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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. In this time of economic uncertainty, we are seeing some dynamics unfold between affiliates, the brands they promote and the platforms who track performance and administer payments to those affiliates. For example, we recently published a podcast episode that delved into how some brands and platforms are abruptly changing how, if and when they pay their affiliate partners, and why that's likely to have long-term impacts on their business. In addition to that, we're seeing another rather precarious issue unfold related to affiliates, specifically Amazon Associates who are enthusiastically attempting to join brands' affiliate programs at this time. Here to discuss this with me is Bob Glazer, the founder and CEO of Acceleration Partners, and Scott Ginsburg, Vice President of Client Development at BrandCycle. Scott and Bob, welcome. Thanks for joining me today.

Bob Glazer:

Thanks, Lenox.

Scott Ginsberg:

Thank you.

Lenox Powell:

Scott, most listeners of this podcast are pretty familiar with Bob as the CEO of Acceleration Partners and from his writing and from his Friday Forwards and from his Elevate podcast, but they may not be as familiar with who you are and what you do. So, I'd love to take a moment for you to introduce yourself and perhaps tell us a bit more about your background and what you do at BrandCycle.

Scott Ginsberg:

So, I've been in the affiliate space for over 15 years now. Prior to BrandCycle, I was vice president of publisher development at the Commission Junction, or CJ Affiliate. In that role, I was responsible for growing and managing all of the top affiliates in the industry. So, a few years back, I had helped to launch BrandCycle and was paying attention to their rapid rise in our network, had some conversations about some potential and in 2018 ended up joining the team full time. And in my responsibility within BrandCycle, handling all of the publisher relationships. And in the last few years we've grown brands like Penske Media, Point Sky, Future, as well as AARP. So, it's been great continuing to work with publishers in this capacity.

Lenox Powell:

Great. And for those who are also unfamiliar with BrandCycle, we recently published a blog post and it is titled A Message to CMOs, How You Treat Your Affiliate Partners Will Have Long-term Repercussions, and that blog post takes a deeper dive into BrandCycle and their sub affiliate network business model. And so, for anybody who'd like to know more about BrandCycle, we'll include that blog post in the show notes. Before we dive into what you both are saying with Amazon Associates, I think it will be helpful to provide some context around all this, who are Amazon associates and what makes them unique? So, Bob, I'll kind of pivot that over to you.

Bob Glazer:

Sure, yeah. So, associates is just Amazon's word for affiliate, I guess, or publisher. And the program has probably existed for almost 20 years and was, if not the first, one of the first retail programs to sort of have that affiliate model of kind of building up a network of publishing partners, paying commission. What's a little different about the Amazon program is that they're the retailer and the sort of network and the platform all in one. So, they built their own program and it is an Amazon ecosystem of their own. I've heard actually, they're probably over 1 million different members at this point, and even that the Amazon Associates program was even the Genesis of sort of the cloud initially at Amazon, where they would have this kind of demand spikes all over the world in different places and they needed to be able to handle that. And was one of the reasons they started building the cloud. I haven't fully verified that, but I heard it from a few people.

Bob Glazer:

And Amazon Associates are pretty loyal, a lot are actually exclusive to Amazon for years and years, and it's kind of been a thorn in other brands sides because the Amazon affiliate program is easy to use. They have Amazon Prime, people are comfortable buying from Amazon and they have a really wide catalog. As an example, let's say Levi's is trying to get a jeans review site to be a partner and they reach out. This may not be the best example, I mean it really works better if there are more products.

Bob Glazer:

But let's just say it's a review site and they have a jeans page and Levi's reaches out and offers 8% to link to those jeans on the Levi site. A lot of times the publisher would say, "You know what? I'm getting 6% from Amazon, but I use them for my electronics and my home goods and all this stuff. So, it's just much easier for me to work with one partner than another. So, even though you're paying a little more, I'd rather work with them." So, that's been a thorn in a lot of other programs side in a while. It's been really hard to break into the Amazon publisher ecosystem.

Scott Ginsberg:

Absolutely. And I feel that also pubs have built their entire performance marketing strategy on Amazon. And prior to this, I think one thing, even back to the Levi's example is what Amazon was known for, they wouldn't just compensate for what you purchase, they'd give the affiliate credit for the whole basket. So, if someone went to that review, bought a pair of Levi's, they could also get credit for that shirt, the shoes, even if it didn't have anything to do with the person that sent them over. So, I know publishers would say it was either three or four times larger at times than what the original consumer intended, they would get credit for. So, between the economics and then also just the functionality. Obviously, with 50% of the population having Prime and having such an easy one click checkout process when

mobile first took off, Amazon took advantage because it just made it so much easier to convert consumers and allow them to still purchase natively on their phone and pretty seamlessly as well.

Lenox Powell:

So, I think it's fair to say that most of these Amazon Associates were all in on Amazon for years. I mean, it was like this great relationship and we'll refer to this as kind of the pre Covid-19 partnership. What's happened recently to change that?

Bob Glazer:

A couple of things, but one thing at a high level, and this is true for all businesses. Having your eggs in one basket works when it works and then obviously I think the underbelly of that strategy is seeing when it doesn't work. And right now Amazon is just seeing huge demand for essentials. They are in the US, and maybe other parts of the world, kind of keeping the economy moving in terms of people getting the stuff they need for home and food, and it's forcing them to kind of deprioritize other products in their warehouse, like things that are more discretionary, and books. And understandably as they just try to get people stuff that they need and they're sort of probably experiencing kind of record inbound demand. And so this is similar to what other companies I've seen with inbound demand.

Bob Glazer:

A month ago some notes went out to pretty big publishers who are exclusive to Amazon and do huge volume with them, kind of asking them to pull back and stop sending traffic. And I think that put a lot of scare into people, they didn't know what that meant. They didn't know how that was going to impact them. And there were a lot of frantic calls. Again, Amazon tends to operate a little more with technology than account managers or relationship managers. And then a few weeks later, I think last week, Amazon announced some pretty significant commission changes that actually went into effect yesterday, in a lot of categories taking the commissions down 50% to 75%. So, for a lot of the people, particularly one that are exclusive to Amazon and the publishers who built their business around it, this is kind of like a massive pay cut of their business and totally upending the economics of their business. Now it's sending all these partners and publishers into the market looking for other options. I think Scott and his team are on the receiving end of that and can explain what that looks like.

Scott Ginsberg:

Yeah, we've seen over a 300% increase of new applications in the last week alone. What we've seen is these associates that have built their businesses are now looking for new brands to partner with and how to finally diversify those revenue streams. So, that makes our solution very attractive where we already have relationships with over 400 partners. So, what we're doing is we're working with the partners to create new offers, to create new opportunities, to help them.

Scott Ginsberg:

And what we're also seeing is that because their back ends are built on Amazon, all the links, all the APIs, all the technology, what they're forced to do is figure out not only how to diversify, but also how to learn where all these programs are. How to get the right links, how to get the right code to make it seamless for their consumers, which is not easy. So, they're scrambling. Really, it's an opportunity to figure out how to promote new merchants. A great example is a brand like Chewy, the pet category's decreased over 60% and what we've seen is a brand like Chewy is going out, being aggressive, trying to find some of those pet focused publishers that have done a lot with Amazon Associates to take over that

business and reap the benefits of getting those new to file consumers that are no longer as attracted to Amazon.

Lenox Powell:

So, Amazon made these decisions, decisions that have been pretty disruptive to the associates or affiliates within their program and now they're looking for new homes. I would imagine that brands are pretty overjoyed by this and are just laying out the red carpet and welcoming them, right?

Bob Glazer:

You would think, and that's what we would have expected, and calling clients and brands and saying, "Hey, here are Amazon's biggest publishers coming to your front door." But actually it's highlighted some of the issues that we have talked about in the affiliate channel in the last couple of weeks and how people think about budgeting. So, I would agree that brands should be rolling out the red carpet, but what's happening is some of them are already seeing really high growth in their online businesses and because they operate on these sort of traditional fixed budgets, they're saying that they're over budget and they can't kind of accommodate more revenue.

Bob Glazer:

Which obviously, having a budget really in affiliate marketing does not make sense if you're operating on an ROI basis, on a percentage basis. It's really unbelievably maddening because there's not a good rationale to do this. They've been talking for years about how Amazon's been eating their lunch and wanting to compete and this is that once in a decade opportunity and it's like people are saying... It's like there's been a gold rush going on for a while and you've been complaining that the other person has all the gold and then suddenly people are bringing the gold to you and you're saying, "No, my wagons are full of gold. We don't want anymore." Again, after complaining that the other gold company's been putting you out of business for 10 years. That's kind of the craziness of the situation.

Scott Ginsberg:

Yeah. Which, it is frustrating, right? Because for the last 10 years we've had brands always say, "Hey, you have that traffic going at Amazon. Is there an opportunity?" So, we've expected by now more to step up. Certainly, sensitive to everything happening, what we're all hoping for is more brands would see it as a long-term opportunity. How do we finally take on some of that traffic? How do we finally compete with Amazon? Because at the end of the day, consumer behavior isn't going to change because of this decision. People are still going to use Prime, they're still going to shop through Amazon, but it's an opportunity for brands to step up and say, "Hey..."

Scott Ginsberg:

Like back to Chewy in the pet category, we've got the better pricing, we have the better option. So, what we're seeing is those brands that value the opportunity, they're looking at it as a huge opportunity to take over and earn those consumers for the long-term. And what we hope is that more brands start to see that. Clearly, they have to deal with logistics, they have to deal with all the things happening, but we're really working with them to take advantage and set themselves up for that long-term success.

Lenox Powell:

Wow. Well, that is really quite shocking, not to mention rather baffling. It sounds like it is from your perspective as well, obviously, but parting words, what would you like to make sure you say or you get

across to brands who might be thinking in this way? Who might be saying their wagons are full and don't want any more gold and turning away these Amazon Associates. What would you say to them?

Bob Glazer:

We're really trying to help people in the affiliate partner channel fly this up the flag a little bit, get the conversation with the CMO, get the conversation with the CFO. One thing this whole crisis has done is elevate the affiliate and partner channel I think in the conversation and say to them, "Look, I know that the mantra is we're out of budget, but you have lots of Amazon's biggest publishing partners, and we tell you the names of people, coming over asking to partner with your brand. Do you really want to say no to them during this time?"

Bob Glazer:

When we come out of this, this is a huge opportunity and some of these people they're going to go back. Maybe if the rates change, maybe the rates don't change, but I think they're all going to want to be more diversified, and I think it's really important that they understand that just because... Let's go back to the Levi's example. Just because they have bought Levi's before, if the customer had only bought Levi's from Amazon and the customer now buys Levi's from Levi's, they become a registered known customer at Levi's. They go into their CRM channel. So, the opportunity to really acquire customers who already like your brand but have not been buying that product from you is just one that should not be overlooked.

Bob Glazer:

I think actually coming out of this, you could really win market share. And I think, look, it's hard for people to compete against Amazon for search. It's hard for people to compete against Amazon for paid media. They're just more money and better. But in the partnership affiliate ecosystem, this could really be the place where brands could fight their battles. So, I just would be rolling out the red carpet for these Amazon Associates and welcome them to your program and giving them VIP commissions and encouraging them to stay.

Scott Ginsberg:

Yeah, and I'd add with that, that this will eventually end and the world will get back to some sort of normalcy. And publishers don't forget, I think, when times are tough, they're going to remember like, "Oh, first Amazon slashed some of their biggest partners, then they moved commission." We all understand that brands have to take certain actions, but these are partners. They're not just publishers that you can plug and play. So, I think they will remember, and I think those brands that embrace the opportunity and really work to offset that revenue loss and help them, will be able to not only in the short term but also become long-term partners for these key brands.

Lenox Powell:

So, you touched on this a little bit, but what are some additional opportunities here that brands are missing out on by turning away these Amazon Associates? Especially with regard to growing their business with new long-term customers.

Bob Glazer:

Yeah, I mean, I did touch on this, but I just want to make sure, maybe a little more explicit, in that the opportunity is really two fold. One, it's a channel partner. Someone who can drive business to you. But

two, it is new to file customers. And a lot of these brands, again, the customer knows their product, they've just never bought it directly from the brand. So, the customer doesn't have their email, it doesn't have their buying behavior, it doesn't have all the things that it would love to use for marketing. I mean, both of those are really great opportunities. Getting a partner who's sending you a lot more traffic, but also acquiring these customers directly. I'm not sure a lot of businesses are thinking about what that's worth and that they have bought from Amazon for convenience, but if these partners are able to drive them to their direct store for the first time, that their economics are probably better and they get to own that relationship.

Lenox Powell:

This is some valuable wisdom. I certainly hope that brands who may be turning these affiliates away from their programs will reconsider that decision and see the long-term value of welcoming them in, just like you have laid out. Bob and Scott, thank you both so much for taking the time to talk about this important topic with me today.

Bob Glazer:

Thanks, Lenox.

Scott Ginsberg:

Thank you for your time.

Lenox Powell:

To our listeners, links related to the resources that were mentioned in this episode will be included in the show notes. As always, thank you for tuning in and until next time, keep outperforming.