Bob Glazer:

...and brands that had not cut their commissions or upped their commissions were seeing 100 to 200% growth rates on their platform. Publishers were really... they're nervous about the folks who were cutting and delaying, so they were just gravitating towards the people that were leaning in and that's an opportunity.

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 brands are doing to outperform, in their business and marketing partnerships.

Lenox Powell:

Hello and welcome to The Outperform Podcast. Something we reiterate to our clients time and again, is that a crucial element that sets the affiliate model apart from other marketing channels is it centers entirely around relationships. What's more is that many of these partner relationships can take years to establish. This is why it's been both surprising and disappointing to learn how some in the industry had chosen to go about treating some of their affiliate partners during this challenging time. Here to delve deeper into this issue and provide some context around it is Acceleration Partners, Founder and CEO, Bob Glaser and Michelle Morgan, Acceleration Partners, Director of Publisher Development. Michelle and Bob, welcome. Thanks for joining me today.

Bob Glazer:

Thanks Lenox.

Michelle Morgan:

Thanks Lenox. Happy to be here.

Lenox Powell:

Just to preface this for our listeners, you'll hear us use the terms publisher, affiliate and partner, and for the purposes of this discussion, these are all synonymous terms. So with that bit of housekeeping out of the way, Bob and Michelle, for our listeners who may be unfamiliar with what is going on, explain what you're seeing happen between brands, networks and affiliates.

Bob Glazer:

Yeah. So it might be helpful to step back initially and talk about how we got here and the relationships, how the money flows and then also what's happening now as changes hit the affiliate and partner world similar to everywhere else. But historically in the world of full service networks, 10 or 20 years ago the network partnered up with a retailer or a brand. It was a co-relationship that affiliate joined, or the partner or the publisher joined that program and they were to be paid by the network. The network was in charge of collecting the money from the retailer and paying them and their contract was really with the network. And then the network had a contract with the brand, but [inaudible 00:02:34] them were paid by the network and there was a pretty good transaction fee in that.

Bob Glazer:

And I think historically networks had different payment processes and we'll talk about that, different payment policies and different ways that they did it. But most of them paid you the same day every month or commissions locked. One of the things that's changed is that there's an increase use of SAS technology these days where brands license the software. And so it's like they're renting the software and it still does the payout in the mechanism, but it's their program and they run it on their terms. So, that's also changed a little bit of the dynamic. You're dealing really more directly with a brand. And I think a lot of affiliate partners don't understand the differences, some of the risks out there between the different platforms and programs and when they'll get paid and how they'll get paid. And they take it at face value and whose responsibility it is.

Bob Glazer:

But one of the things that's unique about partner marketing and affiliate marketing is that people do all of this work on spec, they don't get paid anything, and then they drive a commission. And then to have some risk of not being paid or paying on time is after taking all of that risk upfront, it's tough and it's a tough message. So this is always been a little bit of a difficult issue. And I'm not sure publishers understand it until they have a problem with it, and I know we'll get into this more, but it's becoming a little more prescient now in a little bit of a economic stress environment. And I'm sure Michelle has been at this for a while too, so she seen some of this.

Michelle Morgan:

Yeah, for sure. And I think just to your point, because of some of the differences, especially across the multiple networks and platforms that are out there today, it's so important for publishers to do their due diligence when signing up for a new network and partnering with a new advertiser and just really keep informed because they should be reviewing the agreements or the terms and conditions that they're accepting upon joining a network or platform. And [inaudible 00:04:33] can change and they're all different, varied by the advertiser, varying by the platform or the network. So it's important for them to stay informed because this affects them and it's their livelihood. And the networks and the advertisers may not be as proactive as they should be. So it's really on the publisher to look out for themselves.

Lenox Powell:

That's a really helpful overview. So looking at this discussion topic through that lens, what are you seeing happen between these groups?

Bob Glazer:

Yeah, so we have some economic shocks right now. Stores closed, people conserving money, lot of finance departments at companies not understanding what this channel is or how the partners worked or what they did. So there's just a lot of changes now probably as much as I've ever seen as being in this industry. I'm sure it's similar for Michelle. You have people changing commissions daily. You have them lowering them, much more cases than raising them, to people that are already seeing a lot of traffic. You also have them changing the payment terms saying, "Hey, we go from 30 days to 60 days or 90 days or 120 days." So they're just pushing all of this out. But they're getting all this traffic and volume and sales in the current timeframe. So this is definitely concerning publishers and stressing them out a little bit.

Bob Glazer:

I think some of them are worried whether this leads to them not getting paid. And as most of you'll said, they're probably going in and reading some stuff they haven't read before. They're worried about, do they have a contract with this brand? What happens if the retailer goes bankrupt, are they're going to get paid? I mean there's your mom-and-pop blogger who might do a couple hundred dollars, but there's publishers out there that do hundreds of thousands of dollars a day with some of these brands and they're public companies. And this is no different than a contract you have, all right, "We're going to ship you some goods and then you're going to pay me for them." So there's a lot of changes going on. And if CGI changed a long standing payment policy and this week that's been around for a while where they would always fund on the same day and I'm sure they're getting pressure from merchants to pay their bills a little later.

Bob Glazer:

I mean everyone's tactic is delay and that stress is hitting the system and I really believe that the platforms and networks need to step up here. I know it's a delicate balance because they have different stakeholders here and it's not up to them of when they pay or whatever, but if they are the gateway, if they're the contracting partner responsibility, I think there needs to be more transparency. If people are paying late, if they're not meeting their contracts, the whole scalability of this channel is like, if that's going on then the other people in the program should be warned because it's a huge advantage of this channel. It's the scalability and the synergy and the connectedness. I really do believe there should be a lot more transparency and accountability even if the networks or platforms, it's not their decision when and how they pay their partners.

Michelle Morgan:

Right. And I feel like I'm on my side just in communication that my team and that I've personally had with publishers is the lack of communication or the lack of proper communication, I would say. So we find that there's been very little communication that's been had between the platforms, and networks and the advertiser to the publishers and their programs. So not only is there little communication, but the communications that are going out aren't very descriptive. They're not very informative. And really in terms of best practices now more than ever, it's so important to communicate with empathy and respect to your partners, because brands have to remember that the work that the publishers are doing is for your brand and it's their business and they're the ones that are losing out if they're not getting paid. So really it's important to give as much detail as possible when you're communicating with them and when possible explain the why behind the decisions that are being made. Now more than ever I really think that the bottom line is just to be a good partner.

Bob Glazer:

Yeah. And just one follow up. We were talking on a separate webinar this morning about same subject, about communicating about changes to the program and just not being curt. We were saying sending an email to a partner and saying, "Hey, we've changed our commissions to zero and please it within two hours and thanks." That's like laying someone off in a one line email and not sitting down and saying, "Here's what's going on in our organization. Here's what we need to do." Again, this is almost like someone's salary. It's like a pay cut. Can you imagine sending a note to your employees saying, "Hey Michelle, we've cut your salary 50% overnight. We're not going to pay you biweekly anymore. We're going to pay you bimonthly, every two months." Not even thanks, but just end with that. I mean you just wouldn't do that. It's not right. But this is the analogy of what's going on right now.

Michelle Morgan:

Right. And I think too, even beyond that, just thinking about a publisher, you have to think about their customers as well. So not only are consumers going to their websites to shop and to discover content and learn about brands, but you also have publishers within the loyalty space that are actually paying cash back, or points, or something to those consumers that are loyal to those websites and are expecting something and they also need time to properly communicate those changes to their consumers. Otherwise, it's a bad user experience. Those consumers then have a bad experience with not only that website but also with your brand as well.

Lenox Powell:

Yeah. Michelle, you wrote a really good blog post about this recently. So we'll be sure to include that in the show notes for this episode, so that people can actually read about examples, good and bad of what brands are doing to communicate with their affiliate partners at this time. And I think we talk a lot about the benefit of the affiliate model, right? It's pay on performance, after the fact. You get the results, then you pay for it. But hearing both of you talk about this, it seems like some of the industry players are taking that to such an extreme that it's a one sided.

Bob Glazer:

You pay for it eventually.

Lenox Powell:

Yeah, exactly. You pay for it eventually or it's this mentality of, "Oh, we'll still get these results. But yeah, they understand at this time. Right now everybody is just crazy and we're not really able to pay him or her." It's transactional as opposed to, "These are our marketing partners. They've been our partners for years and years and years. They're our business partners. Why in the world would you treat them like that?" So yeah, it's really a shame. And you've mentioned this, both of you have touched on this a little bit, but where do affiliate networks and software as a service, platforms, where do they fit into all this? What's their role in what you're seeing present day?

Bob Glazer:

Well, they fit in differently and I think it's important to understand. So, one of the things when networks were paid a lot more money 10 years ago, maybe 20, 30% I think, they had different payment policies or they would pay the publishers and then money would come in. In some cases they would either cover the float or they would make them be prepaid because it was like a bank in some ways. They were getting paid enough money where they could take some of the risk and float that differential to keep publishers paid on a regular amount. That's changed. Prices come down a lot. I can understand why they say, "Look, I'm not going to pay publishers until I get paid." But I think it's really important for people to understand that the SAS providers and the networks have very different payment policies.

Bob Glazer:

There are some networks out there that just pay the publishers whenever they get that bill and that bill might be four months late, it might be five months late and they might actually know that that company's in trouble or not paying and there's a whole another moral aspect of this of, at what point do they stop sending the traffic or what point did they go to the brand and say, "Look, we're going to let the publishers know that there could be a payment risk here." One network that's handled this really well is

Awin. They've really gone into the transparency that they give a credit rating system for publishers to see if merchants, do they pay on time, are they funded, is it red, is it green? Networks like ShareASale and Commission Junction have historically required that people fund their accounts.

Bob Glazer:

It's like escrow. They say, "Look, you're asking these people to work on spec. You've got to keep money in here to pay them because they did this on a transactional basis." Now you see people, I think the CJ change is a little bit moving away from that. I think again, they're getting downhill pressure from their clients saying, "Hey, cash matters and we don't want to fund it," but all of this just really puts more risk on the publishers. Also, for me it's a question whether SAS providers too, there's an insertion order, there's a contract, the SAS platform is not on the hook for paying the money, but I do think they could probably do a lot more under this, Oh hey, the contract is past due. The due date was X and then you just didn't pay it well."

Bob Glazer:

Well what is the recourse for that? Is there an interest rate, is there a warning that goes out? And I haven't read the details to know this, but in this new world it's very unclear whose responsibility that is. I know people have gone to court and sued over these things. I mean they're contracts, but again, why should you be able to just pay a bill late or break the contract without any recourse? To me there should be interest or there should be a red light or you should be flagged as a late payer in the system so that other people who want to work with you would know that.

Lenox Powell:

Okay, so we've talked big picture. Let's talk about present day, but also longterm. Why is this also problematic? If you were sitting down in front of a brand, if you were sitting down in front of an affiliate network or a SAS platform, what would you be communicating to them about why this is such a big deal and why they should be rethinking their approach to all this?

Bob Glazer:

Yeah, I think it goes to something that we talked about earlier, which is we really put this channel out there as efficient and pay for performance and pay for your marketing dollars after you have the sale and all the things that people like. I really do think this is a risk because at the same time, where other channels are under pressure and people are coming in, I think keeping the money flowing and people for that performance and paying them on time is really important. It's important for the industry. It's also important for each program and the brand of that program. I mean there's only so much risk you can ask a publisher to take on to send you the sale on spec, then, not get paid for five months. I mean, they're just going to find other partners or they're just going to say, "You know what, This channel is not worth it. People don't pay," and that's just not the type of reputation that we want for the industry.

Bob Glazer:

I think it goes against what the industry stands for. It also hurts a lot of small businesses. A lot of these publishers are small and innovative businesses. They depend on this for their income and they're being stretched out by really big companies that have access to credit and stuff that they don't have. I don't think any of us would like to get paid months later for work that we delivered. It's like being a salesperson paid on commission only and then they just don't pay you commission for a long time. So I think this crisis will actually be one of the best opportunities for performance marketing coming out of this. I mean people are really going to be locked in on results but I just think we need to up that trust and transparency factor around. We have all these tools and software and great things that are supposed to keep everyone honest and track it and pay them and I think we want to be careful about risking the integrity of that or people will go elsewhere.

Michelle Morgan:

Beyond that, even if there are short term or quarterly changes that are happening for brands during this time, when we all get through this and brands start opening up their programs again, publishers are going to remember how they were treated, who was paying them, what the communication was like. And you really can't expect publishers to put in their time and effort and not get paid. They're just going to stop promoting you. Or we also have a lot of publishers that can do conquesting or will promote competitors on your store page. So, if you have a consumer that's going to a publisher site and they're looking for your brand and that publisher is no longer working with you, that consumer won't find your brand, they're going to find your competitor and they're going to shop through that competitor instead because that's who's visible on the site. So there goes that relationship with the publisher and there goes your relationship with that consumer as well and you're losing on that transaction and that lifetime value of a consumer and the partner as well.

Bob Glazer:

Yeah, I think as Michelle said, I think they're going to be long memories coming out of this for how people were treated. And again, I think you should treat people well in a model that where you are partners and where you have risk sharing and really focus on the longterm and the short term. Some people are actually leaning into it. They're also using faster payments as incentive. So if you don't want to pay higher commissions, then maybe everyone understands, you say to partners, "Hey, we're actually paying faster, so we're lowering commissions, but we're paying faster." And maybe that's what those publishers need right now. Right? They need some cash. I was talking to a person who leads BrandCycle company that we partner with and they were sharing that brands who had not cut their commissions, they have a bunch of affiliates, like a couple hundred who work on their platform.

Bob Glazer:

So they have pretty good representative of which programs people want to work with and brands that had not cut their commissions or upped their commissions were seeing 100-200% growth rates on their platform. Publishers were really... they're nervous about the folks who were cutting and delaying. So they were just gravitating towards the people that were leaning in. And that's an opportunity when everyone's doing one thing, maybe you do the other, maybe you say, "Hey, we're not paying you faster and instead of raising your commission or instead of cutting it, trying to do something to keep those partners closer." Because what's going to happen is, as Michelle alluded to is, we're going to come out of this. People are actually are going to realize there's even more interest in this model.

Bob Glazer:

You got more businesses going online, every restaurant, all this stuff, more interest in paying for performance as they're turning off these other channels and conferences and things that they never knew if they worked and now they're realizing they probably didn't work that well and publishers are going to have choices and they are going to remember the programs that strung them out and left them high and dry or even if they didn't communicate. One thing we didn't talk about is and I know Michelle has heard this, I've heard this complaint, people are just missing their payment dates. It's like not paying your invoice and they're just ignoring it and they're hoping that people don't notice that they're not paying people. And I can tell you that people are [inaudible 00:19:12] that they're not getting paid.

Lenox Powell:

What recommendations or advice do you both have for brands and affiliate technology partners related to all this? What is your kind of main takeaway here?

Michelle Morgan:

There's a couple of different things. I think a part of it is that publishers don't often have insight and transparency into the actual payment terms that a brand may have with a network or the platform. So there could be a brand who's even on net terms and the publisher isn't aware of that. So once a transaction locks for them, they may not realize that there is still X amount of time after that for them to actually get paid. And this is all beyond even just looking at the delayed payments issue. I just think we're lacking transparency in general as it relates to how often brands are paying the networks and therefore paying out the publishers. I mean Bob mentioned Awin and how they show credit ratings and additional information like that which is very helpful for a publisher and I think would lead a publisher to be more likely to work with that advertiser if they have insight into their terms and how often they're paying and if they're not actually paying their bills.

Michelle Morgan:

And then beyond that, I think that there does need to be a course of action that's taken after so long. So how far do we actually let it go for a brand not to be paying their bills before the program has shut off or before publishers are spoken to about stopping sending traffic to the advertiser's website? Those are the two main points I think that come to mind for me.

Bob Glazer:

Yeah, I'd reiterate some of what Michelle said and we said earlier, I just think we need more standards, as much transparency as possible, like really simple UI and language in these platforms. So transaction locks on March 1st. Brand has 60 days to fund, then you get paid on this day. Almost like when you sign a mortgage and there's a hundred pages, there's that consumer disclosure, one page that makes it really simple. I think as much transparency about when you get paid. I love this notion of the credit rating, that Awin's doing, payment history. I think that's really important in terms of being transparent and letting other people know what they're getting into because the data is there. But I also think there needs to be some accountability. I don't know whether it's a finance charge built into agreement or something like that that we would have or other people have with the clients saying, "Look, we're not your bank and if you want to borrow money from us, then there's a late fee to pay in that."

Bob Glazer:

And then finally, it's a really important point and I just think people need to come out with a stance on this. If the brand is not paying the platform or otherwise, at some point I do think they have a duty to cut off the traffic or go to the publishers and say, "At this point we in good conscious, don't think you should get to need to send traffic because it's like you're buying from the store and you haven't paid your bill." So I do think that at some point there should be a redirection or something, or taking away the traffic. There are a lot of [inaudible 00:22:06] out there. There are things that are automated, there are things that people can't find on their site, but they shouldn't continue to benefit if they're not holding up their end of the bargain.

Lenox Powell:

Well, I think those takeaways are a great place for us to wrap things up. Thank you, Michelle and Bob for taking the time to talk about this really important topic today.

Bob Glazer:

Thanks Lenox.

Lenox Powell:

To our Outperform Podcast listeners, we will include some related content around this topic in the show notes for this episode, and you'll find this episode on the Acceleration Partners website, www.accelerationpartners.com. Until next time, thank you for listening and keep outperforming.