



pepperjam[®]

A guide to affiliate marketing

noun

af·fil·i·ate mar·ket·ing

Definition of affiliate marketing:

a marketing arrangement by which an online brand pays commission to a partner for performance-driven action from its referrals.

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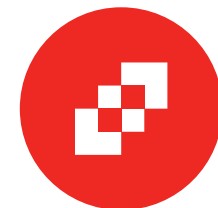
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Who are the players?



Advertiser/Brand/Retailer

A person or company who has a product or service to sell online or in-store.



Publisher Partner/Affiliate

A person or company who partners with an advertiser to promote their product or service and then receives a commission from the advertiser whenever agreed-upon outcomes occur.



Affiliate network/platform

An intermediary between advertisers and partners who operate affiliate programs.



Consumer

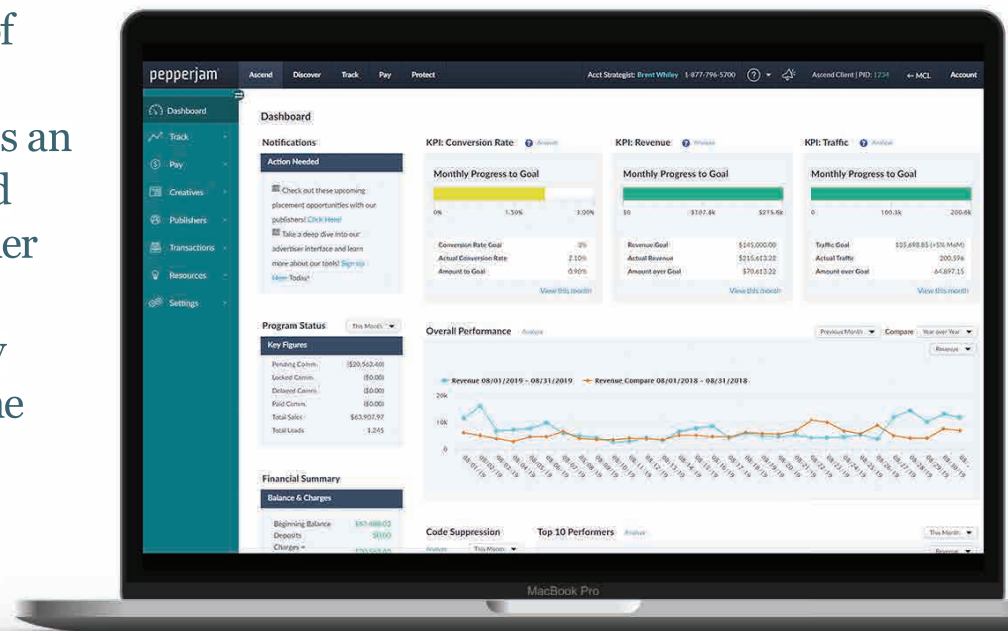
A person who purchases products or services.



How affiliate works: The gist

Affiliate marketing is a marketing channel in which an advertiser pays a commission to a partner (publisher), for a performance-driven action, or conversion event. At its most basic, it works as follows: An advertiser, brand or retailer that wants to reach a larger audience can work with a partner to promote their products or services. The partner highlights and promotes the products or services via a tracking link such as product ads, text links or banners. The tracking link is embedded in the website or mobile app content, or it can be embedded in other marketing vehicles such as emails, social posts, newsletters, search ads or retargeting messages that reach the consumer.

A reader or consumer then clicks on one of the tracking links and is directed to the advertiser's site. If the consumer completes an action, like a purchase, submits a qualified lead or downloads a mobile app, the partner receives a commission for that action. Note that in practice, advertisers generally work with more than one partner to get the maximum amount of exposure, provided they're the right partner for that brand (but more on that later).



It is through this method that affiliate marketing has generated **billions of dollars in sales**. It has also made it possible for a wide variety of partners—from kids reviewing toys to news publications providing information to social media influencers offering product reviews—to make a significant income without ever having to actually own or distribute the inventory or facilitate the ecommerce transaction.

In this white paper, we'll look at brief history of affiliate marketing and discuss some important points to keep in mind in relation to affiliate services providers. We'll also take a closer look at what's really happening in the industry and offer some statistical takeaways to provide an accurate picture of how affiliate marketing is developing and what's to come.

As **Investopedia** explains, affiliate marketing existed long before the internet (think: word of mouth advertising). However, digital marketing and publishing, along with the ability to track and use analytics, has truly propelled it to a new level—and it's likely to evolve even further over the coming decades. That's why, if you're a brand or advertiser looking to leverage affiliate marketing to promote your products or services or if you're a publishing partner aiming to generate or increase revenue, it's important to understand the current state of the industry and how it's developing.



A brief history

A form of affiliate marketing has existed for decades: referral marketing. A straightforward example is when you offer customers a discount for referring a new customer to you. However, the missing link to referral marketing here is tracking. Unless the brand employs an affiliate marketing provider to track the referral activity, it's still just a niche of customer referral marketing. Turning referral marketing into affiliate marketing requires an affiliate marketing network or platform that powers the traditional affiliate marketing programs to track activity.

To many experts, affiliate as we know it today, can be traced back to 1989 when William J. Tobin set up an internet affiliate marketing program for his business, PC Flowers & Gifts. He patented his idea in 1996, and the patent was granted in 2000, as [Medium](#) reports.

In 1996, affiliate marketing was then popularized by Amazon when it first started paying bloggers and other partners commission to drive traffic to its site via its Associates' program. Other affiliate programs soon followed.

Cookies—small pieces of data that track what a specific user is doing in their browser—allowed advertisers to see exactly where their traffic was coming from. This in turn clarified which strategies were and weren't working as well as which publishers drove a lot of traffic—and which did not—to advertisers' sites.



The present day of affiliate marketing

Today, more than **80%** of brands—including many common household brands—have affiliate marketing programs. Affiliate marketing is currently a \$6.8B industry, contributing 16% of all ecommerce sales. Affiliate marketing programs are projected to continue to grow 10% each year for the next two years.

Affiliate marketing now accounts for 15% of digital marketing revenue and affiliate programs generate an average of between 15% and 30% of all sales for advertisers. The reason why so many marketers turn to affiliate is because it enables them to diversify their marketing, supplement existing marketing programs and pay for performance rather than paying for access, as found in other paid digital channels.

Ultimately, the key is finding the right partner for your brand: one that has built a solid audience who is also interested in the products or services you're selling. Since these partners are able—and highly motivated by potential commissions—to create engaging content while promoting products or services, the traffic generated from their sites is more likely to be high-quality and therefore, more likely to convert.



By incorporating affiliate marketing into their strategy, partners can generate quite an impressive revenue source. In fact, affiliate commissions now account for as much as **20%** of partners' total revenue. Most recently, a **Pepperjam-commissioned survey** of 170+ executive-level marketers credited the affiliate channel as their number one channel for customer acquisition and prize it for revenue generation and pricing flexibility. For these reasons, both advertisers and partners leverage affiliate marketing networks and platforms—online marketplaces where advertisers and partners can connect, engage and manage every aspect of their programs, from tracking to payments.



Today's consumers are as savvy as they've ever been and hold brands accountable in ways they never have before. Nowadays, transparency is key, so advertisers must find ways to promote products and services without sounding too pushy or salesy. ”

And all things considered, in today's world of commerce, affiliate marketing plays a critical role in the buyer's journey. To illustrate: Another recent Forrester survey cited **83%** of advertisers use an affiliate network or platform to coordinate deals with partners. In short, brands understand the power of word of mouth advertising and it's hard to top the affiliate channel as the digital age's strongest form of word of mouth advertising.



Righting the perceived wrongs

Unfortunately, despite all the positive impact affiliate has made on modern marketing including being one of the first channels to **monetize Instagram** and social pages while also infiltrating podcast advertising, there are still several misperceptions that surround it—and in the past, have lent to a less-than-savory misconception about the channel at large.

A large misconception is that affiliate is a lower funnel, perhaps lower-value channel and this perception was largely devised post-recession when consumers were looking for all the savings they could find. As a result, thanks to these savvy and fiscally-conscious consumers, coupon and loyalty dominated the last-click position and the channel garnered a reputation for not really adding any incremental value. Couple that with the fact that brands' and retailers' attribution and measurement systems were already generally setup on a last-click model, meaning the last click received the credit for the conversion event and it's easy to see how the true value of affiliate was missed altogether.

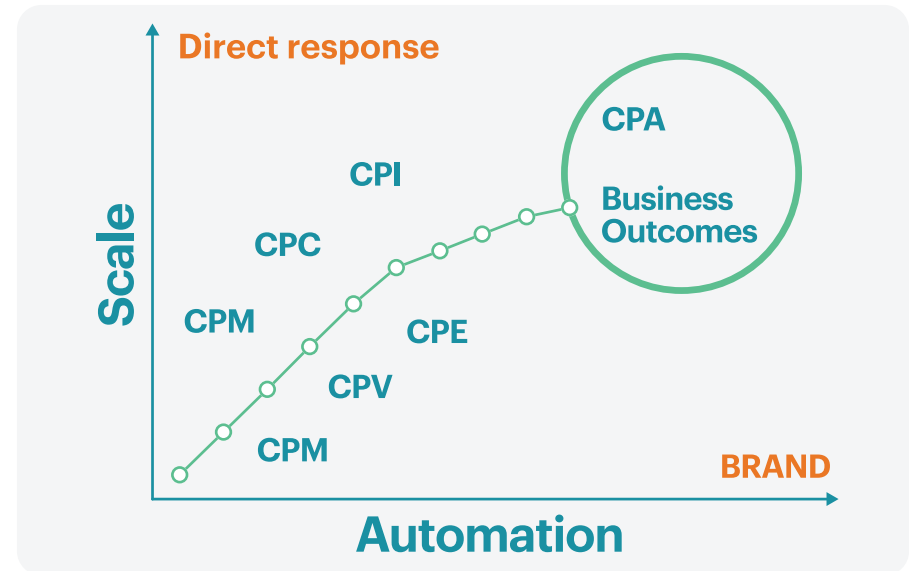
And since affiliate occupied the last click, it created the notion that brands would've gotten the customer or the sale anyway, with or without affiliate.

However, we now know that this belief simply isn't true, and that affiliate occupies all stages of the consumer buyer journey. Thanks to an emphasis on transparency, there is visibility into traffic and reporting is available, easily exportable and usable in brands' system of record and multi-touch attribution (MTA) platforms. For example, affiliate marketing has gone mainstream with more and more publishing houses monetizing their digital editorial content with affiliate marketing, showing how affiliate also occupies the upper funnel, not just last click.



Brand safety is also a concern in the affiliate channel. How could brands be certain that publishers are representing their products in their likeness? Today, protection tools are in place to provide always-on compliance monitoring, domain monitoring and fraud detection to ensure that proactive steps are taken to understanding how brands are promoted by publishers/partners.

So where do these misperceptions come from? According to [Shopify](#), in the early years of affiliate marketing, a fraction of affiliate marketers used tactics such as black hat SEO, cookie stuffing, link farms, typosquatting, brandjacking, spyware, spam, and trademark infringement. Later, scripts were written that fraudulently generated multiple clicks—and as a result ramped up earnings.



Fortunately, with affiliate being proven as a mainstream form of digital marketing, tight controls and technology monitoring tools, these practices have been drastically eliminated—and that means by and large, the affiliate marketing industry of today is transparent, above board and a highly-effective marketing tactic.

That said, along with advancements in affiliate technology, there are also several notable trends in the channel today including scale, automation and outcome-based payment models. Notably, carefully honed campaign tracking tools and the rise of influencers.

This combination of scale, automation and outcome-based payment models give marketers the operating leverage they need to offset the high price tag that comes with being present in other primary sales channels.



Scale

Affiliate marketing gives brands a cost-effective alternative to finding the right partners to convert their target audience at scale—partners that may have been out of budget or reach in other paid channels.



Automation

Affiliate marketing technology stacks have evolved to eliminate the manual and tedious tasks associated with traditional program management. Automation enables brands to efficiently find and recruit the right partners, schedule delivery of actionable reporting and integrate their affiliate data into their reporting source of truth. As a result, marketers create efficiencies that enable them to make smarter spend allocation decisions and drive revenue growth.



Outcome-based payment models

By offering a pay-for outcome model versus a pay-for-audience-access model associated with traditional primary sales channels, affiliate gives brands a cost-effective alternative to subsidize these channels and create the operating leverage required to fuel growth. Further, the Forrester survey confirms that the affiliate channel is also favored by executive-level marketers for its pricing flexibility.



Takeaway: Affiliate marketing truths

To truly understand the present state of affiliate marketing, where it's headed and why it's here to stay—firmly planted in any sophisticated marketers' arsenal—we'll leave you with some quick and insightful **statistics**:

10%

Affiliate marketing programs are projected to continue to grow by 10% each year for the next two years.

#1

#1 channel for customer acquisition according to executive-level marketers.

52%

Number of executive-level marketers who also cite affiliate as a top revenue driver.

\$12B

Currently, the global affiliate marketing industry is worth more than \$12B.

15%

Affiliate marketing now accounts for 15% of digital marketing revenue.

12:1

The return on ad spend (ROAS) for affiliate according to marketers leveraging the channel.

170M

Number of transactions users performed on affiliate networks and platforms in 2017.

+50%

More than half of all affiliate-referred traffic originates with mobile devices.

\$6B

2018 U.S. performance marketing spend.

Statistics like these clearly illustrate that affiliate marketing isn't just alive—it's thriving and growing rapidly. With the number of partners participating in the affiliate industry and a growing number of advertisers looking to forge lasting relationships with these partners, it's clear that interest in affiliate marketing is far from waning.

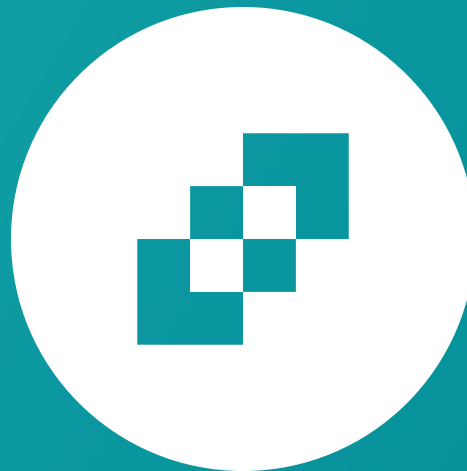


The Pepperjam solution: Ascend™

At Pepperjam, we help advertisers and partners rise above the legacy status quo mentality of affiliate by providing leading technology and services. By doing so, we aim to propel like-minded marketers into the future of affiliate marketing.

Introducing Ascend: An integrated and comprehensive affiliate marketing lifecycle platform that gives performance marketers access to category-defining discovery, recruitment, attribution, commission, fraud prevention—and payment capabilities—in a single-stack solution. Learn more about the [Ascend™ platform here](#).





Contact us today to learn how you can harness the power of an affiliate marketing platform built with the needs of today's marketer in mind.