



Affiliate Marketing

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What is It?

As online purchasing becomes more common, a change is taking place in how companies acquire customers. The new model, Affiliate Marketing, once viewed as an oddity, has quickly grown into the most important and effective form of Web-based marketing. In fact, an April 1999 Forester Research survey of marketing executives, "Driving Site Traffic," ranked affiliate programs number one in effectiveness, ahead of email, PR, television, and all other marketing methods. This has become the fastest and easiest way to make money on the Internet.

"Affiliate marketing," a way of distributing another company's products and benefiting is the future of online sales as well as branding. One of the most well known companies that utilized this technique, in just five years, went from a garage-based start-up to a company with net sales of over \$600 million in 1998. That company, Amazon.com, used its links on more than 260,000 Web sites to brand its name and bring in customers without spending thousands on a branding campaign. (*Daniel Gray: The Complete Guide to Associate and Affiliate Programs on the Net: Turning Clicks into Cash*, McGraw-Hill, 2000)

Affiliate Web sites are independent sites that have an agreement to provide links to merchant Web sites. Most of these agreements are sales-related. Companies are looking for sales, or names to build mailing lists, so they are willing to pay for this.

There are a few types of affiliate marketing programs. They include:

- ❖ *Sales Commission:* The affiliate site is paid a percentage of each sale.
- ❖ *Customer Acquisition:* The affiliate site is paid a fee for each new customer referred to the merchant. This can be paid in addition or in lieu of a sales commission.
- ❖ *Lead Generation:* The affiliate site is paid a fee for each valid lead. These fees vary widely, for example, a request to be added to a mailing list would bring in less revenue than a successful credit card application.
- ❖ *Click-Through:* The affiliate site is paid for each click-through to the merchant's Web site. This takes a significant volume of traffic to make this worthwhile for an affiliate site.
- ❖ *Impressions:* The affiliate is paid a flat fee based on every thousand impressions.

Everyday that a company like Company XX does not take advantage of the added revenue and branding affiliate marketing provides we leave the door open for your competitors to take it from you. If an affiliate program is crafted strategically you are poised to become a profitable site in half of the time that you had originally projected.



Exploring Options Acquiring Affiliates

Three important decisions you will have to make once there is a commitment to implement an affiliate program.

1. Will the affiliate manager be an in-house employee or will we outsource our program?
2. Which affiliate solutions provider or software will we use for the back end of our program?
3. How are you going to acquire affiliates for your program?

Building a stable of affiliates isn't difficult. To build a foundation of effective sites you should have a variety that fall into one of these five categories:

1. Sites with high traffic
2. Sites with consistent traffic
3. Sites with a targeted audience
4. Sites that have frequent updates
5. Sites that are the top-level domain

Affiliate directories offer paid and free packages to market your program. The directories are composed of listings and reviews of affiliate programs, and you can submit your program for free exposure. There are about 50 directories and you can use a submission service, such as, *Affiliate Announce* or *Affiliate Broadcast*, for a nominal fee to place a listing in all directories.

You will want to ensure participation with those super affiliates (top-level domain) as well, as they are the 20% that bring in 80% of the revenue. To do this you will need to target a smaller list and make a higher quality of contact with them. You should go where they go, such as affiliate marketing discussion boards. By posting a message with a signature that markets your program you are actually placing an "ad" and demonstrating an active role in the success of affiliates. Examples of these discussion boards: *AssociatePrograms.com*, *CashPile*, *iBoost*, and *ReveNews*, (*CJ.commission junction*, 10.13.2000)

Reviewing Costs...In House vs. Outsourcing

You have discussed the benefits (superior return on investment and branding) of an affiliate program, and now you need to explore the start-up costs, monthly costs, marketing, and staffing costs.

The decision you have to make is whether you will be creating the program in-house or outsourcing to a solution provider. There are chronicled successes of in-house programs, such as Amazon or E-Commerce Exchange, but it has been more successful to outsource.

In House Marketing Affiliate Manager Costs

To have an effective affiliate program there needs to be staff designated just for affiliate marketing. According to "New Affiliate Marketing Models", 50 percent of merchants have two or more employees managing their affiliate programs.

Price points for affiliate marketer salaries were outlined in the United States Affiliate Manager Coalition survey. This was based on 43 respondents: 7 percent of affiliate marketers are making less than \$55k per year; 44 percent earn \$56k to \$75k per year; 30 percent earn \$75 to \$85k; and 19 percent earn \$86k or more annually.

Costs for Outsourcing

It appears that there are three well-known solutions providers that articles document most often: Be Free, Commission Junction, and LinkShare. The start-up and monthly costs and services vary so you would need to investigate all three.

Be Free charges \$5,000 to start and 2 to 3 percent of gross sales. This company also offers a variety of affiliate recruitment and management services for an additional fee.

LinkShare's start-up fee is also \$5,000 and a commission charge of 2 to 3 percent of gross revenue as well as a \$1,000 license renewal fee.

Commission Junction start-up fees are \$795 with commissions of 20 percent of the affiliate earnings and a \$595 renewal fee.

Another cost was discussed in the last section and is the cost of listing in directories. This is important because an invisible affiliate program is worthless. As chronicled earlier there are two tactics to achieve listings. One is to list our program individually at the top 40 directories. The second is to pay a service like Affiliate Announce \$79 to submit your listings. The latter is suggested, as time to market is imperative here. Also one note, if you are going to make a media buy (banner ads) the affiliate program directories is the logical choice.

Another suggestion noted in a few places that is on the low-cost end was Web Cards. These are full-color postcards of web pages. Prices appear to start at \$95 for 500 postcards. Many programs use these as offline follow-up with prospective affiliates.



If you decide to outsource personnel to run the program there are a number of companies that offer services in this area. The following is a list of companies, their services and their costs:

Affiliate People

A marketing specialist that will take care of the affiliate strategy development, communicating with current and potential affiliates, advertising and creative options, targeted affiliate recruitment, technical integration, and affiliate-content provision. The manager spends 40 hours per month marketing and supporting the program, and only runs four programs at one time.

Rates: \$2,495 per month, also there are enhancement services available at extra costs.

Alliance Builder

This company offers strategy development, affiliate recruitment, affiliate relations (customer service), enhancement of super affiliate relationships, and ongoing communications such as newsletters, personalized emails, and discussion forums.

Rates: \$2,000 per month

E-Base Interactive Inc.

E-Base Interactive offers planning, development, implementation and management for your program. It also will promote you as well as recruit affiliates. The management includes affiliate management, recruitment, support and communications. It will also create strategic alliances and business partnerships, analyze your traffic, and budget and create customized reports.

Offers options of outsourcing junior and senior level affiliate manager duties, or can review applications (\$3 per application), as well as consult and train program management (\$145 per hour, plus expenses).

Rates: \$50,000 to \$65,000 per year for full time management, or \$50 to \$60 per hour for part-time management

EComWorks

This is one of the most well known companies. It manages affiliates by applying merchandising techniques based on the affiliates retail merchandising experience. It can also create a strategic marketing plan, integrate the solution provider's technology to client systems, create the architecture and interface of the program, and recruit a database of affiliate sites.

Rates: only at info@ecomworks.com

Vizium

Vizium creates and implements programs in two stages: Stage 1 is the affiliate strategy and business plan that outlines the strategy, objectives, tactics, specific milestones, resource requirements, and targets; Stage 2 is the implementation, including technology infrastructure, affiliate recruiting, approval, support and maintenance.

Rates: Stage 1, 4 to 6 weeks at a rate of \$30,000 to \$45,000. Stage 2 is an ongoing rate of \$7,000 to \$10,000 per month.

Appendix A

Top 50 sites

1-800-flowers.com
1bookstreet.com
800.com
Amazon.com
AmericanSpice.com
Art.com
ArtToday
Astrology.net's ChartShop
Audio Book Club
AutoAccessory.com
Autoweb.com
Avon
BabyCenter.com
Barewalls.com
Barnesandnoble.com
Beyond.com
Borders
Bottomdollar.com
CarClub.com
CarPrices.com
CBS SportsLine
CDNOW
Chipshot.com
Cooking.com
Creditland.com
Delia's
Ebags
Electronics.net
Enews.com
Epage Free Auctions & Classifieds



ESPRIT

EToys

Fatbrain.com

FirstPlace Software.com

FogDog Sports

FragranceNet.com

FreeShop

Fridgedoor.com

Furniture.com

Genius Babies!

Giftpoint.com

Healthshop.com

Hickory Farms

HostAmerica

HotHotHot.com

I/us: all things graphic

IGoFish.com

Internet News Bureau

IOwn.com

Jacques Moret

Jcrew.com