



AFFILIATE MARKETING 101

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In outcomes-driven marketing, the traditional affiliate is among the most established partnership types. Before we dive into what a traditional affiliate partnership is and how this channel works, it's important to first have some context and perspective.

You see, the different players who make up this partnership marketing model engage with it differently.

For example, if you're someone who is looking to be a traditional affiliate—also referred to as a partner or publisher—then you're likely to want to know about what it means to join a brand's affiliate program, best practices for promoting their products or services, how you're compensated for doing so, etc.

And, if that's you, then the information and resources on our **Partner Hub** is for you!

However, if you are a brand (aka, a company, merchant, retailer), then please read on as the information on this page is written with you in mind.

We also highly recommend downloading our **Ultimate Guide to the Affiliate Marketing Model**. This free guide offers more detail for each of the sections featured in here and explains how they all work together in the affiliate model.

WHAT IS AFFILIATE MARKETING?

Affiliate marketing, while often referred to as a “channel,” is really a model or framework that makes it possible for brands to partner with individuals or companies (referred to as “affiliates,” “publishers” and “partners”), to track and measure their performance and do so in an efficient, scalable, and cost-effective way.

For example, let’s say you are a direct-to-consumer company that sells engagement and wedding rings. Through your affiliate program, you might partner with...

- ✓ Websites focused on having budget-friendly weddings
- ✓ Engagement/wedding ring review sites
- ✓ Publishers who have the capabilities to promote sign-ups for your “free ring sizer kit,” thus driving high-value leads for you

Whatever you are wanting these partners to do – drive sales, leads, new customers, etc. – you pay them after they’ve delivered on that desired action. In other words, you’re paying for actual outcomes.



WHO ARE THE PLAYERS IN THE AFFILIATE MARKETING MODEL?

BRANDS (ADVERTISERS/MERCHANTS)

Companies that sell a product or service. Industries include retail, direct-to-consumer, subscription services, financial services, travel, telecom, broadband, gaming, e-commerce, marketplaces, B2B, and more.

AFFILIATES (PUBLISHERS/PARTNERS)

Marketing partners to brands. They can be bloggers, active social media posters, niche content sites, personal website owners, product review websites, shopping sites, mobile apps, app-to-app marketing platforms, mass media sites, loyalty, coupon, and reward websites and even other brands.

AFFILIATE NETWORKS

In an affiliate program, affiliate networks typically handle all tracking, reporting and payment to affiliates. In addition to providing tracking technology, some affiliate networks also provide full-service management or self-service management of a program. Affiliate networks also give brands access to a network of affiliates who apply to join their network, which also gives these affiliates access to hundreds, even thousands, of affiliate programs.

SOFTWARE AS A SERVICE (SAAS) PLATFORMS

In an affiliate program, SaaS platforms primarily provide companies with performance tracking, reporting and payment. Some are even branching into affiliate management and affiliate relationships. However, their typical focus is on the technological aspects of an affiliate program.

Brands select either an affiliate network or a SaaS platform as their technology partner, not both. For greater insight into networks and SaaS platforms and the types of companies that fall under each type, download our **Quick Guide to Affiliate Networks and SaaS Platforms**.

AGENCIES (See Affiliate Program Management on Page 7)

Oversee and manage the day-to-day operations, and strategy of a program on behalf of brands, including partner relationships, partner recruiting, activation and optimization. They work directly with affiliates and with the affiliate network or SaaS platform that services the technological needs of the program.

CUSTOMERS

The audience those affiliates look to influence to make a purchase, submit a lead form, sign up for a newsletter, test out a service, become a new customer, etc.



For a more in-depth breakdown of these different types of affiliate partners, download our **Ultimate Guide to Affiliate Marketing Partnerships**

HOW DOES AFFILIATE MARKETING WORK?

To those on the outside, the inner workings of affiliate marketing can be mysterious and confusing. Some marketers even think it's a channel that you can turn on and off, like you can with paid search or paid social (spoiler: it's not).

While affiliate partnerships are multifaceted, it's a structure that's built on transparency and real relationships, not one-off transactions.

The overall goal of an affiliate program is to create a win-win framework for both brands and their affiliate partners – a structure that, when established properly and strategically managed, can make up a significant portion of a brand's online revenue, with high ROAS and low CPA.



HERE'S ONE EXAMPLE OF A SALE GENERATED THROUGH AFFILIATE MARKETING

- 1 Affiliate partner promotes a brand's products or services on their site.
- 2 Consumer first logs into the affiliate site, clicks on brand's promotion with the website, and a first-party cookie is then stored on the consumer's browser (see the next section for more on cookies); this is what makes it possible for the affiliate network or SaaS platform to track the consumer's progress from the affiliate's website through to the brand's shopping cart.
- 3 Consumer is redirected to the brand's website.
- 4 Consumer purchases a product/service from the brand.
- 5 The network or SaaS platform then automatically pays out a commission to the affiliate (based on the rules set by the brand) for driving that sale.



TRACKING AND PERFORMANCE

While third-party cookies are mostly gone now, first-party cookies are still very much alive and well. Because they're a cookie that the affiliate website itself is placing on a user's web browser or keeping on their own server, it allows commerce and activity to continue.

From an affiliate perspective, it is still possible to track transactions and activities from affiliates using first-party cookies, as opposed to third-party cookies. There are a couple of ways in which this can be done.



UNIVERSAL TRACKING TAG

This is a piece of JavaScript that lives across every page on an advertiser's website, and it can drop a first-party cookie (instead of a third-party cookie) when an affiliate refers traffic to that website.

It's the same process as what would happen using a third-party tracker. The consumer would be on a site, they would add items to the cart and checkout, and that first-party cookie would be read by the affiliate tracking technology that is installed on the advertiser's website. It would record that and send it back to the associated affiliate technology platform.

SERVER-TO-SERVER TRACKING

In this form of tracking, the advertiser records information that's passed to them through a query string. When a user is on the affiliate website and they click on a link, that link will go to the advertiser's website and there will be data passed through the actual URL of the link that's being sent to them. The advertiser will record that information on their own servers, and they will be able to see that it came from affiliate "X", because it will have parameters in the string. Then, the advertiser can send the data back in a server call to the affiliate technology once the transaction has taken place. The affiliate technology will record which affiliate it came from, the dollar value of the order, and the consumer that actually clicked on the link.

TRACKING PERFORMANCE

The metrics generated from these tracking structures tend to be more tangible than other forms of marketing and can lead to a highly reliable ROI calculation for the brand, including:

- ✓ Registrations, email sign-ups, giveaway entries
- ✓ Sales, orders, subscriptions
- ✓ Conversion rate
- ✓ New vs returning customer
- ✓ Average order value
- ✓ Cost per acquisition (CPA)
- ✓ Customer lifetime value (CLV)

AFFILIATE PROGRAM MANAGEMENT

On average, companies either manage their affiliate programs in-house or they partner with an affiliate management agency to manage the day-to-day needs requirements of an effectively run program.

There are also brands, particularly enterprise brands, who take a “hybrid” approach to the management of their program where they oversee elements of it in-house and partner with an agency to manage the day-to-day aspects.



IN-HOUSE PROGRAM MANAGEMENT TENDS TO WORK BEST FOR

- ✓ Companies that have intentionally decided to run a small, private affiliate marketing program with only a few select partners. An in-house manager can generatly manage this type of affiliate program without much difficulty.
- ✓ Companies that are not looking to grow their program. Partnering with an affiliate agency is an investment; if a company is not investing in their program, the spend may not be worthwhile.

AGENCY PROGRAM MANAGEMENT TENDS TO WORK BEST FOR

- ✓ Companies (typically on a growth path and who have \$5M+ in online sales) who lack the in-house resources, operational and industry expertise, platforms, and affiliate partnerships to manage their affiliate program effectively.

HYBRID PROGRAM MANAGEMENT (IN-HOUSE + AGENCY) TENDS TO WORK BEST FOR

- ✓ Enterprise brands who need a substantial team to run their program.
- ✓ Brands who want to use an agency for specific program management functions or to strategically expand their geographic footprint and need local expertise.
- ✓ When managed well, with the right partners, affiliate marketing is arguably one of the most efficient and cost-effective marketing models for driving new revenue, new customers, high-value leads, and incremental sales.
- ✓ The growth of affiliate marketing, now into its third decade, is a testament to the model's adaptability and versatility. It's also why it's an integral part of the marketing and acquisition strategies for the world's industry-leading brands.

Questions about how the affiliate marketing model can benefit your brand?

CONNECT WITH US!

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