



SPI 292

The Dark Side of Affiliate Marketing (and How to Do It Right!)

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- Pat Flynn: This is The Smart Passive Income Podcast with Pat Flynn, session number 292. Welcome to the dark side. All right. Not going to do that anymore. Sorry.
- Announcer: Welcome to The Smart Passive Income Podcast where it's all about working hard now so you can sit back and reap the benefits later. Now, your host—he has a goal of helping bring a basketball team to San Diego—Pat Flynn.
- Pat Flynn: Hey, what's up, everybody? Pat Flynn here, and welcome to session 292 of The Smart Passive Income Podcast. I really shouldn't have done that because I was hiccupping for the next five minutes and I couldn't record, but I'm back and I'm excited because today we're going to talk about the other side of all of this. Everything has sort of a yin and yang, a dark and a white. With affiliate marketing, as much as we've been talking about it this month on the podcast and on the blog, I wanted to talk about some of the things you need to look out for, which is why we're going to talk about the dark side of affiliate marketing right now. The reason for this is I want you to not worry or not be scared of going down the affiliate marketing route, but I want to equip you with some of the things that you need to look out for because affiliate marketing can be abused.

This is why it is, for a very long time, especially when I first started out doing online business back in 2008, affiliate marketing had a very negative connotation, and I feel like I've done a good job of helping the trend of showing that affiliate marketing can be done in a legit way where, as you've heard me say before. Everybody can be a winner, but because it is technically easy to do—"Hey, there's a product over there. It has a commission. I'm going to grab a link and share it with my audience, and ram it down their throats"—as a result of that sort of approach, with an income-first approach versus a serving approach, and with a very aggressive approach with it too, it has received a very negative connotation over the years.

It's kind of my role now, I feel, with how successful I've been with affiliate marketing. I've earned over \$2.5 million in affiliate marketing. With the platform I've built and the reach that I have, I

feel like it's my responsibility to make sure that those of you who are entering this world, whether you are starting to build your brand and you're thinking of promoting other people's products down the road or you are already promoting other people's stuff, and perhaps you just want to hone in on that craft and make it better and just amplify that, it's my responsibility now to show you how to do it right and how to not do it. That's the perspective of this episode today. It's sort of the dark side, the things to look out for, so that I can equip you with the things you need to know to succeed with this very powerful tool that can help you generate a larger income. It can help you better serve your audience and help you build stronger relationships with the product owners of the products that you're promoting.

Let's talk about some of the things to look out for. I'm just going to go down this list one by one. Of course, this has become a theme here in all of the content we've talked about and shared this month on The Smart Passive Income brand—really, the podcast, on videos. Again, make sure you follow me on YouTube, guys. I know I said this last week, but I have some great stuff coming on the YouTube channel. [YouTube.com/SmartPassiveIncome](https://www.youtube.com/SmartPassiveIncome). Make sure you check that out. I have some stuff related to affiliate marketing, to building your brand, some collaborations coming up that you're going to be very excited to see. Anyway, with affiliate marketing, the biggest and number one mistake that people make is that they don't promote a product that actually makes sense for their audience. It doesn't help. They're coming at it, like I said earlier, from an income-first perspective versus a serve-first perspective. My take is you should look for solutions that can help your audience whether there is an affiliate opportunity there or not. If there happens to be one, great. That's a bonus. If there is not and you know there is something that is helpful, you better share that. It's your responsibility.

I'll tell you. As your brand begins to grow, and not even very big, when your brand begins to become known for having trust with a very targeted and a very specific audience . . . and I can share this from my own experience. It happened after a year after Smart Passive Income was up. Even with my Green Exam Academy

website, helping people pass an exam in the architecture space, with everything that I've done, when you reach a certain point, people will notice. They know you have traffic. They know you have trust. They know that you are also a human being who can potentially be swayed by a commission, a very handsome commission. At the start, it was every couple months I'd get an offer: "Hey, we have this product that just came out. I think your audience would really like it. Here is the commission structure. We'll give you \$75 for every person you send our way."

Sometimes, with affiliate marketing, it's interesting. Sometimes it's \$75 per sale. You have a link. You share it with your audience. Every time somebody purchases, you get a cut of that. Some companies will offer you payments for just simply sending leads over because it's basically advertising. They know how much money they need to spend and how many leads they need to collect before they can then convert some of those people to their product or their course and they know what those numbers are so well that they're willing to offer payments just for those leads. Then they take over. Either way, you're going to notice that you're going to get an increased amount of those kinds of inquiries from companies likely that you've never heard of before with products and services and tools that you've never used before. I implore you, please, do not be persuaded by the dollar value of those commissions.

Sometimes companies have reached out to me, I've never heard of them before, and they give me an offer, but I look at that product and I explore it and I determine whether or not it might be a good fit. If it's an obvious "no way, Jose" kind of situation, well, then I just say, "Thanks but no thanks." At first, it was tough because you're like, "Wow, this opportunity is in front of me right now. Maybe I should say yes. What damage could it do?" I already told you what damage it could do. My best recommendation to you is to stay on the light side by always offering and recommending products that are, A, products that you've used before. That way you know exactly the kind of experience that the people you promote to will have with that product. B, this is an and/or situation. A, you've used that product and/or, best if "and," but also "or" is okay. You know

that person, you trust that company, you know exactly what kind of things they can do to help your audience. That way, you can be very sure that the product that you are promoting is one that will take care of your people.

Again, just be careful. You're going to get people, companies—sometimes they're based on just bots, bots and algorithms—they find people who reach a certain threshold and they say, “If a person has this many followers, if they have this many email subscribers, if they have this many fans, reach out to them and see if you can pay to get in front of their audience.” Be careful. Sometimes those products may actually be a great fit. Maybe you've heard of those products. Don't just immediately say yes if you've heard that they've had a good reputation. Make sure of it first so that you can best take care of your audience. Just be aware of that because, you know, the vultures start to come out at a certain point once you start to gain a little bit of notoriety in a space. Like I said earlier, it was every couple months that I'd get an inquiry from a company, and they would offer me something to get in front of you guys. Well, now it's almost every day. It's kind of insane. I'm getting emails every day from companies, most I've never heard of before, who want to get in front of you. It's ranging now in type. I think because the audience is so big, it's more of a, “Hey, let's just see what kind of spaghetti sticks on the wall.”

I'm getting offers from financial planning companies to get in front of you guys for tens of thousands of dollars. It's not in my best interest to say yes, put that in front of you guys, and bombard you and sort of saturate the brand with stuff that doesn't matter. Yes, maybe those services would help you, but that's not what my brand is about. As you can see, that would also dilute my brand and its message and what it's for. I don't need you to get financial planning help in order for me to help in the way I know I can help you. There are great financial planning companies out there. There are people who talk about that. That is not my realm, and those kinds of things shouldn't exist on my brand. That's the first thing. We've talked about that for quite a bit, but again, I'm trying to train you to realize that you have a choice and that it's okay to say no. Even though there's opportunities that will be presented your way, it is your

brand. It is your home. It is your choice. Choose wisely.

Now, there's other things that are related to this that can happen. This is like point number two or example number two. Perhaps you promote something and it's great. It's working out very well. Everybody's happy. Then that company maybe gets bought out, and the management changes, and the experience through that product changes. This has happened to me before in the past too. You have to be very open to potentially having this happen. When it does happen, you have to make sure that you make a decision based on what is really now happening with that company. This has happened in, actually, several cases because companies change, they grow, people come in and people go out. They change the way that they do things. They try to optimize sometimes. A marketing person comes on and they try to be more aggressive. If you have links from years ago that are promoting these things or you've done partnerships and podcast episodes promoting these products in the past, well, if that product experienced changed, well, then you are put at risk again. Your brand is then put at risk.

Now, this happened one time—I'm just going to be very honest with you—with Bluehost. Bluehost is a hosting company. I still do recommend them. I'm going to give you the full story right now. In 2009, I began recommending them and started to make a few thousand dollars here and there from affiliate promotions, and they were taking great care of people. They took great care of me. They took great care of my audience. The next year, my income continued to grow into the tens of thousands of dollars range in terms of affiliate earnings coming from Bluehost, which was fantastic. Then starting in, I think, 2013, I started to notice a few emails here and there from people who were not very happy with the customer service that was coming from Bluehost, specifically when they had problems and issues. Then, a year later, things got a little bit better, and then they got worse again. I started to really pay attention because now the thank yous were less than the concerns. I was still continuing to get a lot of people who were very happy with the recommendation, and a few people just had some kind of outlier experiences, but I did pay attention to that.

Then once I started to notice that they became regular, and this was back in 2015 and 2016, I actually flew to Utah to meet with the company and share with them, “Hey, this is not okay. This cannot happen.” This is the kind of responsibility and feeling that you need to have with the products you promote. You need to take care of your people. In order for me to best take care of them, I had to go there and speak to, really, the CEO and try to determine what was going on. It was nice because I got the full inside scoop. I did a video and an Instagram while I was there to talk and to be honest with my audience. I sent an email out about it, about what was going on and what was being done to get better. That was the nice thing that I learned. When I was there, they told me all the things that they were doing because they knew that they had this problem, that they were making changes. I was like, “Okay, these changes need to happen now.” Of course, with a big company like that, changes do take time. Thankfully, I’ve noticed that things have gotten better but could still use improvement.

Now I have something that I can offer people who go through my affiliate link, which is a special connection to a person who will take care of you sooner than later, meaning for customer support, which is still kind of meh, I can help people by forwarding them to a person who I know will take care of you much faster than if you were to go through like, for example, chat. I was able to find a solution to help make sure that my audience was still taken care of. The lesson here is, especially for more longer term promotions, make sure you continually follow up with that company or the founder or owner of that product to make sure that it is still there and still helping your people in the way that it should. In most cases, it should actually hopefully improve over time, not degrade. If it does, well, then you have to make a decision.

There is a point at which I know if things get to a certain level with Bluehost, for example, I’m switching who I promote. I already have somebody in mind just in case. For right now—and I’ve run the analysis and I’ve just really paid attention to what’s going on there now—I’m still really comfortable with my promotion of Bluehost, especially knowing that I have a person that I can send people to

when things may not go right. Again, most people are still having an amazing experience with it, but it's those who don't get taken care of right away that I really worry about. That's why I took the time and the effort to go there and just make sure everything was the way it was supposed to be or getting to that point. There you go.

Number three, not being honest about the promo or the product. I've been on the other end of this before. Typically, when I recommend products, I'm always very honest about what it can and cannot do, but I've been recommended products before that had certain promises. I'm not going to mention any names or any products right now, but I don't want to call anybody out specifically, but I've been recommended products that I did buy and then as soon as I get involved in that program or as soon as I start using that tool, well, then I am in quick realization of that it wasn't what I had expected. That's the big thing. You want to make sure that you set the right expectations, or else what happens? You lose that trust with the person that you recommended that tool to, and it just becomes a big hassle to either get a refund or to really just get in alignment again with what was supposed to happen versus what actually did happen.

Like I said, not going to tell you the exact name of the company, but it was a software tool that I was told that I was going to have some amazing things happen if I use. I ended up buying that tool based on the recommendation from somebody who I just followed and really looked up to in terms of online business and marketing. I used this tool. In order for me to use the tool that I thought I was promised that I would be able to get access to, I had to pay a higher level, or I had to pay more money to get access to really what this person who was recommending it said it could do. This tool did many different things and the thing that I went in it for, I wasn't able to unlock until I went to a higher price, which was almost 5X to 7X what the normal payment was going to be. I just obviously wasn't happy at that point.

You know, I don't blame the guy who recommended it to me, but I kind of do. It's like, "Hey, you said I was going to be able to do this with this tool and, you know, in your demonstrations you did it." In

his demos, he, of course, either had free access to the tool in its full capacity or already paid for that more higher level program, but it was just a disconnect. I reached out back to that person. I told him and he apologized and, you know, this is why we're still friends today. You know, you got to be careful because sometimes when you make a mistake like that and you share it with your audience and that expectation is not met, well, they might not come back. Just be aware of that to make sure that you are fully honest about what this product that you're recommending can and cannot do. It helps to think about it like who is this for and who is it not for, too, because you don't want it to be for somebody who it's not.

Next, this is more for those of you who have programs that have affiliates who help you sell this thing. I've been a part of many affiliate programs. Many of them were really fun and exciting and very rewarding and, like I said, sharing a product that I know could help my audience and help me at the same time. I mean, my favorite affiliate promotion to date is still the Best Year Ever course by Michael Hyatt. It is one of the best courses because, for a few reasons, but it's helped a ton of people. Me being able to take Michael's information, share it with you, and help you at the same time . . . and I actually go through that course together with my students. It's a lot of fun and it's cool because everybody's rewarded.

Now, I've promoted other products where the product was great and it's helped people, but then I don't get my affiliate commission in time. That's a little tough. I know that might sound like, "Hey, Pat. You're already making a lot of money. What's an extra few thousand dollars your way going to do? What's the big difference?" Well, it's not about the money. It's about the fact that the person who told me they were going to pay by a certain time did not. I don't know what the reason was for that. Again, I'm not going to mention any names specifically, but if you have affiliates and you promise them something, you better fulfill that promise. I mean, this goes along with the last point I was making about expectations. It's the same thing—it's just on the sort of affiliate-partner side of things instead of on the affiliate-to-customer side of things.

Again, expectations being said upfront and being met. Very, very important. If possible, exceeded. There have been times where I have done very well to promote another person's product, and I get a bonus that was unexpected. Do you think that's going to make me want to promote this product again down the road? Absolutely. There's some things that we could do—and we could likely talk about this in a future episode—if you have a product that you sell, how can you recruit the right affiliates? How can you find those people? How can you convince them to promote the heck out of your product and do it in a legit way? That's going to be another episode down the road, not in this month, because we're talking about . . . For those of you who want to generate an income by promoting other people's products . . . But we'll get to that more course level, coaching level, product level affiliate marketing program set up later on. There you go. Meeting those expectations.

Again, maybe it was the real excuse of just, "Hey, our automated system that usually pays out didn't do it on time," but if that's the case, I mean, even if you make a mistake like that or if a computer system breaks down or if something was supposed to happen and it didn't and it wasn't your fault, I mean, you should always own up to those mistakes and let people know. That way, it's sort of like I like to call it the 8 Mile rule. That is . . . I don't know if you've ever seen the movie 8 Mile, but Marshall Mathers, you know, Eminem, he plays the main character, and he's doing like a rap battle in the big finale. This is a spoiler alert, by the way, but not really. He raps about himself and all like the weird things about himself and the things that this other person would likely call him out for, he calls himself out on it first, and it doesn't leave the other person any ammunition to say anything.

Doing the same thing for yourself when you make mistakes . . . take the 8 Mile approach, and be the first one to say it before anyone else does. If you make a mistake, own up to it. There are many opportunities in all aspects of online business to make a mistake, but especially if it is in relation to somebody who is helping you in some way, shape, or form, you want to own up to that and be the first one to tell them, "I'm sorry. This is what happened. I hope we

can continue this relationship moving forward.”

All of this stuff that we talked about, a lot of these dark side things, you know, I don't want it to scare you because affiliate marketing is an amazing and powerful tool you can use. These are just really the most basic. You know, common sense plays a role in this too, but I wanted to share some of these things with you, these horror stories and these things to look out for, because I really want you to succeed with affiliate marketing. It is an amazing tool that allows you to tap into products and services and tools that already exist that can help your audience that all you have to do is, using your platform, share and recommend these things and, again, being honest with people along the way. You need to be honest with the fact that you are promoting these things on behalf of other people and that you are also going to generate an income or a commission as a result of sharing these things.

Again, like I said in episode 290, that's actually a good thing for you to say that because, A, you're being honest, but, B, if you are really serving your audience in the way you should, people who are there learning from you, getting value from you, they should jump at the chance, and likely they will want to help you back. The law of reciprocity plays a role here, and this tool of affiliate marketing becomes an amazing way for you to have your audience have a way to pay you back. When you tell them upfront, “Hey, you know what? This is a product that I'm promoting as an affiliate . . . “ Like whenever I mention ConvertKit, I also mention that, “I'm advisor for the company, but I'm also an affiliate and I do get a commission if you go through that link, SmartPassiveIncome.com/ConvertKit.” There are people out there who you've served who are looking for ways to pay you back. At no extra cost to them, they will go through your link.

It was really funny because I remember when I first started doing affiliate marketing, this was back before all the rules of having to disclose, and I was always like, “I don't know if I want to say I'm affiliate because then people might not click on that link anymore because they're going to be like, ‘Oh, why would I want to reward Pat for this? I'll just go to the URL on my own.’” It was really

interesting because when I started to become very adamant about sharing it and being upfront about it, even before it was a rule, people were like, “Oh, I didn’t know that I could actually help you out by going through this link. I’m definitely going to go through your link.” Then I started to get emails from people saying, “Hey, Pat. I found this product online. Before I buy it, I just wanted to ask: Do you have an affiliate for it?”

That’s like one of the coolest compliments I could get when it comes to affiliate marketing. When you promote products that you know are going to be helpful and you’re providing so much value to your audience, it’s likely that that could happen to you too. I want it to get to that point for you because it becomes a powerful way to diversify your income online. It’s also a great way to do it more quickly. If you are building your audience and you have this audience that trusts you, it’s a lot easier to generate an income through affiliate marketing by promoting other people’s products versus spending the time to beta test a course and to test a product and to put it out there, and to see what it’s like and then kind of rebuild that product and then share it publicly. It’s a lot of work to build your own products. I’m not saying you shouldn’t do that if you’re starting from scratch right now. I mean, you should absolutely have your own products.

That leads me to my last and final point related to the dark side of affiliate marketing. That is, you don’t want all of your income coming from affiliate marketing. I mean, back when I started out, there was—and this is still true, many people do this—they do arbitrage, meaning they are an affiliate for a product. The way that they promote is not through a brand that they’ve created, not through any trust that they’ve earned, but through amazing copywriting skills and amazing advertising, targeting skills that they have. This was something I actually attempted. I spent I think 200 bucks. This was before Facebook ads were like a thing. I was doing Google ads, and I found a product on an affiliate marketing network.

An affiliate marketing network is essentially a site that you could sign up for. There’s many of them out there. Commission Junction

is one that comes to mind. Neverblue, I think, was one back then. I don't know if that's still around. You sign up for that site, and there's a gazillion products there that you can just choose, everything ranging from cosmetics to make money online to how to build a chicken coop, all that stuff. You just pick a product. You're given a link and you're just, okay, you have a link. You're going to share it in front of as many people as possible. Because you don't have a brand, you're going to advertise for it. You can get in front of audiences and do it that way.

The scary thing about that is, well, there's a number of things that are wrong with that model, in my opinion. Because you haven't built a brand, I mean, it doesn't matter who does that. Anybody could do it. It is not unique to you. It is something that can make you a lot of money, but as soon as you stop doing it, it will stop making you money. It's not passive. Also, anybody can do it better than you because it's just math and copy and targeting. It becomes a very scary playground to be on. That's why I sort of prefer this: Take the time to build your own brand and serve an audience and have them trust you as the go-to resource instead of just, "Oh, here's an ad from somebody I don't know." Even though you are serving an audience by giving them, hopefully, something that's useful, maybe they really do want to build a chicken coop, and you give them that ad, but are they even going to know your name? Most likely, no.

My role and the way that I teach online business is that I want you to be recognized for the effort that you give to serve your audience, whether that's through creating your own products, whether that's through podcasting and other free content platforms, through building physical products, or affiliate marketing. Make sure that, with whatever path you choose to generate an income, there is a way for a person to thank you because that, together, is what really . . . As Nicole Dean from, I think, episode four or five way back in the day, I think . . . I can't even remember. The numbers are so small. One of the most memorable phrases that has ever been said here in any of my interviews that I've done, this is Nicole Dean, she said, "You know what? The way to succeed online really in the long-term is to make the internet a better place." When you do that, it affects

your approach. It affects how you advertise and promote. It affects how you interact with people. I'm hoping you're seeing that my role here is to help you be able to do that with your own specific audience too.

Hey, guys. Thank you so much for joining me today. This has been a really, really great discussion on affiliate marketing and it's been just a fantastic month here. I encourage you to either download my free guide, *Affiliate Marketing the Smart Way*. It's going to give you a lot of the tactics that you can use so that you can stay away from the dark side of affiliate marketing. I also want to mention that I do have a course coming out later this month called *1•2•3 Affiliate Marketing*—"1•2•3" because there's three specific steps that you need to take in order to succeed. It's going to take those of you who have an audience to no income from affiliate marketing, or maybe just a little bit, to a lot of it with one specific product that you're going to do. That's a formula that you can then replicate with other products too. I'm going to help walk you through that process with that course. That's the promise of it. 123AffiliateMarketing.com. Sign up for the waitlist there. You'll get put on the waitlist. I'll let you know when it opens up every soon. Then, finally, AffiliateMarketingtheSmartWay.com for those of you who just want like some really quick, easy tips to help you, perhaps, if you're already doing affiliate marketing right now.

Hey, guys. Thank you so much. I appreciate you. If you want to check out the show notes for this show, go to SmartPassiveIncome.com/session292. Man, we're approaching episode 300. How crazy is that? SmartPassiveIncome.com/session292. 123AffiliateMarketing.com, and just thank you so much. If you haven't done so already, just please hit that subscribe button on your device, and I look forward to serving you next week. Thanks so much. I appreciate you, and let's have a great end of the year, guys. All right? Take care. See you next week. Bye.

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