



# Geno's World

# ONE OF THE BEST AFFILIATE PROGRAM MANAGERS IN THE BUSINESS TELL US WHAT MERCHANTS GET WRONG, HOW AFFILIATES SHOULD CHOOSE A PROGRAM, AND WHY GOING HOME KEEPS HIM SANE

By Chris Trayhorn

Geno Prussakov literally wrote the book on affiliate marketing. His 2007 publication, *A Practical Guide to Affiliate Marketing*, is still regarded as perhaps the best available on fundamentals for affiliate managers and merchants, and he was voted best Outsourced Program Manager by the ABestWeb community three years running.

I recently sat down with him to chat about how he got into the business, why he loves it so much and where he thinks affiliate marketing is going.

## **CT: So what's your background, Geno? Where did you grow up?**

I grew up in the Soviet Union. I was born in the city of Kishinev, the capital of what was then the Soviet Socialist Republic of Moldova. Moldova got its independence when the USSR collapsed and I went to university, completing my degree in Moldova but also spending time studying in England at Oxford University. I had to mature very fast at that time - it was very character building. For a time I was studying at two different universities at the same time, and worked three different jobs simultaneously.

After obtaining my Bachelor's and Master's degrees in linguistics in Moldova, I went on to study counseling psychology in the States, and then also got a Master's in international relations from the University of Cambridge.

## **CT: That seems like a lot of studying, and linguistics doesn't seem to directly lead to affiliate marketing. How did you get started in this business?**

Step #1: I got married. I met a beautiful girl from St. Petersburg, the gorgeous old capital of the former Russian Empire, and we moved there, to her hometown. Soon afterwards I started an online business selling Russian gifts, collectibles, works of folk art, items of militaria, you name it: anything that was breathing the Russian spirit, and carried with it the legacy of the my forefathers' country.

I put a lot of time into it and eventually, after trying all kinds of online advertising opportunities, I discovered affiliate marketing. I started my first affiliate program in 2003. In 2004 I migrated the program to ShareASale, and with a lot of work we were eventually doing 60-70% of our business through the affiliate channel.

In 2005 I was approached by a jewelry e-tailer to manage their affiliate program. That went well and so in 2006

I became a full-time outsourced affiliate program manager (OAPM). In 2006, 2007 and 2008 I was voted best O(A) PM by ABestWeb, and published my first book, a reference guide for affiliate program managers and merchants, *A Practical Guide to Affiliate Marketing*. It's grown from there.

## **CT: That's quite a ride. What have you learned along the way about what needs to change in the industry?**

It's about education. If we could find a way to thoroughly educate every single party involved in the industry about the advantages of doing things right and the problems that can arise when things are done wrong, then I think the industry would be in much better shape.

I'm talking about everybody: affiliates, merchants, affiliate program managers, networks and software providers, legislators, etc. The reason we're facing many of the problems that we are now is just that too many people have too little knowledge.

## **CT: That makes sense. So as a program manager, you see the process from the point of view of both the merchant and the affiliate. Let's talk about what mistakes you see being made. First, by merchants?**

- There are four big ones that spring to mind:
- Believing your job is to manage affiliates - it never works. Affiliates are unmanageable by their very nature, and that's good! Any top-down managerial behavior expressed by a merchant (or the person responsible for their affiliate program) will turn affiliates away. You can manage an affiliate program, but don't try to manage the affiliates who have chosen to participate in it. You'll fail.
  - Leaks or ways for the end-customer to take a non-commissionable course of action. These range from link exchange pages and AdSense units on merchants' websites to coupon codes and phone numbers on the banners created by merchants for affiliates. Anything that might possibly allow traffic to leak from an affiliate's conversion path and so leave them without a payout needs to be avoided, or they will choose another program to promote.
  - Missing Terms of Service agreements - Back when I was writing *A Practical Guide* I noted that as many as 51% of merchants with affiliate programs lack Terms of Ser-

vice (ToS) agreements completely, 36% have extremely generic ones, and only about 13% have detailed affiliate program agreements in place. Unfortunately, the situation hasn't changed much. By not taking time to craft their ToS agreements, merchants make themselves vulnerable. This is part of a problem I like to call "merchant naïvete", which I'll talk about in a moment.

- Poor commission rates or cookie life - merchants shouldn't generally compare their programs to those of bigger brands. The thing with big brand programs is that some of them convert at over 20%, and affiliates will therefore work with them even when their base commission rates are much lower. For most merchants, the key is to be fair to affiliates, and show them you value their work by offering them attractive commission right from the start. As for cookie life, my research shows that over 85% of sales occur within the first 3 days of the original click on the affiliate link but I don't see any valid reason why return days shouldn't be set at 90, 180, or even 365 days. Be good to your affiliates and they'll typically be good to you.

### **CT: So, before we talk about some of the mistakes you often see affiliates making, tell me about "merchant naïvete"?**

It's an analogy to ecological naïvete - also known as island tameness - which is the way that on some islands, certain species of animals can develop a lack of wariness of potential predators, and lack defensive mechanisms and adaptations to deal with them. Some merchants put themselves in an analogous position by not ensuring they have natural defenses against predators.

So, by merchant naïvete I mean to describe online merchants who start their affiliate programs when they don't have clear and detailed Terms and Conditions in place, or a dedicated affiliate program manager and/or tools to police and enforce affiliate compliance with the T&Cs. Such merchants make themselves immediately vulnerable to rogue affiliates which specifically hunt for merchants devoid of defensive mechanisms.

It is also important to underscore that such merchants put all of their other online marketing channels at risk too, as certain types of affiliate behavior are capable of distorting performance attribution through channel cannibalization.

### **CT: It seems as though some advertisers feel that affiliate marketing is hard to scale because of recruitment, management and fraud issues. What's your view on that?**

Advertisers are in competition like everyone else. If they don't participate in the affiliate marketing channel, they're leaving sales on the table for their competitors. So they need to be involved.

Once that commitment is made, then if they don't have the time or resource to manage the program themselves then they should outsource. Of course it can be time-consuming to recruit affiliates, monitor fraud and all the other

## **Likes**

### **Google's power over its advertising customers is crFavorite book?**

The Red and the Black by Stendhal, and David Copperfield by Charles Dickens.

### **Favorite movie?**

The ones I've watched for 4 times or more are The Godfather, The Fugitive, The Saint, Enemy of the State, Patch Adams, Babe (yes, the one about the pig), and a number of historic/biographical movies by Russian directors.

### **Favorite music?**

I listen mostly to Russian music in the genre of Russian "city romance", but also enjoy good jazz, country western, and sometimes roll back to my youth reaching for a CD of Joe Dassin, Chris de Burgh, Eric Clapton, Bryan Adams, Aerosmith, or Bon Jovi.

### **Favorite TV show?**

I hardly ever watch TV but when I do it's news, soccer, or something like How It's Made.

### **Favorite place in the world?**

Wherever my family (wife and daughter) is because nothing means more to me than my daughter's laughter. We've lived in Russia, Moldova, Britain and the USA, and I've travelled to 100+ cities, but it's still only ever home and family that restores me.

### **Any pets?**

Not since my bull terrier Teddy died 3 years ago, but now that my daughter's capable of taking care of a pet, we're considering taking off gradually: starting with aquarium fish or a hamster, and then seeing how it goes.

### **Three things you love?**

My family, work, fishing.

### **Three things you dislike?**

Envy, laziness, pessimism.

### **What's the best thing that ever happened to you?**

The birth of my daughter.

### **If you could change one thing in the world what would it be?**

If it were in my power, I'd make it impossible for any child to get hurt.

### **What's your passion?**

My work.

moving parts that go into a successful program, but that's why people like me exist. We know how to do this stuff. We can limit any risks, and maximize ROI.

As I said, not participating is foolish unless a merchant wants their competitors to win.

### **CT: And as for affiliates, what are the mistakes you see them making most often?**

There are three that I see time and time again:

- Failure to diversify: new affiliates especially have a tendency to put all their eggs in one basket. They invest all of their resources into just one merchant, or one affiliate program. This isn't a good idea. With a little imagination, even the most tightly focused publisher can find more than one product to promote.
- Failure to self-educate: in addition to working hard, it is really important for affiliates to work smart. This is a business that changes rapidly. There are always new developments that might affect business. Affiliates need to keep themselves up to speed.
- Failure to test and optimize: success, in my view, is most often determined by how dynamic the marketer is. Good affiliates are always trying new approaches. If an affiliate wants to succeed, they need to constantly test and improve, then build on the things that work. Over time, conversions improve and whatever is detrimental to success is removed. It's a virtuous cycle, but it doesn't work if the affiliate doesn't keep trying to improve matters.

### **CT: What should affiliates look for in a network or merchant program? How should they decide who to work with and what to promote?**

When they start out affiliates generally choose to work through affiliate networks rather than one or more stand-alone affiliate programs. There are several reasons for this. Most obviously, it's much easier to do tracking and aggregate payments on a single integrated platform, but the wider choice of programs available and the reassurance of financial stability that comes with working with a big network are major factors too.

But I think it's a mistake to stick with that approach because it's too limiting, so I recommend looking at a range of factors rather than just network versus in-house. Affiliates need to focus on revenue generation, so they should use a set of metrics that will help them forecast the profitability of the future business relationship.

Here are what I call the seven C-Factors:

1. Concentration: does the program fit the niches the affiliate is focused on, and is passionate and knowledgeable about?
2. Commission: what are the rates and when is it paid?
3. Cookie lifetime: how long does a referral by an affiliate keep paying out?
4. Competitiveness: how competitive is the offer or merchant?
5. Conversion: does the program convert and what rate?
6. Communication: is a two-way merchant-affiliate communication channel in place?
7. Campaign support: is there a dedicated and proactive affiliate program manager? A wide selection of creatives? Will they help with custom creatives, coupons, landing pages, etc.?

### **A Day In The Life**

**Morning:** wake up, jog, get my daughter ready for school, eat breakfast.

**Daytime:** work, study, research, write and try to remember to eat along the way.

**Afternoon/evening:** swim, fish, do something around the house, play with my daughter before she goes to sleep, and then have a glass of good wine while eating some fabulous dish my wife has cooked.

**I often say to my wife that I live in a dream:** I always dreamed of a little daughter, a big house, and work that I'd love. I'm lucky enough to be living that dream.

**I read once that happiness is rushing happily to work in the morning, and hurrying happily back home in the evening. That's exactly my life. I'm very lucky.**

All these factors play a part in affiliate's success with a program. Once they have chosen a program to join, then I'd always suggest they start gently, and test everything before they put any major investments into the promotion. They should be constantly monitoring the key performance indicators (conversion, reversal ratio, EPC, etc), testing different marketing methods, and tweaking and optimizing all the time. Once they have proved the campaign profitable then that's the time to invest more time and resource into it.

### **CT: So, in closing, we have seen a lot of changes in the industry. Where do you think it is heading now?**

That's a tough one. It is really hard to make predictions in an industry like this. It is so vibrant and interconnected with every other type of marketing now. We have new channels like social and mobile that are going to offer enormous opportunities for affiliate marketing in the future. Even display advertising is becoming more performance-based and that will, I think, drive greater integration of marketing campaigns and bring more big brands into the industry.

Given that I believe the future is so bright for affiliate marketing, the one thing that I would like to see is more research and education, and better industry standards. The only thing that can damage the future of affiliate marketing is our own behavior. I'm passionate about the industry and I want to see it thrive and prosper. |rp