

RESEARCH

Affiliate marketing offers alternative to crowded content marketplace: Forrester

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Money

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Industry shifts have led to a breakthrough in affiliate marketing, according to a new report by Forrester and Rakuten Marketing.

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The rise of social media and changes in consumer behavior have made affiliate marketing a primary way for advertisers to reach consumers. Although the technique is growing, the potential is still halted somewhat by impediments to accurately and thoroughly measuring the ROI.

"Technology has changed the way people discover, explore and share information while consumers have become savvier to marketing messages, raising the expectation for how brands communicate with them," said Melissa Feemster, general manager and senior vice president of Rakuten Affiliate Network. "The human element is essential to a successful affiliate program as relationships play an increasing role.

"People turn to trusted sources to learn about products," she said. "Publishers with their own loyal communities and advertisers with aggressive sales goals lean on our team to help them find partners that create authentic and mutually beneficial relationships. That connection helps them achieve their ultimate goal of reaching consumers with information they genuinely find valuable."

"Networks Help Drive Affiliate Marketing Into The Mainstream" relied on survey data from 302 decision-makers at U.S. advertisers and publishers, with 151 coming from advertisers and the other half from publishers. Only advertising companies earning more than \$200 million and publishers in the top 5,000 sites by traffic volume in the U.S. qualified.

Affiliate marketing

Forrester's affiliate marketing report projects a compound annual growth rate of 10 percent from 2016-2020. In 2020, more than \$6.8 billion will be spent on the tactic.

Consumers have more information than ever before at their fingertips, and the Internet has also given them unprecedented amounts of content to search through. As a result, they are more marketing savvy than previous generations, sophisticated and precise in their desires.

To keep up, advertisers have needed to learn to leverage content that consumers value, not simply continue to push sales. Affiliate marketing offers a workaround to the resulting challenge of trying to create effective, valuable, widely

seen content.

Among those surveyed, 81 percent of advertisers and 84 percent of publishers say they presently have resources allocated to affiliate marketing, defined for the purpose of the survey and report as "a type of performance-based marketing in which an advertiser rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts." Most of the remaining respondents have plans to take advantage of affiliate marketing, with only 3 percent abstaining altogether.

More specifically, more than 90 percent of the affiliate advertisers said it is "very important" to the marketing mix and more than 80 percent have dedicated at least 10 percent of their budget to affiliate marketing. For publishers, more than half indicate that 20 percent of annual revenues are attributable to affiliate programs.

Affiliate networks have arisen as a way for advertisers and publishers to find new affiliates. Around 80 percent of advertisers search within affiliate network dashboards and attend events hosted by affiliate networks and 94 percent of publishers have worked with at least two affiliate networks in the last year, with one-fifth reaching out to at least five.

The image shows a promotional email or landing page for the Luisa Via Roma affiliate program. At the top, it says "LUISAVIAROMA.COM" and "Luxury Shopping Worldwide Shipping". Below that, it says "Join the Luisa Via Roma Affiliate programme on Rakuten Linkshare today!". The text continues: "Hi Everyone, The Luisa Via Roma affiliate programme is now live on Rakuten LinkShare UK network. About the Luisa Via Roma" followed by a description of the brand as a premier retailer of authentic men's and women's clothing, shoes and accessories. There is a central image of a woman in a black dress with a circular callout that says "FREE SHIPPING FREE RETURNS". Below the image, it lists "Programme Benefits: Ongoing baseline offer: - 8% Commission - 45-day cookie window". At the bottom, there is a red button that says "Join Today!" with a right-pointing arrow.

Rakuten Luisa Via Roma affiliate network

Most importantly, affiliate networks have better fraud controls than publishers. At present, advertisers looking for publishers with good fraud control will severely limit their outlook.

Although advertisers are attempting to track returns on investment, cross-channel attribution tools are still somewhat rare and generally limited to first-click and last-click measurements, which does not account for the full consumer journey and therefore undervalues the affiliate marketing.

"Attribution tools can provide a multi-channel view of an affiliate program's impact by tying results to the program's objectives, whether it be awareness, conversion, engagement or a combination of those," Ms. Feemster said.

"Through measurement, advertisers and publishers have the knowledge to maximize the success of affiliate programs and partner relationships."

Moreover, although advertisers are closely tracking mobile and desktop sales, offline sales have not been monitored as closely, meaning that affiliate marketing's value is possibly being underestimated.

Nonetheless, one advertiser quoted in the report noted, "[affiliate marketing] yields more revenue for our .com property than SEM, display or social."

Advertisers prefer publishers who have more data that defines their readership, both demographically and in terms of behavioral data and psychographic measurements.

Publishers should also understand that advertisers prioritize content integration more than audience size, as a smaller, high-conversion audience will likely generate a better ROI than a low-conversion large audience. Despite 64 percent of advertisers claiming vertical expertise as a priority more than any other metric only one-third of publishers promote it to prospective advertisers.

Bringing it all back home

The habits of younger consumers have required advertisers to adjust marketing to target narrow, high-conversion markets with precision.

Today's luxury market is undergoing a massive shift, with consumers becoming less brand loyal, placing transactions on-the-go and being influenced by multiple sources and engaged on multiple devices.

During Luxury Interactive 2015, Melissa Feemster, senior vice president and general manager of Rakuten Affiliate Network, stressed the growing importance of engaging luxury consumers at the right time with the right message. Through affiliate marketing, display, search and attribution brands can leverage available data that will assist in engagement and capturing consumer market spend ([see story](#)).

Although affiliate networks have emerged as one solution to the problem of addressing content-overloaded consumers, ROI measurement and mobile reach still remain.

Marketers' failure to accurately invest in mobile channels with appropriate budgets has resulted in a struggle to measure return on investment, meaning that brands must fully integrate mobile with their marketing strategies this year, according to another recent report from Forrester Research.

The research firm's report identifies 2016 mobile marketing and app trends, focusing on how brands can become key differentiators in their respective industries by serving mobile moments to consumers in an effort to revamp the customer experience. Many companies underinvested in mobile last year, suggesting that the leaders of the pack who maintain strong mobile budgets will effectively measure the channel's return on investment in 2016 ([see story](#)).

The issue of maximizing mobile's popularity is also one that affiliate marketing faces.

"The increase in time people spend consuming information on mobile means brands must shift the format of the content they create to become a seamless part of that experience," Ms. Feemster said. "Mobile-first platforms, such as Instagram, that were once fairly niche in demographic are becoming more mainstream and advertisers should look to emerging social influencers as partners to build a presence and a cohesive affiliate marketing program across devices and communication mediums."

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