

**Synergy Intermedia Presents**



# **The State Of CPA**

**A Comprehensive Report Covering Online Cost  
Per Action (CPA) Network Distribution Trends and  
Observations for Advertisers, Networks and  
Publishers**

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# The State of CPA

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# The State of CPA

## Disclaimer

This report is presented with no intention of providing legal advice, tax advice, nor anything other than the views, opinions and insights from an industry veteran.

## Introduction

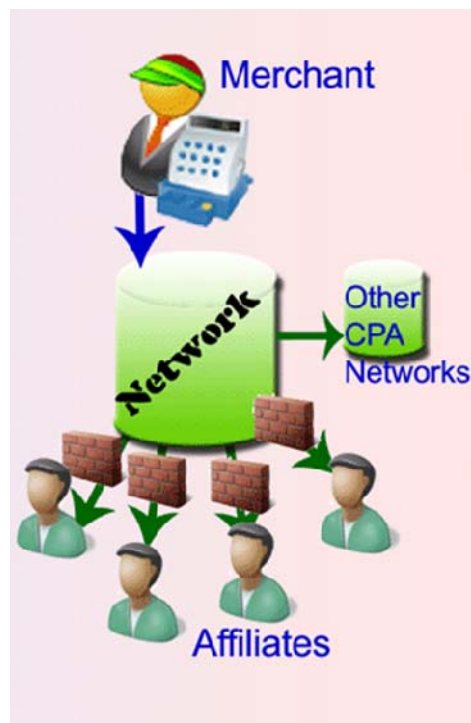
Over the last 12 years I have been fortunate enough to have been in front of the wave on many occasions and that has made myself and the clients and companies I have worked for millions of dollars. Over the past 11 months I have had a unique opportunity to work with over 50 of the largest and most profitable networks in the CPA industry as well as have direct contact with literally 100's of top publishers in the role of President at The Offeratti Network. While I no longer hold that post, I am grateful to have had the chance to build a network from scratch using mostly in-house resources to construct both the CPA distribution channels and an agency side capable of developing, testing and optimizing campaigns.

## The CPA Triad

The CPA Network Distribution Channel is made up of the relationship between Advertiser and Publishers, with CPA Networks acting as an agent of this relationship.

My experience has allowed me to have access to the highest levels of current CPA Network heads, as well as the Affiliate Manager levels (where the action is on the street) and everyone in between. I have listened and asked the tough questions that have led to my conclusions. I have dealt with the various levels of consistency and inconsistency in how these top networks conduct their business. My in-depth discussions with these leaders of the CPA channel all share a common vision of where they want to see this advertising channel be, and where it is today, and WHAT IS NEEDED TO FIX IT! *Networks need to stay ahead of the curve and I have uncovered several guideposts everyone agrees on that will move our segment of online advertising to the next level.*

I have also been fortunate enough to have made many close friendships with Publishers (or do you say Affiliates). They are the reason CPA networks exist, and they can also be the reason they cease to exist. Publishers in this space are also the reason CPA Network



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### The CPA Triad (continued)

distribution will ultimately have to clean up it's act. At present, there is a lawsuit filed by the Attorney General of Illinois naming an affiliate as a defendant for promoting an Acai Berry offer. *The times are changing and publishers will need to as well in order to continue to enjoy seeing revenues from CPA Network offers.*

The final piece of the CPA Triad, are the Advertisers. As an Advertiser myself, as well as coaching hundreds of advertiser clients over the past 12 years I have listened to their concerns and their fears on entering the CPA Network distribution channel. Large and small all have the same common fear – FRAUD. And with good reason. Fraud can be rampant at some networks, particularly those who held the doors open to almost any affiliate for several years. *Advertisers need to know what lies ahead and how to strategize to take advantage of what can be a very lucrative channel for almost all products.*

### How the Game is Played (in case you are new here)

CPA (Cost Per Action) Networks are a relatively new development in the Performance or Affiliate Marketing arena that has existed formally since 1996 beginning with Amazon.com's affiliate program and the launch of Commission Junction (CJ). CPA Networks have their roots in the Adult industry prior to becoming more mainstream with the release of DirectTrack's Administrative Software which allowed anyone with the cash, to cash in on their cache of Affiliates and allow them to run multiple campaigns from your "Network", all tracked in one place. Prior to Jason Wolfe's release of DirectTrack, Advertisers who had Affiliates were limited to only the functionality that CJ, Linkshare and a handful of others provided at the time.

What changed was the ability for an Advertiser who already had affiliates, was the new capability to add multiple other products in front of their Affiliates and allow them easy access to tracking codes as well as creatives and reporting. I was fortunate enough to be involved directly in the genesis of this process by being the Director of Marketing for AffTrack.com, whose main principles included Affiliate Marketing luminaries, Scott McNulty, Wayne Porter and Jeff Molander. AffTrack was pioneer in aggregating Affiliate revenue statistics in a comprehensive reporting interface that allowed deep analysis of specific revenue that the Affiliate was earning from affiliate programs. When DirectTrack was released it became an instant hit with Advertisers who had large affiliate bases, and this is how many of the present day CPA Networks were formed. There are many exceptions to this, but the earliest networks grew out of the additional capacity of campaigns that could now be brought to their affiliates.

Advertisers negotiate with a Cost Per Action (CPA) Network and that negotiation is supposed to be on behalf of the Publishers the network has signed up to it. The goal of the Network is to extract the strongest campaign with the highest payouts from each Advertiser or other Network provider. The Network's Publishers in turn then promote those "negotiated" campaigns and get paid a fair commission on the sales or leads they generate and are paid in a timely fashion as the Network is paid by the Advertiser or other network provider. In a perfect world this would be how it all happens without a hitch. Unfortunately, we live in a world where the perfect harmony of these relationships is usually rocked by greed, fraud and the ever present monster "Cashflow".

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## How The Game is Played (continued)

I am not saying that all Publisher/Network/Advertiser relationships are flawed, but there is a significant portion of the industry which operates this way. Publishers for the most part, do drive legitimate traffic, but it is not easy for an Advertiser nor their representing CPA Network to separate the good from the fraudulent publishers on first glance. This is why the bar has been rising for CPA Network acceptance procedures. Fraud is the single most costly issue for a network and an Advertiser.

Relationships in this triad work best when Publishers respect the Advertisers campaigns by running appropriate targeted traffic to the landing page and have done their work in promoting the product or service without overhyping or making false claims. This usually results in higher quality sales for the Advertiser as measured by sales/lead conversion and Lifetime Customer Value (LCV) from that Publisher (as tracked by Sub ID when it is a network Publisher). The Network wins because the Advertiser is receiving highly qualified sales and the Network keeps the client interested in expanding the ROI of their campaign by utilizing additional channels such as co-reg or even list management. In this scenario everyone is happy.

## The Players: Where we are now

In this section, the Players – Advertisers, Publishers and Networks are all reviewed for the present state of their piece of the triad. From discussions and business dealings with all three segments, this is what the Players themselves have related is the State of CPA today.

### Advertisers

Without Advertisers, the whole game is over. They drive the dollars that fuel the machine. The goal for an Advertiser is to expand their reach (and revenue) by using targeted traffic from trustworthy Publishers who will promote their campaign(s) on sites that are matched to the end user's interest. Sales can skyrocket for an Advertiser who employs CPA Networks as a distribution channel for campaigns. But rarely have I seen meteoric growth from the majority of campaigns I have been involved with. The normal progression seems to be about six to eight weeks for offers to really take hold and the Network to get a handle on which Publishers are having the best success.

In dealing with hundreds of Advertisers over the course of 12 years and specifically in the last 2 years, they have related many insights as to what works and what doesn't for them in today's' CPA environment. In many cases Advertisers decline to participate in this space because the risk to reward ratio is just too high.

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## The Players: Advertisers (continued)

### Observations and perceptions:

- Fraud is the number one concern. If fraudulent transactions mount up, then an Advertiser can be in jeopardy of losing their merchant account, paying a per chargeback fee, as well as being out any shipping and product costs if theirs is a physical product.
- Most Advertisers feel they are “Not Ready” to enter this competitive marketplace
  - Many lack a perfected post-transactional funnel that can offset the often high customer acquisition costs that the “marketplace” atmosphere of CPA Networks tends to artificially drive upwards.
  - Most have no knowledge of how to test a campaign to determine if it will make conversions under typical CPA traffic conditions.
  - In many cases Advertisers do not have the software or process’ in place to validate sales or lead data.
  - Advertiser has had success in other audience niches, but has not been able to “dumb down” the product or service to non-savvy end users.
- Advertisers lack a clear strategy on how to monetize their Prospects (Non-Buyers).
- Advertisers feel Networks do a poor job of assisting them in creating and testing a winning campaign. Most new Advertisers do not have the expertise to design campaigns without guidance.
- Lead Generation campaigns are being more carefully considered, but are still risky because of the lack of transparency on where the lead is generated.
- Advertisers are often not aware that the cost of acquiring a new customer in many cases exceeds the ARIS (Avg. Revenue from Initial Sale).
- Advertisers are not made aware of where their traffic is coming from, nor do they rarely impose additional restrictions or special agreements for publishers to agree to when signing up to their campaign from a network.
- Advertisers are not aware of the “cross-publication” that occurs in the CPA Networks, and as a result are often surprised that the ROI is very low for their campaign.
  - Many networks today are of the “cross-published” variety, where they do not have any or only a small percentage of campaigns are from Agency of Record Advertiser clients.
  - Cross-Publication can increase the amount of clicks, but can often lead to plummeting ROI for the advertiser.
  - Advertisers are not particularly savvy when it comes to tracking mechanisms that can be put in place to recognize low quality or fraudulent traffic early on, and Networks do an equally poor job of providing solutions to these issues.



# The State of CPA

## The Players: Advertisers (continued)

### Observations and perceptions:

- Advertisers usually do not perform proper CPA type traffic split testing and establishing of performance base-lines of their offers in-house prior to releasing to Network distribution.
- Advertisers do not get to speak directly with large Publishers in a network setting, and this impedes any type of “exclusive” integration. Networks in large part restrict this access as their trump card, but do a poor job of creating “transparency” for the Advertiser to know what type of content will work best for a particularly large and productive Publisher.
- Advertisers do not generally understand the impact that an “external” campaign such as using CPA Networks (or affiliates in general) will have on their “internal” marketing efforts. In general, they lack the following:
  - Proper URL strategies for their brand and the specific channels it is to be run in causing overlap in efforts and poor channel conversions.
  - A knowledge of how to balance in-house PPC with the efforts of “external” publishers.
  - Consistent commission strategies that do not cannibalize their existing online affiliate base, while at the same time offering better compensation to the larger players that are attracted to CPA Networks.
  - Cohesive product pricing strategies that integrate existing pricing and product bundles but are also unique to the CPA channel.
- Advertiser’s complain that there are no clear Compliance guidelines to adhere to, and that they do not always receive this type of guidance from their Network representatives.
- Successful Advertiser’s have a specific goal in mind when utilizing the CPA Distribution channel and do not waiver from that goal. This includes direct sales as well as lead generation campaigns.
  - They understand the risks and have worked with their designers, technical team and Network provider to reduce those risks or at very least set up flags to alert them when they should be vigilant of the traffic source.
  - Have a strong backend conversion funnel once the transaction has occurred.
  - Pay networks on a timely basis which allows networks to pay their best performing publishers. They do not ask Networks to be their bank.
  - Employ an “exclusive” white or private label strategy to increase campaign uptake and attention from network Affiliate Managers.
  - Work with an established network partner who provides creative and technical support for their campaigns.

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## The Players: Advertisers (continued)

In summary Advertisers in the CPA space are generally ill-prepared to enter this distribution channel, either financially or from a strategy standpoint. A general lack of testing pervades most Advertiser campaigns and this leads directly to poor uptake of the offer. In addition, Advertisers have a general mistrust of CPA networks, and feel as though they are not always working with their best interests at heart. Nor do experienced Advertisers feel that networks adhere to a strict Publisher Acceptance Policy. This is why Advertisers who have had success with the CPA distribution channel work with a relatively small group of networks who they trust to promote exclusive private labeled campaigns to both in-house affiliates and to other networks. But most of all, there is a pervasive sense of a lack of transparency in where the traffic is being generated that few networks address.

## Publishers

Publishers provide needed targeted traffic in a number of ways:

- eMail lists
- Pay Per Click campaigns that lead either directly to the campaign landing page or to a pre-sell page of the Publisher's design
- Banner/Display Advertising on their own sites or on sites where they have purchased ad space (CPM buy).
- Social Media Campaigns using sites such as YouTube, Facebook, MySpace, Twitter, blogs and other social media outlets to drive traffic to the selected advertiser campaign
- Incentivized Traffic such as sweepstakes or games where buying a product or service gets the end user a reward, usually in points.
- Co-Registration Campaigns that place an offer into the registration process of another site, product or service.
- Survey sites, where data is being collected and based on their answers are being shown offers.
- Contextual campaigns often involve using keywords linked from articles to drive traffic.
- Pay Per View advertising normally involved a pop up being served to a potential buyer being triggered by a site search or keywords entered into a search engine.

This is by no means a comprehensive list of the ways traffic is delivered to campaigns. By the very nature of the beast, Publishers find many new and innovative ways of promoting campaigns and finding targeted traffic.



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## The Players: Publishers (continued)

The best Publishers always seem to possess the same key qualities:

- They treat their business as a professional and not as a hobbyist. This includes being able to provide clear documentation of who they are and what they bring to the table.
- Have tried many different ways of driving traffic and have arrived at one or two main methods that they generate qualified traffic, and they hone these methods to precision in execution.
- Promote campaigns they personally have checked into and are not scams or shams.
- Negotiate their commissions up front based on quantity and quality of the traffic they will be sending.
- Constantly are testing new methods or ways to increase EPC.
- Establish strong communication with key Affiliate Managers at Networks they do work with.

In interviews with top performing Publishers as well as Intermediate and Newbie level Publishers, many of the same comments were made regarding dealing with CPA Networks. In almost all cases, a Publisher has been “burned” by a network not paying them commissions. While this occurs for several reasons (none of them good) it is almost inevitable that almost any network can fall prey to an Advertiser who skips out on their bill. In some cases, a Network has covered the commissions and then gone back after the Advertiser in court, in others the Network covers their best performing Publishers for a portion of their “losses”, but in the majority of cases the Publisher is left holding the bag - The one with no cash in it. And while this happens only rarely, it is estimated that less than 4% of campaigns end up not paying out at all. But a burned affiliate is a motivated one, and will more than likely not do business with a network after such an experience.

Barring non-payment, Publishers also have a litany of additional comments and statements regarding how they are treated in CPA networks.

### Observations and perceptions:

- CPA Networks are inconsistent with their Acceptance policies.
- Affiliate Managers are sometimes not well trained nor versed in the types of campaigns that Publishers run.
- Lack of No Pop Up Landing Page versions of campaigns.
- Poorly organized creatives administration areas that do not include complete sets of creatives for email, PPC, banners and article marketing.
- Communication is often limited to a newsletter.
- A serious deficiency in customer service on the part of most networks that manifests itself in lack of personal contact or AM's failing to return requests promptly if at all.

## The State of CPA

### The Players: Publishers (continued)

- Most foreign publishers are turned away hands down at many networks simply because of a history of poor traffic or fraudulent actions coming from previous publishers from that country. No specific guidelines for non-USA publishers.
- Publishers are much like mercenaries, in that they are free to run any Network's campaigns at any time based on performance and payout. This creates a need for Networks to gradually erode their margin in order to pay more commission to keep Publishers promoting their campaigns.
- Publishers in general are becoming more concerned with legal ramifications of promoting an offer, given the FTC's impending crackdown of online direct sales websites, and states and countries Attorney General's actions to limit their constituents' exposure to fraud and unfair or predatory business practices.
- State tax laws concerning an Advertiser's tax nexus are now becoming an issue for many affiliates as more and more states attempt to adopt sales guidelines for sales transacted by consumers in their state.
- The tracking systems are suspect at many networks. Publishers feel as if they are not seeing all of the sales they are due, in large part because they do not trust the tracking system or they are not being told of site outages.
- Networks (and their Advertisers) do not provide keyword lists for affiliates using PPC campaigns.
- Publishers see a lack of commitment on Advertisers (and their representative networks) to testing new creatives on actual traffic, particularly emails which are typically not split tested prior to release to publishers. This lack of testing creates a lower conversion ratio.

In addition to these observations, Shawn Collins has completed a survey of affiliate opinions that also gives a grim picture of the way Publishers see the industry right now. The 2009 Affiliate Summit AffStat Report on Affiliate Marketing Benchmarks report was compiled by AffStat's Chris Brogan and Peter Schankman.

<http://www.scribd.com/doc/16411991/2009-Affiliate-Summit-AffStat-Report>

In summary, Publishers are responsible for a good portion of the mixed signals CPA channels are sending to Advertisers. On the one hand, fraudulent Publisher applications account for as much as 85% of Applications being submitted to networks. There are many good honest publishers out there, unfortunately there are as many or more Publishers who are interested in pumping poor quality traffic and hoping they get paid commissions before they are found out.

On the other hand, a very different, more positive signal is also being heard by Advertisers. The one that whispers to them in a most seductive voice, with tales of no more large up front commitments and lack of sales performance ROI. The CPA channel has the potential to fulfill a needed distribution channel for products, as more and more Publishers become more and more businesslike in their practices. Publishers have created this positive perception because the traffic they send to a campaign is supposed to be targeted.

## The State of CPA

### The Players: Publishers (continued)

In an environment that thrives on more and larger Advertisers moving their Television and other media buying budgets to the Internet Marketing space, the money will get better for all Publishers. But Publishers play an important role themselves in shaping that perception. At present, CPA Networks act as barriers to entry so Advertisers can feel they have minimized their exposure to risk without having to run their own in-house campaigns. (NOTE: Many advertisers do maintain their own in-house or other Affiliate Network type programs in which they have complete transparency and control over which Publishers they want to work with). This role is not conducive to growth for the Industry as a whole.

With fraud being the number one concern of Advertisers and the reason they do not enter the space, CPA Networks and their Publishers need to work together to ensure that quality traffic from approved sources is the order of the day. Too often volume is forsaken in lieu of quality, and then everyone ultimately loses as the Advertiser will undoubtedly remove their campaign.

Once CPA Networks are comfortable with a Publisher many of the complaints are removed because communication is encouraged by both sides. Of course there are Networks who can improve on their communication, but at the upper echelons of every network Publisher Hierarchy there exists an elite group of Publishers who enjoy good communication and the highest payouts because they are consistent and loyal. These top Publishers work with Networks to find how their particular traffic driving methods work within a Networks family of offers.

The discussions with Publishers large and small have all agreed that fraud is a stigma for both Network and Publisher since fraud can cause Advertisers to not pay the Network, and in turn, the Network does not pay out to Publishers. Even to those Publishers who have sent only legitimate sales. Publishers need Networks to be able to effectively work with Advertisers on their behalf to get the best creatives and converting funnels for them to run with. But in an atmosphere of mistrust, FTC compliance and taxation issues, Advertisers are likely to simply put their budgets into a nice safe in-house PPC campaign and leave Performance Marketing out of their media planning. Publishers can change this, but will need the assistance of industry organizations to assist in establishing guidelines and certifications to ensure that fraud concerns are minimized.

### CPA Networks

CPA Networks play an integral role in helping both Advertisers and Publishers attain their goals. At least that is the general idea. Their role should be to add value to both ends of the equation. Without this role, Advertisers would simply go direct to all those Publishers and incur the expense of employing full time staff for recruiting, selecting, developing, supporting and ultimately paying Publishers. In addition, maintaining their own software to track transactions and lead generation data. For very niched products and services, as well as B2B sales, this approach is extremely ROI effective. But the majority of Direct-to-Consumer products and services need CPA Networks' additional layer of management and expertise as well as a ready pool of Publishers looking to promote their products.

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### The Players: CPA Networks (continued)

This is a tradeoff made on a purely commission per action basis. Thus networks only make money when Publishers make money, and ultimately to keep a campaign long term, when the Advertiser makes money from their Publisher's traffic. The best Networks supply many services to Advertisers, and this is what is alluring to Advertisers. Like the traditional agencies on Madison Ave., Networks can be an Advertiser's sherpa into this world and should be able to help them shape their campaigns for maximum conversion and distribution reach.

### The following chart highlights full-year revenue data breakouts; dollar figures are rounded.

Channel	FY 2008 Share of revenue \$'s (000)	FY 2007 Share of revenue \$'s (000)
<b>Search</b>	<b>45% (\$10,546)</b>	<b>42% (\$8,805)</b>
<b>Display Related:</b>	<b>33% (\$7,640)</b>	<b>33% (\$7,072)</b>
-Banner Ads	21% (\$4,877)	21% (\$4,456)
-Rich Media	7% (\$1,642)	8% (\$1,656)
-Digital Video	3% (\$734)	2% (\$324)
-Sponsorship	2% (\$387)	3% (\$636)
<b>Classifieds</b>	<b>14% (\$3,174)</b>	<b>16% (\$3,321)</b>
<b>Referrals/Lead Generation</b>	<b>7% (\$1,683)</b>	<b>7% (\$1,584)</b>
<b>E-mail</b>	<b>2% (\$405)</b>	<b>2% (\$424)</b>

This chart is included to highlight the amount of money that is spent in online Advertising. In 2008 more than \$23B was spent chasing after customers online.

From [http://www.iab.net/about\\_the\\_iab/recent\\_press\\_releases/press\\_release\\_archive/press\\_release/pr-033009](http://www.iab.net/about_the_iab/recent_press_releases/press_release_archive/press_release/pr-033009)

Full report: [http://www.iab.net/media/file/IAB\\_PwC\\_2008\\_full\\_year.pdf](http://www.iab.net/media/file/IAB_PwC_2008_full_year.pdf)

In many conversations with the heads of the top CPA Networks there is an all-encompassing sense that the Performance Marketing space needs to grow up and out of its present position as the red-headed stepchild of Internet Marketing. Which is an interesting insight as Performance Marketing is actually the largest slice of the Internet Advertising pie, but still the major players feel like this segment doesn't command the same respect and attention from major brand Advertisers and their Agencies as say PPC or Yahoo's display network.

A recent IAB report sees the trend for Online Advertising to keep expanding, they have also identified the major channels that revenues are driving this \$23 billion (annual spending on Internet Marketing) upward spiral.

**“Search Continues to Lead, followed by Display Banners and Classifieds—**Search revenue accounted for 46 percent of 2008 fourth-quarter revenues, up from the 42 percent reported in 2007. Display Banner advertising, the second largest format, accounted for 21 percent, followed by Classifieds (13 percent), Lead Generation (7 percent) and Rich Media (7 percent) of 2008 fourth-quarter revenues.”

*IAB Internet Advertising Revenue Report – Survey conducted by PricewaterhouseCoopers  
2008 Full Year Results, March 2009  
[http://www.iab.net/media/file/IAB\\_PwC\\_2008\\_full\\_year.pdf](http://www.iab.net/media/file/IAB_PwC_2008_full_year.pdf)*

## The State of CPA

### The Players: CPA Networks (continued)

The majority of these channels are dominated by Advertisers and their Agencies directly buying CPM media, which is not counted in the CPA Network distribution number. The actual % that Performance Marketing (CPA Networks & Affiliate Marketing) contributes to these numbers is debatable, because many Publishers use all of these channels in promoting campaigns. The IAB report attributes the greatest amount of growth to Performance Marketing for the years of 2004 to 2008 where:

“Performance based pricing, the most prevalent pricing model since 2006, has maintained a strong sequential growth rate and is closely followed by CPM/Impression based pricing. Hybrid pricing has seen the greatest loss in percentage revenue over the period, dipping sharply from 17% in 2004 to 4% in the full year of 2008.”

Not just growth but 16% change over the last 4 years as CPM has gone from 42% in 2004 to just under 39%, peaking in 2006 at 47%, but has been in decline ever since. Performance Marketing according to the IAB Report brought in \$13.34 billion in 2008 Full Year Revenues. If you broke this number out by US Media Market comparison of Media buys, Performance Marketing alone would rank just under what Advertisers spent on TV Networks (\$18 Billion FY 2008) and ahead of Consumer Magazines, Directories, Trade Advertising and Out of Home.

So CPA Networks are the ambassadors that are to welcome the next wave of advertiser revenue growth in Performance Marketing. Are they ready? Well here are some of the most common comments from discussions with top CPA Network executives as well as ground level Affiliate Managers.

### Observations and perceptions:

- Networks are divided amongst those that accept Advertisers as Agency of Record exclusive clients and those that are almost exclusively Cross Published campaigns with little or no exclusive Advertiser base.
- CPA Networks are not banks for Advertisers. That is, Networks are not interested in paying the Advertiser's bills for them with Publishers. Many top Publishers use PPC to drive traffic and although Google is reasonable, they expect payment quickly for PPC campaigns, thus causing these top Publishers to demand payment from Networks in as little as a few days. This in turn creates a Cashflow issue for Networks who do not receive payment from Advertisers (or other networks) other than on a Net 15 or Net 30 basis.
- Networks see a lot of fraudulent applications and it is time consuming to check each application to ensure they are a trusted partner. This leads to many false positives. There needs to be a better way to certify Publishers not unlike the way eMail Service Providers certify mailers based on performance of campaigns on many email based metrics such as list hygiene, bounce rates and opt outs, as well as spam complaints. No such certification exists at present and would be gladly welcomed by Networks.
- Networks that do not maintain their own exclusive Advertiser base are more likely to be adversely affected by economic downturns as their margins are much slimmer than those of Networks who have exclusive Advertiser clients.



# The State of CPA

## The Players: CPA Networks (continued)

### Observations and perceptions (continued):

- Private label campaigns given to a network exclusively seem to have the best chance at multi network distribution success.
- Networks on the whole do not provide adequate creative and testing services to Advertisers. While some networks provide full cycle sales support, most do not and expect that the Advertiser constantly be optimizing their campaigns and creatives.
- Communication from Networks to the majority of Publishers misses it's mark because it is not targeted enough to offer helpful advice or point them in the direction of campaigns that will work with their unique traffic.
- Networks agree that Advertisers need to be more proactive in their efforts to combat fraud. This includes the following recommendations:
  - More aggressive lead/sale validation at the time of checkout.
  - Outbound call confirmations should be included in post transaction funnel, as it not only can act as an early detection for fraud as well as an opportunity for the Advertiser to upsell the consumer into additional higher revenue opportunities.
  - Allow for Quality Feedback Loops of information to flow from their cart to their Network partner to better be able to analyze by Network (and ultimately by Sub ID) the quality of traffic that is flowing into their campaign(s).
  - Use compliant landing pages and creatives that adhere to FTC guidelines and give an honest depiction of the product and its associated benefits. In addition, advertisers need to be employing compliance attorney's in-house to ensure that both Network and their Publishers are held harmless from prosecution for the campaigns they promote.
- Networks see a need for better educated Advertisers in this space who understand the metrics involved in this channel, particularly the high acquisition costs as well as the need to have a fully mature and tested post transaction and Prospect (non-buyers) strategy.
- The rise of campaign aggregation sites such as Offervault.com, AffBuzz.com and oDigger.com have created a more commodity atmosphere for Publishers where they can compare and contrast campaigns they are considering running on several key aspects such as landing pages, creatives and of course payout. These sites will undoubtedly grow in influence with Publishers, and Networks not participating in their data feeds will miss out on opportunities to get their campaigns in front of potentially hundreds or even thousands of network publishers.



# The State of CPA

## The Players: CPA Networks (continued)

### Observations and perceptions (continued):

To summarize, CPA Networks need to find a balance between adding value to both sides of the equation. With Publishers they need to help them with better tools (such as split testing engines and fraud reduction measures), tested creatives/landing pages and speed of commission payments. For Advertisers they must show increased ROI from campaigns, as well as reduce exposure to fraud. Most Advertisers will spend money if they consistently make money.

In order for Networks to survive they need to develop exclusive Advertiser relationships where higher margins can be preserved. In order to keep these Advertisers spending in this channel Networks need to provide more and better services to Advertisers struggling with trying to figure out how to maximize their campaign's performance. This would include creative and testing services, as well as providing resources and partnership relationships that also help Advertisers monetize their post transactional and Prospect funnels.

## The Influences

In any industry there are influences that affect the growth and longevity of the market they are trying to capture. In the case of CPA Networks, there are several influencers that can potentially reshape the landscape. Anyone dealing with this sector of Internet Advertising should be familiar with these as they move forward with any strategy to capture sales or leads in the Performance marketing arena.

## Legal

The legal landscape surrounding CPA Network distribution channels is getting more complex every month it seems. From Affiliates being sued by Attorney General's for promoting health offers to Advertisers shutting off large numbers of affiliates from their programs due to taxation issues with individual states such as New York. Below is a short explanation with links to further in depth reading on each of the issues.

### FTC Regulations

The Federal Trade Commission is chartered to protect consumers from unfair, predatory or deceptive business practices in all media channels. Until recently the FTC had not been overly active in the online Performance Marketing space. In July of 2009, the FTC's Operation Short Change specifically targeted online business opportunity and grant campaigns. Here is an excerpt from their press release:

## The State of CPA

### The Influences: Legal (continued)

#### FTC Regulations (continued):

“In response to the rise in financial distress scams, on July 1, 2009, the Commission announced “Operation Short Change,” a joint initiative with 14 states, the Department of Justice, and other agencies that included more than 120 law enforcement actions, Vladeck testified. As part of this operation, the FTC brought eight new cases against companies that have conned consumers, and took action in seven additional cases earlier this year challenging similar misconduct. The new cases include one against the marketers of the widely publicized get-rich-quick schemes called “John Beck’s Free & Clear Real Estate System,” “John Alexander’s Real Estate Riches in 14 Days,” and “Jeff Paul’s Shortcuts to Internet Millions.” The Commission alleged that these schemes alone, promoted on the Internet and through misleading infomercials, have duped hundreds of thousands of consumers out of about \$300 million.”

(<http://www.ftc.gov/opa/2009/07/shortchange1.shtm>)

From very trusted sources, the FTC is not backing away for Internet Marketing, quite the opposite. The July 1<sup>st</sup> cases are just the “tip of the iceberg” one ex-FTC attorney assures the report writers. The contemplated actions that have been suggested include keeping all disclosure regarding forced continuity (memberships) and Free Trials be revealed before a consumer is asked to take an action such as completing a transaction.

The outlook is not grim for everyone, only for those Advertisers that rely on deception and shady business practices such as opting in buyers to multiple monthly recurring subscription campaigns when the consumer was only interested in the main offer they responded to. These types of Advertiser campaigns need to be removed from Networks distribution as they only encourage fraudulent behavior on the part of the Publisher as well as place both the Network and the Publisher at risk of being sued (see below).

For a complete guideline on FTC’s recommended guidelines to online campaigns, see these resources:

The Electronic Code Code of Federal Regulations (<http://ecfr.gpoaccess.gov>)

The specific code that deals with Negative Option campaigns. Title 16: Commercial Practices

PART 425—USE OF PRENOTIFICATION NEGATIVE OPTION PLANS

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=da11c26f8c96daeb6c2e759229f297ca;rgn=div5;view=text;node=16%3A1.0.1.4.47;idno=16;cc=ecfr#16:1.0.1.4.47.0.38.1>

FTC.gov (<http://ftc.gov/>)

# The State of CPA

## The Influences: Legal (continued)

### Nexus Tax Laws

In the U.S., individual States are desperate to add money to their tax coffers. Online merchants are a prime target. Traditional nexus tax laws were designed to clearly identify what constituted a physical presence in a state and how taxes from sales conducted by residents of the state are collected. Prior to the Internet, this mainly affected catalog and direct mail merchants as they normally have warehouses and physical offices located only in a small number of states, where, when a consumer purchases a product, the state sales tax is collected by the advertiser and is then distributed back to the states taxing bodies.

With state economies being hard hit by the recession, several states have attempted to include affiliates/publishers as a “nexus” for merchants and are actively trying to pass tax laws that make merchants/advertisers responsible for collecting sales tax from consumers that do business with that merchant simply because one of their affiliates resides in the state. The list of states at the time of this writing who have either successfully enacted tax legislation include: New York, California, Connecticut, Hawaii, Illinois, Maryland, Minnesota, North Carolina, Rhode Island, Tennessee and Wisconsin.

The issue these states are ignoring is that Publishers are businesses too. Affiliates earn their living and employ others in their work, thus growing the tax base of a state. Unfairly restricting trade for these business' seems at odds with growing small business'. A few Merchants such as Amazon have closed their affiliate programs to affiliates from certain states such as New York and North Carolina.

This is a complex issue and involves many interests. Below is a list of several resources you will find helpful in getting a handle on an issue that could potentially cause a paradigmatic shift in the way Performance marketing is conducted.

The Performance Marketing Alliance – this industry trade group is at the forefront of the fight against nexus tax laws. <http://www.performancemarketingalliance.com>

The PMA's archive of State Legislation: <http://www.performancemarketingalliance.com/category/state-legislation/>

An article I wrote on this issue for jimillig.com (August 2008)

<http://jimillig.com/internet-marketing/wake-up-ny-state-tax-nexus-for-online-merchants-will-tax-sales/>

Excellent article on Fighting the Nexus Tax by Rebecca Madigan founder of the Performance Marketing Alliance (you will have to download the entire Fall '09 Issue of Revenue Magazine – see page 21 in .pdf file)

[http://www.mthink.com/digital/Rev26\\_Web\\_Version.pdf](http://www.mthink.com/digital/Rev26_Web_Version.pdf)

# The State of CPA

## The Influences: Legal (continued)

### Affiliate Lawsuits

In a disturbing development, affiliates are now being sued in conjunction with advertisers by state's attorney generals for promoting online campaigns. This is disturbing because an affiliate is simply passing through the pages that he is given by the Merchant themselves, thus making all affiliates fair game for prosecution.

Read this article for a much better understanding of the issue as well as links to news stories:

<http://jimlillig.com/internet-marketing/illinois-attorney-general-cracks-down-on-affiliates-using-deceptive-practices/>

### Trademark Infringement

Trademarks being used by Merchants in the CPA Network space have come under fire for deceptive practices and misuse of trademarks. Most notably celebrities such as Rachel Ray, Dr. Phil and Oprah Winfrey have filed suits against 50 online advertisers claiming they infringed on their trademarked images by deceiving consumers that these celebrities endorse products such as Green Tea and Acai Berry juices.

In addition to celebrities fighting to keep their images and likeness' off these campaign pages, news network sites are also fighting back against the use of their logos and video footage on campaign landing and sales pages.

The issue here is the integrity of Advertisers playing in the Performance marketing space and the networks who have turned a blind eye on such deceptive practices.

Read more on the issue of trademark infringement in Performance Marketing at the link below.

<http://www.msnbc.msn.com/id/32483484/ns/entertainment-celebrities/>

### Technology

Technology will play a much larger part in how CPA Networks are able scale and expand. New technologies are always on the horizon and are being adopted at an alarming rate. The new technologies that will help change the way the game is played will include:

- Early Fraud detection technology
- JavaScript based tracking codes
- Behavioral retargeting campaign platforms
- Phone number commission tracking software such as RingRevenue.com
- Mobile Campaigns and Mobile Payment Mechanisms

# The State of CPA

## The Influences: Technology (continued)

- GeoLocation based campaign serving
- List Management and Mining Software
- Publisher Tracking Platforms
- Sophisticated shopping carts able to mine behavioral data to automatically suggest upsells such as Up-Click.com's solutions.

Technology underlies every aspect of Internet Marketing and thus is responsible for influencing in which direction Performance Marketing will move in. One thing is for sure, the pace at which these solutions are developed will escalate and the market will bear out which solutions Networks, Advertisers and Publishers will find most useful. Smart CPA Networks are already developing proprietary in-house applications that enhance the relationship between the Advertiser and the Publisher. These are the networks that will be poised to have success, either on their own or as an acquisition target for traditional agencies looking for a fast entry into this lucrative space.

## Market Factors/Demographics

In any sales scenario, reaching the target market with the right message at the right time is paramount to success. Performance Marketing can deliver on that promise, but the markets will change due to several factors. These factors include:

### Media Fragmentation

Until cable/satellite TV became part of the media landscape in the 1980's, as close as a brand could get to targeting a TV buy was to advertise on a football game to reach a male demographic. With the fragmentation that cable/satellite brought along with it to audiences (once it reached 60% market penetration in 1992 - <http://www.museum.tv/archives/etv/U/htmlU/unitedstatesc/unitedstatesc.htm>) a whole new array of media choices for brands to associate themselves with erupted in the 1990's. In 1987, the first agency that represented sixteen cable TV networks was born to help smaller networks defray costs. Here is what NY Times writer Philip H. Dougherty said in 1987 regarding the formation of CableOne:

“CableOne, which has been set up by Infomarketing, will negotiate with ad agencies in behalf of 16 cable networks. CableOne is a blessing not only for ad agencies, especially the small and medium-sized ones that are beleaguered by administrative expenses, but also for the cable industry, which should gain new ad revenues as a result.”

<http://query.nytimes.com/gst/fullpage.html?res=9B0DE0DF1139F93AA25751C0A961948260>

# The State of CPA

## The Influences: Market Factors/Demographics (continued)

### Media Fragmentation (continued)

That was 1987, in today's media planners' little black books are over 350 different choices for cable/satellite media outlets ([http://en.wikipedia.org/wiki/List\\_of\\_United\\_States\\_cable\\_and\\_satellite\\_television\\_networks](http://en.wikipedia.org/wiki/List_of_United_States_cable_and_satellite_television_networks)) to review and intelligently decide which will best reach their target market with the right message at the right time within their given ad budget. The standard metrics that TV advertising has always been bought on, namely reach and frequency, once large numbers when there were only three networks, are now reduced to mere fragments of a marketer's dream buy. In order to reach the magnitude of audiences that media planners enjoyed in the 50's through the '70's by simply buying on three networks, would take buying on multiple cable and network outlets and probably would still not reach as many % of US households as any Super Bowl of the 1970's did. That is media fragmentation.

The landscape is even more complex when you attempt to target audiences on the Internet. There is every subject available on the Internet which attracts potential audiences. How do you reach these users? By SEO, by PPC by banner or text ads, all are popular ways of reaching these audiences and they are all non-performance based. No one surfs the Internet or watches TV to respond Pavlovian style to ads. The frequency and reach metrics that had been an easily identifiable way of marking advertising's effectiveness are fast becoming ineffectual as measures of an advertising campaign performance.

In order to measure today's consumer exposure to a brand, we need to start thinking of engagement and user actions. Both are able to be measured by today's technology in both online and offline channels. VideoEgg, an online advertising technology supplier gets paid on a per engagement model for its video advertising network. Engagement from a traditional ad agency perspective can be summed up by this comment from Benjamin Ezrick, Ogilvy Interactive's senior strategist for digital innovation,

"Google has already defined and measured engagement: the click. Right now, that's the best monetization of engagement. That's the standard." (<http://blog.clickz.com/080220-202144.html>)

I would argue that defining engagement more fully than a click on a Google AdSense ad is what most online marketers envision. Engagers spend their time online watching a video, reading a blog article, following links of friends on Facebook or any activity that the end user takes the time to explore for more than a cursory glance. But it is still not getting the user to take an action. Thus the need for two separate metrics.

Action in the advertising measurement sense would then be defined as going beyond engagement and actually interacting with the website in some way. Whether that be playing a game, posting a comment on a blog post or in a forum, signing up for a newsletter, filling out a lead generation form, clicking on a link or even dare we even think it, buy something directly online or in a brick and mortar location.



# The State of CPA

## The Influences: Market Factors/Demographics (continued)

### Media Fragmentation (continued)

The Internet has changed buyers habits and they no longer live in a dark secluded media cave. Consumers (and B2B clients as well) all are aware that they can easily do a search for a product like yours or find reviews of your product if they simply Google it. This shift from push to pull has always been evident since the Internet became commercial in 1997, and it is at the heart of any Web 2.0 discussion. No longer do brands have the control they once enjoyed when there were limited media outlets and even less actual interaction with their customers. Today's consumer, not just in the US, but worldwide, is becoming more savvy to brands that are not true to their marketing messages.

More importantly and the entire point for this analysis is the advertisers realization that in a Web 2.0 world, consumers are now able to form an independent opinion of a brand. Independent in the sense that the brand message may not be delivered in the tightly controlled environment that advertisers and their agencies once enjoyed when there were limited outlets for a brand to advertise on. With the proliferation of multiple media outlets all vying for an advertiser's dollar, the question becomes which campaign returns the highest ROI for the brand's marketing efforts, and what metrics will that be measured on. If we use Engagement and Action as measurement guideposts, then advertisers and their agencies need to find a way to connect with their fragmented audience enough to get these two metrics satisfied. Performance marketing channels immediately give an Advertiser an entry into this level of connecting. This is achieved by allowing Publishers who have these targeted audiences visiting their site to become resellers of their products and services via affiliate programs or CPA Networks.

Branding as a corporate survival initiative will always be necessary to shape a brands image to it's audience. But in today's instant feedback world, a brand's image will no longer be the work of a tightly orchestrated media buying campaign, but based more on the actual experiences of groups of Creators, Critics and Joiners (to use the terms Charlene Li and Josh Bernoff coined in their book *Groundswell* - <http://www.forrester.com/Groundswell/ladder.html>) who are commenting on and sharing user level experience's in a forum that is not controlled by the brand. While it is true that a brand's halo effect can increase conversions versus an unknown brand, it is now up to the brand's torch bearers to embrace online's influence and either continue to try and force an old model into a new channel, or adapt to new technologies and distribution models.

Media fragmentation will continue and will only get worse with the advent of Convergence. Thus making Advertiser's even more confused as to where they can get the biggest bang for their buck. Performance Marketing can deliver a hedge against this fragmentation as Publishers can help to identify and corral an Advertiser's audience in ways that Advertisers and their Agencies would normally find too "micro" to attempt on a grand scale.

# The State of CPA

## The Influences: Market Factors/Demographics (continued)

### User Competency

There is no doubt that as the Internet becomes more of a part of consumers every day life, the competency of the end user will increase. Thus making it harder for Advertiser's who rely on deception to practice their art. In addition, the growth of Social Media will also increase the likelihood that Advertiser's who do not play fairly will be found out and exposed by grass roots efforts.

The Generation X'rs, Millennial and all the other demographics that have become so cliché to the advertising industry are growing up digital (and mobile). They rely on their friends and online connections to help them make decisions, with the power of thousands of others helping to shape their opinions on brands and their products and services. This Groundswell effect is rapidly changing how brands will market themselves in the future. CPA Networks and their Publishers will have to understand how users have become savvier in the first decade of Internet life and work to find ways to keep these consumers engaged in a world that rewards short sound bites over in depth analysis.

### Narrowcasting

This is a term that is popular in describing the future of radio broadcasting and it's HD Radio initiative here in the U.S. The term refers to reaching out to a specific group of people who have very narrow interests. In radio this translates into XM or Sirius Satellite radio's seemingly endless array of specialty stations.

This model allows just about everyone to have a favorite narrowcasted channel that they can associate with. From 70's music to hard core speed metal, to a station devoted just to The Grateful dead or one dedicated to just Jimmy Buffet songs, the fragmentation continues and the way to reach the audience is through niched programming – or narrowcasting.

Publishers already have capitalized on this by building out networks of Mini-Sites that are completely focused on one topic and have hundreds of articles linked on the topic to a specific landing page or mini-site designed to attract organic traffic to the page and ultimately to an advertisers campaign.

Narrowcasting will be applied to CPA Networks as well in order to survive. Networks will need to stop trying to be all things to all people and start to "niche up" their offerings into polarized sites offering a wide range of campaigns to promote directed at a specific vertical or interest such as Business Opportunity or Health. The Networks who are already doing this are experiencing better returns because they are able to garner loyalty from both Publishers and Advertisers. Expect this trend to continue even in the really large networks as they micro focus their attention niche by niche to reach deep into the well of Publishers and identify the truly top people to work with.

## The State of CPA

### The Influences: The Economy

The economic downturn of late has also caused consumers to pull in the spending reins and choose more carefully what purchases they are considering. Impulse buys, the mainstay of direct-to-consumer sales, have dropped off sharply. This is evident in the slowdown of sales these last three quarters almost universally across all CPA Networks.

Economies the world over have been rocked by recent events affecting credit markets and are now starting to see some slight recoveries. The end is not near though, and this latest downturn has also reminded consumers of all the things they don't need to spend money on. The challenge here for Internet Marketers is that consumers will want to make better informed decisions about purchases instead of blindly whipping out a credit card for the next greatest wrinkle removing cream.

For Publishers, this means even more cultivating of lists that are engaged with a particular subject. Profiling lists of subscribers by polling or surveying them will become much more commonplace and necessary to keep lists buying the products you present to them. In addition, mini-site approaches will continue to expand as more and more "narrowcasted" messages will be being broadcast to a smaller and smaller niched audience for particular products and services.

For Advertisers, their challenge will be to make their products and services "must have" in the minds of the consumer. Whether it is tied to saving money or adding value, their target markets are pulling in the fences and Advertisers need to rise to the challenge with campaigns that speak to them in a very personal way. Infomercials should be on the rise as consumers seem to respond to these stimuli well because they go in-depth into a product or service and help consumers feel as if they have done their due diligence. Online this will manifest itself for Advertisers in supplying professionally produced content for Networks and their Publishers to use in promoting their campaigns. In addition, smart Advertisers working in this space will supply better tested sales funnels that are targeted by the channel they use to reach the end user.

The Networks' role in helping Advertisers and Publishers win in these tough economic times will be to go beyond simply passing traffic and tracking to play a more active part in both Advertiser's and Publisher's marketing efforts. This will be achieved in large part by expanding the services that they offer to both sides of the equation. Better and more frequent testing and optimization of campaigns will result in higher EPC's and better ROI for the Advertiser. In addition, Networks can offer an array of Advertiser services that will add value as well as reduce fraud and increase post transactional ROI and LCV.

All the players need to sharpen their games if they are going to win in this competitive marketplace. The economy's ills only makes these changes even more pressing at a time when consumer's are not spending as they have in the past and may not return to those patterns for some time, if at all.

## The State of CPA

### The Influences: Global Reach

The Internet is not bounded by countries or international time lines. The world outside of the United States in the online space is exploding. Foreign sales will become a focus of CPA Networks much more in the coming years. Largely ignored or only limited to English speaking countries, CPA Networks need to actively pursue Advertisers and campaigns as well as Publishers who have expertise in foreign markets. China alone represents an enormous opportunity for growth, so does India, Japan, South Korea and the emergent South America. As countries not considered “Western” come into their own as far as Internet Marketing is concerned, they will look for experienced partners who know how to manage sales into this space. This is where CPA Networks can see some much needed growth.

To truly understand the basics of International sales, please refer to a great book on the subject by John Yunker, *Beyond Borders: web globalization strategies* (available on Amazon). The book explains that to Globalize you need to Localize your message and presence to a particular target country or group of people who speak a common language and share common cultural traits, experiences and heritages. The need for this to be done in Performance Marketing is there, but only a handful of players actually are fulfilling on this.

# The State of CPA

## The Future: Where Things Are Headed and Recommendations For Growth

This report is intended to give the reader a better understanding of where CPA Networks fit into the Internet Marketing puzzle. As such, the opinions expressed in it are formed from multiple conversations and experiences with top players from Networks, Advertisers and Publishers. The State of CPA is actually not a bad place to be, when taking all things into consideration. This channel will continue to see growth so long as all the players involved continue to focus on truth and transparency in building their respective business'.

### Advertisers

- Compliance will continue to be the major issue that you and your partners will deal with going forward, and this will translate into higher legal costs to ensure that campaigns are meeting the letter of the law.
- Costs for playing in this channel will increase. Not only in the form of increased pre-payments to be put toward Publisher commissions, but also in the form of escalating testing and optimization costs.
- Identifying fraud at the earliest stages will decrease costs in the long run. In the short run this will more than likely increase the cost of acquisition due to increased technology and validation costs.
- Focusing attention on post transactional and Prospect funnels will reap the highest rewards. These initiatives take time to discover the optimal funnel (and it is probably evolving constantly), but failing to maximize these items will result in campaign failure and ultimately exiting from Performance Marketing.

### Publishers

- Need to achieve a level of professionalism in their business practices as well as establish guidelines and best practices as to documentation of their traffic sources.
- Improve their communication with Networks regarding which creatives and funnels are best suited to their particular traffic's needs.
- Work to "out" fraudulent affiliates by self policing and possibly setting up a method of Certification for trusted Publishers.
- Force Networks you work with to be compliant in the campaigns they carry on their network. Your livelihood (and fines) could be at stake on this one.
- Make it easier for Networks to work with you and be able to document who you are. If you are a legitimate non-fraudulent Publisher, you should be able to prove you are who you say you are and be able to show that you have worked with others in the space who have good or excellent reputations. This will allow the networks to more easily open up their lines of communication with you and be more willing to assist your individual efforts in promoting their campaigns.

# The State of CPA

## The Future: Where Things Are Headed and Recommendations For Growth

### Publishers (continued)

- Never stop innovating, but temper that innovation with the quality of the traffic it will generate. Low performing ROI for an Advertiser will make them run for the doors and your revenue stream will dry up. High performing ROI (translation: high quality targeted traffic to a specific campaign or niche subject) will encourage Advertisers to pay more to the best Publishers. Your network will negotiate this for you if they are doing their job.

### CPA Networks

- Establish better screening procedures and ongoing review for fraudulent Publishers. Develop early warning flags to identify and corral fraudulent sales/leads quickly. Work directly with Advertiser's to help them take the necessary validation steps to reduce fraud at the cart level. Fraud is an issue that will drive away the larger budgeted Advertisers looking to expand their Online Marketing through the Performance Channel. Fraud is also creating a stigma that is hard to shake. More than likely the big Advertiser dollars will flow directly to Google AdWords and Yahoo/Right Media Display Ads from the Advertiser playing with them directly or through their Madison Ave. agencies. Either way, Fraud, if left unchecked, will destroy the delicate balance that makes this channel possible.
- Focus on exclusive Advertiser relationships that can be private labeled and managed across multiple other networks. The margins are better than cross published only campaigns and they give you access to other Advertisers as they see the success you have with your exclusive Agency of Record clients.
- In the next few years there will be a shakeout of networks whose sole purpose is to cross publish campaigns from DirectTrack or other network backbones without exclusive Advertisers of their own. These networks offer Publishers little value adds and will eventually the number of campaigns they will be able to promote by cross-publishing drastically reduced by FTC and other legal entities who are forcing Advertiser's to "play it straight".
- Encourage better and more relevant communication between your Affiliate Managers and your Publishers. Not just newsletters, but actually parsing Publishers for specific niches and then targeting messages only to them with content that can be applied to their particular traffic. Your Publishers do this with their own lists, and they will expect the same out of their partner Networks. Failing to communicate in an effective way causes Publishers to leave and not come back. Include more opportunities for meeting personally with your Publishers at trade shows and even sponsoring local events.
- Establish your own Compliance Reviews for all campaigns to be run on your network. Regardless if you are a cross publisher or an agency type network, affiliates and Networks are being sued for promoting campaigns that are not in compliance or are infringing on trademarks. Failure to do this as a channel will doom the future to smaller direct marketer Advertisers and drive away larger Fortune 2000 brands as the stigma of non-compliance and lawsuits will make them run to other outlets in online Marketing.



# The State of CPA

## The Future: Where Things Are Headed and Recommendations For Growth

### CPA Networks (continued)

- Inject your business with a heavy dose of integrity. Promoting campaigns you have to think twice about because of their post transactional process' should never be considered for your network. Screen your Advertisers and potential Network partners (whose campaigns you cross publish) as hard as you do your Publishers.
- Get behind industry efforts to standardize and legitimize the Performance Marketing channel. Support grass roots efforts to fight Nexus laws and use your considerable reach to Publishers to educate them on best practices and new ways to market the campaigns you want them to knock home runs with. Failing to educate those who are new to the business will make the pool very shallow, whereas investing time and money back into educating all Publishers raises the standard for everyone.

### Additional Resources:

#### The Case for Truth and Transparency in Online Advertising

This article was written for Project Blackbook. An unusual publication that attempted to be the pulse of Performance Marketing. This is the lead article I wrote for the journal in 2006, much of it applies today.

[https://home.comcast.net/~j.lillig/The\\_Case\\_for\\_Transparency\\_and\\_Truth.pdf](https://home.comcast.net/~j.lillig/The_Case_for_Transparency_and_Truth.pdf)

#### JimLillig.com

The authors blog filled with interesting articles regarding online marketing, performance marketing and anything that has to do with selling products online.

[www.jimlillig.com](http://www.jimlillig.com)

#### The World of CPA Marketing with Jim Lillig from Brian Adrian's BlogTalkRadio.com

This interview covers many of the questions that CPA Publishers and Advertisers normally have when getting into this space.

<http://www.blogtalkradio.com/Brian-Adrian/2009/08/19/The-World-of-CPA-Marketing-with-Jim-Lillig>

#### Interview Series with Andrew Wee on Building a CPA Network From Scratch

The two interviews by top business blogger Andrew Wee, chronicle the authors latest initiative, to open a full service CPA Network.

Interview 1 (January 2009) - <http://www.whoisandrewwee.com/podcasts/friday-podcast-affiliate-marketing-and-affiliate-management-strategies-with-jim-lillig/>

Interview 2 (July 2009) - <http://www.whoisandrewwee.com/podcasts/friday-podcast-affiliate-network-launch/>

## The State of CPA

### About the Author



Jim Lillig is a 25 year marketing veteran who has been at the forefront of Performance Marketing since its earliest days online. His career online started in 1996 with the opening of his first Online Marketing consulting company Softsell Inc. Since that time he has been an innovator and industry insider whose coaching and consulting is sought by many of the best known names in the Industry today. Jim has held executive posts with Networks and large scale Advertisers, as well as being a Publisher himself. A speaker at many industry events, he has also penned a number of articles for journals such as Revenue Magazine and has authored many blog posts concerning the CPA Marketing channel.

You can read more about the author here:

Blog - [www.jimlillig.com](http://www.jimlillig.com)

Consulting Practice: [www.synergyintermedia.com](http://www.synergyintermedia.com)

LinkedIn Profile: [www.linkedin.com/in/jimlillig](http://www.linkedin.com/in/jimlillig)

Twitter: [www.twitter.com/jimlillig](http://www.twitter.com/jimlillig)

Facebook: <http://www.facebook.com/jim.lillig>

CNN/Small Business Article on Jim's work with LobsterGram - [http://money.cnn.com/magazines/fsb/fsb\\_archive/2006/10/01/8387297/index.htm](http://money.cnn.com/magazines/fsb/fsb_archive/2006/10/01/8387297/index.htm)

Jim conducts one-on-one coaching for clients looking to either enter this space or who have been in the Performance Marketing game and need to improve their bottom line.

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