

Weekly Insight - October 6, 2006

**Announcer:** You are listening to the PartnerMaker's Weekly Insight with Jeff Molander, recorded October 6, 2006.

So how's everybody doing?

**Amanda Watlington:** Making it. It's Friday.

**Jeff Molander:** It's Friday. Pretty much.

Why don't we just go around real quick and for the benefit of everybody listening just kind of introduce yourself, where you're from and what you do for a living, that kind of thing, in a 15-second little elevator pitch. How does that sound? Amanda, let's start with you.

**Amanda:** OK. I'm Amanda Watlington. I'm the owner of Searching for Profit. I'm a search engine marketer.

**Jeff:** That's how you describe yourself? A search engine marketer?

**Amanda:** No, I do more than that, but that's the portion that people understand the best.

**Jeff:** Yeah, OK.

**Amanda:** I do a lot of stuff.

**Jeff:** Well, you're an author also, right, and you're published?

**Amanda:** Yes. Yes. I've written... believe it or not, and you may not know this Jeff, I've written multiple books. And done a lot of interesting things. I want to hear what other people have done.

**Jeff:** OK. How about, Lee, you want to go over to you? You landed at a new company called LeadPoint recently, right? That's a startup spun off of, well, not spun off of, but it's being started up by some ex-CJ people, is that right?

**Lee Gientke:** Exactly. My name is Lee Gientke. I'm one of the Business Development Managers at LeadPoint.com. Our Chief Technology Officer and a big core group of our tech guys are from CJ. Per Petterson is our CTO. We've got some great folks from LowerMyBills and Yahoo over here as well. Our CEO is Mark Diana, who was a third employee at LowerMyBills until he met Per Petterson and they decided that surely there's got to be a better way of doing lead generation than the way it's being done. And I think our growth certainly says something to that.

**Jeff:** Now you guys are more of a lead market place. Is that right?

**Lee:** Exactly. Think of like eBay in the NASDAQ except that we don't sell your grandmother's old shoes or shares of Apple. We sell leads and I think we're up to eight different verticals right now. Everything from typical mortgages all the way down to point-of-sale systems and credit card processing and terminal.

**Mike Payne:** Cool.

**Mike:** And, Lee, where are you located?

**Lee:** We're in Los Angeles in Whitesburg, actually. Brentwood.

**Mike:** Sunny LA.

**Lee:** Exactly...well, a little overcast today.

**Jeff:** Where are you originally from, Mike? I guess let's go to you next, and were you originally from the west coast?

**Mike:** No, actually I was from Detroit. Sunny Beachwood, right on 8-mile. 8-mile and Happy Street, not where Eminem did his movie.

**Lee:** Wasn't too happy...

**Mike:** What's that?

**Lee:** Didn't look too happy in Eminem's movie.

**Mike:** Right. I was about 10 miles west, on Happy Street and 8-mile.

**Lee:** OK.

**Mike:** So, my name is Mike Payne. I'm actually in Chicago now not far from Mr. Molander himself. I recently founded an outsource program management agency called PartnerPerform. We do affiliate program management and consulting. Also, beyond that, I also manage two programs, one for Zzounds.com and one for Samedaymusic, each of which have an in-house program and each of which is with a network as well. Zzounds being with Commission Junction as of two weeks ago and Samedaymusic being with Shareasale as of May.

**Jeff:** And you're saying in addition to each of those networks you have an in-house?

**Mike:** That's correct.

**Jeff:** So what's the difference? You've got your own technology then?

**Mike:** Right. Yeah. Zzounds has been in the affiliate marketing space since about 1989 and we built our own technology from the ground up and we re-launched in about March of 2003 with a big update.

**Jeff:** I imagine if we were at a conference there would be a bunch of hands going up asking Mike... Amanda, you've probably been in to enough conferences to know... People are always dying to know, why would you go to the network? Why did you go to the network? We had a guy stand up at a conference recently once and said, "You couldn't pay me enough to go to a network. Networks don't give you anything." It was kind of strange. Was that the panel that you and I were on, Amanda, recently?

**Amanda:** Oh. I've suppressed most of that.

**Jeff:** That was a little bit of controversy there.

**Amanda:** That was one of the strangest ones I think I've ever been on.

**Jeff:** OK, so now that we all know each other here, right? Let's see, we've hit everybody. Yeah. Unfortunately, Patrice was not able to be here, Patrice Colancecco-Milligan, Wayne Porter, Sam Harrelson, I also invited Sam. They're not able to be here, most of them because they are traveling, they are on a plane or something like that, which is not surprising. They get around, them there Internet-marketing people.

So, I think that some of you or one of you may have attended the BAAMC. Do you guys know what the BAAMC is, in terms of...it's the Bay Area Affiliate Marketers' something...group?

**Lee:** Yeah.

**Jeff:** They had a sixth annual dinner. Did anybody attend that?

**Lee:** No.

**Mike:** No.

**Amanda:** No.

**Jeff:** Nobody on the west coast on the call. We lost David Lewis and I forgot to mention him, he was invited as well.

**Lee:** David's out of Los Angeles as well. He's actually just down the street from us. Unfortunately, California is essentially two states, and getting up to the Bay Area from LA is a challenge so it's not like going to down-state Illinois or something like that.

**Jeff:** Yeah. We don't have anybody to report in on that one, but how about CJU? Anybody attend that?

**Lee:** Yeah. I went to that and I found the networking to be very good. It was nice to reconnect with some old people, but also found that the seminars were three-hour long advertisements for ValueClick and what they were doing and nothing overly earth-shattering.

**Amanda:** Oh, that's depressing.

**Lee:** Also, one of my take-aways from that was just how up-tight some of CJ's folks are. I know the Schaaf brothers put together a great affiliate dinner at a great bar in Santa Barbara and ValueClick had stationed one of their people by the shuttle buses to that party encouraging people not to attend.

**Jeff:** Was that going on at the same time?

**Lee:** Yes.

**Amanda:** Yipes.

**Mike:** Wow.

**Jeff:** Wow. That's...

**Lee:** ValueClick had one of their events going on at the same time and I thought it was kind of unfortunate that people had to play the spoiler.

**Amanda:** That's awful.

**Lee:** Yeah. I couldn't imagine having to be the person whose boss ordered me to go stand by the bus and be a pooper.

**Jeff:** Exactly. A pooper?

**Lee:** Yeah.

**Mike:** How much do defense men like that get paid?

**Lee:** I have no idea.

**Amanda:** Nowhere near enough!

**Lee:** Yeah, not enough, no kidding.

**Amanda:** I can promise you that that would cause me to give great thought to "why am I here?"

**Mike:** Right.

**Jeff:** I was not even aware that it was going on at the same time, concurrently. I knew it was the same week, but I didn't know it was conflicting. Was it conflicting with their party in the evening?

**Lee:** Yeah, it was a Sunday night reception. So the CJU started Sunday night and ran until Tuesday, and the Schaaf brothers set their affiliate dinner up on Sunday night, and it happened to coincide with the Buy.com reception.

**Jeff:** Interesting. And they're the people who sponsored the CJ event?

**Lee:** Yeah.

**Jeff:** OK.

**Mike:** Wow!

**Jeff:** So did you attend what I'm now calling the famous Shmuly dinner? I don't know if Amanda or anybody has read revenues or seen the video from this, but it's fairly horrifying.

**Mike:** I sure have!

[laughter]

**Lee:** I did not. I haven't seen the video, I guess.

**Jeff:** Well, happy birthday to Shmuly. What this podcast is trying to be about is what's happened in the last week, or in this case, since it's the pioneering podcast, we'll keep it to broader than that, the last two or three weeks, something like that. So happy birthday to Shmuly this week. I don't know how old he is now.

**Mike:** I believe he's 24. That's a shot in the dark, but I believe he's 24.

**Jeff:** I'm not even going to ask you how you know that, Mike!

[laughter]

**Amanda:** That's what I was wondering! [laughs]

**Jeff:** Hey, revenues, you know.

**Mike:** Oh, he and I exchanged a few emails a while back, and we're both young affiliate marketers, so we've got to stick together. So we've traded a few things.

**Amanda:** OK.

**Jeff:** So happy birthday to Shmuly, this week is, we think, 24. What else is going on out there, you guys? What's going on?

**Lee:** Leadpoint just launched their tax vertical, actually, which was very exciting for us.

**Jeff:** So you're selling tax leads?

**Lee:** Tax debt-settlement leads. Which is kind of an empty space in the affiliate marketing world...

**Amanda:** Say that again?

**Lee:** Tax debt-settlement leads.

**Amanda:** Boy, I bet you can't say that ten times fast!

[laughter]

**Lee:** Yeah, I've managed to bite through the mouthful as far as the product goes. But we're finding that a lot of our affiliates are really starting to take to it. The payouts are very high, \$25 to \$75 a lead, depending on somebody's amount of indebtedness to the IRS or their local tax board. And the competition out there is very weak; it tends to be a lot of attorneys and CPAs with personal home pages. So we're excited about that.

**Amanda:** Sounds like a good place to be.

**Lee:** Hey we're looking for a few good SEO/SEM guys.

**Amanda:** Ah! And just looking at it from an SEO/SEM point of view, if you've identified, as it were, a hole, a niche, you can quickly fill it. If it pays well, isn't that what affiliate marketing is all about?

**Lee:** Absolutely.

**Amanda:** So you're kind of an example of textbook "what should be done." Look for the exploitable hole.

**Lee:** Exactly. And that's been the Leadpoint model, is that we've expanded into niches that are existing, and to really challenge some of the existing players in there. And then also expand into other niches, like Spanish mortgage leads. I don't know if any of the other players in the mortgage lead business are doing that currently, but we are. We're doing stuff like tax-debt settlement as well, and we're doing point-of-sale and credit card terminals and processing. So those are all verticals that no affiliate is playing in, and it tends to be fairly desolate.

**Amanda:** But fertile!

**Lee:** But very fertile. Like for a Spanish mortgage lead, we're paying in excess of \$50 a lead. So habla espanol?

**Jeff:** As compared to what, in the English language?

**Lee:** The English-language ones are significantly higher. We're averaging about \$60 a lead, in English.

**Jeff:** Interesting.

**Lee:** But looking at "hipoteca," which is "mortgage" in Spanish -- I believe that the click-cost there is about 50 cents, and there were something like 7,000 searches done on that last month. I think that there needs to be a cry within the affiliate world that there's this big marketplace called the Hispanic market in the United States that nobody's catering to, and that there are some significant opportunities there. Because there are several million Hispanics in the country, who all have credit cards and are all willing and able and looking to buy things. But nobody's catering to them.

**Amanda:** It's interesting, because we just had in Search -- you know, when you talk about a events, it was just this summer, and unfortunately I didn't go to it, I didn't get a chance to go. It was the first -- I want to say Latino Search Conference, was held in Miami. The people who run Search Strategies actually were sponsoring the conference. And the person who put it together was Nacho Hernandez; he's down in San Diego.

**Jeff:** I know that name, yeah.

**Amanda:** And looking at that gigantic market that is, as you say, essentially very underserved.

**Lee:** Right. And we've been talking with Nacho about that, and just different quirks with it. Like right now, if you look for "hipoteca" or "prestamo," you get a lot of foreign sites because Google goes out and says, "Well, we can't fill the inventory in the United States, and so we're going to fill it outside."

**Amanda:** Right.

**Lee:** And there are millions of people out there who need just as much information about buying a home or some other service, or buying popcorn or whatever, online. And nobody's doing it.

**Amanda:** The part that intrigues me always about that market is that it is more online than people give it credit for. When you start looking at the demographics of the Hispanic market, the Hispanic market is indeed a heavy Internet user. The first time I realized that, I'll admit, what came as something of a surprise to me was what the demographics looked like in the market and they're remarkable for how neglected it is.

**Lee:** Exactly. I think it's a very young, hip market that's going to continue to grow in the United States so I think the affiliate community would do itself a giant service if it would step up and serve this market. Part of it means translating your site into Spanish, which is fairly easily accomplished and relatively inexpensive for the amount of ROI you can have on it.

**Amanda:** It also requires understanding a bit about the market. As in any market, the word market is all about understanding the buyer and what the buyer does and what differentiates a buyer from another buyer.

**Lee:** Exactly, exactly.

**Amanda:** I think that takes a fair amount of, I really want to say it's more than just savvy, it takes stepping out and getting into a different set of shoes, if you will.

**Lee:** Yes, exactly, exactly. I really encourage some of the listeners out there to take a look at this because there's some significant opportunities out there.

**Jeff:** You're speaking in particular to affiliates mostly?

**Lee:** Yes, as far as affiliates go and even merchants, for that matter, to take a look at the Hispanic market in the United States especially living in southern California. I see it all the time. We live in a multi-cultural society and there are a lot of people who live in a bi-cultural world despite living in the United States. To really service that niche, I think, will prove to be very profitable for people.

**Amanda:** As I say, take a look at it. It's got revenue potential. I think that's what we're all about. My business is for-profit. [laughter]

**Mike Payne:** By the way, I'm here everyone. I'm just building Spanish language sites while we speak. [laughter]

**Jeff:** Always the entrepreneur. I guess still on the subject of leads, MPORT AzooglesADS, a big CJ killer shut itself down. They shut it down. Did you guys hear about that?

**Lee:** Oh, no.

**Jeff:** They just threw in the hat not wanting to be an affiliate network they thought. I mean, it's essentially AzooglesAds already has a "CPA Network" so how do you distinguish a "Affiliate Network" from that CPA Network? Right? Lee, I mean you or Mike, if I can interrupt you. I know you're over there typing out HTML. How would you, I mean you've worked with Shareasale and I don't know if you've ever worked with a CPA Network, but how would you separate out a CPA Network from an Affiliate Network. They're the same thing, right?

**Mike:** Well, specifically, since I work in niche programs, it doesn't translate very well to CPA specifically. Our audience is kind of tough to find relatively on the web. Affiliates do a very good job of it but CPA Networks don't really seem to crack that as well. Right now none of my competitors are really touching CPA and it's something that I've glanced at but I haven't really approached.

CPA seems to me to be a little more based on offers than new products and we don't have something we can offer to a wide consumer audience. It has to be targeted specifically toward musicians and CPAs generally don't have the inventory to connect with musicians.

So that's my take and so basically I think an Affiliate Network in addition to a CPA Network could have some value because that wouldn't be focusing on an offer. It would be focusing on products.

**Jeff:** Yes, I'd agree with that. I got an email this afternoon. I wasn't sure if I was going to mention this but I think we've all got a pretty good sense of humor today. Did you guys ever get an email from NetTraction?

**Lee:** Oh yeah. I've probably got a good five or ten in my box now.

**Jeff:** Anyone get the one they sent out today? Amanda, have you ever heard of these guys?

**Amanda:** I didn't get the email.

**Jeff:** Wow, I can't believe, Amanda, you wouldn't be on the telephone and/or email list.

**Amanda:** I'll put just contact us please on it.

**Lee:** Fortunately when I left my old employer, I got off of their list.

**Jeff:** How did you manage to stay off? [laughter] What did you do, go into a cave? I mean these guys are everywhere. You have a theory?

**Lee:** I have a theory that you don't exist in Affiliate Marketing unless you've been spammed by NetTraction.

**Jeff:** You're right. Let me read you this email. It's short.

"Dear

**Jeff Molander:** Thank you for your support." I'm laughing already. "I've attached purchase orders for the service that we discussed." And there's an attachment. I'm not opening it, by the way. "Please sign and fax back to me at your earliest convenience upon receipt of the signed purchase orders. You'll be contacted shortly thereafter by your project manager requesting information that they will need from you to move forward with this. I look forward to working with you more closely in the future. All the best: Micky Wardell."

I never heard of her. I mean I know a couple of the names over at NetTraction that seem to stay around but, for Amanda and those who are fortunate enough never to have heard from these people, they will cold call you and spam you and write humorous ridiculous, I don't know how you want to term it, emails like the one I just read to you today. They'll do just about anything. What struck me was, I'm thinking Micky probably reports to someone who's like, "All right, let's see your pipeline report" and Micky's pipeline report looks great. It's like her or she, I'm not sure if it's a boy or a girl, but she's going, "Oh

yeah, I've got Jeff Molander ready to go. I've got the purchase order in his inbox."  
[laughter] So maybe she's getting taken out for steak dinners and stuff. So, Micky, way to go.

**Lee:** Have fun Micky. Enjoy the steak dinner.

**Amanda:** Wow.

**Jeff:** I think these folks have been beaten up pretty heavily on boards and affiliatemanager.net for this kind of behavior and it just escalates. This is a new height they've reached. Anyway, I thought I'd mention it just for good.

**Amanda:** I've been hit by these people.

**Jeff:** Oh, now you know.

**Amanda:** [laughing] Repressed memories.

**Jeff:** Yeah.

**Amanda:** Oh my. Yeah, I'm pretty aggressive about, once I see something that bothers me at all I really, really aggressively manage my incomings.

**Jeff:** Yeah. So, Beth Kirsch on revenues... I've been talking about this for probably about four or five months now. Actively, in kind of private dialogue. CJ is for sale. She hears, buzz is. Anybody hear any buzz on that? I wouldn't doubt it. But I've been talking about it for awhile.

**Lee:** I actually mentioned that to my sales manager, to my sales person there last week, asked him about that, and he said he'd never heard any rumor like that. He's been pretty candid with me in the past, so...

**Amanda:** Sounds like a tap dance.

**Lee:** Yeah.

**Jeff:** Hmm. Nah, the whole reason I'm predicting a divorce is over the LMI thing. I think what, and this is blogged all over the place so I won't make it into a diatribe, but, I think what ValueClick wants is what it has with all its other business units and that is something that scales really well. Whereas affiliate marketing is all about "relationships" and it doesn't scale really well. There's a lot of manual labor and cutting-and-pasting code and that kind of stuff that doesn't, I think that doesn't toot the horn of the ValueClickers for some reason.

**Amanda:** Too much sounds like work.

**Lee:** Well, huh. Maybe a step away would be a step in the right direction.

**Mike:** Well I think also tying into that is also Ebay.

**Jeff:** Right.

**Lee:** Ebay sharpening the pencil and, and/or potentially leaving, I would suspect?

**Jeff:** Yeah, I was going to mention that next, and that they pulled back in their rolling out this Rover tracking and keeping the CJ reporting. Don't get it. I think again, back to the steak dinner theory, I think somebody at CJ is taking somebody at Ebay out to some really nice steak dinners, but ultimately that Ebay is looking at, when you change your tracking...

**Amanda:** It changes everything.

**Jeff:** It pretty much... Why do you need the report? I mean, it's Ebay, it's not like it's... if it's someone like, Mike you guys are definitely a tech-oriented company, but I don't know that you guys are real good at creating it on front-end of an affiliate reporting solution. But Ebay, those guys could probably hack something like that. I don't think Dell is going to do it either. I think Dell would sooner outsource it. I think somebody like Ebay is probably pretty good at that.

**Lee:** Right. It's interesting because of the amount of revenue contribution that Ebay makes to CJ. And if they were to leave it would be extraordinary. As far as where it would leave CJ as far as its overall valuation in a sale. There are rumors of it being by a factor of three to four, it's largest client.

**Amanda:** It tells you about elephant clients, among other things. When I used to be in the PR biz we always called when you had an elephant client you were always, how do you sleep next to an elephant? Carefully. Wow, that's an example of a serious elephant client.

**Jeff:** I was hoping that...

**Lee:** Amanda and Jeff I actually have to cut out a little bit early.

**Jeff:** Oh actually we're right on time, we're pretty much wrapping up. It's been about 30 minutes, so...

**Amanda:** I was going to suggest something, Jeff. It sounds like we've given a steak dinner award. And perhaps it should be a weekly feature.

**Lee:** I agree.

**Amanda:** Who's getting the steak dinner this week?

**Jeff:** Who among us, you mean?

**Amanda:** No! I mean, it can be part of the cast. The regular feature is the awarding of...

**Jeff:** Who gets the steak dinner? All right. I think Micky Wardell of NetTraction pretty much takes it. I don't know.

**Amanda:** For this week!

**Lee:** I'm with you, but I'm going to bring one thing up that there's a lot of affiliates out there that could use a steak dinner right now. Anybody involved with gambling. It's something we didn't touch on this week.

**Amanda:** Poor Hurt City folks.

**Mike:** I wouldn't feel too bad for a gambling affiliate because if you've made it there, you're going to make it anywhere else.

**Amanda:** That's true.

**Mike:** You know, there isn't much more of a competitive market outside of maybe pills and Viagra and Rolex watches than gambling. [all laugh] So if anybody gets a steak dinner it's anybody outside the gambling market. As was on revenues today with Jeremy Palmer, he says, "Ready your battle stations. The casino affiliates are coming." [all laugh] I would tend to agree with that.

**Lee:** Oh, absolutely.

**Amanda:** Yeah, agreed. They've gotten whapped about the head as a bunch, recently. So that's my only reason for feeling remotely sorry for them.

**Mike:** Yeah, no, I do understand that. Reading Jeremy's post is in many ways, if you're going to have a major revenue stream get shut off suddenly, you definitely deserve a steak dinner. That said, they're able to rapidly change gears and...

**Amanda:** Segue somewhere else.

**Lee:** Yeah, I actually blogged about that myself. I was pretty happy with Jeremy's post. Made me feel good about future affiliate marketing. That if some large chain should happen, some affiliates are resilient and they always will find another way of earning revenue online. Makes me feel that our business will be around for a very long time.

**Amanda:** Sniff out the opportunity really really fast.

**Lee:** Right. It's always been my argument that there are few sharper people in the online world than the affiliate because they're always standing out on the bleeding edge of technology and where the Internet's going. I never cease to be amazed every day by what my affiliate's doing. They make it happen.

**Amanda:** Amen.

**Jeff:** Well, on that note... yeah, we'll have to do the steak dinner thing every week. I'd like that. That's a good idea. Thank you guys for taking the time out. I'm sorry that I arrived late. I will fall on the sword here David, I won't edit this out. We lost David Lewis at the beginning, he's a busy guy. And I value all of your time. David I value your time and hopefully you'll come back next week. And I'm hoping that as well Wayne Porter will show up so we can talk about this Trust-e thing, you guys are tuned into revenues, following that, that's just amazing stuff. The most trustable, trust-oriented certification organization is under some pretty heavy fire and as usual Wayne Porter's in the middle of it. So thank you gentlemen and lady.

**Amanda:** Thank you.

**Jeff:** So I hope to see you guys again next week, same time same place. And I'll send out email reminders and all that.

**Amanda:** Super-duper.

**Lee:** Great!

**Mike:** Thanks.

[all say goodbye]