

DNSeattle Keynote: The Shave Network – Building a Real Business on a Premium Domain Name – With Luke Webster

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Luke Webster: Hello everyone. I want to thank the sponsors for having us out. We really appreciate it. I thought we were going to start with some questions, but I will go through the list of stuff that we are going to talk about. Product sourcing, why I chose the domain, name I picked, and how I ended up selling razors online.

So, I originally started off sourcing products from places like China, Pakistan - lower-end quality stuff. And I am going to give you guys a recipe for how to be successful in eCommerce and what I think you are really going to want to know about is vCommerce, not really eCommerce. eCommerce is changing and as we move forward in that change, you have to be able to pivot and adapt to the new changes. Amazon has really changed the marketplace. If you are selling a product that you are buying from a wholesaler, or you are bringing in from China or from anywhere in the US or outside the US, and it has a UPC code, there is a good chance that somebody is going to sell it better than you on Amazon, and people are going to be more confident in buying that product on Amazon.

So, I like vertical integration. So, what I have done is I have grown my company. I started off importing a lot from the lower side of the product line to the highest, best quality products that you can get from Germany and France and Italy to manufacturing onshore in the US, and that is where we are concentrating now. And I am actually happy to say that last year we moved from importing a majority of our products from Germany and outside of the US to really start manufacturing here in the US. And what that does is it gives us a great foot basically in the factory and another foot in retail.

So, whenever you can do that, that is a good thing, because now you are controlling your destiny. You are also controlling your UPC numbers and your products. So, as opposed to you selling a product that anybody else can buy and sell on Amazon, and traditionally that is where eCommerce is going.

eCommerce is going in a lot of directions to the way of Amazon Web Stores. So, if you want to be successful in building your .COM into a viable product or a viable store, I think your best bet is looking into manufacturing. Now, that is a tough thing because, as a manufacturer, the overhead for doing vCommerce is much higher than eCommerce. However, in a day where everybody dropships and does these things, you have to look for a niche where you can manufacture it, whether it is in the US or offshore, and create your own product line, be able to build your own brand, and then buy traffic or buy media in a way that is successful.

So, I started off of a thousand-dollar media buy with - it is like deal sites. I like deal sites because they are a brutal way of finding out rather fast if whatever you are looking at doing is going to be successful. I am going to give you guys a lot of data in a short amount of time. So, I worked with places like Slick Deals, Daily Steals, Woot, and things like that to test product markets. Now, those product markets are 70% to 75% male demographics, so obviously I was looking for products that would be appealing to those males. What a partner of mine and myself did is we bounced for two months. We launched a new product every week on different deal sites, and we saw what stuck and what did not stick. We actually had a prize for who failed the worst.

And sometimes products do not sell, and I am going to be honest. I have helped a lot of entrepreneurs in the last couple of years who have spent hundreds of thousands, sometimes north of seven figures on a product that they have not even done their market research on or market testing, and they are coming to me, asking me how I can help them sell that. There is just no way to sell certain products. And some products - what we would do is we would often build a prototype, make sure we can make it work, test the product on the market before wasting tons of money in sourcing, and if it bombs, we sell five or six on a thousand-dollar buy window. We have something that is just not appealing.

You think in your head something: "This is going to work," and it fail. Other times, you are surprised you hit a homerun and on a thousand-dollar media buy you sell forty grand worth of products, and you are like: "I have got a thousand orders I have go to fulfill." Then you start the manufacturing side of

it. So, when you are looking at that style of thing, what I would always recommend people do is do your market research first. Do not develop a product. A lot of times you get a lot of bad advice or sideways advice from friends and family. Get the real advice. Start buying AdWords first. Setup a mock site and see how it converts. And dial in your ad buying. You can always refund sells. Whenever I had a bomb, it is just really easy to refund the fifteen orders that you get on a couple thousand dollars of media buying and know that is not a winner.

When you know your market, you know what they are going to like and they are going to respond with sixteen digits, expiration date, and checking out, and that is the end game. I think it is really important, as domainers, to understand that the people we want to sell our domains to, whether they are great domain names. I have a small, little test study I did with a really solid four-letter, category killer domain. By building a site around that domain name, building interest on Facebook, getting social virality, and actually having engagement and sales, you become a viable threat to your competition. They look more at you now as not a domain name, but as a competitor, and in a day where a lot of times names are going down sometimes in value, some of the .COMs are not seeing the sales that they would see, it lends a lot of value to your domain name.

So, development is, I think, key in a lot of ways and market disruption. So, my little world that I am in is just a shaving world. It is like selling wedding and wheels, but it is a unique world where it is controlled by a couple major players. And if you are disruptive enough, a lot of people are looking for alternatives in all different types of categories, and there is this whole made movement. It is a 'made in the USA'. This pride of buying here. Buying something that is made here has become really big, and people are looking. We are going back. It is funny, because King Gillette, who actually established kind of the razor and blade, or what you may know of as the printer and toner world, where you give them the product and you charge them on the consumable. So, that business model was really pioneered by King Gillette in the early 1900s, where he moved people from a superior product like a straight razor, which would last for a lifetime and never need a replacement, to a product where you had a razor and a blade, and it basically gave you the safety razor.

The quality is there. Really nice product. But then they start charging. You can manufacture blades for nothing, and he sold people on the fact of what is known as a disposable product line. And we slowly moved to a consumer nation, where we are taking product, consuming it, using it, and going back, like the idea of a Wal-Mart fallapart. You can just buy it cheaper than actually buying a quality product. That mind shift, that whole idea has changed a lot, and now we are looking towards quality products that last a long time or last a lifetime. And there is a lot more people buying those things, so I say that there is value in any type of way, where you can look at some items.

And everyone wants to be in a consumable market. The nice part about my little niche is you do have consumables. You still have soap. You still have these different things that people are going to continue to buy. So, when you look at whatever niche or whatever place you are going to go into, I say I want to start in your domain portfolio necessarily. I look at things in terms of I test the market first. You can Photoshop. I do not want to sound like - you can Photoshop pretty much anything. Get a working prototype and see how it sells, and you can start off with a smaller domain name. If you have a great category killer, that is awesome. If you do not, you can start. I started off with VintageStraightRazor - a name that I hand-registered that was dropped.

I actually waited. Nobody bid on it on the drop. I just hand-registered it a couple days later. And I built that business up, and then I went and I recently met Mike at a Domains Web Fest. It was Domain Fest in Santa Monica about a year ago. And at that time, I had been negotiating the whole time for StraightRazor and StraightRazors.com. I had already picked up the plural StraightRazors.com, and then I ended up finalizing a deal there with Frank for StraightRazor. A good buddy, Braden, definitely pushed me to get those to tie up that category and a lot of other domain names in that area.

StraightRazors paid for itself within the first month of buying it. And StraightRazor - the singular. Honestly, I have not done anything until this year. I setup my company a little different. I set it up as a shave network. I manage it as a marketing guy, kind of overseeing those different sites, and StraightRazor paid for itself in a couple months. And so, when you have the

product line, when you can manufacture, and I think that is going to be the key. I really say that everybody should look. If you have a UPC code on whatever you are selling, Amazon is probably going to kick your ass, because everybody else can go out and wholesale that or buy it, and now you are dealing with something. You take your great photos, you put them up there, you do market syndication in just spots like Amazon - everybody is going to use your photos. It is public use at that point.

So, you have got to control your brand. Build the brand. Find the product that you like. And if you can manufacture, that is where I would encourage everybody to go, because that is the way that you are going to separate yourself when they cannot find it on Amazon, but they want it, or you are the only person that is allowed to sell it. You can control your brand. Amazon is really cool about being able to register your brand and control it; and when you are the only person that can sell it, then you do not have to worry about the outside competition and you can price Amazon accordingly to where you could still. Let's say I have an eight percent conversion cost for my customer acquisition. So, it is better for them to buy from my store than 15% to Amazon.

So, those are things you want to be aware of as you are growing. And I think product sourcing is very important. It is really easy at first to see if you are in an area where this is something that is viable. That is the first thing you want to do. Find out if the product is viable and if there is a market for it. After that you will want to move into is this something that people want to purchase, or you can sell a significant amount of. From there you move into baby steps. If you are going to look at self-funding, and I believe a good business is going to fund itself. You can slowly fund yourself and you can grow that business. There is a certain time with vertical integration. It is expensive because you are buying manufacturing stuff. You are spending money on CNC. You are spending money on water jets. You are spending money on grind. A lot of infrastructure. It is heavy, but it pays off in time and you actually are able to control your brand and your destiny.

I am really big on that and I would encourage people that are looking at eCommerce to look past drop shipping, to look past even wholesaling or buying from wholesalers, and to look into products that they might be able to

manufacture and that they are passionate about. I am passionate about those products because they have high margins. I can get excited about pretty much anything. Let's face it. I mean razors are cool. You have got to shave, but at the end of the day, seventy percent margins are great too and that can help fund vertical integration.

So, if I am going to give you guys a little tidbit of information, I look at products that are small, that are easy to stock, easy to warehouse, easy to ship, easy to handle, and have high margins. So, if it fits in a small, flat rate box, I love it, because that is the best product on earth. I mean especially when you have high margins. It is just a great thing to do. So, those are things I look for in a business model, and I have a real simple formula that I use and I do the market testing upfront. And then it can only run in so many directions, so those are base hits. I put on the sidelines. And as we come along, I will introduce them.

So, we started selling knives. We are starting to manufacture knives. Great margins. Lots of interest. But so far, reality is, is straight razors have been what I consider a good, solid triple. It is not a homerun, but it is a good triple, and so I have concentrated there. If I got something that was a massive homerun, I would turn the company over to the Dave, who is my right-hand guy, and he would run that. So, right now what I am doing is I am still marketing it. We are still building the manufacturing side. And reality is, is that is the secret ingredient. I think is small, light, and good margins, so I look at stuff like we do, nib and dip pens. We have looked and tested studies, like on caller's days.

Lots of different male luxury items. And I like that because I know the male market. I know how to sell to males 18 to 65 really well. I know the sites that they are on. I have great connections with those people to buy the media, and I know my conversion rates. You know when you have got a base hit and you know when you have got a homerun. So, I would say get to really know your market and it is easy to swim in those waters. I have tested lots of others, like female demographics and stuff. I could got killed in, but I keep trying and you learn, but I am good at this little market niche and I like to continue to figure out ways to optimize the revenue in that area.

I buy primarily most of my media through pay-per-click advertising. I spend lots of AdWords and Bing. Those are the best places I found for customer acquisition costs. And also, when I am first launching a product, I will try it on deal sites. Past that, I work towards social media. We spent a lot on building a very highly targeted fan base on Facebook, on Twitter, and now I am just working on Instagram. We have over 50 thousand followers on one of our sites. We have about 75 thousand followers that are very targeted, and I would say social media is something that you guys have got to be aware of. It is like a checkbook. You post something and the money comes in. You can target your demographic right down to the person. So, if I am, let's say, posting a custom blade that is high end, something that is modern that has carbon fiber scales, I can target the hipster demographic. If I am going to list a two-thousand-dollar blade that is a classic 200-year-old shaving straight razor, I can target the historical market. Somebody that appreciates older, fine things that have been restored.

So, Facebook is awesome. It is super powerful. I really enjoy marketing on Facebook and I think it is probably one of the best things to drive traffic to your Instagram, to your Twitter, and other things like that. I do not know what else I can answer. I thought we were going to have some questions.

Michael Cyger: I had the questions.

Luke: All right.

Michael: And it is actually paining for me not to be able to ask you questions.

Luke: Yeah, ask me questions. Keep me in line.

Michael: Let me start with this, Luke. So, when you came on DomainSherpa a year ago, I am sure I asked you then an uncomfortable question I ask everybody that comes on the show that has a successful business. What is your revenue, and at the time you said it was about six figures per month. How has your business been since you came on the show a year ago?

Luke: It has been growing. Our best month last year. I was doing some comparison, so our best month the year before, we have double that this year

with our best month. So, we have done over a quarter million dollars in our best month this year, and my plan is that we will grow that and I would like to see it double again this year. And I think we are right on the steps where we are going to. With the manufacturing in-house and our production capability going from two hundred razors per month to more like four and five thousand razors per month, we are going to see massive growth in the next couple years, and that is my goal there.

Michael: Great. There was a news item. I think just a couple days ago. I think you posted on Facebook, which is why I noticed it, that the razor market, for those of you that do not know, seems to be pretty hot. There was a ten-month-old startup named Harry's that landed 122.5 million dollars in funding by a 93-year-old factory overseas and take on the shaving heavyweights Gillette and Schick. Have you thought about taking on funding as well to be able to grow as fast as some of the startups in the marketplace?

Luke: It is something I have definitely thought about a lot, and early on it was something I really wanted to do more, so now it is like I would rather. I try to keep as much as I can, but I do like fast gross. Harry's is a really awesome story. I think it really wakes people up to just how big this market is. So, moving back, when I looked at the market, I had done real estate and a lot of other things before. The market growth has been like 40% to 60% every year for the last ten years. It is just the alternative male shaving luxury market is huge. So, for me, I really like that. I think the Harry's story is compelling. What they have basically done is vertical integration. They took the person that they were buying their really nice razors from and bought the factory. I think that is where people need to look at going.

It does not have to be on that level, but if you can get on that level, life is going to be great.

Michael: And that is very similar to what you are doing by manufacturing your own blades and bringing it to the US, and working on your CNC and getting your own equipment.

Luke: One hundred percent. I cut out I would say about 90% of my German sales, which accounted for a large sum. I probably made four or five hundred

thousand dollars in sales the previous year, and I have replaced that with my own product, which I have a lot better margins on. And I think those are the steps that people want to go. You can baby step into that, or you can raise 122 million dollars venture fund and do it that way.

Michael: All right. Let's go to the audience. What questions do people have? Raise your hand.

Audience Question: You have got a sweet spot for the size of product that you like to sell and I am wondering if you have a sweet spot for the price range that should be focused on as well.

Luke: Yes, very much. I like to have products that are priced, and this is kind of weird. \$39.99 is kind of the low end, up to \$299. So, it is a big sweet spot, but these are people with disposable income. They have nothing better to do really with their money. And you put something in front of them, and I call them consumer boys. They just have got to have it. Different markets, but every guy needs to have a straight razor. It is really easy to prey on the single guy who wants to look cool. The hipsters.

Michael: We have got another question. All right, David.

Audience Question: Hi, this has been really informative and interesting. I am just curious. Do you have an exit strategy in the next three to five or ten years or are you looking to build this separately acquired?

Luke: I am looking to continue to build it. I like the goose that lays the egg, so right now I am really happy. I think it is going to keep growing, but I am always interested in cash flow and looking at the next project. But my goal right now is just to keep growing the business. I think it needs to be a 20+ million per year business before it is really viable to like a Gillette or somebody on the bigger scale, but yeah, my goal would be to obviously sell it for a landfall and make a ton of money, and go do it again. But I really like the manufacturing side right now. I am not tired of it. I love it. It is not like it is still a baby. So, you still love it, but it will be a teenager someday and I will want to get rid of it.

Audience Question: Thank you very much for your information, but I had a question. Is the majority of your sales through paid advertising right now?

Luke: Yeah.

Audience Question: Yes, and if that is the case, would you be open to drop shipping if I wanted to sell your product?

Luke: Sure.

Audience Question: Would you?

Luke: Yeah.

Audience Question: We will talk.

Luke: All right.

Michael: Hey, look, he is asking an interesting question, because being an SEO guy, I know the power of SEO, but when I talk to you, you are like: "Forget all that SEO stuff. I do not care if I have an exact match domain that people type in. I will go buy it. I will buy it low. I will sell the products high. I will make my return." Are you looking to diversify your strategy or are you sticking with what is working?

Luke: Okay, I own the company, a tech company that was built around SEO and mass domain development for domainers like myself. And SEO is a moving target and it is not a sustainable play for somebody that actually wants to be a viable eCommerce or vCommerce businessman. You cannot build your business on something where Google is going to change an algorithm or somebody else does something stupid and gets you delisted. The nice part about SEM is I know what I put in. I put in this money and I get back this. So, I am big on SEM. I do think SEO is important, but it is a bonus. Anything you get from SEO is a lift and it is free. Pay for your good traffic. Learn your customer acquisition costs. Dial that in and that really starts.

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Now, the key thing about an exact match domain name, as Michael has had people on the show - is it CarsInsurance or CarInsurance?

Michael: CarLoans.com.au. StockPhoto.com.

Luke: Yeah, StockPhoto, the recent one. My ad buying, because I picked up StraightRazor and StraightRazors.com, for me is not 60% less, but it is like 40% to 50% less on those sites. So, I can crush my competition, and those are the best keywords for what I do, for one portion of my site or one portion of my business. So that is really worth doing. Having the exact match when you are buying media is very nice on Google with AdWords.

Michael: Any other questions?

Audience Question: Yeah, thank you. My name is Ken. And actually I have a vertical integration business. We publish some of our own products, but my question is on the marketing. How do you get a 4 to 1 return when you are writing your ads? What are your secrets there?

Michael: Yeah, Luke, we want to have all the secrets of SEM. Now. I want to know them.

Luke: All right. So, ad copy is one of the most important things you can do. You need to always be doing A-B testing. There are tons of great stories about it. New York Times guy buy ads for fifty years. Never beat his one-liner. They would send out and finally have a B test. This B-A test for conversion rates. Always have got to be A-B testing. A good business owner is going to be watching the bottom lines. He is going to be knowing what his customer acquisition costs and always trying to improve it. So, yeah, writing great ads. And just so you guys know: what is unique about our facility is we do everything under one roof.

We do the photos. We do the Photoshop. We manufacture there. We ship. We fulfill. We do everything right there. I very seldom rely on outside experts, but I do rely on my friend network. I think Braden Pollock has been more than supportive and helpful on encouraging me in going in the right directions. Even people like Mike. There is great information out there, but at

the end of the day I try to oversee as much as I can and I have experts that help me in those areas, and I let them run with it. I just keep an eye on the 50-thousand-foot view at this time.

But media. Ad copy is super important, and you better know what you are doing. I will tell you what I was taught by a mentor. It is benefit, benefit, and then feature. So, you have got to understand the heart of the person that is buying your product. The average person is all self-consumed, so as a consumer, what they are going to be looking for is how does it benefit me, how does it benefit me. So, once you play to that portion of their heart, then you give them a feature that makes them say, like: "Oh, it is good. It is good. It is good for me. It is good for me." Then you give them a feature that says, "And I am saving the environment," or, "And I am doing some good," because that seals the deal, and so that is what I have always done and it seems to work really well on my testing.

Michael: What was the name of that person? Every year I am trying to think of his mentor. Any last questions? Yes.

Audience Question: Hey Luke, I was wondering do you actually use your razors on your head?

Michael: You use a straight razor head.

Luke: Yeah. I tried once. I use it on my face, but I tried. I could do this area, but I have a mole back there that is not too happy about it.

Michael: All right. Last chance for questions. Any others? All right, help me thank Luke. [Clapping].

Luke: Thanks.

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