

The background features a dark red color scheme with various data visualization elements. On the left, a bar chart shows an upward trend with a line graph above it. On the right, a pie chart is partially visible. In the center, a laptop is shown with hands typing on the keyboard. The overall aesthetic is professional and data-driven.

Q4 2016 TO Q4 2017

# AFFILIATE PROGRAM BENCHMARK REPORT OF LEADING ECOMMERCE AND RETAIL BRANDS



*Every quarter we take a deep-dive into our clients' affiliate program data. Evaluating this data not only helps us maintain program quality for our clients, it also offers valuable insights at the product, creative and affiliate levels to ensure our clients aren't missing out on any opportunities to grow and optimize their program.*

*In this quarterly benchmark report, we examine data between Q4 2016 and Q4 2017.*

## KEY FINDINGS FOR Q4 2016 TO Q4 2017

- Q4 affiliate channel revenue grew 42.19% Y/Y
- Q4 accounted for 36.23% of total affiliate revenue for retailers Y/Y
- Black Friday/Cyber Monday weekend drove 7% of total 2017 revenue
- Affiliates' average Q4 commission rate increased 24.64% Y/Y

# TOTAL AFFILIATE CHANNEL REVENUE GREW 42% Y/Y

For our sample group of merchants in Q4, total affiliate channel revenue grew 42.19% Y/Y.

What brought about such growth? Key holidays, of course.

Q4 is jam-packed with major holidays, including Halloween, Thanksgiving, Hanukkah, Christmas and New Year’s Eve. These fun and festive holidays give retailers and affiliates ample opportunity to get in front of consumers shopping for items such as costumes, holiday outfits, party supplies, decor and gifts for their loved ones.

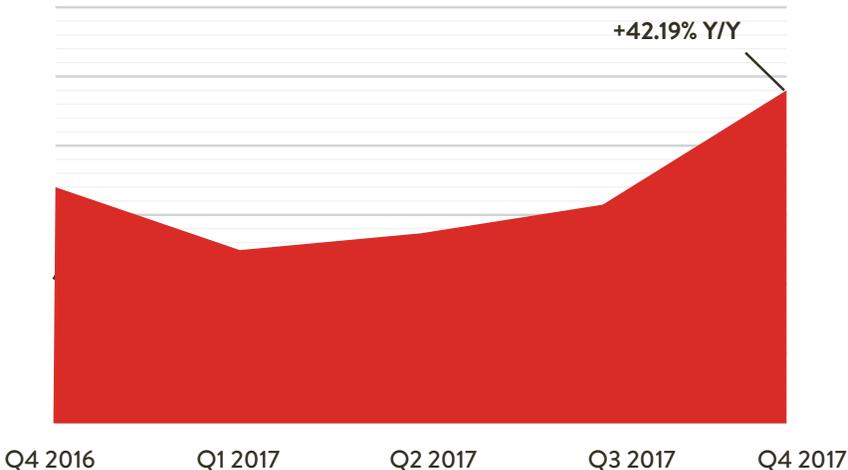
November saw the strongest growth over last year (+55.33%), followed by December (+47.92%) and October (+11.61%). While there are still plenty of last-minute shoppers, many aren’t necessarily waiting until Black Friday or Cyber Monday to snag a good deal.

In both Q4 2016 and Q4 2017, retailers took advantage of holiday-themed exposure with their affiliate partners, securing featured spots on affiliates’ homepages, holiday landing pages and within affiliates’ newsletters to their subscribers.

**Q4 Tips:** Retailers should plan accordingly and ensure they’re featuring relevant products and compelling messaging to attract shoppers earlier in the quarter.

It’s crucial for retailers to remain competitive and top-of-mind with consumers this time of year. Ensure you’re leveraging Performance Partnerships® in your program as they are instrumental in reaching new audiences, establishing and maintaining transparency and assuring that outcomes are based on performance.

REVENUE



# PEAK SHOPPING WEEKEND DROVE 7% OF 2017 AFFILIATE REVENUE

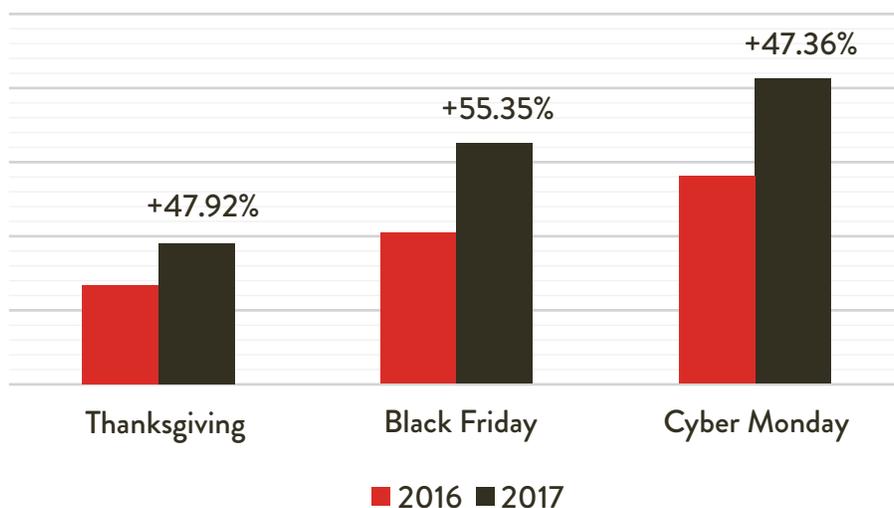
The flurry of consumer activity around the winter holiday season underscores the importance of Q4 for many retailers. The time period between Thanksgiving through Cyber Monday (Monday after Thanksgiving), nicknamed “The Cyber 5,” is viewed as the kick-off to the holiday shopping season by many in the ecommerce industry.

It’s not uncommon for seasonal retailers to see a significant portion, or even a majority, of their yearly sales occur from October through December. Many are even releasing their holiday promotions earlier each year. Data suggests that consumers are taking advantage of these promotions and getting an earlier start on their holiday shopping.

Our sample group of retailers collectively saw Q4 account for 36.23% of their total affiliate revenue in 2017. More impressively, The Cyber 5 accounted for 6.60% of affiliate revenue for the year. That’s nearly 7% of the entire year’s revenue driven in just five days.

Of the key shopping days, Black Friday saw the strongest increase over last year, with revenue up 55.35%, followed by Thanksgiving (+47.92%) and Cyber Monday (+47.36%). Affiliate revenue also increased during the week leading up to Thanksgiving (+57.12%).

REVENUE  
Thanksgiving, Black Friday & Cyber Monday

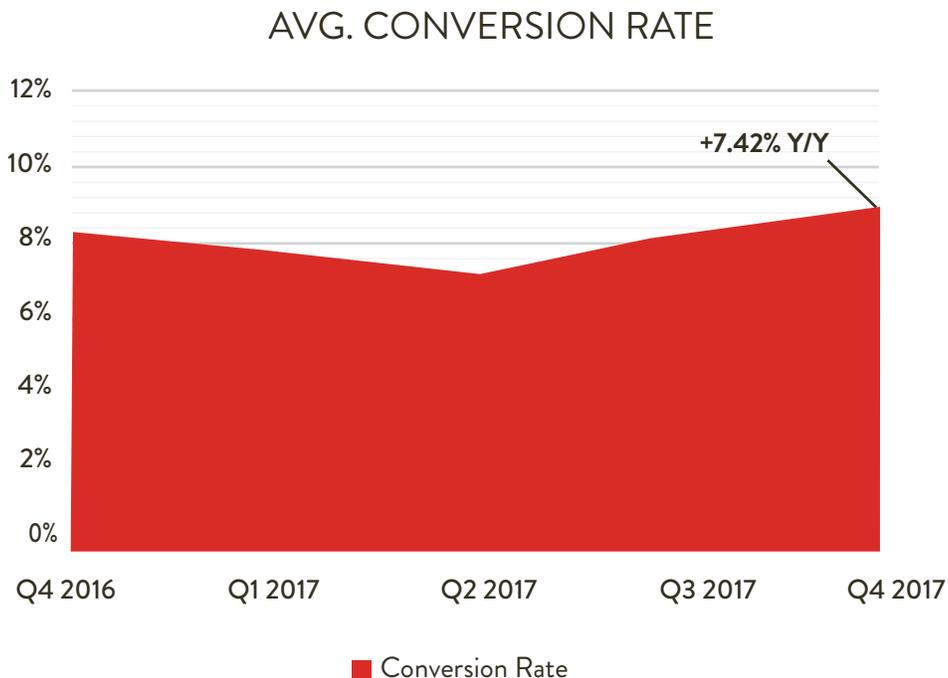


# CONVERSION RATE INCREASED BY 0.62 PERCENTAGE POINTS

Retailers noticed an improvement in overall affiliate program conversion rate, rising from 8.45% in Q4 2016 to 9.07% in Q4 2017, an increase of 7.42% Y/Y or 0.62 percentage points.

This conversion rate boost is not uncommon in Q4, especially since many retailers offer substantial discounts and free shipping. One thing we know for sure, based on our own and industry-wide data, the majority of shoppers expect free shipping – 97%, in fact. And 67% are willing to spend more to qualify for it, according to data released by Radial.

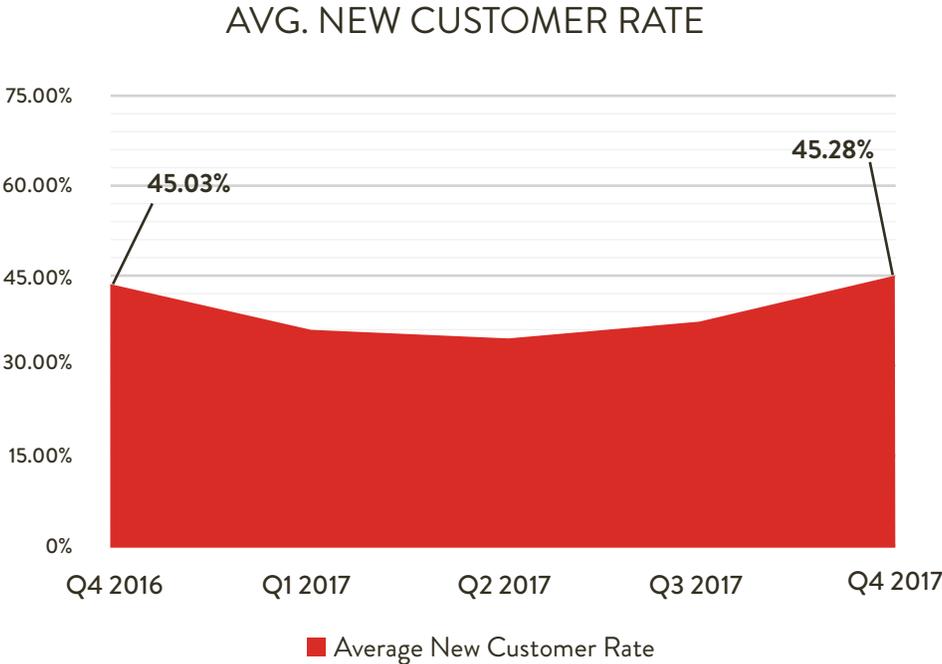
**Q4 Tip:** Your shipping strategy can make or break a sale. Be sure to consider customer expectations as well as what your competitors are offering.



# AVERAGE NEW CUSTOMER REVENUE RATE REMAINED EVEN (Q4 2016 VS Q4 2017)

New customer rate is something that retailers measure to help determine incrementality within their program. For retailers tracking new customer revenue vs. returning customer revenue within their affiliate programs, the average new customer rate in Q4 2017 (45.28%) remained relatively even with Q4 2016 (45.03%).

Retailers saw higher new customer rates in Q4 compared to the first three quarters in the year. We expect this is driven by the substantial increase in consumer shopping activity that correlates with the holiday season. With so many customers looking for the perfect gifts and items to deck their halls, retailers have an abundance of new eyes on their brands in the fourth quarter.



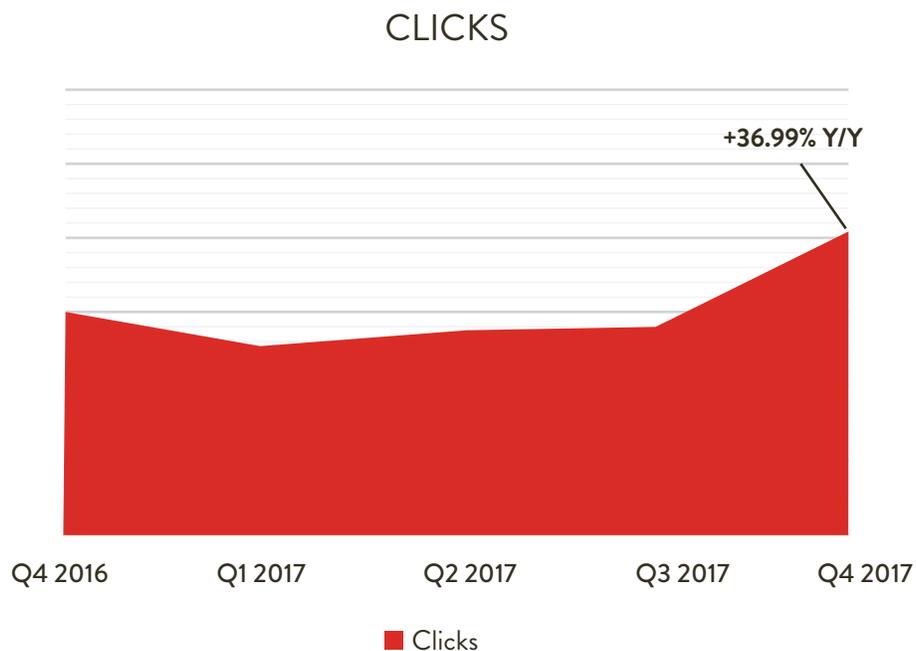
# AFFILIATE CLICKS INCREASED 36.99% Y/Y

Our sample group of retailers saw their affiliate program traffic increase 36.99% over last year with 33.33% of their total affiliate clicks driven in Q4 2017.

The Cyber 5 alone drove 3.61% of the year's total traffic, further emphasizing consumers' laser- focus on this highly anticipated weekend.

**Q4 Tips:** Strive to capture consumer attention and traffic by ensuring that messaging on affiliate sites related to your brand is compelling and includes a strong call to action.

Adding new, valuable traffic sources to an affiliate program on an ongoing basis should also be a top priority for retailers.



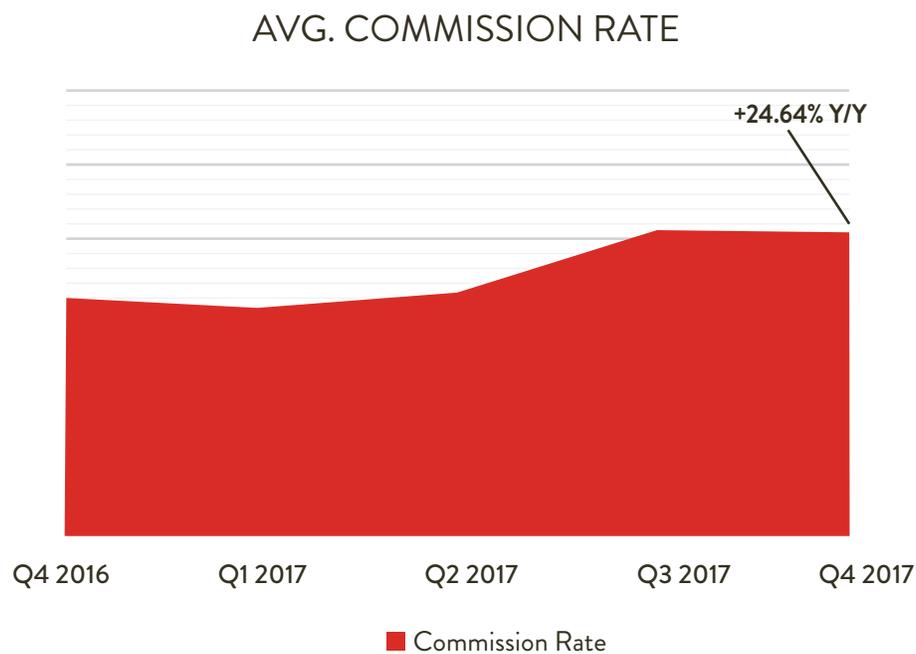
# AVERAGE COMMISSION RATE INCREASED BY 24.64% Y/Y

The average affiliate commission rate in Q4 was up 24.64% when compared with Q4 2016.

During the holiday season, many retailers will offer increases in affiliate commission rates in exchange for featured exposure on affiliate sites, either in place of or in conjunction with a flat media fee. It's also common for retailers to roll out performance incentives for affiliates during Q4, offering higher commission rates when affiliates reach predetermined sales goals.

**Q4 Tip:** Whatever your optimization strategy, ensure that your affiliates' commission rates align with the value they bring to your brand.

And in the season of giving, be sure to throw in a little extra for those partners who go above and beyond.



# Q4 STRATEGY RECOMMENDATIONS:

- **Monitor Competitors.** Keep a close eye on your competitors' activity in the affiliate space. What types of affiliates are promoting their brand? What messaging or promotions are they running? What are they paying their affiliates? How are they compensating them? For what activity? Leads? Sales?

The answers to these questions can help you adjust your strategy so that you remain competitive and top-of-mind with your affiliate partners.

- **Test.** Your optimization efforts should combine historically successful campaign tactics and testing new opportunities. While you want to replicate past successes, testing allows you to discover new strategies to add to your toolbox. Carve out a portion of your budget each month or quarter to support testing new affiliates, placements or campaigns. (This goes for any time of year, not just Q4!)
- **Review, Revise and Refresh.** As the holiday shopping season draws to a close, it's crucial for retailers to take advantage of downtime to review and analyze their affiliate channel efforts and plan for the coming year.

Late Q4 and early Q1 are optimal times to also focus on affiliate program housekeeping tasks. This includes reviewing affiliate commission rates, refreshing creative assets and revising your affiliate newsletter templates to ensure both you and your affiliate partners are set up for success in the New Year.

# PUBLISHER BENCHMARKS

This information is based on data from AP retail clients' top 20 publishers in the Content, Coupon & Deal and Loyalty categories.

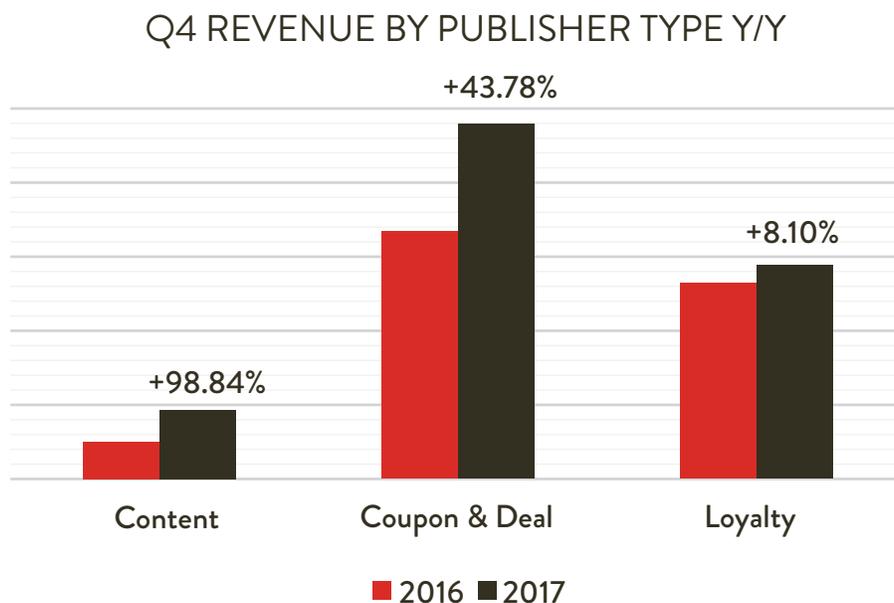
## PUBLISHER REVENUE

Retailers continue to see significant revenue growth from their Content publishers. In Q4 2017, this partner segment was up 98.84%. Content publishers continue to be valuable partners that offer unique content to consumers and drive top-of-funnel brand awareness for retailers.

Revenue driven by Coupon and Deal publishers was up 43.78% and Loyalty publisher revenue was up 8.10% against last year. These publisher segments play a significant role in Q4 shopping.

80% of respondents from a 2017 Deloitte Holiday Retail Survey expected to be influenced by coupons/promotional offers this past holiday season—as were 34% of purchases.

**Q4 Tip:** Retailers who want to remain competitive should consider offering discounts, free shipping, flash sales or increased cashback and rewards during the holiday season.



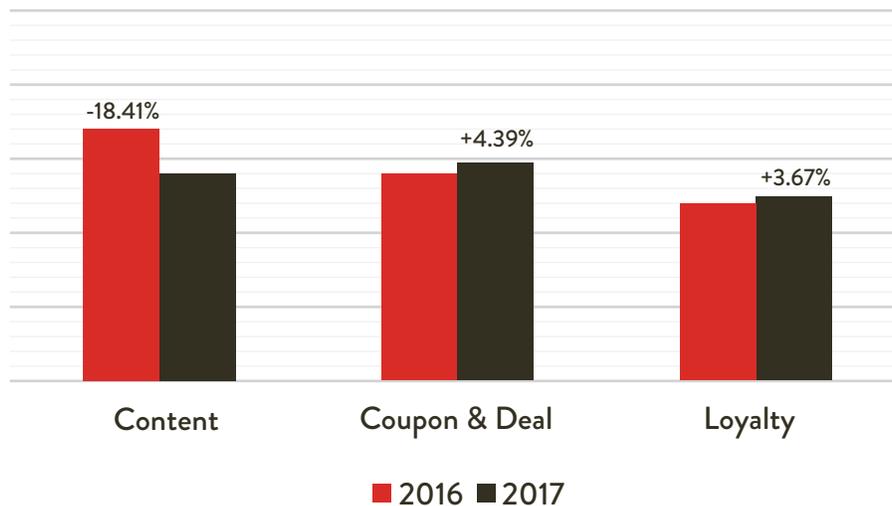
# PUBLISHER AVERAGE ORDER VALUE

Average order value (AOV) for Content publishers decreased 18.41% Y/Y. However, it increased for Coupon and Deal (+4.39%) and Loyalty publishers (+3.67%).

AOV can be impacted by the retailer's promotional messaging, as well as the publisher's audience and their interests.

**Q4 Tip:** Take the time to understand a publisher's target demographic. By learning how their interests align with your brand, you'll be better able to uncover strategic opportunities to promote specific products or categories to them.

Q4 AOV BY PUBLISHER TYPE Y/Y

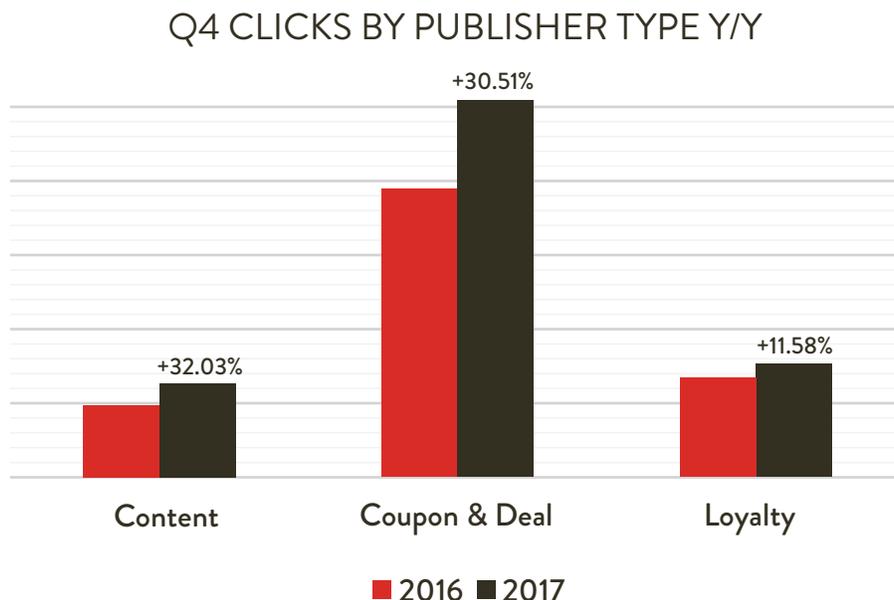


# INCREASED CLICK RATES FOR CONTENT, COUPON & DEAL AND LOYALTY PUBLISHERS

Clicks increased 32.03% Y/Y for Content publishers, 30.51% for Coupon and Deal partners and 11.58% for Loyalty publishers. Retailers diversified their exposure in Q4, securing placements with various affiliate types to reach customers at all stages of the purchase funnel.

**Q4 Tips:** It's important to continuously pursue new affiliate partnerships, which can add new sources of traffic and incremental revenue.

Concentrate on affiliate recruitment starting early in the year and continuing throughout. This will ensure you've got the right mix of marketing ambassadors advocating for your brand come Q4.



# MAKE THE BEST OF YOUR PERFORMANCE PARTNERSHIPS®

Affiliates can be valuable extensions of your brand – if you're optimizing your relationship with them. Here are a few ideas:

- **Dig into publisher data.** Monitoring high-level program KPIs such as revenue, traffic and spend is key, but digging into your publisher-level data can uncover a wealth of insights that can guide your affiliate program strategy. Examine daily performance for individual publishers, as well as their top promotions, top products sold and most frequently-used creatives. Analyzing this information can help you figure out what (and who) is really working for your program.
- **Get feedback.** Following Q4, Q1 is a perfect time to conduct a publisher survey and/or one-on-one calls with your top publishers about what they like/dislike about your affiliate program. Receiving positive and constructive feedback from your partners can help you improve the tools, assets and incentives you offer within your program.
- **Incentivize and reward.** Consider rolling out performance bonuses or volume-based commission tiers to reward your publishers for going above and beyond. Publishers appreciate the opportunity to earn additional income and may even provide your brand with extra exposure in return. Setting performance goals with publishers is not only a great way to maximize your program's potential, but also shows your affiliates that you value their contribution.



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<sup>®</sup> 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 adidas, Gymboree, Reebok, Target, Warby Parker, ThirdLove, Vincero, Stadium Goods and many other brands.

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