



Trending Promotion Mechanism

AFFILIATE
MARKETING



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WHAT IS AFFILIATE MARKETING?



ROGER LEE
APD

It's a good question, and one with an ever evolving answer. So let's start at the beginning by trying to give it a simple definition:

Affiliate Marketing is the practice whereby a digital publisher or website promotes an online retailer and earns a commission based on the sales or leads that the advertising generates for that online retailer.

We term this payment metric CPA – Cost Per Action. Typically an 'Action' is a sale of an online good or service, but it can also be a lead or registration, a call, a download or any other trackable action that is desired of the end customer. In recent years this has grown to even include offline sales — provided they can be tracked back by a coupon or barcode.

There are two ways the CPA are set:

Flat rate: For every action a fixed fee is paid. This is typically used for registration type actions with no cost, such as a credit card sign-up or for a fixed price product like a mobile phone contract.

Revenue Share: The price of the item purchased is tracked and a percentage of that price is then paid to the affiliate. This is generally favoured by advertisers selling a range of tangible goods at varying prices, such as fashion retailers.

Affiliate Marketing is part of the performance

marketing family, meaning the return on investment is guaranteed and the advertiser is only paying for advertising that has succeeded. It's a versatile channel and is very effective at driving actions for merchants selling consumer products or services across a wide range of verticals, including apparel, travel, electronics, health and beauty, telecommunications, finance and groceries. It should be considered as a key part of an advertiser's marketing mix in an integrated campaign, specialising in turning brand awareness and interest into conversions towards the end-of-purchase funnel.

We use the terms 'Affiliate' or 'Publisher' to define the website that is promoting the brand or products. In later chapters we'll look more in-depth at the business models that affiliates employ to drive actions for the advertiser. For now, let's just dispel a common misconception: Affiliate Marketing isn't just banner advertising, in fact, most campaigns will get less than 10% of their sales as a result of banner advertising. Consumers have learned to ignore these banners, so successful affiliates employ smarter, more engaging tactics to generate sales for the advertisers they work with, with most sales coming from 'text links' often hidden behind 'Buy Now' or 'Shop Here' type buttons. A 'text Link' in the affiliate world is just a trackable URL that redirects to the relevant page of the advertiser's website.

Whilst the majority of affiliates still generate actions for their advertisers by promoting on

their own website or blog, there's now many other ways they generate customers. This includes email marketing, mobile apps, paid search, remarketing widgets or campaigns, offline promotions and social campaigns. The scope is almost unlimited. Any publisher or partner paid to promote on a CPA metric could be considered an affiliate.

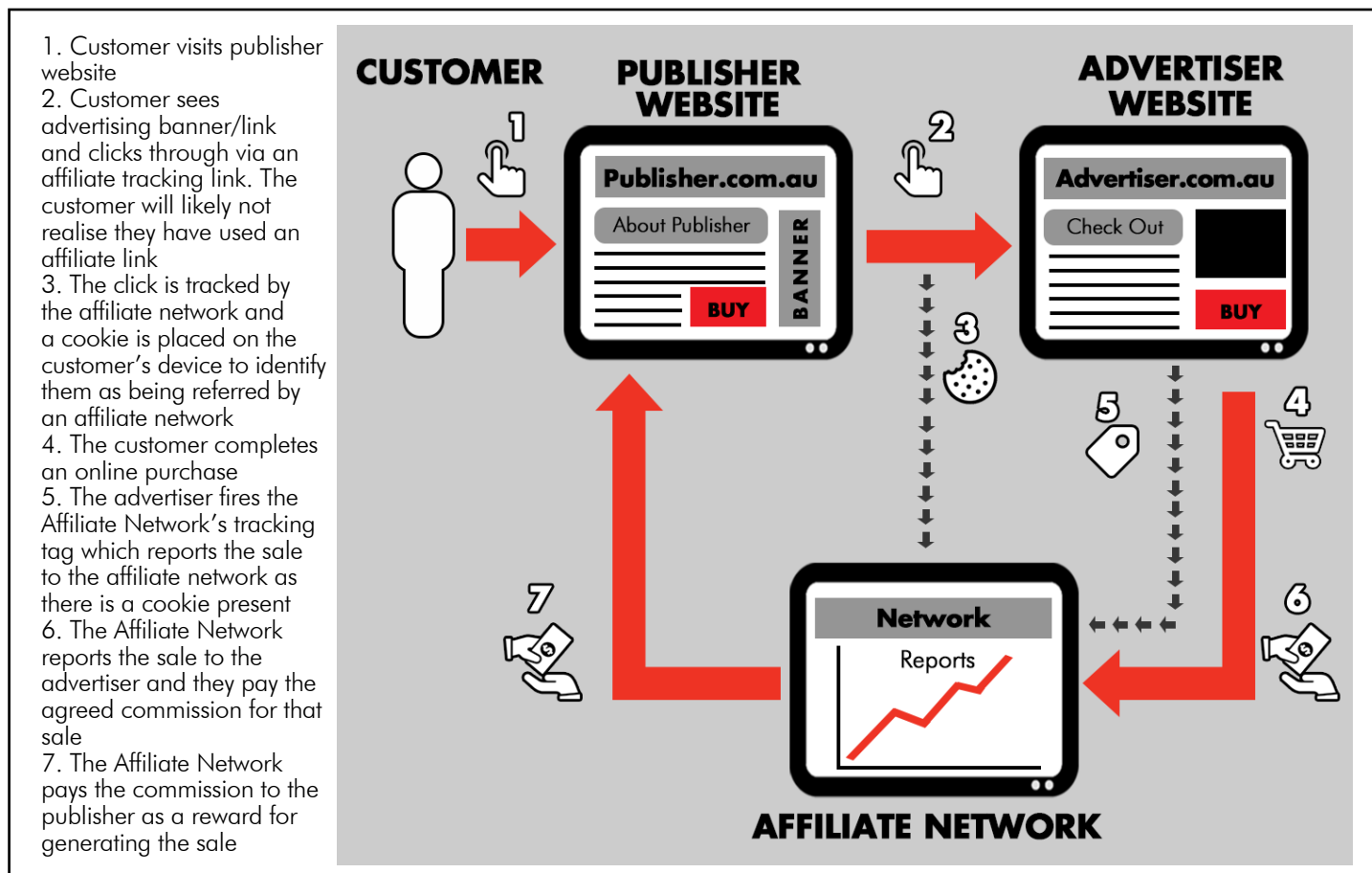
How does it work technically?

Most advertisers will employ an Affiliate Network to administer the tracking of their Affiliate Campaign. The network will provide a set of tracking links to the affiliates that sit behind the banners and text links on the affiliates' websites. When the customer clicks on that link a cookie is dropped onto their computer and that click is registered by the Affiliate Network. When that customer then completes a purchase and reaches the advertiser's confirmation page, the Affiliate Network's tracking tag is fired. That tag checks for the relevant cookie and if the customer has come from one of the Affiliate Network's publishers, the sale is recorded by the Affiliate Network in their platform. Via that platform both the advertiser and affiliate

should be able to see that the sale has tracked and a commission can be awarded.

The advertiser populates the tracking tag with all of the information relevant to the sale, typically the price and order ID are always included, then additional fields such the product stock keeping unit (SKU) or promotion code can be added and tracked to assist with analysis of the campaign's performance.

Again, there's a wide range of complications and options to improve on the basic tracking model. The more advanced networks are able to provide cookie-less tracking, so that sales can still be attributed to affiliates when the user has blocked or deleted the affiliate cookie. This is becoming increasingly important as some browsers automatically block third-party cookies. More complex tracking can utilise unique promotional codes or block non-affiliate codes to record sales. Affiliate tracking pixels can be conditionally fired to de-duplicate against other traffic sources — though complex programming is needed around the rules for this, given that cookie lengths are typically much long than a single session.



HISTORY, KEY PLAYERS & CURRENT CHALLENGES

Australia's development of Affiliate Marketing was initially based around self-serve platforms that affiliates could access and gather the links they needed. Over the past five years these platforms have been usurped by the emergence of Affiliate Networks which were born in Australia, or imported and served by local teams. This approach now mirrors their equivalents in other markets.

MATTHEW SHEPPARD
NAVIGATE DIGITAL

Australia's development of Affiliate Marketing was initially based around relatively simplistic self-serve platforms that affiliates could access in order to gather the links they needed. This mirrored the early development of Affiliate Marketing in other markets. In the last decade these platforms have been overtaken by the emergence of more advanced Affiliate Networks. In Australia these Affiliate Networks are a mixture of locally owned businesses as well as international networks.

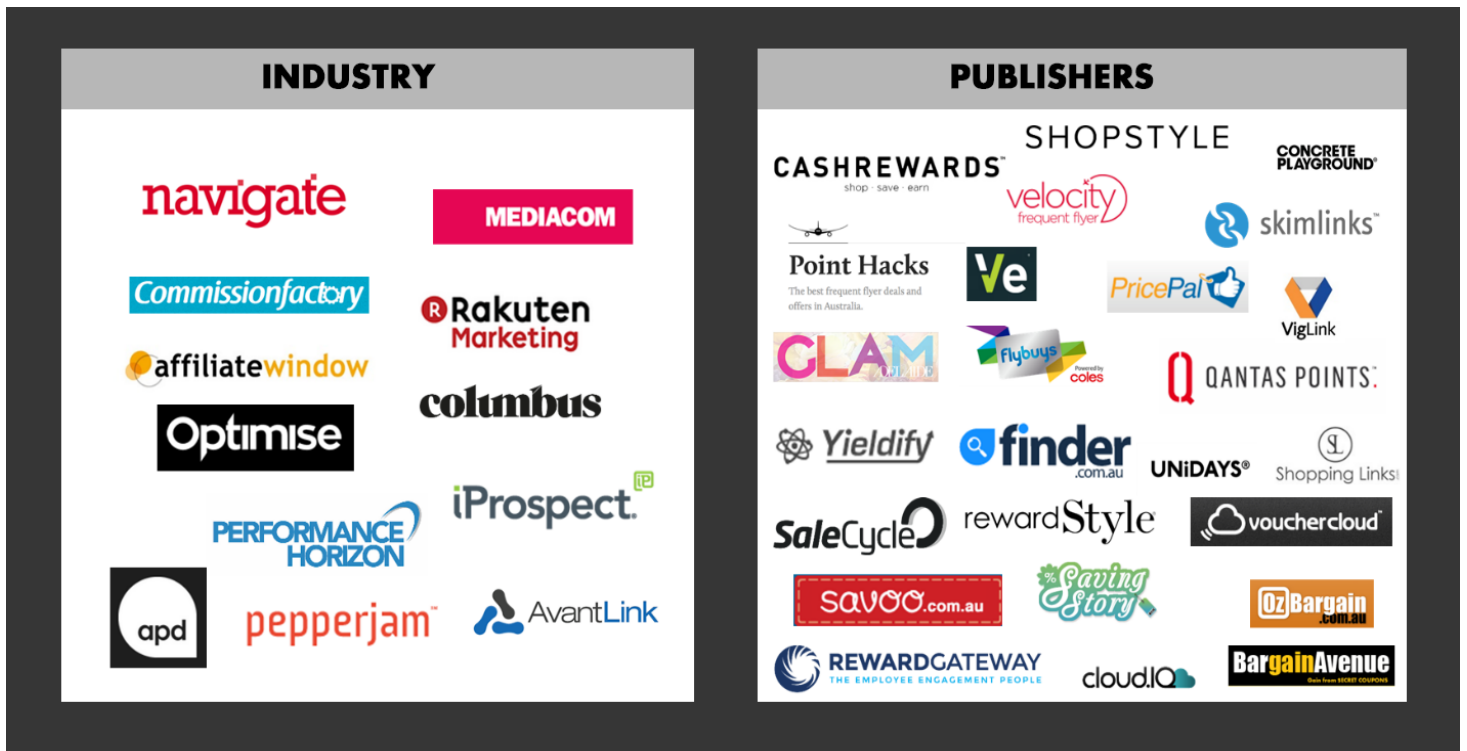
As the market matures it would appear that Australian programs are consolidating to key players with local presence. Having feet on the ground is important to international retailers wishing to maximise their Australian Affiliate Marketing efforts. In addition to these networks, there has been the emergence of specialist performance marketing platforms. These SaaS (Software as a Service) businesses have cemented a position with some of Australia's largest retailers and perform a wide variety of tracking services beyond Affiliate Marketing. They offer a deep dive into consumer data

that is often beyond the typical requirements of advertisers. This market structure now mirrors their equivalents in mature markets like the U.S. and U.K. The businesses involved are commonly seeing high double- or even triple-digit growth.

With the growth of Affiliate Network came the rise of the Affiliate Agency in Australia. Agencies in Australia offer an objective management service to retailers helping them negotiate what can be a noisy market place. Agencies should position their Affiliate Program amongst the often headline-grabbing digital neighbours of Search and Display. It has been reported that large agency groups are seeing greater demand for these services from their clients who lack the expert resource to manage their own programs.

Australian Affiliate Marketing has seen the emergence of technology vendors, like those who specialise in conversion optimisation, search and display retargeting. These firms have seen great success in Europe and are replicating it in Australia. This will be covered in more detail in the Technology section (see page 20).

This work has led to the adoption of Affiliate



Marketing programs by some (but it has to be said, not all) of Australia’s largest retailers and an ever-growing base of SMEs who are often finding the performance model to be cost effective means of meeting their business objectives.

The diagram above shows many of the key players in the market today and is broadly split between technology, strategy and management services (the Industry) and some of firms considered to be affiliates (the Publishers).

The numbers

There is no unified or verified data on the volume of Australian affiliates or their value to retailers but it’s estimated that there are approximately 3000-4000 active affiliates in Australia. At present, there are no agreed figures on the number of retailers at play in the Australian market or the volume of clicks, transactions or revenue that the channel drives. However, future collaboration by IAB members aims to produce firm, audited figures.

Global comparisons

Given the approximate nature of our data on the industry it is a little difficult to make

firm comparisons to other markets. However, taking more mature markets, such as the U.K. and U.S., there are certainly comparisons that can be drawn:

- We see a strong community of bloggers and content creators utilising Affiliate Marketing to monetise their sites in both markets, yet Australia is still developing strength and depth of individual, niche affiliates.
- As with the U.S. and U.K., incentive and coupon sites are dominant due to the nature of their business models and in some cases, replication of sites and processes for the Australian market.
- Key players in the market are actively building the industry’s reputation in Australia through education, events and interaction with the wider digital industry.
- It is clear that the largest retailers in the world have embraced Affiliate Marketing. Taking U.K. broadband internet providers as an example: firms like Virgin, SKY and BT all invest heavily in the channel as an acquisition strategy. At the time of writing, this approach had yet to be replicated in Australia by domestic equivalents. This comparison is easily replicated through fashion, retail and insurance.

- As with other markets, Australian retailers enjoy the performance-led nature of the industry and its focus on ROI and transparency.

- Technology platforms work on a performance basis in order to lessen the risk of a proposition for retailers across most markets.



AFFILIATE TYPES

When we talk about Affiliate Marketing, it is important to note that there are different types of affiliates. The method chosen by the affiliate to promote the advertisers' products is the key differentiation. Each affiliate type fulfills a different role in terms of value, volume and reach. By understanding affiliates on an individual basis, advertisers will have the knowledge of who is best positioned to deliver in certain industries or to promote particular products.



ISABELL SCHNEIDER
MEDIACOM

Reward sites

With online shoppers becoming increasingly savvy, reward sites have seen a surge in popularity. This type of affiliate drives sales by rewarding its members through a share of the commission it earns from an advertiser. If provided with a competitive offer, reward sites can generate significant volume. They provide brands with an effective way to increase its exposure, especially if products are not strongly positioned on aggregator sites. If used strategically, reward websites can drive incremental growth (e.g. reward to increase average order value, higher commission for purchase of new customers). It is important to have a sophisticated validation process in place in order to avoid paying commissions on cancelled bookings or return purchases.

Content sites and blogs

These types of websites are often focused on a niche interest and feature unique content. A few examples are product review sites, blogs and online forums. Often, Content

Affiliates form part of an Affiliate Program's long-tail strategy and are rarely large volume drivers. Regardless of their contribution to overall sales, they are valued partners. The reason for this is that unique content suggests editorial credibility and often has a positive impact on an advertiser's search engine optimization (SEO) efforts.

Content sites can also help reach a new audience. This audience might not necessarily be looking for your brand in particular but could come across it through a feature in a newsletter as the affiliate reaches an audience that is actively looking for the topic around your brand. A great way to engage and optimise activity with content sites is by providing fresh content or an exclusive offer. Recently we have also seen an increase in integrated content pieces as well as affiliates who are using video to monetise a product.

Email

An Email Affiliate sends targeted emails to its own (or third-party) data base to drive conversions on behalf of a brand. In order to drive volume, a strong and time-sensitive offer is required and creative should be refreshed regularly. It is important to always consider the size and source of the data to

ensure it is compliant with local and brand regulations and to avoid over promotion or database exhaustion.

Comparison websites

These sites offer consumers the opportunity to compare products of different advertisers (like credit cards or phone plans). Through a compelling offer, comparison websites can generate large sales volumes. They vary a lot on how they structure their rankings, which is not always based on best product but often earnings per click (EPC).

Retargeting Affiliates

Affiliates retarget most commonly through tags that they place on the advertiser's site and try to re-engage with consumers who have not completed their purchase. This could either be via an overlay when a consumer is about to leave a website, trying to persuade them to stay, or via email if they have abandoned their shopping cart, making it easy for them to return and to complete their purchase. The advertiser has full control over traffic source and targeting options. It is recommended to trial different creative and messages and not to rely too heavily on handing out incentives.

PPC Affiliate

A PPC (pay-per-click) Affiliate is a search specialist who drives traffic to an advertiser's site by bidding on relevant keywords via a custom-built landing page. They generally

work on a CPA basis but sometimes require hybrid commercial agreements. PPC Affiliates are not for every client but can be great strategic partners if:

- Competitors are cannibalising advertisers' ads
- Limited budgets don't allow for an 'always-on' approach, leading to lost exposure
- Aggregator ads are appearing on advertisers' search terms and directing brand traffic to competitor products

The key to a successful trial with a PPC Affiliate is to set up strict guidelines which help ensure affiliates are compliant.

Voucher and deal sites

These type of sites generate sales by offering their users a discount code that can be redeemed online against their purchase. They also often promote generic deals in a designated section. An exclusive code will usually increase exposure on the site, where a quick expiry date will create a sense of urgency for consumers and can be used as a strategic tool to drive quick sales.

Social Affiliates

This type of affiliate works via highly targeted posts on social networks or sponsored tweets, which can help to drive awareness and assist in generating need. It is important to keep the creative relevant, with a strong call to action.

BEST PRACTICES FOR ADVERTISERS

ROGER LEE
APD

An advertiser should consider their affiliates as an extension of their sales force. Therefore, to run an effective affiliate campaign, they need to motivate their affiliates appropriately and give them the tools that they need to promote their brand and products. As an advertiser you should consider it a partnership where you both have the same goal: Generating sales of your products. These are the key things to consider when structuring and running an affiliate campaign:

Commission

This is a key component of any campaign, it's the main driver in motivating affiliates to promote your brand. It's set by the advertiser so it could be tempting to go really low. Be aware though, that any decent affiliate is going to choose to promote your competitors over you if they have better payouts. A more generous payout will give you access to better exposure and increase the incrementality of the sales that you receive. Equally, commission should be set a profitable rate where the ROI on every sale is positive. Be tactical with commission and offer higher rewards to affiliates based on their business model. Offer short-term increases to spike sales at key periods. Every item you sell should be commissionable, even if it's at a lower rate.

Always on

An effective Affiliate Marketing campaign

should always be in market. As an advertiser you're asking affiliates to write content about your store and/or products. They will be a lot more inclined to put in the work to promote you if they're confident that after building that content they will continue to be rewarded for that effort. This also means having an unlimited budget, so view your Affiliate Marketing spend as a sales cost rather than a traditional marketing budget. For every dollar you spend on Affiliate Marketing you should be getting multiple dollars back in return so it should never make sense to turn it off.

Track and analyse everything

Track in real time and give your affiliates as much visibility as possible across what's selling. If they know which products they're selling the most of, they can tailor content accordingly. Get reports on the devices your customers are shopping on, know which 'promocodes' have been successful, review which creatives worked and which didn't. Understand which affiliates are generating sales for you and understand why. It's also key that tracking is accurate — don't track in the wrong currency or expect to manually remove delivery costs later on. It's absolutely vital that your tracking is accurate and never removed or broken.

Communicate

If you don't talk to your affiliates they won't know how best to promote your brand. Provide them with your unique selling propositions (USPs) and key messages. Give them advance notice of sales and new

product launches. However don't take this as licence to spam them with new offers three times a day or they will switch off.

Validate fairly

Most Affiliate Networks will ask you to validate the sales they have tracked at the end of each month to allow you to avoid paying for any fraudulently generated sales or incomplete sales. If you are de-duplicating against other marketing channels it should be made clear in advance and should not include natural search or paid search on brand terms as other marketing channels — these customers are just trying to navigate back to your website after being introduced by an affiliate. Again this influences the affiliate's motivation, if they see a high rejection rate on your campaign, they'll choose to promote a different advertiser instead. It's also highly important to validate sales in a timely manner so that the affiliates can be paid.

Promotional Creative

Whilst banners aren't the most effective form of affiliate advertising they still help, especially with coverage for key promotions. Understand the popular sizes that your affiliates need and provide them in advance.

Strategy

Affiliate models are diverse, consider each one individually and work with your affiliate network to build an ongoing strategy for each to give them what they need. Run tailored promotions with Coupon Affiliates, provide content to your Content Affiliates, provide an accurate and clean product feed to your price comparison partners, schedule promotions with Cashback and Loyalty partners, leverage seasonal events etc.

Beyond sales

Think about how else you can use your affiliates beyond purely generating sales. Using affiliates to build a newsletter database is common. You can also use affiliates tactically to increase your average basket

value, to encourage customers to download your app or shop via their mobile. Again create a strategy for each goal you wish to achieve and track performance. Offering an attractive reward to affiliates for encouraging certain customer actions will help with success.

Avoid fraud and affiliate malpractice

Very occasionally an affiliate may try to generate sales fraudulently or members of cashback and loyalty sites will try to exploit a loophole. With tight program rules and vigilant monitoring it should be easy to identify this activity and avoid paying for these sales. Have very clear rules in place around brand bidding and how your brand is to be advertised. Most Affiliate Networks will have tools and processes to monitor the space and flag any untoward activity so that you are not charged for it. Sense check anything that looks odd with your Affiliate Network so that you understand what is actually happening and the value of that activity. With particular view to cashback and loyalty sites: Don't pay out for large sales that could be later cancelled — like holidays — and don't pay out more in commission than the customer is required to spend to qualify for the commission — such as a betting campaign paying \$100 for a \$10 deposit.

Be Responsive

Affiliate Marketing is a team effort between the advertiser, the network and affiliates. It requires constant attention and input to work effectively. Like any marketing campaign, you can't set and forget, then expect good results and growth.

Evolve

The affiliate space is always changing, there are always new opportunities and new challenges to what worked last year. Keep learning, keep analysing what your affiliates are doing for you and keep trialling new ways of generating sales via the channel.

CHOOSING YOUR AFFILIATE NETWORK

ZANE McINTYRE
COMMISSION FACTORY

Whether you are new to Affiliate Marketing or have lots of experience in the channel it always pays to weigh up the options between different Affiliate Networks and their strengths. Armed with the knowledge of some of the Network variables and what that means to your margins and ROI's makes an enormous difference to the potential of your program.

The benefits of Affiliate Marketing are many but none so great as the ability to pay commission to publishers based purely on performance. This alleviates the risk that if the traffic doesn't convert to sales you're not still being charged for the click or impression and the transparency of the ROI with the ability to track the sales origin.

The reason networks are widely used by advertisers can be likened to any other form of business outsourcing where individuals operating alone can achieve larger economies of scale. Additionally networks offer extended services and technology - not least the tracking capability that is the core of the network but also billing management across hundreds if not thousands of publishers and anti-fraud and compliance monitoring.

Before choosing a network

Your aims, objectives and strategy should be clear to you before approaching Networks and not allowing them to create a bespoke strategy on your behalf without you being clear on what you want to achieve.

As with any form of marketing the below

needs to be considered and defined:

1

Aim

The aim is about defining the reasons why you are entering the Affiliate Marketing space to begin with. It should highlight whether your ultimate goal is to increase market share, increase sales, gain better ROI or simply to create more brand awareness.

2

Objectives

Your objectives will go deeper into the aim you have specified. For example if your aim was simply more sales then you would define those numbers, such as, increasing sales by 15%, realised at about 500 extra sales per month achieving a Return On Ad Spend (ROAS) of 15:1

3

Strategy

Unless you are clear as to how you want your Affiliate Program to run this is where a network can advise of the most consistently effective strategy to implement. This can be in the form of a 90-day launch strategy where the network outlines clearly what needs to be done in each week to engage publishers and meet your objective. This will depend on whether you are managing the program yourself or have opted for the network to manage your program, whereby they will likely have presented a Service Level Agreement (SLA) and agreed with you the strategy to be implemented and roll out the 90-day plan on your behalf.

If part of your objective is cost cutting measures then it may be of interest to note that Affiliate Marketing can be integrated with other forms of online activity such as paid search (ppc), retargeting and cart abandonment. Ordinarily you might be paying for these services external from a network and instead could opt to run them through the network not only for attribution but also to access them on a performance model the same as other publishers.

How do networks charge

The largest majority of advertisers that utilise Affiliate Marketing do so through an Affiliate Network that is remunerated primarily on a performance basis although monthly fee's, setup fee's and sometimes performance minimums may be required. Advertisers pay a fee to the network for the sales, sign-ups or leads that are accrued through the network's affiliate partnerships.

The fee can be classed as an "override", 'network payout', 'network bounty' or 'transaction fee' and can range from 1%-30% of any commission payment to publishers. This means that on a \$100 sale you may be paying 10% commission to publishers so they would receive \$10 of that sale and a network charging a 20% override will add \$2 on top of the commission, making your total payout \$12 for that transaction.

Types of Network remuneration include:

- Percentage of commission (example above)
- Percentage of sale value
- Flat rate per lead
- Flat rate per sale

Networks are negotiable on their fees based on their own projections of returns and the information you have provided them.

Working with multiple networks

A recurring discussion by advertisers can be the question of whether they are using too many or not enough networks. Sometimes the desire to add more Affiliate Networks to the mix stems from the belief that if you are using 'Network X' and achieving this result then adding another Network will double the results.

Unfortunately this isn't always the case, especially within the same geographic region where the overlap of publishers can be high.

Many publishers tend to be members of multiple networks in order to have access to the full spectrum of advertisers out there, so the overlap of publishers from one network to another may negate the desired result of adding another network and gaining a higher result than what is already being achieved. From a retailers perspective the benefits of belonging to more than one Network may be outweighed by the extra administration and duplication of effort

A multi-network strategy can be advisable when your online store or service is present in more than one country. Brands should bear in mind that the leader in their home territory might not be the right fit for their international strategy and may not translate to the same results they achieve at home. Equally, it might be the perfect fit and their knowledge of the brand and could translate into great results. Brands should explore the market in the new country and speak to the partners available to them to make sure they're the right fit. Ultimately, their local knowledge will assist with program growth.

Commit to the Channel

Affiliate Marketing is not a channel that is set-and-forget and to succeed it is important to regard your publishers as a sales-force, which requires good communication, consistency and incentivisation to perform effectively, regardless of the Network you choose.

Evaluate your own knowledge and skills level as well as the resource you have available internally to manage your Affiliate Marketing activity will be imperative in the decision making process of which network to use and also the level of service you will require of them.

The combination of both a large and reliable network with a focus on technology (after all the Affiliate Industry is ever evolving) and service will make your campaign attractive to publishers - translating into a program that is popular and profitable.

ROLE OF AFFILIATE MARKETING IN THE MARKETING MIX

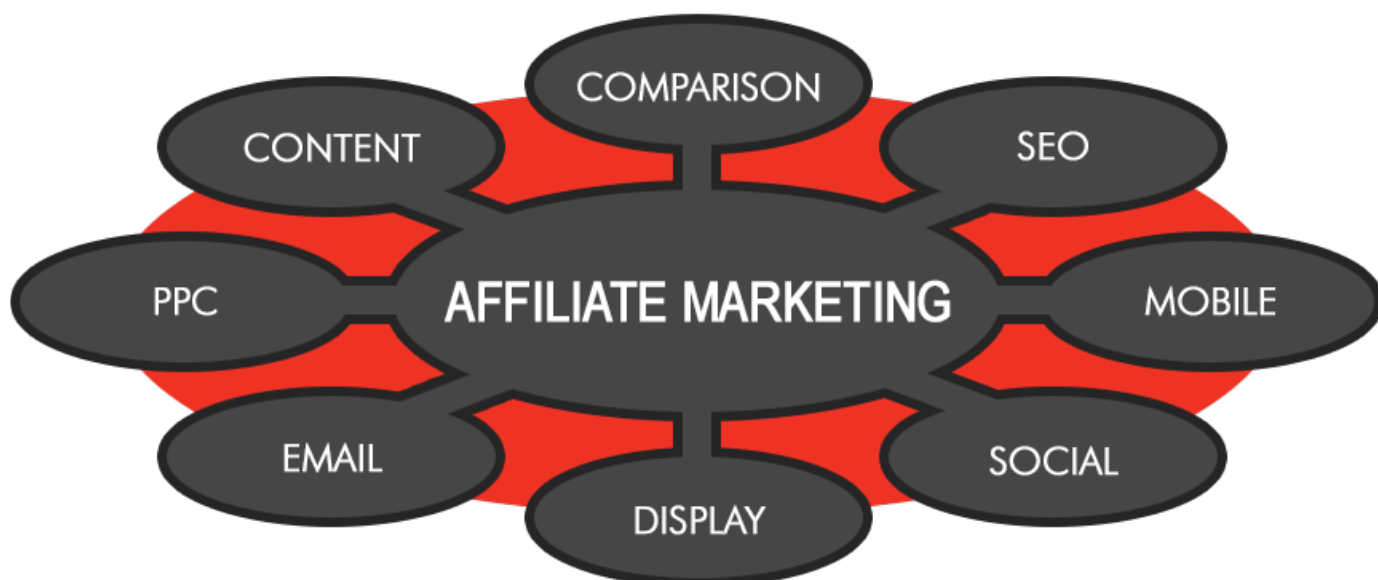
RICHA DANI
COLUMBUS

To understand the role of Affiliate Marketing in the marketing mix, it is important to understand where the channel fits in the wider digital landscape.

Affiliate Marketing can be considered as a microcosm of the digital universe. The digital universe comprises of different channels like Content, PPC, SEO, Display, Social, Email, Affiliate Marketing and so on. However, Affiliate Marketing by itself consists of publishers who run activity across all these channels. Publishers usually earn a commission when they are the last touchpoint in a customer's purchase journey. In order to maximise the likelihood

of conversion via their efforts, publishers run campaigns on their website, blog, social channels, customer database. As such, they provide a diverse reach at different touch points across all stages of the purchase funnel.

In the last 20 years of its existence, the channel has evolved significantly. In more mature markets like the U.K. and the U.S., advertisers are investing substantial media budgets in this channel, which in turn has led to a healthy growth of new and exciting publisher models. In Australia the market is still small, however, advertisers increasingly are recognizing the value of this channel and have started planning their digital strategy holistically, including Affiliate Marketing in the planning process



Value of Affiliate Marketing in the overall marketing mix

1 Presence across touch points

As the user journey becomes complex and fragmented, and with the ever-increasing number of marketing messages, reaching the target market at the right time with the right message at each touch point is of utmost importance. Publishers are present across different touch points in a user journey guiding them to the final purchase.

2 Data insights

If the right data points are captured, advertisers can understand the value of a customer recommended by a publisher. Such rich insights can help an advertiser to make informed decisions around which channel is driving the most value and where to invest their marketing budget.

- Which target audience are your publishers reaching?
- At what point in their journey are they reaching your customer and with what message?
- What is the lifetime value of the user referred by the publisher?
- Is the average order value, repeat business higher than other channels?

3 Fuels innovation

New and exciting technologies and startups which enter the digital space often rely on Affiliate Marketing for their revenue generation. Publishers like Skimlinks, VE Interactive and RewardStyle have become established players promoting thousands of advertisers across their network. Risk-

averse advertisers look at Affiliate Marketing to work with new publisher models on a cost-per-sale model. Setting aside a test budget for new ideas and technologies can help them increase their overall sales at a low cost. This channel allows innovative publishers to test waters.

4 Return on investment

Affiliate is often cited as one of the highest ROI generating channel across many studies. As per IAB's [study in the UK](#), Affiliate Marketing provides '£14 return on every pound spent'. Though the ROI is extremely high for this channel, it is still touted as channel with expertise only in 'closing the sale'.

As per an attribution study by an Australian retailer, Affiliate Marketing consistently delivered the highest return on ad spend across all attribution models across all channels.

Conclusion

Advertisers who embrace the Affiliate Marketing channel, follow best practices and understand the value of it in their overall digital strategy, attain great success. Successful Affiliate Programs of Expedia, Dan Murphy's, David Jones and Westpac have proven that when you engage the right partners, the program can contribute significantly to acquire valuable customers and add incremental sales. Some of the mature programs contribute over 20% of their overall digital sales.

Advertisers are increasingly viewing Affiliate Marketing not only as a sales driving channel but also as a powerful means to discover new customers, increase their brand presence in front of their target audience and increase brand engagement.

KEEPING CONTENT ALIVE IN THE AFFILIATE CHANNEL

VERITY BEARD
ALLURE MEDIA

In a digital discipline like Affiliate Marketing where remuneration is traditionally based on a confirmed sale, it's no surprise that publishers are constantly keeping an eye open for the next strong call to action. Discounts, offers and rewards are proven to generate a higher click through and stronger conversion rate.

As a result, the Affiliate Channel has previously been accused of being too reliant on discount and sales messaging. Some brands have shied away from engaging in Affiliate Marketing for fear of "cheapening" their image online and cultivating an offer-obsessed audience. However, this doesn't have to be the case. According to Google [one in five luxury purchases happens online](#). There is still a valuable, high-spending audience online that Affiliate Publishers can help advertisers access and develop into loyal, returning customers.

Provide content updates

Advertisers frequently send updates for sales messaging, but sending over new launches, collections, reviews or ambassador news is equally as important. If an affiliate receives a regular stream of updates, they're more equipped to publish up to date and informed

content for that brand. On the flip side, Advertisers should remember that content partners need to cultivate their own online brand and voice. They need to be able to remain authentic otherwise published content will come across as an obvious advertisement. Not only might this discredit their genuineness, but it could also damage perceptions of the brand involved.

Don't underestimate the power of a good visual

Good quality imagery is arguably as valuable as good quality content. The more imagery an advertiser can provide, the less chance there is of a publisher attempting to source this themselves. This allows the advertiser more control over how the brand is depicted visually online and eliminates the risk of bad quality or out-of-date imagery being published. Imagery also needs to be sent in a timely manner. Sending assets late means that the content will have lost some of its gloss and newsworthiness.

Sales messaging can be complimentary

Retailers shouldn't be put off by affiliates who want to marry up content and sales messaging. This is a powerful combination

for ticking both the box of performance and branding. It's no secret that luxury brands like Net-a-Porter and MATCHESFASHION see their best performance during their sale period. If it's not possible to run product discounts, Advertisers should consider shipping offers. This is a way of showing the customer the added value they are looking for whilst maintaining product margins.

Don't forget about the bloggers

Blogs are becoming a more and more trusted source of product information. In the 2015 study, "[How Blogs Influence Brand Preference and Purchase Decisions](#)", conducted in the U.S. by POPSUGAR Inc. and CJ Affiliate by Conversant, 92% of blog readers reported positive associations with brands that they had seen on blogs and 86% said they were likely to buy a product that is positively reviewed on a blog. Working with bloggers can add credibility to a brand and introduce it to a whole new audience in a fresh, authentic way. Not all retailers have the capacity or resource to manage multiple blog partners and so working with blogger subnetworks has become increasingly popular. Blogger subnetworks allow the advertiser to have one single point of contact to act as their blogger liaison and manage multiple partnerships on their behalf. In exchange, the subnetwork will take a cut of the commission offered.

Think about your remuneration strategy for content differently

Retailers need to remember that content publishers often fall short when it comes to the last-click affiliate model. Strong content publishers with large and loyal audiences can make a success of CPA commercials but smaller content partners might not always see the return on investment from Affiliate



92%
OF BLOG READERS
REPORTED
POSITIVE
ASSOCIATIONS
WITH BRANDS THAT
THEY HAD SEEN
ON BLOGS

Marketing. Where retailers can be flexible with commercials, it's important to entertain the idea of working with content partners on a cost-per-click or flat-fee model. A reward per click or guaranteed payment will keep content partners engaged and motivated to promote a brand, and retailers get to benefit from the unique digital content produced.

In closing, whilst strong traffic driving Coupon and Loyalty Affiliates will always be high up in the in the performance marketing food chain, retailers shouldn't limit their Affiliate Programs by only catering to those partners. Content publishers can be a powerful force for driving brand perception and have a real role to play in introducing brands to new, highly engaged audiences. Remember, the biggest value doesn't always come from the partner driving the last click.



KEYS TO SUCCESS: TRACKING TECHNOLOGY, MOBILE INTEGRATION & PROGRAM SETUP



CHRIS GARNER
CASHREWARDS

Facebook and Google account for the majority of all digital advertising spend in Australia with the whole [online advertising spend worth \\$6.8B annually](#), but these two channels are not the benchmark of successful marketing plans for retailers, just the status quo. Retailers who invest wisely outside of these two juggernauts in digital are often seen as the leading lights within their industry. Examples include: Amazon, eBay, Alibaba's Taobao, Walmart, Apple, Samsung, Microsoft, Expedia, Airbnb, Uber, Spotify, iTunes, John Lewis, Nordstrom, and Marks & Spencer.

With their progressive results and agile marketing plans they are delivering lasting success that consistently outperforms the market. Whilst in Australia the very same traits are being displayed by behemoths like Dan Murphy's, Woolworths, Coles, The Iconic, Menulog, David Jones, Westpac, NAB, Telstra, and Optus.

Why are these companies so successful in their marketing? Yes, you guessed it: These

companies have successful and well optimised Affiliate Programs. Yet, the question remains: How is that success measured?

In the fast-paced world of impressions, clicks, likes, tweets and pins, Affiliate Marketing is the only channel that is post-paid on results. As referenced previously that typically means:

- Online sales - Retail: Examples of these advertisers include eBay, Amazon, The Iconic, David Jones, Kogan.
- Application - Financial Services: Examples of these advertisers include Westpac, Amex, HSBC
- Subscription models: Examples of these advertisers include Telstra, Amaysim, Audible or Spotify.
- Lead Generation: Examples of these advertisers include Aussie Homeloans, P&G, Youi.

Based on [research produced in 2015](#) by the IAB and audited by PwC in the U.K., Affiliate Marketing generated a return of £15 for every £1 invested by advertisers and accounted for 10% of ecommerce retail sales. That is an exceptional result that merits a detailed examination and should be a serious

consideration for any marketer, especially in a world of diminishing returns and constantly increasing Google Adwords click prices and Facebook ad prices. No other channel gives the advertiser the ability to control the budget (usually uncapped in the most successful programs), sales volumes and margin of each sale as Affiliate Marketing does and, of course, no other channel is post paid.

Rules for success

These are the rules that determine success: and that need to be confirmed from the outset:

1 Tag firing rules and de-duplication

It is important to know what logic the advertiser uses to attribute sales and commission (typically last-cookie-wins with a cookie length of 30-days tracking multiple sales from the same cookie) and at what stage in the validation and payment cycle is attribution finalised.

The other paid channels included in de-duplication are:

- PPC Search (excluding Brand PPC Search)
- Display
- Social

2 Affiliate criteria

Advertisers should be clear on what type of affiliates they want to work with and what restrictions/terms apply to each type (such as email, cashback, PPC, social media, coupons and content).

3 Notice periods

Affiliates should be given adequate notice of any changes to terms and conditions, commissions or any other material changes — usually in line with the cookie length you set with the program.

4 Mobile and in app tracking

With [over 50% of all online traffic in Australia now coming from mobile](#)

[devices](#) it is strongly recommended tracking is installed across all platforms including the iOS or Android App. Mobile traffic and app traffic should be tracked and attributed in the standard way; all the most forward thinking networks now have tracking for this. It is a must to make clear what devices and platforms are tracked.

5 Commission amounts

The methods and rationale the advertiser uses to attribute sales and commission is very much flexible — typically advertisers use the last-cookie-wins approach for affiliates, with a cookie length of 30 days.

6 Reporting attributes

Advertiser should request they get visibility in their reporting of the following features:

1. Time stamp of click and sale
2. Order ID
3. Sale amount
4. Coupon code used
5. Repeat or new customer
6. Product SKUs or holiday destination
7. Referring URL (the URL that delivered the last click)
8. IP address
9. Device

Correctly and accurately measuring success is critical to setting up Affiliate Marketing to allow it to scale. It also means you can build on the solid foundations of this bedrock channel long into the future. This is certainly the case 20-plus years down the line with Amazon, eBay and Walmart.

As with all digital campaigns if you set up the tracking correctly from the outset you will remove a lot of heartache in the long run. In all the 25-year history of Affiliate Marketing, this has proven the most important facet to get right.

In most all cases, Affiliate Marketing works on a last-click-attribution model. This is important to remember.

CAPITALISING ON TECHNOLOGY

Consumers live across multiple devices, scrolling through several different newsfeeds each day, itching for fresh and trustworthy information, whilst selectively choosing to explore content that is most closely aligned with their lifestyle and interests. The rise of technology continues to blur the line between online-to-offline (O2O) and cross-device commerce, and advertisers are increasingly turning to Affiliate Marketing to ensure they're reaching their consumers across the multi-channel consumer journey. Affiliate Marketing has proven that it can be an opportunity to expose consumers to new and compelling brands in relevant environments through the use of technology.

ANTHONY CAPANO
RAKUTEN MARKETING

Back to basics

At the most basic level Affiliate Marketing is all about technology. Partnerships are equally as important (if not more) although without technology, advertiser and publishers lose the ability to optimise their partnerships and grow campaigns.

There are a few key things for advertisers to consider when looking at Affiliate Marketing:

Tracking

- Some Affiliate Networks will offer two key tracking solutions:
 1. Enterprise: Industry-leading, enterprise-grade, full-featured tracking solution with Server-to-Server technology.
 2. Pixel: Simple, easy-to-install browser to server tracking solution.
- Container tag solutions are also a great

option to consider.

Using feeds

- Affiliates who implement feeds can typically work with most feed types of a brand – a Google-base compliant product file can be easily used.
- The Affiliate Networks typically have basic feed field requirements which can be made available within a network's feed guidelines documentation.

Analytics and parameters

- Advertisers can leverage their existing analytical solution through their network to track traffic and conversion at one location
- Networks should provide PublisherID, CreativeID and Link Type dynamically so that advertisers can understand the contribution of publisher, creative and impact of link type on sale attribution.
- Tracking solutions within a network should be able to be used for Google Analytics, Omniture, CoreMetrics and others,

allowing advertisers to easily review the performance of the Affiliate Channel.

- On top of this, the major networks provide access to real time reporting and dashboards.

The above is really just your ticket to enter the affiliate party. Below are a few technology trends which a brand entering this space should also be aware of.

Mobile won't stop growing

'It's the year of mobile' – well at least that's what marketers have been saying for the past five or so years. Mobile commerce and the role of the mobile in consumers' path to purchase keeps growing and it's not looking like slowing down any time soon. Consumers are not only spending more time on the device, they're shopping more, using their mobile devices in-store to read reviews, find better pricing or make an actual purchase.

In 2015 eMarketer reported that [31%](#) of Australian luxury sales were made on mobile, whilst [smartphones outpaced tablets 12%](#) through the holiday season accounting for [22% of sales](#).

Fortunately for advertisers, there is a strong affiliate presence in mobile. Software development for mobile tracking has empowered marketers to invest affiliate budget towards strategies aimed at app adoption and in-app engagement. There will continue to be innovation that strengthens the success of Affiliate Marketing in mobile environments.

Affiliate dominates the intersection of online-to-offline

Marketers understand the need to deliver blended experiences across devices and channels. These experiences should appear seamless to consumers and — thanks to the development of technology — they can.

There is a trend of traditional Affiliate Publishers building out online-to-offline (O2O) solutions which will continue to enhance the Affiliate Industry and provide even further evidence of

the impact the channels have on consumer behavior. Coupon codes, card-linked offers, geo-targeted deal alerts via mobiles apps and the latest iteration of mobile coupons that can be added to coupon aggregator apps or digital wallets and scanned at the point of sale are among the most popular O2O solutions.

That's not to say other publisher models aren't playing their part. Omnichannel user-friendly platforms that create content and build audiences online and across devices have fueled the growth of influencer marketing and created new opportunities for Affiliate Marketers. At the same time, the nature of the modern influencer's role uniquely provides advertisers with the right relationships to extend the success of their Affiliate Programs to offline audiences and to track its success.

Attribution is the missing piece

The rise of mobile, cross-device tracking and O2O solutions means the single customer view no longer easily exists. Advertisers need to understand their customers, where they are coming from and what makes them either convert or abandon site.

Attribution answers these questions. Providing insight into the entire customer journey, attribution shows the journey from mobile to desktop and then to offline. And it not only depicts a breakdown of consumer touch points across devices, it provides insight into the entire path to purchase, including which affiliates influenced a sale.



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Through the use of attribution, advertisers have been able to demonstrate significant increases in the number of affiliate touch points in one consumer journey. This insight allows advertisers to alter the way in which they commission publishers, including assigning a dollar value to affiliates influencing conversion further up the sales funnel.

This doesn't only benefit the advertiser, it allows long-tail affiliates to prove their worthiness and earn commissions on sales they previously hadn't been recognised for.

Adblockers may be on the rise, but Affiliate Marketers have an advantage

Over recent years adblocking has become an increasing concern for digital marketers, and it shows no signs of slowing down. In fact, globally adblocking has risen to [220 million people \(+16% YoY\) on desktop and 420 million \(+94% YoY\) on mobile](#) to screen out unwanted digital ads.

There has been a lot of discussion about how adblockers infringe on a publisher's

ability to generate revenue, and even effect a publisher's ability to create free content. However, publishers investing in Affiliate Marketing have a unique workaround at their disposal — native advertising.

Native advertising enables publishers to seamlessly integrate advertisements within their content and when done properly it is non-intrusive. And this isn't only a benefit to publishers, many advertisers have recognised the benefit of native advertising.

In the world of Affiliate Marketing, native advertising is already a natural factor in many publishing models. It could be a simple recommendation called out as a sponsored post by an influencer, or a code displayed on deal and offer sites. The natural flow and feel that native advertising provides means consumers feel they have control of the advertising experience, creating positive interactions with both publishers and advertisers.

Adblocking presents a problem that advertisers and publishers will have to work together to circumvent. However, Affiliate Marketing does provide a solution, with native advertising embedded in their marketing strategy.

A MODERN MARKETPLACE: AFFILIATE MARKETING TRENDS, FROM NEAR AND FAR

ANTHONY CAPANO
RAKUTEN MARKETING

The modern marketplace — a place where consumers can shop anywhere, at any time, using multiple devices — is a mysterious place creating a range of challenges for marketers. Affiliate Marketing is a growing solution to many of these new obstacles.

The Australian Affiliate Industry, whilst still in its infancy is quickly adapting to new and emerging consumer demands. Advertisers and publishers alike are turning to the U.S. and U.K. — markets typically considered more mature — for insights into how to keep up with ever changing consumer demands and technologies.

At its most basic level, Affiliate Marketing is a low-risk, cost effective tool for advertisers to trial new strategies and technologies. On a global front, a recent study conducted by Forrester Research revealed that Affiliate Marketing in the U.S. will increase by a compound annual growth rate of 10% each year, [growing to over \\$6.8 billion by 2020](#).

In Australia, the channel continues to develop. Whereas all of the major retailers in the U.S. and U.K. have an Affiliate Program, as do the primary finance and telco players in this market, the retail vertical Australia has room to grow, with only 56 out of the [top 100 retailers](#)

currently using the channel.

As can be seen, Affiliate Marketing is on the rise and is quickly becoming a ‘mainstream’ digital channel. But what are the exciting trends across the globe and in Australia?

Leverage all stages of the Affiliate journey

Advertisers have evolved beyond direct-response driven Affiliate Programs, with the channel evolving into a unique communication channel playing a pivotal role throughout the path to purchase.

In the U.S., advertisers are leveraging Affiliate Marketing for three key areas throughout the conversion funnel:

1 Discovery and awareness

Advertisers are leveraging their Affiliate Programs to promote brand awareness, capturing the attention of the audiences whilst in the discovery phrases, across desktop and mobile. Content sites and social media, particularly Instagram and Pinterest, are fantastic examples of this. Put simply, Affiliate Marketing is otherwise known as “Where’d you get those jeans?”

2

Conversion or purchase

Often consumers will find a product, before looking for some sort of offer. A robust Affiliate Program using a wide range of publisher models takes this into consideration. In the U.S. market some of the largest and most successful publishers are coupon and deal sites, often providing the final incentive that is needed for a conversion to happen.

3

Ongoing customer engagement

Advertisers are leveraging Loyalty, Cashback and Reward Affiliates as a means to maintain ongoing customer loyalty and engagement. Aside from providing a great product or service, marketers need to consider the 'why': Why should a consumer continue to interact with your brand if they're not rewarded for continued support?

As the role of Affiliate Marketing is evolving, so too is that of Affiliate Networks and partners. Acting as a trusted advisor to both publishers and advertisers, networks are required to provide insights and recommendations on how to leverage every stage of the consumer journey.

The rise of the influencer

A recent [U.K. study](#) has shown that over a quarter (27%) of parents will purchase an item of clothing for their children after seeing a celebrity child wearing it. While the study was conducted in the U.K., the list of celebrity children with the most influence included North West, Harper Beckham, Suri Cruise, Prince George and even Aussie Flynn Bloom. The internet consistently dubs celebrity children as trend setters, starring in various tributes and fashion blogs.

Partnering influencers, (not necessarily only celebrities), who work across the Affiliate Industry, provides brands with the ability to optimise their affiliate performance, and if

working with influencers seems impossible, Affiliate Marketing enables brands to gain access to a large pool of high quality influencers who can support a brand's message.

Facebook is one of the most accessed platforms. The native style of Instagram ads and the very nature of Pinterest delivers new ideas and products directly to consumers. Influencers that leverage these platforms have a unique connection with consumers, demonstrated through high engagement rates. And social platforms themselves are realising this. Earlier this year Pinterest reinstated the use of affiliate links: According to [Business Insider](#), the move was made in order to reward its users and "incentivise influencers to generate more beautiful content".

Establishing Affiliate Partnerships with these influencers can be a fantastic way for advertisers reach their audiences.

Mobile continues to dominate

Smartphone adaptation globally continues to increase, seeing a year-on-year growth rate of 21% in 2016 (admittedly a decrease versus 31% increase in 2015, but mobile innovation and commerce shows no signs of slowing down). In fact [mobile ad spend in US grew 66% in 2015, whilst desktop only grew 5%](#).

Thanks to innovation and the success of Affiliate Marketing, advertisers are well and truly equipped to tackle the challenges mobile presents. Technology, formats, tracking and offers that carry the native legacy of Affiliate Marketing are all available on mobile, continuing to drive success in mobile optimised campaigns.

Marketers need only to look at the Asian markets to see a clear depiction of just how big mobile is, and how it will continue to evolve. Messenger apps such as WeChat and Kakao talk are among the most successful platforms being used by Asian consumers. With Facebook already optimising Messenger for ecommerce, it's an understatement to say that this will be an interesting space to watch.

Video killed the Affiliate star, or did it?

Digital video is the fastest growing advertising platform. In fact, the IAB recently reported an [85% increase in video ad spend](#) in the U.S. from 2014 to 2016.

The great thing to see here is that affiliates haven't been left behind. There has been an increase in the number of publishers leveraging digital video. From shoppable video ads, to short video product summaries and reviews, even influencers are riding the wave with the rise of Vlogger community. Again, with the innovation we are seeing from publishers, affiliate is well positioned to leverage this growing trend.

Online-to-offline and the role of attribution

Technology will continue to shape the way in which Affiliate Programs grow and develop. As more consumers adopt the use of multiple devices and new technologies continue to emerge, advertisers are searching for ways to leverage digital and drive in-store sales.

With consumers blurring the lines between online and offline sales, Affiliate Publishers in Australia and overseas have been quick to develop platforms that empower advertisers to make the leap from online to offline, connecting with consumers at every stage of the path to purchase. Some publishers

utilise beacon technologies, others provide card-linked offers and some have developed mobile coupons which require no integration at the point of sale. And whilst Affiliate Marketing is leading the way in providing a solution to the O2O challenge, the obstacle now changes.

Multi-channel advertisers are faced with the burgeoning question of where they should be allocating budget. What digital channels should they be investing in and what technologies are really working to drive conversions? Attribution is the answer to many of these questions. The common trend among Affiliate Marketers is to determine the value of affiliate by the role it plays alongside other digital and traditional media channels.

No two advertisers are the same, and a one-size-fits all approach doesn't necessarily work, particularly with Affiliate Marketing. Attribution reveals where consumers are shopping, which devices they're using and also can be used to uncover why consumers aren't converting.

Therefore, as previously mentioned, the Australian Affiliate Industry is still in its infancy but growing at a fast pace, largely thanks to the adaption of advertisers and the innovation of publishers. More Australian advertisers and agencies will recognise the benefits of working with a low-risk, cost-effective channel which provides a solution to the challenges the modern marketer is facing in the modern marketplace.



GLOSSARY

Advertiser	This is the standard term for a company who has an Affiliate Program. Also known as 'merchant' and 'brand'.
Affiliate Link	This is also known as a text link or tracking link. This directs users from an affiliate site to a an Advertiser site.
Affiliate Network	Affiliate Networks aggregate affiliates and merchants into one place. They also handle tracking and the payment of commissions.
Agency	Agencies provide the management of an Affiliate Program where the Advertiser wishes to outsource it to an objective 3rd party.
Banner	This are display media banners that some Publishers choose to add to their sites.
Cashback	Cashback sites return much of the commission they earn for driving a sale back to their users as a reward for using the site. Cashback sites are often significant parts of Affiliate Programs.
Commission	This is the incentive provided to affiliates for driving sales to a given Advertiser. The commission can be in the form of a percentage of sale, cost per click a flat amount or bounty for reaching targets. See CPA, CPC and CPL for more detail.
Content site	Also known as a blog. These sites contain unique content around a given subject and often command a loyal following.
Cookie	The technology typically used to track user behaviour.
Cookie Period	The length of time the tracking cookie will remain active on a user's browser.
Coupon	This is a discount which is made available to shoppers and are typically a series of letters of numbers.
Coupon Site	Coupon sites (also known as Voucher Code sites) drive value by incentivising users with coupons. They can be an effective means of driving revenue.
CPA	Cost Per Acquisition - the commission paid to a Publisher, typically for driving a sale on an Advertiser's site.
CPC	Cost Per Click - the commission paid to a Publisher for driving a click to an Advertiser's site.
CPL	Cost per lead. The commission paid to a Publisher in return for driving a lead to an Advertiser's site. E.g. completing an enquiry form
Override	This is the tracking fee charged by Affiliate Networks for providing tracking. It is usually based on a percentage of the commission amount.
Price Comparison	These affiliates comparing the prices of thousands of products, from Insurance to food stuffs.
Product feed	Also known as Merchandiser feed. Some affiliates import the products which Advertisers sell compare pricing.
Publisher	Also known as an 'Affiliate'. Any website that is paid a commission for driving a sale or generating a lead via an affiliate link.
Tenancy	The fee required to buy a piece of media on an affiliate site or in an email newsletter. These can vary considerably.
Validation Period	The length of time from a transaction tracking place until the advertiser approves its validity.