



**Forrest Schaaf:** Alright, so we are going to get started. I wanted to note that this is Introduction to Affiliate Marketing for Merchants in case anyone is in the wrong session. I invite you to stay anyway. I do want to note there's been a change in the schedule. Rich Spinabella was on the schedule, but due to circumstances beyond his control he could not make this conference, so there will be four speakers today. The first speaker is Dan Chiss. Dan Chiss is the Director of Affiliate Strategy and Publisher Development at Performics, one of the top three affiliate networks and a division of Double Click. In that capacity Dan oversees efforts to help member merchants cultivate affiliates and optimize their affiliate strategy. Dan has previously been the Director of Marketing and Business Development at [rollingstone.com](http://rollingstone.com), which wins the prize as the coolest job held by an affiliate marketing strategist as far as I know. Alright, Dan Chiss.

**Dan Chiss:** Thanks, Forrest. So I'm here to talk today about affiliate segmentation. The devil's in the details. I like to remind people from time to time the importance of the word marketing in the words affiliate marketing. This is marketing after all, and while it certainly has many of its own quirks, affiliate marketing requires execution of traditional marketing techniques. Yes, the four "P's" exist in affiliate marketing. Segmentation is one of those techniques. So success in affiliate marketing is not always about discovering new techniques, it's really about strong execution and about the details.

So how many of you are using some kind of segmentation either offline or online? Can I get a show of hands? Okay. So, a number of you - you know segmentation is about grouping together customers who have like qualities and being able to market to them. Affiliate marketing is no different. Rather than, or in addition to, segmenting your consumers, in affiliate marketing you are segmenting your affiliates. And why that matters is really affiliates are a heterogeneous group. Different business models, audiences motivations and behaviors. Affiliates are time-strapped, inundated with communications and offers and incentives, especially the top affiliates. In order to cut through the clutter, it's important that you develop relevant messages and offers for them.

And finally, if I were doing segmentation, it's basically to be more efficient in managing affiliate program. It can lead to higher productivity and profitability just like any other form of marketing segmentation.

I'm going to take you through a few standard schemas that are used to segment to affiliates and then get into a few more advanced ideas. These are some of the most commonplace ways to segment affiliates: by performance. You've got your high, medium and low performers. This is critical to any affiliate program, any affiliate manager. Primarily because you want to understand who your top affiliates are. You want to understand their needs, develop relationships with them -- even personal relationships -- which is why some of you are here at this event. At the same time, understanding the medium and low performing segments are very important. For example, with the low performing segment, you probably take more of a mass communication approach. And



it's about getting them more active in your program, where with the top performers it's about optimizing performance.

So, next: classification of business models. A very typical way to segment affiliates. And some of the most common classifications and actually the ones we use at Performics: loyalty rewards. This is the category of affiliates that have some kind of points, miles, cashback affinity program.

Shopping and Promotions. Those are the mall sites, the deal and discount sites.

Community and Content. Anything from affiliate niche content sites to blogs and forums.

And finally search specialists. While most affiliates do some kind of search marketing, this is the breed of affiliate... sort of the super affiliates that are experts at search marketing, and do it extremely well. And that class of affiliates has a completely separate set of needs than the loyalty rewards affiliates.

So, doing segmentation across category is important, not only because you can report on them, but because you can develop special relevant communication that meets the needs of each of these segments.

Content category. For example, technology, sports and outdoors, fashion. These are another typical way to segment affiliates.

And finally, by site demographics. The audience, the actual composition of the audience that segment of affiliates is reaching.

So, some more advanced segmentation ideas that we see some of our clients applying. By age. The concept of aging. How many days since an affiliate joined your program? You know, the first thirty days of a program that an affiliate is in your program is critical and we see at Performics that if an affiliate has not become active at all in the first 30 days, it's unlikely they're going to contribute much over the lifetime of the program. So understanding the aging of an affiliate and being able to segment affiliates that way and develop communications around those segments is really important. We're seeing more clients starting to use this. By recency. How long since an affiliate last generated a lead or a sale. And frequency is also tied to recency. To give you an example, you could have two affiliates that over the course of a month generate the same amount of sales earn the



same commissions. Yet, one affiliate drove all the sales in the first week and took three weeks off and the other affiliate drove sales day by day by day. Understanding those behaviors are really important. So that you can take the person that drove all the sales the first week of the month and try to get that affiliate to really contribute more. So, recency and frequency are another good way to segment affiliates.

By customer quality and profitability. We're seeing more clients looking not only at, by channel, how profitable are the customers in terms of by new-to-file, lifetime value, but also really drilling down to the affiliate level, by affiliate. And, ultimately being able to understand which affiliates are driving the highest quality customer is critical, so ultimately requires you the marketer to look at your back-end data and tie that to the data you're getting from your affiliate program. But from that, being able to reward and motivate the best behavior is the outcome desired outcome, so that all of your affiliates are driving the highest quality customers. And finally, another advanced segmentation idea: by products purchased on a sku level. The actual products that are being purchased in the basket across your affiliates. That can lead to developing product strategy, pricing strategy, and getting the sku-level data is a way to do that.

So, some quick rules of thumb about affiliate segmentation. And these, frankly, are not much different from any marketing segmentation. Make sure your segments are distinct, actionable, and measurable. Segments need to be large enough to matter. Two affiliates doesn't make a segment. And finally, start simple. There are an infinite number of ways to slice and dice your affiliates, and when you're getting started, in particular in affiliated marketing, it's important to start simple and add complexity over time.

So, I've created segments. Now what? Once you've created segments, it's about creating and testing different versions of email newsletters for example, against each segment. Content and personalization can have a significant impact on response rates. Just as I'm sure many of you are doing your email newsletters with your consumers, being able to adjust and customize email communications to your affiliate segments can have a significant impact on their response and ultimately the sales that they drive through the program.

Utilize pricing and incentives to motivate and reward best behavior. We talked about that a few minutes ago with respect to customer quality. And finally, this is really about testing, measuring and refining and testing again. It's an evolving process.

Thank you. I'm available for questions at the end and will be here for the entire conference.



**Forrest:** Thanks Dan, that's great. Next we have Peter Figueredo. He has been managing affiliate programs since the industry began. He is the CEO of NETexponent, which he co-founded in 2001. NETexponent provides marketing management and other online marketing services, including media partnerships and search marketing. They stress performance, innovation and ethics and they count audible.com, American Express and the Financial Times among their clients.

**Peter Figueredo:** Thank you, Forrest. And thank you all for attending. I have been asked to talk to you about the value of outsourcing today, so first let me establish what we mean when we say outsourcing. Outsourcing is essentially turning to consultants or outsource agencies to provide either complete outsourcing affiliate program management or partial outsource affiliate management, depending on your needs. Just for a show of hands, can I see is there anyone in the audience that currently outsources their affiliate program management either in part or in whole? Okay. And anyone considering an outsourced option as opposed to in-house? So, a couple people still trying to decide. Well, in terms of who makes sense, there's a variety of types of companies that make up the mix of people who outsource. And just as a general rule of thumb, in the years that we've been doing this, we've seen that there's a couple of qualities that indicate your company may be a viable option for outsourcing. One is definitely aggressive growth goals. If you are faced with aggressive growth goals for your affiliate program, chances are you can leverage an outsource agency to help with recruiting, optimization and management of your affiliates, which should result in enhanced sales, enhanced revenue and enhanced orders.

Another quality is if you find it difficult to find a qualified affiliate program manager. A lot of the people in this conference are some of the best minds in affiliate marketing, but a lot of people in this conference are really tied to one individual position at a company. So attracting new talent to your affiliate program management position can be difficult. And an outsourced agency might be a good option if you find it difficult hiring.

And in terms of quantifying budgets, if you have a budget of around \$100,000 or more for your affiliate program, in terms of what you are paying affiliates as well as what you are willing to pay any outsourced or in-house hire, then you should probably be considering outsourced affiliate management as an option as well.

So let me go into what are some of the benefits of outsourcing. Quickly on this matrix I've listed the benefits as compared to an in-house staff or an in-house hire. Let me clarify again that outsourcing does not have to mean that you outsource completely the affiliate program. It can just mean that you utilize outsource agencies as an extension of your in-house team. By helping you recruit more sites and optimize those sites.

In terms of data, what I'm talking about here is really program data, what is the learning,



what is the data points available, what type of conversions are working, what type of creative is working, and what type of offers are motivating affiliates. That type of data for an in-house person is usually limited to the specific program that they are running, or to their experience in the industry, if they've run previous affiliate programs. When you are talking about an agency or an outsourced option, the experience for data is pretty diverse. They are managing multiple programs; they're managing ten, fifteen programs at any given time, added to the extensive years of managing different programs in the past. So, the data they have available to them on what sites are doing well, what particular affiliate categories or segmentations might work well for a particular advertiser, is much more robust, just based on the fact that they are out there and have their hands in so many different programs.

Staffing oversight. What I mean is when you work with a consultant, or an agency, and all of a sudden, say you meet your peak time or your peak season. It's difficult when you have an internal staff to say "Okay, we're going to hire on two new people just for November and December to boost holiday sales." But with an agency or an outsourced option, they can typically pull resources from their other areas and put them on your account very easily and then quickly remove those resources after your peak season has passed. So, given the ability for staffing oversight to quickly pull in new resources -- and push them back out as needed -- is a little easier when you are talking about an outsourced option.

Historical experience. Again, this kind of relates to data, but more specifically strategies and how you're rolling out your particular strategy, how's that going to change, given your market, given your competitors, given who may be running your competitors' programs. And what style and what techniques they're known to use in the industry to make those programs successful. So, when you're dealing with an in-house person, again, it's limited to their particular experience in the industry and clients and programs they've worked on. When you're dealing with an agency, it's much more diverse. Outside of general strategies, just understanding your business. Understanding your particular segment. Even outside of affiliate marketing. Agencies are typically involved with clients that work with them on media relationships or on search marketing and have a broad understanding of many different categories of advertisers and the specific challenges that come with those particular categories.

Relationships are obviously key, as you guys will hear throughout this conference. In particular in the affiliate marketing industry, relationships are really the foundation for any successful affiliate program. And when I'm talking about relationships, I'm not only talking about relationships you have with affiliates, but also with your technology provider, your tracking system, other advertisers in the industry. So, when we're dealing with relationships, the ability to leverage an agency or outsource option that has multiple clients, multiple touch points with affiliates and publishers and a history, a long history



with different publishers, the relationships that outsource agency have is definitely much more diverse than, say, a single internal hire, or one or two internal people within a client company.

Costs. When you're dealing with employees and hires, you're dealing with fixed salaries, fixed overhead. You're dealing with benefits, etcetera. Those are all fixed costs and regardless of how successful your affiliate program is, or how the results are, you have those fixed expenses with an internal hire. When you're dealing with an outsourced agency, pricing's going to vary across all different types of outsourced options. But for the most part, they'll have a fixed fee that's much smaller than you would be paying for the internal team equivalent and the majority of the reward and their incentive is going to be based on performance. So, they live and die with your program. They succeed or they don't succeed based on the success of your program. So, in terms of cost, it's usually more efficient.

But this also leads into my next point. Skinning the game. And if you're familiar with this phrase, it really means that when you're dealing with an outsourced agency who has a vested interest in the success of your program, their skinning the game is going to be much greater than an internal hire, who very well may be bonused and promoted based on the success of their efforts. But the agency is going to live and die by their ability to adhere to goals and drive a successful affiliate program.

Current cross-client leverage. This is a good point where a lot of people and not enough, in my opinion, are doing cross-promotional campaigns. So, they're working with affiliates, working with different advertisers to really cross-recruit, cross-promote their initiatives.

Negotiation. When you're an agency, you can obviously leverage the fact that you've got multiple clients involved to get better rates with publishers, get premier placement and get clients who may not be as well-known or a stronger brand placed on their site. In terms of overhead, I did mention that a little bit in the costs, so you're dealing with full overhead with the staff and no overhead with an agency.

Exclusivity. Internal, always the person's going to be exclusive and the agencies, for the most part, all offer exclusivity. So, that is an option. And then in terms of severability, agencies don't like to promote this, but it's much easier to fire an agency than it would be to fire internal staff. So, as I mentioned, these are really some of the benefits and comparisons. Obviously, there's benefits on the side of in-house, but since we're focusing on the value of outsourcing, I want to focus there.



I have a list quickly here to show you; of some questions in terms of outsourcing that you can ask when you're building your RFP to select an appropriate outsourced agency. I'll just leave these up quickly. You can take a look. This is a list of, you know, there's a total list of 40 questions that we normally advise clients that they should be asking when they're trying to decide. So if you'd like the full list, please email me. I wasn't about to build in on the slides, since we do have to keep things moving. But some important ones are based on experience, based on relevant publisher partnerships, how they're going to minimize fraud and protect your brand. And then really quickly, finishing up, here's an example of a few of the more well-known affiliate management outsourcers out there in the industry. So you can certainly contact them, you'll see a bunch of them out at the industry. Rob for Converseon is up next to speak to you about a slightly different topic, as CEO I'm always available. So if you have any questions, please feel free to approach me after the panel and if you would like the list of the questions, shoot me an email. Thanks a lot.

**Forrest:** Excellent. Thank you. So, next up, we have Rob Key with 20 years of experience in both offline and online communications and marketing. Rob Key founded Converseon in 2001 to offer clients a comprehensive and integrated online communications strategy. Full service outsourced affiliate management is one piece of the puzzle which also includes search marketing; reputation management and a critical feel of word-of-mouth marketing. Rob knows how to line all these strategies into coherent multi-channel customer conversation.

**Rob Key:** Thanks, Forrest. Thanks for coming. We're going to go through this on the top-line view of search affiliate marketing and the two are intertwined, as you probably know. The shop.org studies tend to show that behind the search and affiliate are the two most efficient online acquisition channels we have in the in-house lists, but in many cases -- and maybe within your own organization -- they sometimes seem to be at odds with each other. But, I'm here to say that there are better ways to co-ordinate the two activities for better ROI for both purposes. It's interesting, we've been working with a variety of large organizations, too, and the search and affiliate do seem very segregated from each other and so really bringing everybody into a room to look at bid strategies, to look at meta-search partners, to look at natural optimization because there's a lot of synergy here, and I'll touch on each of these briefly.

And to look at long-tail keywords, which as a lot of you may know -- especially with the book that's been published now -- the three-, four-, five-word phrases that don't seem to have a lot of searches, but an aggregate convert really well and are pretty far down the sell cycle. And also looking at brand protection. So, I look at the history of search and affiliate from three different eras. The first era was really the early days for search and affiliates, which was really the Wild West. A lot of sites were very complex. A lot of merchants didn't really have their own search strategies together. They had big dynamic sites. They have really complex URL structures. They have all kinds of problems optimizing for their own site. The philosophy was, "Well let's go out and let the affiliates



really do our search engine optimization for us. We'll pay on a commission." By the way, for some sites and in some cases, that's still not a bad philosophy.

But then merchants woke up and said, "OK. We're finally getting our search strategy together. We're starting to naturally optimize our sites. We're getting more sophisticated from the paid placement perspective. We're going after important keywords. And the truth is, we don't want our affiliates bidding against us." We call this the Taliban era, which was the other extreme. This is the period where, if you look at a lot of affiliate agreements, that it really precludes affiliates from bidding on any important keywords, and especially brand keywords and product keywords and permutations of that in all cases.

What we're seeing now is really the next evolution. And what we call this is a little bit more of a sophisticated view of the way search and affiliate can work together. We call this the era of shelf space. What we need to think of is a search engine's results page, which is what we refer to as the "SERP." There are ways for affiliates and merchants to work together to maximize the visibility that you have on that particular page. In the best of circumstances, from a natural optimization perspective, Google will give you two listings per domain. For competitive terms you'll get one if you do an excellent job from a natural search engine perspective. From a paid placement perspective, you can have one ad per URL. That leads 90% of the page open to others. There is a vacuum. The issue really becomes, how do you work with affiliates and how do you maximize all the properties that you have to be able to help maximize the amount of visibility? Because if you have one listing and that keyword is converting very well, you may be getting 10% of the traffic. If you have two listings, 20%. Three listings, you can see how the ROI is substantial.

So how do you do that? We're seeing more strategic policies to set bid limits on critical keywords. For example, and I pose this to all of you who have affiliate programs live or are thinking about it, think about how can you be more strategic. And one way is to help ensure that affiliates aren't bidding against you and raising keyword prices. You can set in your affiliate agreements certain caps on certain keywords so you're not bidding against them and so there is not keyword inflation.

We also suggest really looking at a few, handpicked affiliates to potentially naturalize and optimize around your brand and around your products. For some people, that seems like a complete no-no. The reality is, if you don't fill your space with affiliates or with other properties that you may have, someone else is going to fill it. And it could be a competitor. It could be an affiliate for another competitor. So you really maximize that.



That requires a reorientation of thinking, by the way. Because the assumption is, someone is actually typing in my brand name, I must be getting that traffic. The truth is, that's a pretty significant assumption. They are also seeing a lot of alternatives when they are on that page as well. When we think that 10% of all searches are proper names, brand names, you recognize the significance that people are using search engines as a navigation tool. So you need to think about that shelf space concept.

The other opportunity is we're seeing merchants, and if you're thinking about blogging. Blogs are also an opportunity to help optimize for what we call these long-tail keywords because it's difficult to optimize within a site for some of these long-tail keywords. Blogs tend to rank really well within search engines for a variety of reasons. Lots of links, lots of refreshed content, etc. But there are opportunities to start to engage bloggers within affiliate programs to go after those long-tail keywords that you can't within the structures of your own site.

The other thing to think about is that about 60% of the Google algorithm today is links and the quality of links. Many people may think, "Well I have all of these affiliate links. They must be helping me from an optimization perspective." Well the truth is, most of the major platforms or networks use 302 redirects, which does not give direct credit for your natural SEO. There are other technologies and other platforms that do give direct link credit and it's something you should at least consider as you're looking to grow your natural SEO opportunities.

So, when you think about shelf space, the reason that those top 10 listings are so important is that 75% of search engine users don't go beyond the first page. By using these affiliates, and we have some good examples here of how you can actually maximize your shelf space. How we're defining shelf space very briefly is -- you're probably aware of this -- you have the sponsored page search and you have the natural search engine listings on the left-hand side. Searchers tend to prefer natural versus the paid by about 70%.

So, again, allow a few trusted affiliates to bid along with you and to limit amount of control you cede to Google and other search engines. This will also help force unwanted or confusing natural search engine results off the first page, and that's also very helpful as well. I've talked briefly from a paid placement perspective that you can only get -- this also works on a paid placement perspective -- the issue relates to Yahoo!, because Yahoo! Won't let certain affiliates or others bid on keywords.

A couple of other quick points, and I'm just going to go through this. One of the good places to start is to do what we call a SERP visibility map. We actually have a tool that



does this, but you can also do this by hand. Take your important keywords, including your brand name. You can tag these. Green is good, red is competitive or an affiliate of a partner, and yellow is a potential partner. So you can look at your entire shelf space and it will also help you identify and start thinking about identifying other affiliates who should be part of your program. Look at this on an ongoing basis. How much of your shelf space do you own for your best converting keywords and for your brands and your products.

I will be around as well, so if you want to talk a little bit more about this, we certainly can. There are a couple other sessions that get into search in more detail, but I just will add as a takeaway, now is the time to really rethink search and affiliate terms and conditions because the upside is substantial, especially with keyword inflation. Thanks very much.

**Forrest:** Thanks Rob. That was great as always. Next we have John Tomaszewski, that's how you pronounce it in case you were wondering. He is the Vice President of Legal Policy and Compliance for TRUSTe, which is a company that provides a seal of approval for consumer privacy practices including consent-based email, protection of personal information and trustworthy software and downloads. He is an expert at implementing legal enforcement and compliance efforts to protect your brand image by ensuring that affiliates do not mistreat consumers with Spyware, spam or other abuses of their trust.

**John Tomaszewski:** Thanks Forrest. It's always nice to be at a conference where somebody can pronounce my last name correctly.

I'm going to talk today about adware, malware, Spyware. I have a question for you. Can anybody out here give me a decent definition of what all that stuff is?

It's awfully quiet, isn't it? Let me ask another question. Why do you guys care? How many people here, via their online presence, actually use some form of adware or trackware? Raise your hand.

If you're not raising your hand, go back and talk to your technical people because you actually probably are. First-party cookies, third-party cookies, all of the types of stuff that you're using in your online presence to track what your consumers are doing is going to be considered by someone, somewhere as adware or trackware, potentially Spyware, potentially malware depending on how you happen to use that technology.

I don't know if you guys have been watching this. This is actually getting traction in the legislatures. There are several states that have passed legislation around "what is Spyware, what is adware, what is trackware" and what you can do with it. While I am a recovering lawyer, I am less concerned about what the legislation is doing and more



concerned about what this does to our brand.

We've heard a couple of people talk about brand protection. Actually what I'm talking about here today is how do you use technology in a way that gets you what you need, which is information, protects your consumers and protects your brand? Really, at the end of the day, commerce is about trust and if you're consumers trust you, whether you are an affiliate or you're a portal, you're going to be able to drive traffic. Traffic is going to drive business.

A lot of people have talked about adware and Spyware. It affects a whole bunch of different computers, 80% of home computer users. That number includes all of the definitions of adware, Spyware, malware, etc. The interesting thing about that is, invariably the consumer probably doesn't know that their box has been compromised. There have been reports in the news around botnets. There have been reports around compromised computers, these types of things. Those are the really, really bad actors. Nobody in this room would be doing that, obviously.

But the unfortunate thing is that creates a lack of trust in the environment of online commerce. That's something that's bad for everybody in here, especially those of us who are interested in the space known as trust.

So why do people use this stuff? It's a good way to do things. It's a good way to track what you're doing, what you're affiliates are doing, how you're driving traffic, how you can target marketing for consumers.

A lot of the privacy hawks out there say "oh, you don't want to have any data at all about somebody." The reality is the consumer wants to have stuff personalized for them. That way they're only getting the type of ads that they want and they're only getting the type of business that they want.

That's good for all of you people because you've now got a market that you can much more effectively, much more efficiently, market to. So that generates business for you guys.

The tricky thing is how does the consumer know, or how does the consumer not know, what's going on? We've seen surreptitious, that's a long word, that's a legal term. It's basically the idea around lack-of-notice of what's going on, the idea around being able to track what consumers are doing without the consumer knowing, transparency and those



types of things. Not necessarily a bad thing in terms of "does the consumer want to know he's being tracked?" But the trick is, this is a fairly new space. As a consequence you don't really have a lot of standards associated with what you're doing.

So now we've defined what the heck the problem is. What do you do to fix the problem? Again, it's awfully quiet.

So we've gotten this technology that everyone is using, everyone in the audience is using, and we have defined a need associated with the fact that there are some bad actors out there. So what do you do?

Well, the Trusted Download Program -- pardon the shameless plug, but I am also here as a marketer -- is one way of doing that. Basically what TRUSTe has done is we've built a set of program requirements to say "Okay, these are the types of things that you need to do with your technology."

I'm going to leave that up for the more effective marketers, but really, bottom line it's when you've got an application that you've got on your website or you've got an application that you've got on an affiliate website, or you've got an application where you're tracking traffic between multiple websites, in the event a consumer has information being collected about them, they're interested in knowing what information you're collecting about them if you're collecting personally identifiable information at all. For example a lot of first- party cookies don't even track personally identifiable information. If that's the case, the consumer really doesn't care. But what kind of information are you collecting about them, what you are going to do with it, how long you are going to hold onto it and do they have any control over what you are doing with that information?

TRUSTe deals with privacy. That's another very flaky term. Can anybody give me a decent definition of what privacy is?

Boy, it's quiet out there.

Again, going back to the concept of notice and control, the bottom line is privacy is the consumer knows what's being done with their data and has some level of control over what you're doing with their data. This is a fundamental concept. It applies to adware. It applies to trackware. It applies everywhere.



What we have in terms of trying to solve this problem is, establish some standards associated for software developers. Identify trustworthy applications. The difficulty in any market space is knowing who to trust. One of the ways you can do that is a whitelist, Better Business Bureau seal, those types of things.

At the end of the day we're trying to protect the brand. What's the value proposition to the consumer? Does the adware, trackware or application, it may not even necessarily in your mind be adware or trackware, provide a value proposition to the consumer.

When I go onto a website I like the fact that it says "Mr Tomaszewski, nice to see you again." I go onto Amazon.com and it gives me my list of books that I happen to have interest in, which is great because it means that I don't have to sort through the several thousand books that are out there. I can see what I'm most interested in.

The same thing is true with any of your portal areas. I have a value proposition. Why? Because they know who I am and they're able to market to me directly. But I also have read their privacy policy and I know what they're doing with that data. I know they're not necessarily sharing it with a whole bunch of other folks. And if they are sharing it with a whole bunch of other folks, I know that those other folks that they're sharing it with protect that data in a certain way. They're not going to spam me. They're not going to do the types of things that I find intrusive.

So, value proposition to the consumer, consent to download and install, I am given the opportunity to control my computer again. A lot of people talk about the difference between Spyware and adware or malware (the current buzz term). A lot of the difference between the two of them is malware operates without the consumer knowing it is there and doesn't give them a chance to get rid of it. It doesn't give them a chance to consent to it on the front end. So, the value proposition to the consumer is further supported by giving the consumer the chance to exercise some control.

None of you guys want to be able to go to your computer, sit down and have the CD door suddenly open and close, or the screen turn backwards. Or any of the other things that are basically taking control of the computer that a lot of malware does. So, being able to demonstrate that your applications don't do that, being able to demonstrate that your applications are trustworthy gives not only a value added to yourself but gives a value added to anyone you're in relationship with from a business perspective. They know to trust your applications. You don't have to worry about somebody saying "hey, you affiliates are going to damage my brand because you're using untrustworthy applications."



The prohibited activities are self evident. Most of the issues up there are pretty obvious. You don't want to things that take control away from the consumer. So I'll leave that for you guys to read.

If you're interested in talking more about this, because these are real high end. You don't want to be able to take control of a consumer's computer. You want to be able to track what they're doing maybe, but you definitely don't want to take control of the computer, changing the security settings, keystroke logging, collecting personally identifiable information through keystroke logging.

I'll offer that collecting that PII is not necessarily a bad thing. It's how you do it. Do you give the consumer notice that you're doing it? Do you give them a chance to choose whether or not they agree to that? Do you explain to them why and what benefit they're getting out of the fact that you're collecting personally identifiable information?

Inducing the user to provide PII through intentional misrepresentation, basically if you're doing something in the online world that will get you in trouble in the offline world, it'll get you in trouble in the online world. So these are fairly self evident.

TRUSTe has a trusted download program which provides a whitelist associated with trusted programs. I will be more than happy to take questions and comments regarding some of the weird intricacies regarding "is this really a Spyware? Is this really trackware? Is this really adware?" afterwards. And obviously I'm going to be here during the rest of the conference. Thanks.

**Forrest:** Thank you John.

**John:** And I even have brochures.

**Forrest:** So now we're going to go to the audience questions segment.

So who has questions? I know you do. Who's going to go first? Alright.

[pause indistinct question from audience]

**Forrest:** Are you talking about consumer information?



**Peter:** I'll take a stab at that. He has a lot of different channels driving leads and customers to him, but really no oversight of each of those channels. Knowing that there may be some practices out there that are frowned upon or could potentially damage your company brand what's the best option to control that. Is that right?

[pause]

**Peter:** I would definitely say that you need some resource whether it be in-house or outsourced to manage all of those efforts and to really pull it together.

The first step would be to identify for yourself, whether it be through a consultant or your own research, what practices you deem to be acceptable and unacceptable. No matter what resource you get, whether you hire someone or whether you go to a consultant, you're going to be telling them "here's what we think is acceptable or not."

Now, you may be able to bring in a consultant to help you write up that list and say "here are the practices that we find it acceptable for affiliates to perform in order to drive these leads and results. Here are the types of leads that we are deeming as valid, the types of customers that we're deeming as valid. Anything outside of this range is going to be unacceptable." Or vice versa. Identify what is unacceptable and anything outside of that range is acceptable, however loose or strict you want your programs to be run. But I would definitely recommend that you use some sort of management, whether it be in house or outsourced to run that.

A lot of people run with the misconception that affiliate marketing is low-cost and low-risk. I think that people should realize that the risk is actually shifted from the efficiency side of the spectrum, because it is very efficient, your cost per acquisition is pretty low and almost guaranteed. The risk shifts to your brand exposure and to the exposure your company faces when you run loose programs and you don't know what affiliates are doing.

Affiliates are very aggressive and it's not necessarily malicious. If they don't know what's right and wrong, if they don't know where you draw the line of what they can and can't do they may cross that line. Now there are some sites out there that may cross the line because they know you are not looking. So it does help to have a resource out there policing it and managing it.

**Forrest:** So he should be looking for people like you that do outsource management.

**Peter:** Yeah. As I said, outsourced or in-house but you definitely need a resource to manage that aspect.



**John:** And actually, if I could jump in as well, one of the things that's interesting about what TRUSTe does is we actually provide program requirements so that you know what you want your affiliates to be doing and what you don't want them to be doing. And we certify that and monitor that. So if you've got someone who's using... The comment was very astute, if you've got someone who comes in and consults for you, you've still got to tell them -- bottom line -- what you think are appropriate practices and what are not. And there has to be some source for those appropriate practices, and there are not a lot of industry-best practices around privacy. We happen to have one set of them. The OACE guidelines are another set. But, from a practical perspective, one of the things that we do is we actually build those practices into a deployable and implementable process, to help mitigate brand risk around not just compliance. Also, you don't want them doing something that will damage your brand.

**Forrest:** Alright.

[pause indistinct question from the audience]

**Forrest:** Do you mean CPA networks? Alright, who wants to comment on CPA networks?

**Rob:** I'll start. I think they're a little bit of two different animals. I think that if you're a brand-sensitive company...

**Forrest:** Be sure you define what... You might want to briefly define what a CPA network is.

**Rob:** A cost-per-acquisition network, which are oftentimes what happens is they take an offer of a company and they kind of run it blindly across their network and drive transactions that way. And there's different levels of transparency that happen to occur. Our view is that in affiliate marketing, they are your sales channel partners and there's a definite transparency there. If you're a brand-sensitive company and you're concerned about some of these issues, we talk about FTC issues and adware and Spyware and even word-of-mouth issues.

The FTC's been putting out some information lately about people shilling on sites on behalf of various brands. The merchant... there's still a level of liability there. You have to take reasonable efforts to insure that your partners, your affiliates and your CPA partners are working within the guidelines. WE believe that CPA networks make sense for certain products and companies absolutely, there's room for them. We even work with them in certain circumstances. But on the hand, if you're looking for transparency on you're brand aware and you're brand conscious, you want to know who your affiliates are. You want to have relationships with them and you want to have contact information with them. Because you don't want to see your ads show up in place that -- and there's lots of



examples out there -- show up in places where you wouldn't be very proud to see it. So, I think there's a significant difference there.

**Dan:** I agree with Rob, and one of the benefits... Performics is one of the traditional affiliate networks. We work with some of the CPA networks, but it's really on a client-by-client basis. It come back to what their objectives are and if you're looking for transparency. Don't work with a CPA network generally. If you're looking for efficiency and a lot of volume and growth, CPA network can be a great source for that. So, we help consult our clients on, based on their objectives, their tolerance, their grand objectives, help match them with the best distribution, which could include CPA networks.

**Peter:** Let me just add one thing to that too. What I would give you as a point of advice is just be consistent. We find a lot of advertisers have really strict standards, because of brand concerns, for the affiliate channel. And rightly so. They have strict guidelines and strict terms and conditions. Yet, we'll come across the same advertisers working on a media plan that includes CPA networks that can do whatever they want and are not into the same terms and conditions. And sometimes those CPA networks will eventually poach affiliates from the affiliate program. And CPA networks... usually media plans are given a much higher CPA rate and even a different deal structure.

**Forrest:** So that was CPA Networks. I hope everyone understands what those are. If you don't you should ask because they're a big thing these days.

[Pause indistinct question from audience]

**John:** Excellent question. The questions are on was about tracking cookies and how the security industries are going to address tracking cookies. One of the reasons why we have this TRUSTe download program is to address the issue around how do you track the behavior. Is the tracking cookie going to be obsolete? Honestly, saying a technology is or isn't going to become obsolete is like looking into a crystal ball, because there's probably going to be something developed in the next 6-12 months that... The technology then obsoletes the tracking cookie. The question is, can we actually use some technology to track what behavior is happening on the consumer side and the answer, obviously, is going to be yes.

The question is: what are you tracking? The question is: how are you tracking it? Are you following best practices around collection use and disclosure of personally identifiable information? All of these things, TRUSTe believes you can manage. Is it going to go away? No, it can't go away. And the reason why is, these are viable business relationships that we have to be able to maintain, somehow. You've got to know what your affiliates are doing; you've got to know how things are working, so that you can efficiently allocate wealth. And that's also back to the consumer as well.



So, is the tracking cookie going to go away? We're working very diligently with a lot of the security vendors to address the issue around trackware. Because, in a lot of instances, it's not really considered bad. Take, for example, first-party and third-party cookies. A lot of times you're not collecting personally identifiable information on a consumer. You may be collecting an IP address. And some people think that's personally identifiable. I personally don't. But you're tracking something from here to here so I can pay for that. That's perfectly fine. The consumer doesn't have any of their information at risk. And in the event that you are actually wanting to collect personally identifiable information, as long as you provide notice to the consumer, and you give them the opportunity to say "yes, I'm fine with that," or "no, I'm not fine with that," That's not a problem, either. But again, the best practices are really going to be what drive that.

**Forrest:** Does anyone else think there's a crisis? In case it's not clear, this industry largely depends on cookies to pay affiliates; that's how they record sales. Does anyone else have a comment? Some security software deletes cookies. So, does anyone else have a comment on whether they think cookies are going to be getting deleted by security software and that's some kind of crisis? Yes or no?

**Rob:** Yeah, I'll take a stab at it. I think that the industry is moving to make online advertising even more accountable; that's always been the mantra of online advertising and the big draw for advertisers. No longer do you have to spend money and not know which of your spend is being lost. When you see big players like Google moving into the performance marketing space, it's critical for cookies to be the main force of tracking that effort. I think definitely it'll become obsolete, as every technology does, but it'll only be replaced with something that still allows advertisers to track to a completed action or sale, so it'll only get replaced by something better.

**John:** Tracking's not going to go away.

**Forrest:** It's my personal belief that cookies are going to actually be around for a while because there's a lot of pressure behind them existing.

**Forrest:** Alright, who else has a question? Someone? No one has a question? I can ask a question. Where? I'm sorry, go ahead.

[brief pause]

**Forrest:** The question is: what are direct link technologies? Anyone want to take a stab?

**Dan:** Well, if you care about natural search engine optimization and that's part of what you do, you know there's really on page factors which is key word prominence and density and all these other things and there's the off page factors and the off page factors are links but it's not just number of links, it's the quality of links and how thematic those links are, and etcetera. And then you have to think companies have a difficult time getting good quality links to their sites. It's just a tough goal. There's directories, there's partners... there's other things you can do. High quality links from potential affiliates can



be added to that arsenal if it's naked link or direct link technology. The issue is, even within that URL parameter often they'll have ID equals. It's not as simple as just having a naked link or direct link technology. You actually have to structure that URL in a way that is going to be viewed favorably by Google and others so it doesn't look like an affiliate link, per say. If it looks like it's paid for, it'll be devalued. So there's some complexity involved in that. But can it add, if it's structured in the right way, can it add to your natural SEO program? Yes it can. Most of the major platforms don't provide direct link value. You might have a point of view on that as well, maybe a separate point of view.

**Forrest:** Well, we are using 302 redirects and currently our links, like Rob said are not valued by the search engines to the advertiser.

**Dan:** It's something to consider, but again, that's one portion of a broader natural SEO program. That in and of itself isn't going to put you over the top.

**Rob:** Is it taboo not to use direct links?

**Dan:** There are technologies and platforms that do. The major networks, from all I know, are using 302 redirects. What you really want is a 301 redirect, which says to the search engine, this is a permanent redirect, so, therefore, pass all your link value to the site that you're linking to. Yes, there are platforms available.

**Forrest:** But, independent of your affiliate or your paid search programs, there are things you can do on the natural side to increase your own site's rankings and all of that, and we work with a lot of clients on that.

**John:** And I hate to throw a spanner in the works, but if your clients are financial services, there's some regulatory ramifications around how you're doing linking between all these different sites with the OCC guidance around web linking.

**Peter:** And I'm not an expert in natural search optimization, but from what I know, unless the sites are deemed relevant, and relevant in terms of the content and they're driving traffic to you, it's not really going to help your natural search ranking anyway, so I would take at who your affiliates are, if there are a lot of banner link farms, and sites that are shopping sites and coupon sites like that, and, Rodney may know this better than I do, I don't believe it's going to help your natural listings if those guys are sending you traffic, versus if you're dealing with affiliates who have content related to your product and industry.

**Forrest:** Alright, I'm going to squeeze in one more question. [brief pause] Okay, did everyone hear that? Why are affiliates concerned with their code being in the link?

**Dan:** Can you be a little more specific? Are you referring to the AFSRC code? Okay. [brief pause] Well, many affiliates are doing what's called server side redirects so that the URL on their site goes back to their own domain before it then redirects through an affiliate provider like Performics. I wasn't clear on whether you were getting to this other



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issue which was an outcome of several of the affiliate companies a few years ago got together and put together a publisher code of conduct that helped to address fair play and affiliate marketing and one of the ways to help protect affiliates was to use a code that was the syntax of which was AFSRC equals one. So, affiliates who want to prevent their traffic from being redirected by another affiliate, one who uses software for example, if they're not using the Performics link or the CJ link, or, at the time, the B-free link they would need to use that ASFRC equals one link in order to keep their traffic.

**Forrest:** All right I think that's about time. You are free to try to waylay these guys on their way to lunch and ask them questions in private. Thanks guys, great job.