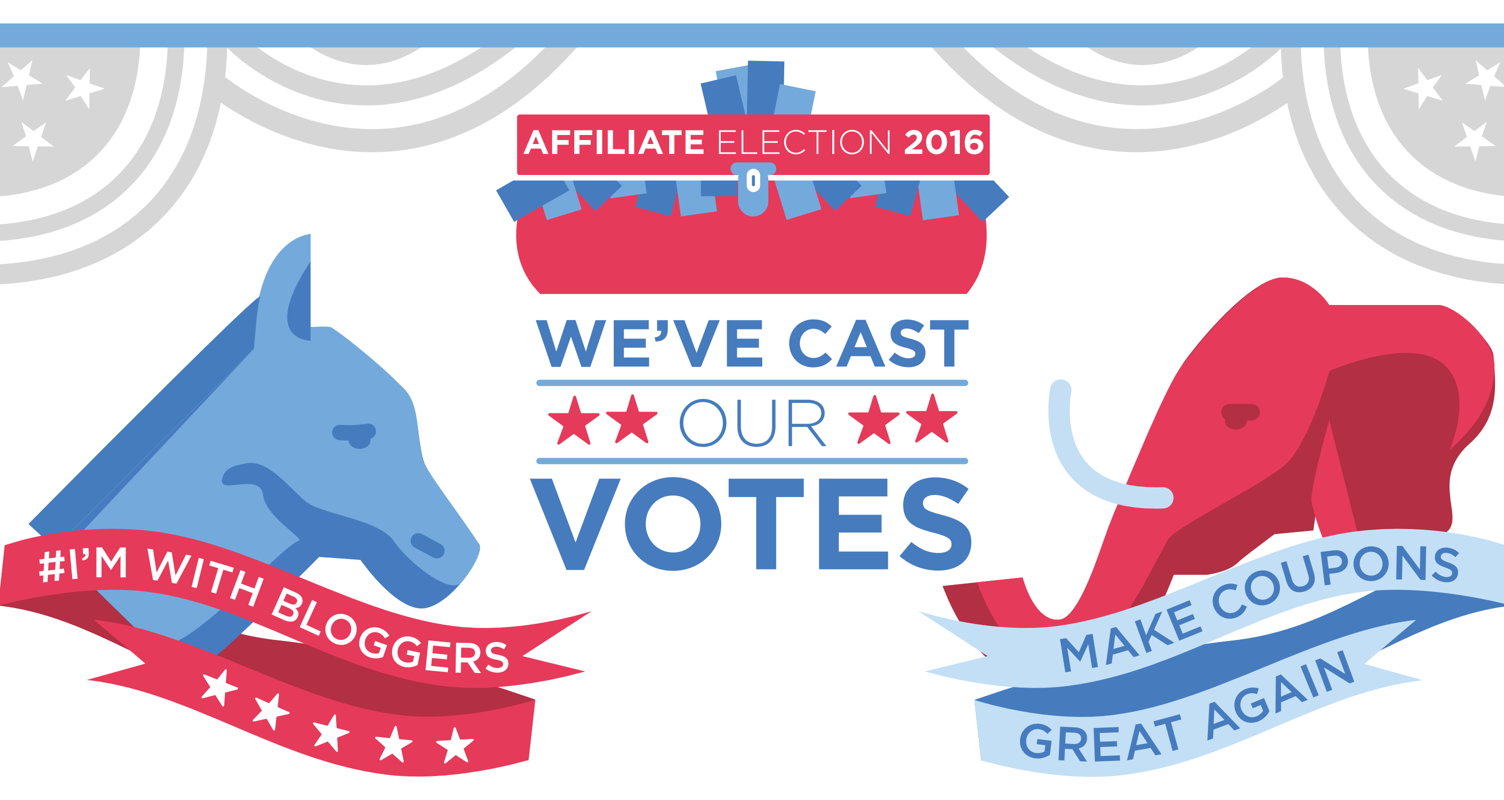
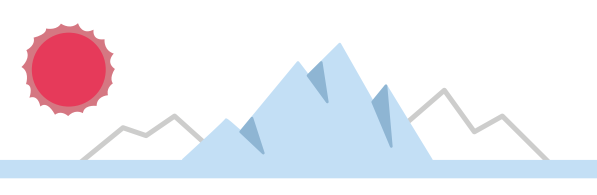


Affiliate management comes with both conservative and liberal viewpoints. We at Schaaf-PartnerCentric want to help you make more sense of the State of the Affiliate Space with this handy downloadable. Here you will find our picks for the hottest content partners, which online affiliates are driving site-to-store economies, the ins and outs of commission rates, navigating Nexus taxes, and how to build a huuuge wall of compliance.

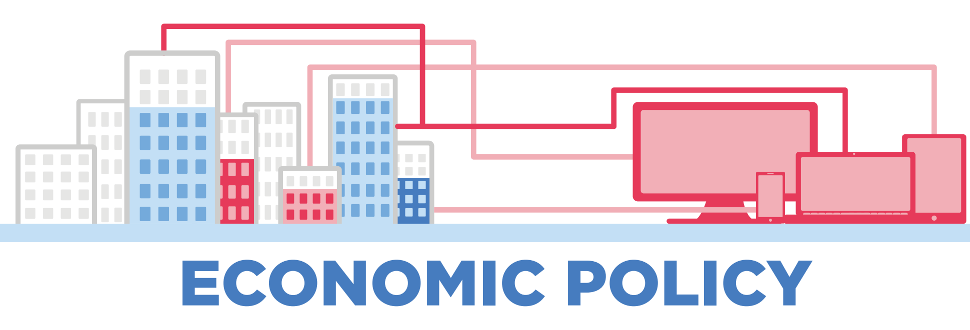


CLIMATE CHANGE

Turning Up the Heat on Social Marketing

Social platforms are a big part of how we now stay connected with friends and family, from Facebook to Twitter to Instagram. With this explosion in online social networking, savvy marketers have tapped into the popularity of these channels as a way to engage with potential customers. Not surprising, there are several affiliates popping up that have created technology that allows brands to more easily get in front of customers while they are socializing in these channels, or going as far to create their own social channels with a shopping component. One such publisher allows influencers, bloggers and Instagrammers to create customized profiles simply by recommending their favorite brands and businesses, that customers can shop. Check out www.Yappee.com

We all want more content partners in our affiliate programs because of the great story they can tell about a retailer's products or services to a highly engaged audience. And, that content is often shared by readers in Facebook, Twitter and Pinterest, which is a great value-add to retailers. While many highly trafficked content sites don't monetize on an affiliate basis, it can be worthwhile to initially collaborate with them to publish a review or blog post, on a paid basis, which allows them to get introduced to your brand and establish a relationship. Depending on how their audience responds to your brand, they may want to consider a long-term affiliate relationship. Also, some content sites have a dedicated deal or discount section where they will consider affiliate compensation for featuring a hot deal. Here is a content site that has recently decided to expand on their deal section by including additional retailers - www.Patch.com.

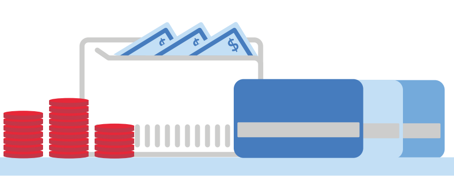


ECONOMIC POLICY

Who is the Future of your Affiliate Program and Driving the New Economy of "Incrementality?"

When it comes to the growth of an affiliate program you must think outside the box. Does the program have a particular area of focus? Does the company have an internal strategy that we can align with the affiliate program? Is there a new trend we should be taking advantage of? One particular stat claims that 73% of online shoppers who have picked up an online order in a store in the last year said they did so to avoid shipping fees. For many brick and motor companies its all about driving site to store sales through mobile as well as geo-targeting to specific stores. Finding a way to geo target for in-store purchases can assist with new store opening or underperforming stores. Both site-to-store and geo targeting have the ability to drive incrementatlity by capturing users wishing to not buy online and shop right in a local store while still finding the best offers.

We think these are the right guys for the job if your goal is to drive additional sales in-store:



MINIMUM WAGE

The Latest Stance on the Default Rate for Publishers that Keeps Them Surviving and Thriving for Your Programs

Similar to discussing the topic of Minimum Wage, determining the best commission structure for your affiliates can be difficult. A firm cookie cutter, one size fits all approach will often lead to inefficiencies in spending. So, what is one to do? Good News! We have some guidelines that will ease your mind and (even better) help save costs.

Default Commission Rate:
In the world of affiliate programs, the default commission rate is considered minimum wage. This is the rate that you should be willing to give to the public/general affiliate base. When determining your default rate, be sure to check out what your competition is offering. Provide anything less, and your publishers are likely to work harder and drive more sales for the other guys (GASP)!

Recommended Affiliates: General Affiliate Base

VIP Commission Rate:
Just like in the real world, publishers who have more expertise and skill level listed on their resume require a little more than minimum wage. That being said, be prepared to have the ability to give a higher commission rate to publishers that can offer something more than the standard listing on the store page. Loyalty and Reward Sites that offer cash back or points to customers often pocket just half (sometimes less) of the default commission rate you provide. These sites that give back generally need a little more to perform well (especially if your default rate is very low). Again, be sure to check out what the competition is offering as cash back on loyalty sites so you don't miss out on potential sales.

Recommended Affiliates: Loyalty/Reward Sites, such as Ebates, ShopAtHome, and GoodShop

Higher Commission in Exchange for Placement:
Now the question is, what do you give hardworking publishers that go above and beyond the call of duty? For starters, a higher commission rate if you are looking for a little more exposure in return! Affiliates often have a variety of ways they can promote an advertiser via homepage placements, dedicated emails, and a variety of social media outlets (everywhere you want to be). Since these placements take a bit more work from the affiliate and drive more revenue, publishers tend to charge a flat fee. If your budget is limited, offer a higher commission rate to reduce the overall flat fee rate of the placement. Some publishers are even willing to provide placement for just an increase in commission and will waive the flat fee altogether. Increasing commission in exchange for placement is a great and cost effective way to get your brand out there!

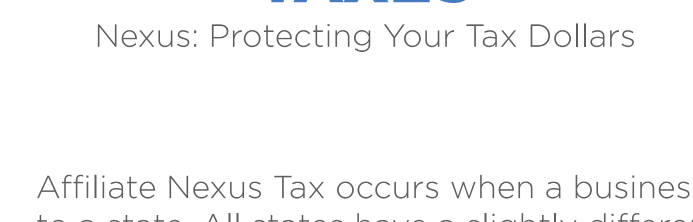
Recommended Affiliates: Your Top Performing Affiliates that offer additional placement opportunities

Below Default Commission Rate...Say What?!:
Yes, you read that correctly and are probably wondering what affiliate would be open to such madness! Before I get there, you first need to think about what is eating away at your margins. Are you providing your affiliates with heavy discounts to promote? If so, does the cost of the coupon combined with the affiliate cost leave you with a profit? If the answer is no, consider giving select publishers a lower rate. If you allow for trademark monitoring (or want to test it out), you can provide search publishers with a lower rate as you are giving them an advantage or an additional tool to help drive sales. Think of search publishers as waiters. They tend to earn less than minimum wage, but make up their revenue with tips. Having trademark rights is essentially a "tip" to these publishers. In the end, everyone is happy! You reduced your commission costs and these affiliates profit from having the additional benefit of rich coupons and trademark rights.

Recommend Affiliates: Coupon Sites/Search Publishers such as Offers.com and RetailMeNot

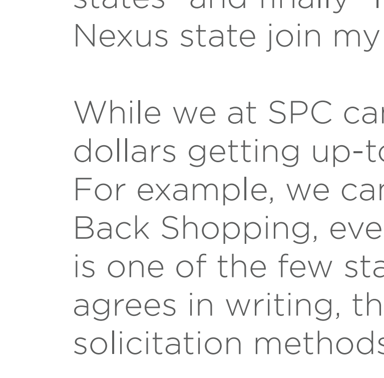
Commission Bonus:
Sometimes to drive a little more revenue, you have to give more commission. This is often the case with inactive or unproductive publishers. These publishers may have forgotten about you and need a little incentive to get your brand up and running. Often giving these publishers a higher commission rate or flat bonus for their first sale is the best way to get them to produce sales. You can also encourage top performers to produce even more sales by setting revenue goals and offering a higher commission rate when these goals are reached. This helps build a positive working relationship between you and the publisher and helps set expectations which drive results.

Recommended Affiliates: Inactive or Unproductive publishers for Activation Bonus. Optimization Bonus for Top Performers.



TAXES

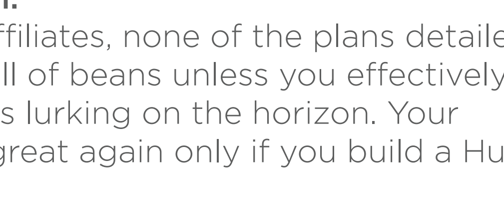
Nexus: Protecting Your Tax Dollars



Affiliate Nexus Tax occurs when a business has a connection to a state. All states have a slightly different definition of nexus, but most consider a physical presence as the determining factor. This means, even if you don't have a physical store in a state, affiliates in your program could cause Nexus taxes to be collected.

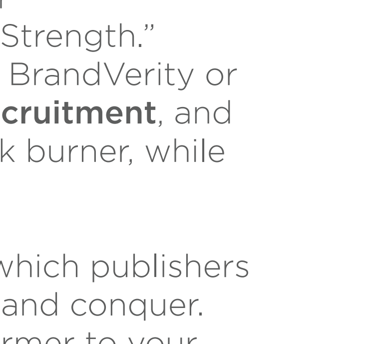
There is no one-size-fits-all with how merchants handle Nexus laws. Opinions vary on the best solution for letting affiliates from Nexus states join. Thoughts range from "We have an open door policy", to "It's unrealistic to say we're going to completely shut down our program to Nexus states" and finally "I will build a great, great wall and I will refuse to let anyone in a Nexus state join my program."

While we at SPC can't supply tax or legal advice, we spent our time and legal dollars getting up-to-date on Internet Sales Tax Reform so you don't have to. For example, we can help you partner with Ebates.com, the leader of online Cash Back Shopping, even though they are located in the state of California. California is one of the few states that have non-solicitation agreements where the affiliate agrees in writing, that they will not market to customers using direct or indirect solicitation methods.



ISAS

Our Stance on How to Defeat Incoming Suspicious Affiliate Strangers (ISAS)



Make Affiliate Safe Again:
In the United States of Affiliates, none of the plans detailed above will amount to a hill of beans unless you effectively deal with the inevitable threats lurking on the horizon. Your affiliate program will be great again only if you build a Huge Wall of Compliance.

Just because the threat exists doesn't mean your affiliate program must suffer at the hands of bad actors. By following our simple three-step plan, you can achieve Affiliate "Peace through Strength." With the help of **1) an ad & content monitoring service**—such as BrandVerity or AdAssured, **2) an effective vetting process for approvals and recruitment**, and **3) vigilance,** compliance can stay in it's proper place: on the back burner, while you focus on growing your program.

To best your enemy, you have to know your enemy. By learning which publishers can be rehabilitated and which are irredeemable, you can divide and conquer. Take preemptive action against the latter, while leveraging the former to your advantage. Strong alliances are critical in this industry, and diplomacy is always preferable to conflict.

When you do encounter policy violations, be proactive. Have a list of recommended keywords to supply your publishers—especially violators. You want as many productive publishers as possible. Make violators work for you not against you.

If you see potential in an otherwise non-compliant publisher, remove them from your program, or reverse commissions, to prove you mean business. Then, welcome them back on your terms: Negotiate ad placement rankings to control your Pay Per Call costs or exchange placements for a return to favorable status.

Enforce the rules you have. Program terms are no good on paper alone, there have to be teeth behind them. Setting up an effective enforcement system will take some heavy lifting up front but, when done right, can sustain itself with minimal oversight.

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