AFFILIATE MARKETING: AN OVERVIEW

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AFFILIATE NETWORKS

How it works

• Intermediary between merchants and affiliates (publishers)
STAKEHOLDER BENEFITS

Benefits for merchants

• Tracking technology, reporting tools, payment processing, and access to a large base of publishers

Benefits for affiliates

• Simplifying the process of registering for one or more merchant affiliate programs, reporting tools, and payment aggregation

Who pays to be part of the network?

• Merchants? Affiliates?
SUPER AFFILIATES
SUPER AFFILIATES

CPA Networks/Lead generation networks

- “Super affiliates” who recruit other affiliates

Advantage

- Ability to get higher commission rates due to their high volume, which they pass in part down to their affiliates

What happens to average affiliates?

- Rarely able to generate required volume if they promote merchant directly -> Lower commission
BlackBerry Bold™

Give the perfect gift of touch and type.

A SMARTPHONE WITH A QWERTY KEYBOARD AND TOUCHSCREEN IS ON EVERYONE'S LIST.

Learn More
TYPES OF AFFILIATES

- Pay per click search engines
- Comparison shopping
- Loyalty websites
- CRM sites
- Coupon and rebate websites
- Niche market sites (ex: Product review sites)
- Weblogs
- Shopping Directories
- And more….
MARKETING MODELS

One-to-One

Affiliate and Merchant negotiate referral fee, R

Merchant sets Price, P

Referred Leads

Converted Leads

Free riding is less of a concern

One-to-Many

Merchant sets price, P, and referral fee, R

Opportunistic affiliates

Bogus Leads

Negotiating referral terms with these many sites is clearly cost and time prohibitive
PRICING : REFERRAL FEES

Pay per conversion

Every time you send us a customer from your site, you earn up to 15% of each sale. - Amazon.com, 2003

Affiliate Risk: Merchant will not perform
Merchant Risk: Affiliate will not perform

Pay per lead

“We don’t want to carry the risk of a campaign in which the client’s website fails to convert our members”, David Tolmie, CEO YesMail

Pricing = Sunk Cost

Pay-per-lead is more profitable when a merchant negotiates a separate deal with an affiliate

Pay-per-lead is less profitable than pay-per-conversion for a merchant that works with a large number of

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PITFALLS

Affiliate links can worsen site user experience
  • Need to strike a balance between visible and annoying

“Field of Dreams” approach
  • Need to build a site with quality content, but no guarantee that users will come

Relevance to affiliate is crucial
  • Running enthusiast blogs can drive shoe purchases

High-quality content and vendors should not be underestimated
  • People will buy things on Amazon with or without affiliate links

Control over your site
  • Affiliates are great, BUT if you don’t drive your own traffic, you have NO control.
  • Don’t just payout front end… give them recurring commissions, backend commissions, sideways commissions
AMAZON ASSOCIATES

Launched in 1996
More than half a million associates
One-to-many
Today’s best-known affiliate network
Variety of display mechanisms
Variety of tools to help affiliates

Model

- Amazon and its partners serve as the vendors
- Affiliates register through the site and can generate links to any pages on the site
- Transactions earn affiliates a percentage commission
Finding A Product To Promote

The easiest way to find a product to promote is to go to the ClickBank marketplace at https://www.clickbank.com/marketplace.htm. You will be faced with a screen like this:

You can then search for products in specific categories and subcategories. The subcategories loosely correspond to niches, so if you have already done your niche research you can just select the subcategory that matches the niche you had earlier decided to focus on.

The major categories that you can select are as follows:

- Money & Employment
- Business to Business
- Health & Fitness
- Home & Family
- Computing & Internet
- Money & Employment
- Marketing & Ads
- Fun & Entertainment
- Sports & Recreation
- Society & Culture.

Each category has several subcategories to choose from. It is also possible to look for specific products by entering keywords into the keyword field and submitting the query. The query will then return all products that match the keyword you submitted.

The products that are offered are usually ebooks, courses, video sets, audio sets, software and anything that can be delivered digitally to the buyer. ClickBank does not support physical products. At the end of this tutorial, we will take a brief look at alternative affiliate networks that do support physical products.

Setting Up An Account

Joining ClickBank as an affiliate is free. At the top of ClickBank's website is a link to the Signup page. When you click on the signup link you will be taken to a form. The signup link is enclosed by the green rectangle at the top of the screenshot below. You will then need to complete the signup form below.

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Upto 75% of Sale price!

Popularity
high gravity
low gravity
$ earned/sale
% earned/sale
future $
total $/sale
% referred.

7.5% + $1

$ earned/sale: This statistic refers to the amount of commission that the merchant pays affiliates for each product sale, and takes into account: refunds, charge backs, and sales tax. If you know how much you are going to spend on promoting a product, then you could set a minimum threshold $ earned/sale to make sure that each sale generates a profit for you. Obviously a higher $ earned/sale is preferable, but you have to bear in mind the conversion rate of the sales page. A product that pays out a commission of $100 but converts at 1% will earn you less money than another product that pays $50 but converts at 3%.

% earned/sale: This statistic refers to the percentage of the sale price that the merchant pays affiliates as commission for each product sale. Commissions generally range between 40% and 75%. With 75% being the maximum commission payable. This statistic should never be used in isolation. You need to know the sale price of the product and if possible that conversion rate as well. All these numbers in concert will give you a more accurate idea of how profitable a product is likely to be.

Future $: This is the average amount of money earned by an affiliate when they refer a buying visitor to a merchant's website. This statistic is only relevant when there will be recurring bills such as membership subscriptions. It takes into account the average period that people keep their membership as well as the value of the monthly subscription. When a product involves rebilling, it is important that you considered the future $ in addition to the $ earned/sale. Even better, you can just use the next statistic instead.

Total $/sale: This is an estimate of the total commission that can be earned by an affiliate from the sale of a product. This includes the initial purchase plus expected future sales, backorders, and upsales. It is a very useful statistic that can help you determine the potential profitability of a product. To use this statistic, you need to know the sale price of the product, the conversion rate, and the commission rate. All these numbers in concert will give you a more accurate idea of how profitable a product is likely to be.
eBags.com
JanSport All-Points Plaid Backpack- On Sale for $29.99

Simple yet good-looking backpack for when you're just bringing books to class, and it's made by Jansport so you know it will last for years.
CASE STUDY: AMAZON ASSOCIATES

Simple structure – open to anyone!
LINKS AND BANNERS

Shop at Amazon.com and support Daring Fireball

Amazon Spotlight

TCL L32HDF11TA 32-Inch 720p 60 Hz LCD HDTV with 2-Year Warranty, Black

Amazon Price: $269.99 (as of 11/14/2011)  BUY NOW

Shop Earth’s biggest selection

›Shop Amazon.com
Kindle with Special Offers

$114

Kindle

$139

Kindle 3G

$189
WIDGETS
Amazon tools simplify the advertising process
PAYMENT SCHEMES

Classic Fee Structure
  • Flat 4% commission on purchases

Performance Fee Structure
  • Category-based commission: 4-15%
  • Volume-based commission: 4-8.5%
  • Default option

Observation: the classic structure provides no advantages
PERFORMANCE FEE STRUCTURE

- **Purchase**
  - **Special Category**
    - Category Rate 1
    - Category Rate 2
    - Category Rate k
  - **General Category**
    - Volume Rate 1
    - Volume Rate 2
    - Volume Rate k
MP3 PURCHASE

- Purchase
  - Special Category
    - 10%
    - Category Rate 2
    - Category Rate k
  - General Category
    - Volume Rate 1
    - Volume Rate 2
    - Volume Rate k
500 T-SHIRTS PURCHASED
CALL NOW with code abc123!
WAIT, WHAT WAS THAT?

Affiliate Marketing!

User Sees Product on Presentation

User Buys Product

Presenters and Vendors Profit!