



# IAB **Affiliate** Marketing Guide

**How to make affiliate marketing work for you**

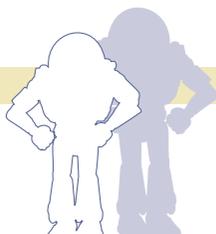


# IAB Affiliate Marketing Handbook

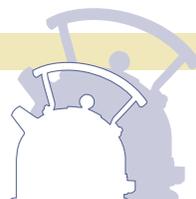
Information on getting the most from your affiliate programme



**Why use affiliates?**



**What kind of affiliate programmes are there?**



**What should you be aware of when setting up a programme?**

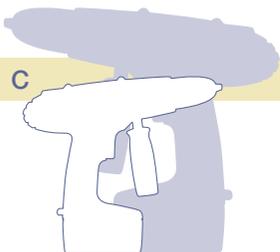
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## Foreword



A

**exclusive**



**Dan Redfearn**

Membership Manager  
Internet Advertising  
Bureau

The purchase of goods and services over the internet is the new commerce reality. The value of online shopping sales in the UK exceeded £4bn a month for the first time in July 2007 according to the IMRG Index. Consumer confidence in internet shopping is at an all time high, online retailers such as Amazon and Play.com have become mainstream brands and all high-street brands now recognise the importance of the internet sales channel and have invested in ecommerce.

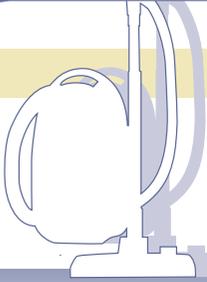
Hand in hand with the growth of e-retail there has been a rise in affiliate marketing. In 2006 E-consultancy estimated the value of affiliate sales to be above £2bn and increasing on average 60% year-on-year. Affiliate marketing is the ideal partner to online retailers as it works like a virtual sales team, paid only on commission.

For online retailers and service providers the use of affiliate marketing has allowed the acquisition of new customers and helped consolidate brands' positioning in existing markets. Through the management of an affiliate network, affiliate channels have become a very profitable addition to sales and marketing strategies.

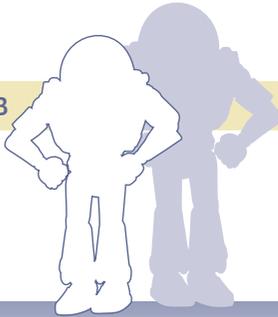
There is still work to be done, however. The IAB's affiliate marketing council, whose members contributed to the development of this guide, have identified that there remains a need to better educate advertisers on affiliate marketing. This guide outlines how the discipline works and highlights the different ways in which affiliate strategies can help brands trading online.

We hope you find it a useful resource in the planning of your own affiliate programme.

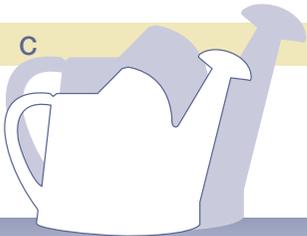
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# What is affiliate marketing?

- 4 How affiliate marketing began
- 4 Implications for advertisers
- 4 Making money and the importance of tracking
- 5 It's not the size of the affiliate, but what you do with it that counts

Affiliate marketing is a working relationship whereby a **merchant (online shop or advertiser)** has consumers driven to it by adverts on an **affiliate (website)**. If a consumer visiting the affiliate's site clicks on an advertisement and goes on to perform a predetermined action (usually a purchase) on the advertiser's site then the affiliate receives a payment.

This predetermined action can range from a sale to a referral, a newsletter sign-up to a click. It is this **cost per action** model that defines affiliate marketing and sets it apart from other channels.



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## New Products

The benefit for  
the advertiser  
is obvious;  
they only pay  
out on results



# What is affiliate marketing?

## How affiliate marketing began

The most famous story about how affiliate marketing began places Jeff Bezos, founder of Amazon, as the father of the channel. Around 1996 he was chatting to a woman at a party about how she wished to sell books about divorce on her website without becoming a merchant in her own right. Bezos reputedly came up with a method of linking her site to Amazon and receiving a commission on any books sold.

1999 saw the birth of the affiliate network in the UK with DGM, Commission Junction and Tradedoubler setting up within a few months of each other.

## Implications for advertisers

The benefit for the advertiser is obvious; they only pay out on results. From the affiliate's perspective, they only need to become experts in driving relevant traffic to merchant websites in order to maximise return for themselves. Remember, the affiliate spends their own time and money driving traffic to the merchant and only gets paid if they deliver results.

## Making money and the importance of tracking

The affiliate model requires all clicks and sales to be tracked in order that the correct revenue is assigned to each affiliate. Tracking can either be run in-house by the merchant, or more commonly it will be independently tracked by an affiliate network. An affiliate network is a third party that offers services for affiliates and merchants such as account management,

campaign advice, independent tracking and maintenance of relationships with the affiliate base.

The affiliate needs to use special links and creative banners from the merchant or affiliate network with code embedded in them that allows for tracking. These links and banners are then placed on the affiliate site and allow all clicks through to the merchant site and subsequent sales to be tracked. It's then the responsibility of the merchant to validate these sales as legitimate before the affiliate can be paid their commission.

### **It's not the size of the affiliate, but what you do with it that counts**

Affiliates come in all shapes and sizes. Similarly many sectors benefit by using a network of affiliates. Vertical sectors that traditionally see great success through the affiliate channel include financial services, travel, retail, telecoms, broadband and gaming. This is far from an exclusive list and whatever the merchant is looking to achieve they will virtually always find someone willing to promote them. - providing the price is right.

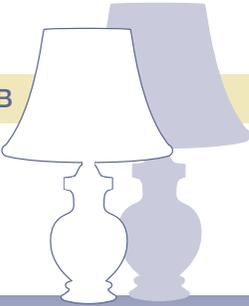


### **New Products**

"Affiliates come in all shapes and sizes, from the behemoths of the affiliate world ... through to individuals who produce a website based around an interest of theirs and look to monetise it through placing relevant adverts on it. "

**Matt Bailey,**  
DGM





Over  
**1000s**  
of products

# Who are affiliates?

## – understanding the different types

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- 7** **Type 2:** Loyalty and reward websites
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- 8** **Type 4:** Email marketers
- 8** **Type 5:** Co-registration affiliates
- 9** **Type 6:** Affiliate networks
- 9** **Summary**

Put very simply, affiliates are companies, groups and individuals who promote advertisers (merchants) through one, or many of the various forms of affiliate marketing. Affiliates strive to deliver merchants' products or services to their users.

What differentiates types of affiliates from one another is which method of affiliate marketing they choose to adopt to reach this objective. They can be broken down into six primary affiliate types as follows:

### Type 1: Niche content and personal interest websites

Affiliates run websites that cater to a certain niche in the online marketplace and can be an ideal way for merchants to target users specifically interested in certain products and drive great quality traffic. Websites that would fall into this category include sites offering freebies, information on certain hobbies or topics, games and bingo websites, and retail and travel-related sites.

Niche affiliates may run newsletter activity, allowing them to push relevant users towards merchants rather than simply running merchants' offers onsite. This significantly increases **conversion rates (the number of customers that complete an action)**.

### Type 2: Loyalty and reward websites

Loyalty and reward websites build a loyal user base by marketing merchants to their users and then sharing their profits with them. They can share these profits by offering pure cash back to users or awarding them with points that can be built up to contribute towards discounted online purchases through the website or towards a central prize.

The idea is that by sharing profits with their users, these affiliates can build a 'loyal' database of users who are happy to make purchases online through the websites because they feel they are 'getting something back'.

### Type 3: PPC and search affiliates

**Pay per click (PPC)** and search affiliates bid on words and phrases in search engines to help drive traffic to a merchant's website by using the sponsored links on portals such as *Google, Yahoo, MSN and Miva*.

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### New Products

"With co-registration, PPC, e-mail, newsletter marketing and classic affiliate banners and skyscrapers on offer, affiliates now have a variety of different options available to them. Each option results in a different quality and quantity of leads, varying their incoming revenue streams."

**Nichola Halford,**  
Advertising.com

**Advertising.com™**

E



## New Products

Companies have been set-up specialising in this form of affiliate marketing and have expansive and comprehensive lists which allow merchant's to target specific niches within their target market.

**Advertising.com**

## Who are affiliates?

As well as sponsored links on portals, affiliates are now able to use brand terms and improve merchant rankings within the natural portal listings. This is called organic **search engine optimisation (SEO)**.

Merchants are able to choose whether they wish their products to have affiliates bidding to promote them. If they do, they must then decide whether affiliates may bid on **brand terms** or just **generic terms**. Brand term means using the actual merchant name, whereas generic term refers to using a genre or topic to bid on the product.

### Type 4: Email marketers

Email affiliates send stand-alone email campaigns to their users. Companies have been set-up specialising in this form of affiliate marketing and have expansive and comprehensive lists which allow merchant's to target specific niches within their target market. Email marketers tend to be paid on a cost per thousand (CPM) basis.

### Type 5: Co-registration affiliates

Co-registration is a fairly new form of affiliate marketing and allows users to opt in to receive offers from third-party merchants whilst registering on a website, but only with the user's full approval.

Registration details are passed on to the merchant who then pays the affiliate for the users details. The affiliates who run

co-registration campaigns vary greatly from large portals and companies, to medium and small sized websites and companies who specialise in only co-registration.

### Type 6: Affiliate networks

Affiliate networks are establishing themselves as 'top tier' affiliates exposing merchant offers to their own networks of affiliates while also providing account management and assistance where needed. These large scale networks are often capable of providing email marketing, co-registration, PPC and classic affiliate banners and skyscrapers to be run on their affiliate's websites.

### Summary

It can be difficult to differentiate between types of affiliates. Affiliates are specialising in more and more areas and offering different types of affiliate marketing on their websites. Each type results in a different quality and quantity of leads, varying their incoming revenue streams. What remains constant is the affiliate's aim to drive performance by bringing merchants to their users.

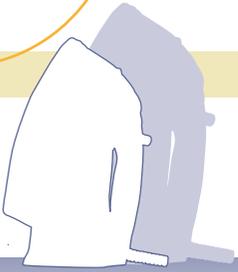


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### New Products

Affiliate networks are establishing themselves as 'top tier' affiliates exposing merchant offers to their own networks of affiliates while also providing account management and assistance where needed.

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of products

## When do you use affiliate marketing?

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- 11** Tracking
- 12** Affiliate network selection

Affiliate marketing needs to be strategically managed as part of the marketing mix and, once established, significant benefits can accrue. There are, however, a number of points a merchant needs to consider which will have a direct impact on the success of their programme.

## Website functionality and resource allocation

The merchant needs to ensure that its website runs in an affiliate-friendly manner. It needs to be tailored to operate in a way that is commercially attractive to affiliates. This will involve a certain amount of resource investment. If the merchant gives affiliates attractive enough commission, structures, sites, etc, the financial opportunities are significant.

Remember, the more you put in, the more you get out. There are thousands of affiliate programmes out there, so to stand out from the crowd you need to create something that is more attractive than your competitors are providing.

## Marketing collateral

If affiliates are to be used to drive your traffic, they will need the necessary ammunition to do the job. This will vary from one industry sector to another. For instance, while product feeds are essential in travel and extremely useful for retail, they are of little use to a financial service provider.

Have a look at the materials your competitors are offering affiliates and be prepared to listen and act upon the requests affiliates make. As with any other channel, it means updating your adverts in the same way you would for TV or press. Refresh those creative executions as necessary, and by simply staying up to date you'll be ahead of the game.

## Tracking

The affiliate model is based on transparency and trust. Affiliates need to be assured that they are being paid for all the sales they generate and that the traffic they have driven is being correctly, fairly and accurately tracked as this will have a direct impact on the commissions they earn.



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## New Products

“There are thousands of affiliate programmes out there, so to stand out from the crowd you need to create something that is more attractive than competitors are providing.”

**Mark Kuhillow,**  
R O Eye





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## New Products

**Remember**  
– networks come  
in all shapes  
and sizes, so it's  
imperative to get  
the right one.



## Who are affiliates?

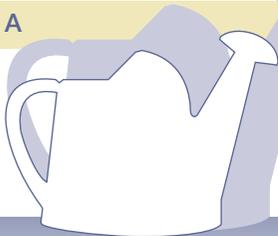
Therefore, it's essential that tracking code can be implemented in your site. On-site tracking, however, does not take sales conversions into account. Having the ability to frequently and accurately validate affiliate sales is a key prerequisite when looking to launch a programme. Affiliates must be able to see at a glance what they have earned in commission.

### Affiliate network selection

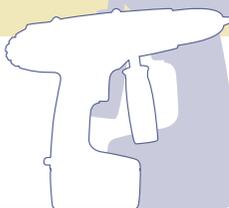
As a third party, an affiliate network is ideally suited to providing this tracking. In effect, it is the physical conduit between the affiliates and the clients. Needless to say, selecting the right network is a vital element in the process. With over 17 networks in the UK (e-consultancy 2006), merchants are relatively spoilt for choice!

With services varying from business sector specialisation to offering managed solutions, it's important to ensure that the network or affiliate management specialist you select offers the correct degree of sector experience and can provide you with the necessary levels of resource and feedback. Remember – networks come in all shapes and sizes, so it's imperative to get the right one.

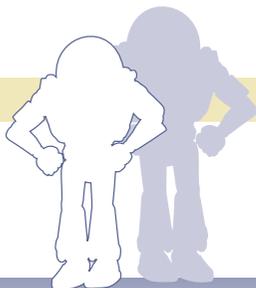
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# Putting affiliate marketing at the heart of your business

- 14** Metrics
- 14** Be selective
- 15** Affiliates: members of staff?
- 15** Summary

Affiliates are themselves businesses and as your suppliers they need to be managed, motivated and rewarded as such. As a company you need to decide whether they are a **sales channel**, or a **marketing channel**.

Generally the best users of affiliates view them as a sales channel. This is appropriate as the CPA reward means there is not the uncertainty experienced with many other marketing disciplines.



## New Products

“Affiliates are themselves businesses. These businesses are your suppliers, and need to be managed, motivated and rewarded as such.”

**Steven Brown,**  
Buyat



# Putting affiliate marketing at the heart of your business

## Metrics

Most businesses use metrics in sales that are applicable to affiliates, such as the overall target marketing cost per sale and the contribution to profit of each incremental sale. If you consider affiliates as advertising or as part of the marketing channel, they are more likely to be appraised as part of the media buying schedule within your business.

As a sales force, affiliates can deliver a significant volume compared to other sales channels. This can't be done with an uncompetitive CPA however. The highest sales levels come from setting competitive CPAs. Excessive CPAs are not needed.

Good affiliates stay in business because they are good at connecting with consumers, providing the offers consumers want and managing their business so that it is profitable. This means that low CPAs won't deliver volume as they won't encourage the more successful affiliates to work with you making affiliates peripheral to your business, rather than at the heart of it.

## Be selective

Some networks specialise in different areas to serve large companies with significant sales. Others are better at delivering to small to medium enterprises (SME's); some work better with specific verticals while others work well using particular disciplines such as email marketing, SEO or paid search. Choose one that fits.

Also, choose an agency that considers all aspects of the sales and marketing mix. Affiliates need to be placed at the heart of the direct response and media schedule, to get the best out of all channels.

### Affiliates: members of staff?

Affiliates only stay at the heart of your business if affiliates become ambassadors for your brand. To do this you usually need to meet them regularly and ensure they have the right information about your brand, product, offers and so on. They need to be respected as though they are a team within your company.

Like staff they need the tools to do the job, such as a good company website, optimised to convert customers online (or complemented by an offline reward mechanism), good stock levels if appropriate and good quality creative.

### Summary

To have affiliates at the heart of your business, you need to choose a network and, if appropriate, an agency, that can work with affiliates to make them your brand ambassadors. Then have the internal processes set up so that when they want to deliver high volumes of profitable business you are able to provide the support efficiently and promptly.



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### New Products

To have affiliates at the heart of your business, you need to choose a network and, if appropriate, an agency, that can work with affiliates to make them your brand ambassadors.





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# A day in the life of a programme

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This piece illustrates the daily and weekly workload of an affiliate programme manager. Understanding this workload will help you to manage your programme and make the greatest returns from your affiliate scheme. SoYou! is a fictional women's fashion retailer. The activities detailed are taken from a real retailer.

SoYou! launched an affiliate marketing campaign through an affiliate network in mid 2006. Up until then, their transactional website had functioned mainly as a method for repeat purchase from their extremely loyal customer base, or for completion of catalogue orders.

The objective of launching an affiliate programme was to help turn their site into an incremental sales driver.

SoYou! has an Online Marketing Manager (OMM) with overall responsibility for running their affiliate programme. Their network has also appointed them with an Account Manager (AM) who supports SoYou! with week-to-week programme management and optimisation.

### Daily checks

The SoYou! AM logs in to their online interface to review the performance of their programme. The OMM checks that sales are tracking correctly and that the top performing key affiliates are on track to achieve their targets.

Both the OMM and the AM check for emails, network enquiries and online affiliate discussion forums for posts that specifically relate to the SoYou! programme.

### Data-feed

SoYou!'s data-feed is a digital inventory of all products they sell online. It includes other information such as, a deep link to their location on site, a link to an image of the product, a description, the price, reference ID and category (hat, trousers, etc). This information is used by SoYou!'s affiliates to highlight SoYou!'s products individually.

K



### New Products

Check for emails,  
network enquiries  
and online affiliate  
discussion forums  
for posts that  
specifically relate  
to your SoYou!  
programme.

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L



## New Products

It's important that  
as few 'repeat  
customers' as  
possible arrive  
through the affiliate  
channel.

**affiliatowindow**  
a division of Digital Window Ltd

## A day in the life of a programme

By refreshing their data-feed on a daily basis stock levels, product additions and prices are kept accurate on affiliate sites. The AM checks that the latest version has uploaded correctly.

### Affiliate recruitment / applications

There have been two applications from affiliates to join the programme overnight. SoYou! like to review each application and send a personal response accepting or rejecting the affiliate.

### Affiliate enquiry

The network receives a phone call from an affiliate with a fashion content site. The AM for SoYou! discusses their offering including the commission structure and cookie length. The AM identifies that the affiliate can make use of a 'bestseller list' to highlight SoYou!'s products in an editorial piece on their site. The affiliate likes the initiative and receives the content later that day to be published at the end of the week.

### PPC Arrangements

All of SoYou!'s search engine marketing is handled by one selected affiliate, ClickFinder. SoYou! do not use a PPC agency and as such ClickFinder have become an integral part of their online strategy.

It's important that as few 'repeat customers' as possible arrive through the affiliate channel. To ensure this is the case, ClickFinder worked with their clients to avoid running the PPC

advertises where customers would otherwise easily find direct links to the client website.

ClickFinder contacted SoYou! to discuss the effectiveness of a recently implemented tiered commission structure. The structure rewards ClickFinder an increased commission while a specified level of sales is achieved.

### Newsletter feature

Each week SoYou!'s network send out an electronic newsletter to the affiliates across their database. The newsletter highlights important merchant developments and promotions to affiliates.

### Reporting

SoYou!'s OMM logged accesses reports on affiliate performance for the month. With this information the network advise SoYou! on the progress of specific affiliates who were previously invited to join a bespoke incentive scheme for the SoYou! programme.

### Voucher code

SoYou! want to explore offering their affiliates discount codes, but are fearful it will have a negative impact on their existing traffic levels. Together with their network they select one affiliate partner with which to work. The partnership will award the affiliate site with exclusive distribution rights of the voucher code promotion. The chosen affiliate is a reward site with a large member base, which will promote the offer to their end users.

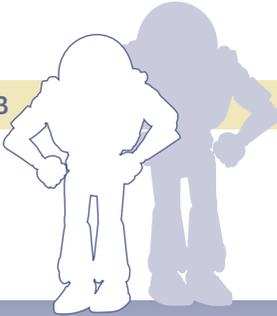
SoYou!'s OMM sets up the code and informs the affiliate that they can launch the promotion. The results will be observed over the next four weeks before a commitment to roll out a boarder discount code scheme is made.



### New Products



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# Considering a 12 month strategy for merchants

- 21** Will affiliate marketing work for you?
- 21** What do you want to achieve?
- 22** How will this fit in with your annual media and marketing plans?
- 22** How should you structure your commissions?
- 23** How do you recruit affiliates to your programme?
- 23** How do you support your programme once it is live?
- 23** Where do you begin?

The success of any affiliate campaign is largely down to the merchant having a good understanding of how affiliate marketing works and creating an effective long term strategy.

A successful affiliate programme requires comprehensive planning to deliver a robust and scalable structure. With the appropriate consideration, an affiliate marketing programme can develop into a core sales channel.

Below is a list of the key elements you need to consider when establishing a strategy based around an initial 12 month plan...

### Will affiliate marketing work for you?

In theory a performance based marketing programme will work for any advertiser. It should not, however, be taken for granted that having an ecommerce enabled website guarantees a successful affiliate programme. The affiliate community is remunerated based on sales generated so it's in its own interests to assess the suitability of your business prior to agreeing to work on your behalf.

Key considerations will include a view on the sector that the merchant's business operates in; a niche sector has a lower income potential than a mass market sector. The affiliate community will also assess the merchant's position within their sector, checking product, price, promotion and place.

The quality of the website is a major concern for affiliates who will review usability, functionality and aesthetics when making their decision.

### What do you want to achieve?

Setting clear KPI's at the start is a must and always brings up a host of questions:

- What do you **really** want to achieve in the long term?
- Is the programme devised to grow sales or to recruit new customers?
- How important is sales value?
- Do you ultimately want to outsource all online marketing to affiliates?



N

### New Products

"With the appropriate consideration, an affiliate marketing programme can develop into a core sales channel, with the potential to deliver in excess of 25% of total online business."

**Nicola Marsh,**  
MVI



O



## New Products

“Affiliates want to feel involved in your business, from decisions on website development through to insights into advertising campaigns.”

**Nicola Marsh,**  
MVi



## Considering a 12 month strategy for merchants

### How will this fit in with your annual media and marketing plans?

Affiliates rely heavily on consumer demand for products and will be reliant on you creating demand through other media activities. Providing your affiliates with a calendar of intended media activity and giving them advance insight in to creative and messaging will significantly benefit the affiliates, and therefore you.

Search traffic is fundamental to most affiliates, so it is critical that you consider how best to complement your existing search marketing strategy through affiliate marketing and do not allow the two channels to compete with each other.

### How should you structure your commissions?

Ultimately this is the most critical element of the programme. All affiliates look at their return on investment and an easy way to assess the value of your campaign is to look at the earnings per click available. You must plan in advance to set maximum acceptable cost parameters and at all times review the market to understand whether or not your structure is competitive.

Commissions must be used tactically to encourage programme ‘take-up’, and then to manage programme growth (think long-term). You may also want to structure your commissions to reward separately for volume and for quality.

## How do you recruit affiliates to your programme?

Online discussion forums, message boards and regular affiliate events are the best way to raise awareness of your programme and to build relationships with potential affiliate partners.

## How do you support your programme once it is live?

Communication will make or break your programme. Affiliates want to feel involved in your business, from decisions on website development through to insights into advertising campaigns.

You must consider how you will validate sales, review affiliate performance, provide creative updates and ensure prompt payment. The affiliate community is very vocal so any slips could cost you dearly, especially if you are not on relevant discussion forums to respond.

## Where do you begin?

Find an experienced affiliate resource with a strong reputation amongst merchants and within the affiliate community. This is a sophisticated and mature market where getting it right from the start could make the difference between a distribution channel the size of Tesco, or one the size of your local corner shop!

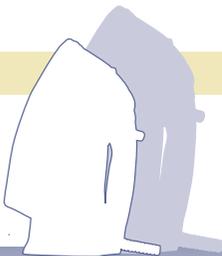
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## New Products

You must consider how you will validate sales, review affiliate performance, provide creative updates and ensure prompt payment.





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# Affiliates and brand

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- 26** Merchant approval
- 27** Brand benefits of an affiliate programme

Traditionally a programme structured on a CPA basis does not lend itself naturally to brand building. The affiliate channel works very successfully to drive acquisitions for merchants, and in the process commissions for themselves. On this basis, creatives should be sales focussed, highlighting product benefits to the consumer with a concise call to action.

Ultimately the end goal is sales volumes, and brand exposure is a by-product of sales focussed activity. Yet, the affiliate landscape is changing. Merchants have started to realise that the affiliate marketplace offers traffic driving opportunities that can be a valuable addition to the marketing mix, rather than solely for driving sales.

Using affiliates for lead generation is becoming increasingly popular, paying on a **cost per lead (CPL)** basis rather than full sale, giving opportunity to convert warm leads into sales at the merchant end. There are also examples of advertisers without fully transactional ecommerce sites, using affiliates for pure traffic driving on a **cost per click (CPC)** or **cost per unique user (CPUU)** basis.

Although these are direct response metrics on one level, it is interesting to see advertisers starting to utilise the channel for goals that are less sales focussed, and which have additional brand value above the traditional CPA model.

### Brand control

In allowing affiliates onto a programme, you are giving them permission to promote your product within the context of their site(s). So the thinking goes, your products or adverts could appear next to any type of content, on any old site. Although recruiting a third party to sell your product does mean devolving control to a certain extent, it doesn't necessarily mean compromising your brand.

Q



### New Products

"Although recruiting a third party to sell your product does mean devolving control to a certain extent, it doesn't necessarily mean compromising your brand."

**James Briscoe,**  
Unique Digital





R

## Affiliates and brand

### Programme terms & conditions (T&C's)

Before launching an affiliate programme, it is imperative that the merchant and network decide on a set of terms and conditions that affiliates must adhere to. For example, as a merchant you are able to stipulate that affiliates cannot have any hate, racist or adult content. If the rules are broken, the merchant then has the right to suspend or ban the misbehaving affiliate.

Using terms & conditions, a merchant does have a degree of control over where their brand is appearing. Although affiliates are generally well behaved, these rules do need to be policed and their effectiveness will come down to the vigilance of the network or affiliate manager.

### Merchant approval

Each affiliate that applies for a programme must be approved either by the network or the merchant themselves. This gives the merchant control over the quality or type of affiliates accepted.

A particularly brand conscious merchant could be restrictive on the affiliates that are allowed onto the programme and run a smaller campaign on higher quality sites only. However, this would limit the size of the programme and the volume of traffic driven. Alternatively, a merchant who wants to maximise sales could run a more open programme and be less strict in accepting affiliates.

### New Products

"Keep your friends close  
and your affiliates closer!"

**James Briscoe,**  
Unique Digital



## Brand benefits of an affiliate programme

As we have already mentioned, affiliate campaigns structured on a CPA basis do have certain side effects which have a positive effect on brand. Merchants are paying for sales only, so any banner impressions or presence on affiliate sites are added value.

For example, if affiliates are appearing in top positions on Google for key generic search terms in your sector, presence on their site or comparison table would be very beneficial for brand awareness and recognition. This is especially potent for small merchants whose brand is relatively unknown.

Ultimately, the key to deriving the most benefit for your brand from a programme is to open dialogue with your affiliates. The more knowledge and insight an affiliate has into your brand, the better they will be able to align with your vision for the brand and how best to promote it. There would be no harm in including affiliates in a brand brief!

On a practical level, a merchant should provide the affiliate with as much product detail as possible and could look into the possibility of more integrated content on leading affiliate sites for example. On a personal level, a partner site is more likely to promote your interests if you have a good relationship with them.

Keep your friends close and your affiliates closer!

S



### New Products

the key to deriving  
the most benefit  
for your brand from  
a programme is to  
open dialogue with  
your affiliates.



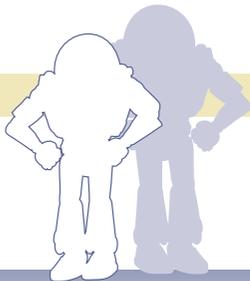
A



B



C



Over  
**1000s**  
of products

# Managing affiliates and pay per click search

- 29** Search – the areas you need to focus on
- 30** Protecting your brand using brand term and generic keywords
- 31** How to maximise your keyword activity
- 32** Working with trusted affiliates
- 32** Managing your affiliate program

As search continues to dominate the online scene, the need for businesses to manage their pay per click (PPC) search activity effectively and consistently has never been greater.

Recent reports indicate that Google alone now has an 80% market share of all search activity in the UK (Yahoo! and MSN making up a further 15%). Search is now viewed by many in the industry as a **reputation management system**. This is due to its ability to dictate both awareness levels and business dealings!

It is therefore imperative that brands maximise their search activity and clients and agencies are increasingly realising the benefits of running a complimentary affiliate programme alongside their existing PPC campaign. Using a strategy that incorporates maximum coverage on all search engines gives sites the visibility and reach they require so that customers can find them quickly and easily.

## Search – the areas you need to focus on

Below is a typical search results page. There are four main areas of visibility and Click Through Rates (CTR) vary across each.

On average, an indication of click through from each section is as follows:



- **26% of users click section a**  
– top Sponsored (PPC)
- **20% of users click section b**  
– alternative & feature listing (algorithm based)
- **40% of users clicks section c**  
– above-the-fold natural organic search (algorithm based)
- **14% of users click section d**  
– side sponsored (PPC)

T



## New Products

“A brand’s visibility and ability to drive transactions can be greatly enhanced by adopting a combined search marketing approach (organic, PPC search and affiliate).”

**Chris Garner,**  
Affilinet



## Managing affiliates and pay per click search

Here are a couple of examples, both from the financial sector:



If you search “Direct Line car insurance” in Google you find that Direct Line’s website is positioned number one in the sponsored listings, but the remaining positions are occupied by competitors of Direct Line.

Brand

Competitors

Effectively, this is giving just one listing area of optimum activity:

Continued overleaf

It’s therefore unrealistic and risky for any vertical industry, whether it is B2C or B2B, to rely on a single channel of promotion such as organic search. In fact, the figures prove that a brand’s visibility and ability to drive transactions can be greatly enhanced by adopting a combined search marketing approach (organic, PPC search and affiliate).

### Protecting your brand using brand term and generic keywords

Building a brand is expensive and competitors can often profit from piggy-backing on your brand’s search activity through influencing search engine listings and diverting your traffic to their own websites.

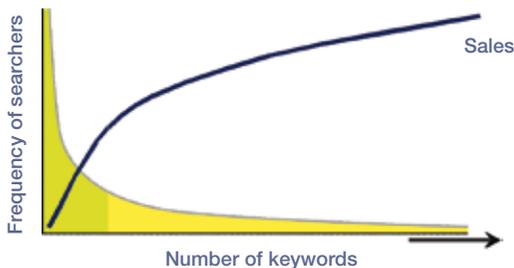
If you haven’t already done so, it’s a very worthwhile exercise to check whether your brand’s visibility is in danger. Firstly, undertake a search of your own brand and then one for other generic, relevant additional words “brand term + generic keyword”. Take screen shots of the space and save them, review the sites that are bidding and ask yourself the questions: who do they promote, you, or your competitors?

## How to maximise your keyword activity

Most customers have a feel for where they want to go online, and typically perform multiple searches, but research by Onestat also shows the importance of covering generic longtail keywords:

- 2 word queries currently account for 30% of Search queries
- 3 words: 27%
- 4 words: 17.1%
- 5 words: 8.25%
- 6 words: 3.7%

The chart below also shows the importance of covering these longtail keywords. The greater number of keywords, the greater the exposure your brand has in the longtail (yellow portion of the graph). The benefit of this is an increased propensity for customers to transact who type in specific keyword phrases containing multiple words, i.e. “golfing holidays in the Algarve”.



Now compare this to “Zurich car insurance” in Google. Zurich has a complimentary affiliate program that works to supplement the brand’s Search strategy and thus manages to optimise the exposure so there are multiple branded messages for Zurich displayed. This gives Zurich a greater reach and increased share of space powered by this unique affiliate strategy.



Brand
Competitors
Affiliates

This is enhancing visibility and achieving four listing areas of optimum activity.

Obviously the more listings you have per search term the more traffic you will receive, and hence your competitors will receive less.



U



## New Products

It can be better to have five affiliates selling 1,000 products for you each month, rather than having 1,000 affiliates selling just five products each a month.



# Managing affiliates and pay per click search

## Working with trusted affiliates

A fundamental part of a successful PPC strategy is to allow trusted specific affiliates to use a brand's URL and link direct to your site. The advantages of working this way are enormous because:

- Streamlined customer journey increases conversion as the customer goes direct to your site.
- Faster time to market on consumer campaigns.
- Minimal loss of traffic compared to affiliate landing pages (which typically have 30% - 50% drop off).
- Ability to deep link to specific product pages.

Virgin Holidays, TUI, Expedia, Zurich insurance, BT Broadband and The AA are just some of the big brands which currently operate an inclusive PPC strategy in conjunction with their own internal search activity enhancing their online results.

## Managing your affiliate program

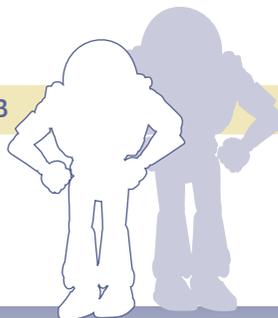
The industry move towards 'quality over quantity' is equally vital here. It can be better to have five affiliates selling 1,000 products for you each month, rather than having 1,000 affiliates selling just five products each a month. This is because damage caused by brand degradation and brand proliferation as a result of an out of control affiliate program are also reasons to work with a smaller, more committed and hard working group of affiliates.

So remember, your affiliates are your 'virtual sales force'. You would not let anyone work for you promoting your brand without a proper interview, probation period or one who's not equipped with the right tools to sell, and the same applies to your PPC affiliates.

A



B



C



Over  
**1000s**  
of products

# Making affiliate marketing a sustainable channel for sales and marketing

- 34** In-house v. affiliate network?
- 35** Bringing advertisers and publishers together
- 35** Selling it to the board
- 36** Case Studies

As online advertising budgets continue to grow in order to meet the increasing trend in consumers' online media consumption, affiliate marketing is ideally placed to feature ever more prominently on the advertising radar.

V



## New Products

“The performance based cost per acquisition (CPA) model allows advertisers to pay for their advertising only when it generates actual results.”

**Jennifer Cheung,**  
Trade Doubler



## Making affiliate marketing a sustainable channel for sales and marketing

Whilst search undoubtedly remains the first step in many online marketing strategies, the cost effectiveness of affiliate marketing has attracted online marketers who are serious about optimising the **return on investment (ROI)** opportunities presented by the internet.

Brand budget spend on TV, newspapers and magazines have been reduced as marketing and finance directors demand more accountability from key advertising suppliers, putting performance marketing, and affiliate marketing in particular, under the spotlight.

The online advertising industry is seeing increasing interest from advertisers and agencies; and improved professionalism amongst networks and publishers have made affiliate marketing a highly attractive element to the online sales and marketing mix.

Undeniably, affiliate marketing has come a long way over recent years, but what does the future hold? In order to ensure its sustainability and future growth in such a fast-paced environment, there are several issues which must be addressed.

### In-house v. affiliate network?

Affiliate networks provide access to robust, independent tracking for an affiliate programme rather than an in-house programme which relies on a software solution to provide the tracking. Networks not only take the bulk of the administrative work out of the advertiser's hands, but also offer the opportunity to tap into the expertise of their account management services and make sure the affiliate programme performance is optimised.

Networks live and breathe affiliate marketing and keep abreast of new developments, trends and functionality within the industry that advertisers would be hard pushed to keep on top of themselves. Publishers also prefer to work with networks rather than deal with multiple advertisers. Affiliate networks enable publishers to fill their inventory quickly and easily via access to a wide range of advertiser affiliate programmes through one contact point.

### Bringing advertisers and publishers together

Building strong relationships between advertisers and publishers is fundamental to accelerating affiliate programme performance but can be all-consuming and requires a lot of commitment.

This is where professional client service teams and affiliate forums can step in to motivate the affiliates, allowing them to objectively critique programme performance and optimise settings for success.

### Selling it to the board

Ultimately the overriding benefit of the affiliate marketing model lies in its ability to generate cost-effective results. The performance based **cost per acquisition (CPA)** model allows advertisers to pay for their advertising only when it generates actual results.

Herein lies the greatest argument for online evangelists looking to secure additional budgets for affiliate marketing from senior level budget holders. Affiliate marketing should naturally form part of an advertiser's sales - rather than marketing - budget, and it is a long-term sales channel designed to generate direct response.



### New Products

Building strong relationships between advertisers and publishers is fundamental to accelerating affiliate programme performance but can be all-consuming and requires a lot of commitment.



## Case Studies

### Growth of affiliate marketing and return on investments

A



Stephany Lauer of US retail website [www.art.com](http://www.art.com) highlighted a very interesting cost of acquisition which they conducted. It compared various advertising media costs of acquiring customers versus the amount of revenue generated for every dollar spent. The results were dramatic:

Medium	Cost of Acquisition	Revenue Generated per £1 spent
Radio	£766	£0.04
Print	£504	£0.05
Public Relations	£43	£0.60
Email	£13	£1.33
Online Ads	£11	£2.42
Affiliates	£5	£3.76

(Source: Cost of Acquisition Study, [www.art.com](http://www.art.com) August 2005, figures have been localised for UK market)

So much more online



## Case Studies

### Play.com study

Play.com is a leading online retailer offering books, CDs, DVDs, computer and console games at competitive prices. Because of the way Play.com manages consumer orders to comply with UK VAT regulations, standard affiliate network pixel tracking could not deliver real time sales reporting, meaning that affiliates would have had to wait a week before they could access to their sales statistics. As a result, affiliates were not able to be as reactive in their promotional efforts for the Play.com programme. By alerting their affiliate network of this problem, their network was able to create and deploy a new server-to-server tracking solution. At the end of the purchase, Play.com's server makes a secure connection to the affiliate network server, passing the purchase value and transaction ID details back to the network. This means commission is now calculated and allocated accordingly, with real time statistics being made available to the affiliate.

B



So much more online



## Case Studies

### Gala Group case study

Gala Bingo know their cost per acquisition target from their own analysis of customer lifetime value and other channel costs. Gala Bingo worked with their affiliate network to ensure that they offered the best commissions to affiliates, providing competitor landscape feedback and negotiating with key affiliates in order to deliver new members well within this target.

The affiliate programme has grown rapidly in just 10 months, recording a 195% increase in new members generated by affiliates when comparing month results from May 2006 against February 2007.



So much more online



## Case Studies

### Evans Cycles case study

D



Evans Cycles boasts 23 stores in the UK and plans to open five new stores each year. From the beginning of their affiliate programme 300 affiliates signed up with five of them doing 85% of the transactions. In first three months their affiliates had generated over £100,000 worth of business. Working together with their affiliate network has helped Evans Cycles capitalise on their brand values while offering an attractive commission to affiliates.

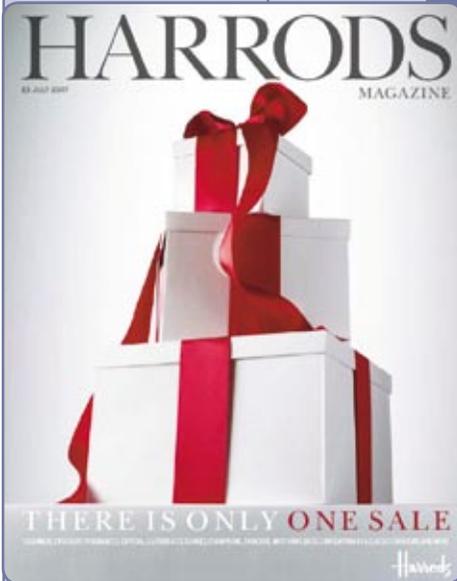
So much more online

 buy or reserve

## Case Studies

E

### Harrods case study



Harrods.com has run a successful affiliate programme since October 2004 and whilst this proved a profitable sales channel, Harrods recognised the need to develop and implement a bespoke strategy to ensure a successful summer sales period.

Harrods had identified the need for a strategic approach to one of its key summer seasons. Harrods wanted to ensure it was being noticed by affiliates, and it was therefore vital to gain exposure on affiliates' summer sales promotions.

The project looked at the key affiliates on the programme and the affiliate incentive was based on the Harrods product range itself. This kept the cost down for the client and also promoted the Harrods product range through the affiliate incentive itself.

So much more online



## Case Studies

### Harrods case study continued

D



### Results

- Number of sales in June and July '06 grew by 77% compared to June and July '05.
- Transactional sales value increased by over 200% compared to the previous 2 months.
- Over 300 new affiliates were recruited and 30% of all affiliates were actively promoting Harrods in June and July 2006.



buy or  
reserve

So much more online



## Case Studies

E

### IWOOT case study

Four guys, out of the confines of a one bedroom flat, created IWantOneOfThose.com (IWOOT) in 1999.

IWOOT now turns over about £10,000,000, employs 50 people and 150 over the Christmas period. Their core business is online and they receive over seven million visits to the site each year.

Affiliate marketing has an important position to play for IWOOT. Nothing has worked as well for them as having a professional affiliate manager delivering great service, brand term policing and excellent reporting.

“We only pay affiliates for actual sales generated by customers they send to our website.” says Richard Wainright-Lee, MD of IWOOT. “Compared to other marketing channels affiliate marketing provides very little financial risk.”



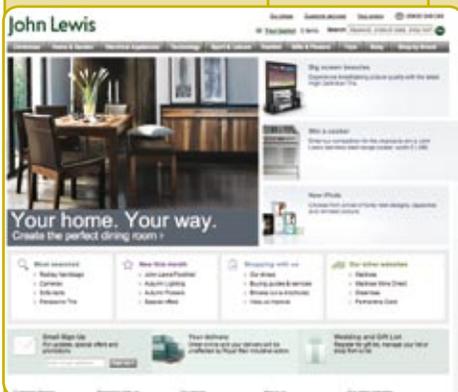
**i want one  
OF THOSE**  
stuff you don't need... but you really, really want™

So much more online

 buy or  
reserve

## Case Studies

D



John Lewis

### John Lewis Case Study

Johnlewis.com have run a successful affiliate programme since November 2001. There was an opportunity for significant growth in 2006 by utilising the affiliate base to reach a wide range of online shoppers.

Johnlewis.com had worked closely with their affiliate network's account management team since the launch of the programme which has seen revenue from this channel increase year on year. Key promotions were communicated to affiliates and through them to potential customers.

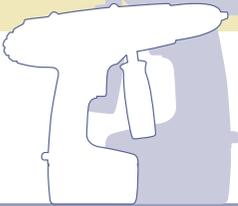
#### Results

December 05–October 06 compared to December 2004–October 2005:

- Growth of unique visitors: 31%.
- Growth of number of sales: 77%.
- Growth of sales value: 135%.

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Over  
**1000s**  
of products

## Affiliates add a new element to your online marketing mix

- 45** Maintain regular contact
- 45** Affiliates working with your brand
- 45** Affiliates and PPC campaigns
- 45** Caveats
- 45** Timescales

Search marketing has been the big thing to this point, but many successful affiliate marketers are using social media, blogging, in-house databases, and more to promote campaigns. There is a lot of traffic on the internet that doesn't originate from search engines that can be used by affiliate campaigns.

## Maintain regular contact

Regular communication with your key affiliates is essential to a successful affiliate program. To promote your products effectively affiliates will need regular updates on product developments and incentives/bonuses to keep them motivated.

Affiliates will also have to be policed to ensure that they are promoting the right message for your company. You will need to keep check on what pages your ads are running on, if keyword restrictions are being followed, new creative has been updated etc.

## Affiliates working with your brand

An affiliate can be identified as good by having strong marketing skills to work with an advertiser's brand. Branding and direct response are not promoting the same message even if they are ultimately heading to the same goal. Affiliates are primarily concerned with delivering revenue as this is how they are paid. Therefore advertisers need to be clear on rules/guidelines for affiliates to follow to ensure their activity does not infringe on the advertiser's own branding activities.

## Caveats

Performance-based marketing can appear to be the perfect solution for online advertisers looking to drive sales, however it will not give you as much control as a direct media buy such as banner ads. Having thousands of sites promoting your campaign can appear very appealing from the outside but in reality you will need to handpick and monitor these sites.

## Timescales

Affiliate marketing takes time to deliver its best results, be patient and see the long goal rather than the short-term gain. Bear in mind that you may also have to make changes to your website/landing page and creative to get the most out of your affiliate marketing. If affiliates don't feel confident that they are likely to make money with your campaign they will not be incentivised to drive large volumes of traffic.



Y

## New Products

"A good affiliate will first and foremost have strong marketing skills and appreciate the importance of the advertiser's brand."

**stream20**

# Glossary of terms



A



pg 4

**A**

**Advertiser** - (also called Merchant, Retailer, E-retailer, or Online Retailer) Any website that sells a product or service, accepts payments, and fulfills orders. An advertiser places ads and links to their products and services on other websites (publishers) and pays those publishers a commission for leads or sales that result from their site.

B



pg 7

**ASP** - (Application Service Provider) An online network that is accessible through the Internet instead of through the installation of software. It is quickly integrated with other websites and the services are easily implemented and scalable.

**C**

**Click-through** - (also called click) Refers to the action a visitor takes when they are referred from one website through a link or advertisement and are taken to another website.

**Commission** - An amount of income received by a publisher for some quantifiable action such as selling an advertiser's product and/or service on the publisher's website.

**Cookie** - A small file stored on the visitor's computer that records information that is of interest to the advertiser site.

**CPA** - (Cost Per Action – see also CPC, Cost Per Click) A metric for online advertising where a rate is set for every action that is taken by a visitor.

**CPM** - (Cost Per Thousand Impressions) A metric for online advertising where a rate is set for every thousand impressions.

**CTR** - (Click Through Rate or Ratio) The percentage of clicks for the number of advertising impressions displayed.

**E**

**E-Commerce** - (Electronic Commerce) Business that takes place over electronic platforms, such as the Internet.

**EPC** - (Average Earnings Per One Hundred Clicks) A relative rating that illustrates the ability to convert clicks into commissions. It is calculated by taking commissions earned (or commissions paid) divided by the total number of clicks times 100.

**I**

**Impression -**

The viewing of an advertising banner, link, or product on the Internet.

**L**

**Lead -** When a visitor registers, signs up for, or downloads something on an advertiser's site. A lead might also comprise a visitor filling out a form on an advertiser's site.

**Link -** A link is a form of advertising on a website, in an email or online newsletter, which, when clicked on, refers the visitor to an advertiser's website or a specific area within their website.

**P**

**Pay-for-Performance Program -**

(also called Affiliate Marketing, Performance-based, Partner Marketing,

CPA, or Associate Program) Any type of revenue sharing program where a publisher receives a commission for generating online activity (e.g. leads or sales) for an advertiser.

**Pay-per-lead -**

The commission structure where the advertiser pays the publisher a flat fee for each qualified lead (customer) that is referred to the advertiser's website.

**Pay-per-sale -**

The commission structure where the advertiser pays a percentage or flat fee to the publisher based on the revenue generated by the sale of a product or service to a visitor who came from a publisher site.

**Publisher -** (also referred to as an Affiliate, Associate, Partner, Reseller or Content Site) An independent party, or website, that promotes the products or services

of an advertiser in exchange for a commission.

**R**

**Real-time -** No delay in the processing of requests for information, other than the time necessary for the data to travel over the Internet.

**S**

**Sale -** When a user makes a purchase from an online advertiser.

**W**

**Web-based -** Requiring no software to access an online service or function, other than a Web browser and access to the Internet.

**Web-portal -** A website or service that offers a broad array of resources and services, such as email, forums, search engines, and online shopping malls.

**C**



pg 19

**D**



pg 26

**E**



pg 30



# IAB Affiliate Marketing Handbook

## Acknowledgements

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**Mvi**

**buy.at**

**Pigsback**

**R.O.EYE**

**Stream:20**

**Tradedoubler**

**Unique Digital**

To contact or for more information on these companies, please visit the IAB membership directory at [www.iabuk.net/membershipdirectory/](http://www.iabuk.net/membershipdirectory/)

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# Do you want further information?

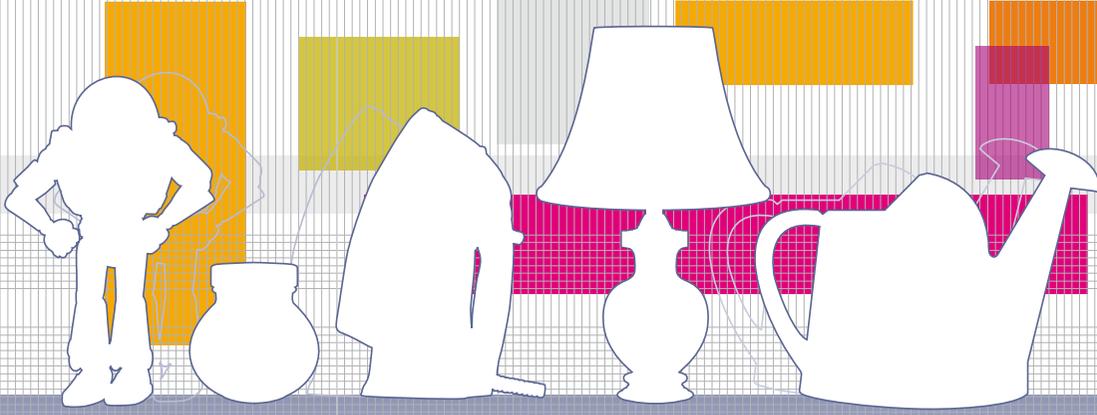


## Useful links

- [www.affiliates4u.com](http://www.affiliates4u.com)
- [www.affiliateblog.co.uk](http://www.affiliateblog.co.uk)
- [www.mooseontheloose.co.uk](http://www.mooseontheloose.co.uk)
- [www.affiliatemarketingblog.co.uk](http://www.affiliatemarketingblog.co.uk)

## Customer Information

The affiliate sector is an active one. If you have any questions about your programme or are in the process of becoming an affiliate or merchant the IAB recommends visiting these key industry blogs for more information and useful advice.



# IAB **Affiliate** Marketing Guide

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