

AFFILIATE MARKETING CASE STUDY

HOW COMMISSION RATE ADJUSTMENT HELPED AP CLIENT INCREASE PROFITABILITY

**SAVED
30%
IN COMMISSION
PAYOUTS**

**MAXIMIZED
THEIR
NET MARGIN**

**MAINTAINED
THEIR
COST PER
TARGET
GOAL**

Change in any affiliate program is to be expected. That said, major program modifications must be handled delicately, especially when it comes to adjusting or reducing affiliate commission rates. This is why, when a client informed their AP account team that a company-wide goal restructuring meant that they needed to adjust the commission rates paid to affiliates and base all of their online marketing programs on a net margin goal, the team promptly went to work assessing the impact this would have on their program goals and publishing partners.

CALCULATING CONSEQUENCES

Since the AP account team did not have access to most of the metrics required to calculate net margin (as they were generated from client's internal numbers), the team worked with the client to set up separate reports within the client's Google Analytics account, which could then be emailed to the AP account team for proper reporting and monitoring moving forward.

"In order to help the client move forward with their new profit focus and net margin goals, we needed to create a net margin calculator so that our AP team and the client could see what net margin was looking like for the affiliate channel," said Heather Creamer, the AP manager on the client's account. "This process involved many iterations and conversations with the client to ensure that we had the right calculations in place."

There were also important conversations with the client about what their new priorities were. At the start of the year, the account team had worked with the client to establish specific goals; goals which were centered on revenue and business growth.

Now that the focus was on profitability, it was essential for the account team to have candid conversations with the client about changes that would need to be made to the program, including cutting back on placements and promotions and not running optimization campaigns that involved commission increases.

MODELING MEDIATIONS

Once the client understood what changes would need to be made to the program and how those changes might impact the revenue momentum that had been building since the beginning of the year, the team laid out different scenarios for the impact the commission changes might have.

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HEATHER CREAMER
ACCOUNT MANAGER

“Using the net margin calculator we created, we put together a few different models for the client so they could see what impact commission changes might have on the different affiliates in their program,” said Creamer. “For example, we had one model that showed both the savings and revenue loss the client might realize if they dropped their commission rate from 15% to 10%, and then another that showed a reduction from 15% to 13%.”

In addition, the account team also looked at what competitors were paying affiliates and other costs in the program that could be cleaned up or reduced. For instance, some affiliates in the program were paid \$0.50 for each lead driven to one side of the client’s business. However, these leads were really only used for tracking online form submissions.

Ultimately, the client decided to reduce sales commissions by 5% and lead generation commissions to \$0.01 per lead.

COMMUNICATING CHANGES

Once the new commission rates were set, the account manager set up a call with affiliates who would be most impacted by the change.

“Communication with affiliates is always important, but even more so when their commission rates are being adjusted. We personally called the top affiliates in the program, explained the client’s new goals and were very transparent with them about why the commission adjustments were needed,” said Creamer. “While it was understandable that they weren’t thrilled about getting paid a lower commission rate, their reaction was respectful and accommodating. They really appreciated being brought into the loop and the fact that we took the time to call them and explain the situation.”

The account team also sent a newsletter out to the rest of the affiliates explaining the change and reiterated that the account team is committed to supporting the affiliates and providing the tools and resources needed to help them succeed.

ADJUSTMENT AFTEREFFECTS

The commission adjustments were implemented on August 1st, 2017. Since then, the AP team has been able to help the client:

- Save 30% in commission payouts
- Maximize their net margin
- Maintain their Cost Per Target goal
- Prevent significant declines in program performance