AFFILIATE MARKETING

International Week

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What we talk about today

- Part 1:

  Affiliate Marketing – a part of Online Marketing

- Part 2:

  Affiliate Marketing – how it started

- Part 3:

  Affiliate Marketing – what it is today

- Part 4:

  Affiliate Marketing – what the future holds

Part 1: Online Marketing

Definition

Internet marketing, also referred to as **i-marketing, web-marketing**, **online-marketing** or **e-Marketing**, is the <u>marketing</u> of products or services over the <u>Internet</u>. *

- Watch out: Internet-marketing is NOT identical to Online-Marketing

- on top of the internet, Online Marketing also uses the following channels
  - Intranet
  - Extranet (for example closed user group with suppliers or customers)
  - Mobile devices

Part 1: Online Marketing

<u>Definition:</u>

- Online Marketing is the adaptation of all marketing tools in online media

- Current focus is communication and distribution

- However, Online Marketing is getting more and more important for pricing and product policy as well

- Online Marketing has several sub-disciplines!!!

Part 1: Online Marketing

<u>Sub-Disciplines of Online Marketing:</u>

- Online-Advertising/Display Ads

- Affiliate Marketing

- SEO & SEA/SEM

- Email-Marketing

- Social Media Marketing

- Website Marketing

Part 1: Online Marketing

Online Advertising = Display Ads

- In the broadest sense Display Advertising means „banner ads"

- These banners can consist of static or animated images

- They may also include interactive media like audio or video elements

Part 1: Online Marketing

Display Ads

- Definition of banners:
  - Rectangular form of advertising that appears on a website and are hyperlinked to the website of the advertiser
  - Banners can be distinguished by
    - Size
    - Interaction
    - Functionality potential

Part 1: Online Marketing

SEM

- Search Engine Marketing:
  - Includes all Marketing activities which optimize the search engine results for a particular website
  - It's a key tool of all Online Marketing activities

- Two sub-categories:
  - SEA (Search Engine Advertising)
  - SEO (Search Engine Optimization)

Part 1: Online Marketing

<u>SEM Basics</u>

- A search engine is an index-based software that uses specific programs (so-called CRAWLERS)

- Crawlers „search" through the internet for something new or updated

Part 1: Online Marketing

SEO Basics

- 2 Step Approach:
  - Step 1: On page – mostly content
  - Step 2: Off page – mostly links

Part 1: Online Marketing

E-Mail Marketing

- One of the oldest form of Online Marketing

- Comparable to classical Direct Marketing (mailings, leaflets)

- Online equivalent to offline mailings

- Consumers receive a personalized email to create attention for current activities (e.g. Amazon)

- Push approach: detailed targeting of audience to minimize waste circulation

Part 1: Online Marketing

Social Media Marketing

- Social Media Marketing is one of the newest forms of OM

- Social Media Marketing (SMM) or Social Media Optimization (SMO) is a sub-discipline of OM via the usage of Social Media channels

- It's very much on the uprise

- However, proven tactics to improve sales are rare

Part 1: Online Marketing

<u>Social Media Marketing</u>

- It refers to activities, practices and behaviours among „communities" of people

- „communities" gather online to share information, knowledge, and opinions using conversational media

- Conversational media are web-based apps that make it possible to create and easily transmit content in the form of words, pictures, videos, and audios

Affiliate Marketing

Definition

- Is a transaction on a commission basis

- Is a performance-based marketing in which

  - a business rewards one or more affiliates

  - for each visitor or customer

  - brought by the affiliate's own marketing efforts

Summarizing Online-Marketing

Advantages of Online-Marketing

- Allows precise targeting of target group

  ○ Display ads profiled to specific user group

  ○ Re-targeting: Online display ads are only shown to users who have already been on the company site

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Part 2: History of Affiliate Marketing

<u>Legend has ist….</u>

- Jeff Bezos, founder and CEO of Amazon chatted with a woman at a cocktail party.

- She got recently divorced and had started a website about divorce

- She also wanted to sell books about about divorce on her website

- So Bezos had the idea of having the woman link her site to Amazon.com

- She would then receive a commission on the book sales

Part 2: History of Affiliate Marketing

<u>1997 - Amazon gets serious:</u>

- 1997 Amazon submitted a patent on a essential components of an affiliate program

- This was before most affiliate programs but...

- not before PC Flowers & Gifts.com and ist founder W. J. Tobin

- Which means that Amazon did <u>not</u> pioneer by popularize the idea

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Part 3: Affiliate Marketing

Definition

- Is a transaction on a commission basis

- Process:
  - A website owner (e.g. a blogger) provides advertising space on his website (website owner: PUBLISHER/AFFILIATE)
  - The website owner offers this space to a company (or an organization) who wants to sell products or services (company: MERCHANT/ADVERTISER)
  - By placing the links of the partners on their webpages they pass on the traffic to the advertiser's webpage
  - Some companies have a huge affiliate network at their disposal which guarantees them a constant flow of traffic

Part 3: Affiliate Marketing

Who are the parnters?

- Publisher

Portal / Content

News / Information

Search Engine

Comparison Shopping

Blogs / RSS

Downloadable Apps

Instant Messenger

Retailers

Catalogs

Direct Sellers

Manufacturers

Resellers

Financial Services

Auctions

- Advertiser

Part 3: Affiliate Marketing

How does it work?

- Provision only kicks in if the link was successful

- Provision models:

  - Cost per Click (CPC):   provision paid when customer clicks on link

  - Cost per Lead (CPL):   provision paid when customer contacts advertiser

  - Cost per Sales (CPS): provision paid when customer makes a purchase

    (also: Cost per Order/CPO or acquisition: CPA)

Part 3: Affiliate Marketing

Definition: Affiliate Networks

- Offer a platform

- They connect registered advertisers with registered publishers

- Affiliate Networks are:
  Zanox, TradeDoubler, Clickbooth and LinkShare

- One ot the biggest networks is Affilinet

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Part 4: Future of Affiliate Marketing

Trend #1: MOBILE

- Mobile Commerce is an unstoppable force
  - 30% of traffic, 15% of orders from mobile devices (ShareASale)
- Expert estimate that sales generated throug mobile purchases will top $100 billion by 2017
- Affiliate marketing has to be adopted to smartphones and tablets
- Challenges:
  - secure checkouts
  - better user interfaces
  - support for the constantly evolving mobile platforms

Part 4: Future of Affiliate Marketing

Trend #2: CONTENT

- Content marketing will continue to grow in affiliate marketing

- High-quality content is beneficial not only for the search engine rankings, but also with consumers (traffic, conversion rate)

- Challanges:
  - Increase spendings on content marketing
  - Affiliate needs to find SEO relevant content
  - This will lead to more NICHE publishers in affiliate networks
  - More affiliates have to be managed!

Part 4: Future of Affiliate Marketing

Trend #3: GLOBAL EXPANSION

- Prediction for 2015: global ecommerce to reach over $1.5 trillion

- European and US try to break into each others affiliate markets

- Much of the growth is fueled by Asian consumers

- Challenges will be:
  - Differences in regulation
  - Different agency/network landscape
  - Attribution from country to country

Part 4: Future of Affiliate Marketing

Trend #4: LUXURY BRANDS

- People spend more time and money engaging with luxury brands online

- Affiliate networks report strong growth in luxury niches

- Luxury brands are protective of their image and will look for affiliate marketers to offer a specialized set of criteria for their niche

Part 4: Future of Affiliate Marketing

Trend #5: ATTRIBUTION

- More merchants develop a system of attribution they use internally to evaluate which partnerships are creating value and which don't

Part 4: Future of Affiliate Marketing

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- The attribution systems are getting more complex:
  - Multi-touch or Time-decay attribution
  - The last click before adding something to the cart?
  - The last click before the purchase

- Last click? First click? Multi-click?

- Attribution systems have to make sure the provision gets paid to the right affiliate!