

# AFFILIATE MARKETING 101

Before we dive in to what affiliate marketing is and how it works, it's important to first have some context and perspective.

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

For example, if you're someone who is looking to be an 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 [For Affiliates website](#) 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 this post 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.

To get a more in-depth breakdown of these different types of affiliate partners, download our [Ultimate Guide to the Affiliate Marketing Model](#).

## **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](#).

## **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.

## **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 turn 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.



Example of affiliate marketing being used to drive a sale:

1. Affiliate partner promotes a brand’s products or services on their site.
2. Consumer clicks on brand’s promotion on the affiliate’s site and a cookie is then stored on the consumer’s browser (see the next section below 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 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 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 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 ([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 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 \$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 particular purposes or to strategically expand their geographic footprint.

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 over 20 years old, 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.