Affiliate Marketing

The "pay for performance" method of promoting your business

Contents

Introduction

What do the world's largest online market place and the world's largest online bookstore have in common? Both used affiliate marketing to build their businesses.

With no risks attached, affiliate marketing is one of the best online marketing programs available for small businesses. With affiliate marketing, a business only pays when something positive happens – such as when a customer:

- makes a purchase;
- signs up for your newsletter; or
- joins your emailing list.

Affiliate marketing is unlike any other form of marketing or promotion (where you pay an up-front cost hoping that it will drive customers or prospects to your door) since it requires you to pay only after you get the results you want.

Since Amazon.com launched the first affiliate program in 1996/7 as a way of generating sales through referrals from linked Web sites, affiliate selling has quickly grown into one of the biggest sources of e-commerce revenue. It has proven to be one of the most economical and effective means of reaching customers online. Since 1999, Forrester Research has ranked affiliate marketing as being number two in effectiveness for driving traffic to sites ahead of e-mail, PR, television, and advertising. In fact, experts predict that, within the next few years, affiliate sales will account for as much as 25% of all retail e-commerce.

Basic Principles of Affiliate Marketing

As a "pay for results" marketing tool, affiliate marketing has revolutionised the way suppliers operate on the Internet. The web traffic to the supplier is created by links, such as banners that are placed on the affiliate's website.

The basic principle of affiliate marketing is quite straightforward. With affiliate marketing you agree to pay other businesses (who are thus called "your affiliates" or "your associates") a referral fee for each customer who completes an activity at your website. Using your affiliate program, you attract webmasters of other websites who are willing to sell or promote your products on their site. All handling and distribution is taken care of by you.

If you can get a lot of independent websites to advertise your products, and if they don't sell anything, it doesn't cost you a penny. But when a sale does take place, both parties are winners. This is attractive to both parties in the affiliate contract:

- attractive to you since you only pay a marketing cost if you get a customer from the referral; and
- attractive to your affiliates who have none of the admin burden and get paid simply for sending a new customer or prospect.

As you can see, it's a win/win situation for both parties:

For the Merchant:	For the Affiliate:
- Affiliates are not employees - No need to pay salaries - No staff/office requirements - Pays a % of the actual sale - Still in control of invoicing - Still handles delivery	- Operates independently - Income is unlimited - Can work from home - No invoicing or debt chasing - No delivery or admin responsibilities

Books

Here are details of several books to help get you started with your affiliate marketing initiative:

- *Complete Guide to Associate and Affiliate Programs on the Net*, by Dan Gray, published November 1999 by McGraw-Hill Education; ISBN: 0071353100.

- *Affiliate Selling: Building Revenue on the Web*, by Greg Helmstetter and Pamela Metivier, published April, 2000 by John Wiley & Sons Inc; ISBN: 0471381861.
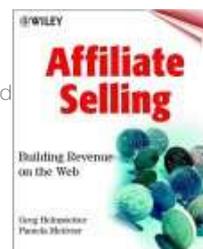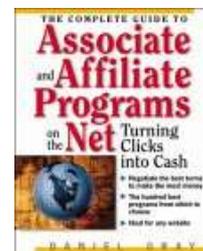
What is it?

Affiliate marketing is a marketing practice in which a business rewards one or more affiliates for each visitor or customer brought about by the affiliate's own marketing efforts. The industry has four core participants:

- the merchant (also known as 'retailer' or 'brand');
- the network (that contains offers for the affiliate to choose from and also takes care of the payments);
- the publisher (also known as 'the affiliate'); and
- the customer.

The market has grown in complexity to warrant a secondary tier of players, including affiliate management agencies, super-affiliates and specialized third party vendors.

Affiliate marketing overlaps with other Internet marketing methods to some degree, because affiliates often use regular advertising methods. Those methods include organic search engine optimization (SEO), paid search engine marketing (PPC - Pay Per Click), e-mail marketing, and in some sense display advertising.

On the other hand, affiliates sometimes use less orthodox techniques, such as publishing fake reviews of products or services offered by a partner.

Affiliate marketing is commonly confused with referral marketing, as both forms of marketing use third parties to drive sales to the retailer. However, both are distinct forms of marketing and the main difference between them is that affiliate marketing relies purely on financial motivations to drive sales while referral marketing relies on trust and personal relationships to drive sales.

Source: Wikipedia

- *Successful Affiliate Marketing For Merchants*, by Shawn Collins, published April, 2001 by Que; ISBN: 0789725258.

- *Strategic Affiliate Marketing*, by Simon Goldschmidt, Sven Junghagen and Uri Harris, published July, 2003 by Edward Elgar; ISBN: 1843763907.

- *101 Ways to Promote Your Web Site*, by S. Sweeney, published October, 2002 by Maximum Press; ISBN: 1885068905.

- *Contract Law Backgrounder to E-commerce Affiliate Programs*, by The Agora Cosmopolitan; ISBN: 1894839269.

- *Money Making E-commerce Strategies: Revenue Sharing Affiliate Programs*, by H. Raymond Samuels II (Editor), published October 2001 by The Agora Cosmopolitan; ISBN: 0968881025.

- *The Practical Guide to Creating and Managing a Profitable Affiliate Program*, by Neil Durrant. May be ordered from Dept. 0, Affiliate Announce, 41 Bourne Road, Bexley, Kent, DA5 1LW or via the web at: http://affiliatetoolkit.com/practicalguide/buy.htm
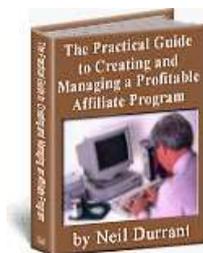
- *Advertising on the Internet, 2nd Edition*, by Robbin Zeff and Brad Aronson, published August 1999 by John Wiley & Sons, ISBN: 0-471-34404-4.
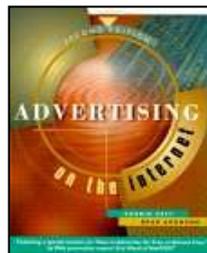
Resources for Affiliate Marketing

- ***My Affiliate Program™*** is a web-based affiliate marketing tracking, automation and management application that "plugs in" to virtually any website, so you can run your own affiliate scheme. My Affiliate Program Software (MYAP) is a scalable, reliable, easy-to-use, and completely customizable Affiliate Tracking and Management solution for virtually any business situation. MYAP is specially designed to create, automate, manage and optimize affiliate relationships - regardless of the complexity of the Affiliate Marketing or Partner Strategy. www.myaffiliateprogram.com/

- ***DirectTrack™*** is an outstanding professional, scaleable affiliate/partner program tracking system. You own your own affiliate relationships, and have total flexibility to customize the settings in virtually any way you can imagine. The license is a one time setup fee of $995.00 plus $50/month fee for bandwidth/data transfer and administration page hosting. There is no percentage of your payout to your affiliates. **DirectTrack™ enables you to** brand your own affiliate program and build direct relationships with your affiliates. You are also introduced to new affiliates via the option to post your program in a network of 15,300 affiliates.There are two versions of DirectTrack®: the Merchant Version which allows single websites to run their own affiliate program, and the Network Version which allows advertising agencies or brokers to power their very own affiliate network. www.directtrack.com/

How does it work?

The most common method of sharing revenue is via an affiliate program.

With affiliate marketing you agree to pay other businesses (your affiliates) a referral fee for each customer who completes an activity at your website.

The merchant installs **software on an affiliate's** website whereby leads, referrals & sales are tracked electronically on the Internet with unique affiliate codes and identifiers. This action results in the tracking of the sale through placement of a cookie on the visitor's computer. All sales are recorded and commissions are then paid to the affiliate for the sales they have concluded.

This allows for accurate logging of visits, sales and commission calculations. The merchant actively encourages affiliates to join and promote their products.

Affiliate marketing via the Internet works very much like affiliate marketing in the offline world where affiliate partners are rewarded financially for introducing business to you.

- *ARELIS* is the new standard in Affiliate Recruitment software. It automates a previously painstaking manual process with its great "Find Competitor Links" feature that allows you to quickly find all Web sites that link to your competitors. These are often affiliates that you can in turn write to and convey your program's offerings. ARELIS quickly locates these sites and helps you to convince them to link to your site. It keeps track of every site you send a request to, allows you to change the status of sites and generally keep track of what stage your requests is.
www.axandra.com/arelis/index.htm

- *Affiliate Announce Submission Service* - if you want to attract new affiliate partners your first step should be to submit your program details to all the leading affiliate directories. These directories are very popular some with loyal subscribers exceeding tens of thousands. What's more most of these directories publish regular e-zines listing the latest entries, creating even more exposure for your program. This time saving tool is worth 3 times the £65 fee! To get your affiliate program listed in over 50 of the top affiliate program directories, go to:
www.affiliate-announce.com/

- *LinkShare* pioneered online affiliate marketing, and today runs the largest pay for performance affiliate marketing network on the Internet. Featuring patented technology, they provide all the tools and services merchants need to create, manage and optimize a successful affiliate marketing program. With over 10 million partnerships in the network it is the most successful pay for performance network of its kind.
www.linkshare.com/

- *Commission Junction* provides publishers the opportunity to earn more revenue from their audience on a pay-for-performance basis. Publishers can partner with hundreds of advertisers and access millions of ads from a single Web-based interface. Commission Junction is the trusted third party that tracks and reports on every ad in the network, sends a monthly payment to publishers and provides a suite of online tools to help publishers optimize their performance.
www.cj.com/

- *Affiliate Wiz* supports categorization of your affiliates to simplify the management of your affiliates. This allows you to target different commission rates, different banners, links and products, as well as send unique promotional materials to the affiliates in specific categories. Customers find it useful to segment affiliates based on the Affiliate's target market, Affiliate's performance, etc. Affiliates can be transferred at any time from one category to another.
www.affiliatewiz.com/

Other web sites worth visiting are:

- *Affiliates Directory*
www.affiliatesdirectory.com/

- *AffiliateMatch*
www.affiliatematch.com/programs/

- *Affiliate programs guide*
www.affiliate-programs-guide.com/

Tip:
You need to offer your affiliate partners a competitive referral rate. If you offer 3% of sales, and your competition is paying 7%, it'll be impossible to attract good affiliate partners. You can check competitors' affiliate program offers by looking directly on their websites or by checking out affiliate directories.

Examples of Successful Affiliate Marketing Initiatives

- *Pricerunner*
  Pricerunner is a comparison shopping site which provides consumers with easy online access to technical specifications, and the best prices of consumer goods. After visiting their site, the consumer is in a good position to make an informed choice before making a purchase. Take for example a TV - they can quickly work out which model best meets their requirements, where it is available, and at what price. http://se.pricerunner.com/SelectCountry.jsp

- *Amazon.com*
  A prime example of a major beneficiary of affiliate marketing is the online bookstore Amazon which claims to have the largest and most successful online affiliate program. Over 1m Web sites have joined Amazon.com Associates. If you are a Web site owner, Amazon seller, or Web Developer, you can start making money today and earn up to 15% in referral fees. If you go to the Amazon site and check out their affiliate program it will give you a good idea of how these work. Their Build-a-Link tool enables you to easily create a variety of links. Your links will be created with a unique Associates ID already included and will be ready for instant use on your site. You can choose a number of popular links or more specialized links that are tailored to your web site's content. www.amazon.com/exec/obidos/subst/associates/join/associates.html

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.