

Interview with Rick Schwartz, the Domain King

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Here's your program.

Michael Cyger: Hey everyone, my name is Michael Cyger. I'm the publisher of DomainSherpa.com, the Domain Name Authority and the place where you can learn how to become a successful domain entrepreneur directly from the expert themselves.

Many times people have a vision for the future but will often be diverted due to financial reasons, their personal situation, or other life events. Today we are fortunate to have a domain name pioneer on the show. One that had the vision for the power of domain names long before they were main stream. And has often spoken his mind much to the delight and displeasure of others, and has had the fortune to be correct in many of those cases. Today we are joined by Rick Schwartz, the Domain King.

On Google Plus his bio reads very succinctly, Introduction: the Domain King, owns some of the world's best domain names. Occupation: Internet Marketing. Education: School of What's Happening Now. Rick, welcome to the show.

Rick: Thank you Michael. Thanks for inviting me.

Michael: Rick I like to start of the show with a little background on the guest. Can you tell us how many domain names you currently own and how they break out by TLD?

Rick: Is that before the drop or after the drops? I would say this is a year of weeding everything out now that the Internet is kind of coming into its own age to start to learn what domain has a bright future and which either may not have a bright future or is expired as some domains do perish, they are perishable. I would say after I combed through...

Michael: Let's take it from before. So let's say six months ago how many domain names did you own?

Rick: About 9,500.

Michael: 9,500, okay. And so this is the year of the drop and we are going to get into why it is the year of the drop. So how many do you plan to own in say six months?

Rick: Probably closer to 7,500.

Michael: So you are going to drop about 2,000 domain names, almost 20% of your portfolio and that is just going to expire.

Rick: Correct. I can probably put it on the market and sell a few of them but I really don't want to put my time into that. They will drop people and try to sell them, that is what makes the world go around.

Michael: So why is this the year of the drop Rick?

Rick: Well it isn't that it is the year of the drop - it's just that there is a lot more clarity now I think in the Internet domain names. What the history has had and value that has been said about domain names and where it is going. So I think we are at a fork in the road as they say. And as time goes on, and I always expected, I would focus on fewer and fewer and fewer properties but at the same time have as wide a foothold on as many different markets and sectors as possible.

Michael: So I'm going to come back a little bit later in the show and ask you what types of domains you are dropping, what kind of domains you are keeping, how your focus has shifted and why. But let me ask you this: If you had to give up all your domain names, all 7,500 domain names but you could retain three of them Rick, which three would you keep and why?

Rick: Well assuming we are not talking about Candy.com and Property.com because...

Michael: Those are gone [sold].

Rick: Well I would have to keep porno.com because about 30,000-40,000 unique visitors a day is nothing to throw away. And the people that buy porn buy toothpaste and other items as well. And usually have a pretty high disposable income as a group. So I mean that would have to be one. The other two I would probably have to sleep on.

Michael: So definitely you are keeping the bread winner of the entire portfolio porno.com.

Rick: Right.

Michael: How many offers per day do you receive for domain names that you own?

Rick: Probably not as many as you think because I pissed so many people off. But I believe they come in all day long.

Michael: Roughly how many would you say per day or per week or per month? You know if you had to ball park it?

Rick: Not as many as most so let's start there. Probably on a normal day I would say about ten.

Michael: Wow and of those ten would you say most are worth your time or many are not worth your time because they are just so low?

Rick: Most of them of course are not worth my time, so most of them I won't respond to and there things to look for in an email that will tip you off whether these guys are legitimate, whether they have a small purse or a big purse. At the end of the day your domain is only as valuable as the idea that someone is coming to you about. So if their idea can only make \$50 well then the domain can't be worth more than \$50. Of course if their idea is worth \$50,000,000 then the domain is going up exponentially and you should share in part of that. And your job as a domainer is to find that out.

Michael: Right, so tell me what are the things that you look for in an email that tell you the size of the purse of the buyer?

Rick: It isn't what they say...Well when they are looking for a reasonable price, okay I can throw that email in the garbage because I don't answer reasonable prices. When they tell me about any kind of appraisal they have had I throw it in the garbage. That means nothing to me because I...just lots of things. When they tell me about their kid, first of all 99 of them out of 100 are lying about their kid because it is a made up story. So I don't do kid stories very well.

Michael: So if somebody writes in about a personal story you know it's B.S. and you throw it away. If somebody writes in with an appraisal you realize they really don't know what they are talking about because appraisals don't carry any weight. And if somebody comes in with a price that is reasonable, reasonable is not what you pursue. You are looking for unreasonable.

Rick: And that is exactly what I say. Sorry we only take unreasonable offers, we don't take reasonable offers.

Michael: So what would be a reasonable offer? If I look at a domain name, let's see here, I believe you own iauctions.com or maybe it is iauction.

Rick: One of the two.

Michael: One of the two. So it's an i, it's a brandable, nobody is typing in that. It is something that could be a great idea. I come to you and I offer you \$20,000 is that reasonable or unreasonable?

Rick: Well first of all I'll say at least it is an offer. So now you have got someone who is actually dancing. 99% of them don't come with an offer to begin with.

Michael: So if they don't come with an offer, they don't put a price down, do you blow it off?

Rick: It depends, again it depends on their words and their approach and what they are saying in their email because believe me there is a lot more than what the words say.

Michael: Okay so if somebody comes and they use one of the big name brokers in the industry, somebody that you know personally but they don't make an offer you will probably have a conversation with them. But if somebody writes from a yahoo.com email address without any way to know who they are and they don't make an offer you blow them off. Is that fair to say?

Rick: No it is not fair to say. It really depends. I'd have to say that every email and say okay on this email this is the specific reason why I answered or why I did not answer. And usually when I do answer my answer is fairly vague because my job is to find out about who I am talking to. They already know me, they already know what I own. Now I have to get on an equal playing field so my job now is to learn about them. If they don't allow me to learn about them well we probably won't do anything. Then the only way to learn about them is putting money on the table. So Ben Franklin works too. So it is either they put themselves on the table or they put Ben Franklin on the table.

Michael: Does it need to be at least a five figure number in order to get your attention if you don't know anything about them or...?

Rick: Again not necessarily. I mean my own report sales started at \$10,000 and ended up \$750,000. So I wouldn't have a rule there. A \$1,000 offer is infinitely more than a zero dollar offer. Okay? But again it comes in context with the rest of the email. So I would say a bona fide real fishing offer, someone that they don't know what...you know I would say probably offer \$5,000 or \$10,000 and then they are going to try and get educated and that has nothing to do with what they how much is in their purse. That just has to do with when do you start the negotiation, when do you do it in a way that you get a response and you are not pissing the other person off and we both have to do that?

Michael: So a good place to start the courting process is maybe a \$5,000 or \$10,000, depending on the domain...Clearly they are not going to approach your property.com with \$5,000 or \$10,000.

Rick: Oh yes, they will. Oh yes they will. Of course!

Michael: And that would be a valid enough offer for you to have a conversation with them?

Rick: Probably not but again it will depend on the context of the email because some people just don't know the value yet. So they are doing the research and as you educate them and explain to them why it has that value they also...most of the people that are coming online that stupid or ignorant they have some basis especially at this point. It isn't fifteen years ago. That is what I think is so exciting about the times we are in right now as opposed to where we have been.

Michael: It's true and I think that most people that will find that there is value in domain names will make a valid offer but they are ignorant to some degree. They don't realize what domain names are selling for. It is like if I go look at a house down the street, I may walk through it and think it is a fantastic house and say I'd pay \$800,000 for this when in actuality it is a \$1.8 million dollar house. We are off by an order of magnitude. And there is no way that they would accept our offer. It is an education process.

Rick: The only true value is their idea. It has nothing to do with the value of my domain. It has to do with the value of their idea.

Michael: And you will reject some offers because their idea isn't big enough to give you the value you want for the domain?

Rick: Almost all. That is exactly right. They have to have a big idea – a very large idea - a very large profitable long ranging idea. If they come to the table with something I'm not interested. I would take much less money for a great idea than more money with a really no profit deal. I mean I'm in it for the long haul. That is why I try to keep a residual from the domains that I sell because I'm investing not only (audio skip 0:11:20.7) I'm getting my money some of it investing in their success and their talents. And I believe in the people that I have hooked up with. That is what has been really the best part of it all.

Michael: We locked up for just a second there Rick so basically you are taking a residual in domain name sales. So you are taking a royalty or you are taking shares in the business or some other arrangement?

Rick: Either one of those. Lately basically my deals have been I get 5% of the new companies. That is what I want. I get my money up front for whatever, they may have it on a note for a couple of three years, it goes through escrow, eventually I get paid all of it and I have a 5-6-7% depending on the deals. And some of them I have options to buy more as things progress and like I said I've never been a flipper of domains. I have only sold fifteen domains in my whole life in fifteen years. I am looking for something much different than most people are.

Michael: Fantastic and I am going to dig into that a little bit more but I want to spend a few more minutes on your history Rick. In my research I read that you grew up in a half a dozen states including Maryland, Massachusetts and California. You gained years of education in a wide range of industries including fast food, liquor, manufacturing, even furniture sales, wholesale, retail. In 1989 at 36 years of age you filed for bankruptcy protection after running a company selling novelty advertising items. I bring up your early years not because I want to focus on the hard times or the failures - I bring it up because it is easy to forget by looking at today's results that there were less than ideal times. And I think that a lot of entrepreneurs and startups and people that are getting into investing are feeling the way that you felt years ago.

So I have a couple of questions for you. How do you think that your formidable years, the years that were tough helped shape you as a business man today?

Rick: Oh it had everything to do with it. I have been on both sides and not to many people know that I went to three high schools my last three semesters of high school. I have never met anyone that has done that. It is not an easy thing to do. And like you said I went to New York, New Jersey, Maryland, Massachusetts, New Hampshire, California, Texas, Florida and I never went to a school more than three years of my life. And you know there are pluses to doing that, and negative to doing that like with everything else.

And I've always tried to look for the silver lining because for every bad thing there is a silver lining and that is what most folks don't understand. I learned a lot in those years.

Michael: What is it that you learned during those years that you think other entrepreneurs might be able to relate to?

Rick: Well the number one thing...See I was in the furniture industry and I lived in my car out of a suitcase for about 15 years. And I called on these furniture stores at every single town in the United States of America, from coast to coast, border to border, and I ran this route in my car every 90 days. I literally drove over 300 miles a day every single day. And some of it scared me. I remember my first night I was in Charleston, South Carolina. A Jewish kid in South Carolina in the early 70s after the 50s and 60s wasn't the most comfortable place in the world. And I was uncomfortable in places like Birmingham, Alabama and Selma, Alabama, but what happened and it was really surprising is being Jewish I was calling on these furniture stores and most of the furniture stores that were in these towns were owned by old Jewish men.

It was absolutely incredible. I was here scared really kind of fearful. I mean this a long time ago. You are looking 30-40 years ago especially in the history and they were all basically in their 60s and 70s. A lot of them had tattoos on their arms from being in the concentration camps. So they came here with nothing but their lives. Literally nothing but their lives and the one thing that they all said, and I mean every single one told me this, because I used to spend a lot of time with them because that was my education was them. They had all said one thing: If I only knew then what I know now. If I only knew then what I know now. So I was really lucky in life to collect their wisdom. Everything they went through for their tough life, that was a tough life and I was able to extract their wisdom and they shared them with me because in most cases (I mean I was in my early 20s, I was National Sales Manager of a large company) and in most cases their children were disappointed where they were at that stage. And they were anxious to share what they had learned. And I was like a sponge. I just wanted to gobble it up. And I can't put a price on that. Literally I cannot put a price on that.

Michael: What did you take away from those old Jewish furniture business men that had all these life experiences and were successful in their lives having come to America with nothing? Did you learn persistence? Did you learn that treating customers fairly was the way to grow a business? What did you take away from them?

Rick: I learned they weren't in the furniture business. Okay? Furniture was their vehicle. Just like domains are our vehicles. They were not in the furniture business. Many of them were bankers. Many of them, I would go to places like Chicago and Detroit and on Friday afternoons, in the ghettos, people were lined around the block to make their weekly payment off the furniture. And so what they would do is they would buy furniture for \$100, they sell it for \$300, they get \$100 down, that covers their cost and whatever they got in that raised their property. They came with nothing, they had an idea they turned into bankers, unknowing to themselves, they just had a formula that turned them into a bank and then the bank turned them into realtors. And into real estate agents because they bought their property and then they bought a shopping center and then they bought a development and then they did this and they never lost themselves. They never went Hollywood. They never went Hollywood. And they were really small towns and I saw this over and over and over again. The same story with different players and different people but very similar stories.

Michael: So you learned through the school of hard knocks that what they were selling was just a vehicle for how they were going to earn a living that they were satisfying their customer needs in ways that were not being done by other furniture makers and they were reinvesting a lot of what they made into other revenue producing vehicles like property.

Rick: True and I was able to take what they did in the physical world and then look for the parallel with domains and in every case I saw not a close parallel, I saw an exact parallel and that parallel, that basically wrote the book for what was going to happen. So it wasn't based on any predictions it was based on – guys the movie already happened. This movie has already played before. All you have to do is look at what happened between main stream, real estate, Hollywood, television, movies and you put that all rolled up together and then you have what we do.

Michael: That is a fantastic – not even an analogy. You made the analogy to this real world experience and I see it by doing the research into your background, which we are going to discuss a little bit more. So I think that provides a great idea of what you learned from these gentlemen, the traits that you took away from dealing with them. While your timing for domain names was impeccable you actually were late to the game in a similar industry the toll free vanity phone number business. Is that correct?

Rick: Yes I would say I got to the vanity phone numbers like the last day before they closed it up just about. In 1993. I believe in May of 1993 was the first time that vanity numbers were portable and you could basically register or try to hook up with your own 800 number. You didn't have the control that you do today because you had to call MCI or AT&T and they had to look up individual number and you had to call them a thousand times. And anyway I wanted it for the companies that I had then. I wanted a vanity number because to me that was a much better way to market on radio and TV than trying to have people remember 8-10 digits. It is not going to happen. When you are driving how is that going to happen?

And I was learning along the way when I would call 1-800-Motorola, Motorola would answer and when I called 1-800-Hampton, Hampton would answer. And as I was traveling and I started figuring out the vanity numbers, because I would only call the hotels that I knew the vanity number. 1-800-Marriot, 1-800-DaysInn, 1-800-HolidayInn, if they didn't have a vanity number when I was traveling I can't call them. Okay so that showed that they win the game. All these other guys aren't even in the running. So that taught me a lot.

Michael: Because you were on the road all the time. You had maybe a cell phone at that time but they probably didn't have the address books that we have today and the...

Rick: I just didn't want to call 1-800-555-1212 every time. Anyway I saw these companies all having their vanity numbers. Then I started calling dirty numbers. And every time I'd call a dirty number some chick would answer asking for \$5 a minute. I said geez this is interesting. And so I

registered a few of them. And I really actually let it languish on my desk for two years.

Michael: What kind of numbers did you register? Do you remember?

Rick: Yes I still have them. I have 1-800-makeout, 1-800-sirlove, 1-800-formytits and things like that. And they still get calls and I still get a check every week. And I plug these vanity numbers in and they automatically started making money. I could see it every night. And that is how I started getting on the Internet because every day I'd have to go on the Internet online to find if I made money the day before.

Michael: Wait a second. So you bought these vanity phone numbers, these 800 toll free vanity phone numbers and what did you do with them? Did you have to point then at some place like you do a domain name?

Rick: Well as I sat on them for two years, literally sat on them, one day I get a call from a guy by the name of Gary Cone out of Chicago, who unfortunately isn't with us any longer, a really, really dear friend that I didn't know at that point. He just called one of my 800 vanity numbers and on a Saturday I happened to answer it. And anyway one thing led to another and we started talking and then I told him what I was doing and he told me what he was doing. This is from a wrong number folks. And he said why don't you send those adult numbers to a service bureau? And I said what the hell is a service bureau? Two days later I get this Fed Ex package on my desk. This is in February 1995. And they want me to sign my life away and all this stuff. I don't know this guy from Adam. I put it on my desk for three months.

So now it is my birthday that year in May. And I said what the hell. I just signed the damned things, I pop them in Fed Ex, they hook up the vanity numbers and they start making money.

Michael: So you go online every day and look at the previous day's numbers. Sort of like Google's statistics nowadays.

Rick: Yes, all the stats and the first month I made like \$650.

Michael: \$600 just from people guessing 1-800-formytits.

Rick: Right. So I don't know what I am doing. What do I know from this industry? So I run into the 7-11 and I started buying every adult magazine I can find. What the hell is going on? Okay they are advertising. Okay so I start doing advertising. I put my advertisement in every magazine I can find. And it starts becoming more and then all of the sudden it's starting to approach the numbers that my regular business is making. And I think at the height I think it was \$20,000 a month. And I wasn't spending that much on advertising, maybe \$1,000 a month on advertising, maybe \$2,000 a month. The rate was just the times at that point. And then the Internet came.

Michael: Okay so you were making good money off these few vanity phone numbers. Did you actually have to go out and buy a whole slew more of vanity phone numbers or were you just sitting on the few that you had?

Rick: Both because the 888 numbers then came out. So I'm kind of familiar with the gTLDs because they already happened.

Michael: So you bought a bunch of the new gTLDs. You bought the 888 numbers.

Rick: No I didn't buy a bunch of them but what I did was buy better 888 numbers than I had 800 numbers because on the 888 I wasn't coming in at the end of the game I was coming in at the beginning of the game.

Michael: Right so you started off buying mediocre TLDS. You upgraded when the new TLDs came out to better toll free numbers and you kept doing that when they kept offering more and more vanity phone numbers?

Rick: No I stopped at the 888 because I figured the...I could understand the 888 because we are a lazy society and 888 is easier to punch in than 800 because you actually have to look or do something twice. You know it requires another response and you know we are humans, we are lazy.

Michael: True. Now do you still own these vanity phone numbers today?

Rick: I do.

Michael: And how many roughly do you own?

Rick: About maybe 350.

Michael: And are you at liberty to discuss the revenue that comes in through these or are you currently doing marketing?

Rick: I don't do any marketing anymore. Though you never know when something like that can catch on again. Something that dies doesn't always stay dead, sometimes it just becomes a staple. And that is what it is now. It's a staple. It is just something that is out there.

Michael: It's out there and you are basically redirecting them to other services, they give you a royalty fee of every customer that dials, that pays their \$5 or whatever it is when they pick up and speak to what sounds like an attractive man or woman?

Rick: Exactly. And like I said I got a check every week and it is still a nice car payment or two.

Michael: I have never known much about the vanity phone business but clearly I see advertisements and it must be a lucrative business. Is it in the six figures per year, seven figures per year, what would you say?

Rick: No it is not in the six figures any more.

Michael: So it has gone down but it continues to be stable.

Rick: Yes, like a say it's a nice dividend revenue check and that is what I like, are long term revenue dividend streams. I don't care how just lots of them and long term. And that is the difference between now and 50 or 100 years ago is now we are a revenue stream based society as opposed to being an employee based society.

Michael: And have you thought recently that if you do invest some into advertising and marketing that you might be able to reap more rewards or are you just relying on the people that are using your phone numbers to do the marketing now?

Rick: They don't do any marketing of it but I know when I put one of my 800 numbers on a website of mine that it will produce more revenue. So like on the very bottom of it sponsored by 1-800-makeout, I can see the increase of revenue and calls.

Michael: So you do do some marketing through your own properties. You cross promote them potentially.

Rick: Potentially but it really isn't worth the time to do it but once in awhile I like to see, I may do it every few years as an experiment. That is how I started on the net to begin with as an experiment. I got lipservice.com and I hooked it up with all my vanity numbers on it. And the vanity numbers started getting calls and that made more than the \$39.95 that the website cost for the month. So okay first month that is in that game, there is something here.

Michael: Over 15 years ago you registered your very first domain name. It was lipservice.com. Why did you register lip service? Was that an adult name or was that I'm giving you lip service, I'll tell you I'm going to do something but I won't actually do it?

Rick: I will tell you really simple. I had the guy on the phone and he says the first thing you need to do is you have got to tell me your domain name. To put some banners on it or whatever I wanted at that time.

Michael: Because you wanted to advertise your vanity phone numbers?

Rick: Exactly. I said domain name, what is that? Well he tells me what the domain name is. Okay so I think for ten seconds, I'm on the hot seat. It's like you asking me to think of a domain name. Shit. Lipservice.com because I thought that was pretty good with what I have with the vanity numbers. Okay lipservice.com. And bingo. I was almost out of business as fast as I was in the

business because about 30 days later the guy that I hooked the domains up with told the ISP oh he has these 800 numbers on there and they pulled the plug. So that was my first month. So then I had to find someone that would have no problem taking my 800 numbers on them.

Michael: Adult oriented content.

Rick: Right which wasn't much for adult oriented but that's what it was.

Michael: So was your intention always about a new opportunity that you wanted to test? I've read on your blog that you are big into testing and trying things out methodically. Was your idea to test promoting your adult vanity phone numbers in a different medium or was it you saw the future of domain names at the time and you wanted to get in early and try it out?

Rick: It had nothing to do with the domain names. Let's start there. I wanted to get results. If I put my vanity numbers on a website would people come to that website and actually call? So would put 800 vanity numbers that were getting zero traffic, that were getting nothing, that way I knew that if anything came in from that that it had to be coming from the Internet because there was nowhere else it could come from. So when I did that it didn't give me a huge result but it showed me there is life form here. I mean I had a \$39.95 overhead and probably made \$59.00 that month, on the first month not knowing what I was doing, just putting six phone numbers on there and there is something here.

Michael: How is that possible Rick given that there were fewer people on the Internet at the time and people didn't even know to go to lipservice.com?

Rick: Well it did get type in traffic even at that point for starters because with domain names, which I didn't know that.

Michael: Were you doing any advertising of lipservice.com in any other way?

Rick: I was probably on AOL forums for all I know. I'm sure I must have been posting it wherever I could post it. I had labels made up, that was

later. There were things that I would do proactively, but they were all much later because I didn't know at that point if it was worth me investing money not only into the Internet and as the Internet as a vehicle to advertise my 800 vanity names. But that only lasted a few months. Okay because by May or June...

Michael: You put your vanity phone numbers on lipservice.com, you are going out and you were promoting on AOL and maybe other sites and you were making some money back but that only lasted for a few months because in May or June something happened. What happened in May or June?

Rick: Well in May or June that's when I actually started getting domain names. Are you there?

Michael: I'm here Rick, can you hear me?

Rick: Yes. Your picture froze up.

Michael: Yes I can see that.

Rick: Anyway I did nothing from January until May as far as domain names. And actually it was my brother that got me my domain names for my two companies that I owned at that point. And that is what started it because after he did that then I started thinking geez maybe I need a few other domain names and I would bother him about a three times a week to register a domain name for me because I didn't know how to do it. And finally he says I haven't got time for this. Here is the URL. Secure them yourself. And it was the greatest day of my life and I just sat there like a mad man and I started registering them.

Michael: So that is how you got into domain names. So did you make the transition fully into domain names at that point? Or were you still relying on other income at the time through a "day job"?

Rick: No I had no income basically from domains at that point but what I decided to do originally I said okay I'm going to buy a couple of dozen...I was going to spend \$1,800 or a couple thousand dollars on a credit card. I

was going to buy 18 domain names at \$100 a pop and that is what I did. And then a few weeks went by and then I bought another dozen or 15. And then another couple of weeks went by and I bought a few more and then I guess I got a small addiction. As some of you know well now. I was probably the first one that got addicted in the world. Anyway I started getting more and more.

They weren't activated either. I couldn't find anyone...it wasn't like I could get them activated at that point. Everyone that I went to wanted \$39.95 per domain name to hook up. So now I'm up to a few hundred domain names, maybe 1,000 and Network Solutions never sent me the first invoice yet for the first one. I'm registering them in May and I don't get my first invoice until October. I don't know if I really even own these domain names. So I start getting my first invoices and that's probably about the time I hook up with a company in Pennsylvania that says we can put all your domain names together to have it go to one site. Absolutely phenomenal. Great! Now it starts making money. So now I'm able to pay the bills because this thing is making money.

And then a guy taught me how to FTD which I didn't know how to do and that really was the best day of my life because then I can really start testing. Before I was dependent on an ISP to make a change so I can test. Now I can sit there and test and what I learned in those next few months, I mean that was the whole ball of wax.

Michael: So let me pause this story for a second there. I need to ask about a technical issue. Can you see my video camera coming in?

Rick: Yes.

Michael: Okay great. For the audience Rick had a power outage and my Skype doesn't seem to be operating properly, but he can see me so I am sure that it is being recorded. So let me pick up the story. In the mid to late 1990s it was difficult to monetize mainstream domain names. But you have found an area that was different. You continued to focus on the adult industry.

Rick: There was no way to monetize and mainstream, there was no main stream. There was no main stream! There was just a bunch of people going out of business and trying things, but there was no main stream.

Michael: Exactly. So in 2008 or maybe 2007 you told David Kesmodel, who wrote the book The Domain Game, that porno.com earned more than \$1,000,000 a year just from the ads that you placed on that website.

Rick: That's correct.

Michael: So you were basically taking this website, you would put advertisements onto a web page, you were FTPing it up to the site that you...

Rick: I was a banner farm. Everybody put me down. I was a banner farm. Me and Steve Cohen, he went to jail. Steve Cohen had sex.com, I had pronos.com. He was a banner farm, I was a banner farm, everyone laughed at him, everyone laughed at me, put us down, meanwhile we were raking in money because the best line from point A to point B is a straight line. And that is all it was. I didn't have any technical knowhow. I didn't know how to build a site. All I could do was cut and paste. Okay there was banner, cut and paste, see you later. End of story.

Michael: Right so why did he go to jail?

Rick: Well he apparently stole a domain name. I actually bought mine.

Michael: So how did you acquire pronos.com?

Rick: I contacted the owner. The week before, he sold it to a college kid for \$5,000. He gave me the contact information. I contacted...

Michael: Of the college kid.

Rick: Of the college kid. I contacted him and offered him \$10,000. He said no. I waited a few days and I offered him \$15,000, he said no. I said I'll buy you a brand new Firebird. That was about \$25,000. He said no. Finally came where I made a deal where I gave him \$15,000 cash and he financed

\$27,000 for the next 12 months. And he kept possession of the domain as far as the...

Michael: Registrant information.

Rick: Registrar. And I had possession of the domain name. Well to make a long story short I paid for that domain name in six weeks from the revenue that came in.

Michael: That poor kid. That was probably the biggest life lesson that he learned.

Rick: I never heard from him ever again. I don't even know who it was. I couldn't even tell you who what where it was just first of all no one ever bought a domain name at that point in time for \$42,000. It is what I call the shot that was heard around the world. The phone started ringing because everyone really thought I went insane. Everyone in the adult industry absolutely thought I lost my marbles that anyone could spend \$42,000 for a domain name that they wouldn't spend a \$100 if it was free a few weeks before that.

Michael: But really you didn't spend that much money. You spent \$15,000.

Rick: I didn't spend anything. When was the last time you were able to buy a prime real estate and pay the mortgage off in six weeks? And once I saw that I just started buying more and more property and paying off the mortgage quicker and quicker. Ass.com was the scariest. And Ass.com was before porno.com. Ass.com I think was like associated with some company, it was like a tool company for Berlin, Germany. They wanted \$12,500. And believe me if I lost that \$12,500 in those days I would have been up the creek. I would have been in big, big trouble. I could not afford a loss like that. On the other hand I couldn't afford losing a domain like Ass.com. So I sent my money to Germany. \$12,500 and I stayed up for three days, 72 hours I didn't sleep. I was on pins and needles and then the damned thing got transferred. It was a great day. That was really the beginning.

Michael: So you really took a leap of faith. You thought I make good money on my toll free vanity numbers. I'm going to some of that money I'm going to take some of that money, I'm going to spend \$12,500 dollars which was probably a great chunk of change for you at the time. To your own words if you would have lost that money you would have been without food, without bills, without...

Rick: I would have been a hurting pup. I would have been a hurting pup. My mortgage would have been late. I would have been a hurting pup.

Michael: Right so you got the domain name and then what did you do with it? Did you put banners on it and then pointed it off to other sites?

Rick: I guess so. I think I had several thousand visitors a day and it paid for itself very quickly and obviously that is what led me to porno.com.

Michael: So you were quite relieved that you made money on it. It was a leap of faith.

Rick: I wasn't concerned that I wouldn't make money, I was concerned that I wouldn't get the domain name and I'd lose the \$12,500 and have nothing. That is what I was concerned about. I was never concerned about the revenue, only because I probably got one of the very first drops ever. I got an email one night that says Rick there is a domain name that is going to drop, someone didn't whatever. You should pick it up. I said what's that? Dick.com. \$100, I plugged it in \$200 starting on the very first night, the minute I plugged it in, the minute I plugged it in. \$200 a day.

Michael: Why didn't that person buy it?

Rick: I don't think they knew how to monetize it at that point. You have got to remember at this stage this was the very, very, very beginning of anything affiliate at all. So these guys...nobody even got a paycheck yet. These are the days before the first payment even came out. So everyone, and I'm on another chat board and these guys are making 1/10 of a penny per click. And I'm showing on my calculator I'm making .10 a click. A hundred times more revenue than the next guy. A hundred times and I'm saying

something must be wrong. Either my calculator is broken or I am putting in the numbers wrong, because how could everyone else 1/10 of a penny and I am making 100 times more? And then the checks started coming in. I wasn't wrong. It was just I did it differently. They were building sites worried about getting search traffic and I already had the traffic.

I was just worried about where I was sending the traffic to because I was like a traffic cop. My job is like a plumber. I could have that traffic, that water, go wherever I want it. I could be a plumber. I put the pipes together, I can make it go wherever I wanted. Wherever I made it go people made money with it.

Michael: And you made money because you had the more premium single word generic domain name for the adult industry.

Rick: It was qualified traffic. Anyone that typed porno.com, or dick.com, or ass.com or any of the other ones, they were looking for something specific. They wanted to spend money. And what was going on, so you compared that, that is relevant today because that is very targeted valued traffic. Now you compare that with putting down links. That is why you were trying to understand type ins - when fake traffic is misleading traffic. Putting fake links. Putting a click here to get free this or free that. You are misleading people down a dead end so that traffic is not equal to someone who types something in specifically to look for something specifically. That's my big issue with the traffic. Real traffic and bogus traffic! Not all of that traffic could be bogus but a majority of it is especially when you see everyone spamming the engines and doing everything they can to get traffic.

Michael: Did that allow you to have more leverage with the adult companies that were selling online content? Were you able to go to them and say I've got ass.com, I've got porno.com, nobody else has these and it is the most qualified traffic and I deserve to get paid more per click or per purchase?

Rick: Absolutely because they all saw it. It was pretty transparent. The adult industry was very transparent and everyone saw and they were always trying to buy my traffic. But I hooked up with Dean Shannon is the founder of Fabulous as most of us know. And Dean and I have known each other since 1997 and he scarfed it all down. He would let anyone near it. We'd go

to a trade show he wouldn't even let the other sponsors come near me. Really he would just shoo them off. He would literally...you know he is an imposing figure. He is a big man. He would literally shoo them away.

Michael: That is hilarious. So a lot of people say that the adult industry is dead online today because so much is free. You know better. You have the data. Do you still make over \$1,000,000 a year on porno.com?

Rick: Pretty close, but porno.com and 15 years has earned more than \$15,000,000. So we can start there. The reason this happened, and this started back in probably 1999 when they started going to free stuff and this is the end result when you give stuff away for free. Eventually you paint yourself out of business. But that doesn't mean the industry dies. It just means these segments and these players eventually are all going to die and be washed away. And then they get replaced with new people with new innovation and new ideas and things become hot again. Believe me you can't keep one down. That is impossibility. It is just not a possibility. And besides that the main stream to this day is still not caught up with that industry.

Michael: In terms of sales or in terms of what?

Rick: In terms of mentality, in terms of technical knowhow, in terms of how serious they take their business. I mean main stream they think they have a 9 – 5 operation. They are all nuts. They are 24/7 and your service department should be open 24/7. Adults are open 24/7. When I have hosting companies that are adult, 24/7 I can find competent people around the clock. You can't do that in main stream. You may find a warm body but that is different than finding competent people. So main stream still has a long, long way to go and to learn from adults about how to handle a business and not lose sales. Look they are all about ratios because most companies don't know what is your ratio? They say well what is that? Your closing ratio! What's that? How much traffic do you need to close a sale? How many unique visitors do you need to close a sale? 100? 1,000? 100,000? 1,000,000? Or can you close a sale at all?

Michael: Right. So you bought ass.com from a man in Germany for \$12,500. You spent \$15,000 for men.com in 1997 which you later sold as you

report on your website for \$1,300,000 in May 2004. So that is seven years later. You can't get much better than that. How do you decide when the number is big enough for you to take a payday on a domain name?

Rick: Well like I tell everybody, it all comes down to circumstance. The Big C. It always comes to circumstance. Whatever the circumstance the buyer, the seller and in those days I had a circumstance and if it wasn't for the circumstance I probably wouldn't have sold it. That circumstance actually was a good thing because that took my domains as a theory and made it a reality. I mean that was covered by CNN, it was covered by hundreds of outlets around the world everywhere and that was a real turning point. And that basically was the credibility I needed to start traffic because that was the byproduct of the men.com sale. I was able to have enough credibility to start traffic.

Michael: Yes I can see that. I've interviewed a lot of people on the show Rick that will talk about how to value domain names. They will talk about exact match local search volume through Google Ad Words Tool or the Keyword Tool. They talk about the high average cost per click that people are paying. They will look at different sources for determining that average cost per click. Others will look at brandable domain names or short domain names and say they are worth at least this much if they have this type of letters. In your opinion what makes a good domain name? And I want you to take out the domain names that are men.com, pronos.com. Clearly everybody knows that there is certain domain names that are adult and are high value, that are always going to have value. Look at the next tier down. Look at you 7,500 domain names that you own, what makes a good domain name?

Rick: Well there are a lot of things. First of all it has to mean something. It has to mean something. I mean slapping two words together and a .com on the end does not make a domain name. And I have a blog post a couple of years ago, maybe more than one, really defining how to pick a domain name, about a noun, verbs, adjectives, if you don't know about nouns, verbs and adjectives it is going to be very hard to be a great domainer. You have to understand what a call to action means. You have to understand what easy to spell means. You have to understand what memorable means.

When I got online and I'm dealing with all techy which of course I was a moron compared to a techy and I admit that. I mean they were much smarter than me. I absolutely admit it. But they didn't have the understanding that no one was going to remember 162.92.413.1. It ain't going to happen and how do you do word of mouth? So they didn't have that part of the equation. So those are all parts of the equation. And you know what? A domain name may not have great meaning today, it could have great meaning tomorrow.

Michael: It could be a lottery ticket. For example if I look at your 'about' page on your blog, Ricksblog.com, I will see that you sold (for an undisclosed amount) punchbowl.com. Punch bowl. If I look at that I'm thinking here is a plastic thing, maybe it's silver for the people that live in Beverly Hills or whatever, but I have got a plastic punch bowl. I serve it at parties. I paid \$5 for it at Target. That has very little value. But you probably sold it for six/seven figures somewhere in that order of magnitude because there was a company that wanted that domain name.

Rick: Partially yes but see punch bowl to me, we talk about social, I was social 15 years ago. Punch bowl to me was like water cooler. Except punch bowl is at the party – water cooler is at the office. Punch bowl is a whole lot more fun don't you think?

Michael: I do.

Rick: So that was a social domain before there was ever such a thing as a social domain. So that is part of that domain, but the other equation of that domain is of course for party supplies. And that is what my punch bowl was. It was a party supply. It is kind of like the guy in a social network drop the 'the' this is drop the 'my' so now he has punch bowl, now he has a much greater chance of success. I'm going to benefit from his success by positioning myself to have something that someone else wanted. And eventually, listen isn't that the domain game...Is to have something that eventually you are going to think that someone else really wants. That has a great idea for that can make it very, very valuable?

Michael: Yes but until that one person came along, and there was probably only one person in the world that had a company named My Punch Bowl or

The Punch Bowl or something like that. Until they come along the domain had to value. Or it had very little value.

Rick: Well wait a second. It was still getting traffic. It was still running revenue. It still meant something. It was still a great piece of real estate. My job was not to sell it for 15 years until that one guy that you say came across. My job was to sit on the beach with my ginger ale and my piña colada and wait for that one guy because I could have gone all over earth and I wouldn't have found the one guy. It was much easier for the one guy to find me.

Michael: And that I think sums up your entire domain investment strategy with respect to non-adult names, would you say? Your job is to buy good domain names through the parameters that you just defined and to hold on to them as long as you can until that one person comes along.

Rick: That is it. You know it is about an idea. I want a partner with an idea. I'm older, I'm looking for orgo (spelling 0:20:58.5) on every single domain name that I have. Let me tell you something. I'm going to have a trade show some day and the only ones that are going to be invited are the people that develop the domain names that I still own part of. Okay I'm telling you that will happen. It won't happen this year. It won't happen next year but five years down the road it absolutely will happen. Imagine having something kind of a get together and look in the audience of 200 different faces and every one that you know you are partners with. I'm going to do that. And maybe more faces than that.

Michael: So most people that buy a domain name want to flip it and make a profit. Let me rephrase that a lot of domain investors that get into the game or that have been doing the domain investment game for awhile want to flip it and make a profit. And I don't blame them. Without money in your pocket there is no way to pay the bills, you can't put braces on the kids, you can't put food on the table. But you are taking a different path.

Rick: There is nothing wrong with flipping domain names. It is the easiest entry. It is almost no bar. You can become very successful. You can make a whole lot of money. You just have to know what you are doing and if you have had training in your life to do that you are going to do very well. I

just looked at it from the perspective that I don't want to flip them. I want to hold onto them and develop them when the time comes. It's great when you have an interest, they go through the desert and if you want to develop then that is wonderful but you know what? I'd rather for the McDonalds to come, the Holiday Inn to come, the Red Roof Inn, maybe a casino. Guess what it is a lot easier to build a successful business then than when you are the only one in the exit and there is nothing around and there is no reason for them to stop.

Michael: So patience is your game. Patience is you strategy, your tactics for achieving millions. You have created an income stream that was big enough that would allow you to be able to buy these domain names and hold them without having to flip them for money. You hold them long enough that somebody comes to you, you negotiate a big sale with some sort of royalty or position within the company and it's because you have that passive income stream that you are able to do that.

Rick: Because I had that passive income stream early. I always tell people that the first domain is the most important because if you make money with the first domain you are in the black from day one. If you lose money you are in the red from day one. It's much easier to be in the black. So you have to be in the black from day one. I just don't operate in the red. I only operate in the black.

Michael: So other investors today could do the same thing as you by maintaining their day job for instance. They are operating in the black. They put some money on the side. They buy a good domain name and they continue to hold onto that.

Rick: I didn't quit my day job the day I got into domains. It was a point where my day job was interfering with my money making ability on the Internet. That is what forced it. I never would have sold my company. I had a golden goose. I had this beautiful little company that was making so much money but it was distracting my time and I couldn't afford that because I was buying domains like crazy at that point. So every time a call would come in that was distracting me from making like I said a unique opportunity in time. It was never coming again and I would lose some of these domains literally by seconds. Literally by seconds, Howie. Howie Goldberger. He was one of

the early guys that I would stumble on him all the time. So that is why I say that.

Michael: I think one of the biggest stumbling blocks for new investors today is the fact that all the good names have been taken. You know if you say you've got to get a good name then you will be in the black I say in order for me to buy a good name (and I'm not even talking about a name like porno.com, or something like that) I'm talking about let's say a domain name like webinars, which is a lucrative online or sassoftware.com. And I'm not sure who owns these I'm just making them up off of the top of my head. I'd probably have to pay five figures for those and I probably wouldn't receive a three month pay back like you did on ass.com.

Rick: Well right. Look every...there were different opportunities then than there are now and vice versa. So you know it's very hard to compare one to the other. All I can say you are never going to run out of domain names. They are never even going to run out of good domain names. Yes the upper tier of one word generic type domain names, right that ain't going to happen. But that doesn't mean that you can earn enough money and make a deal with someone who has one of those domain names because it is all a formula. Hey a guy has \$100,000 domain name and you have \$12,000 in your pocket, I'll give you \$10,000 and \$10,000 a year for the next nine years. There are ways to make deals if you income streams coming in and you can predict and say ok I can allot that kind of money to buy that domain name.

So no one will ever convince me that there is no opportunity but you have to chase tomorrow – not yesterday. There are new products that come out every day. There are new sectors coming out every day. There are new everything coming out every day. A guy could start today making a living just with the iPad accessories with nothing else in his life. I mean it's a vast. I don't accept the premise that they are all gone. They are infinite.

Michael: Okay so new products are coming out. New companies are being launched. New industries are being created. Even the price tag that may seem out of your budget is doable. If it is \$100,000, you come to an agreement on \$10,000, financed over time. The person that owns the domain name maintains the domain until it pays itself off. You get full access to it. Worst

case scenario is the business fails you walk away without your \$10,000. And they keep the domain name. Everything is possible.

Rick: Everything is possible. It's a formula. Go to a guy that has a great domain name, look it's parked, I have an idea that will make millions of dollars. You don't think that domainer is going to look and listen for a few minutes? Sure he is. So the idea is more powerful than the wallet. Especially in these times. There is lots of money on the sideline and there are not a lot of ideas on the sideline. There are trillions of dollars as we speak sitting on the sideline waiting for an idea to chase.

Michael: Let me shift our focus to your blog for a few minutes. Your blog is at ricksblog.com. It is wildly popular. You get a ton of comments every time you post a new article, some new thoughts. Without a doubt anyone reading your blog knows that you are a passionate person Rick. Some might say that you fly off the handle a little bit too often but you are passionate about what you talk about. One of these passionate times that I want to ask you about is you wrote, and I am going to quote you here “Exciting times. Lots of new ways to make money as I watch the masses get it wrong once again but wrong does not mean that I am profitable. Right does not mean you will get right. Confused?” I got to tell you I'm confused Rick. What are you talking about here?

Rick: I'll make it simple. Let's get to the right and the wrong. If you are driving along and you have a head on collision with a guy that is drunk, you may have been right but you are dead anyhow. So that is more of the dead overrides being right. That is my point. That is the point. Just because you are right doesn't mean you make money. And just because you are wrong doesn't mean you lose your ass.

Michael: My wife likes to say to me when I get into an argument with her or I get in an argument with the kids she likes to say to me “Would you rather be right or would you rather be effective?” I'd like to have the result that I want – not be right.

Rick: Exactly so that is where people kind of get hung up on being right. It isn't that important. And I want to learn. I'm not right all the time. I'm wrong 90% of the time. But you have to start somewhere to get right.

Michael: That's true. If you don't do anything in life you are never going to achieve anything.

Rick: Exactly.

Michael: So what are the masses getting wrong?

Rick: Well I think the biggest thing right now that they are getting wrong is they are sending their own traffic to Facebook and Twitter. Duh. I mean that has got to be one of the stupidest moves I have ever seen in all of my life. Now they may have a great reason for it. I haven't figured it out yet. Some people say they are smarter than me I just would never ever take my money and divert my traffic to a third party that could take that and do whatever they want at a whim. I wouldn't do it. So there is one example.

Go to a corporate Fortune 500, ask them who is their domain manager, who is in charge of their domain strategy. They don't have anybody. So do you think they are getting it right yet? The companies that are getting it right they are definitely...If you look at the blogs in the last week, just look at all these companies buying domain names. Everyone is listing it because they are starting to get it. Now they are starting to get it. They should have gotten it 15 years ago, 10 years ago, 5 years ago. Hey better late to the party than never. They are here. It doesn't mean they are going to get it right because there is a lot of stuff they are getting wrong but now they have the opportunity to get it right and to turn it around. And they have the money in the pockets even though they didn't get it right in the beginning there is a way to fix that. And that is called money. Money fixes wrong.

Michael: I understand what you are talking about now. Let me ask you about another quote. "Ten great domains make you a domainer. A hundred thousand worthless domains makes you a pigeon shit farmer at best and a fool at worst. The quantity game has collapsed. Quality is and always has

been the real game.” Rick is it possible to be a domainer and a pigeon shit farmer at the same time?

Rick: As a domainer I don't know.

Michael: No offense, but are you not a domainer and a pigeon shit farmer because you own ten great names. You have sold 15 domain names or ten great domain names for over \$15,000,000 but you also have 9,000 domains.

Rick: Well sure we all have pigeon shit. That is the whole point. People get offended. How can you get offended? We all own it. We are in that together man. We all own pigeon shit. We didn't come to this with an instruction booklet. None of us knew what was going to take off and what was going to fly, and iPad was going to sell billions. None of us knew any of this. This is unfolding. So that is why I'm saying as it goes on you should be able to at least understand that what you have that is pigeon shit or a domain that is pigeon shit. When someone sends me a list of domains that are 200 and I for the life of me can't figure out why anyone in their right mind could have registered any of them that is pigeon shit. And I never use anyone's name. I never say hey this guy owns this domain and that is pigeon shit, right? I talk in generality. And then people get offended. They kind of out themselves don't they, if they are not anonymous? That is the other part, they are anonymous. But basically they are outing themselves because there are only five or ten guys all the time with these posts. It's pretty simple.

Michael: Has the quantity game collapsed only because parking has collapsed? Or have the pigeon shit domains always been pigeon shit and nobody is typing them, nobody is going to them? If they are it is just bought traffic or it is fake traffic and it is just not worth it.

Rick: There were always pigeon shit domains except when Yahoo and Google don't know what the hell they are paying for and they are giving it to their customers and they are screwing their customers when they take garbage. Now you see where they are starting to figure out they are not going to take the redirects now. They are really starting to figure it out. I hope this continues and I hope that what Frank Schilling is doing is going to prove to them and show them on a smorgasbord what this is quality traffic and this is

shit. Why would anyone want to give their customers stuff that doesn't convert? And the game that everyone was playing was how to gain the system.

Michael: Yes, one more quote from your blog. You wrote: 'Domains would go up faster in value than any commodity or asset every known to mankind. No stock, no land, no gold, no jewelry has never done up faster and further in value.' Do you still feel that that is true?

Rick: I think I've proven it. First of all thank you for say it because that is probably one of the very first things I wrote other a unique opportunity in time. Those are my two major quotes. And so thank you for asking it and without doubt gold has been around for how many thousands of years? It is up to \$1,800 an ounce. Real estate... You name me something in history that has gone up further and faster. There isn't one item in all of history and I have actually proved it by myself. Forget about everyone else. Stratsky has proved it. All kinds of people have proved it. But I did it for my own satisfaction because no one ever spent \$100 and was able to turn it around into \$1,000,000 that quickly and do it repeatedly.

Michael: But in some cases it took ten years. The cumulative return on your investment is unmatched but in some cases it took ten years or five years.

Rick: Some of them did. Some took five years, ten years, I have a 20 year plan. I fully expected from day one that I wouldn't see a penny residually for 20 years. That was my mind set getting into the domain names. I wouldn't make one penny for 20 years.

Michael: Okay and when you have a long term perspective like that, like buying real estate or like buying gold...

Rick: But show me again one other commodity in history that went up in those ten years that much. Other than real estate when you had a corner and they built a shopping center and they wanted that corner. Fine but that is not really as easily to duplicate as a domain name to duplicate. Like I said how many bought for \$100, or for free, when up to millions. How long have diamonds been in the world? a carat diamond is now \$4/5,000 and they have

been around for hundreds if not thousands of years. So real estate, so five or ten years? That is like a fart. That is nothing. That is a nap.

Michael: So if people want to do it today... You got in in 1995 through 2000 with your really good names. If people want to do it today, like what you said earlier they have to look at new industries, new companies, new products, new services, new offerings. They need to look for the opportunities around the world.

Rick: And let me tell you something. Property.com today sold as it was will go up faster in value than any other commodity ever known to mankind now. You watch. The next time property.com sells it is going to be nine figures, okay? So the next two, five or ten years again you are going to watch an asset go from zero to \$750,000 to \$4,000,000 to \$400,000,000. Every single time, I am telling you there has never been anything in history and no one has ever been able to say here is an item that went from here to there and was repeatable many times. Not one. Diamonds, gold, jewelry, what? We have oil wells. That is what we have.

Michael: Is the oil well only in the .com TLD? Can somebody look to the new TLDs that are coming out and find an oil well as well?

Rick: You bet. But you have to know what you are doing and if you are a pigeon shit farmer in .cm you are going to be a pigeon shit farmer in dot whatever. So I mean at least, the least a domainer can do when you get into a dot whatever you better learn from .com that you better get a one or two word thing that really means something. It is easy to spell. Why would anyone get a third rate dot whatever? I mean unless you have an idea to sell because I know LGs. I can buy this for \$50. I know maybe that segment could be worth \$10,000 each. Well that is a \$200,000 return. I can do that. It doesn't mean I have to articulate to everyone what I'm going to do or do. My job is to tip them off after I do it.

Michael: Right I understand. Let me ask you... We have been talking a lot about your successes. The domain names that you have sold. Ten domain names for over \$15,000,000. You have a nice residual income from your vanity phone numbers, from the adult domain names that you own as well as

a slew of other domain names that I'm sure are premium that I don't even know about. Let's talk Abby: few minutes about brandable domain names. I did a search and I found one of the domain names that you own. And I didn't ask you about this before Rick and you can tell me about it. It is 5-1.com. It is a brandable domain name. And I could be selecting this out of your 9,000...

Rick: I'll tell you. That is 5 to 1. It is kind of an odds maker. I have 5-1, 10-1, 1,000-1, 1,000,000-1. That's why. Those were real pickings. Will they have value? I don't know. I've had them, I renew them...

Michael: Is that going to be one the domains that you drop over the next few months?

Rick: Probably not.

Michael: Because it is gambling related?

Rick: I don't know. I'll make a determination at that point but I wouldn't think that I would drop something like that. I seldom drop anything. To be honest the ones that I am going to drop are most of the .COs that I bought because most of the .COs that I bought were defensive registrations. And guess what? I hope someone opens up the .co that I own the .com of and does great with it because I am going to make a lot of money with them. The two of us are going to do great together. We are going to become fast friends.

Michael: What percentage of your portfolio would you say is brandable?

Rick: Well I guess it depends what you would define as brandable because there is cutesy brandable and then there is meaningful brandable. I'm not a cutesy brandable guy. I'm not going to sell something with a z, like girls with a z. I'm not a cutesy, look it may be brandable, I go for the masses and that is a little too cute.

Michael: So what kind of brandables do you like?

Rick: Well I think a lot of the brandables now are the new TLDs. . me I think is very brandable. But it has to mean something, you know? If you get

something that doesn't go with me it isn't going to mean anything. So if you have something...AOL has about.me. Okay that means something. So I can see that being brandable. I'm in a partnership with people that own meet.me, love.me, marry.me, date.me and we feel those are very brandable as a collection. So the Internet is expanding. What I would say about all the gTLDs is don't make the mistake, realize that, look at it as a freeway system. A freeway system is great but make sure the freeway goes to a population center. So if your freeway just goes to the desert, it's just going to the desert. You guys ain't going to live long enough to reap the rewards from it. Okay? It has to go to some kind of a population center. Whatever that domain name it has to go to a population center.

Michael: That makes sense. Let me ask you about your upcoming conference Rick. It's called Traffic. It's coming up October 16th – 19th in Fort Lauderdale Beach, Florida. What can people expect if they attend your conference?

Rick: They can expect to meet the top domainers in the world. They can expect to make a lot of money. They can expect to be treated royally. They can expect to see more opportunity than they have been exposed to in a long time and they can expect what we always do at Traffic – we have a formula for traffic. It has never been a secret. We have a high bar. We don't have people from Central Casting. I mean the people that come to Traffic are qualified. They have a monetary stake in coming to Traffic. It costs thousands of dollars to come to Traffic. And what that does is when everyone comes with skin in the game that really motivates people to get deals done so that they can justify the expense. And that is why Traffic is so great, because every single time great deals are done. And if you look at the history of the domain industry so many of the announcements that come from Traffic, so many – the Ben Media was born at Traffic. There were so many places born at traffic.

Michael: I understand everything that you are talking about in terms of benefits. One of the benefits you mentioned the second one was people were going to show up and make money. Are they going to make money because they are doing deals whereas if I called you up, or I send you an email and I want to buy a domain name for \$20,000 and you wanted \$100,000 we may

never meet or I may have to meet your price. But if we meet over drinks and we discuss it it is an entirely different ballpark? How can I make money by attending?

Rick: Well the first thing that we ever did with Traffic is decided the way for people to network the best was to break bread together. That is why our events are around meals and lunches and cocktail parties because really that is the best networking and it takes it down a notch. We are all high power people. I mean we are all Type A personalities. We are all hustling and moving and shaking and once in awhile you have got to slow down. Really slow it down to understand where you are at and where you are going to kind of hit the reset button. And you are going to be going to Traffic for the first time and you are going to see the energy there. You are going to get it automatically because you can't duplicate that. It is chemistry. It is an energy.

And the people that can't afford to Traffic I tell them they can't afford not to come to Traffic. Someone can't financially come to us we will make it happen but they have to have skin in the game. Where it isn't gratis we will figure out a way in the long run to make it happen. So we have helped a lot of people over the years trying to get them over the hurdle, over the fence, over the obstacles so they can meet qualified people. It is one thing to bring a bunch of people, here let me give you an idea.

If you have a group of ten people how many domainers...if you have Mike Perkins, Frank Schilling, The Castello Brothers, Elliot Silver, name a half a dozen and other people at one table as opposed to ten people that no one ever heard of. How many people does that represent? How much knowledge base...How do you compare ten to ten? In my book that ten does not equal ten. And those ten are a much better investment of time if you want to grow your business or expand or just get to the next level, or learn, or find out what they are doing. And it doesn't mean that these ten doesn't have value. It doesn't mean that at all. But at least understand the difference in the two groups and what that means.

Michael: That is a great point. I would even say that I have interviewed Michael Castello, I have interviewed David Castello, I have interviewed Elliott. If you are planning on attending watch their interviews. Make up

some nugget of interesting discussion or topic that they discussed about and sit down next to them at Traffic and ask them about it. You will have an immediate conversation started as well.

So I asked my audience Rick, I said what would you like me to ask Rick Schwartz and John Dailey came back and said “Can you ask Rick this question. Can he say with a decent amount of certainty that paying conference attendees won't contract Legionnaires Disease at your conference?” So I wanted to ask that question and thank you to John.

Rick: Huh? You don't want me to answer that question.

Michael: No, I don't actually. I thought it was a very funny one though.

Rick: We have the death chamber, we don't mess around. We don't mess around with diseases we go right to the death chamber. We are not lightweights.

Michael: Alright so we know that you are getting a who's who to attend the conference. What kind of speakers and topics can people expect at your conference?

Rick: The most knowledgeable ones in the industry. People ask why do you have those speakers and a lot of them speaking, because those are the people who know what they are talking about. And we always have a variety of new people, always. And this show is no exception and I think people are really going to be happy that we are going to have a key noter, he is going to be a domainer and Bill Keller, who is quite accomplished and you can read about it at targetedtraffic.com...His bio. And don't think we have had anyone as compelling as that since John Reese in Las Vegas in probably about 2006 who is also a domainer with income.com and on to greater and better things since then. Only because we don't want it but it is very hard to find because there are not that many success stories like that are being written right now.

And a lot of the people who do have the great successes don't want to share it quite yet because they are still in their formulating their strategies. So I think Bill Keller is just going to knock it out of the park. And we all want to be

developers. We all want to develop our domains to the next level. It's easier said than done. But you know people used to ask me why don't you develop in 1996? Well because it would have cost me \$750,000 back then and it would be garbage. And in ten years you will be able to buy a template for \$75 and it is going to be better than the \$750,000 site and everyone would laugh. No one is laughing now because that is exactly it. It is like building a suit. We will build you a site for free just to split the revenues with them. There is all kinds of ways now. So you know things have evolved.

Michael: So one of the evolutions at your conference is the auction structure. I've read that you are tired of the auction structure that is happening at other events. That your auction is going to be different. How so?

Rick: Well it isn't going to be different. It's going to be back to the original auction. We were the first ones to break the live auction to the space. We are the ones who have the largest live auction in the history of domaining. And each time it was using the really... Let me put it this way: It kind of got off track. I don't care about tying up domain names. I'm not a registrar. I'm not an auction house as far as I'm looking for inventory. I just want 100 or 150 domain names. I don't want anyone signing a contract tying up 100 domain names, 1000 domain names, or 10,000 domain names. I'm not into that.

You know in the past through no fault of their own that is what they were in business to do and it was kind of a conflict. Well now we don't have to deal with that conflict any longer and we are just going to go right back to our basics and make live auctions so that everyone is happy. You have to remember there were no live auctions anywhere else until we opened it up. They called it a circus in New York but we had five different auctions and that's what went, when Monica was the only auction house to have everybody as an auction house. We blew out the doors and opened the entire system up.

Now we are going to go and get it right back to where we started originally which is I have no commitments to friends that I have to satisfy so I have to take their domain name. The only thing I care about is it is a saleable domain name, priced right or they paid for the entry. We are taking paid entry fees. If someone believes in their domain name they can pay a fee up from and it

reduces commission schedule if it sells. That way they can be pro-active in selling it and it shows everyone that they are serious about selling the domain names. We are not going to have reserves like you have seen before.

Michael: That is the problem that I see. Auctions aren't fun when the reserves are too high. Nobody wants to pay that much.

Rick: It isn't about reserves being high or low. It doesn't matter. It matters about domain names being great, okay? Domain names that are great will sell. It doesn't matter about the economy, it doesn't matter about anything. Great domain names will sell. You don't have to limit a domain name to \$1,000 to \$5,000 or if a domain is \$5,000,000 to say it is a \$5,000,000 reserve. So a bunch of nutty show boaters can bid \$3,000,000, \$4,000,000. You know we are not going to play that game. Our reserves are going to be very loose. Under \$100,000, over \$100,000 and over \$1,000,000, over \$5,000,000 maybe, that is it.

Michael: But is there going to be a hidden reserve behind it Rick that says if I bid \$50,000 I may not still get it?

Rick: Absolutely. There will be a hidden reserve but it isn't going to be this loose reserve \$1,000 to \$5,000. Who am I to tell someone that their domain is only worth \$5,000? Someone in the audience could pay \$25,000 for that domain because that is what it is worth to them. When they see that it is only worth...One they are scared. I don't want to look like a fool. So I don't know who invented...Like I said it's good to have loose there so you can kind of have an idea of what ballpark you are playing in. Too much information sometimes can hurt the process.

Michael: I'm a big fan of the Shark Tank on ABC television. I love any entrepreneurial show. There is the Dragon's Den. I follow VC Blogs. I'm a fan of all of them. There are show that, for those don't know about the Shark Tank, it's a show where entrepreneurs pitch successful business people and look for investment in their business idea. Either they get the dollars that they are asking for (I need \$100,000 for x percentage of my company) or they go home empty handed. I heard that you are going to do the same thing at your conference. Is that right?

Rick: We have been doing it now for I think several years as a matter of fact. So yes we are motivated by the ABC show and then there was a show in London and one of our Shark Tank contestants has already gone to get real funding from that. So we have already had on great success.

Michael: So have you seen successful investments in companies that are pitched during your event?

Rick: Yes and we expect much more this year. You know I just sent out an email about that on Monday or Tuesday and we already have I think a half a dozen applicants. And there will be quite a few more as people learn about what we are doing and we have a good time at the Shark Tank. It is a lot of fun.

Michael: And are you one of the investors? Who else is on the investment panel?

Rick: I may be. We do look for some deep pockets going to the show. Maybe we will get Frankie up there and maybe Mike Berkins, maybe me. I mean we have had Chris Hartnet, we've had Div Yank (spelling 0:53:53.0) has been up there I believe. We have had a lot of guys up there. So probably a week or two before the show we will get together a group of investors and we will announce them and that will be kind of fun in itself. And I think most of the guys are pretty fair other than me.

Michael: So somebody attending the event, either they are domain investors, marketing professionals that want to learn more about domains, entrepreneurs, what is your advice for them to get the most out of attending your event?

Rick: Well the people that have come before they are going to know right away. They already know believe me. They are pros.

Michael: They know that there is value, but how can a newbie coming get the most out of the event the first time around?

Rick: We really go out of our way to help the people who have never been there before because we are like a fraternity, a family. And so we go out of our way to introduce them to other people. We have a little seminar before the show even begins. We have a get together, a champagne get together just for the people who have never been to a Traffic show before so we can explain what we do, why we do it, where we have been, where we are going and why we are going there. And I don't know anyone that ever didn't come to me after the show and thank me. Geez thanks so much for introducing me there and we at the meals try to introduce some of the people. And the people just see a whole lot of new faces at this show. With the gTLDs there are a lot of people from around the world coming. So things are changing, this is a very changing moment.

Michael: Excellent, so one of the questions that I forgot to ask you before we wrap up Rick. I wanted to get a feel for the size of your business. You know we talked about revenue earlier but is the business basically you running it? Do you have an administrative staff? Do you have somebody who deals with the sales, inquires that come in, updating websites? How does the Rick Schwartz Empire get done on a daily basis?

Rick: Just me and Freddy Munch, as my wife will leave me. I have no employees. As a matter of fact since I have been out of corporate I don't think I have ever hired an employee. I think every time you hire an employee it is kind of like a loss. The only time you hire an employee is if they are going to make you ten times what you are paying them. Then you should hire as many employees as fast as you can.

Michael: Otherwise you outsource?

Rick: What's that?

Michael: Otherwise you outsource to a contractor?

Rick: Everything I do is outsourced. One project one whatever at a time. I don't run a delivery service, I call Fed Ex. I've always been like that. I try to deal with the people that I trust so my reputation is really paramount to me and many people in the space.

Michael: When you book a new speaker for the conference, or you have a new event that you are adding, is it you updating the website?

Rick: Yes.

Michael: It is you writing that content?

Rick: I went on the schedule. We have Danny Prior as our web master and he has been with us for almost since the beginning doing all the videos and he puts together many things but he is my right hand man as far as when I have a big thing on the website, when we do the website. But as far as the schedules you see that I go in everyday and that schedule is me and it's evolving. And it changes almost every single day between now and the show. I put up a skeleton and as events dictate it evolves. If anyone has watched any other prior shows they see that every single time I'll take a set of guidelines for a show and little by little it evolves until the very minute that people take the stage, because if I can make it better, if someone comes in the door that I think can add to the panel I'm in their face trying to get them because I understand what we are trying to create. And we want to give value to everybody.

Michael: Excellent. Well I'm excited to attend the Traffic event. For anybody else who is thinking about it you can go learn more at Targetedtraffic.com. If you have a follow up question for Rick please post it in the comments below and we will ask Rick to come back and answer as many as he can. Rick I know you are on a lot of the social media networks that are out there. I follow you personally on Twitter @domainking I believe is your handle?

Rick: Yes.

Michael: Is there anything that you want to leave the audience with prior to potentially meeting them at TragetedTraffic.com?

Rick: Well I hope that everyone will give us a fair shake and not listen to the garbage on the sidelines. The real people know what we do and our

hearts are in it and the passion is behind it and you can't buy us. We do this 24/7 because we love it. We never started Traffic as a money making venture. It was something to uplift the industry. And bring everyone together. And I just want people in the industry to know this is the greatest industry on earth. That there is more opportunity in this industry than any other industry that I have ever seen in my life, my father's life, my grandfather's life or his grandfather's life. And if you are not getting your fair share of it then you need to take a step back and stop because if you are not getting your fair share it wasn't because of anything I did and it wasn't because of anything I said, it's because of how you are looking at things. And I've spent an awful lot of time trying to get people to readjust their attitudes, so look at a glass half full not half empty and a silver lining instead of whatever bad happens. And then also be realistic. We went through really tough times right now. This is no joke.

Anyone can look at my blog from 2007 and 2008 when people were laughing at what I was saying. And now not only can you see it, and like I said on my blog post a few weeks ago, this is the beginning of bad. Not the end of bad. This is just the beginning. And there is more opportunity coming in this space than anywhere. It's unbelievable that people can't come here and figure out...like even if you just want to flip, come here with just an idea. You can approach some of this so many ways to make a lot of money, have a good time.

I've made the greatest friends in the world over the years. These people are great people. There is like 500 real original domainers that are the greatest guys that I have ever met in my life. And then there are hundreds of thousands of people that are coming in and want to be in the industry. And they are all welcome. There is a high level, there is a high bar, there is a way to conduct yourself. I think reputation is everything and some people think reputation is nothing. And I think I am right and I think they are wrong and I think in time I'm going to prove it.

Michael: Alright. If you want to meet Rick in person please come to Targeted Traffic, October 16th through 19th. I will be there. It will be the first time I am attending the Traffic conference. I look forward to it Rick. Thank you for taking the time and coming on today's show.

Rick: Thank you Michael. I appreciate the time and hope people like the interview.

Michael: I'm sure they will. Thank you all for watching. Bye.

Watch the full video at:

<http://domainsherpa.com/rick-schwartz-domaining-interview>