



Put an Affiliate Marketing Strategy to Work for Your Business

By: David Green, Affiliate Program Manager

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I. Introduction

Affiliate Marketing has a long history. Since before the days of the internet, companies have been utilizing this sales method in order to reduce fixed costs and maximize ROI. Affiliate Marketing facilitates this because it allows sellers to expand their reach of potential customers and at the same time assume less of the risk associated with cultivating a lead or a sale. An affiliate marketing program allows advertisers to create an online sales force without the costs and resources associated with a traditional sales team.

II. What Is Affiliate Marketing?

Affiliate Marketing is a performance-based marketing strategy. Essentially, a business only pays a commission when a predefined action has taken place; such as a sale, lead, or subscription. An Affiliate Marketing strategy is a great way for businesses to keep a tight control on their cost per acquisition (CPA). Aside from increased control of CPA, an effective Affiliate Marketing strategy allows businesses to build their brands at a lower cost. Many advertisers are finding this channel a cost-effective way to offset the rise in other advertising avenues, such as pay per click, pay per impression, and more traditional forms of marketing, such as print or television.

This cost reduction is achieved by assembling an online sales force that markets the company's products and brand at its own expense, not the company's. There are countless skilled marketers out there looking for new products and services to promote. If your product or service has an appeal to a mass audience or a specialty niche audience, there are affiliates for you. Affiliates promote company's products or services by placing a specially coded link on their web sites, which links to the company's site. There are other methods affiliates may use to market your products that we will touch on later in this whitepaper. Just because you have an affiliate program, doesn't mean that as soon as you open shop, your shopping cart will be overloaded with affiliate referred sales. In order to have a successful Affiliate Marketing program, you must properly structure your campaign to be both competitive to related programs and appealing to affiliates.

III. History

One of the early adapters of this marketing strategy was, and still is, the Avon Cosmetics brand. Avon rapidly grew their business in the late 1980's and early 1990's by creating an outside sales force to sell their products

and build their brand. The outside sales force was basically a team of independent sales agents. These agents would only get paid when they produced a sale.

As the internet was born, and business models were adapted to incorporate a presence on the World Wide Web, Affiliate Marketing, as we know it today, started to take shape. One of the early internet pioneers to develop an online Affiliate Marketing strategy was Amazon.com. In 1996 Amazon.com launched its "Associate" program. The goal was to encourage webmasters to promote Amazon's vast product catalog by placing a link to them somewhere on their web site. If a user clicked on the Amazon link and then completed a transaction, the referring webmaster would receive a commission for the transaction. Twelve years later, Amazon claims to have over 600,000 associates.

IV. Developing Your Program

A. DEFINE YOUR GOAL

There are many aspects that go into structuring a successful Affiliate Marketing program. First and foremost, you must define the goal of your program. What are you trying to get your visitors to do on your web site? The most common types of goals are a sale, a lead, or a subscription. If you are selling a product, then a completed purchase transaction is your goal. If it is a service you offer, your goal will most likely be a qualified lead. And if you are trying to grow a membership base, then a subscription will be your goal.

B. STRUCTURING YOUR COMMISSION

This may be one of the most important aspects of your affiliate program; at least in the eyes of your potential affiliates. Affiliates use their own time and money to drive traffic and ultimately conversions for your product or service. As a result, they need to know they will be properly compensated for their efforts. The two most common types of commission structures are a flat rate structure and a percentage of sales structure. The method you choose should be determined by your pre-established goal.

1. If the goal of the program is to generate qualified leads, then a flat rate commission structure is likely your best choice. A flat rate structure allows you to pay out a pre-defined amount for a verifiable conversion. Since all conversions (leads) are initially valued equally, a flat rate commission structure is a fair and equitable method. A flat rate structure can also apply to a sale transaction. This should only be limited to certain businesses. A

- flat rate commission for a sale transaction can work for a business that sells a single product or a small amount of similar products. Since all sale amounts will be the same or very similar, a flat rate payout is again a fair method of payment.
2. The other option is a percentage of the sale. The percentage method works best for businesses with a wide variety of products or services. Affiliates find this appealing because they have the opportunity to earn larger commissions for larger sale amounts. If your margins are generally the same across your product line, a tiered commission structure can work great for you.

Whether you choose a flat rate commission or a percentage, it is highly recommended to implement a tiered structure. A tiered commission structure sets different commission levels depending on the amount of sales or leads an affiliate refers. This is a very desirable system as it can motivate your affiliate partners to work harder in order to achieve a higher payout. A two or three tier system is best as it provides an incentive for your affiliates and is manageable for the Affiliate Manager running your campaign. Although you will set pre-defined commission levels, always make it known that there is the potential for high performing affiliates to earn more.

C. COOKIE DURATION

Cookie duration is the amount of time you are willing to let a visitor come to your web site and make a purchase and still credit the referring affiliate with the commission. The longer you can make your referral period, the more appealing the program will be to affiliates. Determining your cookie duration should depend on your business and your products or service. The longer your sales cycle, the longer your cookie duration should be. Cookie durations can range from 12 to 48 hours, to a year, or they can be unlimited. If you have a very similar program to a competitor, cookie duration could be the deciding factor for an affiliate looking to promote your type of campaign.

D. CREATIVE AND MARKETING MATERIAL

In order for your affiliate program to grow and realize its full potential, you will need to provide your affiliates with proper marketing materials and collateral. You'll also need to make sure they understand your primary business objectives so they can promote your campaign in a way that is consistent with your business model. There are many types of marketing materials you will need to provide.

1. Banners

Banners advertisements are the most common way for an affiliate to promote your campaign. Banner ads can be used on an affiliate's web sites, blogs, or newsletters. Banners should portray your message and brand. Most importantly, banners should contain a clear call to action. Make sure to include eye-catching graphics and a simple, straightforward message to get users to click through. You don't want your banners to be too cluttered, therefore diminishing the effectiveness of your message. Always have at the ready the most common banner sizes, 468x60, 120x600 and 125x125. However, also make it known you are willing to create additional sizes or custom banners for your affiliates. Not all web sites look the same and what can look good on one, may not shine on another.

2. Email Creatives

An increasingly popular method affiliates have been using to generate sales and leads is via email marketing. In order to have control of your brand and message, you will want to provide your affiliates with this email material. It is best to create multiple options with different looks and feels. The goal of the email is to get the user to click through and visit your site. Just like banner ads, don't make them too cluttered. You want your message to be clear and concise compelling the user to click through before they lose interest.

3. Keyword Lists

If you are currently running an in-house pay per click (ppc) campaign, you'll need to determine if you are going to let your affiliates promote your campaign via ppc. Many companies who run their own ppc campaigns allow their affiliates to as well, as long as the affiliate agrees not to bid on certain keywords, such as branding terms. If you decide to permit ppc affiliates, you'll want to clearly lay out guidelines for allowable keywords in your campaign's terms and conditions. If you allow ppc bidding, provide your affiliates with a list of suggested keywords. This will help to start their campaign and give them a good idea on what keywords work for your business; establishing good groundwork for them to further develop a more extensive keyword list.

4. Data Feeds

Data feeds are another great tool affiliates can use to promote your products. A data feed is a file containing your product links, images, descriptions, categories and other pertinent information. The feed is easily implemented onto an affiliate's website, where they can list your products. Affiliates can also build specific pages on their sites for each product or product category and have relevant content on those pages. If you run your affiliate program on a third-party network (e.g., Google Affiliate Network), the network should have a feature that allows you to upload

your feed. If the network does not have this function, or you run the program on an internal network, then there are a few free feed services you can use. The most popular are [PopShops](#) and [GoldenCan](#).

E. SELECTING YOUR NETWORK

An Affiliate Network is the intermediary between merchants and affiliates. A network provides you with tracking technology, statistical reporting tools, payment processing, and in most cases, access to a large base of affiliates. The network is also where you will host all of your creative material. It is important to do research to find out which network has the best solutions for your business. Some networks are more focused on retail programs and some are more focused on lead generation programs. You also have niche networks that focus on a particular market sector. Some of the more common networks are:

1. Google Affiliate Network
2. ShareASale
3. Commission Junction
4. Buy.at
5. LinkConnector
6. LinkShare

All third-party affiliate networks have fees associated with signing up. Most of the networks require a setup fee ranging from a few hundred dollars to thousands of dollars. Just because the entrance fee is higher doesn't always mean you are getting more. You need to make sure the network provides the level of service you will require and the tools to properly run your campaign. You also want to choose a network that affiliates like to work with; which can go a long way in helping to recruit affiliates into your program.

V. Managing Your Affiliate Program

A. RECRUITING AFFILIATES

1. Personal Invitations

The best way to recruit the most relevant affiliates who can drive the most qualified traffic is to search for them yourself. Go out and find websites that you would like to link to you. Once you have found them, contact them and introduce your program. You can contact them by sending an email, calling them, or sending a personal letter. Whatever you do, make sure you stand out. Affiliates are constantly being invited to join programs so you need to set your program apart from the others.

2. Affiliate Directories

Affiliate directories are a great resource that affiliates use to find new programs, as they are a one-stop shop for affiliate programs. The good thing about directories is that most of them are free to post on. You can submit your program manually to these directories or hire a service that will submit your program to all of the main directories.

a. Create an Affiliate Information Page

Many affiliates know what type of product or service they want to promote. Once they know, they will search for merchants that provide what they are looking for. If they come to your site and find an Affiliate Information Page, they may just sign up right away or contact you to find out more details about your program. If you do not have an affiliate information page, they may contact you to see if one exists or they may just pass you by and look for the next merchant. Remember, affiliates are also consumers. So if they come across your website to make a purchase for themselves, they may see your affiliate information page and decide to try out the program.

b. Discussion Boards and Forums

There are many discussion boards and forums that affiliates actively take part in. These places are where affiliates talk about programs, ask advice, and communicate with fellow industry peers, such as Affiliate Managers. By having a presence at a popular forum, such as [AbestWeb](#), you are able to communicate to a large audience of affiliates at once. Forums and discussion boards are also a great place to get ideas for your program and receive feedback from affiliates.

B. COMMUNICATING WITH YOUR AFFILIATES

Communication is the key to running a successful affiliate marketing program. Just like if you had an internal sales force, you need to be at the ready to answer any questions your affiliates may have. Remember, affiliates are using their time and money to promote your program, so it is very important to be available to them. Always be accessible to your affiliates during business hours and if possible all of the time. Keep open lines of communication through the use of phone, email, instant messaging, and discussion boards.

C. EDUCATING YOUR AFFILIATES

An educated salesperson will produce greater results than someone who is not familiar with what they are promoting. You need to keep your affiliates up to speed on your products and services. Sending out affiliate

newsletters is a great way to do this. In your newsletters you should include important updates and any changes made to your program. You should also share any industry news regarding your business and the products and services the affiliates are promoting. Last, but not least, you should keep your affiliates apprised of any new products or services as well as discontinued ones. You don't want affiliates to find out a product is not available anymore on their own. Most importantly, don't wait until the day before any new products are introduced or discontinued. Give your affiliates plenty of time to prepare for the changes. Treat them as valued business partners.

D. REWARDING YOUR AFFILIATES

You need to give your affiliates a reason to bring you the business and not your competitor. We touched on the most important factors earlier, (commissions, cookies, and creative materials), but there is more you can do. Offer performance bonuses. Affiliates love incentives and a performance bonus is the way to do it. Set benchmarks for your affiliates to reach and if they are able to, reward them with higher payouts, bonus payments, and gifts. A good idea is to offer some of your own products or services. This can help to give your affiliates a better understanding of your offering and show your appreciation for their hard work.

E. TIPS

In order to help build your affiliate program and take it to the next level, follow these nuggets of advice.

1. Relationship Building

Try to build personal relationships with your top performing affiliates. Providing a bit of personal touch can go a long way to building the trust needed for success.

2. Test Your Links

Always test your links before you put them live. You want to test them to make sure the links are active and also to make sure the tracking mechanism is working properly. There's nothing more damaging to your program than if affiliates are using their resources to bring you traffic and you are not crediting them with the referrals.

3. Spot Check

You have worked hard to build your business and your brand. You always want to make sure your affiliates are in compliance with your terms and conditions. Randomly check your affiliates' links to make sure they are complying.

4. Ask Your Affiliates

Ask your affiliates for feedback on the program. There is no better way to find out what your affiliates need in order to maximize their efforts than by asking them directly.

VI. Conclusion

With the right controls in place, an Affiliate Marketing program can be beneficial for your business. Before you embark on setting up your program, make sure your resources are in place. An Affiliate Program can quickly turn into a full time job for the person managing the program. If you are not able to have a dedicated Affiliate Manager, it is best to outsource the management of the program to an experienced Outsourced Affiliate Management firm.