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The second thing is-

Lenox Powell: I'm Lenox Powell, the host and producer of the Outperform Podcast. On these episodes I talk with Acceleration Partners team members, industry partners and clients to bring you a behind-the-scenes perspective on what the world's leading companies and performance marketers are doing to outperform in their business and marketing partnerships.

Welcome to the Outperform Podcast. Our guest today is Josh Lapidus, manager of paid media strategy and performance partnerships at Home Depot. In his prior role, he worked at Impact, a partner marketing technology platform where he helped clients such as Toys R Us, Cars.com and Casper. Today, he helps Home Depot optimize their paid and partner marketing initiatives. Welcome, Josh. Great to have you on Outperform.

Josh Lapidus: Thanks for having me here. Happy to be on the show.

Lenox Powell: Before we dive into the topic of marketing partnerships and what some of these newer types of partnerships are, I'd like to dig into your background a bit. You've held roles in both marketing and sales over the years, but are now fully entrenched in the world of marketing. What was it that ultimately led you to want to build a career in marketing?

Josh Lapidus: What interested me in digital marketing is that I viewed it as a segment of our national economy that would continue to grow in importance and influence for advertisers over the next 10 to 20 years, if not indefinitely. And on the personal level, I've done a lot of studying of behavioral economics, which is a good foundation to being a digital marketer.

Lenox Powell: Interesting. Tell me a little bit about the behavioral economic side.

Josh Lapidus: My mother is a psychologist, so as a kid I read a lot of books on behavioral economics and just group think and how we make decisions. So I think as a marketer, what you're trying to do is influence the way people make decisions and having an academic understanding of how that works is really helpful in thinking through how does this campaign going to nudge someone in the direction I want them to go.

Lenox Powell: Yeah. I think between the psychological element and then the technology element, we've kind of entered this "Brave New World" of marketing compared to 15 years ago, 20 years ago.

Josh Lapidus: I think what's changed the way marketers think about the message that used to be enough just to get your brand, your product in front of people; and now we're really figuring out too, how do we have our audience have an emotional connection and an affinity for the brand. And how do we tell a consistent story across all marketing channels that is compelling and would make somebody more likely to purchase or bring forward a sale that they may wait till the end of the year based on the story and the emotional connection I'm making with my consumers. So I think the mentality has changed from being there is enough to being very prescriptive, and the message story and interaction we have with consumers.

Lenox Powell: Yeah, and you had spent almost, I don't know, around four years or so at Impact, which is a technology platform provider that many brands use in their affiliate and partner marketing. Were you familiar with the affiliate partner marketing realm prior to working at Impact?

Josh Lapidus: Prior to working on Impact, I was familiar with it and it been growing one of the fastest-growing digital marketing channels in the United States. So I'm an investor, I read a lot of financial statements. I stay close to the news and digital marketing, so I'd heard about it. It wasn't till I started working at Impact, I got into the weeds and really learned about the history of the channel and the rapid evolution it was going through, starting, I would say, 2010 and on.

Lenox Powell: Mm-hmm (affirmative). What were some of those things, those notable things you learned about the affiliate industry while at Impact?

Josh Lapidus: Yeah, so working at Impact was a very interesting experience and a great education. I had the opportunity to work with innovative marketers at Casper and Atom Tickets, and also work alongside some big companies and learn the challenges and strategies they put in place, and the mature program at Toys R Us and Extended Stay America.

Additionally, I had a really unique opportunity to sit diagonally across from Todd Crawford, who is one of the founders of this industry, and anyone who knows him knows he's a talker. And while sitting across from him, we had numerous conversations. And the two big takeaways or things I learned at Impact is one, the historical context of why any CMO or senior level executive that was tactical when the affiliate industry first started kind of has come to view it as bottom-feeding with questionable incrementality and is aware of the fraud that occurred in the early days. And two, the importance of moving beyond the last click, and really driving and constructing data-driven partnerships where you are incentivizing partners based on their lifetime value, new versus returning customers or any other internal KPI beyond just a last-click transaction.

Lenox Powell: Coming back to the psychological element too, I think that now more than ever, individuals, consumers, the psychological element that is also getting them to

make a decision on whether to purchase something is based on what other people are saying about a product or service.

And so that's, I think also, where this new realm, especially as we go forward, it all ties back into that psychological element, doesn't it? Like, "Oh, somebody is saying this," and then they have a psychological decision of, "Oh, okay, I'm going to look more into this because I value this brand as saying this about this other brand." Or, "I value that this individual, this influencer, this blogger is saying this."

Or going into the coupon world like, "Oh, I psychologically am going to choose to close out my cart because I can get a 50% off coupon." You know? So it's interesting kind of how all of that ties back to what you were saying earlier that your interest in the psychological economics around it.

Josh Lapidus: It does. And I think one of the big changes with millennials is, my parents' generation, they were used to and believe brands delivering their message and their story and kind of the reason to believe and shop there. And I think with millennials in particular, it's more about the social group. If there's someone I follow on Twitter or Instagram and I believe them, I trust their judgment and they're talking about a brand, that's way more powerful than hearing the same message from that brand itself.

The same thing is a big opportunity for the affiliate industry is leveraging trust in media companies. Like [inaudible 00:07:17] the shops might come to mind to leverage our authentic voice to tell your brand story, and they have such an engaged audience that they have goodwill with, it can be more powerful from you saying the same thing on your blog.

Lenox Powell: Working in all different realms from the sales perspective and also in the marketing perspective, you, I would consider, are someone who's kind of a part of a new generation of marketers. You do have people who were kind of established in the old guard, if you will, who might still have some hesitations around the affiliate realm. But we're seeing that way less and less with professional marketers such as yourself, who you go in and you're like, "Oh, this makes perfect sense," because the psychological perspectives of consumers has changed. How do you see affiliate marketing and the changing over the last even five years?

Josh Lapidus: Since I started at Impact in 2014, when I started there to today, the biggest change I've seen and the biggest opportunity is a macro change in how consumers interact with media properties. And because of this, there's a lot of large media conglomerates that have struggled with profitability. And those same companies 10 years ago, five years ago, may have looked down their nose at the affiliate channel and thought to themselves, "Why would I tie my performance to sales or maybe email acquisition when right now I'm getting

paid a premium just to produce content or hit an impression or social engagement goal?" It didn't make sense when they could drive that premium.

As consumer behavior changed and the economics of running a media company have changed and they needed to be profitable, you have a lot of large media companies who have leaned into the affiliate or commerce channel, and it's been wildly profitable for them. In some cases, it can represent up to 20% of their digital marketing revenue or their e-commerce revenue. And it gives us as affiliate marketers and opportunity to work with upper funnel media and really drive a full funnel strategy under an affiliate or performance configuration of the partnership. And I think that's been a very exciting change that we'll continue to expand over the coming years.

Lenox Powell: You've mentioned this term a few times now, but this performance element, and the term performance partnerships is actually in your title. Had you heard that term or title prior to your role at Home Depot?

Josh Lapidus: Absolutely. From the book by Robert Glazer that's titled with that and recently it's been a trending topic at affiliate conferences. There is a rebranding effort to have a name for what we do that proves the value beyond the historical connotation of affiliates. I think the performance or partnership title is more a reflection of the value we can drive our organization. Because affiliate marketing, when you say that in an old school or large company, they think deal and coupon sites. An affiliate marketing is not a type of site. It's a compensation model where you pay a media company or a third party to do what they do best and compensate them based on your internal KPIs, and the title of performance marketing or partnership marketing is a reflection of that.

Lenox Powell: Yeah, absolutely. I mean, his book came out in 2017. I hadn't heard that term, performance partnerships. We use it internally at Acceleration Partners; but externally, I hadn't really heard it and I hadn't heard it with people's titles or professional titles. And then I just recently went to a conference, it was SubSummit, and they'd go up on stage and they'd be talking about their company or their brand and their title was director of performance partnerships or director of performance marketing.

I'm sure Bob's book has definitely some credit to that, but it also seems like that's just where the trend is going in general. People are seeing that it's about partnerships that are based on performance, based on results, based on outcomes and that's really where they're prioritizing that in their marketing. So I really wanted to hear your perspective on that because you have that title.

Josh Lapidus: Well, I hope the context I gave you was helpful for that. And I think it's imperative of any affiliate marketer to really push for a rebranding or a wider view of what they're possible for them to bring to the table beyond the deal and coupon sites.

Lenox Powell: For sure.

Josh Lapidus: And the good way to pitch that internally at a company is say, "Hey, this is a performance channel. It's not a deal and coupon channel." The only limits to what I can do is internal approvals and what you consider performance or affiliate marketing or whatever title an organization wants to give your channel. It's important I think to push the envelope and say, "Hey, there is no limit to what kind of media, what kind of business partnerships we can run on kind of a mutually beneficial win-win performance basis."

Lenox Powell: Absolutely. And speaking of this concept of partnerships and partners, at the moment, even though it's growing, there are more brands starting to use that term performance partnerships, partner marketing; but, it's still fairly new. It's still very significantly. Some brands see their partner marketing program as separate from their affiliate marketing program, whereas other companies see it as one and the same. What's Home Depot's take on it? Do you refer to your performance-based partnerships as an affiliate program or as a partner program?

Josh Lapidus: It's a work in progress. So our finance team calls it an affiliate program, so that's what I tend to default to. I use the term interchangeably. Because the way I look at it is both types of partnerships are crucial to your success, and if it's a deal site or an upper funnel or nontraditional partnership, my approach to them is all the same. So that name doesn't really matter to me, but I understand the importance of and power of what a name can do in perception.

Lenox Powell: Definitely. Partnerships, the concept of it is so much larger as you have touched on, and something you've really been praised for is the effort you give to building lasting, high-value partnerships whether that's a coupon partner, whether that's a content partner, whether that's a loyalty partner. So why do you believe putting in that time and effort to really get to know partners and grow the partnership with, and why do you think that that is so important to do?

Josh Lapidus: I think it's because historically advertisers have been overly myopic in their view of how they look at affiliate or partners in general. They say, "I'm paying you. You're providing me a service. Thank you very much." The way I look at it is the only way we win and grow is by doing this together. My results are driven by external parties, so I need to have very strong, transparent and trust build relationship with those partners. Because you know day to day things go wrong, you might need a quick turnaround.

They're way more likely to do it if you're just not in name on an email, but there is someone that gotten to know. And you've shown an interest in their KPIs and you understand what they're measured on, and how you can produce results that not only makes their boss take notice, but makes that company want to lean into the organization and provide you with new maybe testing

opportunities, present you net new things they're thinking about. That they wouldn't do and those conversations wouldn't happen if you didn't have a close relationship with them. And to be transparent, it takes a lot of time and effort to produce intentionally productive relationships like that.

Lenox Powell: What are some of the things you do to make that happen, to build and nurture those partnerships?

Josh Lapidus: With my top 25 partners, I will have monthly calls with them. I go to a lot of industry events, so face-to-face meetings, dinners, drinks. And one of the fringe benefits at working at a large company is they're happy to meet at our office as well. So putting in the time is number one.

Number two is, don't just care about your world, your campaign measurement for success and what's on your plate, but look at the this as a true partnership. What can you do to make your counterpart look good? What can you do to drive success for the third party you're working with to grow the relationship and add benefit to them as well? I think that's crucial in managing and growing strategic partnerships.

Lenox Powell: Yeah, I love that you explained it like that because that is really where all partnership types are going. It's got to be mutually beneficial. It's got to be a win-win for both, as you said. Because partners, anyone, any company, any individual that could be considered a partner, a performance partner, it's their own business. It's their own brand. It's their own entity. And there's many, many, many different types of partners and they are being much more selective on the types of brands that they want to partner with.

Josh Lapidus: Exactly, and these publishers are getting smarter, more data driven and they want a partner that's willing to be flexible, try new things. And understand now that everything you do is going to be a home run and drive tens of million dollars of sales or the KPI you're looking for.

And I honestly think with good partners, you can learn more in failure and the optimization that comes next than a partner that you only crush it with because that's easy. To me, I lean in when a partner is willing to test new things, try new things and is not afraid to fail forward because we have that basis of trust, open communication and spirit of partnership. We're learning together and growing together. And that's really the exciting opportunities a lot of these publishers are looking at is what's next and how do we test and scale net new ways of either targeting customers, messaging our audience or just running campaigns with the advertisers. So there's an advantage to your point to be a company that's willing to try things and also willing to be reasonable when it comes to results on something that's net new for both parties.

Lenox Powell: Exactly. And I would love to talk with you more, to unpack that a bit about some of these new parties, these new types of partnerships. Some refer to them as

you know out-of-the-box partnerships or nontraditional affiliate type of partnerships, which is kind of a mouthful. But the point is when we are talking about these new, out-of-the-box performance partnerships, for the most part, people are kind of bucketing them or brands are bucketing them into nontraditional, non-coupon, non-deal, even non-loyalty, but I would argue that there are many "loyalty partners" that are very new and they're doing all kinds of cool things.

But for this conversation, let's talk about some of those out of the box partnerships. And for you, from your perspective, how do you define these out-of-the-box performance partners? What does that mean or look like to you? How would you kind of describe them to someone who's very familiar with traditional affiliate type of partners?

Josh Lapidus:

I would say it's going to vary greatly based on your organization and what they view as falling under the purview of the partnership or affiliate team. So to me, an out-of-the-box partnership is a partnership that when not historically run in the affiliate channel. And the partnership that I need internal alignment on with my social, PR, display teams so they can feel comfortable with me running something that may have fallen under their team's responsibility and find alignment with my internal teams that there is a benefit to them whether it be day though; whether there it be key learnings; whether it be if I prove out the model, they can scale it rapidly. You'll need internal approvals, in my mind, if it's a true out-of-the-box partnership. That's on the internal side of things.

Externally, a out-of-the-box partnership to me is one where we're trying something new. One that comes to mind is Meredith. They are a large media company with great properties like Time, Better Homes and Gardens, Martha Stewart Living. And what we did with them is leverage a campaign that we were already doing in experiential marketing with a Real Simple Home and then create lower funnel content to not only drive awareness but convert that awareness of dollars for the Home Depot. So historically speaking, those two things would be totally separate, but we leveraged their cross-functional teams at Meredith and our teams to have a full funnel campaign around that event.

Lenox Powell:

I love that example because that's something that some brands have not even begun to tap into. We see it all the time. There's so much potential with those types of, what we consider mass media type of partners. There's so many names for them, right? There's partners, there's affiliates, there's mass media partners, there's publishers. So getting the semantics down can be a little confusing, but yes, that's such a good example.

And what are some tips you'd give to say cultivating relationships with those types of out-of-the-box partners? As you said, they might fall under the purview of another division within your company, how do you identify them? What have you done to say, "Oh, this particular type of partnership type is traditionally falling under our PR team or our social team," or what have you. So how do you

kind of identify them and go, "Hmm. Wow, that'd be perfect on a performance basis."

Josh Lapidus: The first step, I think, is identifying partners that are open to trying new things. An example of this that we've seen some success with is Acuity, as a traditionally it is a programmatic display partner and programmatic video. Because they weren't currently working with a Home Depot in that capacity, there was an eagerness to test and kind of prove the value they could bring within the organization and we were able to run programmatic display, not measuring success on a CPM, which is standard in the industry, but based on our own internal KPIs.

The point is that the example is to tell you, you need to find a partner that's willing to test things and wants to kind of show the value within your organization beyond the way they would normally work with an advertiser. There's no easy way to identify that. You can't look at a company say, "Yeah, they're going to be kind of innovative and flexible." It's having conversations. I think my sales background really comes in handy with, you're going to hear more no's than you are guesses when you're pitching something new. So it's having patience and perseverance to pitch and really advocate for a new partnership test or type, both internally and externally.

Lenox Powell: That's good insight. The testing element, it's not, "Oh, you're going to go into this partnership and it's you're committed long-term." It's, "No. Hey, let's test this out. Let's tweak it. Let's see if it works for you." But it sounds like also in order to get that potential partner, that performance partner to agree to that is they have to understand what's also in it for them. So I'm guessing some of these partnership types are used to upfront, flat fee type of compensation. Where in a performance model, they're getting compensated based on their actual performance, the results they are driving. So I'm sure that that takes some education for that particular partner.

Josh Lapidus: And a leap of faith, right? So you're asking them to try something new. The results, there's no way for either of you to model that out. But if you go into it with the spirit of partnership, say, "Hey, let's test this. Let's see if these kind of performance or hybrid terms work better for you or ideally are more profitable for you, and drive the KPIs I care about for me, so it's a mutual win-win." But you go into it with the spirit of partnership and both parties being okay if it fails. And you'd have to walk away and say, "Well, we tried it and it's not a fit at this point in time."

So again, it's not easily identifiable until you have a campaign going. And that's why I put such an emphasis on building strong partnerships and having trust and rapport with the companies you're working with. Because they're way more likely to test something new if they understand you're being transparent, and they can trust that the upside that you're presenting to them is real and not just puffery to get something out of them.

Lenox Powell: Absolutely. I mean this really sounds, how you've described it is just like a traditional business development type of partnership. But those kinds of partnerships tend to be massive, right? Huge brands partnering with other brands for a mutually beneficial outcome, but often maybe on a performance fee, maybe not.

But from these type of partnerships, they're like business development light, if you will. They're the smaller mid-size type of deals that a traditional business development team would be like, "Nah, too small for us." But man, they're ideal for that performance-based model.

Josh Lapidus: Exactly. And I think the important thing to call out is these type of partnerships, you'll need probably your business development team or other internal teams to approve. So it's positioning it as a test and learn opportunity. And if you understand those KPIs, you can try to find alignment with your internal teams of here's the benefit for you. Here's what these outcomes could look like and how you can use that data to hit your goals. Because I don't think there's any company anywhere where you go to a cross-functional team, say, "Hey, approve this for me just because I want it."

Lenox Powell: Right, right. Yeah. Well, and from your experience doing this firsthand, what are some of the challenges to working with these out-of-the-box partners? Is it, I guess, both the challenges both internally and externally because I imagine that they exist in both?

Josh Lapidus: Internally, it's why should we approve this and what's in it for us. Understanding that I'm not trying to become a programmatic or social channel, but I am trying to find a new partnership format or way of compensating these types of partners that would be more beneficial for our organization. And is it okay if I can test that out with your team so we can learn from this together? So it's influence without authority is a key skill you're going to need to sell these types of things internally, and finding alignment between their KPIs and the type of campaign you're trying to run.

Externally, I think the biggest challenge you're going to need is patience. You're not going to have the same kind of results out of the box that you're going to see with a deal or coupon site that has 18 million unique visitors per month and is really good at converting lower funnel intent. You have to look at the trend of how is performance trending over time or are optimization efforts working, and be able to be patient not only in your own mind with the results but preach patients with your internal teams. You're not going to knock it out of the ballpark to begin with, but if you make database decisions and communicate with your partners to try new things, that's the sweet spot. But it can be challenging for external partners when they don't see success or they're not making as much money as they would on their normal partnership terms for them to keep wanting to have skin in the game.

Lenox Powell: So even with those challenges, how do you convey that? What are some benefits to internal teams and to new partners to be willing to take the leap of faith and say, "Yeah, we're totally willing to test that out with this partner that typically falls under our social team or our PR team or our business development team." What's in it for them?

Josh Lapidus: So for external partners, if you have a new partnership format, and you could have, let's say, a social media company that typically only receives a budget from advertiser's social teams now has a way to work with affiliate teams, that's a big win for them, right? You just opened up a whole new market and have a proven business model they can then leverage with their other clients. So that's kind of, I think, the biggest benefit for your partners is giving them a new way to monetize their services.

Internally, I think it can be two-fold. One is providing that team with data that they might not have gotten just because they haven't worked with that partner yet or they don't have the internal resources or time to test something new out. So you're doing them a favor by saying, "Hey, I can get this data. I can kind of test this for you. And if it works, here you go, scale it rapidly." The other thing is for internal teams, if they have a KPI of bringing on net new partners but don't have the time, bandwidth or network to do so, you can help them hit those goals by presenting them with new opportunities.

Lenox Powell: What are you most excited about when it comes to these new, out-of-the-box type of partnerships in the next, I don't know, two years, three years, something like that?

Josh Lapidus: So I think the three most exciting things for these type of partnerships is personalization of offers. A lot of out-of-the-box partners are really leaning into segmenting an audience, reaching net new audiences for you and can be very granular on having different messaging or different offers for more important audience segments for your company. So that's one exciting thing.

The second thing is mobile, right? That's the key trending topic everybody's talking about. And I would say, even with some traditional affiliates like Ibotta, there is a focus on mobile and these nontraditional partners often have been working and optimizing the mobile space longer than a traditional coupon and deal site.

And the third most exciting thing is just the attitude change that I've noticed that these traditional media publishers are more open to trying new partnership formats and new compensation models. Because as we all know print and due to cable cutting, even traditional TV is becoming a more and more challenging business for your only source of revenue.

Lenox Powell: Absolutely. So Josh, before we close, any final thoughts or insights that you want to share to our listeners?

Josh Lapidus: I do have a thought-starter. I think that we need to all really consider as affiliate marketers is how do we get a seat at the table? What I mean by that is traditionally you'll have PR, social, display, search plan how they are going to have a consistent message at every stage of the consumer journey. In many organizations, affiliate is not at that table because it's seen as a tactic for a lower funnel conversion only and not part of the omnichannel approach. So we all need to think of what can we do day-to-day, week-to-week, year-to-year, to get a seat at that table to continue to grow this industry.

Lenox Powell: Josh, this is really good insights. Thank you very much for joining us on Outperform today, and I've really enjoyed talking with you and hearing your perspectives from working with different types of partners on a performance basis. And it's incredibly valuable insights for other brands but also for these potential performance partners to consider, so thank you so much.

Josh Lapidus: Well, thanks for your time as well. I really enjoyed our conversation and hoped it was kind of a thought-starter for whoever's listening.

Lenox Powell: To our listeners, thank you for listening to another Outperform Podcast episode. Until next time, keep outperforming.