that I own- visitcucamanga.com another city in California and I say that I am getting 100 visitors per month. Is that a domain name that you would want to buy?

Howard: I doubt Cucamonga would get a 100.

Michael: I tell you it does. I give you the stats. You look at the stats and you say okay, its' Google analytics or one of the parking companies gives the stats- what would you think? What is your next step after asking about the traffic?

Howard: Well usually, my next step is to say okay, let's move it to one of the parking providers that I am familiar with. Because, some of them will in fact look at the traffic and tell me okay, this traffic is funny. There is something going on here. Or, they will tell me- this looks good.

Michael: Which parking companies will do that for you, Howard?

Howard: Domain Sponsor does it for me. When you have it monetized in there you are also able to see what the revenue per click is. So it is not just the traffic it is seeing what type of earnings you are able to get from the domain. So, being able to test the domain and see how much traffic it gets and how much revenue then it just becomes a pretty straight forward financial calculation.

Michael: Right, so based on revenue what type of revenue would you need to produce in order for you to consider purchasing it? You personally.

Howard: Well, in the good ole days like 2004, around the time of the first traffic conference- I was able to buy domains for 3 or 4 x annual earnings. Particularly if you could move it from one service at an RPM of 20 and you could move it to another service where you got an RPM of 50- you might end up with a domain that is going to generate its' own cost to you in a year or in a year and a half.

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I was able to put some of my friends and family into domains like that so I managed some portfolios not just of my own but also of my friends and family. We were able to get some great names that way and one of the ones that is just killer that I put one of my friends into was shoewarehouse.com.

Michael: Wow. Now why wouldn't you reserve that for yourself?

Howard: Well, at that time I was acquiring domains so many ways at relatively low costs and that one was relatively expensive- like \$10,000. So, I kind of made the decision – okay these more expensive domains that I don't want to take- I don't have enough cash laying around- I would invest my friend's money in those and I would get a share of the revenue without putting in any capital just putting in the expertise and management.

Michael: So you bought shoewarehouse.com in the 2004 time period- somewhere around that time?

Howard: Yes, 2004.

Michael: For about \$10,000. Are you willing to say how much that earns per year?

Howard: Yea, let me check. I can tell you exactly. Let's see-

Michael: While you are looking at it- this is a parked domain name. People don't find this by going to any search engines- people don't find this by going into google and typing in shoe space warehouse. They are typing shoewarehouse.com into their browser.

Howard: Yes, they are typing shoewarehouse into their browser. Okay- that one earns about \$5,000 a year.

Michael: Wow, so that was a great investment. Back in 2004 it was probably magnitudes above that.

Howard: A few years ago I think it was earning about 7 or \$8,000. How many friends come to you with an investment say- I am going to get you a

50% return on your investment- you are scratching your head going-what is this Bernard Madoff or something? My friends were initially skeptical. What I did was I gave them a guarantee. I said let me put your money into these domains and if you are not earning a satisfactory return within two years I agree to buy them back for everything you paid for them less what you have earned on them so far.

Michael: Wow

Howard: So I took all the risk and of course- now I didn't do that by individual domain but as a portfolio. So, when you buy a hundred domain names for somebody there are going to be a few that are like shoewarehouse that are homeruns and there are going to be a few that turn out not to be so good.

Michael: Right, like, santacruzoptometrist.com. Okay, so two questions for you. I want to find out how you would value a domain like that today because clearly I am willing to give you 2 to 3x your yearly earnings for that domain name but before we get to that question- how do you – if someone approached you and said- So clearly you are buying domain names on a 2 to 3x yearly revenue multiple I think you said. Right, Howard?

Howard: That was back then.

Michael: Back then. So what is it today? Do you know?

Howard: Well, for the same clients that I was getting names at 2 to 3x for a relatively short period because after the first traffic conference the news about domains became much more widely dispersed much more in the media many more people realized how they could monetize their domains so the opportunities were very fleeting there- at least at those multiples. All of a sudden you had people running around buying up whole portfolios. It became very competitive. So, after a while we were having to pay 6x earnings and then 8 and then ten- and that is about where we put our foot down.

I mean, for ten it had to be a name like shoewarehouse where it was totally generic where your trademark risk was close to zero-where the domain name was expensive enough that it would be worth defending if you did have to hire a lawyer to defend the name and where it was just obvious that the value of the domain itself- that there was value in the domain. So, we would pay that maximum of 10. Plus, for a short while we would pay up to 10x but then the whole parking business- which had been on a constant uptrend for years- it started going in the other direction. The whole recession 2007-2008- the whole recession impact on Google and Yahoo and advertising started coming down through the domain so now all of a sudden you realize part of the downside for paying a lot for a domain is that the parking revenue can go down.

We always were benefitting from the fact that we were buying it at 8x multiple and the income per click was going up so it wouldn't take you a year to recover your investment it would take you 4 or 5. But, the reverse is true- when it is going the other direction on the revenue per click. So, instead of earning enough to pay the domain name back -and you take the reciprocal to get your effective rate of return.

So, an 8x earning is like getting 12 ½ % on your money. When it gets out to 20 years to recover that is like getting 5%. Now, 5% is not too bad today but still most of my friends don't want to invest money in illiquid assets with limited market for a 5% return. That doesn't make sense. But, conversely, when someone comes to us and says they want to buy, that is what we are looking for a minimum of 20x the annual earnings and most of the time we are looking for a buyer who can pay 30. I can remember Rich Schwartz, who is the ultimate price hawk on domains- I can remember him saying hell-you know make it 100x earnings. You know, if you can do that why not? If someone will pay you that. You know it is typically not someone who is paying for the traffic.

Michael: Right, they are paying for the domain name itself because they are building a business and the traffic is just a nice to have.

Howard: That is right and that is what Rick Schwartz's point is.

Michael: So, my next question for you then, is clearly you bought a bulk of your domain names in the 2000's- it is now 2012- if someone wants to get into the parking business today- they have some money like your brother in law who wants to invest some money- has the train already left the station? Is it too late to buy domain names? Either buying them or registering them from other people such that they can get at least a 10% annual return.

Howard: I am sure that today there are young and entrepreneurial domain investors that are finding ways to do it. They are finding good domains that are expiring either from a company or an individual. I am sure there are people doing it- I just don't have enough time to be doing that myself. So, I wouldn't say the train has left the station entirely- but I would say that the easy opportunities of 2000-2005- those are gone.

You know there are other ways -people find new ways to make money off domains all the time. So, it is just that at that particular time it was relatively easy to acquire really great domain names. I think of the ones that I missed. There were really great opportunities where had I been willing to spend a little bit more myself- either in an auction or from an individual who had a bunch of names and I have heard stories- I have other friends in the business who acquired an amazing portfolio of domains for \$100,000. You know- a relatively reasonable sum of money that today are worth millions.

Michael: So let me ask you this. Is there one event that sticks out in your mind that you go back to often where you say -I should have bought that one domain or I should have bought that one portfolio back in 2002?

Howard: Well, let me put it this way. Back in 2002 when I was using namewinner and snapnames to acquire as many of these good drop in names as I could – I did not acquire enough but I knew that I had limits in terms of time. I had a full-time day job in those days and I had a Palo Alto mortgage and three kids approaching college. Trying to figure out how I was going to pay for college and continue to make payments on the house and time for my day job- basically Frank Shilling was doing this back on the same time scale as I did but Frank basically threw all caution to the wind- sold his house- moved his family to the Cayman Islands- maxed out every credit card that he could get his hands on and took risks that I couldn't take. But, I am very

pleased for what I was able to acquire back then. If I had the time I am sure I would be out there like some of the young guys that are doing it now- that are still findings opportunities and they are still there. It is just not like it once was.

It is kind of like after the gold miners hit the big strikes in 1848 and 1849- there were other people that came along 10 and 20 years later that were still finding nuggets they just had to go through a lot more digging.

Michael: And they are still doing it today. There is a show I watch every once in a while with my four year old son called gold rush where they go up to Alaska for half the year when it is not frozen and they mine the ground. Better technologies now allow them to sift through very fine sand and rock pieces in order to find the gold. So, analogous to finding the domain names today versus finding the big domain names that they found ten, fifteen years ago.

So, on your website, ppcincome.com you have your evaluation methodology for monetization platform just listed. You talk about greatloans.com- being very specific and very targeted for loans and you talk about a three letter domain name being very effective like ANR.com where people will type those letters in- so in general if you had to summarize your methodology what would it be?

Howard: Well, first of all when people talk about investment in general one of the key words you hear is diversification. There is always some value in being a specialist too but I chose the diversification approach. So, while I do have concentrations- I do have a very broad portfolio in a lot of different areas. So yes- I do like hotel and casinos and visits and things like that- but I have lots of four letter .coms and four letter .nets and three letter .nets and one word .coms and product.coms so I would say in my case I took the principal from stock investing which is diversification or real estate investing which is diversification. So my approach was- if it looks like it has value and I see it has value- I acquire it. I don't care. I mean there were some areas I didn't particularly want to get into the adult space – because it is a little different- but if a great adult type domain came along I would still pick it up.

So, actually my dad, who passed away, I bought domains for him and he never really understood- my sisters and I invested the money for him- he owned showersex.com. It actually was a pretty good domain that people typed in. So, we sold it subsequently.

Michael: So let me ask you this- you talk about three letter.nets. Let's make up anr.net. Will a three letter .net actually get type in traffic?

Howard: Some do. I mean, quite often someone might be looking for something special- you just never know. My approach was I knew that three letter.coms were extremely valuable and very hard to find and I owned a few of them at one time. I don't own any of them now. But, I see there are all these three letter .nets so I acquired some and I saw that certain letters do better than others. First letter a is usually good- First letter e is usually good- First letter l is usually good. Obviously, if it is the word- there are a lot of three letter words- then it is good. The fact that it is .net clearly it is not as good as the .com but some .nets do very well.

I own some city names in .net. Like one of the ones that I remember selling too cheaply was Biloxi.net which is a casino town on the gulf coast of Mississippi.

My dad happened to train for the army there in World War 2. There was a Neil Simon play- Biloxi Blues. So, it is a town that some people had heard of and it used to get traffic. A lot of it is people looking for hotels and casinos so it is valuable traffic. That is an example of a .net and a lot of people like to dis .net but for some reason people typed it in even with the .net.

Michael: So also on your website I see a comparison table between the parking companies for general domain categories for general, general keyword, gambling, European, non-us domain names and adult. I noticed that you have revenue per thousand RPMs of ten to eighty dollars. Is that information updated recently?

Howard: Well, actually I am a little deficient there. I should go back and update those. Most of them need to be revised downward. The parking RPMs took a hit- revenue per click went down for a variety of reasons- and

the recession was one- some of the negative publicity in articles in the Wall Street Journal and BusinessWeek on domain traffic. There were some negative articles that lead Google and Yahoo to allow advertisers to opt out of domain traffic. So, there was just less bidding and at lower prices you earn less for the same traffic.

Michael: So, what is a good RPM range nowadays, Howard?

Howard: Well, it really depends on the category you are in. Well, if you have hotels and casino traffic- you should still be looking for a \$100 or \$200 RPM. If it is some random English speaking country US, Canada, just some random category you can still find lots of traffic that will still generate 40 to 50 RPM. Lower grade traffic, particularly foreign countries-Spanish language- I have stuff in Portuguese, Dutch, German, French if you can line it up with the right advertisers sometimes those things can do very well.

Michael: For example what range would you say?

Howard: For example Cito does pretty well with the foreign language because that is part of their sweet spot.

Michael: What range might that be, Howard?

Howard: Well it can be anywhere from \$10 to \$100 in that range.

Michael: So all of these RPMs that you are telling me are actually higher than what is listed on your website which is older non-updated data.

Howard: Well, I am giving you a range here.

Michael: Sure, okay.

Howard: So, when I say 10 to 100 it really depends on the name and the quality of the names and the numbers that I published on the website were averages. They weren't ranges so I would have a group of domains that were say- foreign language or hotels and I would see exactly what they would earn

and I would average them and the most important thing was that I was doing it on a fair comparison basis.

So, I would take my test portfolio and try it at one parking service- and it takes time because it takes time to optimize and sometimes it takes a month to optimize so I would move it there for a month just to give it a month of testing so the whole question of seasonality – I had to make sure that I was correcting for that to be fair to everybody. Then, periodically I would go back and retest if anything looked strange. So, it would take a fair amount of time and a fair amount of work. Now, there were some tools that would allow you to split traffic between two different services at the same time. There is above.com now and domain manager and so I had some tools to do the simultaneous comparisons but for a lot of my domains that didn't get a lot of traffic individually I couldn't really do that. You need domains that are generating at least 10 visitors per day to be able to do simultaneous comparisons.

Michael: Got it. So in order to use a service like Above which has a lot of different advertisers plugging in and allow them to optimize it you need at least ten visitors per day-you need enough data points to be able to measure it against them. Parklogic is another example, correct?

Howard: Correct

Michael: So why do you do all this work yourself? Why don't you just point them all at Above or parklogic.com and let them do all the work for you and they will tell you which ones have less traffic and then you can go and do the optimization yourself on those.

Howard: Well, I started doing this before there was above.com and before there was Parklogic. I was first contacted before I had any parking companies- I was contacted out of the blue by Dan Warner from fabulous.com and he said I think you earn an RPM of 7 per thousand- that sounded great to me at that time. I signed up with fabulous.com and I had about 1,000 domains at that time-maybe initially I was only earning five but it was close enough to seven that I was excited because I thought if I can do this initially with the names I have got- I have got a 1,000 domains now- let's

get another 1,000 but looking at the stats on the thousand domains I had I could see which ones worked, which types worked, which ones generated really strong click throughs- which generated high RPMs and so I could focus my energy in acquiring my next domains on domains that earned more. If anything- I should have done even more of that. Then, I started saying- I think there are some other services doing the same kind of thing that fabulous is doing so I found domainsponsor was my second and I started just for my own benefit started trading back and fourth so this was many years before you had above.com or any of the other options so I was doing this in the early days and just kind of applying my own methodology so I could figure out which names are going to do better where.

It was pretty close. Then I started finding a third and a fourth and a fifth provider -trafficz and cito and a couple of others so I created a huge spreadsheet for my domains and started keeping track of what I was earning at each domain at each service and comparing it. Others kept coming up, there was goldkey for a very short period of time which did very well- smartname came along and hot keys and there are a lot more choices now but I just found that I could earn a lot more by putting each domain where it was happiest.

Michael: Of course each of these companies is taking a commission off of the revenue that they earn for you on your domain names and then Frank Shilling- last year- shook up the industry when he said-I've got a Google feed and I am going to pass 95% of everything that I make off the domains to you- I have got almost no overhead.

Have you tried using Frank's PPC monetization system?

Howard: I just signed up for it, submitted my names to them and I now have an account with them.

Michael: Alright. Have you had enough time to evaluate the data?

Howard: No, like I said for me to have any kind of feel at all I need two months minimum and that is just to get a beginning feeling. So, I am very optimistic about that and sure I am going to try it out but for me it is always

the bottom line. Somebody can say we are giving you 120% rev share- I don't care really what they tell me it is- what do I earn from it? I don't want to find out that I am getting a 40% rev share and some other guy is getting a 60% rev share with the same amount of traffic. Ultimately, the way I keep them honest is by comparing one against the other not by what they tell me.

Michael: There are new monetization systems coming out every year. I would say- there is one that came out last year called bodis.com. Do you periodically evaluate these new systems just so you have that knowledge, Howard, and is that one of them that you will be updating your website to include.

Howard: Not that one in particular but yes, I am continually looking at new services and I did use parklogic and a new one I have been doing recently is the parking place. They have a different approach that sounded interesting to me so I am giving them a try right now. I used smart names stores- I have used dotsa – I can't even remember all of the different ones that I have used I would have to go back through my emails and notes to really answer that. When I go to the conferences I visit all the booths and I try to see- is there someone here- I mean everyone can get a Google feed or a Yahoo feed at one time Frank Shilling was using a Yahoo feed- he switched over to Google. Anybody who has enough traffic can get these feeds but they can get different deals and it is all hidden from you and there are confidentiality agreements.

Michael: So you don't know until you get your monthly report that says here is how much you earned or your weekly report or your daily report and you are able to look at what is coming into your pocket.

Howard: That's right.

Michael: Will I be able to go onto your website PPCIncome.com in a couple of months and see what the RPM is on internettraffic.com- Frank Shilling's company versus the other ones that you have up there?

Howard: For me to feel really comfortable to publish it for others it is more like three or four months from now. Before I would add something.

Michael: So, let me ask you a few questions about your water company because you had mentioned you started buying domain names for your water company and then one thing led to another. Your water company is called O2Cool.com. I am sure you bottle this water someplace overseas and you haul it in- no?

Howard: This is very special water from a spring in California. It's Adobe Springs, a fairly remote and rugged area and it just happens to have the right geology that the water comes out of the ground very pure and with a lot of magnesium in it and most people don't get enough magnesium in their diet. Water used to have more magnesium in it but now people do water softening which takes the calcium and magnesium out and puts sodium back in its' place. It may be a good trade for your laundry and for your pipes in your house but it is a bad trade for the pipes in your body.

Michael: Why is magnesium important?

Howard: It is one of the basic electrolytes that are involved in the biological reactions that go on in your body and all of the high metabolic rate organs in your body really need a certain amount of magnesium to function. So the two highest rate organs in your body are your brain and your heart.

So, I mean and most people are not getting enough the soils that we grow our food on have lots of chemical fertilizer applied which puts back the nitrogen, phosphorus and potassium. That is the standard for fertilizers, NPK, there is no "M". It is left off. So, if it is not being given a dose of animal manure or other organic fertilizer the soil is becoming increasingly magnesium depleted and the crops have less magnesium in them so we don't get enough and there are literally a hundred studies that have shown a correlation between drinking your water with magnesium in it and a low level of heart disease.

I originally started this and put oxygen into it because I had a patent on it – I got a patent on oxygenated water for fresh breath because the bacteria in your mouth that can cause bad breath, gum disease and tooth decay are anaerobic and anaerobic means that they don't need oxygen- in fact they don't even like oxygen. When you drink oxygenated water it is good for your mouth.

Michael: And it cleans your breath too.

Howard: Yes, and so to put oxygen in here- it doesn't work very well in a plastic bottle so then we started putting it in glass bottles. Well, then people started finding that there are chemicals in the plastic bottle that leach into the water. So, now people are buying because it comes in a glass bottle and has a natural PH of 8.5 and people are finding that they get so much acid in sodas and beer and fruit juices that we need some of the high PH to balance some of that off. So, other people are buying this because of the natural 8.4 PH.

Michael: So, how did you discover this spring that has this higher magnesium rich water that has health benefits for drinkers?

Howard: Well, it was really kind of dumb luck. I got the patent- it was actually patent pending and I was just going to sell this idea to one of the big water companies. So I had a meeting set up with the vice president of marketing of what is now Nestle waters.

Nestle being the biggest food company in the world. I had a meeting set up with them at one of their companies which is Calistoga Water in the Napa Valley. Two weeks before that meeting I got internet access and found out that there was a patent ahead of mine. So, instead of being able to sell them this whole new concept in beverages-oxygenated beverages I was only going to be able to be in that segment of oxygenated beverages for fresh breath. It just seemed too narrow to sell to anybody so I figured the only way to go was to sell my own brand of water.

In 1998 I was on the internet when it was just starting to happen and I could see that there might be some problems selling it online but who knew? If someone told you back then that some guy was going to make a fortune selling shoes online you would probably say that is a crazy idea. How are you going to sell shoes online you have to try them on- Look at Zappos. So I had this crazy idea that I would try to sell my water online and that was what got me online in the first place was the water.

So, if it weren't for this I probably wouldn't be talking to you.

Michael: Fantastic. So, I want to ask you one final question. Speaking of that water I have seen you at domainfest just last week and last year. Both times you are carrying in a six pack of your water you are getting oxygenated you have all that extra energy flowing for the conference and one of the things you said to me just the other week was – you'd be amazed at the traffic I get from keywords that are repeated and you threw out two examples- catcat.com and dressdress.com. Those are never domains I would have thought about so tell me more about those domains.

Howard: I don't even know how or why I got catcat but it is only six letters and I did focus a lot on shorter names. Three, four, five, six, seven in the droplist I would just start everything by length- I would start at the short end and just go until I ran out of awareness. It would be two or three in the morning sometimes because I had a day job back then. So, I would start at the lowest end and I didn't know but for some reason when I saw catcat at the end it was six letters- I picked it up in a drop- and I saw it got traffic.

So, after that every time I saw a double keyword I picked it up. I don't have a ton of those. If they are in good categories that people are likely to type in for some reason people will type it in twice.

Michael: So, can you look and see what kind of revenue you are getting off of catcat.com or dressdress.com? Do they pay reg fees or is that just something that you like because it is short and repetitive and it might be something you can sell someday.

Howard: Okay, I don't make a lot off of catcat.com. It is making about \$30 a year. So, that one not a lot more than reg fee. But, dressdress.com about \$100 a year. So, it is not a killer domain- you can't make a living off that- well actually the latest was \$132 off of dressdress. That one gets a lot of type ins and I know it really should be earning \$200-\$300. I have to find a better place for it. I just marked my spreadsheet as underperforming and let's see what is wrong.

Well, I know what is wrong. It doesn't have good enough graphics.

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Michael: Well, alright, at this point in the interview I usually tell people if they have a questions they can post it below. When they pose their question I will notify you. If people want to follow you, or get updates on what your doing or on your website – you have now reviewed Frank Shilling’s internettraffic.com is there a way that they can follow you?

Howard: Well, since we just heard about twitter at domainfest I guess I should say that I am really active on twitter. I use twitter to keep track of other people more than I use it to spread my word. Basically, when I want to post stuff I post it on ppcincome.

It became less profitable for me to put all of my information up there. I do manage portfolios for people and if someone wants to contact me if they wanted me to try and improve their traffic, I usually would do it for a rev share- a share of their revenue. I get typically 20% for the first 3 years while I am doing most of the work and then 15% after that.

Michael: How many domain names would someone need to be worthwhile to do?

Howard: It is not really a matter of the number of domains.

Michael: They could have ten great domains.

Howard: Yea. I mean I would do it for one or two domains if they were killer domains. I know people who have one or two domains that you could live quite nicely off of. So, it is really not- try a domain like freestuff.com or freemusic.com. Names like that get huge amounts of traffic. Typically, I would be looking for somebody that is going to be earning at least a couple of thousand dollars a month before I would want to be involved.

Michael: Got it. So if people want to follow you what they need to do is go to your website and look for updates there.

Howard: Yes

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Michael: Alright. Then do you also have an email address on your website if people want to contact you, Howard?

Howard: Yes, it is there on the website or they can just email me at domain@hiosilver.com. That was the original name of my bottled water.

Michael: That's a play on words – high oxygen but you are also saying hi ho silver away.

Howard: Yes, it was kind of like that. It was actually my second choice. My first choice was O2Cool but someone had the domain name on it and so I went with my second choice. They never perfected their trademark and they never kept it and I found the domain name- someone had it and I bought it for \$5,000. I got the trademark so I changed the name.

Michael: So persistence pays off.

Howard: Yes.

Michael: Okay, I am going to urge the audience- if you received value out of this interview- I know this interview is packed- I wrote out a whole page of notes here. Please find a way to go out of your way- go visit Howard and send him an email. You can also visit his websites at PPCIncome.com and O2Cool.com.

If you want to try Howard's water click on the retailer link and you can find a retailer that is close to you. I am going to do that. There are a few stores in Seattle so next time I go over there, Howard, I am going to stop by Central Market and I can't wait to try it.

Howard: Alright Michael

Michael: Howard Hoffman president of PPCIncome.com and O2Coolwater.com. Thank you for being a domain Sherpa . Thank you for sharing and thank you for helping others become successful domain name investors.

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Howard: Thank you, Mike. A pleasure being on your show.

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

Watch the full video at:

<http://www.domainsherpa.com/howard-hoffman-ppcincome-interview/>