

AFFILIATE MARKETING: AN OVERVIEW

KANAK BISCUITWALA

SAJID SHARIFF

KETAKI SHEODE

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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

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TYPES OF AFFILIATES

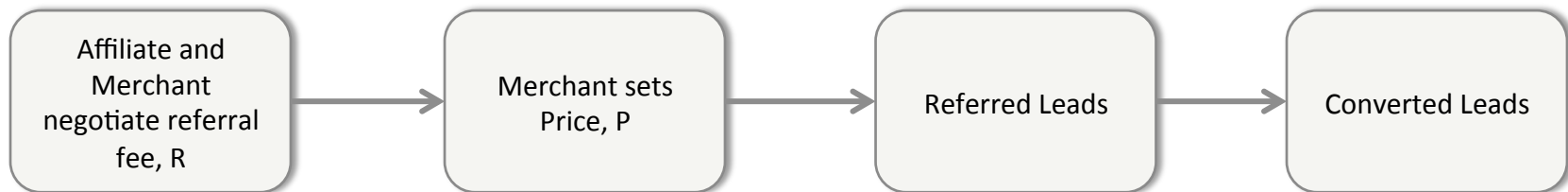
- Pay per click search engines
- Comparison shopping
- Loyalty websites
- CRM sites
- Coupon and rebate websites
- Niche market sites (ex: Product review sites)
- Weblogs
- Shopping Directories
- And more....



MARKETING MODELS

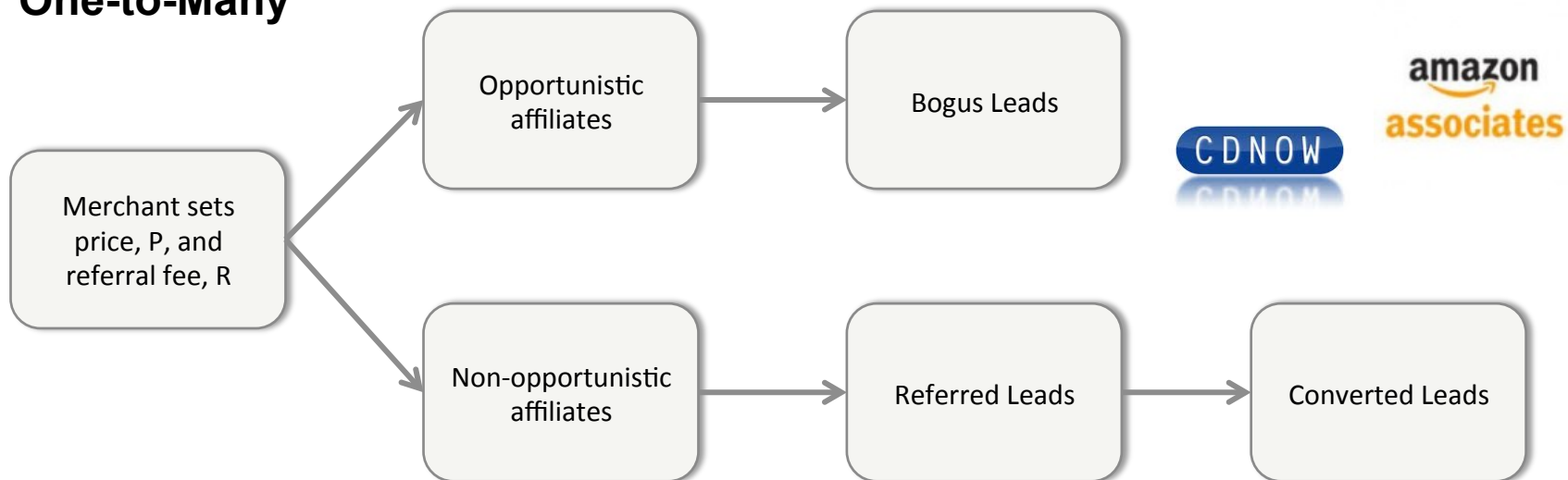


One-to-One



Free riding is less of a concern

One-to-Many



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

Barak Libai

Israel Institute of Technology, Haifa

Eyal Biyalogorsky Eitan Gerstner

University of California, Davis

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

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

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

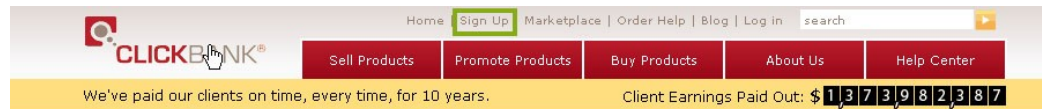
Variety of tools to help affiliates

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



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% earned/sale
future \$
total \$/sale
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Category: All Categories	Subcat: All Sub-Categories
Keywords:	Sort by: Popularity
Product Type: All Products	Language: All
Show: 10 results per page	
Go	Reset

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JanSport All-Points Plaid Backpack- On Sale for \$29.99



RATING:
ELITE



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

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SITE STRIPE

Amazon tools simplify the advertising process



PAYMENT SCHEMES

Classic Fee Structure

- Flat 4% commission on purchases

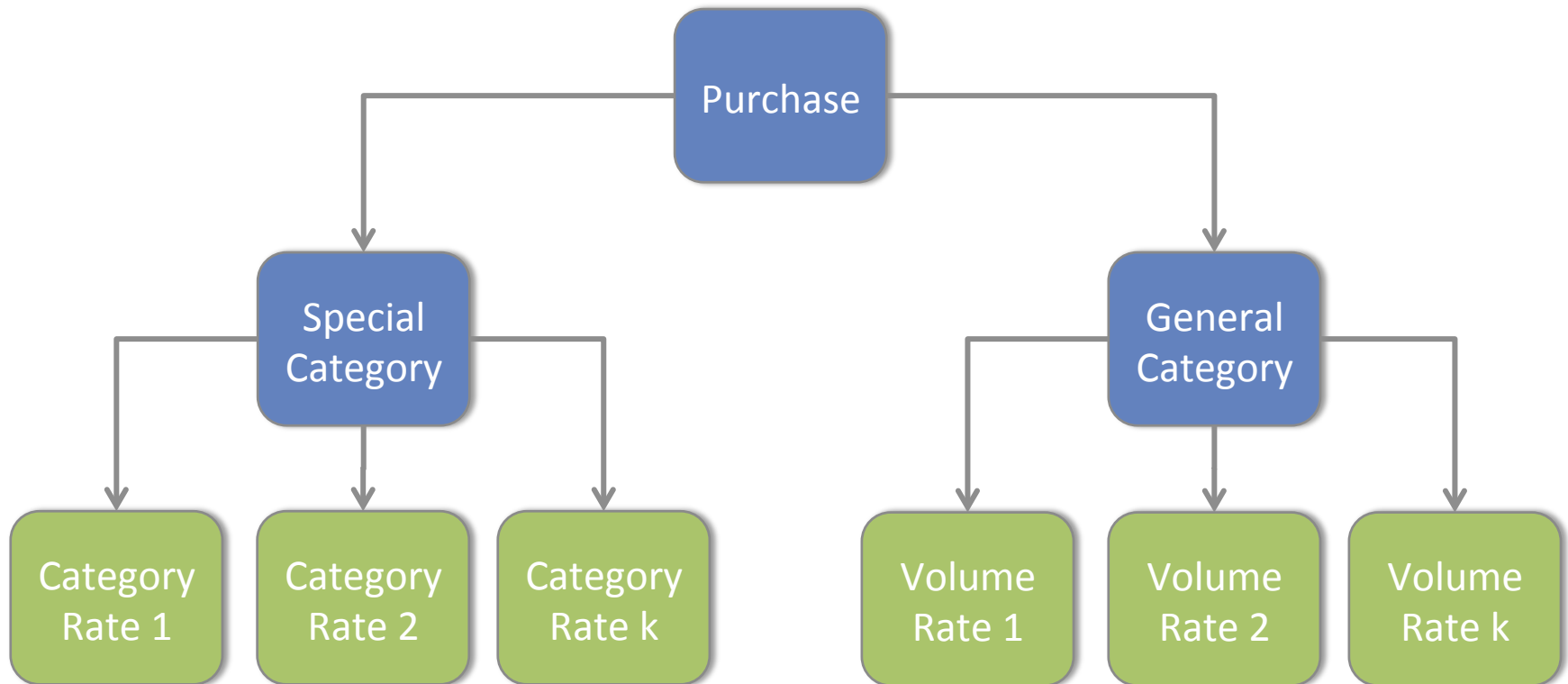
Performance Fee Structure

- Category-based commission: 4-15%
- Volume-based commission: 4-8.5%
- Default option

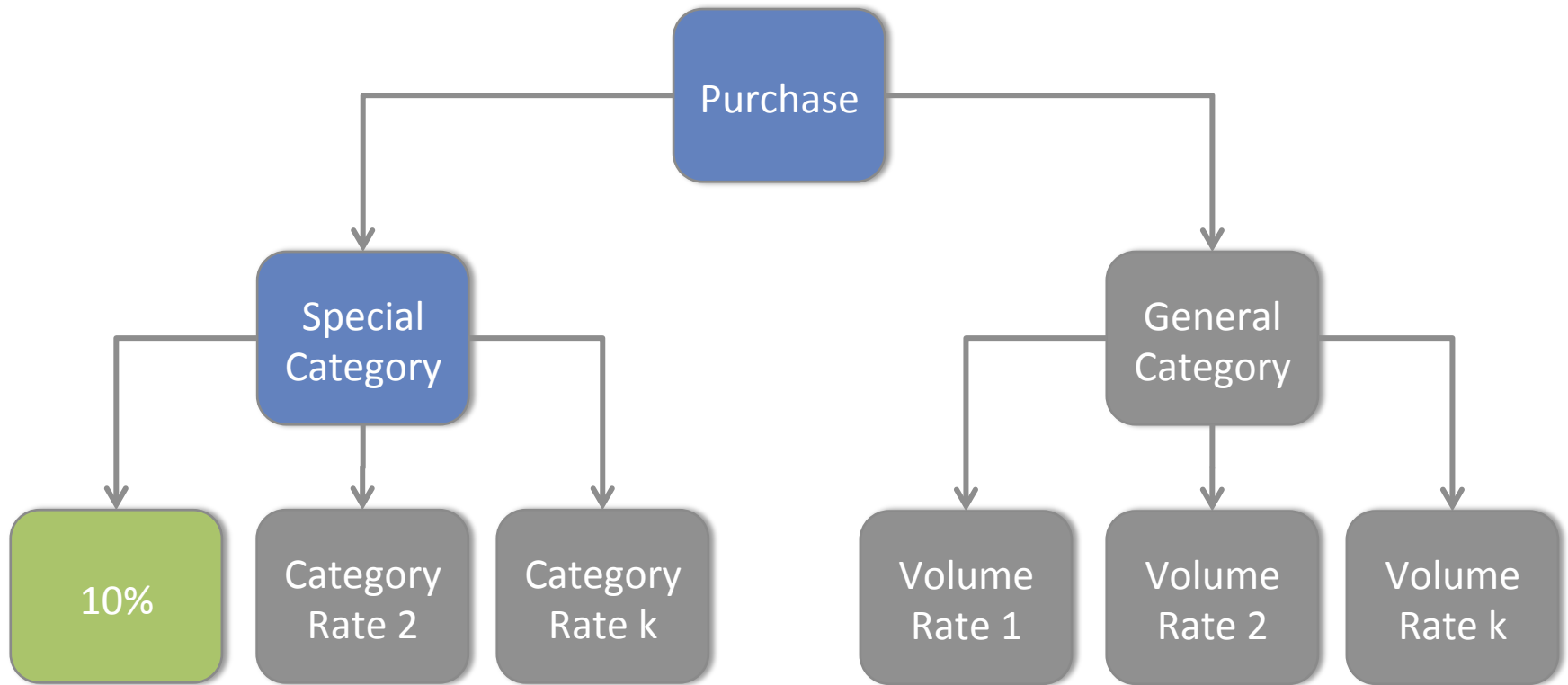
Observation: the classic structure provides no advantages



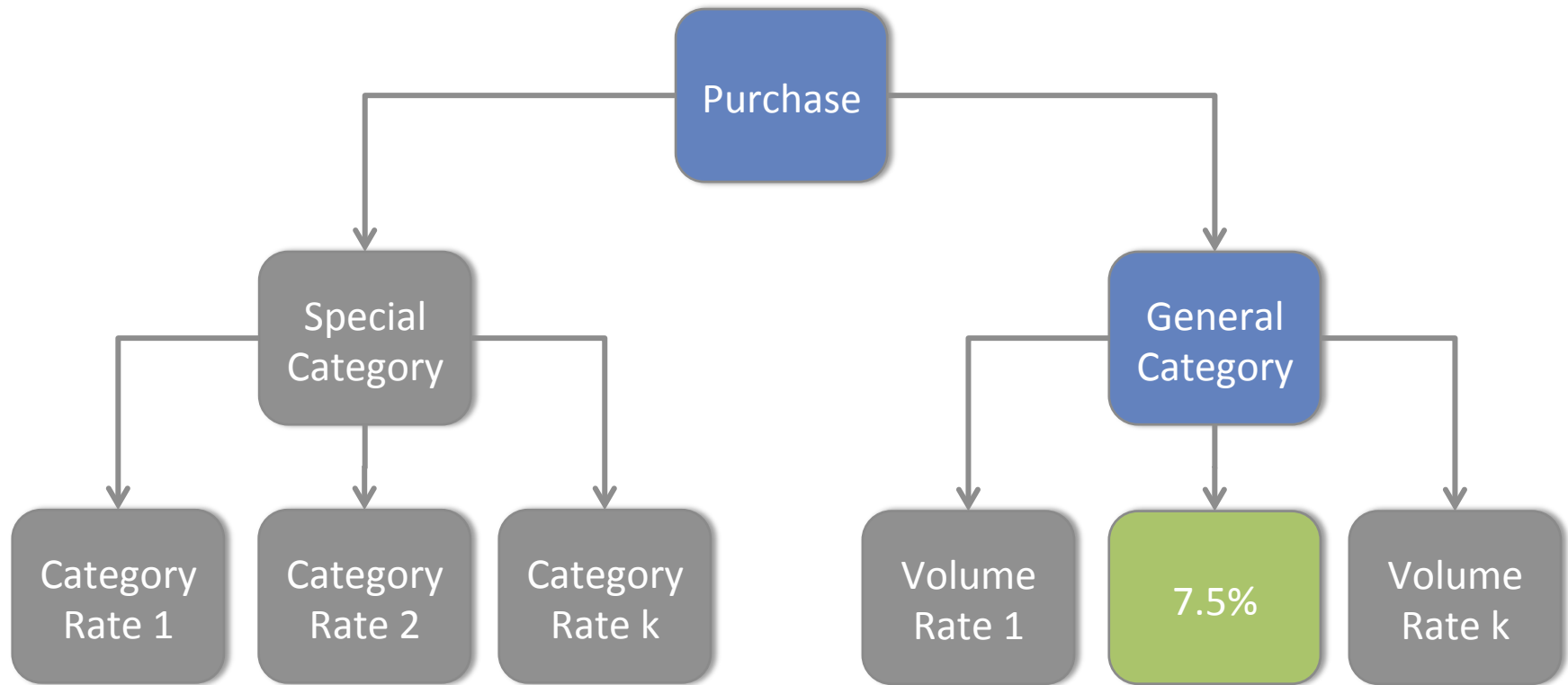
PERFORMANCE FEE STRUCTURE



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