



Marty Fahnce: I'm going to do some introductions really quick, so that we know who we're talking with. Down at the end we have Jonathan Miller with ForgeBusiness, he's the CEO. He has been active in the online marketing and affiliate management industry since 1997. He's recognized; by some anyway, as somewhat of an authority on affiliate marketing; is a popular conference speaker and industry blog journalist. John has implemented and managed programs in such diverse industries as online gaming, life insurance, electronics and financial services. He's married with two daughters and lives in Johannesburg, South Africa from where he and his team at ForgeBusiness manage leading programs in the USA, UK, Canada, and South Africa. We welcome you Jonathan.

Next to Jonathan we've got Ian Larsen. Ian is the Director of Affiliate Relations for Digital River's OneNetwork. I believe your sponsoring the party tonight aren't you?

Ian Larsen: That's right.

Marty: So we'll thank Ian for the party. He was recently brought on by Digital River to build out communication strategy and train the OneNetwork's growing staff. Before Digital River, Ian spent nearly three years at PartnerCentric where he managed over 15 different affiliate programs from a wide range of industries, from jewelry to ink jets. Working under Linda Woods, Larsen has developed out a strong sense for cutting edge strategies and a thorough understanding for what it takes to manage a successful affiliate program.

Next we have... By the way, both Jonathan and Ian are on the pro side of coupon affiliates. Next we have David Lewis. David is the CEO and Founder, 77blue.com. 77blue operates shopping portals including CashBaq, AnyCoupons, and several private label websites for partners. Prior to founding 77blue David spend two and a half years in business development in GoTo.com which was renamed Overture with a mission to convince American and European internet executives that paid search was the wave of the future and not the work of the devil. Today David is trying to professionalize affiliate marketing and paid search. You can read David's views on a wide range of topics including how merchants can use their affiliate publishers to protect and enhance their brand and revenues. Now, David is on the con side of the coupon issue, which is interesting because if you listen to his bio he has a website called AnyCoupons.com. So, we're going to find out how a person that runs a coupon site can be on the con side of the issue.

David Lewis: Marty, one thing. My co-panelists have asked that you refrain from throwing anything until after they have left the stage and here we have that target here.

Marty: [laughs] And last, but certainly not least we have Michelle Madhok. She is the president of SheFinds. SheFinds.com and SheFindsMom.com, that's hard to say SheFindsMom.com, should have practiced that. These are online publications that help



busy women everywhere shop the web for the latest finds. Her shopping tips have been featured in numerous media outlets including WWD, NBC, Investor's Business Daily, Chicago Tribune, and New York Post. Prior to launching SheFinds Michelle enjoyed a career in new media. She was the Director of Entertainment Marketing for CBS broadcasting and later Group Director of Editorial Products for Women@AOL. She has a B.S. in Communication from UC Berkeley; we won't hold that against you. And an M.S. in marketing from Northwestern University.

So that is our panel today. Let's give them a hand for coming in and sharing with us.

[applause]

My name is Marty Fahncke, I'm the moderator today. I'm here basically in two capacities. One is to act as a moderator and keep the sparks from getting too hot up here at the table. But also to help you as the audience interact so we can all have a really great time today.

You may know me from the previous teleseminar calls that we had: The Affiliate Summit Preview calls. How many of you were able to attend or listen to any of those preview calls with the speakers that we had? Great. We appreciate you attending those and hope they were helpful to you. And we'll be deciding on whether we're going to do those in the future.

Without further adieu, we're going to get started right away with the questions, if everybody is ready. All right great. Again, I'm going to ask just a few questions to get things started. As you see some issues or some comments that you want to make, raise your hand and we'll get to you and we'll get the ball rolling with some audience interaction.

So to start with - what is the big deal about coupons and why is everybody so worked up about it? And why don't we start down at the end, Jonathan.

[cell phone ringing]

Jonathan Miller: Go ahead, take it.

I think from our perspective, obviously we see a wide range of merchants and the fact is that I'm on the pro side of coupons but, dealing a wide range of merchants, not all merchants are pro coupons. It works for some and in many cases what works for one



merchant doesn't work for another. In cases where one merchant will get enormous value from a coupon campaign, a merchant with a different product set or a different type of product will not see the value at all from having a coupon campaign.

I think that the controversy surrounding coupons, certainly from our perspective, is the value that the coupon site delivers in the acquisition process or the retention process. It's whether they're actually able to help the merchant close the sale, whether they're actually able to deliver value when they're acquiring the customer the first time, or whether they're actually able to deliver value when that customer comes back. Whether they're actually able to deliver value in retaining that customer for the merchant.

There's some merchants that when they use coupons use it as a means for driving their competitors out of business. Dell, for instance, is able to take a coupon and give a really low value coupon and saturate the marketplace. But when you take a competitor to them and these guys go out into the marketplace and offer, they come off, and you find that the affiliates involved are not really able to go out and provide one another with any means of adding differentiation. That's really where the problem comes in.

Marty: You're supposed to be on the pro side of things and that's sounding a little bit con.

Jonathan: I know. The problem is that this morning I had a long discussion with one of the affiliates where he said "you know, it works but it doesn't work." I am on the pro side. However, the problem is not every affiliate is able to deliver that value that needs to be delivered. And I think that is one of the conversations I had with David. So, I think I'll stop right there and we'll come back to this discussion.

Marty: Ok. Michelle, do you want to tackle what Jonathan was talking a little bit about, bringing value to the merchants and what your thoughts are on that topic?

Michelle Madhok: My contention is that there are different kinds of affiliates, coupon affiliates and more editorial brand affiliates. And if you're a retailer you need to think about are they really building your brand or are they just buying a deal?

So, on a commodity I can kind of understand coupons. I'm going to buy a computer or a television, then it's all the same. But when it comes to a luxury or something that not everyone has, I don't think you necessarily need coupons.

I was talking to SmartBargains today and we were saying "I don't even think you need coupons for people to buy." If they like it, they like it and they're not going to find it somewhere else. I'm not sure it's the best way to build your relationship with your consumer, just couponing.



Marty: You've got a thought, obviously, David.

David: Well, I think I am stuck in the middle of the two. I tend to agree with a lot of what Jonathan said. Let me ask you a question. How many folks out there ask the question every day, "how does what I'm doing benefit by consumer?"

I actually do believe Connie and a lot of folks have them up. So there aren't a lot of people saying that and that's really the position I take with why I'm against not all coupon sites but most coupon sites and how I can have this site called AnyCoupons and be on the con side here.

To start with, coupon sites tend to have a false value proposition for the user. That's one of the problems that I have owning a site called AnyCoupons in that most merchants don't ever have coupons or don't allow coupons to be posted on coupon sites. So, a user gets there are what are they finding?

So with a lot of coupons sites, one, you find a lot that are ugly. They abuse the merchant's brand. They post expired coupons and they'll just put a nice little line through them "we know that they're expired but we'll put them up there and cause problems for your customer support." And they don't add value.

What I'm trying to do with our site, I'm not trying to do a sales pitch here, I'm just using my own site as an example, is we've tried adding things like raves and reviews. We're adding products, we deep link. When merchants switch networks, it's a big effort for us because there are a lot of links that have to be changed. It's not just one link, boom, it's changed and that's all we have. We don't stuff the title tab, we don't keyword stuff the pages which is what you find in a lot of coupon sites. So, it's really about what I write about a lot of mergers, pick your partners.

So having that problem with AnyCoupons, I made the migration to CashBaq, which is an incentive site, and we recently joined a company called ThisNext, which is in the social shopping, collaborative shopping. If you go there you can see our test. It launches next month and you'll be able to see more of that. But it's really about how to serve the user and how to serve different types of users. There are users who like coupons. There are users who like incentives. And there are users who want more than that.

If you look at sites like Connie Berg's and Tim Storm's, our newest legend, are they coupon sites? They both started out being just coupon sites and they've enhanced their sites quite a bit. Both have forums and have raving fans on the sites. Tim has incentives. Connie's built out iShopDaily, which is a shopping comparison engine. Are these coupon



sites? While they're grouped in there, they've added value. Those are folks that I would encourage every merchant out there to work with.

So, Michelle's point though and I think Jonathan mentioned this, coupons can be used right and they can be used wrong. When I got to a merchant site and I see they're offering a coupon to a user that is already on their site, I wonder why they are doing that. They're just training users. If coupons are done right and are scattered around the internet, it can get those users who are just coupon users. And also done right you put a value on it, like 10 percent off of a purchase of 100 dollars or more. You can increase the average order value.

Jonathan: A much more eloquent way of putting it than I was able to. The problem there is that, as you say, it's in many cases the merchant that's making the mistake rather than the couponers themselves. And one shouldn't lay the blame at the door of the coupon affiliates. In many cases, it is the merchant that is not optimizing their own performance and their own programs. And in so being just lazy, quite honestly, they put out a coupon and just leave it there. Of course, they're satisfied with the responses they're getting. They don't actually see whether they're adding value.

Now, certainly the coupon sites that we deal with in the programs that we run, I find that there are very few coupon sites that, as you say, just put five coupons out and stuff or just put these five coupons and actually are adding any significant in any case. So I find that there are very few of these coupon sites that really matter. I've yet to find anything that would drive any significant value or any significant traffic. So those people putting up coupons don't bother us.

In terms of "do they do any harm?" No, which really negates the point of "coupons are bad" from that perspective. But what does is the fact that merchants just leave coupon out there. They really should be optimizing the process.

Marty: Merchants or affiliates?

Jonathan: Merchants.

Marty: Ok.

Jonathan: They should be looking at the coupons and seeing that the coupon has actually stopped driving revenue, change positions. That's the most important thing.

Marty: Now, it sounds to me that nobody here feels that coupons are bad inherently as an entity, it's just how they're being utilized is really the issue. Is that fair? So even people who are con coupon are not con coupon, but con coupon use or the way it's used. So, let's define that and make sure we understand. Michelle you actually don't use much couponing or discounting, as far as strategies on your websites, because it's a little bit



different kind of audience, more brand aware. You use some of it, well, a little bit, but not a lot.

Michelle Madhok.: Well. it wouldn't be fair to my audience if there's a coupon available and I didn't make it known.

Marty: Ok.

Michelle: Because as a consumer myself what do I do? I shop Bluefly. Once I get my basket full, I do a search on the web to see if I can find a coupon. So, if it's out there, it's out there. But it's a question of are you almost taking money out of the merchant's pocket with those?

Marty: Ok.

So, let's move onto another question. A couple of you touched on it just a little bit. Let's talk about how coupons affect a merchant's brand and what the perception is to the consumer. You mentioned something about training the audience to look for coupons. What are your thoughts as far as how coupons are being used negatively for you guys and positively? How merchants are using coupons in a positive manner to bring in new business.

Why don't we start with Michelle because I think the branding issue is something that's probably most near and dear to your heart.

Michelle: Our biggest merchants are things like eLuxury, Saks Fifth Avenue and those are... I find people very price... They don't care. Price ambivalent, if they're going to buy it they're going to buy it. Our big sellers are shoes which never seem to have coupons or discounts. So, I think, if someone wants it, they are going to get it whether there is a coupon or not. It's really, are you, I would say I'm trying to inform instructed inspire a purchase, kind of making you covet what it is, rather than just "here's a deal." Or rather are you shopping for a bargain, are you shopping for a deal, or are you shopping for a \$500 handbag?

Marty: Yes, you had any thoughts Ian?

Ian: I think one great thing is that if the coupon is on the merchant site, that's an issue and that's a poor use of it. I guess some merchants use them in emails, and send them out, especially if there are lapsed users out there, to bring them back in. I think that's a good way a merchant can use it on their own network. As far as putting them on coupon sites, I do think that, that can be a good use. One merchant told me, years ago that he could write down a coupon code, when he went to bed, stick it under his mattress, and by the time he woke up in the morning, it would be all across the internet, and it's again, pick your partners. I think that embedded links work well, so if you put a coupon in a link, and give



out to your, now you have pre-sellers, as I like to call them, since we don't resell, we help pre-sell... If a site is helping you out by, actually, sending users, who are buying more, and they are, actually, pre-selling and up-selling, there's a benefit to that. If there are enhancements on the site, like I said, that'll work well.

Marty: Dan, what's your thoughts?

Dan: Well, I definitely agree with a lot of the con side of it and how it can affect negatively on some of the Saks Fifth Avenue, and that I totally I think that all merchants are not equal. When you're getting into the coupon game, you don't, necessarily, want to jump in without any research. Most merchants that I've worked with, or have started to work with, have been doing it wrong, and I could read with data, doing it through the regular retail channels is not the answer. How we do it, and how I think it kind of protects our brands, is we offer exclusive affiliates exclusive coupons, and we're real avid about doing that, and we've found it to be pretty successful, but we, also, do a lot of testing, we test versus percentages off, and dollars off, and specific points and what works and what doesn't. New product launches, is it relevant to have a coupon or effective to have a coupon tied in to a new product launch? Maybe, maybe not. We go through pretty extravagant testing phase, so when we do have that exclusive coupon for Connie that she will pick that out, and it will work for her, it's already been tested, and is good to go.

Marty: John, any thoughts you want to share on this one?

John: On the point specifically about Connie, it's ironic, because, about a year ago, one of things I tried to pick up from Diane Lang and yourself, one of the things was Felicia Finley, where we had actually done a coupon for Connie. One of the reasons for the unique coupons for the unique affiliates is because there is so much piracy, or copying in the affiliate industry, from whoever is from the top tier coupon of affiliates, where they actually have a lucrative coupon and seem to copy it. I think that we ended up having to pay Connie slightly more for this because it was just somebody had copied the coupon. There certainly seems to be a number of people in the... A number of couponers, but it's not just the couponer that forgets, it's general affiliates, where the people that will do a lot of work in the industry to differentiate themselves as affiliates, by doing the pre-sales and by actually going that extra mile to sell the product and to deliver the test modules and to show the value. And then there are those people that will just put up a link, and that's not necessarily only in the coupon industry. It's an affiliate mall thing in general. As we said, differentiate yourself by finding those people. Again, because we work with such a wide variety of merchants, some merchants don't mind, they don't really care about brand damage per se. They don't mind being associated with a discount brand. They don't care that every time somebody wants to purchase their product, they go back to a coupon site, and go look for a thirty percent discount on the product. In those cases, we can keep providing coupons every two weeks, we put on a new coupon, because that works for that particular brand.

Then you'll have another brand, where, obviously for them, it's a pure acquisition



strategy, and that's all they want it to do. Again, what it comes down to is what works for your particular company, what is the return on the investment for you. That's something that each merchant, individually, has to work out. The coupon has to work out as a functional of your particular strategy, rather than the other way around?

Marty: All right, great. Thanks. Just for those in the audience who are not familiar with who Connie is, because everybody up here keeps referencing her, Connie wave your hand. She is the owner of Flamingoworld.com, correct? Ok. Flamingoworld.com, and we appreciate you letting everybody use you as an example. The interesting thing is that you're being used as an example for both, positive and negative. So you must be doing something right to cause some controversy there.

In a conversation today, with a good friend of mine, we were talking about the affiliate market as a whole, and I've always represented the merchant's side. My company has helped many, many companies start affiliate programs, and I've always classified affiliates into three different categories. Value-add, which are affiliates that are actually going out there and bringing you customers, that you normally wouldn't have found on your own. Pirates, which are the ones who are just stealing customers, and getting a commission on customers, you would have found anyway, and the ones who aren't making any money. In my opinion, that's the only three categories there are. You're either a value-add, you're either a pirate, or you're not making any money in this space. With that, I would like for you to talk about one website in particular on pro side and on con side, you feel fits the pirate side or the value-add side, and why you feel it does that. You got one in mind that you can think of as a con side that you would consider a pirate?

Ian: Well, there's something I heard at the CPC panel, it's not exactly on top of the coupon age, but the person on the panel said that what he'll do is talk to a merchant, and say "if you don't work with us and let us bid on your trademark, we're going to go off and work with your competitor and bid on your trademarks," which I thought was more indicative of this being extortion, and for some reason, that's me, I personally wouldn't work with them and would call my competitor and tell them to boot them as well because that's who they're facing.

On the topic of coupons, though, are we naming names of sites?

Marty: If you feel up to it.

David: There's one that's out there, I've actually never met the woman who runs it, MomsView which frankly I think is an absolutely horrible site because it is just keyword stuffing. The whole site ranks really well in Google, but it's just keyword stuffing in the title tag, keyword stuffing in the links, keyword stuffing in the whole site.

And I wonder, as I look at some of the affiliates out there, how they get into programs



because if I went to these sites and I were an affiliate manager and looked at it I'd say "I don't want my brand associated with these folks."

Marty: So that would fall under the category of a pirate.

David: Yes.

Marty: Who's basically just siphoning up search engine traffic that's probably brand related anyway.

David: Right. On the positive side, I'll avoid self-promotion, the two I would mention would be FatWallet and Flamingo World who both have really gone the extra mile. The reason why Tim won the Legend Award is he asks himself the question of "how does this benefit my consumer?"

If you look at everything that he's implemented, he just did a redesign of the site, they're continually adding things, they're testing. He has some things he's been testing for several years because he doesn't feel that it's ready to release into the wild and it doesn't benefit his consumers right. And he takes that extra step. I think Connie's has done well also.

Marty: Thank You. Ian, pirate and value added?

Ian: Value added, the UPromises and the NextJumps and the membership sites that we work closely with that deliver really great deals. These are people that have come to us and said "We want to offer your product to our members or our customers, but we need a good quality coupon, the best deal you've got, never seen before." I think that adds a lot of value. I think those are primarily the relationships we like to offer.

On the con side, I can't think of any specific site right off the top of my head. But there's a lot of software affiliates out there as in download bad guys that will actually run... Our coupons all have custom land pages, so the deal is written into the land page. So, these guys will pick up these offers, sneak into our program and they'll start stuff selling Norton products at 20 to 25 percent discounts through their software download. That's definitely their deal. For FunMonkey we developed coupons that have the weird monkey in the coupon code. And I've actually seen that on other sites before too.

Marty: Did the software folks miss the irony that they're doing Norton products which stop their software?

Ian: I've brought that up to them in the past.

[audience laughs]

Marty: Michelle, I know you've got some thoughts on value added and the pirates.



Michelle: I don't have any names of sites that I would consider pirates, but I know that they're always like the first five when I search for something under Google. They'll say "we have a coupon code on stuff." You click on it there's no code or its expired codes or it's just, "check out the sale area at such an such." So, I think that's a waste of time.

Marty: You think that's a waste of time.

Michelle: Value added, I think what's more important than value added, is if you're creating an interest that is not necessarily a discounted interest. So I just met a guy who has this site called JogTunes. He makes running kind of mix tapes based on the beat of your heart using iTunes. And it's very cool. You go and you put how fast you want to run and genre it comes up with song lists for you, you know, a jog or a pop. I think this is driving people to purchase songs they might not necessarily have done. I think that's very interesting because that's value added for someone to do that, but there's never any coupon.

Marty: That's a great model, yeah. Jonathan?

Jonathan: There are number of really great sites. I'm not going to isolate one in particular. In the coupon space, obviously, everyone that's been name here plus people like them and a number of others.

On the bad, weird sites obviously we all know the bad players, especially the ones which we were alluding to. The guys who go in and cripple existing coupons, take the Dell coupons, think they can do icon drops onto their stops and think they're going to get credit for it. There's a lot of that happening. The people that lurk in anti-piracy software, or alleged anti piracy software, anti Spyware software that hide their stuff in other software to automatically download and start installing. All those kinds of people, anybody who hijacks any authentic code obviously. There is a lot of that happening.

Marty: What do you think of merchants who work with affiliates who do that knowingly?

David: They're in lot with them.

Jonathan: They are in lot with them and, obviously, they risk damaging the brands a lot more than they anticipate. The problem is, it's walking a fine line. In the short term when you launch an affiliate program, any merchant that launches an affiliate program needs to justify the affiliate program's existence. So, when somebody walks up to you and says, "look I can deliver a certain amount or percentage of sales" in the short term and you don't really ask where they come from. Just do it."

There's always that temptation to do it and, obviously, we insist that our clients don't do it. And certainly one of the factors of our business we don't get involved with clients of that nature. We don't aspire to be or walk around talking "Spyware" because I think that



the terminology has become overused the affiliate industry quite frankly and you either deal with those kind of companies or you don't. You don't have to run around with gang of them. But the fact is, those things damage your brand irreparably. Not only that, we've found time and time again that even if you don't have any in your affiliate program and it gets done outside of your channel by media buying, it's still going to corrupt the channel.

I think Jeff and I have gone a couple of rounds with this in a couple of the red use forums and blog entries. And we agree that the fact is, you have to be releasing the entire channel on this. It's not just affiliate marketing, it doesn't help to have a Spyware-free affiliate channel and the guys are scooping the media on the site, because it's still going to be corrupting the exact same traffic. So, we work with merchants that are pretty much free across the board.

Marty: Before I continue, are there any questions or comments from the audience yet? Anybody want to address our illustrious affiliates on an MC? Mr. Jack Nolan? Like to make a comment?

[silence]

Jack: First of all, there's too much agreement. Takes the fun out of bickering. Nah, I'm just kidding. I should probably follow up on Jonathan's... maybe later, I want to give people an opportunity to ask more questions, but... I've been sitting here ever since the beginning and actually you guys are doing a fantastic, balanced job. Valuable conversation so far. David, I'll ask you to speak first to this because I know you have a lot to offer, and I'm fascinated to hear what others have to offer in terms of advice.

From the advertising perspective, I'm wondering what the best practices there are out there for, if I'm an affiliate, what can I do to offer control? I mean, a lot of what you're talking about is ultimately control when it comes to problematic distribution of coupon codes and old coupon codes that you can't get rid of and that sort of thing. It leads to a bad experience with the customer. It's not good for anyone, which you all seem to agree on. But what can you do as an advertiser to work with, to run an affiliate program and have a lot of control over the distribution of your coupons. Coupons that you're running from telemarketing campaigns, from catalogue and direct mail campaigns shouldn't be showing up on affiliate sites, perhaps because that corrupts the tracking process of other, off-the-internet types of things. What can you do to control all that and also keep the affiliates from stealing Connie's exclusive offer and putting it on another site? What can you do to get more control over that?

Jonathan: There are a few things. Number one, pick your partners. And you talk to other affiliate managers to find out whom you should be working with. There aren't really a lot of good resources for that. But ask your affiliate network who they recommend, so you should be getting as much value from your network, and I see two of mine here so



hopefully they won't be as sneaky. I hired them. But demand that they offer you the services that you're paying for, one of which is to find out who are the good affiliates out there that I should be working with? You can also use your top ones to help you police. Because if someone's doing something that you don't like and they see them, they should be telling you because they don't want somebody eating their lunch, if there's a coupon code out there that says "flamingo" and it's popping up in places, and Connie writes you and says hey, I see this on all of these sites, take action.

Another thing that you need help with from your network, make sure that they have an easy place for affiliates to find out what is allowed and what is not allowed. It's saying, read the T's and C's is not a good answer from a network or coming from a merchant for that matter. Yes, we're well over a thousand programs and we may have read or skimmed a lot of the T's and C's, but I may have read the T's and C's four years ago and they've changed and haven't been back, how do I know if T will allow coupons to be posted, if T will allow trademark biddings, T will allow X Y and Z. Give us one place. And the networks haven't done a good job of that. CJ out at keyword has been very helpful. But if the merchants aren't demanding then it's not going to happen.

Marty: Anyone else want to address the question?

Jack: Well, we do things kind of on a technology level too. We have in everybody that runs on a direct-track platform, each piece we created can be tied to a specific landing page and it also can be hidden. So what we do is, not everybody gets a coupon code for one, those that request it will get a special piece of creative developed that goes to a special landing page that's hidden by everybody else, but that one particular affiliate. So, yeah, someone can go rip off the coupon code all day long, or even rip off the custom piece of creative that has the code in it, but the bottom line is wherever they land, they're not going to get the deal. Which protects us, it doesn't protect the sale.

Marty: You generate that as a link?

Jack: Yeah. With direct-track, the link is set up and then it's transferred into a network or a redirect that's custom-coded. So, on the affiliate side there's no way to really rob that because it's tied to the creative, tied to the ability, tied to a landing page.

Marty: That's just specific to your network, though?

Jack: That's all direct-track. All direct-track merchants, everything that runs on that.

Ian: And if they use an encrypted go-to url, that basically means they can't be seen? If they don't use an encrypted url, theoretically the affiliate could hide someone's ID, but that's something else. More importantly to me is that on a merchant level that you respect both network that you are using, that it's the relationships that matter. That you can't buy an affiliate program and want to pilot, it doesn't work. The top 20% of the people that are in that program that bring the value for you need to be communicated with. You need to be on the phone talking to them. You need to be reaching out to them and saying that,



"how are you delivering this idea, how are you driving the traffic? Oh by the way, these are the keywords that you can bid on. These are the coupons you can use. Here's the latest creative means." Pushing that out. Proactive management is the ultimate way to remove confusion and to stop people from doing things incorrectly. Because if you don't tell them how to do it they're not going to know how to do it. You stop the apathy and they'll be able to pick up the inventory. It's Affiliate Marketing 101.

John: From that perspective what you're saying is that the advertiser has a role to play.

Ian: Absolutely. The networks provide a very valuable service which is to provide a gateway and the technology through which this all happens. But I completely absolve the networks of all responsibility for producing it. It's the merchant's job to do it. The networks have to make sure that tracking happens. And as far as I'm concerned that's their job. 100%. They're going to make sure that everything's recorded from a technology perspective. But as the merchants or the person in charge of making sure the merchant's program works, it's our job to make sure the affiliate is getting the correct code, that they're implementing it, that they're happy with it, that they're getting the payout, that they're getting the right piece of creative, that they're satisfied with it, that it's what they needed, and that all of those other human things are happening in the background. That's what the affiliate manager's job is. And that's ultimately what derives value from a program. And then you have to have a little bit of cross-channel interactions and those sorts of things.

Marty: Any questions from the audience?

Go ahead and state your, name what company you're with and what your question is.

Tavis: Hi, it's Tavis McKenzie from phonecarddepot.com. The question I have is, a general question about coupons. If we have a coupon field on the site and the customer can't find the coupon, do you think it lowers conversions? And the other question is, we sometimes put our coupons on press releases, and we also keep a log of these press releases on our site, under the press release section. Do you think we should keep these coupon codes in our press release section as well?

Jonathan: First off, we have merchants we did a lot with, and they have a field on their site for coupon codes and they never have coupon code, ever. They used it as a test code basically. They had something they were going to be working with as a promo code for them, but never a single one for the consumer. And it took months of us screaming to get that taken down because yes, it did hurt. Because then we'd hear back, "oh, you don't offer any coupons for this, you're lying, etc, etc, etc." And the other one as far as the second part of your question about should you have it in your press releases... well how long do you want it to be out there? Do these expire? I can see that your doing that as an acquisition piece, but given the way search works on the internet and that your press release is on your site forever, does it benefit you to have anybody finding it? Is it a



single use or can somebody use it every time they come and order from you. You have to look at the qualitative issues of coupon as well.

Marty: Why don't we let Jonathan answer that as well, he's up there going like Horshach, like "ooh, ooh, ooh, ooh!" So take it away.

Jonathan: I have brought metrics and we took one kind from the magazine subscription business and they had a coupon code which was empty. We first of all were putting AD testing on this, by removing it we reduced a shopping cart abandonment by 70%. Simply because people would come, they'd go through the form, fill in the details, get to the coupon code, and because of the training that has happened and sort of this is a bad thing, but I do it as well, I see coupon code, I go away to Google and let's go find one. Because that's what I've been trained to do. And if I don't find one, I'll look at the next bright shiny thing and I'm gone. [laughter] That's just the way we are. And by taking it away, we reduced the shopping cart abandonment by 70%, and then by integrating the actual coupon into the affiliate program we were able to improve the offer and we doubled the actual conversion rate, because we now offered the affiliates an actual coupon with a dollar value off their purchase. So there's two things you can try.

Marty: So does that answer your question? I think that's a resounding "get them off there" answer. Now we'll hear from Corey Newhouse.

Corey Newhouse: Good evening, Corey Newhouse, Amazing Clubs. My question is this: my feeling about pirates versus value-add is pretty simple. If the majority of your traffic as a coupon site comes from people typing in a merchant's name, you're probably a pirate. If it comes from other ways, you're probably a value-add. And I want to get your feeling on that, agree, disagree, where do you stand.

Marty: I agree with you by the way.

Jonathan: I guess I'll disagree with that one. You're assuming that there's only one way to add value. If somebody types in your brand name and they go somewhere else, why is that? Yes, they could just be typing into the address bar and some consumers are a little confused about how that works, so everybody uses Google as their start page as I hear. But there's something else. Number one, there are different types of consumers out there, and they're looking for different types of things and they may find it somewhere else in the search results. So, it can benefit you to have multiple folks out there, especially ones that are driving to your site. There are some multi-channel folks who, especially if it's in the product area, where they ban all affiliates from advertising on their brands, as an example. And what ends up happening is, either the competitors are in there, or there are stores that sell their product. Well, what happens: they're paying the affiliate 10-11% and they're basically paying out 15% to Neiman-Marcus or Bloomingdales or Macy's. I don't understand how that benefits them. So you can actually use your affiliates and control what's being seen on the search pages.

Marty: Michelle, do you have a thought on this? Because you represent pretty high-end brands....



Michelle: But is it brands or retailers? Because that's a different question.

Marty: So tell us your thoughts on both.

Michelle: Well, the retailer I agree with you, you basically just sniped someone's product. But as a brand, then I think it can be a decision. If it's a decision-making site you can go to, if it's a coupon or whatever, like for instance we track really highly in Google. Our Deckard's corporation pays tons of money on paid links for and over Christmas it just goes ballistic. But what we have is a buying guide. So maybe we up the sale or maybe someone was on the fence or maybe it's a guy looking to buy for his wife and doesn't know what to buy. So I think that's the only time that I'd pick... A brand is more useful with an affiliate. Even with underwear sites, which can make money on the word "bras," because it's a lot of teenage boys searching for bras. [laughter] But we get, Best Bras we're number one on Google because we get created a guide for Zagat on bras pretty much. So it's driving a sale into helping someone make a decision, I think that's different.

Marty: That's the definition of a value-add, you're giving someone information. And if somebody's searching for a brand, say Bally Bras, the value you're adding is you're providing them information on fitting or whatever else. But if somebody was looking to buy a bra at Neiman-Marcus, and you bid on that, now you're siphoning that traffic from them, so that's the difference between the brand and the retailer that you're talking about, right? Ok, great. Anybody else want to address Corey's question?

Jonathan: To that point that there are other ways that there can be benefit that's added again as far as how the pre-sale is done or any potential upsale, there's other information even if it's about the merchant. If there are consumer reviews on the page, if there are ratings, if there are other products, if there are links showing the depth of what that merchant has. The question is, "Can you analyze your numbers and find out are you getting a higher average order size going through the affiliate than you're getting through your search channel?" That's one metric that you can be looking at as opposed to just blindly having a knee jerk reaction about "this is bad I must stop this." Are you taking about the Answers. I can't see how we can blame Google's algorithms for a content site showing them above a merchant site.

Marty: Corey again. Hang on, Corey.

Corey: I was really thinking more of the retail site, in other words if that's how you get to the site, all right I get like if you are looking for Sony, Sony has eighteen eighty five different sites of themselves. That they accept that risk when they sell their products to eighty-five hundred sites. But if its someone looking for the name of your site, and that's how that's how the majority of the affiliate's traffic gets there, that's bad for the merchant.

Jonathan: How do you know they don't want information about your site? How do you know they don't want to find your site?



Corey Newhouse; Because if they wanted information about my site, they would come to my site, that's where the information is.

Ian: The point is that...

Jonathan: They think they won't get confused about going to my site. They won't find out if people have had trouble ordering or been you know problems with sales.

Corey: No, No. Hey look guys; look this is not black and white, I get that there are different different reasons but in general if the majority of the affiliate's traffic comes from typing in the name of a merchant, there are probably taking sales from a merchants that they would have gotten themselves. That's my feeling. You guys can agree or disagree.

Jonathan: Well there's a way to find out. But you can stop it from happening for a couple of weeks. We've had merchant that tested with us on this very issue and said "listen, go dark on all of your trademark advertising and leave the rest of it out; that fine, but on the trademark stuff drop it for two weeks." And we drop it for two weeks and then they call us within the two weeks. They have done the research; they have churn their numbers. Can you turn it back on now please?

Corey: What do you count them as.

Jonathan: Because they benchmark two weeks before and two weeks after.

Corey : How do they know those sales are coming back to them anyway? How do they measure that? They don't know how to track that.

Jonathan: You will have to ask them. You're the one who worked with all of them.

Corey: They don't. My - what I am proposing is they don't. It simply doesn't come through a tracking a trackable source the affiliate program report. So, therefore, who knows if we are getting it any way. We don't. They don't have a decent tracking....

Marty: Yeah, may be after the session. We've got...

Jonathan: Tracking for the orders that you are no longer receiving through the affiliate program.

Corey: Well how do you do that?

Michelle: What's that got to do with dot com?

Jonathan: We're tracking orders that come from specific-ability.

Corey: So I - A bunch of people here said that they can do that; so..



Jonathan: You can track it by looking at the refer information. You can look at registration date there, month to month.

Corey: But how do you know that that otherwise would have been associated with the affiliates?

Marty: Well in some cases you don't. You are just going to have to look at week over week.

Corey: What are the things you do? How do you know?

Jonathan: You can look at type and traffic and you can compare how many sales you've done in type and traffic in the one week, which is reset the next week. Absolutely, unequivocally you can measure that. You can measure in cookie traffic. You can measure in email referrals. You can measure in SCO traffic. If your sales go up or if your sales go down, you can measure that as well.

Corey: But that's assuming that all of your traffic your type-in traffic was coming from your affiliate.

Jonathan: No it's not assuming that. All David was saying was..

Corey: You have to how do you separate that?

Jonathan: All David was saying and I'm agreeing with him there's enough metrics you can look at. No, you can't say "Bill's order at 3:30, gosh I don't know where that came from" - but in aggregate you can look at any improvements or decreases and look at the numbers and make a best case you can guess on. Was this a good business decision or wasn't it?

It's not so simple as, "oh boy, I should stop all affiliation doing anything like that." It takes a lot of analysis and to just say "affiliates are bad because they bid on trademarks" is really silly.

Corey: Well Kevin, how do you tell your client that they should stop something if the metrics don't exist?

Kevin: I don't tell my client anything. I don't make - my client do these are the clients and that's there thinking.

Michelle: Off topic.

Marty: Ok, let's move on. Connie's got a comment or a question. We're going to let her have the microphone because everybody keeps talking about her, so we'll just let her talk about herself for a minute.



Connie: I just wanted to say a couple of things that I agree that there is really a lot of bad coupon sites out there, but I get really tired of being lumped in with them. There is so much bad stuff out there. When you have people make comments that all coupon sites are horrible and that they are scum that merchants do even want to work with me, they do even want to give me a chance; I'm in that group. You know, and that's really unfair. To make a couple of other points not everybody is there are millions of shoppers on the internet and there are millions of different types of sites that cater to different types of shoppers. Not everyone is shopping at Saks. My people aren't looking for maybe five hundred dollar pairs of shoes; they are not even looking for a brand they're looking they need jeans for their kids or they need sheets for their bed. They're not necessarily looking for - "oh I want this brand" - they just want a good deal. And there are many stores out there that aren't a brand coupons work great for those, especially first-time-buyer coupons. Get that person there are many stores, I've tried that I have never heard of because they had a coupon. I love their customer service. I love their product. I went back. You know, I know coupons are good for some things and there bad for other things. But to say coupons are either bad or good is wrong.

Michelle: I would agree with you; but on the one point, but sheets and stuff like that to me are commodities, which is what we talked about before.

Connie: Everybody needs sheets.

Michelle: Right. It is a commodity. Which means for those type things couponing and discounting I think, don't I'm not disagreeing with you. So, I was going to say something else and I totally lost it. I'll come back. [laughter]

Connie: I just get really tired of people bashing coupon sites when they are not all equal; just as all southern sites are not all equal. Nothing is equal you have to judge everything. Like Davis said like with [Moms Deal] it's like those are the sites that give some of us a bad name and also on the policing issue merchants will find out that some of their better, hard working, ethical affiliates will help you police. You know, but then it is up to the merchant so many merchants do nothing.

Corey: Yeah.

Connie: If they say... ok - I have many merchants who say "we do not allow coupons and we know that if we run them we are getting dumped." Where many if they do not enforce that, that's their own problem; they are getting what they deserve.

Michelle: I do want to say what I remember, is that I cannot stand first-time-only coupons. Because I think they are slapping your return customer in the face to only let you use the first-time-customer and that's not a way those customers...

Connie: Those are the customers then that you would probably will instead of giving a coupon a coupon space they are on your email list. You send those people the return customer coupons but you give your coupon affiliates the first-time-customer coupons.



Michelle: I just think it's to me sometimes it works but I just I think it's pretty much saying - "returning customers, loyal customers, we think you should pay more."

Ian: Again, that depends on the business model that you're following. If you take an example of Peapod.com. I suppose most of know Peapod as an online shopping portal, so they have an incentive offer, \$10 off your first purchase. Now, online shopping is a notoriously low-margin business, so they cannot keep that incentive running off every purchase. That wouldn't be in business. So again, I understand your point of view when you would say, "Oh, you don't value me as a customer because you don't want to give me the incentive." But in their particular case, to them it's a big chunk. They pay the affiliate 15 dollars, and then they give the actual consumer ten dollars for making that investment with them, to try them out for the first purchase. But it's impossible for them to keep paying ten dollars discount every time that person makes any further purchase. So, in their particular business model, the first-time coupons make sense. But we're all agreeing and disagreeing depending on the emergence perspective that we look at, which is why this is a very difficult field.

Michelle: It's because they have no competition that they can -- I mean, in New York there's two. There's Fairway, which is coming out there. There's Fresh Direct, which pretty much owns the market, and then there's Prestige, which has tried to come up from behind. And in the beginning there was a big coupon showdown, but I ordered from them, because I want to carry stuff in New York, but I hate them. Why should I have to pay, and tip, and all this stuff? If someone came along and was offering the cheap prices, lower discounts, I would do it. Which they have done with coupons, but I'm like, "why don't you just make it cheaper?"

Jonathan: But have you ever signed up for a subscription and gotten the first month free?

Michelle: Yeah, usually.

Jonathan: And then you continue to pay every other month. You're getting that benefit the first month.

Michelle: But when I want to renew, don't I go on magazines.com and search around until I find the cheapest one and use a coupon?

Jonathan: Marty, the gentleman in the grey...

Marty: We have about nine people that have questions, and I have two minutes left. So, since this is a debate, we're going to have a vote real quick. You guys want to end two minutes early, or do you want to go over by about five minutes? Two minutes early, raise your hand. Go over five minutes, raise your hand? Okay, fantastic. Let's keep going.

Ian: I think that poor gentleman over there has been really raising his hand the whole time.



Marty: If you voted for two minutes early, you're dismissed.

[laughter]

Harry Burkes: Hi, I'm Harry Burkes from Network Solutions. We've spent an inordinate amount of time over the last year self-policing our affiliate partner, I might add to the detriment of the overall success of our program, growing it, because of where our priorities have been. For the couple of people who have mentioned that it's the merchant's responsibility to do this, I think the retail price for CJ is about 30 percent of commissions paid out. We're paying them in essence for access to their network. Is it not their responsibility to give us a network that's clean, so that we can build it, instead of spending all of our time self-policing?

Kevin: I think CJ gives you the tools in order to be able to police it as you should. You can manually approve your merchants, you can look at every single one of them, you can demand more information and then tracking your reporting gives you the information you need in order to be able to police your programming the best, the best means possible. Now, if you're on autopilot and you try to back and police, then you're in trouble. I think CJ gives you the tools in order to do it right.

Harry: [inaudible]

Kevin: Well, whose policy...

Harry: [inaudible] so providing tools is one thing, but keeping it clean to start with, it seems to me, would make it much more productive for both sides. The bottom line...

Marty: Hang on a second, Harry. Is anyone from Commission Junction here? [laughter] Would you like to answer that question? On the microphone? [laughter]

[inaudible exchange]

Woman (representative from Commission Junction): Yeah. Sitting ducks, thank you very much. My response to that is that I did hear some comments in the crowd saying that all the advertisers' policies are different, and that is one of the most difficult things about policy, policing the network. It's because advertisers change their policies frequently, they'll change multiple policies without really notifying the affiliates, and that's detrimental to the affiliate programs. So, we do what we can with the information we're given, but a lot of the time we're not accurately notified by the advertisers as well. So, the more we all talk to each other, the better off everyone is.

Marty: Communication is the key, sounds like.



Jonathan: CJ did terminate a high-profile publisher that they thought was doing something wrong, especially with software. So to their credit, they have done that. Also, on the positive side, CJ has the CJ Performers Program, where they're picking out the top publishers, and there are two aspects to that. It's not just that you have five bars, or whatever the sales level is for. You also have to pass the network quality review, the department there that looks to see if you are breaking the rules. So there are some very big super affiliates out there that aren't CJ Performers because they break the rules all the time. So, that's one way you can actually look to see who's good.

Ian: Sorry. Just one last comment, if I may. We ran about nine programs with CJ. And the reason I was so adamant about its emergence responsibility is that CJ defines tool set, gives that to you, and yes, ultimately they're responsible for making sure that there are ethical publishers in the network. Which means they're responsible for making sure that the people in the network are honest and above board. But they can only respond to what the merchants say. So what we find is a bad affiliate in one program, or a non-producing affiliate in one program might be an excellent affiliate in another program, just due to the nature of his traffic. It doesn't mean he's doing illegal things. So, based on that, they can't particularly go to terminate affiliates. It's only when you can actually pinpoint illegal activity that they can take action. So it's really difficult for them to go around terminating affiliates or enforcing policy, but they have been swift to act when we've found those kind of violations. But you have to be able to manage your own program. You need an affiliate manager to do that.

Woman (representative from Commission Junction): And report violations.

Ian: Absolutely. You've got to report the violations...