THE DEATH OF BOUNTIES

WHY REVENUE SHARE OUTPERFORM BOUNTY PAYOUTS

WHITE PAPER

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Executive Summary

From the early days of marketing and through the last few decades marketing companies have been in what we call, "the golden age of selling and buying services". The money flowed freely and no one thought the free money party would ever end. Today, the industry landscape could not look more different. In the face of large class-action lawsuits, massive regulatory overhaul and the reduced access to capital; companies are now looking for a better way to replace or increase revenue.

In an effort to increase revenue marketing companies are now starting to evaluate when, how and why they acquire a customer. They have turned their attention to not only acquiring the customer effectively but want to monetize the customer for the life of the relationship. Marketing companies have most of the risk and all of the cost to acquire the customer so why shouldn't they participate in the long term upside of the revenue generated from that customer?

Looking at the current environment, many marketing companies are re-evaluating their decision to use bounty model programs instead of a simple revenue share model. A true revenue share model provides long-term revenue, more control over the quality of service and provides for a more sustainable business model that has true exit potential.

This white paper will provide a review of the bounty model and discuss the advantages of a true revenue share. It will also provide statistical information on how funds are paid in each model and how you can maximize revenue, reduce risk and build a sustainable long-term business.

Bounty (Reward)

A bounty (from Latin bonitas, goodness) is a payment or reward often offered by a group as an incentive for the accomplishment of a task by someone usually not associated with the group. Bounties are most commonly issued for the capture or retrieval of a person or object. They are typically in the form of money.

Why are Bounties Dead

Why is the bounty business dying a rapid death? One reason is due to the fact that the goals of the selling party are not in-line with the goals of the purchasing party. Other factors include the decrease in the amount of bounty payouts accompanied by an increase in firms willing to offer long-term revenue share options.

Providers and marketers are now realizing that both parties earn more money over time when their goals are aligned. In addition, both parties have a more efficient long-term business model by implementing a revenue program. It provides a more satisfied customer, it reduces complaints and it shrinks lawsuit liabilities.

The Acquirer

How does the bounty model affect the acquiring party?

The biggest problem of the bounty model is that the seller is only paid a one-time fee for acquiring the customer. The bounty or one-time fee is generally paid fifteen (15) days or in some cases up to thirty (30) days after the submission of the customer. The seller is typically paid around twenty ($20) dollars per customer but this varies depending on the product and the company acquiring the customer.

Another problem is that the seller has to absorb the entire acquisition cost, which means a lot of money is spent to acquire a customer before the selling party receives payment of the bounty. The seller's main goal is to sell, and sell very quickly, meaning quality is sometimes sacrificed for quantity. The seller really has no incentive to acquire quality business due to the fact that they only get paid once. In most cases the seller does not know, and may not care if a customer is retained for one month or for twelve months.

The Purchaser

On the other side of the ledger is the purchasing company, which has all the upside of billing the customer for each month the customer keeps the service.

The customer may keep the service for years and the seller receives nothing for the quality of the business while the purchasing company keeps all on-going revenue.

What most purchasing companies are now starting to realize is that they carry a lot of liability on a sale that was not generated by them. If the customer cancels the service early then the purchasing company could loose money. If the customer is acquired creatively or fraudulently then they have the liability of a chargeback, a refund, or worse, a nasty lawsuit. This has occurred frequently over the past few years.

Align Your Goals

How can both the seller and the purchaser make more money, reduce risk and generate a happier customer?

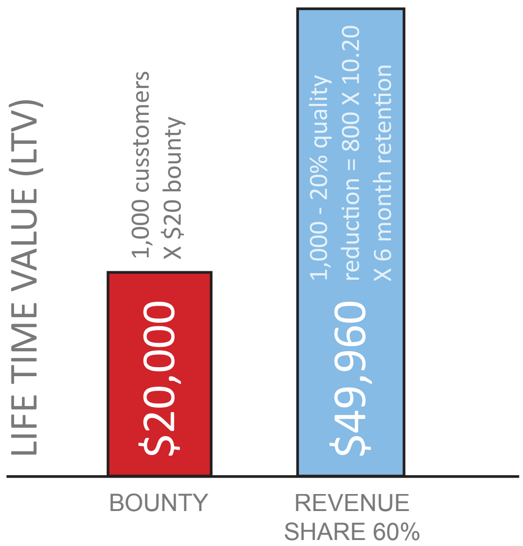
This part is simple – it has been done successfully for decades. The first thing that needs to happen is the interest of both parties must be in alignment. This is the key factor to success and long-term sustainable profit. A revenue share model is the only way to accomplish this goal.

The second item is the purchasing company and the selling company both have to give something up. The purchaser has to share a larger part of the revenue, pay the revenue share in a timely manner and provide insight and guidance on retention and other key data factors. The selling party needs to adjust its way of thinking about how they acquire customers and how they compensate employees for the acquisition of those customers.

The seller really needs to focus on increasing the quality of a customer, which in most cases can reduce customer acquisition totals by up to twenty (20) percent. While you may think a reduction in customer acquisition by twenty (20) percent would hurt the monetary payment to the seller, you would be wrong. The losses in customer acquisition totals are offset by the increase in the long-term revenue share and increased retention that the purchaser and the seller receive. To use industry terminology, the lifetime value (LTV) of the customer will be higher even with reduced acquisition numbers.

Ocenture evaluated fourteen (14) years of its billing and client data, and the data showed the average billable for it's over 100+ clients is seventeen (17) dollars per month, the average retention rate across all its platforms is six (6) months and the average partnership revenue share percentage is around sixty (60) percent. Using the over fourteen (14) years of data the numbers would produce the following results.

On one thousand (1,000) enrolments you could earn $49,960 over 6 months vs only earning $20,000 using a twenty (20) dollar one time bounty payout. Important to note is that cash flow to the seller can be pushed forward if the revenue share is paid weekly.



By moving to a revenue share model the seller obtains more than double the LTV and in many cases can be even greater. This can be achieved by selling multiple revenue share products or by creating customer retention that is greater than the six (6) month average.

Bounty Payout
1,000 X $20 = $20,000 (Life Time Value)

VS

Review Share Payout
1,000 – 20% (Quality Reduction) = 800
$17.00 X 60% (Revenue Share) = 10.20 X 800 (Customers)
= $8,160 X 6 (Retention) = $49,960 (Life Time Value)

Go Revenue Share & Earn More

As the premier provider of private label services for over 14 years and one of the pioneers of revenue share services, Ocenture now has a new twist on its already very lucrative revenue share model.

Ocenture understands that when selling services cash flow is king. In order to further align its goals with potential sellers Ocenture now allows reseller partners to piggyback or utilize its propriety billing systems at no cost.

The Ocenture system clears all funds daily directly to the seller's merchant account. Therefore, the seller does not have to wait a week or a month for payment. Since the funds go directly to the seller's bank first, there is no wait time. At the end of the month, Ocenture invoices the seller for the per member per month fee.

Ocenture team members, using its proprietary billing systems, perform all the integration code work with the merchant processor to support the program. This is new to the industry and offers an even faster, and more sustainable business model, then just the standard revenue share. Ocenture's billing system accepts Visa, MasterCard, American Express and ACH's payments. It provides real-time data integration, merchant account load balancing, credit card mitigation, daily funds deposits and many more advanced features.

Ocenture does not charge a fee for this service; Ocenture integrates directly with the seller's merchant provider, thereby eliminating any additional fees charged to the seller.

The hybred revenue share model pushes forward payments to the seller in real-time. This allows the seller to be extremely cash flow positive verses an alternative bounty model.

Here's how it works: The seller contracts with Ocenture for one or more of its services. The seller sets up a merchant account directly with whomever they choose at a rate they can negotiate. Ocenture takes nothing from the merchant company – no additional fees, no extra percentages.

Ocenture's technology team integrates its proprietary billing system directly with the seller's merchant company. While this is not easy and can be costly, Ocenture provides this service to make sure the seller and Ocenture's goals are aligned.

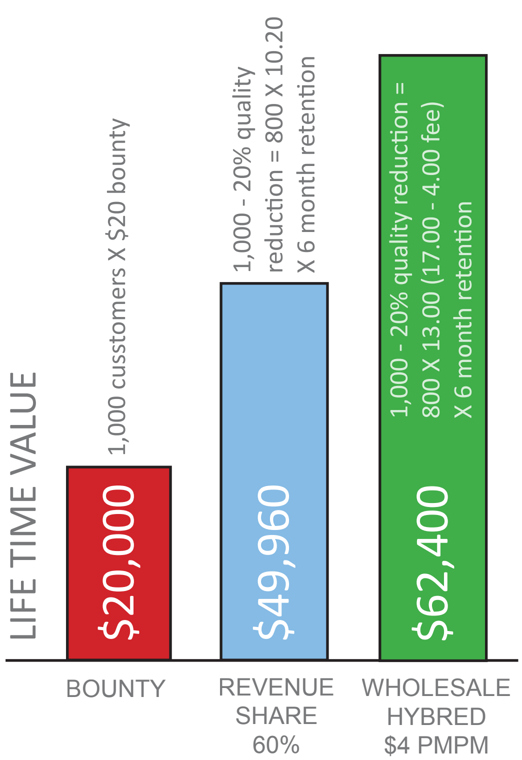
Once a customer is acquired, Ocenture's system automatically sends the transactional information to the seller's merchant provider. The seller's merchant provider deposits the full amount paid by the customer into the seller's bank account, not Ocenture's bank account. Therefore, the seller gets paid first.

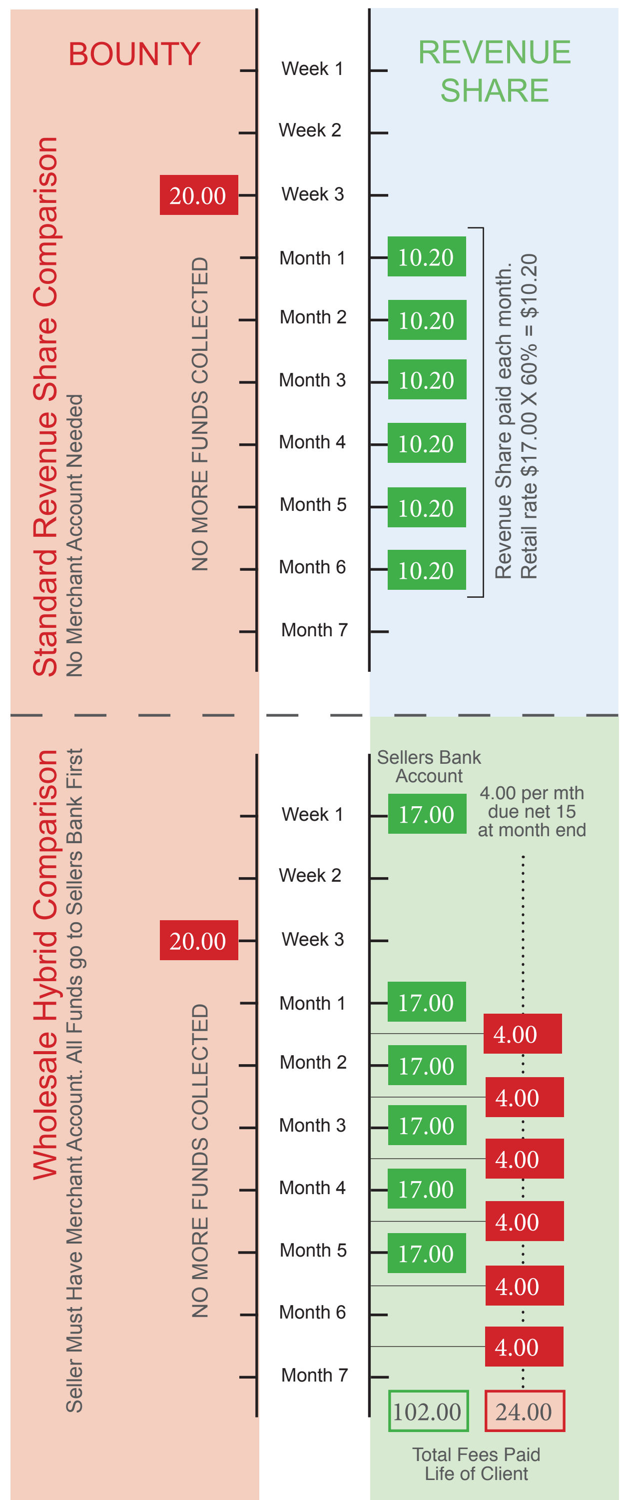
Ocenture fulfills the order in real-time and the customer recieves immediately access to the benefits purchased. At the end of the month, Ocenture invoices the seller for the monthly revenue share on all customers who purchased the service in the month prior.

Go Revenue Share & Earn More

Ocenture will send an invoice (net 15) on February 1st due by February 15th for all enrolled members in January. By using Ocenture's hybred model, the seller actually may receive two (2) payments from a customer prior to a payment being made to Ocenture for the monthly per member fee.

To add insult to injury, the bounty players have been reducing bounty payouts and increasing the time in which they are willing to pay a bounty due to a decline in customer quality, an increase in lawsuit liability and increased profit pressures caused by low retention. We have seen bounty payouts decrease as much as thirty (30) percent while the time to pay has increased from around fifteen (15) days to as many as forty five (45) days after the customer is submitted.





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Conclusion

In our opinion, changes in the way bounties are now paid will only add to the problem, not solve it. Ocenture has a much more efficient and effective solution.

Aligning our goals with our partners, taking more short-term risk and finding ways to help increase customer quality leads to a more long-term, sustainable business model for everyone.

Our system helps increase your cash flow, provides fewer headaches from regulators and, at the end of the day, just provides more revenue over the life of the customer. We accomplish this by utilizing advanced technology systems, paying a fair revenue share (not getting greedy) and rewarding sellers for what counts – retention.

The era of allowing the bounty company to absorb all the lifetime profit and leaving very little of the long-term value of the customer, is over.

Ocenture officially declares ...
BOUNTIES ARE DEAD!

It's plain and simple, bounties are just a bad deal for anyone acquiring customers.

About the Author

Fraser Burns is the Founder and Chief Executive Officer of Ocenture. He has over 25 years experience in building profitable, global organizations and developing infrastructure to market a diverse line of products and services. His career has included success in new business and product development, corporate restructuring, mergers and acquisitions, international technology integration, and complete business re-structuring and planning.

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THE DEATH OF BOUNTIES

Bounties vs Revenue Share

Why Revenue Share Outperforms Bounty Payouts