Interview with Scott Tilton from Loop'd Network

Adrian Bye: Today, we're here with Scott Tilton. Scott is the CEO of Loop'd. I guess it's called the Loop'd Network.

Scott, thanks for joining us.

Scott Tilton: No problem. I appreciate the opportunity.

Adrian Bye: Maybe you can tell us a little bit about who you are and where you've come from?

Scott Tilton: It sounds good.

The Loop'd Network is an online action sports network where our services – it's a social network for athletes and enthusiasts of action sports can register for a profile. They can use our network to interact with each other and attempt to get sponsored from the athlete side. We generate revenue by charging advertising and e-commerce fees to sports equipment companies and mainstream advertisers who are focused on reaching our demographic of primarily young males, mostly in the 12 to 24 year-old age bracket.

My background is…

Adrian Bye: Dude, that's like your elevator pitch, isn't it?

Scott Tilton: It is pretty much, yes.

Adrian Bye: Hey, everybody, you just heard a real-life Silicon Valley elevator pitch perfectly executed. Very good job.

Scott Tilton: Just to make sure everyone is…

Adrian Bye: Tell us a little bit about more who you are first and what you've done before Loop'd. Then if we can go into Loop'd, that would be great.

Scott Tilton: It sounds good, yes.

My background was I was a former competitive action sport athlete. I grew since the age of six years old racing BMX bicycles and then I transitioned into motocross when I was 10 which I did for about 10 years straight through college. Then I got my Masters Degree in Internet Business Systems and really only had one job out of school. It was pretty miserable so I was trying to find opportunities to work in the action sports space and combining that with the internet. Nothing really popped out at the time so I founded a company called SponsorHouse which was an internet-community type site where the athletes could go to build profiles and post their photos, videos and competition results, and use it as a way to get sponsored from different companies in the space. That company was working pretty well. We were around for about five years. That was actually the prequel to Loop'd Network which was essentially just an expansion of SponsorHouse for us to really evolve the business model.

Adrian Bye: Loop'd is actually a company that more or less was another incarnation and started five years ago?

Scott Tilton: Exactly, yes. SponsorHouse was my first business and then as the years went by as the opportunity got bigger, we essentially used the same technology, the same investors, the same team, and rebranded under the Loop'd Network to really just expand the business model.

Adrian Bye: You're in San Diego?

Scott Tilton: We're based in San Diego, yes.

Adrian Bye: Married, lots of kids, single guy?

Scott Tilton: I am happily married. My wife and I, we've actually been together for about six years now. We just got married in February and we're expecting our first little one.

Adrian Bye: Congratulations.

Scott Tilton: We have a little boy coming in January. We're really excited about that.

Adrian Bye: Very cool. Actually, my brother just had a baby about three days ago so it's the second one in our family.

Scott Tilton: Boy or girl?

Adrian Bye: He's a boy named Cameron.

Scott Tilton: Fantastic.

Adrian Bye: I don't do the whole baby stuff yet but at least someone in my family is.

Anyway, onto your stuff. Why did you not keep going with where you were? Why change the name to Loop'd and do what you're doing now?

Scott Tilton: When we first started out with the company name of SponsorHouse, the service was a sponsorship service and what happened over the years was that it became a little bit limiting in really who we

are. We had a pretty strong brand presence for athletes looking for sponsors and it was a little bit of a love-hate relationship where you either needed us or you didn't. So it was actually causing us not to be able to work with certain athletes and certain companies who we really wanted to work with.

A prime example is a company like Oakley which is very particular about how they represent their brand, how they sponsor athletes and how you can go about getting connected with their brand. That was an example of a company that wouldn't work with us as the name SponsorHouse just because they didn't want to put the façade out there that they're actually going to start sponsoring kids.

We found that we were starting to lose out on some opportunities to work with some key brands and some key athletes so we essentially rebranded as a network. We still provide all the sponsorship tools and the features that we did with SponsorHouse but now we offer a more traditional Web 2.0 solution for some of the brands and some of the athletes who are looking to not only connect through sponsorship but also use it as a promotional tool and use it on the brand side or the company side as a way for them to connect and interact with a pretty influential demographic of athletes.

Adrian Bye: You're saying because the previous name was SponsorHouse that brands would, Oakley would come along and say, "We can't sponsor you because we don't want to look like we're sponsoring things."

Scott Tilton: Correct, yes. Yes, Oakley's probably the perfect example. We had a great relationship with them and we always kind of knew that we were going to work together at some point. It was just understood that while we were SponsorHouse, they just didn't want to be putting the message out that they're sponsoring kids. Literally as soon as we launched Loop'd, we did a one-year deal with them and we launched the program called the Oakley Rider Search. It was implied sponsorship but the word "sponsorship" never showed up anywhere. We did a one-year deal and then they just renewed it this year to do the Oakley Rider Studio which is essentially like a medium…

Adrian Bye: They want to sponsor things but they don't want to be shown like they're sponsoring things?

Scott Tilton: Correct. It gets tricky like that.

Adrian Bye: Yes, those are some of the nuances in business. That's fascinating. I've never heard of anything like that before.

Scott Tilton: Yes. When it comes to sports marketing, brands are very specific and very particular about how they get involved with things. On the action sports front, it's a little bit trickier just because pretty much with any sport, who you align with – you're taking a risk because if the athlete turns out to be a punk or is really a bad image for the company. It taints things for the company and the brand. The same way with sponsorship – they just keep a really tight wrap on who they actually will associate their brand with in order to protect the identity of the company.

Adrian Bye: Outside of the sponsorship side, what do users actually do with Loop'd? I know you have both a website which I guess is like a social network and then you also have an iPhone application as well, right?

Scott Tilton: No iPhone app. We're just essentially a social network for action sports so what we do is from the member perspective which are the athletes and the enthusiasts of action sports – they can register on the site, they receive a profile with that and then they have access to different features that we provide. Sponsorship is one. Our photos and video applications are another. We have a new media mixer launching

this week which is actually a way for our members to mix up and mash up photos, videos and music to be able to create their own sports reel and then they can publish them to not only Loop'd but also to other social networks like MySpace and Facebook.

We have 400 brands on the network and I think that's one of the things that we've done really well is immersing brands into the experience in really relevant ways. Again with sports, brands are just part of the lifestyle so people don't view them as advertisers. They view them as active participants in the sport. There's a strong affinity so that the people that are participating in action sports really identify themselves based on the brands and the clothes that they wear, and the equipment that they use. So we've been really successful at being able to get a large number of advertisers immersed into an overall experience with our membership that makes it work really well and we've been able to monetise it very well as well.

Just to finish up the point, though – the members are on the site. They're looking for sponsors. They're uploading massive amounts of content, mixing it up, mashing it up and redistributing it out to other social networking profiles. They're getting deals on products. They're entering contests from the brands to try and get sponsored, to win products, to win all types of different incentives and then they're using it as a more traditional social network as well to connect and interact with other members who are into the same sports as they are.

Adrian Bye: Tony Hawk the skateboarder. You have like future Tony Hawks signing up for your system as skateboarders, and they might just be a guy that really enjoyed skateboarding and this is where he starts interacting with people. It is almost like a meta social network which allows him to market himself to other people.

Scott Tilton: That's correct.

Adrian Bye: Then they get access to brands and stuff, getting sponsorships and things like that.

Scott Tilton: Exactly.

Have you ever heard of Travis Pastrana?

Adrian Bye: No.

Scott Tilton: He's a multi-timed X Games gold medallist. He won a motocross championship title and now he's very popular in rally car racing. But he had a profile on our network way back when we were SponsorHouse before he even turned pro.

We have a lot of hopefuls on the network who are trying to figure out how to promote themselves, how to get a foot in the door with the different companies for sponsorship and really just using it as a self-promotion tool to break into the action sports scene.

Adrian Bye: Is that a model then that could be replicated across other verticals where you've got a community of people that want to move up such as actors, writers or people like that?

Scott Tilton: Absolutely. We've chosen to focus on sports just because it's really what we know and it's what we've been most passionate about. You've got to get super-excited about something to come in to work everyday and work long hours. But we have been approached by a number of people, everything from music

to horseracing, rodeo and actors as well who I would say the biggest two categories of people that come to us on a regular basis asking us if they can use it are musicians, bands and gamers. Online gaming is getting pretty popular right now as well.

Adrian Bye: Did you originate your concept or did it come from somewhere else?

Scott Tilton: No, we were definitely pioneers with the sponsorship model. Prior to SponsorHouse coming into existence, there really was no solution for up-and-coming and amateur athletes to get sponsored. This is back in 1999, 2000 – the traditional process was an amateur athlete would sit down – he would write up a resume, post his competition results, throw some photos into an envelope, and if he was lucky enough, put a video in there for sponsor reps or team managers to look at and mail them off to a company. Some of the more popular companies like Oakley, Quiksilver and the more popular brands would get tens of thousands of applications for sponsorship, and most of them would never get looked at because there're no people designated to sit there and sift through all this information nor did they have the time to do it. When we launched SponsorHouse, it was just a community site with profiles that team managers could log into and they could set up listings that were kind of like job listings. They could specify the criteria of what types of athletes they're looking for. For example, they could say, "I'm looking for a 14-year old motocross racer from New York." If you fit that criteria then you can now contact that company. So it's a way for them to really streamline that whole application process and because it was so efficient to communicate with these athletes, they were able to start increasing the size of their programs to enable them to sponsor more athletes from all over the country. We were the pioneer in developing that type of concept that really just brought the world of sponsorship to a much larger audience of athletes from all over the country at multiple levels beyond just professional.

Adrian Bye: This typically comes up, does it – Oakley says, "We need to be able to find a 14-year old guy in New York City," and then so your system can identify the right guys and they know many, many 14-year old skateboarders. Your system can find a 14-year old skateboarder in New York City.

Scott Tilton: Correct, it works one of two ways. They can create a sponsorship listing that would enable people to contact them or they could do a search and it will pull up all the people that fit their criteria. They can browse profiles, and look at photos and videos, and see how many friends they have, what people are saying about them and what kind of ratings they have. That way, they can get a better gauge of who they're

looking at and what type of person they are based on who they're friends with. At the end of the day, it's essentially marrying the effects of social networking with almost a commercialised process like sponsorship which…

Adrian Bye: How does the social networking fit it in because if they're a 14-year old in New York City, wouldn't they either just want to run a listing or just do a database search and identify the kids of that age to reach out to them?

Scott Tilton: The way the social networking characteristics come into it is in addition to the members of the site trying to get sponsored, they're also out voting networks of friends and fans so for them, the more people they have in their network, the more valuable they are to a sponsor because similar to a company like Facebook, when a brand sponsors a particular member, they now get visibility to all of their friends. That says…

Adrian Bye: Boy! There it is and that's the answer right there. That's why your site must be incredibly viral. I noticed you have traffic. You're a bad man, Scott.

Scott Tilton: The brands are using it. It's a very creative grassroots marketing program where the athletes' online identity is sometimes as valuable, if not more, than their offline identity.

Adrian Bye: You got these guys, these teams, I guess, mostly going out there and just promoting your site like crazy to get more friends on their profile?

Scott Tilton: Correct and then they become more valuable to the sponsors.

Adrian Bye: Wow, that's very nicely done. That's great.

Scott Tilton: I couldn't let all the tricks out but that's where the social networking characteristic comes in. We have Jeremy McGrath who, he is a very famous motocross and supercross rider. He won seven supercross titles over the years and was at one time branded the King of Supercross. He no longer competes on a full-time basis so for him, he's trying to figure out ways to maintain his value as a former supercross hero. He actually runs his official fan site on our network and for him, he now has, I think, 18,000 fans on there that his sponsors can still talk to through his site. They can run product promotions. They can offer sponsorship programs to his fans if they race. It's still all connected through the social networking environment to help the brands really get the visibility and the brand extension into these athletes' networks.

Adrian Bye: We're going to talk about that in a minute.

I'm interested to understand what kind of tools do you offer? If someone signs up, how are they promoting? Are you doing address book importing, e-mailing out to all their friends, and stuff through Twitter and Facebook? What kind of different tools do you let your guys use?

Scott Tilton: Right now, it's fairly basic. During the signup process, you have an option to import your address book and see who's already on the network. You can invite people that are off the network. You can do traditional invite-a-friend. Where we get more viral is on the sharing and inviting where if you are already a member, you come in and you start posting updates to your profile – you can now share those updates with people on and off the network. It essentially works where…

Adrian Bye: Is that like Twitter, you mean?

Scott Tilton: It's similar except it's more like a traditional e-mail newsletter type program.

Adrian Bye: Yes.

Scott Tilton: I can log in. Let's say I have 500 friends in the network and I have 500 people that I can communicate with off the network – I can post an update to my profile that says that I went to such and such an event, I placed at such and such place, and send updates. It will immediately notify all my friends on the network as well as send an e-mail to all the people off the network, and then they have a link to come visit my profile to see the update. We don't send newsletters from Loop'd at all. It's mostly user and member-driven that they're therepromoting themselves which is helping pull more people back into the network.

Adrian Bye: That's a really clever business model. I never heard of anything like it. It's very impressive.

Scott Tilton: The second piece which is the tool I was telling you about that we're launching this week – we actually did a partnership with a company called MixerCast. They're based out of Menlo Park.

Adrian Bye: Yes.

Scott Tilton: They've got an interesting technology where it's basically a mash-up type tool. What I mean by mash-up is what I was mentioning earlier where as the user of the tool, you can pull in your Flickr photos and your YouTube videos, you can post your own UGC content and your own music, and then you can create a mash-up which is just mashing all this stuff together or essentially a timeline video editor. You can create your own content by mashing all this stuff together. For us, the application was you have 14-year old skateboarders all over the country and there's approximately 10 million kids that skateboard out there which is a massive number. All they do is skate, do tricks and videotape themselves or their friends doing tricks. So the application for us was perfect because now we offered a solution for a 14-year old skateboarder to come in, upload all his content of him doing tricks, putting it all together through the timeline editor, adding music to it and now, he can post it to his profile on Loop'd but then he can also share it and post it to his MySpace profile, his Facebook profile, Bebo – wherever using the giggy application. Anyone that wants to interact with that particular video or create their own has to come back to our network to create one.

Adrian Bye: One of the processes that I know some of the guys that do viral sites is they look for when a user comes through the site and signs up, they look for how many users can that person invite. The idea is to get the site to a certain level of viralness where for every one user that joins, you're getting over one user back and that way, your site's virally growing.

Scott Tilton: Yes.

Adrian Bye: Do you have metrics like that on the front-end?

Scott Tilton: As we were launching these more viral and share-and-invite type tools, we actually went out and just talked to our members to find out how many people do they skateboard with or how many people do they participate in the sport with on the weekend and would they invite them to the site. We found that 90+% of them had more than four people that they did their sport with on every weekend and that 99% would invite their friends to use the network. We did that type of research before we went out and started launching these tools. The share-and-invite tool is relatively new and the media mixer which we're launching this week is brand-new so we're keeping track of those metrics now to make sure that they're working.

To answer your question more specifically, we don't invest in marketing. We do some PR with our partners but we don't invest much in paid search at all. We don't buy traffic. We don't do investment print marketing or event marketing. We still get anywhere from 1,000 users and up a day to register to Loop'd Network.

Adrian Bye: Do they? You just faded out. It's actually happened once before as well.

Scott Tilton: Did it? I'm sorry. Can you hear me okay now?

Adrian Bye: I can hear you great. It like went dead for about three seconds.

Scott Tilton: I was just saying that we don't invest in marketing at all. We don't have paid search programs.

Adrian Bye: Right.

Scott Tilton: We don't do print. We don't do event marketing. We do some PR through our partners but for the most part, everything is organic and word-of-mouth, and we get anywhere from 1,000 members and up to register everyday.

Adrian Bye: So 1,000 new members everyday is about where you're at?

Scott Tilton: About that, yes.

Adrian Bye: Do you incentive-ise your users to invite other users or they just do it?

Scott Tilton: Yes, when we were SponsorHouse, the sponsorship tools came in two forms. You could have a free set of services which limited the number of applications you could send and then a premium upgrade which would give you unlimited applications to contact any brand in the network. Now, we enable members to get additional applications for every friend that signs up.

Adrian Bye: Nice.

Scott Tilton: Our goal is not to charge members for anything so we're phasing out the premium service. It was a subscription model back in the SponsorHouse days. We've done this creative viral thing to get people free services.

Adrian Bye: Yes, right. There's no cost whatsoever for users.

Scott Tilton: No, not right now.

Adrian Bye: That's a great competitive advantage as well.

Scott Tilton: Correct, yes.

Adrian Bye: Do you have competitors?

Scott Tilton: There's one motocross-specific website that started up. I think the challenge that most of those companies are having now is they got such a late start that it's so difficult to build your user-base once everyone's kind of joined one party. We have so many potential sponsors on the network. We have over 400 companies that are actively using it to sponsor athletes that this is kind of where all the opportunities are. We've been pretty fortunate that we've been able to hold a pretty strong competitive advantage over the years because we got such an early start on the sponsorship side of things which is still our number one differentiator as a network. One, the fact that we are an action sports social network. There are some additional competitors on that space now that our sponsorship angle has caused us to be able to infinitely grow our community much faster than any other potential competitor in the space because we provide a value to our members that you can't get anywhere else.

Adrian Bye: Yes, I wouldn't want to try and compete with you. Given where you're at, that would be really hard.

Scott Tilton: It's a small category too. I think action sports – there're a lot of people that participate in them. A lot of people don't know really the power of action sports. The way that we view them, and the way that we present them to customers and investors is we look at it as what's the percentage of today's youth that participates in action sports. Just to clarify, an action sport is like the X Games sports – surfing, snowboarding, skateboarding, BMX, motocross racing, wakeboarding. Those are all the high-adrenaline, really exciting sports that the kids like because they're bored of team sports like football and baseball. There are some really interesting stats that a lot of people don't know about. In action sports, it's that these sports since 1990 have grown about 700% in the past few decades while tradition, what we call, stick-and-ball sports like football and baseball have declined by almost 40%. Almost half of every kid in the US ages 10 to 24 is a participant of action sports. When you think about it from a market opportunity, to be able to organise that demographic of 10 to 24-year olds which is the most sought-after demo in the US, being able to build relationships with that demographic and making them essentially brand-gelists of your company – we figured out a really creative way using action sports as a strategy to connect to advertisers with this demo.

Adrian Bye: Yes, right. You've got an interesting model. Is there a reason why you don't go mad around it, and do something like Ning and be the network for connecting brands to communities.

Scott Tilton: Our network does have elements of Ning. I know that we're on an interview right now but are you online right now?

Adrian Bye: Yes.

Scott Tilton: Go to monsterarmy.com.

Adrian Bye: Okay.

Scott Tilton: Monster Army is the grassroots athlete online community for the energy drink Monster Energy.

Adrian Bye: This is the brand?
Scott Tilton: That's a community on the Loop'd Network.

Adrian Bye: What is Monster Army?

Scott Tilton: Monster Army is the marketing program for Monster Energy.

Adrian Bye: Okay.

Scott Tilton: Are you familiar with Monster Energy?

Adrian Bye: No, I'm not.

Scott Tilton: Okay. They are the number two energy drink behind Red Bull.

Adrian Bye: Okay. No, I have seen the can though I don't drink any of those drinks.

Scott Tilton: Their parent company is Hansen but they're massively popular and an extremely fast-growing brand right now that most of their momentum has come over the past two to three years. But they have built this community on our network. We went to them two years ago to present the opportunity to build a branded community around the Monster Energy brand and position it as a grassroots community for athletes to connect with the brand. That community that you're looking at there works almost identical to Ning where we offer a set of tools to brands to be able to build communities on our network.

Adrian Bye: You've done that to brands within your network. Why don't you take that out to support any potential vertical and allow all brands to come in?

Scott Tilton: Yes, we've considered it. From a resource perspective, we're privately and angel-funded so we've been really focused on making sure that we went to action sports as a vertical first. We have actually gotten approached by several people over the past six months and we're now actually pursuing licensing opportunities to have different business teams that are interested in pursuing other verticals and we'll do more of a joint-venture/licensing arrangement with those types of companies.

Adrian Bye: Fair enough. Fascinating.

Okay, so we've talked a lot about the user side. Now I think I understand how users come in and how they interact with each other. Actually, one question – when you talked about how brands work through users to get visibility, what does that mean? Let's say you've got 500 friends, and Oakley comes in and is sponsoring you – how is that done in a way so there's not turning off those 500 friends?

Scott Tilton: It works in a way that me as a member – if I just receive a sponsorship from, say, Monster Energy, immediately upon entering into an agreement with that company… Everything's electronic so they'll actually send me a sponsorship agreement via the website, via the community, and I can view the terms and conditions, and I can reply, accepting it online. As soon as I enter into that agreement with them, the Monster Energy logo now shows up on my profile. Immediately, that brand has visibility and real estate on my profile because they're a sponsor of mine.

Adrian Bye: Does that mean like the e-mail newsletter they send out are shopped there as well.

Scott Tilton: It's pretty much tied to everything that the member does so there's always an insignia that specifies who their brands are that are sponsoring them. But other things that happen are immediately the member can now share with the rest of his friends and networks that he just got sponsored by this particular company. It also shows up and we have similar functionality where every member has an activity feed so that they can see what is happening with the rest of their friends on the network. So me getting sponsored by Monster now shows up on my activity feed for everyone else in the network to see.

Adrian Bye: Can you have more than one sponsor?

Scott Tilton: Yes, so usually the agreements are typically exclusive by category.

Adrian Bye: Yes.

Scott Tilton: So Monster Energy – if I entered into a sponsorship with Monster, I wouldn't be able to accept a sponsorship with Red Bull or Rockstar. Usually, people will have multiple sponsors, sometime upwards of 15, 20 sponsors but it's for all different categories. As a motocross racer myself, I could have Dunlop as a tire sponsor. I can have Monster Energy as an energy drink sponsor. I could have Oakley as an eyewear sponsor. You can have multiple sponsors for all these different categories because they're giving me deals on products on all these different products.

Adrian Bye: How much does a typical sponsorship agreement go for?

Scott Tilton: It really depends on who you are. It's a typical pyramid where you have a fraction of a percent at the top who are actually making a living off the sport and the rest are scrapping through any deal they can find because it's such a strong passion of theirs. Are you a sports guy? Did you do sports growing up?

Adrian Bye: I did when I was growing up. I don't anymore.

Scott Tilton: Okay, so if you can remember back to when you were actually doing those sports, you had dreams of becoming a pro, maybe?

Adrian Bye: No, I was never at that level.

Scott Tilton: Okay.

Adrian Bye: I wanted to be a computer nerd and that's what I've turned into.

I fairly knew a lot of people that did and had brothers that do.   I live in the Dominican Republic. Every kid growing up – his dream is to become a baseball player, obviously.

Scott Tilton: Yes.

Adrian Bye: I live next door to Rafael Furcal from the Dodgers.

Scott Tilton: Okay.

Adrian Bye: I certainly understand it even though it's not my thing.

Scott Tilton: Yes, so most kids, they have aspirations of becoming a pro even if it's not likely. But during that period of time when that's all they think about and that's all they want to do – skateboard, ride a motorcycle or ride a bicycle – they're trying to get sponsored. They're trying to prove that they have something and it's very much like an entrepreneurs that you're trying really hard, you have aspirations, you want to build a big successful company and the reality is only a fraction of a percent actually make it.

Adrian Bye: Right. Can you talk about dollar sizes of typical deals?

Scott Tilton: I'm sorry. Pro athletes typically, the levels start from discounts which is what a majority of the amateur athletes will receive. If I'm an amateur athlete, I race locally and regionally or participate and compete locally and regionally – I can be eligible for certain discounts off retail pricing. Normally, you'd have to go into a store and pay full price on a helmet or on gear. If I get a sponsorship with a brand, I might be able to get half price or more than half price on the exact equipment that I need which ultimately saves me a lot of money. That's where most of the amateur athletes fall in – some type of tiered discount program and then once you start getting into the very fast, up-and-coming amateur athletes who are on the verge of turning pro, they start getting free products. They get what's called contingency or incentives that they participate and compete well at certain events – they might get paid. It's more reward-based and then once you turn pro, a lot of those athletes are just on straight pay and it can range anywhere from… It's not a rich man's sport. Any of these, whether surfing, motocross or skateboarding – you can start out and you're making anywhere from $10,000 up to $10 million depending on who you are. So it's all over the board.

Adrian Bye: Is the $10 million deal done through your site? That goes off your site and they do that direct?

Scott Tilton: No. Yes, they do those deals direct. Going back to why we changed the name from SponsorHouse to Loop'd was certain agents didn't want to use our site because that's their job – to find their athletes sponsors. The pro athletes who have agents, who have managers – they use our network strictly as a way to build fan bases, to promote their sponsors and they're not doing deals on our network.

Adrian Bye: What point do they move from doing a deal on your network to moving on and doing direct?

Scott Tilton: Usually, it's when you're in that upper echelon of you have very personal relationships with the marketing people at the company or you're so good that people are just coming to you left and right at events, making phone calls, and offering you deals. But at the end of the day, those athletes are still using our network to promote their sponsors because some sponsors require their athletes to set up a profile on our network and list them as a sponsor on their profile.

We're still involved in the process but it's more on the promotional side than it is on the actual transaction of getting the deal done. That was never the model. We never wanted to be in the middle of the sponsorship deal.

Adrian Bye: Right, okay. You're helping with the long tail of all these sponsorship deals?

Scott Tilton: Correct. Yes, we never wanted to be in competition with the agents or the managers of these professional athletes.

Adrian Bye: Yes, right.

Scott Tilton: We're just the connection point in the network where people can connect with each other.

Adrian Bye: Given that you've got a monetisation model here, how well is it working? Is it something that Facebook should be learning from you guys?

Scott Tilton: We've actually monetised extremely well. We monetise at a rate of some of the metrics that advertising professionals use are revenue per member or revenue per page so the way that companies or brands can get involved in our network is one of four things, actually. They can buy a profile. It's very similar to a MySpace profile or a Facebook profile except brands actually pay us to put one on there because with that profile now, they can use our sponsorships services, they can interact with all the members and they have visibility to a very targeted demographic of influential athletes. They can pay for a profile and on that range it's usually just a couple of thousand dollars a year. They can buy a community on a network which is like a sponsored group and that's the Monster Army concept I just showed you. That's very much like Ning. When you buy a community, you now have a whole set of tools to be able to take over the look and feel of our pages, add different modules to your pages whether it be a contest, a poll, featured members or featured athletes, and there's a whole different set of pricing for that. It's anywhere from $25,000 up to $600,000 to $700,000 a year to have a community on the network. Then we have a traditional display advertising model which is probably our least area of focus because pretty much everyone knows display ads don't really work very well these days. So we focus more on the integrative components being the profiles and the communities as a way which is how the brands can actually interact and participate with our members.

Adrian Bye: Let me ask you just some general numbers on the site. Tell me. If you don't want to answer these then don't answer them. I'll go ahead and ask them anyway.

Scott Tilton: Okay.

Adrian Bye: Can you tell me page impressions? Are you profitable – revenues, funding – that kind of stuff?

Scott Tilton: Yes, angel-funded. I'd rather not say how much but we're angel-funded. We view about 12 million to 15 million pages a month and we have 375,000 members right now, most of which are active. In terms of revenue per page which is one of the metrics really, we're in the $20+ range for revenue per page which is unheard of when MySpace and Facebook are in the pennies. In revenue…

Adrian Bye: On a CPM basis, you're a $20 CPM…

Scott Tilton: Correct.

Adrian Bye: …and the other guys are doing like $0.05…

Scott Tilton: Yes.

Adrian Bye: …or a tenth of a cent?

Scott Tilton: We're able to monetise extremely well because of…

Adrian Bye: The nuances may be different as well because in other areas like in Facebook, advertisers can be often viewed as unwanted intruders whereas in your area, everybody wants the sponsors.

Scott Tilton: Correct, we've just layered the brands into the experience where they're not positioned as advertisers. They're positioned as other participants on the network.

Adrian Bye: …that you want to be engaged with…

Scott Tilton: Correct.

Adrian Bye: …because you can get free stuff.

Scott Tilton: We've mentioned it before but we have a ridiculous brand engagement metric where 85% of our 375,000 members have engaged with one of our brands and engaged meaning they've sent a sponsorship applications, they've entered a contest, and they've become a friend of that brand so when they engage with them, they're now interacting and have a relationship with that brand so the brand can now talk to them. Whereas other sites ignore advertisers and no one wants anything to do with them, we have 85% of our member base actively engaged and interacting with the brands on our network.

Adrian Bye: Are you profitable?

Scott Tilton: Yes, just recently.

Adrian Bye: Congratulations.

Scott Tilton: Thank you.

Adrian Bye: That's a good time.

Actually, how's the downturn? Has that affected you at all? Have you had to do layoffs or anything?

Scott Tilton: Yes, we scaled back some people earlier in the year but not recently. Part of it was just due to wanting to have a more core team. But I think the economy is definitely hurt in a way that we're not seeing the same impact that other ad model-based companies are having. Three of our biggest customers have recently… All in the past 60 days since the economy has really took in a dive, we've renewed deals at significant premiums all in the six figure range. Whereas other companies including print and including online are having tremendous difficulties in renewing their advertisers, we have the opposite effect on our big customer side because it's so much easier for us to present the value.

The Monster Army community that I mentioned to you earlier, in that particular example they have 125,000 members in their community which is almost unheard of for a brand to have been able to build a community – an energy drink company to be able to build a community like that. They've 125,000 members who've joined that community on our network.

Adrian Bye: Basically, what you've done is gone and built a social network around a business model.

Scott Tilton: Correct. We have very little difficulty in maintaining and growing relationships with our advertisers because everything is so trackable and so effective that they're pulling it from print and they're pulling it from other display advertising models where things are less effective and putting in the things that they know actually work.

Adrian Bye: Right.

Scott Tilton: We can prove it to them time and time again.
Adrian Bye: Yes, I know. That's impressive.

Now, you said that your demographic is 10 to 24 years. What happens when they're older than 24? Do they just leave the site? Do you have a deal to send them over to someone else?

Scott Tilton: No. That's kind of a lifecycle – that's really the sweet spot for action sports. By the time they're 24, they're usually growing up and getting jobs, hopefully. Right now, the breakdown of our network is 80% of our audience actually in 10 to 24. We're COPA compliant so we allow kids to register with their parent's permission that they have to fax in forms but 80% of our demo is in the bracket of 10 to 24 and then it's 90% male – mostly male.

Adrian Bye: Right, okay.

I noticed you have an iPhone version. What does your iPhone version do? I actually tried to use that from here in the Dominican Republic and it said, "No, you can't use it. You're not US.".

Scott Tilton: That's not us.

Adrian Bye: It's not you?

Scott Tilton: There's a mobile company. No. I prefer not to have that live.

Adrian Bye: Okay. You've trademarked your name though, haven't you?

Scott Tilton: Yes, we're in the middle of that right now, actually so I'd prefer not to comment on that.

Adrian Bye: Okay, fair enough. I hope they lose.

Let's see. What else should we talk about? What else would you like to talk about related to the model and what you're doing?

Scott Tilton: The only thing we didn't really touch on is e-commerce. We got into the profiles and the communities. To quickly summarise, our business model is multifaceted which is why our RPM numbers are so high. It's free for members now. For a brand to get onto our network to be able to interact with our membership, they have to buy a profile, they can buy a community, they can buy display advertising which is our least preferred, or they can set up a store front or do e-commerce. Interconnected with all of these relationships with these brands are building with our members – they have the ability to link up with their own stores or create their own storefront on our network through a third-party partner and they can actually sell products to our members that deal. An example would be if I'm sponsored by a particular brand and you're only a friend of the same brand, I might get a better deal on the products than you do and when you buy a product from them on our network, we get an affiliate fee on all those sales.

Adrian Bye: Is that generating a lot of revenue?

Scott Tilton: It's starting to now because what's happening is the economy is really impacting these brands so drastically that they're getting very creative with the types of deals that they're offering our members to move products and because they're direct sales, they sometimes have better margins than going through the traditional path.

Adrian Bye: You actually have a couple of business models all rolled into one.

Scott Tilton: Yes, our advertising model – we still call it an advertising model. They're buying profiles and they're buying communities. Although the model is non-CPM-based, we just charge fees. The CPM model is our display ads which we generate a significant chunk from that. The e-commerce model is coming into its own as a major force just because of the way the economy is right now. It's really fuelled our e-commerce engine because all of our members are on the network to get deals and all the brands are offering deals to sell products.

Adrian Bye: Right.

Scott Tilton: So there're a lot of things happening which is why I think we've been so effective in monetising our network in a really big way despite a relatively small user-base.

Adrian Bye: How many advertisers or sponsors do you have overall?

Scott Tilton: Right now, we have over 400, I think approaching 500 now.

Adrian Bye: Right.

Can you talk about how many employees you have?

Scott Tilton: Yes, sure. We're right around 20 employees.

Adrian Bye: Yes, right. That's the typical size I've seen for sharp internet companies. They're 20 to 30.

Scott Tilton: Yes and I think it depends if you're funded or not. We're definitely lean. We've stretched the team pretty hard but I think it's the right team and we have a great mix of product and engineers combined with action sport guys which are sometimes difficult to marry together.

Adrian Bye: Yes, it's a different mix, isn't it?

Scott Tilton: Yes.

Adrian Bye: Geeks with sports guys like that at that level. Cool!

Scott Tilton: But we've been able to do it pretty well.

San Diego's been an interesting spot to grow a company. I actually grew up on the East Coast. I was born and raised in New York, and I moved to San Diego in 2003 with SponsorHouse and my business partner. We moved here in a motor home, and didn't know anyone when we showed up and started really pushing to grow the company. I won a business plan competition back in 2003 which led to our first angel-round and that's really when we started building the momentum of SponsorHouse. It's been a really interesting and fun experience growing a company in San Diego. I would say from the action sports perspective, it's great because

this is where most of that industry is. All the big companies like No Fear, Oakley and all those major action sport companies are all in this area from San Diego to LA. On the technology side, it's actually been pretty challenging because there's a lot of competition from a relatively small pool of product people and engineers, and most of the talent is up north in Silicon Valley so it's been an interesting challenge to find that nice mix of action sport people who are good on the sales and marketing side with the product engineers who are good on the software side. That's probably been one of the bigger challenges of being in San Diego for the past six years now.

Adrian Bye: Yes and I guess you can say people are saying there's a downturn but when people like that, there's certainly not, is there?

Scott Tilton: Yes. Are you referring to the economy?

Adrian Bye: Yes, just the economy in general and how it affects a company like yours.

Scott Tilton: Yes, it's definitely having an impact. I don't want to say that we're recession-proof. But we definitely noticed it with the smaller brands who are really scrubbing every possible budget they can to make sure that they make it through.

Our e-commerce model is really coming to life right now because all these brands are trying to move products and all of our members are looking for deals on products so they don't have to pay retail. That's why that channel is growing so quickly right now.

However, we have seen with other companies – I don't envy some of the traditional advertising model companies who are CPM-based and trying to figure out…

Adrian Bye: Yes, it's like they're trading dotcom stocks in the 1990s. These CPM rates – they zoom up really high and then they zoom down really low.

Scott Tilton: Yes.

Adrian Bye: That's a real rollercoaster.

Scott Tilton: Yes, it should be a pretty interesting time. I think everyone knows about the meetings that have been going on in Silicon Valley with the VC firms and the best advice that I've gotten even from my investors and board members is if you're not at breakeven, get there now, and make sure you have a cushion and a business model. If you don't, skim it down to as few people as possible to weather the storm.

Adrian Bye: Very cool.

Is there anything that you'd like to talk about that we haven't covered?

Scott Tilton: I don't think so. I think we've covered all of it.

Adrian Bye: Cool.

Okay, Scott, thanks very much for your time.

Scott Tilton: Yes, no problem.