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PEOPLE

The Domains Of The Day

How two Boston entrepreneurs are making millions from names as simple as chocolate.com

The fact that Andrew Miller and Michael Zapolin don't speak German was never a problem, until the two Internet investors decided to buy the domain name "chocolate.com." The owner, a man in Germany who didn't speak English, was content to paper the site with ads for chocolate companies and collect pocket change whenever someone clicked on one. But Miller, 42, and Zapolin, 40, saw the chance to make millions. "We knew nobody was doing a good job with chocolate in the online space," says the fast-talking Miller. "And we were imagining how much free chocolate we'd get," jokes Zapolin, a New Age enthusiast who goes by the nickname "Zappy." After weeks of voice mail and e-mail messages, all in English, a lawyer in Atlanta called to say he was representing the man. Within days, they were able to buy the domain for \$300,000—a fraction of the cost of other generic sites.



Two years later, the Boston-based duo has built an online emporium, complete with boutique sweets, recipes, and articles that run the gamut from the health benefits of dark chocolate to the history of chocolate Santas. As with a mall owner, the key was to attract an anchor tenant in the form of *Chocolatier* magazine, which provides articles and recipes to the site. Traffic has so far doubled this year, and the site is on track to clear \$2 million in revenue. Convinced that chocolate.com could become a \$100 million property, they're now turning away would-be suitors.

NAME GAMES

It's another victory for Miller and Zapolin. Through their company, Internet Real Estate Group, (Internetrealestate.com) they've made a career of buying underappreciated domain names on the cheap and turning them into multimillion-dollar properties. Instead of flooding a site with pay-per-click ads and flipping the domain for a quick profit, they're trying to develop real businesses that will sell for much more. They own 17 domains, ranging from software.com to relationship.com, with a closely guarded list of several others they would like to buy—if the price is right.

They work out of a brownstone on Boston's tony Newbury Street but prefer doing business at their local Brigham's ice cream shop. Miller describes himself as the aggressive one who's always hunting for the next big deal. Zapolin is more laid back and focuses on creatively expanding the sites. They met in the late 1980s as sales trainees at the ill-fated junk-bond house Drexel Burnham Lambert, getting together for gambling trips to Atlantic City and later teaming up to produce infomercials. One of their clients, The Grateful Dead, inspired them to get into the domain game with its success in using www.dead.net to sell merchandise and bring together fans.

They bought control of beer.com for \$80,000 in 1998 and built an audience for the site by giving out free e-mail addresses and having fans rate different brews. Less than a year later, they sold it for \$7 million to Interbrew, a beer company. The pair then bought creditcards.com for \$100,000 in 2003, created a comparison site for credit-card offers, and sold it to a private equity buyer for \$2.8 million in 2004. Now that it's valued by some at several hundred million dollars, they admit to selling too soon.

The crux of the business is the domain name. Chocolate.com automatically gets thousands of visitors a day who type the word "chocolate" into the address line of their Web browser instead of a search site like Google (GOOG). About one in six Internet searchers never goes to a search site, opting instead for direct navigation. The name also helped the site vault ahead of famous names like Hershey's and Godiva in Google searches.

Such advantages help explain why the market for generic domain names is booming. Deals for resold domain names hit \$700 million last year, about double the figure in 2005 and quadruple the 2004 level, according to Sedo, a domain name brokerage and appraisal firm in Cambridge, Mass.

Determined to turn the name of a popular produce into a lucrative business, Zapolin and Miller don't want to sell chocolate.com—yet. The memories of offloading creditcards.com too soon also still rankles, though they laugh it off now. "We're not crying in our soup over credit cards," Zapolin says with a smile over a raspberry lime rickey and a peanut butter and jelly sandwich at Brigham's. "We've got a few more in our portfolio."

By Aaron Pressman

