



## A Message from our President & CEO

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It is my pleasure to welcome you to Shareasale. If this is your first time learning about our company and services - I hope that our information is helpful and that we are able to assist you in the near future in building your brand and driving sales to your business.

The underlying concept behind our company has been a staple in any business for years: Use a commission-based sales force to extend the reach of their brand, and drive sales, without taking on the overhead of employees, travel budgets, etc. When the concept was brought online in the 1990s, it was immediately obvious how powerful it would become.

During my research of the market, I found the services offered at the time were an excellent start to the industry. However, I concluded there was still a lot of room for improvement and progress. Our mission was clear: Develop a solution under the premise that all online businesses deserve an accurate, feature-rich, and affordable affiliate tracking system.

From humble beginnings, we have grown rapidly. At the start of 2004 - our client list included 725 online merchants selling an enourmously wide variety of goods and services. Our affiliate base has steadily grown as well - providing us with the task of managing over a half-million relationships between affiliates (the sales force) and merchants (those fulfilling the orders). Other numbers from 2003: some 5+ million dollars in sales were pushed through Shareasale.com resulting in nearly one million dollars in commissions paid to our affiliate base. Add to that over one and a half million qualified leads sent to our CPA merchants - and it becomes obvious what we delivered in 2003: results.

What was more impressive for us in 2003 was the continual progress and improvement that was made to our system - allowing our tracking system to acheive near 100% uptime during the very busy holiday season from the late September push of Halloween - to the frantic rush of Christmas time sales.

In 2004 we continue to drive towards reaching the goals set forth in our original mission. We owe our success to the partners, both affiliates and merchants alike, who have put their trust in our solution, and in our people. We will continue to rely on the strength of real partnerships between people - and will continue to resist the pitfalls of automated and intrusive desktop advertising mechanisms which threaten the integrity of our industry. You will also find us exploring new markets and technologies - trying to find that next step that can help us to provide you with even better service.



Brian Littleton - President/CEO

Brian Littleton  
President/CEO

## How Does it All Work - What is Performance Marketing?

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The front side will describe the various players in the industry, and what their roles are. The flip side shows you a diagram of the entire process, starting with a consumer interest - and ending with a completed sale on a merchant site.

### THE PLAYERS IN PERFORMANCE MARKETING



#### THE "CONSUMER"

In this scenario - the "Consumer" is anyone shopping online. They either begin the process by searching for a product, or are simply on a content or loyalty site and are presented with an impulse purchase or consumer promotion.



#### THE "MERCHANTS"

A "Merchant" is anyone selling products or services on the internet. They are the ones that actually take payment for an order online. Merchants want to increase their online sales volume while controlling their advertising expenditures and maximizing their ROI.



#### THE "AFFILIATES"

An "Affiliate" is simply a person with a website - who is using the traffic of their website to direct consumers toward certain merchants. For example, an Affiliate might run an online shopping mall dedicated to Women's Clothing. The visitors to that particular website would be good targets for ads that feature a Merchant selling women's clothing. The Affiliate is compensated for any sales that result from his/her efforts to push the consumer towards a Merchant. Basically - they become the virtual sales force for a Merchant. Other examples include web portals, communities, email marketing, loyalty sites, and many others...

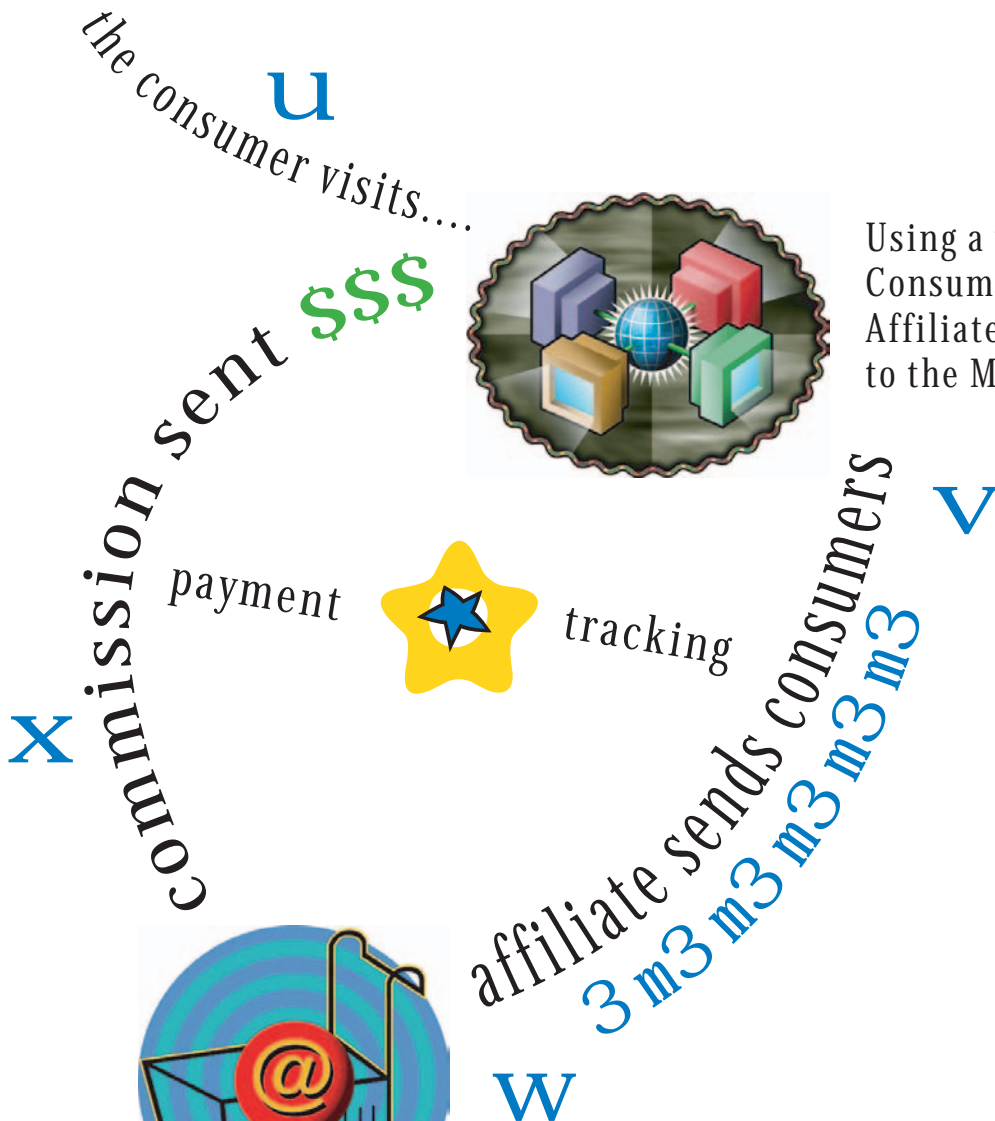


#### SHAREASALE.COM

Our job is to match up the Merchants with the Affiliates - and to track the activity that takes place between the two. Affiliates come to Shareasale.com to look for quality Merchants to promote - and Merchants come to Shareasale.com for quality and reliable tracking, reporting, and payment of Affiliates.



The "consumer" starts it all out by beginning to look for a product on the internet. This may start with a visit to a search engine, their favourite loyalty site, or any content site that they regularly visit. The action could also be instigated by an Affiliate using content or promotions to put the product or idea into the mind of the consumer.



Using a variety of methods to drive Consumers to their own sites - the Affiliate then directs the Consumer to the Merchant's site.



If the consumer that was sent completes a purchase - the Merchant agrees to pay commission amount (determined by the Merchant) to the Affiliate. Shareasale.com tracks all of this activity in real-time, and at the end of every month sends payments to all affiliates on behalf of the Merchants.

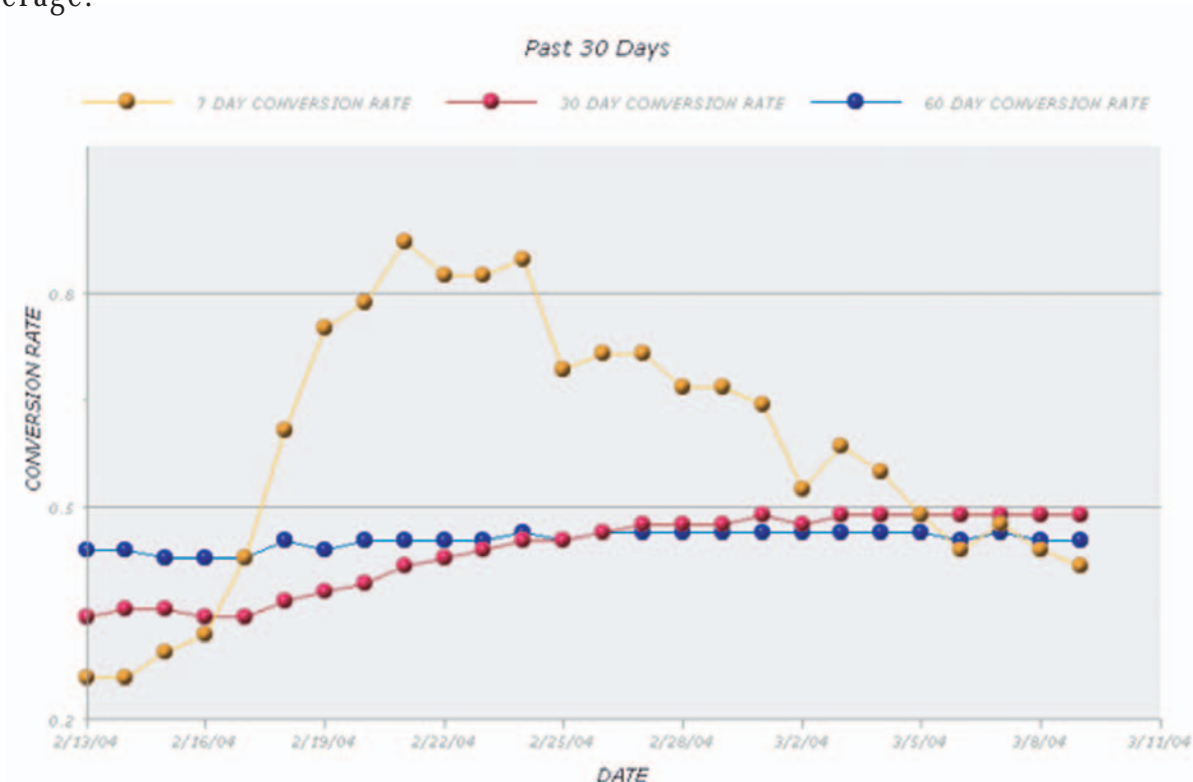


# REPORTS

When a transaction occurs, Shareasale.com determines which, if any, of your affiliates should receive credit - and therefore a commission - for the transaction. When that happens, we offer a number of different reports which help you to manage your program. The first report displayed here is the "Activity Details", which is a register style listing of each transaction. Each and every transaction that goes through our system and generates a commission will be listed in this report: Below is an example of what one transaction looks like:

Select	Currency	Status [sort]	Date [sort]	Trans ID [sort]	Sale Amount	Commission [sort]	Paid to Shareasale.com [sort]
<input type="checkbox"/>	USD	Processing	3/10/2004 10:43:22 PM	6846087	75.00	8.00	1.60
Comment: SALE - Order Number 3315520				VOID Trans   EDIT Trans			
Affiliate ID: 442172 Site Address: <a href="http://www.xpertshopper.com">www.xpertshopper.com</a>							
Referer: <a href="http://www.example.com/serverpage.asp">http://www.example.com/serverpage.asp</a>			IP Address: 127.0.0.1		Port: POST 80		
Page Banner was Clicked From: <a href="http://www.xpertshopper.com/test">http://www.xpertshopper.com/test</a>						BannerID Clicked: 11435	

As transactions continue to occur, we keep a variety of aggregate stats to display for you. Some examples include: EPC Metric (Average earnings per 100 clicks sent to your site), Conversion Ratio, Average Sale, Average Commission, and more. Below is an example graph displaying a fictitious merchant's rolling conversion ratio based on a 7 day average, a 30 day average, and a 60 day average.



**MORE REPORTS OVER**



The “Weekly Progress Report” displayed below provides you with a quick overview of your aggregate stats for chosen periods of time. This report displays total clicks, sales, voids, gross and net sales, commissions and total number of affiliates (active and non-active).

**Report Options:**

Chronology:  Regular  Reversed

Start Date: (Strict MM/DD/YYYY Format):

Length of Report (In Days Backwards from the Start Date):

Number of Weeks to display Daily Records:

[Refresh Report](#)

Rep. Date	Clicks	Gross Sales	Voids	Net Sales	# Sales	Manual Credits	Commissions	Affiliates	Active Affiliates
03/09/2004	1581	\$50.15	1	\$45.20	4	1	\$6.78	726	92
03/08/2004	1400	\$23.90	0	\$23.90	1	0	\$3.58	725	86
03/07/2004	2083	\$114.90	0	\$114.90	6	0	\$17.23	725	89
Week Ending 03/06/2004	12558	\$1,249.42	1	\$1,235.07	60	3	\$185.27	725	84

The “Affiliate Management” report lists all of your affiliates one-by-one along with their URL and basic information. The report also shows you their individual stats including their commissions earned, conversion ratios, sales generated and EPC metric (Average earnings per 100 clicks).

Affiliates - Example Merchant Account									
Date [sort]	Select (For Actions Below)	Remove from Program	Affiliate Organization [sort]	Status [sort]	Affiliate Website	Statistical Information (Blue links to Sort)			
2003-01-09 00:00:00.0	<input type="checkbox"/>		Example Affiliate USA	Approved	www.example.com Membership Level: <b>Premier</b> <a href="#">[Details]</a>   <a href="#">[Contact]</a> USA	Today	Month	Total	
						Uses Incentives: no		Top-Level Domain: yes	
						Commissions Earned	\$16.17	\$54.93	\$3,454.52
						Sales Generated	6.00	18.00	1,298.00
						Hits	337.00	1,804.00	150,057.00
						EPC (Metric per 100)	\$4.80	\$3.04	\$2.30
						Conversions	1.78 %	1.00 %	0.87 %

Outside of the reports shown above and on the previous page, Shareasale.com provides many other detailed reports to aid you in the management of your program. We are also in constant development of new features, reports, and custom management options for our merchants.



## Tips to Boost Your Program

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Affiliates have a lot of choices when it comes to which Merchant they are going to promote. The following are a few of the key sticking points - some very simple but effective changes you can make to your program to see greater returns.

### COMMUNICATION

Your affiliates are your online sales force. Thinking of them as people - and not just numbers or websites - will go a long way in building the type of long-term relationships that you need. There are a number of ways to manage communications with your affiliates, but one of the most popular is to participate in affiliate message boards. These message boards allow affiliates to confer with other affiliates and talk about the pros and cons of each program. If you are there to answer questions, and to help with any problems, your affiliates will see your intentions to provide a real support channel for their efforts. We highly recommend setting up a private forum for communications, and the best place we have found for this is [www.ABestWeb.com](http://www.ABestWeb.com) - which offers private forums for merchants, and boasts one of the largest member bases available.

### DATAFEEDS

The absence of a quality datafeed will negatively impact your ability to recruit the desirable "Super Affiliates". Why? With a datafeed, an affiliate can search for, identify, and create links and full pages for the exact products that match his/her audience - all in a matter of minutes. Without a proper datafeed, this process can take hours, days, weeks... The prospect of having to spend several weeks on just one merchant will drive the affiliate away. While many other networks charge for datafeed services, Shareasale.com not only allows Merchants to upload datafeeds at no additional cost - but also provides free access to all of the affiliates. Some networks require sales volumes in the tens of thousands of dollars before giving access to datafeeds - talk about an affiliate **turnoff!**

### KEEP YOUR PROGRAM DYNAMIC

Creative Tools and Dynamic Programs -Affiliates need to be treated individually. No two affiliates are alike, so your program may need to bend and flex to accommodate all of the different types. Having a multitude of different creatives available such as email creatives, banners, full-page creatives, etc. will help the affiliate in finding the correct one for them. You may need to create special hybrid programs for individual affiliates - such as special coupons, rotating creatives, bonuses, and other special deals to top-performing affiliates. Among other things, Shareasale.com allows you to set special commission rates for individual affiliates, as well as create "Private" banners to be used only by a select group of your affiliates.

**MORE TIPS OVER**



## NO COMMISSION LEAKS

In other words, affiliates don't want to see links to anything on your site that doesn't directly involve a commissionable sale. The #1 offender of this is the prominent display of an 800 number for telephone orders. Since we know that 800 numbers are an important part of business, at Shareasale.com we have developed a tool that can allow you to keep the number, but correctly commission the phone order sale to the appropriate affiliate. Affiliates love this - and your attention to this detail goes a long way in inspiring your affiliates to work harder on your behalf.

## LONG TRACKING GAPS

"Tracking Gap", also known as "Return Days", is defined as the length of time allowed between a "click" action, and a commissionable sale on your site. For example, if your Tracking Gap is set to 30 Days (the minimum at Shareasale.com) - a customer has 30 days from the first time they click on an affiliate's link, before that tracking expires. The longer this value is - the more attractive it is to an affiliate.

## PARASITE FREE!

This is an extremely explosive and complicated issue in the industry, but the basic idea is that there are commonly known software programs that act as affiliates. The software is often bundled with free downloads on the internet, and is commonly referred to as "Spyware", "Adware", "JunkWare", or "ParasiteWare". This software has been known to re-direct commissions from the deserving affiliate, into their own account. As mentioned, this issue is extremely controversial - but by declaring that your program is "Parasite Free", your affiliates will have the added sense of security. At Shareasale.com, we do not accept any affiliates that act as "Parasites", so you - as a Merchant - don't need to worry about keeping up with all of the ins and outs of this issue.

## REAL TIME RELIABLE REPORTING

Affiliates like to be able to check their statistics, download reports, etc. at all hours of the day. Those reports should reflect up-to-the-minute transactions. With a program hosted on the Shareasale.com network, we take care of all of the reporting and tracking for our merchants - and provide your affiliates with real-time, anytime access to those reports. As a third-party tracking provider for your affiliate program, we can offer you another level of trust that affiliates appreciate.



## The Concerns of Fraud

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Of the frequent questions we receive, "How to deal with fraud" almost always tops the list. Merchants are, rightly so, concerned not only about the success of their affiliate programs - but also are concerned with the possibilities for fraud, bad branding, and possible illegal activities. The following paper discusses some of the common issues - as well as some Shareasale.com solutions that help to lessen the risk. Keep in mind also, that invalid commissions can be voided prior to being paid.

## FRAUDULENT SALES

Affiliate program or not - the concern over credit card fraud will always be there. With the addition of an affiliate program, a Merchant needs to be aware that rogue affiliates may try to purchase something with a stolen or invalid credit card - with no intention of receiving the actual product, but instead a commission for selling that product. Things to look out for include:

1. Use caution when shipping internationally - This is near common sense, but worth mentioning. Most of the time, the signs for fraud are obvious: Larger than average order size, Express delivery requests, etc.
2. Check the IP - Shareasale.com gives you a listing of the IP address for the buyer. This IP address can be used to research the true location of the shopper by using a service such as the ARIN database (<http://www.arin.net/whois>). Although this information is approximate, it is very helpful. If the IP address is located in Europe for example, but the shipping address is in North America - extra caution should be used.
3. Shareasale.com also provides you with a link to the "Page where the banner was clicked", which will help you to understand the traffic coming from a specific affiliate.
4. Conversion percentages should not deviate too far from the norm, either high or low. Too high of a conversion rate can indicate that the affiliate is either using incentives, or may simply be placing fraudulent orders. Too low a conversion rate, and it could indicate that an affiliate has placed your link or banner in a "banner farm", or within a desktop application. Individual affiliate conversion rates are available as one of the reports on Shareasale.com

## SCREENING AFFILIATES

Some of the troubles concerning affiliate fraud, can be prevented early in the process by screening your affiliate applications. When looking at a site for potential acceptance, you should be lenient but cautious. One of the mistakes that you do not want to make is to decline an application that could turn into a profitable relationship. However, some applications will come through with "free hosted" sites, or sites that are simply banner farms. Look around the site, check the "About Us" or "Contact Us" page, and look for any anomalies. A WHOIS search on the domain name, may reveal if the site is registered in the same country as the affiliates account with Shareasale.com - and a mismatch is a "red flag" for that affiliate.



## KNOW YOUR AFFILIATES

With few exceptions, the majority of your affiliate-generated sales will come from an elite group making up a small percentage of your overall affiliate base. You should make it a habit to review and know who these affiliates are - not only because this communication and knowledge will help you motivate your best affiliates - but because it will become easier to identify any bad ones. If a brand new affiliate is able to break into your "Top 10" for the month, for example, you should check out the site and the orders that came through for any anomalies or patterns.

## DON'T PANIC

If you receive an affiliate-generated sale which appears to be fraudulent, there is a sequence of steps to take. First, the affiliate that referred the sale may have had nothing to do with the fraud - so immediate accusations are not suggested. Second, you can void the commission through the Shareasale.com interface, so that it is not paid out to the affiliate. When voiding a transaction, we have many different "Void Reasons" for you to choose from: Credit Card Invalid, Fraud, Returned Merchandise, etc. The third step would be to attempt to gauge if the fraud is a deliberate attempt by the affiliate to earn commission, or is simply an unrelated event.

## WORK WITH OTHER MERCHANTS

Developing relationships with other Merchants that either sell similar products, or just those that use similar services such as message boards or communities, will greatly aid in the quest to eliminate fraud from your program. Affiliates who do commit fraud have often attempted the same tactics using a different Merchant program. Similarly, when you experience a case of fraud - sharing that experience with other merchants will encourage them to do so in the future. Affiliate related message boards are the best places to share this type of information, and as a merchant on the Shareasale.com Network we can direct you to several that we recommend.

## CONTACT US - WE'VE SEEN IT ALL!

Upon any suspicious sale - let us know immediately. We have seen all different kinds of attempted schemes to gain fraudulent commissions, and 99% of the time we stop the activity before it causes any harm at all to a Merchant or to Shareasale.com. In this business, fraud will always be a concern, but our protection schemes as well as our knowledge of the internet protocols and other technical details enables us to guide and protect you from any serious damage.

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