

#31: Keep Your Program Profitable

Deborah Carney, Vinny O'Hare, and Dave Naffziger



Deborah: Hi everyone, and welcome to a new episode of Merchant ABCs. I'm one of your hosts, Deborah Carney.

Vinny: I'm one of your other hosts, Vinny O'Hare.

Deborah: Today we are going to talk about something that merchants really need to pay attention to. We have Dave here from BrandVerity. He's going to talk to you about helping to keep your program profitable by keeping out some of the bad players in the affiliate industry.

Hi, Dave. How are you?

Dave: Hi, Deb. Hi, Vinny. How are you?

Vinny: How are you doing?

Deborah: We're doing great. Why don't you introduce yourself and tell us a little bit about your company?

Dave: Sure. My name is David Naffziger. I run BrandVerity. We monitor paid search for affiliate abuse. Typically we'll work with merchants to help them police and ultimately enforce their affiliate agreements, in particular the paid search aspect of their affiliate agreements.

Deborah: A lot of merchants out there are probably thinking, "We have an affiliate manager. We have an outsource program manager. Can't they do that job all by themselves?"

Dave: We work with a number of outsource program managers who use our technology but also directly a number of merchants as well.

There certainly is a fair amount that an individual can do without a solution. We will definitely talk about a few of those things today but as the program grows and they attract some of the more sophisticated abusers our clients simply find that we will save them a lot of time and energy and give them insight that they wouldn't otherwise be able to get.

Deborah: That's really important for merchants to understand. Our audience is a lot of new merchants or merchants that may only have an in-house manager or the owner is actually doing the affiliate management.

They may wonder why all of a sudden an affiliate came in and they're getting all these sales but they don't know where they're coming from. They're curious because their own regular non-affiliate sales may be dropping.

Dave: It's a common challenge. One of the great things about affiliate marketing is that it's very trackable but the thing to understand is the challenge to track down the ultimate source of some affiliate commissions.

There is an area that we want people to start looking. First let's say you have this new affiliate that's doing great sales. Let's go visit their homepage or look at the affiliate site that the sales are coming from. That will enable you to construct a scenario where you can see where that that site would be referring visitors.

It would just be a page that has 10 or 20 different affiliate links or affiliate banners without content meaningful enough that you can ever imagine a user willingly going to that page let alone going to one of the sites listed on that page and making a purchase.

At the start for one of the affiliates, definitely go look at their page and figure out whether you can believe it or not. That would be probably be a good place to start.

I think the second place to point people is look at their commission stats. If an affiliate has conversion rates that are well above the program average or well below the program average, that's usually a good indication that something suspicious is happening.

There certainly will be affiliates who outperform but the affiliate who suddenly rockets forward in sales and is getting a 50% conversion rate is probably doing something that would suggest a closer look.

Deborah: Yes, definitely.

Vinny: Odds are if it's that high of a rate they are probably taking sales away from the merchant that the merchant would get on other channels.

Dave: Right. They're doing something that is leveraging the merchant's brand in a way that they may not be particularly pleased about.

Another thing that you can do is just do a few searches on your own brand name. Take your brand term, do a search on Google for just the term, just the domain name, and maybe the term plus "coupon" and see what you see.

One of the techniques that a lot of affiliates will do is they will run an ad that looks a lot like the merchant's. You might not be able to recognize your own ad or an ad that's not yours, but there are certainly scenarios where you'll certainly recognize an ad that's not yours. Since you're the person doing the marketing you'll know that you wrote the ad copy and that's certainly isn't your ad copy. That can indicate that there's something suspicious going on as well.

Deborah: The other thing that you as a merchant needs to know is that if you don't have a Terms of Service in place that doesn't preclude people from doing something...

Vinny: They're going to do it.

Deborah: They're going to assume that they can and they're right. If you don't have it written out in your affiliate terms for your program they can do whatever they want.

We did a podcast with affiliate Eric Nagel. He said, "Affiliates are very creative. If you don't tell us what we can't do, we're going to do it."

Dave: Absolutely. You certainly shouldn't fault them for it. You're bringing them on to do creative marketing. There is a whole range of affiliates and they will certainly want to do any kind of marketing that is permitted by their program rules.

Deborah: Another thing that merchants can do to help weed out some of these people from the beginning is something that Vinny has a lot of fun with. We don't let any of our programs be on automatic approval. We manually approve all affiliates.

Vinny: I think if you have your affiliate program on auto-approve then you're definitely getting bad players.

Dave: I think that's absolutely correct. There's a very specific strategy employed by the black hat affiliates that we'll frequently find. They look for newer programs on auto-approve and they auto-apply. Some of them will even take advantage of network tools to auto-apply to new programs.

When you launch a program on a network you may get several hundred applications that first day. All of those are sent to auto-approved new programs. Within that there are certainly going to be a disproportionate number of black hat affiliates that have a specific marketing method, be it

paid search hijacking or something else that they're hoping to get approval on to run automatically right out of the gate.

Vinny: I can tell you the first day that we launch a new program the number of affiliate applications that come in that we wouldn't necessarily work with is very high. There are a lot of auto-declines, I should say, the first day.

Deborah: Merchants, you really need to be on the lookout for this. If you get this email from a company right after you've hit the "decline button", no matter what time of day or night it is and you get an email back that says, "Hey, you automatically declined me. I think you should go take a look at my website because I think you made a mistake." That's an autoresponder which means that they get a lot of declines. If they get a lot of declines there has to be a reason for that.

Dave: I love that they have an autoresponder to the auto-decline.

Vinny: Yes, that's a good one.

Deborah: Vinny is the one in our company that goes and does the affiliate approvals and I can always tell. He'll go through and decline, decline, decline. All of a sudden my inbox fills up with "You declined us by mistake. We have all this traffic. We have this software reminder that will pop-up and make people come to your website." I say, "No."

Vinny: I like playing policeman before they actually get into the program. It's a lot easier to manage.

Dave: Yes, that's absolutely right.

Deborah: For merchants, it makes your life a lot easier if right from the beginning you have a good Terms of Service that outlines specifically the paid search things that you want to allow and disallow and if you manually approve affiliates. You're going to weed out the really obvious bad sites right from the beginning.

To that point then at least you've done something. Also, if you're a merchant that's not on a network and you have an in-house program you're especially vulnerable because some affiliates aren't even allowed in certain networks because of their practices.

Dave: There's a lot of truth to that. I think we have definitely seen situations where affiliates have been removed from the network and no longer allowed to join programs but they've been successful in convincing affiliate managers to allow them into their in-house program.

All of a sudden the work the networks have done to remove some of these affiliates is all for naught because now they have a direct relationship with some merchants where they can continue on with their unfair practices.

Vinny: I would guess that happens a lot if the affiliate manager has to hit certain quotas and numbers maybe?

Dave: I don't know. You can certainly construct a scenario where the incentives aren't aligned in the right way. Also, when a network removes an affiliate there is often no visibility to the merchant that the affiliate has been removed.

To the affiliate that has a direct relationship with the merchant or with the affiliate manager, they're able to construct whatever story they want because they're writing the only story.

They might say it was a payment problem or they might say that they the affiliate chose not to work with the network anymore because of whatever made up reason.

There's not really a way for the individual merchant to validate their statements or not. If they have a relationship and it looks like the affiliate has been performing it's only natural that they would want to continue to have them in their in-house program.

Deborah: It's really funny that we've also gained a little bit of a reputation in this area. Now if we take on a client that's on one of the larger networks and we want to move them to let's say ShareASale or AvantLink we get an email from the affiliates that are not allowed in either of those networks.

They will send us a direct email saying, "Hey, you're moving from a well-established network down to a rinky-dink network that really doesn't understand affiliate marketing very well. Would you work with us directly through our own affiliate tracking?"

I thought that was one of the most hysterical emails I've gotten ever. You're telling me that the clean networks are the networks that don't allow you so you're going to just try to tell me they're bad and yet you're the exact reason why I moved.

Dave: It's a tone deaf response particularly when they know that you likely made this same decision across multiple merchants. They've probably seen it happen. You've probably had that conversation with them multiple times.

You would hope that they would have that history to recognize when to reach out and when not to.

Deborah: What was really funny is it was a particular affiliate in this case that I think that someone in the office said, “Oh, Team Loxly is taking over this client and they’re moving it from network A to network B. Why don’t you reach out to them? Look, here’s all their other clients.” They literally sent me an email saying, “You have a lot of clients that we could do really well with.”

I think someone was just picking on them to see how I would respond because they know very well what my stance is on companies like theirs.

We don’t want to scare merchants away because there are a lot of really good affiliates out there. What are some of the ways that a merchant can make sure that they are getting quality affiliates in their program?

Dave: Our focus and expertise is certainly the paid search arena.

Generally speaking, we talked a little bit about the networks, ShareASale has a great feedback tool so you’ll be able to see the ratings on affiliates before they apply. If an affiliate has a number of negative ratings there’s usually a pretty good reason for that. That may give them pause to think about whether they want to engage with that affiliate or not.

We talked about the direct screening of applications. That’s obviously a big point. We also talked about doing Adhoc searches. One of the more basic techniques an affiliate will use to try to hide from a merchant that’s running an affiliate-run paid search ad is they will begin to do simple things like run their ads outside of business hours. They’ll run them at night.

They will run their ad in different geographies. If they know the merchant is based in New York City they’ll run their ad everywhere but New York City. The Adhoc searches that you’re doing from there wouldn’t necessarily turn them up.

There are lots of easy ways around that. I always recommend when you travel to take a laptop with you and jump on the occasional Starbucks Wi-Fi. Do a few searches and see what you can see, or from your hotel room.

There are a few techniques you can use to basically request that Google show you ads from different geographies. You can basically pull back ads from different geographies, see what those look like and see if they’re your ads or not.

There are also a few great Firefox extensions. Live HTTP Headers is a great one. There's HTTP Fox. Both of these extensions give you visibility into the path a request takes from the click on the link or ad all the way through to the destination ad itself. You may see affiliate links in there as well as. That can help you uncover whether an ad is actually yours or not.

Vinny: I'm sure there are some merchants out there that see that their affiliates pay-per-click and they see their actual URL in the line. I'm sure that that's something that merchants can look at and determine if it's in their terms of service of course.

Dave: Yes, absolutely. If you set up your affiliate tracking in such a way that you always pass through the affiliate ID as a variable into the referring request, that can really help you identify affiliate links when you might not otherwise have seen them. That can be a way of seeing some of the header tracking.

Also, you can do a simple right-click on an ad and copy-paste that into an Excel file and look to see if the destination URL is yours. That works on Google. It won't work on Bing and Yahoo but you'll at least get some visibility on Google there.

Deborah: What about using a proxy server? Would that help at all if you were using an anonymous proxy?

Dave: Absolutely. That's a great suggestion. A proxy server can be really helpful in getting different IP addresses, where you can run ad searches and whether they might not have been seen before. There are lots of limitations a proxy server has but so long as you don't depend fully on the information it can be a pretty great way to view content from different geographies.

Deborah: The really fun ones are the ones that you look in your referring URLs and you think, "I'm getting an awful lot of hits from this affiliate. His referring URL is always a page on his website for my client, the merchant, but when I go to look at that page it doesn't seem to be there."

Then you go through and get one of these extensions for Firefox like you mentioned. You follow the click. All of a sudden you realize that the paid search ad goes to a link that redirects. They go through two redirects before they get to you in the hopes that you won't find them and identify that it's them placing the search ads.

Dave: Exactly. They go through a lot of techniques to try to mask themselves. That's certainly one of them.

We've also seen affiliates take two different approaches by using one URL in a paid search ad that can't be linked to anything in their affiliate account and then a second URL in the most recent referrer that you could plausibly believe generated traffic. Maybe it's a blog post or maybe it's a coupon site and it looks legitimate, but they're effectively masking the real source of traffic.

Vinny: This happened to me just yesterday and the referral probably went through three or four different hops before it actually got to the page. It went so fast I couldn't slow it down on the computer. I opened up ScreenFlow and I clicked the link. Then I recorded it for myself. Then I went back and I watched it. I watched it go through each individual hop so I had a referring URL even though they tried to hide it from me.

Deborah: That's a little tip. Just do a screen capture. Sometimes they go too fast for the screen capture but generally if you do a screen capture you can pause and see where they're going.

Dave: Yes, that's a gap that some of the Firefox extensions can help with. They will capture all of the requests so you can go back and look at them one by one and follow the path through from the initial source to the destination.

Deborah: The other thing that you mentioned that I really like is that we have a few merchants that are able to do this. They pass the SSAID or the affiliate ID all the way so that all I need to do is click the link. Then I look up at the URL and it tells me right there the affiliate's user ID. I don't have to do anymore investigation than that except for maybe doing a quick screen flow to show how it happened again and bam, there goes the letter.

Vinny: Then the letter normally comes back saying it wasn't us. Then we can show them the screen flow.

Deborah: Or "No, it was a new employee that didn't know your terms."

Dave: Yes, there are typically several playbooks that some of these affiliates will use. The typical objective is to prevent commissions from getting reversed. There's a class who will just never respond. They go as far as they can. Then there's a class trying to convince you that they really mean good and you shouldn't reverse their commissions and allow them to keep the commissions that they've been credited so far.

There are the new employees. Some will say, “It was a contractor. It was a mistake. We didn’t know. We’ll make sure that we correct it.”

Deborah: Yes, it’s a new employee who figured out how to do three redirects before it gets to our site so that you could mask it and cloak it really well?

Vinny: It was a new employee’s dog.

Deborah: We don’t want to scare merchants into thinking that all affiliates are bad but you really do need to watch out for the major players. Some of that you can take care of by being careful on the network that you choose to be on and again, by doing prescreening.

You need to have a really ironclad Terms of Use. Do you have some suggestions as to some things that new merchants should have in their Terms of Use?

Dave: That’s a great suggestion. I know that we had some discussion on this but the affiliate terms are really essential for a merchant to get right.

We typically recommend that you think through the behavior that you want to allow and behavior you want to disallow and make sure you’re very explicit.

For starters, you might want just a paid search policy. I think it’s 96% of the Fortune 500 or the Internet Retail 500 merchants have this same policy. You don’t want affiliates to brand it. You need to be explicit about that. You need to say you’re not allowed to bid. Actually we used to use the word “bid” and instead use the words “display advertisements on.”

The phrasing would be something like, “An affiliate agrees not to display advertisements on searches containing any of the merchant’s trademarks, misspellings, and variations thereof.”

Also, be explicit on whether or not an affiliate is allowed to run ads on terms like “merchant name coupon” or “merchant name discounts.” A lot of confusion account from a merchant who meant in their policy that they weren’t allowed to allowed to bid on their terms plus coupons but they didn’t actually explicitly say that or just said “not allowed to bid on trademarks” so that results in a lot of confusion.

Be crisp around that and then also require the use of a negative keyword list.

Deborah: That’s exactly what I was going to bring up.

Dave: If you're going to allow affiliates to conduct paid search, and there are some awfully good reasons to do that, and you don't want them to run ads on searches involving brand terms then require that they include your brand term and any variations on their negative keyword list. That will prevent their ads from "accidentally displaying" on the search containing your trademark terms.

That can give you a lot of protection but also it creates a lot of clarity when you do find someone who is running an ad on a term that you prohibited. You reduce the need for back and forth around whether or not it's allowed or the fact that maybe you weren't clear and they were just trying to abide by the letter and not the spirits. The tendency is to be crisp but when you find someone it makes the enforcement much easier as well.

Deborah: There are good PPC affiliates out there that you do want to utilize but they need to know your rules.

Dave: Absolutely, and the great guys will absolutely follow your rules and they can add a lot of value to the program. You just need to make sure that they know what the rules are.

Vinny: That's the thing. The pay-per-click guys mostly know each other and what they're doing. If they know what can't be done in the program, odds are they're going to work with you a little bit closer and become a better pay-per-click affiliate for you.

Dave: They don't want to have a lack of clarity that allows one of their competitors to effectively get closer to the transaction and be more likely to get a last click. When the rules are clearly defined and consistently enforced they're much more likely to engage directly with the merchant.

Deborah: The good PPC affiliates are the ones that know that unless you're a major brand, bidding on the trademark won't really get you anything. Let's face it, 90% of the affiliate programs out there are not major brands. You're much better concentrating on keywords related to the product or service anyway.

Dave: Yes, and certainly most of the PPC affiliates have built their business around what I call long-tail advertising and finding advertising opportunities that the merchant has overlooked, can't reach or is unable to access. That's the type of thing that they want to be able to do to help the merchant with their business.

Deborah: Like I said, we don't want to make merchants think that all PPC affiliates are bad and you just have to be clear up front as to what you want them to do.

Another big thing is direct to merchant. If you eliminate direct to merchant links in PPC you automatically eliminate a lot of the people that do bad practices because they're lazy. They don't want to build a website.

They just want to take your keywords, bid on your name and have the click go directly to you and they get money. They don't want to go to the trouble of building a landing page, which is what an affiliate's job really is. Build a landing page that sells the customer on making that click that goes to the merchant's site and makes them actually want to buy.

Dave: Right.

Deborah: Dave, I think this has been a great discussion for merchants to give them something to think about. Do you have any last parting thoughts that you would want to give merchants who are trying to figure out why they have bad affiliates or how to prevent those bad affiliates in the beginning?

Dave: Yes, this was a great discussion. The one piece of advice is to be suspicious from the start. There's rarely an affiliate that's too good to be true. Make sure you understand them, how they're driving business and where their traffic comes from, where their visits are coming from.

Ideally you should be able to look at their landing pages, look at their site and look at their flow and see how you yourself might end up there and how you yourself might follow-through on one of those links. If you can't construct a story, that's probably a good indication that something is amiss.

We're certainly happy on our end at BrandVerity to run a trial and let you know what we see on some of the branded terms. We're running a number of trials for folks that we don't ever expect will become customers but it gives them a chance to get some visibility in the program and maybe clean out a few affiliates that might be in there that are doing things that were against their policies. They get a clean start. We're always happy to help there as well.

Deborah: What I like about your company is that not only do you actually have a service that you sell that people use quite successfully, but like you said, for the smaller guys just starting out you will give them a free trial of a few

keywords just so they can see the kinds of things that you can find that they can't find on their own.

Dave: Yes, we don't expect everyone that runs a trial to even ever intend to become a customer. Obviously it gives us a chance to showcase what we do and gives folks a chance to take some value away in terms of people that they might not want to be working with.

Deborah: I like the fact that you do that kind of education. Dave, where can people find you on the internet? It's BrandVerity.com. Do you have Facebook or Twitter or do you just want people to go to the website?

Dave: Yes, our Twitter account is [@BrandVerity](#). We are [Facebook.com/BrandVerity](#) as well. We recently launched our Facebook Fan Page.

We also blog on some issues that we see. That can be found at BrandVerity.com as well.

Deborah: Awesome. Thank you so much. We're really glad that you came on board with us today. It's going to be very enlightening for merchants to listen to.

As always I want to thank [GeekCast.fm](#) for hosting our podcasts.

If you're listening via iTunes you can go over to [MerchantABCs.com](#) and find this podcast and all the ones related to starting and managing a merchant program.

Everyone, thanks for listening and have a great day.

Dave: Thank you. Take care.