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## Interview with Michael Jenkins from Market Leverage



**Adrian Bye:** Today, I am here joined by the CEO of MarketLeverage. His name is Michael Jenkins. I have been hearing about Michael and MarketLeverage for years, and heard about that they generate a tremendous amount of traffic and never had any contact with them. So, this is kind of a first time to talk with Michael. I'm pretty excited about it.

So, Michael, thanks for joining us.

**Michael Jenkins:** Thank you, Adrian. It's a real pleasure to be here, and I've also heard great things about you and I enjoy being interviewed by you. Thank you.

**Adrian Bye:** Maybe can you just tell us a little bit about who you are, first, like where you come from, where you grew up and what your past has been like.

**Michael Jenkins:** Sure, thank you. I grew up in Baltimore, Maryland and I grew up in a very entrepreneurial house. My father was a really, really great salesperson who kind of took his skill set and became an entrepreneur. He did a lot of

interesting things so I grew up in a house where it was very normal to sit around the table and listen to my dad converse with people in business. So, I've always had the itch to go out and do something.

I'm also fortunate enough. People that are my age, 30, 35 – I'm actually 34 years old but in that zone, remember a very different world before the internet so it's been really phenomenal to observe what the internet has brought to the world. I was in my 20s when that began to happen. So, this was the place to be and I was fortunate enough to be introduced to this particular industry about 10 years ago, and I started what became MarketLeverage. It started out as PrecisionPlay Media about 10 years ago from a very, very small townhome and I have grown it into what it is today.

**Adrian Bye:** Cool. How come you moved down to Florida?

**Michael Jenkins:** Great question. I was attending college in Upstate New York and I was looking for some place to go...

**Adrian Bye:** Are you another one of these college dropouts?

**Michael Jenkins:** I am definitely a college dropout. I guess that...

**Adrian Bye:** You know, that has been a trend that I've noticed across my interviews.

**Michael Jenkins:** Yes.

**Adrian Bye:** A very large percentage of the most successful guys don't finish college.

**Michael Jenkins:** For me, I'd love to go back someday to go just for the sake of learning whatever it is that I want to learn. But to be really honest with you, for me, I was so eager to go out, and try things and do things that it was difficult to sit in school all day. What happened for me was my father owned a tiny, like tiny, tiny little beach cottage. It wasn't on the ocean or anything. It was down the street. My grandparents lived down the street. I was probably 19 years old in my second year of college and I just decided that I was done with that, and wanted to go out and do something. I didn't know a thing about the world and I used to think that Daytona Beach was a bigger location than it was so I basically moved out there, thinking I was going to take over the world and I spent a number of years looking for an opportunity to fulfill my ambitions, and then of all places in the world, Daytona Beach is where I was introduced to this industry.



**Adrian Bye:** Cool. How long have you been in Florida?

**Michael Jenkins:** I've been in Florida now going on about 15 years.

**Adrian Bye:** Married, 16 kids – the whole bit – two wives...

**Michael Jenkins:** Yes, I am married. I've been married for 11 years. I have two children, a nine-year old son and a six-year old daughter.

**Adrian Bye:** Cool.

I saw in some of the photos that you sent for us to publish that you're a bit of a traveler and you have an interesting picture of you in South America.

**Michael Jenkins:** Yes, actually. Recently, I think I went about four or five years with no vacations at all and just strictly focused on building the business, and a few years ago, I decided that it was time to kind of go out and see all these things I dreamed about. I'm not like you. I haven't been to North Korea or a place like that. I'd love to do that but I sort of got the desire about a year and a half ago to climb the Seven Summits of the world so I started out with Kilimanjaro and went out to Africa. In December of last year, I went to Aconcagua which is in Argentina. It's the largest mountain in the world outside of Asia at a little over 23,000 ft or right around 23,000 ft and summated that as well so my plans are to continue doing that. My wife and I have also been out to France and to Italy. It's just a wonderful experience. We enjoy doing it.

**Adrian Bye:** I was actually reading a little bit about it. What you're doing is there's this thing called the Seven Summits. So, you're actually going to climb like every tall mountain in the world, basically?

**Michael Jenkins:** Well, the tallest mountain on each of the seven continents is the goal so I was actually supposed to go out. I've done two of the seven. I was scheduled a few months back to go out to Mount

McKinley otherwise known as Denali which is out in Alaska and that's the tallest in North America, and it's also one of the most epic climbs out there. It's just freezing. It's all ice-covered, glaciated. I was really looking forward to it and when I was training to do winter mountaineering out in Seattle, unfortunately I fell and I hurt my knee which knocked the trip out. But, I'm working on getting that better so that I can get out there next year. So, unfortunately I missed that. I was hoping to do three that year but I'll be getting back to that as soon as I can.

**Adrian Bye:** So, this isn't something that just, like, grandma goes and does. You've got to get in pretty good shape to go and do this.

**Michael Jenkins:** Yes and I think part of the reason that there's sort of a rush in my mind – I don't want to do this over seven or ten years – is because you do have to be in really great shape and it's kind of hard, I think, to maintain that level of focus in shape. I hope I can for the next 10 years but sort of while you have it, you want to use it. So, that's really been my focus. It's to take and leverage the shape that I'm in right now and just keep that going. It actually started out a few years ago. I started working out and I enjoyed doing that. Then I decided on my 30th birthday, I wanted to run a marathon. So, I've run seven of those, and I just kept, kind of, taking that physical fitness and seeing what else I could do it. I'm by no means a gifted athlete and the only thing I bring to the table unfortunately is willpower. So, mountains are a good thing. You don't have to sprint them but if you have a lot of will, I think, and really good guides, you can accomplish a lot and it's wonderful thing. You suffer like crazy but it gives you a lot of appreciation for everyday life and it is remarkable to do that.

**Adrian Bye:** We'll get onto business in a second. The hobby that I've picked up recently is photography and so, I've always liked to travel to kind of weird places. Being able to do that with photography on the internet ends up being really powerful because you can just easily run off a bunch of photos and then suddenly everyone you know all over the world can see them.

I don't know if you do that already with your trips but it sounds like you could take some amazing pictures.

**Michael Jenkins:** I've taken some really nice pictures purely out of luck. I find the thing about digital photography that's so great is that you can take so many pictures that you're bound by pure accident and freak of nature to have a decent one in there. Unfortunately, my experience with photography as much as I love it, is much like somebody who plays golf. It's about that one shot and I have not figured out how to consistently produce that one great shot.

So, my hat's off to you. I looked at your North Korea pictures and I thought they were all very, very good, and a lot of symbolic stuff in your pictures which I thought was really neat. I find it's hard to actually do that so you're better at it than I am.

**Adrian Bye:** Well, let me tell you the secret and then we'll go on...

**Michael Jenkins:** Sure.

**Adrian Bye:** ... because people think I know a lot about photography and I barely know anything. There're two things that I do. One is that I have a really good camera and so to buy a really good camera, you spend like \$3,000 or \$4,000 on your camera.

**Michael Jenkins:** Yes.

**Adrian Bye:** Then the second thing is you take lots of photos and you just pick the best ones.

**Michael Jenkins:** There you go.

**Adrian Bye:** I just take a lot.

**Michael Jenkins:** In digital photography, you get great stuff.

**Adrian Bye:** You get real good at this.

**Michael Jenkins:** Yes. Well, you know what? The ones that you posted were awesome and I have to admit it's the first time in my entire life I've ever thought about actually getting a North Korea leader's outfit. When I saw you in it, for some reason I had an itch to actually buy one and I'm not sure where that comes from but that was kind of cool.

**Adrian Bye:** You have to get them custom-made in North Korea.

**Michael Jenkins:** Is that the only way to do it?

**Adrian Bye:** Maybe you can get them somewhere else but I've never heard of that before. It was just something that got offered to us on our tour.

**Michael Jenkins:** I guess it doesn't hurt if you wear exactly the same outfit everyday for your entire life. It's pretty easy for somebody to duplicate that.

**Adrian Bye:** Yes, I know. It costs like \$80. They made it for us in about a day and it's custom-made. Yes, that's it.

**Michael Jenkins:** That's neat.

**Adrian Bye:** Alright. So, tell us about MarketLeverage. You're a CPA network.

**Michael Jenkins:** Yes, we are. MarketLeverage was founded in September of 2004. PrecisionPlay Media – that's the company I originally started and what we had was a very large rolodex of advertisers and publishers. Back when the company was started, few advertisers knew that many publishers and most of the publishers didn't know how to work with the advertisers so we would bring these two parties together. Then somewhere around '03, '04, people began to take this affiliate marketing model. It had existed before but people began to take it and sort of make it much more efficient through software that we now call an affiliate marketing network, and it's funny because I like to think that we're a very innovative company but when I first saw that model, I actually thought a lot of the quality was going to get lost. I thought that what we bought by hand-putting these two companies together, the advertiser and the publisher was going to get lost in all of this

automation and the quality of the leads, etc, would suffer so I sort of held out in going into that and I waited too long. But eventually, we decided to start the network MarketLeverage. I'm very, very, very happy that we did that as of now.

MarketLeverage's prime purpose for being is to push performance-based marketing in whatever direction that evolution takes it. That currently is in the affiliate marketing space but we think that the idea of an advertiser paying only when they get what they're looking for is much larger than just affiliate marketing. So, that's the space that we service now, and we're eagerly looking forward to and trying to develop ways to take that beyond just affiliate marketing.

**Adrian Bye:** So, that's your bigger vision, is it?



**Michael Jenkins:** The bigger vision is there's a saying my father used to say all the time that he who has the gold makes the rules. It's sort of the golden rule of business and when I first got into this industry, the notion that an advertiser would only pay when they got what they were looking for while it was somewhat of a revolutionary idea, it took advantage of the inner activity of the internet far better than CPMs did. CPMs to me were sort of the same model that had been employed for a long time across television, radio, magazines and newspapers. So, CPA really took the interactive aspect of the internet, it forced people to be very efficient and it gave the person ultimately who controlled the wealth – the people who were willing to pay the gold – it gave them the ability to take control. We lined up behind that very early and I don't think that that's going to stop with affiliate marketing. I think affiliate marketing's just the first place to accept that model and move forward with it.

**Adrian Bye:** Cool and I'm going to ask you a lot more about that later in the interview because that's a big topic so it's very cool.

Before we go on, can you give me a little bit of an idea of how big is MarketLeverage like employees, revenue, that kind of stuff?

**Michael Jenkins:** Sure. One of the beautiful things about being a private company is that we don't disclose what our revenues are but I can tell you that we have about 53 employees here. We've grown very dramatically over the course of the last three years. We have been looked upon by INC. Magazine and recognized for that goal for the last couple of years. Last year, our revenues actually posted about \$35 million to \$36 million. We are pacing for greater than that right now this year and we're looking to continue that growth.

**Adrian Bye:** Okay. Are all your employees in Florida?

**Michael Jenkins:** Yes, all of our employees are in Florida. Yes.

**Adrian Bye:** You have everybody based in one office, do you?

**Michael Jenkins:** Yes, we do. One of the big events that happened in MarketLeverage over the course of the last year – I think we're coming up close to a year that we've been here – is we moved into a really beautiful office space that we're very, very proud of. It was kind of a dream office space for us. It's a little over 15,000 square feet and everybody's in-house.

**Adrian Bye:** That's it. Let's talk about that a little bit. A lot of people work in a very distributed manner. I'm obviously in the Caribbean. You're an internet company, a purely internet company doing a pretty advanced thing being in affiliate marketing and yet you have all of your employees in one location. I mean I'm interested in your thinking as quite obviously you've had the opportunity to hire people who are not located locally.

**Michael Jenkins:** I think for us, one of the issues that you run into in affiliate marketing in particular is that it is still, very, very, very much the wild west. So, one of our things has always been to bring a degree of reliability, to bring a degree of trust and high standards to both the advertisers and the publishers that we work with, and I believe strongly that those values always win out in business. So, we felt the best way to do that was to create a great culture around those ideas and around those concepts, and I didn't see being able to create that culture in the distributed way the same way that we can do it in our office. So, one of our primary focuses has actually been internal in creating a group of people or creating a culture, I should say, that's made up of the right people sitting in the right seat in the bus, to borrow an idea from Jim Collins in Good to Great, and we think that when we can assemble that group of people and when we do assemble that group of people that it just is evident from the outside in dealing with MarketLeverage. So, culture around the right values and around what we believe is integral to MarketLeverage and we think it services our customers better than we would otherwise be able to do in the distributed model, and of course, there are challenges around having everybody here. It's much more expensive to do it that way but our bet is that quality will pay off in the long run.

**Adrian Bye:** One of the big things that happen a lot is people, employees learn a lot, build their relationships, and then they leave and start their own business. Has that been happening to you guys as well or does it happen less, do you feel?



**Michael Jenkins:** You know, we've always taken the approach. We're fairly strong with our NDAs and we are in Orlando. We're not in New York City and we're not out in The Valley so as a result of that, we don't have as much geographic competition which we think is an advantage.

But to be really honest with you, the environment that we create as much as possible is based on integrity. We try to take very, very good care of our employees. I think most people here are paid significantly more because they're in our business than it would be down the street in another business in the Orlando area. We have incredible benefits. We buy people lunch everyday. We even have a Friday lunch where we buy beer for everybody and we talk about the business on Friday. So, the environment I think is very accepting but at the same time, it holds people accountable to the values that we believe in and to being good at what they do, and I find that that challenges people and I find that there's more of a family environment here. I think that people don't want to leave for a number of reasons and one of them is because we've given people a fair shake, and we want to continue to do that.

**Adrian Bye:** Are you doing anything else as a CPA network or is your main thing as a CPA network and effectively brokering traffic?

**Michael Jenkins:** We are definitely a CPA network. At the same time, we do have in-house publishing. We have an e-mail marketing division in-house. Additionally, we create some of our own offers that we work with call centers on. We're kind of dabbling here and there in some different ideas and different things. The core product though is to take the quality, the integrity and the trust message through the brokerage business by putting advertisers with publishers and making that work.

**Adrian Bye:** For an advertiser, when they hear a network say that they're running their own office, that's a little bit of a concern, right, because then you can potentially go and copy the offers that the advertisers made, and then cut them out of the network and take their percentage.

**Michael Jenkins:** If we were to do that then advertisers would be and they'd have every right to be concerned but that's actually not what we do at all. In fact, the reality is when we say we create our own offers, we've done that in a very narrow space involving travel, and we've done it in a way that no other advertiser that we're familiar with has done and certainly no advertiser that's worked with MarketLeverage has done.

We have sort of the advantage of being in the Orlando area which is the timeshare capital of America. So right in our backyard are advertisers that have really great products. They have destinations all over the world and they're looking to sell access to these destinations. So, that's something that's unique that we've done and it doesn't compete with the advertisers that we work with.

**Adrian Bye:** Let's say an affiliate wants to get started and they've signed up for MarketLeverage. They've gotten approved. Where do they get started? How do they know what offers are performing well?

**Michael Jenkins:** Great question. Great question and I actually think it's funny. I think this is one of the great questions in affiliate marketing often overlooked and taken for granted. But, I think it's one of the great questions.

It's a shoot-from-the-hip idea but we think that 75% to 80% of our large publishers in five years haven't even gotten into the business yet so the idea of educating publishers and showing them how to do it, we think is very important for affiliate marketing networks and CPA networks that are thinking about the future.

So, the first thing I should say about MarketLeverage is that the network is not for all publishers. It's not so much a statement about how big the publisher is and we have some very, very large publishers of course in our network. But if you're an international publisher, for example, we require actual bank records and we confirm. We actually speak with your bank before we accept you as a publisher so we create higher standards.

I challenge anybody to go and sign up with the MarketLeverage networks and see the process that we have, and I encourage other clients to do this.

**Adrian Bye:** You confirm bank records. How do you mean you confirm bank records?

**Michael Jenkins:** What we do is we have a department that's a little bit more engrained in the details than I am but we basically will speak to anybody international, we'll get bank references from them, and we will speak to their bank and confirm that they have some. We can confirm that they are who they say they are, that there's some banking history, etc. We use that as a basis to get to know



the publisher. There're so many publishers in this industry that really aren't publishers. They're people that are trying to put the veil on as a publisher and defraud advertisers into fraud networks. So, we just figured that rather than playing that game altogether, we'd want to get real solid evidence that somebody is who they say they are and we've created, I think, a fairly proprietary process when publishers walk through the application process. We speak to every publisher on the phone. You cannot get into MarketLeverage without speaking with somebody. There's an interview process that we've been fairly careful about. So, we do all of those things because we want to make sure that advertisers are getting great publishers. I think for many years in affiliate marketing, it was all about volume, volume, volume and unfortunately we see it happen on other networks. Not all of them, of course. There're a lot of great networks out there but we see it happen where a high-volume publisher will go on and they'll blow the traffic up. They'll get kicked off and they'll sign



up as somebody else again, and this is the kind of thing that MarketLeverage absolutely will not let happen. So, the start of creating a different experience with MarketLeverage is being a publisher that is going to play by the rules – 101. So when you're that and we strongly believe that that's who you are, you can walk through the process. You're let in at that point. The first thing that happens to people because we do interview them is we also give them a tour of the MarketLeverage network and we show them how they can find top-performing offers. We know what kind of publisher they are, what types of channels that they publish in whether it's e-mail, search, etc and we show them how to find offers in that area, and then additionally, every publisher is assigned to a publishing manager that they can call, talk with. They can get on AIM with them. There're a number of ways that they can reach out to them and that person becomes a dedicated person who is really there to help them to publish and to do well with our network and with our offers.

**Adrian Bye:** You must have across the network, top-performing offers. I mean is there a place that people can go and say, "Okay, I haven't gone through all of the hoops that MarketLeverage has yet but I'm interested in seeing what they've got."? Is there a place where you list like, "These are our best offers of the week," "...the month," or whatever.

**Michael Jenkins:** Yes, we do. There're actually several places that we do that. We have a newsletter that goes out to the publisher base. When people log into MarketLeverage on the very first page they land on, there's a opportunity to see both the hottest offers as well as the newest offers that's right out in front of them and then additionally, we have something that you can see outside of a login called MarketLeverage News. We were the first in the industry that I'm aware of to actually create a weekly video TV program called MLTV, and we showcase our newest and our hottest offers every week on MLTV in addition to other things.

**Adrian Bye:** So, when you say, "newest or hottest offers", does hottest mean these are the offers that are generating the most volume?

**Michael Jenkins:** That's right. That's right and you know it's funny because it doesn't always mean that they are generating the hottest volume. A hot offer can be an offer where we've looked at the effective CPMs that our publishers are getting. We look at click to conversion rates and we look at a number of factors. We also look at the type of offer and how that might do with our group of publishers. So, the key I think is to spot something that we know is going to be hot based on preliminary testing. Those types of things will also be in the hot offers.

**Adrian Bye:** See, that's the problem though because as an affiliate, what I want to know is that when you send me an offer that it's not necessarily the offer that's making you the biggest percentage but it's actually the offer that's going to make me the most money. How do I know that, like where do I go to find that as an affiliate?

**Michael Jenkins:** That's an awesome observation and we agree with you 100%. When I say, "the hot offers", it's not what's making us the largest percent by any means. What would happen is if we keep doing that, it's so easy for publishers to leave us, and go and try or work with another network. The majority of large publishers are working with multiple networks. We're very aware of that. That's why we put the customer service and the publisher-based focus as one of our highest focuses. So when you log into MarketLeverage even on MarketLeverageTV, you can see the hottest offers both by performance and by early testing. Why are

we testing? What's so important about that? You know, a lot of offers unfortunately in affiliate marketing have the shelf life of meat in a butcher shop. I mean they're very perishable. Offers, kind of, come and go. They tend to get tremendous distribution when they work well and that distribution ultimately makes them flat with consumers who've seen them so many times over time. So, being able to recognize an offer that has all the telltale signs because of internal testing as well as publisher testing, as well as offers that are already kind of blowing up, that's very important and we put that front-and-center. That's why we put that in the very first place where you log in.

**Adrian Bye:** You mentioned fraud. Do you want to tell us a little bit about the problems you've had with fraud?

**Michael Jenkins:** Yes, sure, absolutely. I think MarketLeverage is fortunate because we've had fewer problems with fraud than other networks have. A lot of that, at least on the publishing side, fraud starts with the publisher application and we've always put a lot more, I think, into the publisher application process than the average network does.

I have a compliance team in MarketLeverage that's over 10% of the business as far as the number of employees. We actually have two attorneys in-house. The person that runs our compliance division was the youngest partner of the fifth largest law firm in the country. He was our attorney and then he came. He loved the opportunity as he saw it, and he decided to leave his very successful law practice to come and join MarketLeverage. So, we take that very, very, very seriously.

When publishers come in doing the interviews, doing some of things that we do to screen out publishers that are potential or higher potential to be fraud is the beginning of it. We also tend to look at new publishers' traffic. We look at click-through rates and we look for things that don't seem realistic.

We also work very hard with advertisers to determine if they're seeing anything in their streams of traffic that's out of the normal or a problem and we believe it's a circle. It's not that MarketLeverage provides the traffic to the advertiser and then if the advertiser is unhappy with it, hey, that's affiliate marketing. We don't buy into that. Our belief is the advertiser is a partner with us so that when they start to see problems, we want to hear about those problems as soon as possible so we can look at the publishers and make sure that they're doing the right thing, and having said this, we don't run into a lot of problems with this but we have to be very vigilant to keep that out of the network.

**Adrian Bye:** So, here's the thing. If I talk to any CPA network, they're going to tell me that they have less problems with fraud than anyone else, that maybe they're lucky, that they really manage their publishers really closely...

**Michael Jenkins:** Sure.

**Adrian Bye:** ...and yet the fraud exists, right? I bet you if we had some advertisers on, we could bring them on and they'd be like, "Damn, I got so much fraud from MarketLeverage. You have no idea. It was terrible." I don't know. I may be totally wrong but what I do know is that I've had people tell me like their network blocked fraud and then when I hear from guys actually dealing with the traffic that there is a huge amount of fraud. What would be your comment on that?

**Michael Jenkins:** I think it's a wonderful thing to comment on. That's very much why we've made the investment in the compliance team that we have.

I mean when I give you an example for example, we are actually one of the founding organizations or the performance marketing segment of the DMA. Our Chief Operating Officer is the Vice-Chair of that organization. We are very focused on that and I think companies that work with us know that.

What I often hear from our advertisers is that they're looking for more volume for MarketLeverage. The problem continuously is how do I get more volume. The issues that they seem to run into is that the CPA that they pay on other networks is not worth the CPA they pay on MarketLeverage. When I say that— and you are right – there are other networks that have a very strong focus on compliance but I can only speak for us and I can only speak from our experience. The vast majority of our advertisers are looking for more traffic. They like what we're doing, and we could offer a lot more traffic if we put that barrier down further and that's not what we're going to do. We think one of our key differentiators is the quality of the traffic, and the way that we accept and let people in. A lot of people can say it but that is truly how we operate around here and that is what we do. I think there're a number of things and I would invite people to go out and ask.



One thing about affiliate marketing is that there's no question that when you work on a platform where there're thousands of publishers, things can and do happen but they don't happen very much on MarketLeverage and when they do happen, we're very, very serious about removing them. I know that's unusual because I buy traffic from a lot of other

networks and a lot of other places.

**Adrian Bye:** Just one more point on the fraud. One of the guys that I've worked with a bit has built a system where he can detect a lot of fraud on the advertiser's side and he said that as they were actually testing traffic, they were finding that real traffic coming through real publishers included a component of fraud inside it. He felt in fact that it might have been in the network's incentive to just leave that in there because it still keeps their commissions high and as long as the advertiser doesn't even really realize that the fraud's there then everybody's happy.

**Michael Jenkins:** Those guys should go to jail. This is so antithetical. I think that this stuff is great for MarketLeverage in the long run because this is not what we want to do and when you say those things, I think that underscores the point of the differentiation that we have from other people in the industry, and we're not alone in that. There are other networks that are very committed to the future of the pay-per-performance business. That kind of stuff makes my stomach turn and that's the kind of stuff I think that MarketLeverage will around 10 years for because we don't do those things and we are systematically setting up systems to avoid that kind of stuff, and it all starts with the publisher application. It's very, very important to speak with people and to get a real strong sense that people are telling the truth. We have some very modest ways of doing that right now. We're building that and furthermore once you let somebody in the network, that's not a guarantee, as you pointed out earlier, that something bad isn't going to happen. But when you work directly with the advertiser, and you encourage them to take on their own antifraud methods and to share them with MarketLeverage as freely and openly as possible, we encourage people to do that and we get rid of publishers where we see those types of problems.

At the end of the day, it all comes down to the quality of the distribution stream. That's what we get paid to deliver to advertisers and we're investing in our future, not throwing it away, when we start to cut people out that are doing those things.

**Adrian Bye:** Another area that's problematic is obviously some advertisers here are extremely aggressive and do things that are either borderline or crossing the line in terms of legality. I guess you guys would be considered an agency and so you're separate. How do you not get in trouble for that and how do you deal with borderline advertisers that probably shouldn't be on the network?

**Michael Jenkins:** Well, it's a great question and this is definitely a moving target. This is something that is constantly changing.

What we know upfront is that while we take as many measures as we can. I don't think the network can offer 500, 600 different advertisers which we think is where the market is. We think the publishers want a lot of choices. We can offer 500 or 600 different advertisers and at the same time exhaustively investigate every advertiser by actually going, looking at every landing page. Advertisers can change landing pages. It's a very hard thing to police so what we've done is we've created a group of standards in our advertiser terms-and-conditions that are, I think, very strong standards. We've put them together. We have advertisers, of course, sign for that and when we hear complaints or issues, we definitely investigate those complaints and issues, and we move forward from there.

I'll give you a couple of examples. I mean a lot of networks have been touched by these things. There've been a couple of things lately particularly in light of the new administration and the FTC's real look and deep look inside of our industry. MarketLeverage has not been named in the grant offers, for example, that had the President of the United States on them and the Oprah Winfrey lawsuits that have recently come out. We've created standards long ago that we're not going to do those types of offers that have these big celebrity endorsements, etc on them. So, we're trying to stay ahead of the curve with those things but again it is a moving target and the more we learn about it, the better we get at it.

**Adrian Bye:** Now you mentioned in the beginning, you're talking about kind of where you see the space can go. Are you familiar with the company called the Rubicon Project?

**Michael Jenkins:** I've heard Rubicon Project but I'm not exactly sure what they do.

**Adrian Bye:** The CEO is a guy named Frank Addante and basically what he's doing is taking random inventory which is basically, mostly I think, what MarketLeverage is and most other CPA networks where it's all direct-response driven offers, and then putting a system together for publishers which looks at the types of traffic that works for publishers and helps them get higher, effective CPMs for that traffic to offers.

**Michael Jenkins:** I got you.

**Adrian Bye:** Effectively what they can do is take a hundred CPA networks and say, "Well, you're actually a Mexican website so Mexican traffic's going to work better for you so we'll automatically test out some Mexican offers from a Mexican CPA network. We'll also run those against some offers from MarketLeverage, and then we'll see which ones do the best and then continue to do those, and that all happens automatically and we take a 9% cut."

**Michael Jenkins:** That's brilliant!

**Adrian Bye:** So, they're getting quite a lot of traction and I think doing quite well. They recently raised a lot of money and it seems like they have things that are working for them. I'm interested in what you think of that model – and there are other businesses doing that – and how you would fit into that in the future.

**Michael Jenkins:** Excellent question and we think about this stuff all the time as it relates to that.

Not specifically the Rubicon Project but I think that when you look at, for example, Google, and you look at what existed before Google came onboard and became the empire they are, not for search but for the advertising business, I think the biggest inefficiency that exist within affiliate marketing today is that publishers are constantly going into affiliate networks, MarketLeverage included and I don't think there're any really outside of this loop yet, and they're looking for ads which they then grab, they put on their own sites or their inventory and they're trying to find the one that yields the highest effective CPM.

Now if you took all of the ads on all of the affiliate marketing networks, let's just say you've got several thousand ads to choose from, all with different commission points, in different verticals, etc. It's not for the human brain to do that with enormous efficiency. Database technology and software is going to do that far better than the human brain does that. So, people that are building software to optimize the specific ad to the specific audience through certain publishers, makes a lot of sense and MarketLeverage obviously supports and believes very strongly in that.

Where we see our position in that, right now what we want to do is we want to build incredible distribution in the affiliate marketing arena by creating standards for publishers, by knowing and sifting through all the publisher applications, and finding the publishers that are really doing things in an ethical way in the right way to do it that aren't adding fraud to the traffic, etc. This is why I continuously come back to that because we see that as being one of the big assets of MarketLeverage. Once we build that network out, and we certainly built it out but if we build it bigger and bigger and bigger, we aim to have the highest quality affiliate



marketing network out there. Then it's a matter of creating as much efficiency for those affiliates as possible in leveraging the hundreds and hundreds of advertiser relationships we have with their distribution, and any software which helps us to do that is going to be welcome with open arms at MarketLeverage. So, that's definitely a focus for us. We've looked into some things that do that but our primary focus right now is getting great distribution built and really providing that because we know that once you have great distribution then making that distribution efficient is the next big step.

**Adrian Bye:** If the Rubicon Project has all of the relationships with the publishers, they've given them lots of tools and they know that if they sign up with the Rubicon Project, yes, they're taking a 9% hit and that's what they pay the Rubicon Project but overall they make 50% higher effective CPM. Plus then, Rubicon's doing filtering in terms of filtering out offers which is not appropriate for their traffic, damaging to their brand or something like that. If they nail down all of those relationships with the publishers, where does that leave you in terms of access to the advertisers? Could you get this into mediating?

**Michael Jenkins:** Certainly when we're playing these theoretical games that if everything works exactly in that particular way then I guess the conclusion would be that we are but it's really not something I'm as concerned or worried about because I think that that type of software if it is completely unique to the Rubicon Project right now, I know and have spoken with many people that are working on software that better pairs advertisers with publishers within the affiliate marketing segment, and also it does so with an eye for compliance, an eye for branding and messaging, and so forth. So, we think that there's going to be other outlets and again I'm saying this purely with the information that you've brought me. I'm talking about what I know. I don't know a lot about the Rubicon Project as you know.

**Adrian Bye:** That's just one example. There're a bunch of companies doing this. There're probably at least five. I just know Rubicon well because I know them. There's an interview on my site with them and I know a little bit more about what they're doing than others.

**Michael Jenkins:** I got you.

**Adrian Bye:** But, the general point is the way CPA networks work today is very people-heavy which



would seem counterintuitive. I mean Google's come along and put in an automatic system for people to be able to buy Pay-Per-Click traffic. It would seem that in the CPA arena, there should be some way to automate

that. I mean we're all internet people rather than have something that's so people-intensive. Do you feel that it's going to be necessary to keep the people-intensive side of matching traffic with offers?

**Michael Jenkins:** Well, in 10 years, no. I think the people side is critical and important from a compliance perspective. It's critical and important when dealing with the publisher and letting the publisher come on. Obviously, it's critically important from the sales perspective and of course the strategy perspective. So, all of those things are always going to be people-critical.

The area of efficiency which you bring up which is where's the right place for this ad to land out of this entire network of publishers, there's no question that software is going to do a much better job at that. But having said that, I speak to people regularly that far outperform Google AdSense, Google AdWords on their own sites by using and selecting their own offer. So, the software is not at a point that we've observed where the efficiency is so great that a publisher that's dedicated isn't making significant more margin by choosing their own ads right now on companies like MarketLeverage.

Will that day come? I'm certain that that day will come so our focus is really building a great quality network on both sides, the advertiser side and the publisher side, and we're certain that whether we develop it in-house or whether we continuously talk with some of the people we're talking to and we reach out further to figure out how to place this inventory, we're sure that we're going to be on top of that and we'll do that. I think it's inevitable that will happen.

**Adrian Bye:** Alright. What other trends do you see happening in the industry at the moment?

**Michael Jenkins:** There're a lot of trends happening and I think a lot of them really should be good.

Compliance has always been important to us from the perspective of it's the right way to grow a company and we want to have advertisers having a great experience. We want publishers that we know that we can trust and we want them to get better payouts because on average, our traffic is of higher quality than somebody who's not paying attention to that. So, compliance has always been a big focus for us but I think the day is upon us where the FTC and attorney generals are really starting to take a much bigger look at this, and are starting to focus in on our industry.

As a result of that, we have two responsibilities. One is to be there from a compliance standpoint from people who want to be compliant. We want them to come to MarketLeverage and we want them to run because their network is set up that way. But also number two, unfortunately a lot of legislators don't understand our industry, and this is why our involvement with the DMA and one of the reasons that we co-founded the performance marketing segment of the DMA is important to us because it's the birth of a lobbying effort to inform people that are making decisions they don't understand a lot about how the industry works and what the industry is capable of. So, I think the responsibility of organizations like MarketLeverage who are committed to compliance and quality is to spread that message to the people ultimately who are going to make the decisions from a law and compliance standpoint.

**Adrian Bye:** When you talk about other directions that this space can go into, I mean do you want to be brokering traffic for Best Buy? Like where do you want to head?

**Michael Jenkins:** Excellent question. I mean we think that the performance marketing space obviously, going back to the beginning and when we first started talking about it, the idea that an advertiser only pays when they get what they're looking for, we think is the seed of a revolution of a great, great, great thing. It's already bearing out a lot of fruit. It's changing the way that marketing is done and we don't think this is going to stop with affiliate marketing. We think that affiliate marketing is the first channel that really almost out of necessity had to adapt the you're only going to get paid when the advertiser gets what they're looking for. We think that that is going to get bigger than the affiliate marketing space and as you suggested when software gets better at placing a specific ad in front of a specific person, sort of the three Rs – the Right message to the Right person at the Right time – we think that the model that allows an advertiser to pay CPA and potentially arbitrage CPM or CPM going away altogether, we think all of that is imminent. It's upon us. We know people that are already doing that fairly well but we think that's going to get much, much, much bigger.

So, what MarketLeverage is a real believer in is this concept we call digital dialogue and the digital dialogue is that when a consumer clicks on something, they're indicating some level of interest in it. When they buy something, they're indicating obviously a clear level of interest in something. We think that that can be harnessed with the power of performance marketing to grow the industry significantly larger than it is and what needs to happen is compliance standards need to come into the picture in a very clear way which makes brands feel more and more comfortable about working in the space.

Is it highly conceivable that companies like Best Buy are going to want to pay only when they get what they're looking for – the CPA model? Absolutely, it is. Can they venture into the affiliate marketing space as it exists today and do that safely at best in very limited areas? Will the markets open up so that that can happen? Absolutely and this is something that we focus on a lot. We have some internal efforts right now to build distribution that keeps the integrity of the brand message even through affiliate marketing.



You know, one point that needs to be made here is when you say to a publisher, "You're only going to get paid when the advertiser gets what they're looking for and here's the creative," it's extremely difficult for even the best publisher to not try to change some aspects of that creative to get a higher commission. This is where a lot of the fraud comes in. So, we think controlling that message is very, very

important and I think you're going to see more of that in order to capture the brands like Best Buy in the future.

**Adrian Bye:** Okay, last question then. Just in general makeup of traffic of the network, what percentage of your traffic is e-mail versus web inventory versus search?

**Michael Jenkins:** That's a very interesting question and the truth of the matter is that that is actually an interesting time in our industry because that is changing radically almost from a month-to-month standpoint. For many years, e-mail marketing was a big percentage driver of traffic in the MarketLeverage network and we've seen search over let's say the past year, 18 months become a much, much larger part of that. But having said that, the two are vacillating back and forth as the primary driver of traffic. Right now, it's in a struggle. It's going in multiple directions.

**Adrian Bye:** So, it would be mostly between e-mail and search?

**Michael Jenkins:** Primarily in our experience of the affiliate space, it is primarily between e-mail and search.

**Adrian Bye:** Alright. Are you seeing any other avenues for traffic or is it mainly those two?

**Michael Jenkins:** Well, it's those two on a large scale. Obviously, we have a lot of affiliates who control their own websites. When we say search, search obviously is also SEO so there're a lot of people who own their own websites and drive traffic via SEO to those websites. That's a component of search that is also vacillating and it's been fairly steady since we've picked up that traffic. Social media is something that we've seen pieces of but it also vacillates. It gets really big and then it kind of stops. A lot of this inventory that's out there in social media, even search, a lot of these things are changing constantly and as a result, we see vacillations in their percentage overall in MarketLeverage distribution.

**Adrian Bye:** Alright, okay. Is there anything that you want to talk about which we haven't covered?

**Michael Jenkins:** I hope that I've been able to answer a lot of your questions with a level of detail and I'd be happy to go in on any of the other details that you want.

I think the message that I want to leave with is that we really believe that this is the dawn of the Bronze Age. For something that, you know, a thousand years from now, the DNA of what we're doing today is going to be in marketing. The idea that it's truly interactive that a consumer can do something and as a result of doing something, that we can target with more effective advertising in the future, the idea that an advertiser can only pay when they're getting the results that they're looking for, the idea that an advertiser no longer pays for the privilege of advertising which is the CPM billboard, television, radio, magazine model – we think that all of that inevitably and eventually is going to go away into a large part and we think that figuring out how to make that work is the battle that MarketLeverage is engaged in. It's fascinating. There're a lot of great companies in our space that are engaged in the same thing and we think we're seeing the birth of something great, and additionally I think that the fact that there's a lot of focus now from the FTC and regulators is telling us that this is the dawn of much bigger money coming into the space that brand marketers need a clean space in order to feel comfortable about paying only when they get what they're looking for through affiliate

marketing and through other channels, and we think that's also happening. So, we see this as a very, very exciting time for the industry.

**Adrian Bye:** Cool. Well, Michael, thank you very much for your time.

**Michael Jenkins:** My pleasure. It was great to speak with you, Adrian. Thank you.