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Affiliate Marketing

Business Case

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Econsultancy London

4th Floor, 91-93 Farringdon Rd
London EC1M 3LN
United Kingdom

Telephone:
+44 (0) 20 7269 1450

<http://econsultancy.com>
help@econsultancy.com

Econsultancy New York

41 East 11th St., 11th Floor
New York, NY 10003
United States

Telephone:
+1 212 699 3626

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1. About Econsultancy

Econsultancy's reports, events, online resources and training help an international community of more than 85,000 digital marketers make better decisions, build business cases, find the best suppliers, look smart in meetings and accelerate their careers.

Econsultancy, which has offices in London and New York, is an [award-winning online publisher of reports](#) covering best practice, user experience benchmarking, market data, trends and innovation, and supplier selection. Econsultancy is an invaluable resource for internet professionals who want practical advice on all aspects of e-business.

Econsultancy also operates a highly popular [training](#) division, used by some of the world's most prominent brands for staff education, both in-house and via public courses. Econsultancy provides training across all areas of digital marketing and at all levels from one-day courses to an MSc in Digital Marketing.

In addition, Econsultancy hosts more than 100 [conferences and events](#) a year, including the Online Marketing Masterclasses, the annual Future of Digital Marketing conference, the Peer Summit, Roundtables, Briefings and a range of social events.

Econsultancy also runs the prestigious [Innovation Awards](#) where pioneering work carried out in the world of digital marketing and e-commerce is judged by an international panel of experts from companies themselves known for innovation.

The [Econsultancy.com](#) site now attracts 175,000 unique users per month where they access research, read the blog and take part in discussions in the forums. And as a portal to the digital marketing community, Econsultancy members can also link up with other members and digital suppliers through the directories, as well as find a new job or new digital talent using the job listings.

Some of Econsultancy's members include: Google, Yahoo, Dell, BBC, BT, Shell, Vodafone, Yell.com, Oxfam, Virgin Atlantic, Barclays, Carphone Warehouse, IPC Media, Deloitte, T-Mobile and Estée Lauder.

[Join Econsultancy](#) today to learn what's happening in digital marketing – and what works. Call us to find out more on +44 (0)20 7269 1450 (London) or +1 212 699 3626 (New York). You can also [contact us online](#).

1.1. About This Guide

This business case will help you evangelise about the business benefits of affiliate marketing. Use it to figure out how to persuade your boss that an investment in affiliates is a smart move.

We don't expect you to know everything about affiliate marketing, and anything you do know is a bonus. But what's important here is that **you know** that affiliate marketing matters. And now you need to educate the boss.

This guide provides you with a framework for an internal presentation / argument for an affiliate marketing budget. It contains lots of key facts and figures that will help you make a solid case for investment.



2. Scope

We have purposefully limited the scope of this report in order to focus on **Winning The Budget**. Accordingly, it will not explain the ins and outs of affiliate marketing in minute detail.

What to expect from this guide:

- We'll start off by providing you with a brief overview of affiliate marketing.
- Then, we'll get into why affiliate marketing is so important for businesses of all shapes and sizes, backing up our view with market data and other research.
- After that we will take a look at some recent trends in affiliate marketing.
- Once we've set the scene we'll provide you with a list of business benefits. Then we'll let you know what to expect in terms of costs and resourcing.
- And finally, we'll look at a few case studies, by sector.

Further Reading

Affiliate Marketing Buyer's Guide

<http://econsultancy.com/reports/affiliate-marketing-buyers-guide>

Affiliate Marketing Template Files

<http://econsultancy.com/reports/affiliate-marketing-digital-marketing-template-files>

UK Affiliate Census

<http://econsultancy.com/reports/uk-affiliate-census>

US Affiliate Census

<http://econsultancy.com/reports/us-affiliate-census>



3. What is Affiliate Marketing?

10 facts about Affiliate Marketing:

1. In layman's terms, affiliate marketing is this: web publishers generating leads and sales for you, in return for a bounty each time they do so. Most affiliate programmes are based around this sort of CPA model (cost per acquisition). This is essentially pay on performance, so you only reward affiliates when sales are made.
2. Many of the most successful affiliates are experts in paid search. To this end, they can be viewed as an outsourced marketing team. Some 'super' affiliates spend millions each year on Google Adwords, and return healthy profits. They are skilled at trading on the margin between the costs of these ads and your commission.

4. Why is Affiliate Marketing Important?

Affiliate marketing appeals to merchants because it is a pay for performance model, meaning the merchant does not incur an expense unless results happen.

Why you need an Affiliate Marketing strategy...

- **Expand reach**
Want more customers? More leads? More sales? Affiliate marketing allows you to sell your goods and services via a wide range of websites and blogs (and paid search networks), without the need for a huge marketing budget.
- **Brand exposure**
Raise perceptions of your brand through exposure on quality third party websites. This is a free benefit for merchants, since they do not pay for advertising.

5. Market Data

The following data comes from our [Internet Statistics Compendium](#), a useful report that aggregates internet-related research in one place.

Affiliate Marketing - Market Value¹

- The average proportion of online marketing budget designated to affiliate marketing has dropped from 18% in 2007 to 14% in 2008. (Econsultancy / R.O.EYE Affiliate Marketing Survey Report 2008)
 - The proportion of online sales ascribed by merchants to affiliate activity has decreased from 16% in 2007 to 12% in 2008.

¹ <http://econsultancy.com/reports/affiliate-marketing-briefing-october-2008>

5.1 UK Affiliate Census

The [UK Affiliate Census 2009](#), which is backed by **Affiliate Window** and the leading affiliate networks, is the most detailed study available about the make-up of the affiliate community.

The 60-page report, based on a survey of more than 1,000 affiliates, looks in detail at the nature and quality of relationships affiliates have with networks and merchants.

Interestingly, differences were found between the US and UK markets through our [US Affiliate Census](#).

Who are the affiliates?

- The vast majority of full-time affiliates classify themselves either as owning an affiliate company (39%) or as self-employed (45%).

Affiliate Business

- There is a huge spread in terms of the level of income earned by affiliate marketers.
 - Just under a third of affiliates (31%) are generating less than £50 per month in sales for their merchants, and a further 9% are generating between £50 and £100.

6. Affiliate Marketing Trends

- **SEO and cash-back sites gain ground** while paid search affiliates decline.
 - According to merchants, the most valuable affiliates – as a group - are **SEO / content publishers**, deemed to be driving a major contribution by 42%.²
- **Continued rise of the super-affiliate** ...A third of merchants (34%) say that five or fewer affiliates are driving 80% of their affiliate sales or sign-ups. A further 23% say that between six and 10 affiliates account for 80% of sales.

7. Summary of Business Benefits

- **Cost-effective Customer Acquisition**
There is no payment to affiliates unless they refer a visitor who subsequently becomes a customer. As such, there is no wasted budget in affiliate marketing.

² Econsultancy / R.O.EYE Affiliate Marketing Survey Report 2008

