

Lindsey Scerba:

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Lenox Powell:

I'm Lenox Powell, the host and producer of The Outperform podcast. On these episodes, I talk with acceleration partners, team members, industry partners, and clients, to bring you a behind the scenes perspective on what the world's leading brands are doing to outperform in their business and marketing partnerships.

Lenox Powell:

Hello and welcome to The Outperform podcast. While most brands understand that affiliate marketing is highly effective at helping them drive quality sales, high value leads, and new customers, many may not realize that the affiliate model can also be used to cost effectively test the performance of other marketing channels. The low risk testing capabilities of the affiliate model have made it even more valuable to brands as they face tightening marketing budgets and new expectations around returns on investment. Here to discuss how brands are using affiliate marketing to test other marketing channels is Lindsey Scerba, an account director here at Acceleration Partners. Welcome, Lindsey.

Lindsey Scerba:

Thank you, Lenox. Excited to be here.

Lenox Powell:

When you say that many brands use their affiliate program to test other channels, who are you talking about here?

Lindsey Scerba:

So really any brand in any business vertical can do this. It could be large brands, emerging businesses, so on and so forth. What we've seen from brands who are most successful doing this is that they, A, have some brand awareness. This allows partners to pull upon the brand name, to grab their audience, and assist to driving that final end result, which is oftentimes a sale. Also, B, they're typically retail focused. Retail tends to perform better as the consideration phase for purchase may be shorter, depending on the product, of course, which also then allows the partner to have more influence over what that end result will be. Some examples of this might include clothing brands, sports and outdoors equipment, home essentials, larger ticket items, such as appliance, and even lifecycle based products, think items as small as toothbrushes or as large as mattresses.

Lenox Powell:

When you say, "other channels," what are you referring to?

Lindsey Scerba:

Well, some of the most commonly tested with an affiliate includes search, email, retargeting, and then site or customer experience based integrations, but the list goes on and on.

Lenox Powell:

Okay. Why? Why would a brand want to test their other marketing channels?

Lindsey Scerba:

Even when the economy is steady and strong, most companies want to ensure that their marketing dollars are being spent well. In an economic environment that we're experiencing right now, this has become even more essential for them to do. Affiliate is good in this sense, because it's great for tight budgets due to its low risk based on the payout model itself, which is cost per action, and then it's also really good for sending out feelers in a recession, testing limited campaigns ahead of putting in dev work or hiring additional bodies to run a campaign longterm.

Lenox Powell:

You actually just touched on this a little bit, but I'd love to unpack it a bit more. What is it about the affiliate model that makes it such a useful channel for this type of performance testing?

Lindsey Scerba:

Because, in affiliate marketing, a brand only pays after a desired action is performed, the model is a very cost effective way to support marketing theories or tests before rolling them out on a larger scale. This is because of an affiliates pay on performance model. Many brands also look to their affiliate programs to provide them with a baseline of performance. Also, affiliate can serve as a sort of chameleon channel, which makes it an effective testing ground for other channels, especially those with less flexibility. An example of that might be search, where the merchant would have to pay per click to test a new campaign versus per conversion through an affiliate. Likewise, there's also onsite integrations where merchants may need to invest heavily upfront on dev work or campaign modeling before even knowing if it's going to be worth it.

Lindsey Scerba:

You could do the same thing through affiliate where they could test these methods by adding in a partner to their program, and through a network using their container tag actually do a very simple integration. Sometimes, they may even find this to be an even more cost effective option for their longterm business. This really allows brands then to cost effectively try out new marketing ideas with carefully chosen partners, doing all of this with little to no risk, while giving new partners the opportunity to work with desirable brands to them that they may not otherwise have the opportunity to connect with.

Lenox Powell:

Let's dive a bit deeper into what some of these other marketing channels are that are being tested within the affiliate programs. I know you named a few, but it would be good to just really dive deeper into some of these.

Lindsey Scerba:

I mentioned a few of these on a high level a bit earlier, but the channel that's really grown in prominence, that brands can and are testing through our affiliate right now, is retargeting. Retargeting, in its simplest form, is just keeping your brand in front of potential customers even after they've left your site. As a channel, I've seen it used in really two primary functions through affiliate, with the first being to provide a final catalyst for conversion, especially for those first time buyers. And then secondly,

it's really used to enhance and maintain a customer's lifetime value. This can be really extra helpful for those lifecycle based products.

Lindsey Scerba:

They can also use affiliate partners to support retargeting expansion efforts and to test new potential remarketing campaigns, such as replacement and new seasonal products. So, think air filters for air purifiers, add on features for a bike, or even a new cardigan to pair with that versatile blouse purchased to carry it into the new season. The options are really endless and can be supported through paying a partner on converting a sale versus spending additional internal time or paying a separate agency to do the same thing.

Lenox Powell:

Is there a specific example you could share of a brand that tested the performance of a retargeting campaign through their affiliate program?

Lindsey Scerba:

Sure. In my past experience, there was a large box retailer that wanted to retarget customers who had added items into their cart and then left. Before building out a full onsite solution and investing countless work hours into the software to support this, they wanted to test a use case example to measure opportunity scale. By working with an affiliate partner, the retailer was able to capture the customer's email and follow up to those whose carts were about to expire with an enticing offer, which encouraged them to come back and then complete the conversion. This campaign was originally meant to be a three to six month test to prove out conversion increase percentage, and to test the opportunity to use this method to increase units per transaction. Ultimately, it proved so successful and cost effective that the brand opted to just continue the partnership and actually expanded with the partner through the affiliate program rather than build it out internally.

Lenox Powell:

That sounds awesome. It sounded like it really saved them quite a bit of time and money.

Lindsey Scerba:

It definitely did. Another example, then, is with a dental brand that was looking to test retargeting for lifecycle marketing in particular. They ultimately partnered with an affiliate partner to test out an email campaign that targeted past clients and would circle back to their prior customers when their toothbrush was reaching the end of its lifecycle. This really made it easy for then that customer to repurchase. Through this test, they identified that doing this through an affiliate partner, saved them budget on creative development, as the partner would take on the creation with the brand to, of course, approve the final product. And then, it proved to be a very effective lifetime value strategy increasing their lifetime value for their customer to X. Because of this test and its cost effectiveness, they continued with this strategy through this partner for a few years before they decided to then move it internally.

Lenox Powell:

Just so I'm clear, the affiliate partner took on the creative development of the email campaign and then collaborated with the brand to make sure everything was on brand and aligned with our goals and messaging?

Lindsey Scerba:

Exactly. That really helped an already strapped creative department and allow this test to move forward, driving that increase in lifetime value versus being put on hold pending capacity internally.

Lenox Powell:

Great. What's another marketing channel that brands use affiliate to test?

Lindsey Scerba:

Another important channel that brands test through their affiliate program is search. Now, when I say search, I'm referring to both paid search and search engine optimization, or SEO. These channels can help increase the likelihood that a brand will show up when relevant keywords are searched by potential customers.

Lindsey Scerba:

Affiliate can be especially useful as a supporting arm in this channel when looking to test some longer tail search terms for viability or to support keeping competitors from broad matching onto their trademark terms. For example, many large retailers will use search affiliate partners to keep their brand the primary focus, especially on trademark plus phrase terms or TM plus terms. Examples of this could be brand X promos, brand X holiday sale, brand X bestsellers. This helps them to ensure traffic is brought back to their site and prevents potentially losing a customer to a competitor, which then ultimately increases their conversion rates and the traffic to their site substantially.

Lenox Powell:

What's a search affiliate? I mean, how are these types of partners different than say a content, or a loyalty, or coupon partner?

Lindsey Scerba:

Well, typically their bread and butter is going to be using search engine marketing or SEM, in particular to drive customers down the purchase funnel and send them to the client's site. Where a coupon or loyalty partner is more often times sending these customers through a more generic store page, many times these search specific partners are using an optimized client page for these customers to interact with ultimately directing them directly to the client's site. These partners can sometimes drive as much as 30% or more of an affiliate's program's revenue, depending on the channel mix, which typically makes up about 10% to 15% of the overall marketing mix, on average, making them pretty noticeable contributors overall.

Lindsey Scerba:

In addition to helping brands test their search marketing initiatives is search affiliates can also help brands bridge the budget gaps. For example, if a search budget runs out, brands can leverage an affiliate partner to sub in, so they aren't completely gone from search results during that time.

Lenox Powell:

What do you mean by sub in?

Lindsey Scerba:

Well, for example, one of our clients was able to lower their overall search channel cost by working with partners in their affiliate program to promote alongside the brand using trademark plus terms and then directing traffic back to their site. During these efforts, they tested implementing a CPC and positional cap with their trusted affiliate partners, which ultimately helped them to lower their overall CPC costs and increase conversion effectiveness as it increased the probability of a customer making it back to their site versus going to a competitor to purchase, for example. These efforts created more overall flexibility across their entire marketing budget and enabled a longterm search campaign through their affiliate program.

Lenox Powell:

Okay. For those who may not know what these terms mean, explain CPC and positional cap.

Lindsey Scerba:

Sure. So CPC, otherwise known as cost per click, alludes to the amount being spent per browser click on any particular search ad. Implementing a cap here really allows brands to keep these overall costs down by preventing a bid war between their internal campaign and their affiliate partners.

Lindsey Scerba:

Also, then you have positional caps that are a bit trickier, but essentially a way to ensure that a partner's ad doesn't land above a merchant's ad on terms where both parties are bidding. This prevents a brand's search channel from losing ground to search partners, and also allows these partners to aide a channel versus competing with it.

Lenox Powell:

Gotcha. Okay. Thanks. What's another type of marketing channel that brands test?

Lindsey Scerba:

A third important marketing channel to note that brands are testing through their affiliate program is the brand's website. While not a marketing channel per se, a brand's website, and the user experience with that website is one of the most important marketing tools they have. What I've seen over the past few years is that producing some of the fastest most interesting growth for brands is working with affiliate partners onsite and through other technical integration capabilities to test the user experience of that website.

Lenox Powell:

Explain onsite and technical integrations for us.

Lindsey Scerba:

Onsite and other technical integrations use a technical feature or site enhancement to continue driving a customer down the funnel toward a desired action, oftentimes with an affiliate that's a purchase. These can be very simple onsite enhancements to more complex partnerships depending on the needs of the merchant themselves. Again, while this isn't a direct channel per se, this is an area that can open a lot of doors in terms of marketing strategy when these relationships are put into play.

Lenox Powell:

That sounds really interesting. What are some examples of these?

Lindsey Scerba:

Sure. An example I have is for a party supplies brand. This brand had two issues that they were looking to solve for. The first test they did, they were hoping to reduce the bounce rate on their website, which was fairly high, due in part to the overwhelming nature of just all the options that they had on their site. The second test then was just, as a cost of any single party supply is fairly low, they were really hoping to increase their units per transaction and thereby their overall profitability across their site.

Lindsey Scerba:

As a test, they partnered with an onsite service provider to enable a chat feature, which really aided customers while they were party planning onsite and helped to reduce that bounce rates substantially. As a second test, then they also worked with another partner to test offering relevant products based on the theme of the party they were planning when they were viewing their cart, which increased the overall units per transaction to X.

Lenox Powell:

Unpack this one a little bit more too. So, the customer would have items in their cart, say, for a space launch themed party. And then, with the help of this onsite service provider, affiliate partner, the customer would suddenly see other product suggestions appear that were relevant to their party theme?

Lindsey Scerba:

Exactly. In this example, if the customer had an item in the cart, the partner could then search the merchant's product feed based on different keywords attached to the item in the cart to find additional products to serve up that would be interesting to the customer and help them round out their party needs.

Lenox Powell:

Oh, okay. These are all really great examples of how brands can and are using the affiliate model to test their marketing channels and campaigns. Any final thoughts to share about these methods?

Lindsey Scerba:

Really, at the end of the day, the affiliate channel is just a really great low risk testing ground. Since there's really little to no upfront budget required prior to the desired action, it makes the affiliate model a very low cost testing ground for marketing strategy. There's also just a wide array of partners for just about any kind of integration or marketing test that a brand might be looking to try with new partners in new technology looking to test through the affiliate model every day. This really makes it a great payment model based channel to support the testing ground of an overall marketing mix while yielding some really great results for brands.

Lenox Powell:

Although, I had been looking forward to recording this podcast episode simply because it spotlights ways in which the affiliate model can be used above and beyond driving a quality sale or gaining a new customer, I am especially excited to get this episode out into the world right now, because so many

brands are trying to navigate how to drive revenue, incremental revenue at that, within very limited budget parameters. The fact is it can be quite difficult for them to know what kind of return their various digital marketing campaigns are driving. Being able to test that before spending a bunch of money on one marketing channel or campaign is really valuable. Thank you, Lindsey, very much for taking the time to share all this information and educate brands on what's possible within their affiliate programs.

Lindsey Scerba:

Thank you, Lenox.

Lenox Powell:

For those of you listening, we'll also include a link to a blog post that Lindsay wrote on this topic in the show notes for this episode at www.accelerationpartners.com. Thanks for tuning in. And until next time, keep out performing.