



Title: We're all going out of business! 4 Tips to avoid Self-Destruction

SECTION 1 - INTRODUCTION

Thank you. That was a great talk – everyone so far has been great. A big hand for all the speakers at the show – it's the best show I've ever been to by far.

First some background on me. I've only ever worked in one industry – THIS ONE! Affiliate Marketing is the only thing I've done for more than 10 years. I love the business of affiliate marketing. With my background in Math and Economics, I totally geek out on this shit.

I co-founded Jumbleberry in 2009 with my partner Danny and before that I was affiliate manager and jack-of-all trades with a small affiliate program.

I've done almost every job at Jumbleberry, from Affiliate Manager to BizDev, Collections, Campaign Management – Which I suppose prepared me for my role as Chief Innovation Officer. I know it sounds fluffy and corporate - but today's talk should give some insight into why we feel it's so critical to invest in innovation.

Let's just say that my role is "head problem solver". Got a problem or opportunity that needs a creative solution? I'm your guy.

I also have a beard. And as you can see from the chart, people trust men with beards almost twice as much as men without beards. So in addition to my experience and passion, _please_ factor in that in as you listen today.

Besides me and my beard, what's the value in hearing what a network might think about the industry? Aren't networks just "necessary evils" that exist just to make sure you get paid? I get it, Networks usually suck. But let me frame up this way:

Since almost everyone here is an affiliate who buys traffic – you all understand the power in aggregating data. A network is in a great position to aggregate data, not about traffic, but about the behaviors and actions of thousands of affiliates and advertisers. And because we play the role of universal translator in between, we've developed a really good understanding of the business from both sides.

So we're well positioned to see the forest for the trees and we have unbiased opinions that are backed up by data.

In a little more than 6 years, Jumbleberry has racked up the following:

75,000,000 clicks

6,000,000 CPA conversions

2000+ Affiliate

2500+ Offers

jumbleberry

40,000+ hours of conversations with advertisers and affiliates
TOO MANY meetings that look like this

We never set out to become some corporate think tank or “thought leaders” in the industry. We started out with the intention of making a lot of money, just like everyone else here. Over the years of working with thousands of people, we’ve gathered all this information – an accumulation of thoughts, actions and ideas – so we have all this knowledge and the opportunity to share it, so why not.

What we’re going to talk about today is the state of our industry, and what it takes to not only make more money today, but also in the future.

I gotta say it’s been fun for for the past 10 years or so. Jumbleberry is coming off its best year ever, more than 100% growth – in fact how many people here are coming off their best year ever?

That’s’ phenomenal. The future is so bright - what a time to be alive.

Well, I hope everyone has enjoyed the ride as much I have...

BECAUSE WE’RE ALL GOING OUT OF BUSINESS.

SECTION 2: THE SETUP

I'd like to start by sharing 2 business stories with you.

The first story is about a "too-big-to-fail" financial institution founded in 1858 that eventually grew into a Wall St. powerhouse, peaking at 19 billion in revenue, 700 billion in assets and over 4 billion in annual profits.

Story 1: I'd like to highlight some quotes from the 2007 annual report of this company:

"We benefitted from our senior level focus on risk management and, more importantly, our culture of risk management..."

"...record net revenues, net income, and earnings per share..."

Lehman Brothers was flying high in late 2007, they were coming off their best year ever, they truly believed they were at the top of their game in all aspects, even though cracks had started to appear in the sub-prime mortgage business.

Lehman had over \$110B in securities related to subprime mortgages on the books, leveraged at 31x. Meaning, a movement of less than 4% would make them worthless. 4% between where they were, and insolvency. They were existing on the edge of a knife, but felt fine about it. The market moved a lot more than 4%.. and on September 15, 2008 Lehman Brothers filed for the largest Bankruptcy in corporate history

Let's go back and look at Lehman's blind spots – things that were going on right under their nose but they did nothing about:

- Ratings Agencies giving sub-prime mortgage securities AAA ratings
- Players playing both sides and shared and interconnected liability (House of Cards)
- "Shadow Banking" structure – no regulation, no best practices
- Massive over supply of housing
- People with No Jobs and No Income with huge adjustable rate mortgages

But why? How could it happen that these things could be going on, that are so obviously a threat to their business, and yet they think every thing is fine?



There were a few key things that created these devastating blind spots:

- Competition for profits forced industry players into silos, there was no incentive to work together and share information
- Risk was buried on their Balance sheets, they couldn't see the toxic assets they owned or how close they were to being bankrupt
- Group Think! Since everyone else was doing it, they thought that made it less risky
- Downplayed and underreacted to sub-prime mortgage meltdown to not scare shareholders. The crisis was already underway in mid 2007, even scarier is they really thought they were fine.

We know what the outcome of the subprime mortgage crisis was – the great recession. And lots of companies didn't survive, but all the facts were staring them in the face, their blind spots did them in.

The second story is about US. The Affiliate Marketing Industry.

We're a young industry that's little more than 20 years old.

Growing at a 16% compound annual growth rate,

In 2015, the size of the industry is close to \$5B in the US alone and over \$15B globally.

We're outpacing growth in retail in general, and growing almost 3 times as fast as online retail. Affiliate marketing is like e-commerce on steroids

A few minutes ago a whole bunch of us raised our hands because we just had our best year ever. Our industry is one of the fastest growing out there. But are there cracks starting to show? Do we have blind spots? Are there things going on that could put us out of business?

The answer is absolutely yes.

- Ad Blocking and Ad Blindness, Banner CTR 0.0006 and declining
 - o People hate ads!
- The Death of the Web and the rise of the Closed Ecosystems – Pinterest, Facebook, Twitter, LinkedIn, Snapchat - who will exploit affiliates until they no longer need them
- Massive shift in consumer preferences – Apps vs. Web (Device), UX, Value expectations
- Regulatory Compliance – They move slow but carry a big stick
 - o Big parts of our industry might get regulated, increasing costs and crushing profit margins
- Rampant Deceptive Marketing – Low customer value destroys industries
 - o The worst players tarnish everyone. There is a line to be walked between aggressive and outright deception

SECTION 3: THE 4 TIPS

Having witnessed several cycles of destruction and creation, and through all the conversations and observations over the years, There are 4 themes that have consistently separated the winners from the losers – the affiliates who consistently survive, who stay in business, despite all the upheaval. These 4 tips are things you can action right away to avoid self destruction.

Are you guys ready? Are We good?

Ok. Here we Go, lets get into it

1. Collaborate
2. Know your instruments
3. Find your Edge
4. Act as If

Collaborate

Collaboration simply means the sharing of ideas and skills for the mutual benefit of everyone involved. It's deeper than networking, it's about really working together. It's about not being isolated.

When most people start off in Affiliate Marketing they are full of more questions than answers. They join message boards like Stack that money and learn as much as possible. They listen well and constantly ask for help. To succeed over the long term, you need to embrace your inner n00b.

I can tell you that every single one of the affiliates that are consistently at the top of leaderboard work in some kind of group. I'm sure you've all seen Affiliates traveling in packs, and most of you probably have a little tribe of your own. I don't know what everyone is talking about – but I do know that all the best affiliates do it. But seriously – it's not a social thing, it's a business thing. Each member of the group brings something to the table – a particular skill or technology or thoughts and ideas that contribute to the group, and everyone is better off for it.

I know that it can sometimes be hard to share ideas - How many people have ever had an idea that they didn't share because they thought someone would steal it?

But there are two really good reasons to share ideas. One is that you might get some good feedback that makes the idea better, or you might discover that it's actually a really bad idea so stop wasting your time. Either way, you may inspire someone to share one of their ideas with you. It's that notion of sharing ideas and then everyone making their ideas better that's so powerful. So trade your nickels for dimes, there is huge power in information and sharing ideas is a great way to get it.

There is one danger – and it's group think. Think back to Lehman Brothers and the subprime mortgage business – everyone thought that what they were doing was ok, everyone was smiling and nodding

along – and look what happened. Don't allow yourself to get stale. You need to have your core group, but you also need to go outside the group sometimes and get some different perspectives to stay fresh.

The bottom line is that Winners know the value in collaboration and they learn from the experience of others.

Know your Instruments

DATA DATA DATA! So much DATA! BIG DATA! SMALL DATA!

These days it's like people need to shut up about data. We get, you need data. Affiliate Marketing is actually way ahead of the curve, it's been a data driven business since day 1.

So the trick is two fold: look at the right data – in other words, have the right instruments, and then be objective, that's interpret your instruments without bias.

I won't bore you with the specifics of particular metrics you should be watching, you all know it's about maximizing daily profit. But here's the tip: First, don't just look at your campaign data. You need to collect "outside" data as well – data about the industry, data about the end markets you're selling into, or data about what your competition is up to – to see the whole picture. Sometimes you need to put things in perspective to understand what the right course of action is.

Second, you need to be objective about your data and be unbiased. This is easier said than done. Bias is a natural human instinct, it's highly emotional. The suggestion is to be aware of the different kinds of bias everyone is prone to – learn these bias', become mindful of them and then constantly check yourself against them – or even better, apply tip number 1 and get a second opinion from someone.

There are really 5 major kinds of bias: Confirmation Bias, Hindsight Bias, Over and Under Confidence, Over and Under Reacting, and Paradox. I have a copy of this talk on the website where I go into detail about each of these. Understanding these common types of bias will help to be objective.

Making decisions from bad or incomplete data or decisions that are full of bias is a guaranteed way to self destruct. The biggest and best affiliates know this. They look at their campaign data and outside data sources, and they are disciplined around interpreting what they see. If you're not good with numbers, maybe this business isn't for you – but really, you can just hire someone that's a numbers guru. Either way, don't fly blind and avoid the common pitfalls associated with bias.

Find Your Edge

So what is 'Edge'. Edge is the thing that you win on, it's what separates you from the competition. It's your 'secret sauce'. Over the long term, if you don't have an edge, if you don't add unique value, your business won't survive. Winners have an edge and they know what it is. Their success happens on purpose.

There are lots of different kinds of edge you can have, and it's usually a combination of a few different things that makes it a unique advantage. You might have technology edge, like a particular tool that you built to automate a part of your business. It might be a source edge, like consistently being a first mover on new traffic sources or targeting different countries or demos. You're edge might be a scale edge, where you have more cash-flow and more spend than the competition, so you can bid more and test more. Or you might have a marketing edge, like consistently producing ads that pull clicks or a method to building bridge pages that convert like fire.

So that's all well and good, but what's the tip. The tip is this: If you're going to have an edge, you need take some time and find out what it is. The first step is to take inventory of all the things you do that might be unique, and then apply Tip #1: Go talk to a bunch of people!! When you talk to a lot of people you'll learn a lot about the "common practices" that are out there, the things that everyone else is doing. If someone is doing the same thing as you in the same way then you aren't unique. It's kind of like playing affiliate scattergories. You find the candidates for your edge when you have that list of things that only you do.

When it comes to finding you edge, be humble, be objective and be relentless about maximizing it. But don't get comfortable, Winning affiliates are never complacent, they know their edge can disappear in an instant, so a part of their time is spent on refining what they do now or in discovering a new advantage.

Act as if – Be a business and take emotion out of decisions

Humans are emotional beings. Everyone in here is an entrepreneur, it's easy to become isolated – and we've already discussed how that leads to failure. Affiliate marketing involves a lot of decisions that need to be made quickly – it lends itself emotional decision making. Without a structured and formal approach, the natural tendency is towards "gut feeling". We talked about the importance of data and metrics and knowing your instruments, and that's the bare minimum. The next is to build structure and discipline into your decision making process to safe-guard against emotional decisions.

So what does it mean to build structure? Well it means doing the basics, like hiring employees to do the administrative work, it means hiring a lawyer and being proactive about managing your legal risk, instead of panic when you get a C&D or letter from the AG. It means hiring an accountant and being proactive about finances and taxation. And it also means acting on Tips 1, 2, 3.



When people get scared they make fight or flight decisions that are short term and about self-preservation. Your business needs to become emotionless, but you want to harness emotions, like fear, to drive innovation and constant change. Fear and Anxiety can be some of the most powerful forces in business when used in this way. When you think about the threats facing our industry, Your business should be TERRIFIED of the future, but should harness that fear to drive continuous improvement – that’s the only path to long term success

The Affiliates we’ve worked with that treated their business like it was a hobby, well they aren’t affiliates any more – I won’t even say they’re out of business, they were never in business. Everyone who succeeds over the long term does the dull and boring things to set up their operation like a proper business.

All things we’ve talked about today - Collaboration, Knowing your Instruments, Being unbiased, having a competitive advantage – are all just observations of what our best and biggest affiliates do. I didn’t go and create this stuff out of thin air. I’m just a messenger, here to share with you some insights we’ve been able together from our position as a network.

So, in closing, what have we learned today:

SECTION 4: CLOSING REMARKS

1. Beard = Trust
2. Jumbleberry = Perspective
3. Lehman = FAIL
4. You and Me = Going out of Business!
5. Embrace your inner n00b!
6. Innovate or Die
 - a. Collaborate
 - b. Know your instruments
 - c. Find your Edge
 - d. Act as if

THANK YOU