Why affiliate marketing?

• Creativity
• Reach
• Attractive pricing model, risk model

/BUT/

• How to supervise small affiliates a retailer has never met?
• Many & divergent incentives: merchant, network, affiliate program manager, affiliate
Affiliate earns commission if …

• User requests affiliate web site
• User clicks affiliate’s link to merchant /and/
• User makes a purchase

→ Merchant can safely partner with anyone?
SecretShopperxy
Deal Seeker

Re: Points2Shop - Shop For Free at Amazon.com

Quote:
Originally Posted by somerset1106
Are there any other sites like this?? I'm trying to compare em all it's a headache lol.

Ditto. I am still researching some other sites that are similar. If I find out any information I will keep ya posted. In the meantime, I am going to sign up.

Coming to a store near you! Muahaha!!
COMMISSION JUNCTION, INC.,

Plaintiff,

v.

THUNDERWOOD HOLDINGS, INC. dba KESSLER’S FLYING CIRCUS; TODD DUNNING; BRIAN DUNNING; and DOES 1 through 50, inclusive,

Defendants.

CASE NO.: 30-2008 00101025
ASSIGNED FOR ALL PURPOSES TO:
JUDGE RANDELL L. WILKINSON
DEPARTMENT C25

SECOND AMENDED COMPLAINT
FOR DAMAGES
1. Breach of Contract
2. Open Book Account
3. Account Stated
4. Reasonable Value
5. Conversion
6. Unfair Competition
7. Declaratory Relief

[Unlimited]

Plaintiff Commission Junction, Inc. alleges as follows:

1. At all times relevant herein, plaintiff Commission Junction, Inc. ("CJI") was a corporation organized and existing under the laws of the State of Delaware and wholly
Hi Todd:

Further to our conversation, this is the letter I referred to. I appreciate your understanding in this matter. As we discussed, please wire us the funds (565,517.84) less your wiring fee, tomorrow morning at your convenience. If you could kindly call me at (805-450-8126) and email to confirm once done, I'd greatly appreciate it.

Below are the payment instructions for wire payment:

**Wire Payment Information**

**Beneficiary:** Commission Junction  
**Bank:** Wells Fargo Bank  
**Address:** 420 Montgomery Street  
San Francisco, CA 94104  
**Account No:** 4121196406  
**Routing No:** 121 000 248  
**Swift Code:** BIC WFBIS6S

Thanks again for your cooperation and understanding!

Cheers,

Peter Bexelius  
Account Manager - Strategic Accounts

___________________________________________________________

Commission Junction, a ValueClick Company  
530 East Montecito Street  
Santa Barbara, CA 93103  
Direct: 805 730 8106  
Fax: 805 730 8458  
Email: pbexelius@cj.com
POST /adshow HTTP/1.1
User-Agent: TSA/4.0.4.1...
Host: a.targetsaver.com
http://www.tesco.com/clubcarddeals/

HTTP/1.1 200 OK
http://www.targetsaver.com/redirect.php?clientID=...
&finalURL=http://redirect.tracking202.com/dl/5668...

GET /dl/5668626?t202kw= HTTP/1.1
Host: redirect.tracking202.com ...

<script>window.location='http://clkuk.tradedoubler.com/click?p=898&a=1686304&g=2385383669505';</script>

GET /click?p=898&a=1686304&g=2385383669505 HTTP/1.1
Host: clkuk.tradedoubler.com

HTTP/1.1 302 Found
Affiliate earns commission if …

• User requests affiliate web site
• User clicks affiliate’s link to merchant /and/
• User makes a purchase

→ Merchant can safely partner with anyone?
Fixing Affiliate Marketing

• Supervising small affiliates
  – Penalties?
  – Litigation?
  – Identity verification
    • Name – email – phone number – address – tax ID – IP
  – Sequential pseudonymity: reregistering using a new name
Incentives wishlist

• Take existing detection technology as given
• Effective at deterrence
  – No more cat-and-mouse
• Undercut incentives for use of pseudonyms and multiple identities
Payment delay

- Pay more slowly.
- If uncover a fraud, don’t pay.
- Pay a bonus to make good agents indifferent.
  - Compensate good agents for having to wait.
Resulting incentives

0

increasing delay $q$

rogue non-participation constraint

payment delay $q$ is sufficiently short to be cost-effective for principal

principal’s desired value of delay $q$

payment delay $q$ is sufficiently long to deter rogue agents

principal profit constraint
Calibration

change in principal profits

(delay $q^*$ maximizes principal profits)

(payment delay) $q$

(delay $q^{**}$ prevents as much fraud as possible without reducing principal profits)
What does this fix?

- Sequential pseudonymity
- Fraud unredressable due to litigation costs
- Detection systems with low effectiveness

References:

Delaying Payment to Deter Online Advertising Fraud (2008)
benedelman.org/paymentdelay

Deterring Online Advertising Fraud Through Optimal Payment in Arrears
Financial Cryptography 2009 - SV LNCS
Fixing Affiliate Marketing

• Supervising small affiliates a retailer has never met.

• Managing divergent incentives: merchant, network, affiliate program manager, affiliate
Managers’ incentives

- Network: “10% of spend”
- Affiliate program manager: “20% of year-over-year growth”
CJ Advertiser Service Agreement

To the fullest extent permissible pursuant to applicable law, CJ disclaims all warranties implied, including … that CJ’s security methods will be sufficient … The entire risk as to satisfactory quality, performance [and] accuracy … is with you. CJ is, under no circumstances, responsible for the practices, acts or omissions of any advertiser or publisher.
Affilinet Advertiser T&C’s

10.2 Affilinet shall not be liable (whether in contract, tort or otherwise) for any loss of profit, revenue or any consequential loss or damage.

10.5 The Platform is made available on an "as is" basis without any warranties, terms or conditions of any kind, including ... as to satisfactory quality, fitness for purpose ... .

10.6 Affilinet has no control over the Publisher Website ... and ... makes no warranties as to ... satisfactory quality, fitness ... or compliance ...
Fixing Affiliate Marketing

• Supervising small affiliates a retailer has never met.
• Managing divergent incentives: merchant, network, affiliate program manager, affiliate

/AND/

• Retaining the cost-effectiveness, excitement, flexibility, and passion of affiliate marketing?
benedelman.org
more examples, perpetrators, and infractions