INTRODUCTION

The affiliate marketing model has been overcomplicated and misunderstood for most of the industry’s history. This has led to some brands being misinformed about how to truly drive value and performance through their affiliate program, and others to refrain from having an affiliate program altogether.

Both of these scenarios are unfortunate as affiliate marketing has more than proven its value and ability to drive scalable, cost-effective growth for brands in the form of new revenue, new customers, high-value leads and incremental sales.

The caveat is that these results depend on how well the program is managed.

From our perspective, the more you know and understand about this dynamic marketing model, the better positioned you’ll be to make informed, strategic decisions about how it can support your brand’s marketing and customer acquisition goals.

To help simplify all the facets that make up the affiliate marketing model, we’ve broken down what the affiliate marketing model is, who the players are and how they align with one another to drive performance.

We’ve also included some examples of how brands in various industry verticals are leveraging the affiliate model for their marketing and business partnerships.
THE AFFILIATE MARKETING MODEL

At its core, affiliate marketing is an efficient, cost-effective, scalable framework for paying partners.

Like influencer, word-of-mouth or referral marketing, affiliate marketing involves a person or business entity sharing information about a product or service and why they find value in it. A key difference is that, in the affiliate model, companies only pay their partners after they’ve delivered on a desired outcome, which is established by the brand.

Whether a brand chooses to only compensate partners who bring in paying customers to their business or reward those who provide qualified leads (or both), the point is that almost any company in any industry vertical can benefit from the affiliate marketing model.

The nuances lie in how a particular brand should use the affiliate model in ways that will offer the most value to their business and their brand. In other words, the best affiliate programs are all customized depending on the unique needs, goals and business structure of the brand.

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 return on ad spend (ROAS) and low cost per action (CPA).
KEY AFFILIATE MARKETING PLAYERS

**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 TECHNOLOGY**
Technology is an important component of an affiliate program. In the affiliate model, it’s the technology that makes it possible for companies to track and measure the performance of their program as well as properly pay their partners. This technology is provided through either an affiliate network or a software as a service (SaaS) platform. (See Affiliate Networks and SaaS Platforms section below).

**AGENCIES (See Affiliate Program Management below)**
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 that 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.
Here’s another way of looking at how all these players interact with one another:

Step 1: Customer visits Partner’s site
Step 2: Customer clicks Partner’s link
Step 3: Network/Platform tracks Customer activity
Step 4: Customer completes conversion (sale, lead, etc.)
Step 5: Network/Platform pays Partner commission
AFFILIATE NETWORKS AND SAAS PLATFORMS

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 also provide companies with performance tracking, reporting and payment, however, they do not manage affiliate programs or provide companies with access to a network of affiliates. Their focus is just 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 free Quick Guide to Affiliate Networks and Saas Platforms.
PLETHORA OF PERFORMANCE-BASED PARTNERSHIP OPPORTUNITIES

The term “affiliate” actually applies to many different types of partners, including individual people, companies and organizations. Through the affiliate model, companies are able to manage these partnerships at scale and only compensate their partners after they’ve delivered on an agreed-upon outcome (e.g. driving a sale, generating a high-value lead, bringing on a new customer, etc.).

This performance-based approach to paying partners is something that makes the affiliate model unique compared to other forms of marketing.

Let’s dig a bit deeper into the different types of partners within the affiliate model and what they do.

CONTENT PARTNERS
Content affiliates are focused on creating relevant and valuable content to share with their audience. They include bloggers, product review sites and social media influencers. Content partners leverage sponsored posts, emails and banner advertising to promote advertisers to their audience as well as social media channels such as YouTube, Facebook, Instagram and Pinterest. Some content sites can be general interest sites, others focus on a specific niche. Content affiliates tend to have highly engaged audiences and can be extremely influential in a consumer’s decision to purchase.

MASS MEDIA PUBLISHERS
Mass Media partners are traditional print publishers. In the past several years, they’ve discovered that, via the affiliate model, they can create high-value, native content online and monetize it in the process. Mass media publishers tend to already have significant reach via their website, mobile and email. They also have the ability to reach specific niche or targeted audiences, which make them unique, highly sought-after partners. Examples include Buzzfeed, Condé Nast, Business Insider, Forbes, Hearst Media, The Wire Cutter, The New York Times and many more.
LOYALTY AND REWARD PARTNERS
Loyalty/Reward affiliates engage an audience base by offering a unique reward or loyalty incentive, such as cash back, earning cash toward college, points or charitable donations. These affiliates have a strong and loyal consumer base and tend to be brands in their own right. Examples include Acorns and Upromise.

COUPON PARTNERS
Coupon affiliates are often large companies that generally try and cover every deal available and offer it in the form of a digital coupon. This could be a percentage off the customer’s order, free delivery or gifts with certain purchases. Examples include RetailMeNot and Coupons.com.

DEAL PARTNERS
Deal affiliates typically focus on consumer-packaged goods (CPG) offers in addition to short-term deals (e.g. two days only). They’ve also gotten much more involved with social media to promote their deals. Many people combine coupon and deal affiliates within one partner category, but they actually function differently and thus, need to be managed differently.

SUB-AFFILIATE NETWORKS
Sub-affiliate networks are companies that offer services to bloggers and website owners that help make it easier for them to monetize their blog/website based on a cost per action (CPA). A sub-affiliate network signs up as an affiliate with a brand and hundreds (even thousands) of bloggers join the sub-affiliate network in order to promote that brand and get paid commissions – without having to sign up as an affiliate themselves. When the sub-affiliate network gets paid, after taking a percentage of the commission themselves, they then distribute payment to the sub-affiliates/bloggers within their network who drove sales. Partnering with sub-affiliate networks can be a way for brands to promote their products and services to bloggers on a large scale. Examples include BrandCycle, Skimlinks and rewardStyle.
BUSINESS DEVELOPMENT PARTNERSHIPS

At their core, business development partnerships are exactly the same as a partnership between a brand and any of the aforementioned affiliate types. The main difference is how the partners’ performance is tracked and compensated.

In the conventional business development model, business development teams prospect for large, lucrative partners. Once a partnership is agreed upon, the business development team – or their company – will provide the partner with a UTM code, a coupon code or some combination of the two for tracking. They’ll use spreadsheets for reporting, paper documents for invoices and cut physical checks for payment when the partner helped drive a sale or a lead to their business. In other words, the company pays their partner for the outcome they produced.

The predicament with this prevailing model is that every step of the process is very manual and time-consuming; it’s also not scalable. As such, business development teams typically overlook smaller, mid-sized deals because there simply isn’t the time or resources to focus on anything except the “big” one-off deals.

Fortunately, companies are beginning to realize that not only are business development partnerships and affiliate-type partnerships virtually the same thing, but that the affiliate model offers incredible opportunities to scale their process so that it’s easier to manage the big partnerships. What’s more is that they are starting to understand that leveraging the affiliate model will mean that they no longer have to miss out on opportunities offered by small-and-mid-sized business deals.

To learn more about how brands are using the affiliate model for their business development partnerships, give this Outperform podcast episode a listen. (Biz Dev section starts at 7:27).
REFERRAL PROGRAM PARTNERSHIPS

Many companies run promotions that reward existing customers when they refer the company’s products and services to other people. While referral programs have a lot of the same characteristics as an affiliate program, the economics are different.

In the referral program model, when a customer refers a friend or family member to a company and they purchase something, the original customer is then rewarded with discounts, credits or free products.

In the affiliate model, affiliates who do the same thing are rewarded with a commission based on a percentage of the sale.

To most, the affiliate model is more attractive because the partners are getting financially compensated. In the referral model, customers tend to lose interest in referring more people to the company once they’ve earned one too many free products, credits and discounts that they have limited use for. Or, they’ve reached the maximum that they can qualify for.
**INFLUENCER NETWORK PARTNERS**

Influencer networks are companies that aggregate influencers (influential bloggers, celebrities, YouTube stars, etc.) and match them with brands. A challenge with their model is that it typically doesn’t include a tracking platform that tracks clicks, orders or sales, making it almost impossible to demonstrate whether or not the influencer’s effort was effective at generating actual revenue. Many brands have spent tens, even hundreds of thousands of dollars on influencers and then had no clue what their ROI was.

Understandably, enthusiasm for paying influencer networks a large flat-fee to gain access to their influencers has waned. Fortunately, the affiliate model offers a symbiotic solution. By partnering with companies through the affiliate model, influencer networks are able to:

- Add more value to advertisers
- Track and measure the efforts of the influencers
- Ensure that the influencers are adhering to the FTC’s disclosure compliance guidelines
- Better protect their clients’ brand
- Drive more incremental sales for their client

To learn more about how brands are using the affiliate model for their influencer marketing partnerships, give this [Outperform podcast episode](#) a listen. (Influencer Marketing section starts at 16:18).
AFFILIATE PROGRAM MANAGEMENT

The day-to-day management of an affiliate program typically requires specific expertise, dedicated resources and diligent oversight.

While there are some brands that have a person or small in-house team manage the day-to-day responsibilities of their affiliate program, many choose instead to partner with an affiliate management agency (sometimes referred to as an OPM) 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 (e.g. high-level strategy, performance and program budget) 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 generally 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 $8M+ 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 particular purposes or to strategically expand their geographic footprint.
ELEMENTS THAT GO INTO EFFECTIVELY MANAGING AN AFFILIATE PROGRAM

• Knowing the platform capabilities of the various affiliate networks and technology platforms and how to use them to best accommodate the needs of a program.

• Recruiting, screening and approving brand-aligned partners into the program.

• Managing those partners.

• Monitoring and preventing fraud within the program.

• Creating and driving promotions for partners to promote.

• Conducting daily transaction checks.

• Monitoring and managing the brand’s product data feed.

• Responding to program inquiries.

• Monitoring pay-per-click activity.

• Creating and distributing informative newsletters to partners that share program and promotional updates.

• Creating reports for the program’s month-over-month, quarter-over-quarter and/or year-over-year performance.

• Optimizing partners and the program to improve conversions and overall activity.
TRACKING PERFORMANCE IN AFFILIATE MARKETING

Affiliate Marketing uses tracking cookies and a pixel placed on the brand’s site in order to track and measure their partners’ marketing activity. The metrics generated from this tracking structure tend to be more tangible than other forms of marketing and can lead to highly reliable return on ad spend (ROAS) calculations 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 (CLTV)
GLOBAL AFFILIATE PROGRAM MANAGEMENT

Most retailers see globalizing their activities and coordinating their marketing efforts as a necessity in today’s marketplace. As brands investigate the best ways to go global, they are realizing that different networks, platforms and agencies have strengths in different markets. No one company (network, platform, agency, etc.) offers full global coverage that can be considered best-in-class in every market in which they operate.

For example, a retailer working in the US might want to expand into London or Japan. Their network may happily launch a program for them in these new markets, but may not explain that their market position in those countries is very different than it is in the US. Salespeople have a vested interest in promoting their own services, whereas brands that have an interest in developing global strategies need objectivity.

This is why working with an experienced agency as a single point of contact to manage the different players on the ground can help simplify and expedite the process of going global.

A true global affiliate marketing program management partner should be able to provide independent representation, support tools, technology, staffing flexibility, and, increasingly, global coverage. These agencies should also be experts in the various networks and platforms and understand how best to leverage those capabilities.
The Performance Partnerships® framework is what brings all of these different players together in a way that’s scalable, cost-effective and productive.

At their core, Performance Partnerships have four distinct features:

1. **A CPA element.** Partners bring a certain behavior to the table; once that behavior is delivered and tracked, payment is then made in real-time. In a Performance Partnerships, brands only pay when there’s a clear connection between results and performance.

2. **Transparency.** In a Performance Partnerships, there’s transparency, understanding, and ease about what your partners are doing to promote and represent your company and how they’re doing it.

3. **A real relationship.** Performance Partnerships are built on quality relationships. Companies not only know what their partners are doing to promote their brand, they are also confident about what they are doing. There’s clear communication, trust and respect. As such, there is no real difference between what a company considers to be “business development” relationships and relationships they have with affiliates. They are all partners.

4. **A real-time tracking and payment platform.** Performance Partnerships use real-time tracking platforms to handle operating agreements, tracking, and payments. These platforms also provide transparent real-time reporting to both parties. For some, this may mean adopting a traditional affiliate network solution. For others, it may involve engaging a Software as a Service (SaaS) platform. Rather than keeping non-affiliate relationships separate from your affiliate programs, they are (ideally) all managed in the same place.

Performance Partnerships take the best attributes of each of these components to create an efficient, effective, scalable marketing system. As a result, companies can be smarter and more strategic and performance-driven with their marketing.
CASE STUDIES

Here are some innovative ways that the world’s leading brands are using the affiliate model in their business:

PURA VIDA’S MULTI-CHANNEL APPROACH TO BRAND-ALIGNED AFFILIATE MARKETING

Acceleration Partners helped Pura Vida Bracelets optimize their partnerships with brand-aligned coupon partners, save over $19,000 in publisher commissions and doubled their affiliate program revenue. Learn more >

HOW A MILLENNIAL-FOCUSED REWARDS APP GREW NEW MEMBERS BY 1430% IN 6 MONTHS THROUGH AFFILIATE MARKETING

An innovative, millennial-focused mobile app company offering members cash rewards when they spend with their favorite brands. Learn more >

HOW BLURB INCREASED INCREMENTAL SALES AND IMPROVED ROAS

Acceleration Partners helped Blurb drive incremental sales from new customers and cost-effectively realize impressive return-on-ad-spend (ROAS). Learn more >
HOW THE AFFILIATE MODEL INCREASED B2B SERVICE PROVIDER’S LEAD GENERATION & CUSTOMER LTV

In addition to setting up an affiliate program from scratch for a B2B service provider, the Acceleration Partners team also came up with a more strategic and effective approach for their program that has enabled the client to realize a notable increase in the volume and quality of both leads and new business customers. Learn more >

HOW COMMISSION RATE ADJUSTMENT HELPED AP CLIENT INCREASE PROFITABILITY

AP client wanted to adjust the commission rates paid to their affiliates as a part of their new focus on profitability. To help them accomplish their new goals, the team implemented unique strategies to help the client adjust their commission rates in ways that would also ensure their relationships with publishers remained strong. Learn more >

HOW AP HELPED ONLINE MARKETPLACE CLIENT OPTIMIZE THEIR AFFILIATE PROGRAM

Recruiting and optimizing a new type of affiliate partnership helped an Acceleration Partners client exceed their Y/Y revenue goal by over 145%. Learn more >
Acceleration Partners is a global affiliate marketing agency delivering performance-based customer acquisition and partner programs for the world’s category-leading brands.

Through our Performance Partnerships® program management framework, we help clients create transparent, high-value programs that bring more customers, incremental sales and quality growth.

Acceleration Partners’ growing global reach, award-winning industry expertise and long-standing relationships with top performance partners has led to a client roster that includes Target, adidas, Reebok, Warby Parker, Noom, ThirdLove, ButcherBox, Find Your Trainer, Drop, Luca + Danni, U.S. Polo Association, Pura Vida Bracelets, The Purple Carrot, RedBubble and many other brands.

marketing@accelerationpartners.com
www.accelerationpartners.com