What we talk about today

- Part 1:
  Affiliate Marketing – a part of Online Marketing

- Part 2:
  Affiliate Marketing – how it started

- Part 3:
  Affiliate Marketing – what it is today

- Part 4:
  Affiliate Marketing – what the future holds
Part 1: Online Marketing

Definition

Internet marketing, also referred to as i-marketing, web-marketing, online-marketing or e-Marketing, is the marketing of products or services over the Internet. *

- Watch out: Internet-marketing is NOT identical to Online-Marketing
- on top of the internet, Online Marketing also uses the following channels
  - Intranet
  - Extranet (for example closed user group with suppliers or customers)
  - Mobile devices
Part 1: Online Marketing

Definition:

- Online Marketing is the adaptation of all marketing tools in online media

- Current focus is communication and distribution

- However, Online Marketing is getting more and more important for pricing and product policy as well

- Online Marketing has several sub-disciplines!!!
Part 1: Online Marketing

Sub-Disciplines of Online Marketing:

- Online-Advertising/Display Ads
- Affiliate Marketing
- SEO & SEA/SEM
- Email-Marketing
- Social Media Marketing
- Website Marketing
Online Advertising = Display Ads

- In the broadest sense Display Advertising means „banner ads“
- These banners can consist of static or animated images
- They may also include interactive media like audio or video elements
Part 1: Online Marketing

Display Ads

- Definition of banners:
  - Rectangular form of advertising that appears on a website and are hyperlinked to the website of the advertiser
  - Banners can be distinguished by:
    - Size
    - Interaction
    - Functionality potential
Part 1: Online Marketing

SEM

- **Search Engine Marketing:**
  - Includes all Marketing activities which optimize the search engine results for a particular website
  - It’s a key tool of all Online Marketing activities

- **Two sub-categories:**
  - SEA (Search Engine Advertising)
  - SEO (Search Engine Optimization)
Part 1: Online Marketing

**SEM Basics**

- A search engine is an index-based software that uses specific programs (so-called CRAWLERS)
- Crawlers „search“ through the internet for something new or updated
Part 1: Online Marketing

SEO Basics

- 2 Step Approach:
  - Step 1: On page – mostly content
  - Step 2: Off page – mostly links
Part 1: Online Marketing

E-Mail Marketing

- One of the oldest form of Online Marketing
- Comparable to classical Direct Marketing (mailings, leaflets)
- Online equivalent to offline mailings
- Consumers receive a personalized email to create attention for current activities (e.g. Amazon)
- Push approach: detailed targeting of audience to minimize waste circulation
Part 1: Online Marketing

Social Media Marketing

- Social Media Marketing is one of the newest forms of OM
- Social Media Marketing (SMM) or Social Media Optimization (SMO) is a sub-discipline of OM via the usage of Social Media channels
- It’s very much on the uprise
- However, proven tactics to improve sales are rare
Social Media Marketing

- It refers to activities, practices and behaviours among „communities“ of people
- „communities“ gather online to share information, knowledge, and opinions using conversational media
- Conversational media are web-based apps that make it possible to create and easily transmit content in the form of words, pictures, videos, and audios
Affiliate Marketing

Definition

- Is a transaction on a commission basis
- Is a performance-based marketing in which
  - a business rewards one or more affiliates
  - for each visitor or customer
  - brought by the affiliate's own marketing efforts
Advantages of Online-Marketing

- Allows precise targeting of target group
  - Display ads profiled to specific user group
  - Re-targeting: Online display ads are only shown to users who have already been on the company site
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Part 2: History of Affiliate Marketing

Legend has it...

- Jeff Bezos, founder and CEO of Amazon chatted with a woman at a cocktail party.
- She got recently divorced and had started a website about divorce.
- She also wanted to sell books about divorce on her website.
- So Bezos had the idea of having the woman link her site to Amazon.com.
- She would then receive a commission on the book sales.
1997 - Amazon gets serious:

- 1997 Amazon submitted a patent on a essential components of an affiliate program
- This was before most affiliate programs but...
- not before PC Flowers & Gifts.com and Ist founder W. J. Tobin
- Which means that Amazon did not pioneer by popularize the idea
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Part 3: Affiliate Marketing

Definition

- Is a transaction on a commission basis

Process:

- A website owner (e.g. a blogger) provides advertising space on his website (website owner: PUBLISHER/AFFILIATE)
- The website owner offers this space to a company (or an organization) who wants to sell products or services (company: MERCHANT/ADVERTISER)
- By placing the links of the partners on their webpages they pass on the traffic to the advertiser’s webpage
- Some companies have a huge affiliate network at their disposal which guarantees them a constant flow of traffic
Part 3: Affiliate Marketing

Who are the partners?

- Publisher
  - Portal / Content
  - News / Information
  - Search Engine
  - Comparison Shopping
  - Blogs / RSS
  - Downloadable Apps
  - Instant Messenger

- Advertiser
Part 3: Affiliate Marketing

How does it work?

- Provision only kicks in if the link was successful

- Provision models:
  - **Cost per Click (CPC):** provision paid when customer clicks on link
  - **Cost per Lead (CPL):** provision paid when customer contacts advertiser
  - **Cost per Sales (CPS):** provision paid when customer makes a purchase
    (also: Cost per Order/CPO or acquisition: CPA)
Definition: Affiliate Networks

- Offer a platform
- They connect registered advertisers with registered publishers
- Affiliate Networks are: Zanox, TradeDoubler, Clickbooth and LinkShare
- One of the biggest networks is Affilinet
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Part 4: Future of Affiliate Marketing

Trend #1: MOBILE

- Mobile Commerce is an unstoppable force
  - 30% of traffic, 15% of orders from mobile devices (ShareASale)
- Expert estimate that sales generated through mobile purchases will top $100 billion by 2017
- Affiliate marketing has to be adopted to smartphones and tablets
- Challenges:
  - secure checkouts
  - better user interfaces
  - support for the constantly evolving mobile platforms
Trend #2: CONTENT

- Content marketing will continue to grow in affiliate marketing
- High-quality content is beneficial not only for the search engine rankings, but also with consumers (traffic, conversion rate)

Challenges:
- Increase spendings on content marketing
- Affiliate needs to find SEO relevant content
- This will lead to more NICHE publishers in affiliate networks
- More affiliates have to be managed!
Trend #3: GLOBAL EXPANSION

- Prediction for 2015: global ecommerce to reach over $1.5 trillion
- European and US try to break into each others affiliate markets
- Much of the growth is fueled by Asian consumers
- Challenges will be:
  - Differences in regulation
  - Different agency/network landscape
  - Attribution from country to country
Trend #4: LUXURY BRANDS

- People spend more time and money engaging with luxury brands online
- Affiliate networks report strong growth in luxury niches
- Luxury brands are protective of their image and will look for affiliate marketers to offer a specialized set of criteria for their niche
Part 4: Future of Affiliate Marketing

**Trend #5: ATTRIBUTION**

- More merchants develop a system of attribution they use internally to evaluate which partnerships are creating value and which don’t.
Part 4: Future of Affiliate Marketing

Trend #5: ATTRIBUTION

- More merchants develop a system of attribution they use internally to evaluate which partnerships are creating value and which don’t

- The attribution systems are getting more complex:
  - Multi-touch or Time-decay attribution
  - The last click before adding something to the cart?
  - The last click before the purchase

- Last click? First click? Multi-click?

- Attribution systems have to make sure the provision gets paid to the right affiliate!