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Interview with Matt Hill from Shopit.com



Adrian Bye: Today I'm talking with Matt Hill, who is the CEO of Shopit.com and Matt's got a pretty diverse internet marketing experience. So, Matt why don't you take it away and tell us a little bit about who you are and what you've been up to.

Matt Hill: Okay, so, is it important for me to actually talk about the business at this point in time or my background first?

Adrian Bye: Let's talk about your background then we can go and talk about the business like, we got plenty of time.

Matt Hill: Okay, I was involved in a company in 1997 called Shopping.com; it was the first Shopping.com, looked a little bit more like a Buy.com or an Amazon.com at that time. Our goal was to...I actually came out here to California from Canada via Boston where I went to school and helped raise money for the company

and was sort of a senior management member of the company at that sort of starting stages. We built the business over a 9 month period and added about a million skews to the database of something now as miniscule in size but it was really kind of an interesting time. We ended up signing the company the Compaq Computer Corporation who put it under AltaVista and that was in early '99.

So, after that, I went to go and work for the Hong Kong government and head the Asia Tech Fund, they were launching a company in San Francisco. It was a company that had initially started, it was a toy distribution company; B to B toy distribution company based in Hong Kong that they were bringing over to San Francisco so, I was tasked with the opportunity to go in sort of be a liaison and help them build the merchandising part of the business in San Francisco. I did that for probably about a year, year and a half and we raised a total of about \$18 million for that company, and then of course, had a planned IPO and everything else but then things didn't work out.

Adrian Bye: Let me just backtrack a bit if I can.

Matt Hill: Sure.

Adrian Bye: You got it off in the middle of a bunch of high level stuff I mean, how did you come from nowhere like where did you come from, like how old are you and where did you grow up and how did you get in to this kind of high level? I mean, that is pretty impressive.

Matt Hill: Yes, I'm 34, I moved out straight out from college, if you wanted the exact details, I followed a girl who I met in college, I went to school at Boston College.

Adrian Bye: Was she cute?

Matt Hill: She was very cute, not with her anymore, married now. I followed her out here and ended up, my father was actually in an elevator and he was in the Bahamas, he was in an elevator with a gentleman who he had met and was involved in some other business related things and have a family business up in Canada that's a hundred year old business and they have a technology fund that they invest in certain companies and certain things and so it was made known to...



Adrian Bye: What kind of business is the hundred year old business?

Matt Hill: Well, there's a bunch of different companies in the portfolio; there's oil and gas, real estate, broadcasting, manufacturing, insurance...that's about it.

Adrian Bye: A bit of everything.

Matt Hill: Yes. So, anyway, that company is based in Canada and then run by my father and my sister and they are all on to that. So, anyway, there is a part of their sort of fund that they invested in some technology related things and the Shopping.com concept was pitched to him by a gentleman by the name of Bob McNulty who had a good long but definitely challenged history in retail. He'd been very successful, he sold the company the Home Depot and Home Base or whatever and he'd been very successful. Anyway, he had this concept for Shoppin.com and we got in there and that's how I was introduced to the company basically. I went in there as the 34th person employee of the management team. It was deemed at that point in time that kids 20s, 30 and younger were smarter for whatever reason than people who are 40 and older, so bring in as many of those people because they know how to use computers and see what they can do.

So, really I was just a young boy out of college, I didn't know anything. I learned everything that I know in that first business with respect to the early e-Commerce stuff, and frankly, as far as I'm concerned I think we were probably lucky. The company was we raised up, I don't know, over \$12 million in the course of that year, year and a half period but it was really one of the worst situations where we could just as easily, we weren't profitable, we could have just easily gone out of business if we hadn't generated the interest from an M&A standpoint with the guys at Compaq.

Adrian Bye: So, you guys made out well in the end. I mean, Shopping.com is still a force today.

Matt Hill: Yes, so, Shopping.com has had two lives. It died once, it went into AltaVista and it died. Then, AltaVista got sold to CMGI. CMGI ended up with the domain and then CMGI died. The domain got purchased by DealTime. Then, DealTime changes their name to Shopping.com and then resold again as a shopping comparison network to eBay. So, really there have been two different businesses at that URL.

Adrian Bye: Okay, so, the domain was what was valuable. Did you guys make out well?

Matt Hill: The first transaction was \$220 million and then the second transaction was, so yes, it did okay, and the second transaction was \$500 million. I wasn't involved in that.

Adrian Bye: Congratulations, you did well.

Matt Hill: I think lucky.

Adrian Bye: That, too.

Matt Hill: I think lucky, I'm the first one. Anyway, so, after that, I went up to San Francisco, lived up there, I didn't like the weather out there too much, I was commuting back and forth to Newport Beach because that was where I was living at the time and ended up running into Richard Rosenblatt and meeting him. I made an investment in a company called DrCoop.com and at that time Richard had just sold iMall to Excite@Home for I think worth \$500 million that he was quite successful, he was only 27 or 28 years old. I partnered up with him; he was starting a venture capital fund called Prime Ventures.

Prime Ventures was a \$20 million fund, I came in and basically joined as a partner and sourcing deals. Things were kindly slow, at that point it was 2001/2002, there wasn't much capital out there, weren't too many thing happening and so we ended up creating a few good properties; one of which was a joint effort with the founder of Reunion.com which is Jeff Tinsley. We didn't actually perform the investment out of the fund but we're all investors in Reunion.com. Reunion.com now is a very, very... quite a big successful company. They are doing more registrations per month than Facebook did which is surprising...

Adrian Bye: Are they paid or free registration?

Matt Hill: Those are free registrations but they have membership; they have a paid membership that they upsell a certain percentage of their audience.

Adrian Bye: Are those driven virally or through media buying?

Matt Hill: It's all media buying. They do a lot of advertising. You've probably seen Reunion.com all over the place.

Adrian Bye: I don't think it's possible using the net without seeing it, isn't it?

Matt Hill: Yes. You should interview Jeff, by the way, he's a great guy, one of my best buddies. So, anyway, there's a syndicate kind of internet guys that are floating around here and we actually ended up starting a business, investing in a business concept and starting it with just...what Richard's MO was to take a business that have either been fledgling along but had good potential and infuse our management and some cash and see if we can get something started. We run across a company called Superdudes. Superdudes was a kids gaming network where you could create children, kids, mostly boys 14 and under create avatars and use these avatars to play Shockwave type of games online; create your own superhero character. Then we ended up actually, Richard got called to, in late 2003, early 2004, we knew Brett Brewer who was the President of Intermix Media which at that time was a Universe Media or Universe, he called Richard and so...

Adrian Bye: I have a big question, since you know those guys, so who is the one true founder of MySpace?

Matt Hill: Funny. The one true founder of MySpace is actually two. I would call them two. It's Tom and Chris.

Adrian Bye: Really, it's those two guys; you wouldn't say it's Brad.

Matt Hill: It's not Greenspan. No, it's not Brad Greenspan. It's not Brett Brewer, it's not Rich Rosenblatt, it's nobody but those two guys. They created the concept and actually while we can go into a whole another conversation on that but they're good buddies of mine, too, and actually Chris and Joshua are really good buddies of mine, I knew them from before they were involved in MySpace.

Adrian Bye: You know Jo Abraham?

Matt Hill: No, not that well. Met him.

Adrian Bye: We're going to be running his interview fairly shortly.

Matt Hill: Oh good.

Adrian Bye: He's one of the investors as well.

Matt Hill: Great. So, anyway, so what happened was Rich went over there to run Intermix and that was on Brads; you know Brad was departing from Intermix at that time and Rich went through the interview process and what happened was I ended up sort of holding on to some of the other properties that were in sort of the Prime portfolio but then also some other companies that we had started just before Richard's departure to go and run Intermix Media. We ended up actually selling Superdudes. I was the chairman of Superdudes and we ended up selling that, too, to Intermix.

So, we ended up owning some stocks in Intermix and that was kind of an exciting thing. We didn't know at that time that it was going to be as exciting as it ended up being.

Adrian Bye: So, you made money on the website sale?

Matt Hill: Yes.

Adrian Bye: Well, congratulations.



Matt Hill: Yes, it's pretty interesting.

We did well on that one and then since then, we had an opportunity to invest in 10 or 15 more different companies. I sit on the board of 3 or 4 of them. I didn't tell you about one company I started which is still around, we haven't sold it or done anything yet but we raised about \$13 million from Clearstone Ventures and WTI, it's a company called eForce Media. I was the founder of this company; it's a customer acquisition marketing

company as I like to call it but some people call lead gen. We operate and we're similar to Queenstreet. We operated about...

Adrian Bye: Okay, let me ask you two quick questions on that.

Matt Hill: Sure.

Adrian Bye: You've done well with some of your investments, so it would seem like you've got some capital behind you so, why would you raise money to start some of these companies rather than just do it yourself and then secondly, why would you raise money to start a lead generation company when generally you can do it without raising money?

Matt Hill: So, most companies that I've ever been involved in from a founding standpoint, I always put my own cash in first. So, I'm always the first 500 grand or million bucks in. But the company requires more than that, I mean, I think it's, I wouldn't advise any founder of any company to not have want to bring in financial partners, to support the business along the way in its growth. In the lead generation eForce business, the reason we raised as much capital as we did is because we took a very different undertaking, we built a lead aggregation system that can take...the way I see the lead gen business is very different than a lot of people...I think that there is a huge overflow in consumer request versus the ability for those companies to appropriately service those consumer request to individual people. Most lead gen companies won't tell you this but they drop 40% of their leads on

the floor and that's because they're not matching them appropriately with the auto dealer or the debt company or for whatever reason, they don't have a nationwide coverage for those particular leads that are being generated. When you cast a wide net on the internet advertising wise, you're going to bring in, leads or consumer request for services from anywhere, right? You can only target so much and so how do you appropriately make money if you're spending money on advertising and you're only bringing in or you need some sort of a targeted thing or you just raise the price on your lead so you can be profitable on the leads you do sell but the one you don't sell, doesn't matter because you're profitable on the ones you do sell.

So, what we did is we built the system that would basically take overflow inventory from other companies; people that would be competitors to eForce in any other way and be able to take their overflow leads and sell them to a similar to that of a lead point. So, that's why we built a lot of technology in the early years and raise the necessary capital. We needed to do that.

Adrian Bye: I mean, I've talked with a couple of a lead gen companies, I published an interview with Brad Powers and another one with Matt Wise.

Matt Hill: Yes.

Adrian Bye: They've not mentioned anything like this over the phone I mean, how well does that actually work for that company?

Matt Hill: Yes, I think it's because people just don't really, you know there's lead monetization, there's lead yield monetization, there's traffic monetization, so a lot of people spend a lot of time driving traffic to a webpage and focusing on the conversion of that raw traffic, that media spend to the consumer request. Very few people spend a lot of time focusing on actually how that consumer request had sold, how it's monetized on the back end. It's mostly done on a traffic basis. It's not done once the lead data has been created. We have a series of algorithms that actually allow us to multi sell the lead when it's appropriate, right? Then also, be able to directly sell them into other networks that have coverage in those specific areas. So, somebody is buying a yellow Mustang on a Tuesday in Arkansas, we'll know where that dealer is. AutoBuy.com might not even know where that dealer is, right? But PriceWheels probably does.

So, the fact of the matter is we can be kind of like almost like a Switzerland from the lead standpoint because you know AutoBuy tell us and going to trade leads of PriceWheels. We can go to all the aggregators and actually service all the aggregators, they're going to dump all their overflow inventory into us. We do have a hundred sites, we do generate our own leads in all of these industries, autos is our biggest business currently. There are some good opportunities there. I think that the technology that we built is definitely something that needs to be sold into the market a little bit more. Lead point has done a pretty good job of marketing themselves to the smaller publisher or to the smaller lead generator. I think that we're probably more group that needs to focus and we're still in the building process so, we need to focus a little bit more on positioning the business to work with other larger companies; you know Queenstreet...

Adrian Bye: Well, if you need to get through to those guys just let me know.

Matt Hill: Yes, I know a lot at AdTrack, I know all the guys in the business and stuff although I haven't been involved.

So, I was the CEO of the business for the first couple of years and then I handed the reigns over to a guy by the name of Andy Mazarella. Andy was Richard's partner at iMall so, he was quite successful in that deal, he wanted to come in and we cut a deal that have him come in and act as CEO and I moved up to Chairman. It was really because I'd fallen in love with this concept of after MySpace had sold, I was looking at the growth of these things and Facebook was sort of bubbling up and I thought, gush this whole eCommerce industry is really going to blow up in a peer to peer manner in some capacity and who's going to be there, who's going to be sophisticated enough to offer people the tools to be able to transact online leveraging these social networks and that's what I really fell in love with very quickly. So, that was good that Andy came in to run the company and he's been sort of instrumental in continuing the growth of the company.

eForce just recently purchased a company called Alena. Alena was a former Intermix company; it's a product marketing company. I don't know if you've ever heard of Hydroderm, a market product.

Adrian Bye: So, they bought the assets that were left over when the MySpace sell happened?

Matt Hill: That's correct, yes.

Adrian Bye: But Hydroderm, I don't see them around anymore, is it still around?

Matt Hill: Sure, yes. It's a \$40-50 million a year business.

Adrian Bye: Okay. So, that's actually a part of eForce.

Matt Hill: eForce, yes.

Adrian Bye: Okay. So, tell us a little bit on the lead gen stuff, I mean, that's such a competitive space. I mean, a lot of those guys are getting absolutely crushed as margins are shrinking and all that kind of stuff. It would seem to me that if there is a lot of space, a lot of wastage with leads on getting them into the floors that those guys would be working on that or is this the big opportunity they are all missing?

Matt Hill: Well, you know it took for us; it took a lot of sophisticated technology building and then a lot of network building.

So, we had to actually build a client base that is by and large, pretty big. Now when you're in one particular vertical, people categorize lead gen as here's what's happening with the industry but the reality is just a huge number of people were involved in financial services and sub prime mortgage and those were the people they got seriously crushed. The people in Auto aren't doing that bad, the people in debt are doing great. Cash advances taking a little bit of a dip and education seems to be kind of relatively consistent.

So, I think that there is and it's really just a function of what vertical or what industry you're in, how much you apply to that vertical or industry, I think it's an addictive business, so you get into a situation where you pick up the big mortgage client and they give you a million dollars a month and hey, where else are you going to focus your energy when you got one guy who is offering a million bucks every month. I mean, that kind of a business is these guys all start up small, right, they don't raise a ton of capital, they start out with 2 or 3 guys running some websites, driving some traffic, generating some leads. So, they don't have the opportunity to look sort of beyond that million dollar paycheck every month and frankly, why would you?

So, the industry is comprised of 70-80% of the industry as comprised of these companies. I mean, the guys that are making \$10 million a year and they're sitting at home in their underwear and just cranking out marketing that drive traffic to a couple of pages and peddle leads.

Adrian Bye: Right.

Matt Hill: That's not a sophisticated way to run a lead gen business.



Adrian Bye: You want us to take a step back because that tie in to my other question of raising capital again so you'd rather be able to take a longer view. Do it with raising capital and hopefully take a bigger shot at it.

Matt Hill: Yes, definitely.

Adrian Bye: Because in the other point to that is various people I've been speaking with are suggesting the venture capital model is running into trouble. I mean, I saw in the Wall Street Journal yesterday, there's an article about Sequoia and how they are starting to look into doing stuff like managing endowment type funds and things like that. Do you see it a long term model for venture capital?

Matt Hill: Yes, absolutely. There's no question. Not only is venture capital is getting hurt by the way they operate but they're becoming less interesting from an entrepreneur standpoint and that and of itself is a whole other conversation I can tell you about, something that I'm getting involved in which

is more public venture capital which is a really interesting business that I've really fallen for simply because I've done the venture capital around in its...Yes, it could be challenging. It could be challenging. Down the road it can be challenging. I think you end up with partners that want to, I think they are smart people and they want to help you with your business but they definitely don't share the same experience and/or interest level from a certain perspective and some of them frankly, would rather you continue to grow and rather give you money because every time they give you money, they take a little bit more of your company and then hopefully get to some bigger Google type goal because that's what their MO is for the portfolio, not so much what the specific interest for your company is.

Adrian Bye: Right.

Matt Hill: I think that's where the disconnects us.

Adrian Bye: I mean because most of the interviews I've been doing, people who have taken money, regret it and the guys that didn't take money happy they didn't.

Matt Hill: Yes.

Adrian Bye: To you for internet stuff, venture capital thumbs up or thumbs down?

Matt Hill: You know what? In the interest of protecting my friendships with the guys that I'm involved with on the venture capital side I'd say, I tell you what, my advice here is to have the best way to structure this; my advice to an entrepreneur is analyze it closely. Don't just find the first paycheck as sort of flashed in front of your face because there's probably a good opportunity for capital outside of...venture capital for a small entrepreneur might be a really comfortable type environment to initially move into because you got a lot of support and people on your board and people that have good advice and everything else but the reality is, once you grow in the business, they're not as appealing to have there. Especially if you're trying to maneuver from a valuation standpoint in raising additional capital, it's very challenging. Even major business decisions; strategic moves, partnerships, M&A type activity all become much more challenging because you signed up for liquidation preferences of these guys that prevent you from doing certain things down the road.

Adrian Bye: Right. One more quick question on the capital topic if I may ask you.

Matt Hill: Sure.

Adrian Bye: What is your opinion on reverse mergers for internet companies today?

Matt Hill: Well, I'll tell you what, I think it's a very tough spot for some people, I think it's a very smart thing for others. I know that's a bad answer to a good question. But the best way to describe, look at the Intermix Media; Intermix Media was good, bad, I don't know; it spun My Space and it was the product of motorcycle company reverse merger. I think, here is my perspective on it. It's similar to financing, people look at it like while you are going through the process and you're dealing with getting into the public market if you don't have the ability to navigate through the early stages of the

public market, it can be a challenging thing but frankly, once the company is public, there's a whole new world of an investor-base out there that's willing to fund the company. Actually, in today's market, there's a ton of that type of capital; small cap capital out there available for those types of company. I think people don't really care once you are public, I think the word reverse merger is like lead gen, it's gotten a bad name but ...

Adrian Bye: If you notice the Pink Sheets, that kind of stuff, it doesn't look good but my understanding is that it's actually becoming something that is a smart way to cash out and to be able to do M&A type of stuff.

Matt Hill: It is and there's a ton of capital there. these guys; the small investment banks and there's a billion of them, that have a ton of capital to exercise towards businesses like this if treated properly. It is more of an exercise in patience and in strategy than that normal taking of venture capital, signing a check and signing some paperwork. There's a lot more to the process associated with running a small cap company but I think that there's a lot of benefit to it, there's no question. I think...I'll share this with you that's why I'm looking at being involved in what I consider a public venture capital business that will enable small companies that are profitable obviously to raise the \$10 million they want to raise and take the company public, into the public market. That will be done by a number of different ways; it could be a reverse merger, it could be just an SB2 filing, it could be a number of different things. But there's definitely companies that are popping up to compete aggressively with venture capital for small business in the internet.

Adrian Bye: Right. Cool.

Matt Hill: these bankers, they don't have access to the MySpace as with the Facebooks. I mean, the public market, these guys, none of these companies; Bebo, none of these companies ever get into the public market, they are all sold before.

Adrian Bye: Right.

Matt Hill: So, taking some of these exciting businesses and putting them into public market, it could be a beneficial thing.

Adrian Bye: Sure, Abraham told me they can get 3 to 4 times evaluation if they are public. I mean, it's a much more public thing so that can make it dramatic and different to the stockholders.

Matt Hill: Yes.

Adrian Bye: Okay. Why don't you tell us about Shopit.

Matt Hill: Okay. So, basically, like I mentioned that I stepped out of the day to day reality to construct a plan, really this is something I thought eBay should be doing in the evolution.

Adrian Bye: Do you have ADD?

Matt Hill: Do I have ADD?

Adrian Bye: You certainly have ADD, you couldn't resist starting another company, right?

Matt Hill: I totally have ADD.

Adrian Bye: I knew it.

Matt Hill: I mean, I feel like this conversation, I really actually, I'm enjoying the conversation because it's very ADD oriented.

Adrian Bye: Right. Pointing those glass at, you shouldn't throw a stone, is that what you think?

Matt Hill: That's right. Yes, you got me. I've got a little bit of that going on. So, I really fell in love with, I fell what here was this big bucks retail concept; eToys, Amazon, Buy.com, Shopping.com popping up in sort of the late 90's, early 2000 and then there was this next wave in eCommerce of all these shopping comparison engines, right? PriceGrabber and Shops and all these guys popping up, Shopping.com number two and they, also, for half a billion dollar and they are all widely successful and still growing. I thought to myself, gush the next evolution in eCommerce in this business is going to be something that I believe eBay should be doing which is a hyper distributed commerce platform, hyper distributed commerce world that brings social networking communities simply because they're the fastest growing communities but it could be anywhere on the internet; it could bloggers, it could be anything together from a commerce perspective; and applying the intelligence that brings people together on LinkedIn and on Facebook and applying that same type of intelligence to put buyers and sellers together in a world that operates similar from a transaction standpoints in the way eBay operates, right? So, you make offers, you make anything that...

Adrian Bye: That sounds blinding the obvious now that you explained it to me, why hasn't eBay done that?

Matt Hill: Well, good question. I'll give you the answer, okay, here's the short answer. The short answer why eBay hasn't done it is one, social networkers don't like to pay for this. So, they want free stuff. There's hundred million 17 year olds that are turning 18 next year, all going to be legal, transactional credit card holding people but guess what, none of them want to pull out their credit cards and pay listing fees or hosting fees or transaction fees, eBay is a public company, they have to, they are focused on it but they're focused on things that prevent them to quickly maneuver into the social networking world. So, they're going to have a very difficult time doing it but hey, they bought Craigslist for the exact same reason. They couldn't just go out and build a free classified listing service. So, I don't know what that tells you about what...

Adrian Bye: They didn't buy Craigslist but they got that investment in it, yes.

Matt Hill: Yes, that's right. But I mean, that's the whole reason. So, I think that there is certain business that they're going to have a tough time moving into on their own but that's why they make acquisitions.

Adrian Bye: So, you're venturing into the territory of none buyers and you're going to turn them into buyers or as they grow older they'll become buyers, how does that actually work because they're the hardest people to...

Matt Hill: I actually think to the contrary. I think they are all buyers, I think they are all buyers and sellers. People are given the opportunity to transact in a simple way on the internet will do so. I have a pair of vintage jeans and you may have a basketball or a pair of hockey skates that you wouldn't have otherwise taken the time to go through the 40-page process of registering with eBay and paying listing and transaction fees but if given the opportunity to just simply upload it on your Facebook page and blast it out to your network and advertise in a simple way, you might do that. I think there's are a hundred million people out there that are buyers and sellers that aren't even using eBay and don't have a means by which to do it. eCommerce right now for an individual person is time consuming, costly and complicated. All we're doing is removing all of those contingencies. We're saying, here's commerce, it's free, go.

Adrian Bye: So, let's say I've got a basketball I want to sell, I upload the photo over to my Facebook page, does that mean that only my friends see or how does that get published and how do people search for it?

Matt Hill: So, there's two ways; one of them is immediately, the way our system works is we're going to immediately, so if you upload your basketball, we're going to show you, hey, there's 27 people, let's say you're in Dominican Republic, maybe a bad example, but say you're in Santa Monica, California, we're going to show you the 25 people in Santa Monica, California that are interested in buying your basketball immediately that are on Facebook. We're also going to show you the 38 people that are on MySpace that live in Santa Monica that are interested in buying a basketball. The only reason is we know all those stuff because we're extracting all of this information from one, all the people who've already installed the application on their Facebook or MySpace or Bebo page but also two, other publisher networks within those social networks.

Adrian Bye: I mean how do you know that someone wants to buy...how they're showing intent to buy a basketball in Santa Monica?

Matt Hill: Okay, so we know where the people live, right? That's pretty obvious because the open APIs from the social networks feed you information about their profile, right? So, we can say, here's Job Well, he lives in Santa Monica, he's 27 years old, he plays for the basketball club of Santa Monica and he wears Nike shoes and he drinks Slurpees on Thursday s and he drinks beer on Friday. I mean, we can gather all that information through other applications and other APIs, right? So, we know stuff about a person that can become commerce related information. What we can't specifically tell you yet and we will eventually is whether this person searched for a basketball before. So this person was searching for a basketball somewhere. We would have that information be able to say, hey, here are all the people that have previously search for basketballs and so these are the people you should target. Similar to the way Reunion operates in connecting people after they pay, we're going to allow people to buy small incremental units of advertising to connect to these buyers through other networks.

The most important thing to remember about Shopit is that it's a community agnostic platform. It operates and connects buyers and sellers from Facebook to MySpace to Bebo to Hi5 to Xanga and then obviously a huge blogger world as well and it synchronizes your profile anywhere you are. So, if you're selling something on Bebo; on your store on Bebo, you can launch the application on Facebook and all your products will show up there.

Adrian Bye: The thing with eBay and the same with Google is they both have buyers searching and demonstrating intent whereas I guess, you're not going to have that. So, that linking of products to buyers is going to be I guess, the difficult part, is it not or I'm not understanding something?

Matt Hill: Yes and no and let me just describe this. So, basically, eBay operates in a walled garden environment, right? So, you come to eBay and because they've got 66 million users and they're buyers and sellers, you can actually pretty quickly list something and find there's, because of their critical mass, you'll find that there's stuff there. But when eBay first started and if you've ever seen some of the documentaries on the initial launch of eBay but the reality was they were actually going out and putting in stink bids on certain items internally from the company outwards just to try make people feel like there were people bidding on their item, the reality is oh yes, absolutely because they needed that critical mass. It was just good fortune that they had grew quickly and had critical mass so people could actually buy and sell things and feel like that there was a fuss...so they created what we call a marketplace. We don't shop but don't have a marketplace but we don't need a critical mass in order to do that. There could be a 150,000 people in our network and will still bring buyers and sellers together in a better way than eBay would. We'll do that based on information that we have coming from these social networks. So, it's really just applying, the connecting of a buyer and seller based on specific data about the seller's item.

Adrian Bye: Let's say you and I don't know each other but I want to sell that basketball in Santa Monica, it would look at your profile and say, well you're registered on MySpace, you've got to put the keyword basketball on your profile, therefore when I'm trying to sell it, it will send some message to you to let you know that I have basketball for sale?

Matt Hill: Absolutely. It will advertise right out there through one of my applications or send me a message and I can have it sent to my mobile phone or I can have it sent to anywhere. So, it's a very, very targeted, specific ad network for eCommerce. It's basically kind of a way to describe it.

Adrian Bye: In that kind of instance, how will it not turn into spam? I mean, you might mention a basketball on there, there might be 3,000 guys trying to sell basketball stuff in Santa Monica and you would want to take the keyword off your profile.

Matt Hill: No, we can actually turn it on and off. So, there's a function where you can turn any messaging on and off. If we're sending it to you via e-mail we're going to send you a message saying hey, we notice you're excited about basketballs, would you like to hear about people selling basketballs; then if you say yes, great; if not, no. It's just targeted advertising. There's no secret recipe there.

Adrian Bye: So, you're not spamming everybody or you're getting it out of the APIs that they have?

Matt Hill: Yes, that's right. So, they can shut it off at a Facebook level, they can say, no I don't want to show anybody in and make my profile private blah blah blah, those types of things or they can shut off specific things, "Yes, I'm involve in horse riding but I don't really want to tell people or show people about that." We would message them saying, hey, there's a horse riding club in Santa Monica, there's 45 people that are buying and selling, really connected with these people and then if you want to, you'd get connected to them.

Adrian Bye: How many users have you got using it so far?

Matt Hill: So, right now, there's a 160,000 stores, most of them around Facebook but we're seeing MySpace as starting to grow pretty quickly. We hope to have a million by the end of the year.

Adrian Bye: How many users do you have?

Matt Hill: That is how many users we have.

Adrian Bye: Is that all or to be a store you have to be a user as well?

Matt Hill: Yes. To be a user, you have to have a store and vice versa but what they are store application installs. So, when you install the application, the Shopit application on your MySpace or your Facebook or your Bebo page.

Adrian Bye: How do you find building site book applications like that, is it working well?

Matt Hill: We love it. I mean, we're the fastest growing eCommerce application on Facebook. We're about 15 times the size of eBay on Facebook. We're definitely the fastest growing eCommerce business and social networking that we know of. The biggest guys doing like a hundred sign ups a day, we do an average between 4 and 5,000 a day.

Adrian Bye: Oh really and that's just virally driven from friends seeing...

Matt Hill: Virally driven, yes. I mean, yes. Matt loaded the shopping store. Now, Jimmy loads the shopping store; he's selling this and everything, I mean, people are selling stuff. We're noticing that 88% of the people that are installing the store application, it's not just like a poking or a farting or something like these other jam jelky ones; it's like a real deal. People are treating it like a real business. They're uploading products, 88% of the people within a 2 to 3 day period are actually uploading a real product that they want to sell.

Adrian Bye: Can you talk about the actual numbers of transactions that are being done there?

Matt Hill: I think transaction volume because we're not making money on transactions, we don't charge transaction fees, it's not as relevant for us but transaction volume is probably to the number of, we want to try and maintain anywhere between 10 and 50% you know obviously as we grow up

but within a certain time period and we're growing towards that number. It's hard to track in the early stages simply because right now it's a little bit more of a land grab game and we want to end up with you know 5-10 million people in the commerce network. We're pretty confident we can do that pretty quickly.

Adrian Bye: So, how do you make money from it?

Matt Hill: So, it's an advertising network, right? So, similar to the way you would buy a Google keyword as a small advertiser to promote your website in a search engine, you're going to promote your basketball by buying small amounts of advertising; a dollar, \$2, \$3; we're going to show you the people you can advertise directly to and then we're going to say, hey come in and buy the small advertising unit, create your ad and I'll e-mail you a picture of what it looks like. It's basically a console where you can go in through your profile on Facebook or on MySpace and you can create your ad, upload your picture.

Adrian Bye: Okay, so you get free promotions of what your selling to your friends that are linked in to your profile and then if you want to get wider access than that to other people then that's where you can buy some small amount of advertising.

Matt Hill: Absolutely correct. So, like a big percentage of our audience right now, is growing as eBay, we got a lot of eBay power sellers coming in, uploading thousands of products, we put a button on our homepage, it basically says here, import all of your eBay catalog in one click.

So, these guys are just like querying in because they don't want to pay fees, it cost them nothing to do that. The first thing they want to do with their expendable money is "Where do I buy advertising, how do I promote my stuff, I don't have a big network on MySpace but I want to reach the 150 million people on MySpace, how do I do that?" Well, we can do that for you, right? We can take that, those products you're selling now on eBay syndicate them out through other publisher networks, we're going to charge you 15 cents CPC for these advertising and we're going to go out and pay the publisher 5 cents CPC.

So, there's a big, big opportunity there. We want 6 million people spending a dollar a week on advertising and we're going to make it really easy for them. We're going to give them that advertising for free paid for by partners. We have lead generation opportunities, we have partnerships with companies like revolution money who is going to load their account with \$25, so if you sign up with revolution money through Shopit, you're going to have a free account like a Paypal type account with \$25 pre loaded in it and guess what, those are \$25 in advertising credits that you can use to buy advertising that target all of these people. So, it's free to the user even that.

Adrian Bye: I have to say that when you first told me about this I thought you're crazy.

Matt Hill: Yes.

Adrian Bye: It's making sense now.

Matt Hill: Okay, good.

Adrian Bye: It's really interesting, really interesting.

Matt Hill: Yes, I mean, what you just told me, I hear from a lot of people and frankly, it is a little bit before its time but watch out because I'll tell you if you ask Mark Zuckerberg, I don't want to tell him what I'm up to so much but I'll tell you why people are signing up so fast on this thing is because there is a world out there that's going to demand free commerce, there's no question and it's going to be a big one. This is going to bite at the ankles of eBay pretty quick in the next 12 months.

Adrian Bye: Yes, it could be a great acquisition forum.

Matt Hill: Yes. This is the kind of business where you're going to go to bed tonight, you're going to be thinking about it and you're going to be waking up tomorrow and be like, wow! I'm pretty confident because that's the way I, I don't sleep at night sometimes just thinking about the capacity with which this thing can grow quickly.

Adrian Bye: So your traffic is growing because your Alexa rank is not high right now and maybe it won't become that high because the traffic fell on the social network.

Matt Hill: No, it's a hyper distributed business so we exist everywhere. It's not about Shopit.com. Shopit.com would be the walled garden, right? It's not about that Shopit exist. We went to where the traffic was, we're not trying to drive traffic to our site.

Adrian Bye: I get it. Alright, is there anything we haven't talked about that we should?

Matt Hill: I don't think so. I mean, if something else pops up, you can always fire me an e-mail or we can jump on the phone again, I'm trying to think if there's anything else that we should chat about. If something burning sort of pops up that I've missed, I most definitely...

Adrian Bye: Yes, that will be cool. Well Matt, thank you very much for your time.

Matt Hill: Great.