

*Pod Cast Number 31 - Interview Doug Scott from ASAP Ventures*

*Tell me a bit more about your background then about how you got to be where you are at the moment.*

I bummed around the world on and off around 16 years - so 8 years swanning around the world, 7 years living in London - sold hotdogs, sold coca-cola, installed pizza huts, bummed around the States and then lived in Oz. Spent a year in Asia being a bum and then basically, since probably '97, I've had some form of business even a chunk of that, like 5 years of that while bumming around

*Right.*

So me and 1 of my partners use to buy and sell scrap computers out of investment banks and sell them out of back of vans. So we'd buy, you know, 500 old PCs, dismantle them and sell them all the bits back to the trade and drive around London in a little van. Had an Internet café, imported goods from the Far East, furniture business, got into the web because we were importing goods. I was living in Sydney consulting on a Y2K project for a big American bank, had a big fight with them and they just said well stay and do whatever you want and we'll pay you a large amount of money so I put our importing business on the internet. Came back to the UK in about '99 and mentioned it to a couple of mates in a pub and ended up with a consultancy.

*Quite a variety then, you've not done the same thing for long....*

I've always followed the view of, if it seems like a good idea it probably is , which in some ways has worked really badly 'cause you know I've never written a business plan about anything we do. It just seems like it was obvious.

*Yeah ....*

So ended up with a consultancy with about 15 clients and then about 2001/2002 got bored of trying to explain that, you know, you should build a website in blue when they wanted to build one in green.

*Yeah ...*

So over time - probably 2002/2003 - got rid of most of my clients and ended up building some stuff by myself, which I didn't build. The first part came economy actually built by Kia 'cause he was in the same college as us.

Right .....

Urm .. and then carrentals.co.uk was the main one that became real. We did a lot of "funny stuff", let's call it, along the way and then over the past probably 2.5 years we've gone into much more, so we've got things like self catering breaks now which is a villa rental sites where you can put your own properties on for free.

Right .....

Urm we've got a dating site – easyfinderdate - which again is a free dating site. We've got Recycle which is, well you know, we're still building, which at the minute is like a free bay with more, well, it's getting more and more information of where's it's going.

ASAP.co.uk which is a travel comparator which you know, they're early days all of them. Fly.co.uk which again is a travel comparator.

*That's an interesting one. Fly.co.uk that's a kind of high profile purchase you made recently wasn't it?*

Yeah, that was GBP 87,500.

*That's quite a big investment.*

Personally, I thought it was a bargain – I thought they gave it away.

*You think so, that's good. So I take it you're a real believer in a good generic domain name then.*

If you're going to sell something it's much easier to sell fly.co.uk rather than dougscheapflights.co.uk. As a company, what we do is we get traffic to websites.

Right, yeah

You know, carrentals.co.uk - is a very good generic. It probably does, well over the past 5 years, it's probably done between 50 and 100 million GBP worth of sales. If we wanted to sell that domain it's much easier to sell that domain having it as a nice name. It's much easier for a corporate to understand what they're buying.

*Yeah...*

and also the amount of effort that goes into one. If you look at carrentals alone, that domain has probably had in the region of 5 million GBP spent on it.

*Right*

Therefore, you might as well spend that much money on a nice domain name.

*Yeah.*

You know, and if you look at Fly, you know that was 87.5k GBP, Recycle was 152k GBP, you know, and I just look and I think it's so easy. The traffic part has never been a problem to us.

*Right*

I always say to people you put content on websites and give them some links – that's all you have to do.

*So why would people find the traffic part difficult then? I know there'd be a lot of people out trying to desperately get traffic to their websites.*

I think that most people don't believe it. They do it for 3 months and then stop.

*Right*

You know, they don't see the results they expect. I did an explanation yesterday to a couple of people, and they had a website and my first

question was how many visitors does it get? And they said 5 a day. I said, “you worked that out how to play with Google then”. You’ve got 5 now, whatever you did last time do it again ‘cause then you’ll have 10 and then do it again and you’ll have 20 and once you get to a certain point they’re be a logical point where what you should actually do is turn this into a process and have other people do it or have machines do it.

*So ...*

There’s no point you as an individual sitting in a bedroom trying to manually do everything.

*So processes for things like getting the content written, doing the link building, those kind of jobs?*

We do processes for everything. I say we do factory SEO. We have probably about 300 writers now around the world who write content for us.

*Right.*

We used to write it ourself but then it became cheaper to give to someone else in bulk. If we do link building, we have machines that do requests, we have people who do requests. We basically we’ll trial something, trial something, work out how it works and then we will try to make it an automated process or a manual process.

*That you can then outsource, so you’re not stuck having to doing it yourselves?*

You can outsource or you can build a machine.

*So how do you mean, can I explore that a little bit “build a machine” you just mean an application that does it for you or what?*

If I’m very simple about it, if you’re looking for links in a sector, what most people will do is, they will go to Google. They will search for terms relating to their sector, they will try to find the contact forms and the email addresses of those people and then they will manually contact all of them. Now, aside from saying the legalities of how you contact them, the collecting of that data, well a machine can do all of that much, much faster

than an individual will ever do it. Now you may put, what we do in a lot of this, is we put a sanity check in - where we've now got all the data, we now put people involved, who then basically before we touch someone will look at the data to make sure it's what it's meant to be.

*Right yeah, so you're emailing the right people and not asking the wrong sites for links and that kind of stuff?*

Yes, in most cases it's very limited in what we do about asking people for links anymore. We have processes now - we've just learnt as time goes on that the efficiency of asking people is not the best way of doing it.

*Right*

You know there are a lot of, you know, I'm sure if you go out onto some of the big sites and you look for the 101 ways of getting links there are a lot of ways other than saying "please can I have a link".

*Yeah*

And I'm not meaning illegal ways, I'm just meaning clever ways. The big one that I've just posted on my blog this morning which is the story about Money.co.uk – now that's the story of a 13 year old borrowing a credit card to buy hookers. Now, the social network is beyond believe and Lyndon, who did it, or who's believed to have done it, did a phenomenally good job and doing things like that is much more effective in everything we've done now.

*Right*

If I went back 4 years ago we would have been doing very much more traditional asking for the link.

*Yeah*

Now what we would do is we will try and create something and then tell the relevant people who really want to link to it because if you can kick that snowball down the hill the effect is dramatic. It's one of the discussions, you know going back to the domain name purchases – you know you look at the 2 big ones which people know that we bought was Fly and Recycle.

Now have a look at the back links at any time you want of Fly and Recycle and you'll see there's a lot of them and there's a lot of them based because of how much we paid for it.

*Right, that's almost kind of self fulfilling, yeah you spent that money on an instant success because people talk about it because of how much you spent on it.*

Anytime I mention it, anywhere, like here, other people will link to it.

*Yeah*

It's the same you know on my blog, my blog has taught me a huge amount of how to create controversy.

*Right, yeah. Do you think that's a good method? I know that some people have come out, you know frowned at that link bait at money.co.uk and you know saying that if the story's not true it's misleading and unethical, I mean what's your stance on it?*

Depends on where you going with it. Ethically wise, I would say I'd agree, it's not ethical. Lyndon's view is, commercially it's hugely viable. Now if you're Google what do you do with that I don't know. What we've done in the past is we prefer to create a story - we play - rather than rifle shooting we play a lot more of a random game, a shotgun, where what we will do is we will create a 100 stories

*Right*

and some will get picked up – we don't know which ones will but once one is picked up we will then exploit it.

*Yeah*

So we let the world decide what the story is that wants to be told.

*Right and then I guess these stories you getting them written by people you outsource to so how do you find good people there how to you track them.*

I'm on every forum all the time. I'm sure if you look on the A4U Forum, or Acorn Domains or on Digital Point, you know I have a constant post

running on those things saying to people if you've got one of these, you've got this, you've got that, talk to me.

*Hmm – I mean how do you keep your good people?*

We have a real simple model. The split comes in 2 ways. The outsource stuff is very simple. What we do is we'll take, let's say, 10 different companies we'll pass the work to 10 of them. All of them will get parceled up and it doesn't come down to price, ironically. What it comes down to is how easy do they make our life? If they make our life really easy and they deliver everything on time they said then what we end up doing is giving them more and more work, and what we've learnt over the years is that as we've got bigger some of these companies, to give you an example, a lot of people know that we've had a lot of involvement out in Thailand and that was a friend of mine, and what happened was originally there was only him. At the last count he had nearly 70 staff. And what we did is we gave him so much work that he had to employ everyone he knew.

*Right*

Now when he got to the point that he'd employed everyone he knew, he made the logical conclusion that his business couldn't just run on us. So what happened is, he found other people. You know we taught, and we openly, you know, the guy's a bright guy and we helped teach him how to do search.

*Right*

So he expanded out and got some other clients and then what he did was he built his own sites. So he's a lot now of big, big travel portals based out in Asia.

*Right*

And what's happened along the way, is it makes us go, he's a mate, that was nice and we had a good relationship and you know we still do work together but it's a lot, lot less than we ever did but along the way we found

another 10 like him. You know, like in Thailand we all went out to his wedding and stayed there for 2 weeks.

*Right*

You know it's not like we've ever fallen out. Most of our suppliers that's what happened. As I said going back with Kia – Kia originally did my design, you know and me and Kia are very good friends.

*Hmm*

You know and some people would say, ah well he pinched your concept. Well he didn't all I ever did was open the door.

*Yeah and he's ....*

Some people are going to grab whatever the door is they're gonna push there way through and do it

*Yeah*

so there's no point us falling out about it because, that's silly.

*Yeah*

We're in the same space we might as well continue to ... we were mates before we might as well continue to be mates and share the knowledge.

*Yeah, it's interesting you've just kind of scaled the business you done what a lot of what affiliates would do, but you've scaled the business, it seems almost just because you've not worried about any limits - you've not just kind of not really, you know, maybe do some affiliates sit there and think too small think that they can't grow a business to the size you've grown?*

I would think so. I don't think most people believe what you can do with this.

*Yeah*

I do think it does help, you know I say my bumming around the world part, but chunks of that were running very large projects in investment banks. So I got accustomed to living in that world where people were spending huge amounts of money on a project and with a vision, and only a vision and I got 2 partners involved in 2002/2003 who I both, you know, both of them I

knew, well what one 20 years, one 15 years, I worked with both of them before.

*Right, yeah*

And they both came from a similar background, so they came from a world of, you know, running a 10 million GBP project.

*Yeah*

And if you come from that world and, one of them also then took over an Engineering Company and was the MD, and had no idea of how to run an Engineering Company 'cause he'd never run one, and in 3 years we've turned the company around and sold it.

*Right*

Because what he did was, he just went this is what we do, this makes sense - I don't understand all the other things so should we just not do the things we don't understand.

*Yeah*

It's like one of the things, if you look at paid search, we outsource all our paid search now. We used to run it internally and as it got more and more complicated and more going on what we decided is, this isn't what we do. You know, the people like the Jamie Harwood's and Duncan Jennings's, you know, they run paid search - they know it backwards, forwards, upside, so we just decided well let them have it.

*Yeah*

So, you know, we've scoured the World, I spent a little bit of time in the States talking to some people. We knew what we wanted, the issue we always had was, we couldn't find it. Then eventually, probably 18 months ago, we came across some people who did understand what we wanted and you know we've been in bed with them quite happily ever since and I can't see that relationship changing.

*What did you what specifically want from them? You just mean their level of expertise or ...?*

My view on paid search is there are 2 methods to it. I class it as a racing car. You need a good car and you need a good driver. In paid search there's quite a few good drivers out there unfortunately there's not a lot of good tools out there.

*Right*

And paid search to me now is pure arbitrage business. You know, it is exactly what happens in money markets and share trading markets. What you're looking for is a hole in the market. And there's enough data out there, if you've, you know if you've got access to the data – what it very simply is - at one point we were running one paid search campaign with 4.5 million key words in it. An individual can not do the analysis on that data.

*Yeah*

It's just not physically possible. So you need to have a machine. Most of the machines, put very simply is, go and find the best machine you can.

*Yeah*

And the best machine is based on several things, it's, one is, you're changing your bid prices, time of days and things like that but you need to be able to take the data you've got and react to it. You know, it should be possible with enough data to take the click through value, the click through rates, the amount of money you paid on a position in Google - you should be able to forward forecast and reverse forecast what any price should be at any time of the day for any keyword in any month.

*Right, and have you got to that point with your tools now?*

We're not there yet, unfortunately, because the problem you have is that you need to have a lot of data.

*Yeah*

And you need to have a lot of data over dates, times, months, seasons you know, especially if you're in travel which is mostly what we do.

*Right, yeah*

From our experience, if you're in a very targeted niche, so if you're doing car insurance, an individual will win every time because an individual will physically look at the ads and see how good they are, bad they are, in comparison to what other people are doing, and be able to make gut instinct changes - a machine can't do that.

*Right*

But as soon as you go past the 100 key words – we proved it most of last year, 'cause we ran 2 parallel campaigns on 2 different sites, and that's exactly what we found. The machines just won every time. Sounds like Terminator.

*So, what we're talking about - paid search and stuff I know one thing you've been discussing on your blog recently that closed brand bidding groups and transparency there - how do you see the current position?*

My main view has never been the brand bidding groups - it's the transparency.

*Yeah*

Because I know with a lot of our, we have a big sheet with all of our suppliers, and it actually tells us what exactly what they will pay for, won't pay for. You know, stuff that's obviously it's not public but what we say is well we won't send it you unless you tell us.

*Right*

Because we know, you know, we've been a merchant before, we've quite a few sites we've probably got 10 merchant sites out there, of white labels that we run, so we know that we send traffic in from one channel and actually sometimes it bounces around 3 other channels before it makes a sale and all we ever say to people is, can you just tell us what the rules are before we play the game? This is the part, I never understand the reluctance. I can understand why brand bidding groups exist because you have to protect it and if you're, my pet conversation but I'll say, if you're an

Expedia or a LastMinute of this world, you want to protect your brand. You don't want any affiliate doing whatever they want. So you want to have a select group of 5-10 people who, you know, you can trust but also you can kick them around the room a bit. If I was in Expedia, Last Minute guy's position, you know, I don't know if they do this, I would have, with a large affiliate, solid agreements in place that say what their reaction times are.

*Right*

Because what I'm saying is - you're a brand bidding group. You've been given a carrot - I expect you to do other things to get that carrot. So, I'm allowing you in the little club because it converts 10 times what none brand bidding traffic converts at, and what I'm going to say is, I want you to find me some other traffic that I am not getting and when I have a trademark dispute or an issue I want to be able to send you an email and I want you to fix that problem within an hour, and if you don't then the carrot gets taken away.

*And do you think that's happening or?*

Urm, I know it's been tried to happen.

*Right*

And I know some of the networks and some of the merchants are trying to put it in place.

*Yeah*

Now how hard they're going down that road I don't know. That might be just a lack of understanding or a lot of people hiding behind the fluff.

*Yeah*

'Cause I think the problem with transparency, especially now you've now got an agency, you've got a merchant, you've got a network you know one of the discussions I said on my blog is in my dealings in this industry most people don't have a clue. And, you know, I've had numerous, you know, big merchants and big networks come up to our office, people who I have

huge respect for business wise just as people and they look when I've explained some stuff at me and just go "wow never ever thought about it like that" and I'm thinking that's my view of people who I think are very bright and understand this industry.

*Urm*

And therefore, if you're a merchant and you're being advised by maybe networks, 2 agencies and you've got 5 big affiliates and all of them have their own agendas as well, then who do you listen to?

*Yeah, yeah*

Because you know CJ TradeDoubler Or BuyAt - they've all got their agenda. They're all making a margin on it. The affiliates aren't going to tell you what they're doing because they've got their agendas and the agencies are piggy-in-the-middle trying to keep everybody happy.

What about this transparency - why won't, why won't networks, just simply, you know, open up that information and let other players know

I don't know. I think it's a little bit of "showing your knickers". You know, if I was the Marketing Department of Expedia what I would be doing is saying well, that comes under Marketing, I'm not going to tell you what we're going to do.

*Yeah*

The problem you have is you lose, you know, you lose I wouldn't say a lot of affiliates but what you do lose is you'd lose some of the big ones. You know a friend of mine is a massive, you know, from my understanding probably the biggest affiliate in the World, you know he's not based in the UK. And he used to do a lot of gambling stuff and what he had was, he had 2 auditors in at one of the big gambling companies and that was his deal. His deal was if you do not let me have my own auditors tracking your backend systems then I will send my traffic to your competitors.

*Right*

You know, and I think the problem is, and I always say this, is I think most affiliates treat it as a “this is a spare time little hobby in a bedroom” and then they wonder why they don’t get treated with any respect.

*How do you think affiliates can approach that then – I think, you know, that there’s been some talk on the forum, affiliates have asked for that information and don’t get it. Do you think there’s anything else they can do?*

We’re very simple, you know I’ve also been very simple with my discussions – I just say well look here I’ll just leave now.

*Right*

You know, we had one of the big airlines, we had a discussion. I went down 2 years ago to do the deal originally and I had a simple, simple discussion. I said “have a look on the front page of Google and type in the terms that you want” and they typed in the terms and I said “OK where are you” – and they said there and there. You know, we’re one in paid and we’re at number and we’re a certain slot in organic and we’re a certain slot in paid. I said OK, there are 21 slots available on that page. You’re a PLC your shareholders will allow only you to have 2. You cannot build a third brand. I can take the other 19 from you if I want and then I can do it and send all of that traffic to your competitors. And after the trademark, you know, 5th May changing of the law, the rules, you really can do that. You know, I can go after your trademark and send the traffic to your competitor.

*And what response did you get?*

Urm their quote at the time was “I feel like a pawn in game Doug”. I said that’s the World, that’s what we do. You know, we have a nice relationship now – we had a nice relationship with them for nearly 2 years. You know, to the point now that they, we do some stuff in Europe with them and we are now building, well, we’re building white labels with them and they’ve never built them before.

*Right*

We're actually writing specs for them to help build white labels for us.

*Right*

Because the way they're looking at it - originally the brand was everything. Now, with the power of on-line what their realising is we actually don't care. We care about volume.

*Right, yeah*

There is no margin in travel – you need volume and if we can only have 2 slots on the front page of Google then we're not going to get the volume.

*Right*

You know, the big people who did a very good job originally of this was people like Active Hotels, who basically just built the back end technology and allowed it out to everybody.

*Yeah*

You know, they were bought out by Priceline and Booking.com and booking.com, you know we only do a little bit with them but our dealings with them is that they've been phenomenal at it. You know, you ask for something, it makes sense, they give you it.

Urm is white labels what you were getting at, when you said, I think you said, you're quoted in the forum recently you said, you know something like, something like "A [xxxx] market in its current state is a mugs game". Is that what you said or something like that?

You got me word for word.

*So what are you getting at with that? Is that ...*

Again, going back you know like, what I say is in affiliate opening, it's quite simple is. If you're a merchant, let's say you making 10% margin, you're giving an affiliate 8, you have no financial risk whether it works or not and you're making profit and you're getting free branding. So, as a merchant, you get your branding done for free, you increase your volume and you actually you make profit. That's a no brainer if you're a merchant. You know I know some of the merchants out there, you know, one in particular,

who basically just stepped away completely from doing their own on-line branding and just said, you know, we're making 20% margin on it Doug - we'll give you 15, do what you want, we don't care. Which to me was a hugely astute way of looking at it. You know rather than ah well we'll do it at 5% they said, look we've got a big margin we have to run our call centres and stuff like that but actually we'll live on 1 or 2% 'cause it's not our cash exposure. I mean, you know, one of the ones I on was on my blog the other day, was talking about, you know, the big PPC affiliates and looking at their business where they're spending, let's say attributable sales is in excess of 50 million GBP a year at 5%-10% they're only making a couple of million, most of it comes from paid search. They're leaving on 1% of the total deal.

*Yeah*

And if you're living on 500,000 to a million turnover, having to manage a 1000 merchants, you know, even if you've got the best machine in the world you still have to talk to a 1000 merchants.

*Yeah*

That means you need 10-20 people and from, you know, knowing all of these guys, that's exactly what they have - they all have 10-20 people. So they're living on, you know, I'm sure that Jamie's not scraping the barrel and living on bread and water.

*Not on the bread line - yeah*

But I'm sure his turnovers are, his turnovers are huge but his profits aren't as huge as they look. I don't think he's - well - I know that if you give Jamie the 18 million that the Times valued him at I think he'd take it now.

*And so, so what are you, what's a better way forward then, is that what you're saying then you're working more closely with fewer merchants on higher margins and not on kind of standard affiliate agreements. Is that kind of what you're getting at?*

That's everything we've done. We only do, in true affiliacy to a merchant, we've only ever done 2.

*Right*

and that was a little bit accident rather than design. Like, it was a friend was the Marketing Director of a large PLC. We had breakfast in London one morning, and we were having a laugh and I said, you just don't get this and I said let us have a bit of fun and he said OK and I said get me a deal. So we got a deal and we sent him, I think, 60,000 visitors on the first day. Unfortunately by the end of the week they had to turn the deal off because internally you've caused so many more issues that they've never even thought about.

*Right*

And then what happened was because we'd learnt how to do that, we went to their competitor and said, well can you deal with 60,000 visitors a day? Because we know how to do this now, and so we did that and that deal ran for 3 years and the reason it fell apart is because what they did was is all the de-duping they changed the rules on the de-duping.

*Right*

Now we didn't even trial it. You know, what happened is they announced they were going to change it, the day they announced they were going to change it we emailed them back and said the day you go live with it is the day we turn the traffic off. We're not interested in being a guinea pig for you.

*And urm – that's exactly what happened then?*

Yep - 14 million dollars a year that was, in one channel.

*Yeah and so I suppose the power stays with you. The traffic's your traffic, you've got more control. Would you encourage more affiliates then to speak to their merchants to get more kind of customer agreements to work closer with them?*

I think it's having the relationships.

*Urm*

I said this down at CJU - there was a big debate, you know, a conference of people talking about it, you know, and the reality is is we do business with people we like.

*Ah ha*

We only get to like them if we see them enough.

*Yeah*

If you see them enough eventually you go ooh ok, you know, I know all the annoyance that CJ get on all the forums and I keep saying, well they seem alright with me. We used to do a lot of business with them and they used to be awful. We still do next to no business with them but Carl White, Jason Baker, Alison, Cheryl they come and see me now. They talk to me.

*Yeah*

They ring me up. Over time, I've had 2 emails from Jason this morning, over time we'll try again.

*Urm*

Why? because I like to go to the pub with Jason.

*Yes*

And that's how we've always worked.

*Maybe then, too many affiliates are just kind of reluctant to strike up face to face relationships - they kind of stick to hiding behind email and not really kind of moving the relationship on at all then?*

I think that's what most do. I know I've had this decision with 2 of my staff recently who are both affiliates and one is very interesting, in a very interesting sector and I said, go and talk to them. "Ah I'm waiting ..." you know and one is now become a merchant on web games.

*Right*

You know, I did the introductions, and I still say just go and have a chat - it costs you nothing.

*Yeah*

Find out, go and talk, you know go and talk to Ryan or Kia down there. You know go and have lunch with them and then go and find the big affiliates and have lunch with them and then keep ringing them.

To give you an idea of one here. We've just done a deal with, I think it's, well it is public now, with Alamo –that conversation started 4 years ago.

*Right, yeah it takes time*

You know, and we've had lunch with them talks with them, talks with them, talks with them, talks with them. Eventually, you know, for a year they believed we were the anti-christ. Eventually they sought of went, ah youse aren't too badly really.

*And now you've got that deal?*

Yes. But as I say, that's, you know, we don't do a lot - what we try to do is the biggest concern we have now with Alamo is now giving them enough volume that we become a serious player as far as they're concerned.

*Yeah*

Because it's very easy to move on to the next one and send them 5 sales a day.

*Yeah*

But it's much easier to send, you know, if you're sending someone 100, 200, 300 you know, I think our peak one is 500 sales a day to one merchant, people take notice.

*Yes, I'm sure they do*

Well, unfortunately, you're in the World where you can affect the share price when you start to doing that.

*Yeah, yeah I know it's like you say the impact you can have affecting the share price from, as you were saying just before we starting chatting, it sometimes doesn't seem real it's just a game at times.*

It is a game – it's not real. This is just messing around.

*Well it's certainly good fun it beats having a proper job*

I'd agree with that one.

*Cool, well I don't want to keep you any longer, thanks very much for your time.*

A pleasure

*It's been good to speak to you*

All the best Fraser, and thanks for talking to us.