Q2 2017 TO Q2 2018
AFFILIATE MARKETING BENCHMARK REPORT

HOW LEADING E-COMMERCE AND RETAIL BRANDS ARE GROWING THRIVING AFFILIATE PROGRAMS
“A garden requires patient labor and attention. Plants do not grow merely to satisfy ambitions or to fulfill good intentions. They thrive because someone expended effort on them.”

LIBERTY HYDE BAILEY

YOUR AFFILIATE MARKETING PROGRAM IS LIKE A GARDEN

To flourish, it needs:

GOOD SOIL (affiliate technology platform)
SEEDS (affiliate partners)
SOWING (diversification)
SUNLIGHT & WATER (promotion from affiliates)
SMART OVERSIGHT (affiliate marketing agency)

Why the gardening analogy for this quarter’s benchmark report?

Because it’s summer. And, because it suits our key takeaways from the data we analyzed between Q2 2017 and Q2 2018.

So, slather on that sunscreen, pull on the gloves, put your floppy hat on and let’s get diggin’ into this data!
ABOUT THIS Q2 BENCHMARK REPORT

Each quarter, we dig deep into our clients’ affiliate program data. We then separate out the most interesting, compelling data points from that quarter, compare them to the data gathered the prior year and then compile them into a benchmark report.

WHY?

Because at Acceleration Partners (AP), the priority of our global affiliate marketing agency is to provide the best possible program management services to our clients. By analyzing and distributing this data, we’re able to:

• Gain valuable insight into every level and facet of an affiliate marketing program.
• Apply those insights to our existing and future clients’ programs.
• Help ensure that our clients don’t miss out on any opportunities to grow and optimize their affiliate marketing initiatives.
• Cultivate our mission of leading the performance marketing industry through innovation, respect for the brand, exceptional client service and superior results.

THINGS TO NOTE FOR THIS BENCHMARK REPORT:

The sample group of clients that we evaluated between Q2 2017 and Q2 2018 have (combined) partnerships with over 13,000 click active affiliates.

Of these 13,000 affiliate/retailer partnerships, one affiliate may be counted multiple times depending on how many retailers in the sample group they’re partnered with.
KEY TAKEAWAYS & INSIGHTS FROM Q2 2017 - Q2 2018

- Of the sample client group we evaluated between Q2 2017 and Q2 2018:
  - Total Q2 affiliate channel revenue grew 23% Y/Y
  - Mobile revenue for Q2 rose 15% Y/Y
  - Traffic and revenue from Content & Mass Media affiliates significantly increased Y/Y
- Just as one can’t expect to have a thriving garden after digging a hole and planting a seed, nor should one expect their affiliate program to be “set it and forget it.”
- The most profitable and productive affiliate programs require proper time, attention and a hands-on approach.
- Like plants, each affiliate program has its own unique personality and needs different care and nourishment. This is why the “one-size-fits-all” approach to affiliate program management is a disservice to merchants and affiliates alike.

Read on as we delve into each of these data points – and more!
TOTAL AFFILIATE CHANNEL REVENUE GREW 23% Y/Y

Blooming with consumer holidays, including Easter, Mother’s Day, Memorial Day and Father’s Day, Q2 provides ample opportunities for Acceleration Partners’ retailers to create buzz around their products and services and engage with consumers. This Q2, many retailers hosted sitewide sales and affiliates hosted themed landing pages to celebrate these occasions.

Every quarter, holidays provide a variety of ways to attract consumers to your brand. Even some of the lesser known observances and holidays can make for fun, festive campaigns.

For example, the Acceleration Partners team worked with one retailer to develop a Daylight Savings promotion in an otherwise promotionally sparse March. By spreading the strategy to the client’s affiliate base, the client reaped revenue results that exceeded expectations.

The point is, think outside the planter box! If everyone around you is planting carrots and cucumbers, try planting achocha (relative of the cucumber) and amaranth (an ancient grain). You might be amazed by what you harvest.
Of the Q2 holidays, Memorial Day weekend saw the strongest year-over-year growth, with revenue up 43% against the previous year.

Our perspective as to why? Because consumer needs for Memorial Day span a variety of verticals, from grocery items and party décor to higher ticket items like grills and patio furniture – all of which tend to align with the product offerings for all types of retailers.

Overall, affiliate channel revenue for Q2 2018 was up 23% when compared with Q2 of last year.
We touched on this in last quarter’s benchmark report, but mobile’s feature in the affiliate marketing landscape continues to grow in prominence.

There are many meanings and misunderstandings around the word “mobile.” For the purposes of this Q2 2017-2018 benchmark report, we’re referring to mobile as “affiliate program revenue originating from purchases made on a consumer’s mobile device.”

TOTAL AFFILIATE PROGRAM REVENUE FROM MOBILE DEVICES GREW 15% Y/Y

The retailers in our sample group saw total affiliate revenue from mobile devices grow 15% Y/Y, while revenue from other devices (including desktop and tablet) grew 24% Y/Y.

As smartphone usage continues to grow, retailers should define and continually evolve their mobile strategy for their affiliate channel. A crucial first step in this process is to establish what “mobile” means as it relates to your affiliate program and your goals.

Is it pushing downloads of your own app? Working with affiliates who have mobile-friendly websites or apps of their own? Using mobile device messaging to drive consumers to your stores? All three?

Whatever your goals, it’s imperative that your program managers facilitate discussions around them with your affiliate partners. Cross-pollination of these ideas can help you meet – and even exceed – your revenue goals.
PERCENTAGE OF OVERALL AFFILIATE REVENUE COMING FROM MOBILE DEVICE TRANSACTIONS REMAINED RELATIVELY EVEN Y/Y

Retailers in our sample group saw revenue stemming from mobile devices in Q2 2018 to be down slightly from last year (21% in 2018 vs 22% in 2017).

Just like one plant blooming in one garden and barely flowering in the next, the percentage of revenue driven by mobile devices can vary significantly from one retailer to another. It can be influenced by the retailer’s product or service offering, the complexity of the purchase or checkout process and the retailer’s mobile shopping experience.

Retailers whose products are at a higher price point or involve personalization – such as photo stationery, custom clothing, furniture or appliances – might see more of their customers converting via desktop.

Conversely, lower price point items and those with a relatively simple checkout process, such as clothing and accessories or other impulse buys, could see mobile devices play a larger role.

% OF TOTAL REVENUE FROM MOBILE

![Graph showing percentage of total revenue from mobile devices from Q2 2017 to Q2 2018. The percentage remains relatively even at around 21%.]
CONVERSION RATE DIPPED SLIGHTLY Y/Y

Conversion Rate is the percentage of clicks that result in the desired action (e.g. sale, lead, etc.).

Retailers should be aware of their program’s average conversion rate and the rates of their top publishers. It’s also important to regularly monitor them. Identifying fluctuations in traffic and conversions can make it easier to uncover tracking issues and assess the effectiveness of campaigns and partner relationships.

Overall, conversion rates decreased slightly from 7.21% in Q2 2017 to 6.85% in Q2 2018.

Collectively, retailers in our sample group noticed affiliate clicks increase at a marginally higher rate than conversions. There are instances where a promotion/publisher/campaign might continue to drive similar or higher levels of traffic, but not convert as strongly due to a variety of internal and external reasons, including timing, messaging, activity from competitors, etc.

Featured placements on affiliates sites, viral posts and new sources of traffic are all potential causes of notable increases in overall traffic. What’s important is to be aware of major changes in conversion rates so you can identify what’s working and what isn’t.

AVG. CONVERSION RATE
Acquiring new customers is a common goal of many affiliate marketing programs. Retailers should always be searching for new sources of traffic and ways to target new audiences.

At Acceleration Partners, our team helps retailers leverage a variety of tactics to acquire new customers through their affiliate marketing program. For instance, releasing promotions meant only for new customers coupled with a commission bonus on new customer orders for their affiliate partners.

Select loyalty partners can now segment their audiences to reach customers who haven’t shopped with a retailer and offer a cash back or reward bonus incentivizing them to do so.

Whatever the brand, product or service, retailers (and their affiliate marketing management team) should keep new customer acquisition top-of-mind every quarter.

Overall, the average percentage of affiliate program revenue from new customers in Q2 2018 was 45%, up from 38% in Q2 2017.
TOTAL AFFILIATE TRAFFIC INCREASED 35% Y/Y

Retailers saw clicks driven by affiliate partners increase 35% Y/Y in Q2 2018, with Memorial Day weekend (5/25/2018 – 5/28/2018) seeing clicks up 48% Y/Y.

A few Acceleration Partners clients saw their Memorial Day promotions spotlighted by mass media partners such as Buzzfeed, GQ and others, boosting exposure and therefore traffic.

Securing paid placements and sponsored content with affiliate partners is a great way to get more eyes on your brand. For these campaigns to bear fruit, ensure you’re properly sowing and nourishing your seeds (affiliate partners) by ensuring the messaging and creative resources you’re providing them to leverage are compelling and encouraging customers to convert.

CLICKS DRIVEN BY AFFILIATE PARTNERS

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Clicks</th>
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<tbody>
<tr>
<td>Q2 2017</td>
<td></td>
</tr>
<tr>
<td>Q3 2017</td>
<td></td>
</tr>
<tr>
<td>Q4 2017</td>
<td>+34.53% Y/Y</td>
</tr>
<tr>
<td>Q1 2018</td>
<td></td>
</tr>
<tr>
<td>Q2 2018</td>
<td></td>
</tr>
</tbody>
</table>

- Total Clicks
AVERAGE COMMISSION RATE INCREASED BY 18% Y/Y

In affiliate marketing, it’s common for retailers to establish a program commission structure that takes a variety of factors into account, including:

- product or category
- customer status (new vs. existing)
- the affiliate’s revenue or order volume driven over a certain period
- the customer’s click path

Regardless of the approach, it’s wise for a retailer to examine their competitive landscape periodically to ensure their affiliate commission payouts are competitive.

Between Q2 2017 and Q2 2018, the average commission rate across affiliate partners increased by 18%.
STRATEGY RECOMMENDATIONS

GET YOUR HANDS DIRTY
In most affiliate marketing programs, reaching new audiences and acquiring new customers is as common a goal as growing and harvesting a plant. However, that doesn’t make it easy. And it certainly isn’t likely to happen by “setting and forgetting” your garden. On the contrary, it takes time, effort, energy and some creativity. This includes:

• Researching and vetting new affiliate partners who could help you tap into a new demographic.
• Coming up with dynamic promotions or increased rewards on loyalty sites for new customers only.
• Examining your competitors’ activity, the partners they are working with and what they are doing to help the retailer drive new customers.

TEND YOUR GARDEN
Pay attention to the performance fluctuations within your affiliate marketing program. Be aware of your average metrics at the program level, such as average order value, average conversion rate and average daily revenue, conversions or traffic. It’s also important to take note of these metrics across your top publishers.

Having a solid grasp on the performance your partners are driving in a typical day can help you easily spot changes in their performance and investigate further. If you’re unable to find a reason for a publisher’s change in performance, don’t hesitate to reach out to the publisher directly to see if they can provide insight.

MIX IT UP
Offering attractive promotions and messaging is an important part of incentivizing consumers to shop, but you should also ensure you’re using a variety of tactics to drive consumers to your site. Sponsored content, giveaways and influencer campaigns are just a few ways you can leverage the affiliate marketing model to get the word out and reach new customers.
For this benchmark breakdown, we’ve highlighted six publisher segments working with our sample group of retailers: Loyalty, Coupon, Deal, Sub-Affiliate/CPA Networks, Mass Media and Content.

If you’d like to learn more about some of the differences between these different publisher segments, download our e-book, *Performance Partnerships: Growing your Affiliate Program with Nontraditional Partnerships*.

**INCREASE IN TOTAL CLICK AND SALE ACTIVE PARTNERSHIPS**

Q2 2018 saw retailers’ click active affiliate partnerships increase by 8% Y/Y, while sale active partnerships increased by 16% Y/Y.

The foundation of any affiliate program is establishing and growing partnerships with affiliates/publishers. Retailers should always be exploring new partnerships and activating these partners is crucial to the success of a program.

To help with this process, we created a comprehensive and informative guide for *Creating High-Value Publisher Partnerships*.

**PARTNERSHIP ACTIVITY**

![Graph showing increase in click active and sale active partnerships from Q2 2017 to Q2 2018. Click active partnerships increased by +8.18% Y/Y. Sale active partnerships increased by +16.07% Y/Y.](chart.png)
While this new guide takes an in-depth look into what publishers want and need from their partners, a smart way to engage with and activate new affiliates is to provide them with a special incentive for driving their first conversion (sale, lead, etc.).

For example, in Q2 2018, an AP client targeted a segment of affiliates who had yet to drive a sale within their program. They offered these affiliates a gift (free product) for driving their first sale by a specified deadline.

The yield? 14 new affiliates become sale active, driving nearly 200 conversions for the brand and exceeding campaign expectations.

14 NEW AFFILIATES DRIVE
NEARLY 200 CONVERSIONS
PUBLISHER REVENUE

Revenue driven by each publisher segment (Loyalty, Coupon, Deal, Sub-Affiliate/CPA Networks, Mass Media and Content) in Q2 2018 increased compared to Q2 2017.

While clients saw the most substantial increase in revenue from their content partners, up 75% Y/Y, Q2 2017-2018 also saw impressive results from Mass Media partners, who drove notable growth in revenue (38% Y/Y).

Mass Media affiliate partners include publications such as Buzzfeed, Business Insider, Forbes and others that have emerged in the affiliate space over the last few years.

Mass Media affiliate partners can offer substantial exposure opportunities for retailers when their editorial coverage aligns with a retailer’s vertical.

REVENUE BY PUBLISHER TYPE

<table>
<thead>
<tr>
<th>Publisher Type</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td>+61.69%</td>
</tr>
<tr>
<td>Coupon</td>
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<td>+3.71%</td>
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<td>Deal</td>
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<tr>
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<td></td>
<td></td>
<td>+45.87%</td>
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<tr>
<td>Mass Media</td>
<td></td>
<td></td>
<td>+38.49%</td>
</tr>
<tr>
<td>Content</td>
<td></td>
<td></td>
<td>+74.87%</td>
</tr>
</tbody>
</table>

Listen to our Q2 Publisher Spotlight on our Outperform podcast to learn about CLO publishers, what they are, how merchants are working with them and how they are adding incremental value to merchants’ affiliate marketing programs.

*The information in this section is based on data from AP retail clients’ top 10 publishers in the Loyalty, Coupon, Deal, Sub-Affiliate/CPA Networks, Mass Media and Content categories.*
INCREASED CLICK RATES FOR COUPON, LOYALTY AND CONTENT AFFILIATES

Except for a small decrease for the Sub-Affiliate/CPA Network affiliate segment, all other publisher groups saw strong Y/Y growth in clicks from Q2 2017 to Q2 2018.

In addition to seeing strong increases in revenue Y/Y, affiliates in the Content segment saw the largest Y/Y increase in click rates, up 229% against last year. Retailers continue to look to content publishers to reach loyal audiences and cultivate top-of-funnel brand awareness.

Deal affiliates also tend to drive high click volume for retailers, especially when a deal post goes viral. That said, traffic patterns stemming from deal affiliates can seem somewhat erratic and inconsistent to retailers. However, that doesn’t equate to diminutive value. As deal affiliates’ traffic aligns with the cadence of deal posts for a retailer, positive performance can rise like sunflowers. These affiliates can also provide retailers with valuable opportunities for exposure on competitively priced items and can help liquidate clearance or overstock items.

For all these reasons and more, deal affiliates saw strong Y/Y click rate growth for our retail clients, up 66% Y/Y.

CLICKS BY PUBLISHER TYPE

<table>
<thead>
<tr>
<th>Publisher Type</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal</td>
<td></td>
<td>+65.66%</td>
</tr>
<tr>
<td>Coupon</td>
<td></td>
<td>+24.35%</td>
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<tr>
<td>Loyalty</td>
<td></td>
<td>+68.71%</td>
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<tr>
<td>Sub-Affiliate/CPA Networks</td>
<td></td>
<td>-3.22%</td>
</tr>
<tr>
<td>Content</td>
<td></td>
<td>+228.51%</td>
</tr>
<tr>
<td>Mass Media</td>
<td></td>
<td>+194.08%</td>
</tr>
</tbody>
</table>
YOU REAP WHAT YOU SOW IN YOUR PERFORMANCE PARTNERSHIPS

Affiliates/publishers are valuable extensions of your brand – IF you’re cultivating a strong, healthy relationship with them based on trust and transparency. Here are a few ways to do that:

GIVE ‘EM SOME SUNSHINE
As new publishers join your affiliate program, welcome them warmly. Personalized welcome emails are a great way to help them hit the ground running and quickly promote your brand. The best affiliate marketing programs include the following in their welcome emails:

- Program manager’s information
- Popular text links and banner creatives
- List of top-selling product categories
- Any other brand information that they would find valuable.

This information is especially appreciated by affiliates who are new to the industry and could use a little extra guidance.

SURVEY THE LAND
Gaining feedback from your affiliate marketing partners can help you identify areas of strength and growth as well as opportunities for improvement within your affiliate program. A strategy that most best-in-class affiliate programs implement is to disperse a yearly survey to all the affiliates in their program. The purpose is to gather feedback and information from them about such things as their favorite aspects of your brand, usage of tools within the program and their communication preferences. As a special thank you to affiliates who complete the survey, consider holding a drawing for a gift card or for one of your higher-value products.
SIGHT SPROUTS AND SEASONS

The affiliate marketing industry is constantly evolving. New ideas, tactics, rules, regulations, publishers, technologies, providers, etc. can suddenly sprout. And while some are unfavorable weeds, many others can yield a fruitful crop for your program. To know the difference, you and/or your affiliate marketing program management team need to stay up-to-date on any major changes across the industry or with your direct partners. This can be done via industry publications, newsletters or content circulated by your top affiliate partners.

It’s also important to stay in concord with the seasonality of affiliate marketing. As we noted in this quarter’s benchmark report – and prior reports – observances, holidays and seasonality can play a significant role in the success of your affiliate program.

Balanced, diverse and harmonious publisher partnerships are the bedrock of a thriving affiliate marketing ecosystem. To reap the rewards of a bountiful harvest, it’s essential that you provide the right conditions within your program so that your affiliate marketing partners can flourish.
Acceleration Partners is a global affiliate marketing agency delivering performance-based customer acquisition and partnership programs for the world's leading brands. Through our Performance Partnerships® program management framework, we help clients create transparent, high-value programs that bring more customers, incremental sales and faster growth.

Acceleration Partners’ growing global reach, discerning industry expertise and relationships with performance-focused partners has led to a client roster that includes Target, adidas, Gymboree, Reebok, Warby Parker, ThirdLove, ButcherBox, FindYourTrainer, Smart Destinations, Luca + Danni and many other brands.

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