

INTRO TO AFFILIATE MARKETING

FountainJump is a boutique Digital Marketing & Consulting firm founded by two Internet industry executives with over 40 years of total experience & 25 years of combined industry experience in senior roles at Yahoo!, Commission Junction, & aQuantive. We have launched, managed, & analyzed Digital Marketing programs with budgets ranging in size from \$5,000 per month to well over \$100M annually.

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WHAT IS AN AFFILIATE?

Affiliates are at-will Marketing partners that are compensated on a performance basis (revenue share, cost per lead/action) – this compensation is usually referred to as a bounty or commission

Affiliates range in size from individuals to mid-size companies

Affiliate models / distribution methods across desktop & mobile:

- Content Sites/Blogs
- Comparison/Review Sites
- Coupon/Deal (Dealnews, Techbargains, FatWallet)
- Loyalty (Ebates, Upromise, Tapjoy)
- Performance based SEM
- Traffic/Media Arbitrage
- SEO
- Emerging social/mobile (in-game offers)
- Email (newsletters)

VALUE OF AFFILIATE PROGRAMS

Ideally suited to drive revenue, lead gen and/or customer acquisition

Well designed & run programs should account for 10-20% of a business' online volume

Large programs help advertisers cast a broad net to complement brand advertising

Relatively fixed ROI

The advertiser decides the bounty / commission in advance - competitiveness of this payout determines volume

Efficient/flexible channel for partner management

Ability to manage thousands of relationships through one channel

Can be extension of internal SEM

Affiliates are some of the most sophisticated search marketers on the planet

Expertise in long tail terms & creative can complement our own SEM efforts

Channel offers valuable source of competitive intelligence

Affiliate channel is a microcosm of the marketplace

Affiliate networks are a reliable source of product category trends

Platform for A/B testing against competition

INTRO TO AFFILIATE MARKETING CONTINUED...

UNIVERSAL AFFILIATE CHANNEL CHALLENGES

Can be slow to ramp, so patience is required – do not overreact early on

Finding right relationships can take time

Affiliates bear risk for conversion, so will often scale campaigns cautiously

Highly competitive

Top affiliates have many choices of top advertisers/merchants to work with across most product & service categories

Market determines affiliate compensation

Volatile channel

New affiliates & program policy changes can dramatically impact spend levels

Must invest in fraud protection

Affiliate networks have effective network quality teams, but it is important to understand the value affiliates are driving to identify fraudulent or under-performing affiliates

KEYS TO A SUCCESSFUL PROGRAM

Treat affiliates like partners, don't manage channel like an ad buy

Affiliates assume majority of risk in relationship, investing time & resources with no guarantee of compensation

Starting/stopping a program will quickly alienate affiliate partners

Competitive rate card

Base commission rates need to be on par with competition

Top affiliates command a higher rate, so tiered commissions are required to drive volume

Competitive product/service

A good payout only goes so far, second rate products/services can't buy channel share

Stable budgets

Budgets that increase/decline from quarter to quarter force rate card changes that turn off affiliates, making new affiliate recruitment difficult

Fresh creative and tools

Regular creative refresh makes affiliates more effective

Data feeds and dynamic ad units that enable deep linking are important to affiliates