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3 Tips: Building an Affiliate Program

CAKE

3 TIPS: BUILDING AN AFFILIATE PROGRAM

Many direct marketers enlist affiliate partners to promote offers and drive traffic on their behalf, but a common mistake made with affiliate programs is to just "set it and forget it." The technology available to manage and track performance marketing campaigns makes it easier than ever to keep tabs on affiliate relationships and measure results. It is important to keep in mind that insights should lead to action, however. When marketers learn something significant but fail to refine their programs as a result, analytic investments will fall short in delivering optimal ROI. There are three key areas where having accurate, real-time performance data can have a big impact on a performance program's success:

Set the right price and be consistent. Commissions are what incentivize affiliates to market on another businesses' behalf, which means they play an important role in the success or failure of a performance campaign. If commissions are too low, it might be tough for a marketer to attract top performing affiliates with access to valuable audiences. But setting payouts too high can lead to a situation where the affiliate program's costs outweigh the benefits, especially if big commissions entice less-than-reputable players to send irrelevant traffic or even run scams like cookie stuffing. Arriving at the magic number that rewards quality without overpaying for traffic of limited value takes some trial and error. Performance data must also be continuously monitored so that pricing can be adjusted according to what the data shows.

A good rule of thumb is to only pay for what works, which is why the most popular commission model is a flat rate per action. If a prospective customer fills out a form, downloads an app, purchases a product or registers for a service, the affiliate who referred that customer gets paid a fee. And when setting prices, it pays to do homework on industry standards. What do competitors and in similar verticals pay their partners for conversions? Marketers can also look at how successful programs in other industries compensate their affiliates. Some retailers, for example, prefer to do a revenue share with affiliates, based on a percentage of the total amount of a customer's purchase. This helps ensure that affiliates are compensated on a scale that correlates with the actual dollar value they are delivering. Commissions based on cost per 1,000 impressions or cost per click are also prevalent, but if affiliates aren't providing high-quality traffic, the marketer will be left paying for clicks or ad views that never convert. Careful tracking of campaign performance over time can help affiliate program managers determine the best approach. By routinely testing and measuring different pay structures, direct marketers will be able to analyze which types of campaigns are yielding good results and which are underperforming, then adjust their payouts accordingly.

In addition to setting the right price, marketers need to be sure that they are paying affiliates consistently and on time. Affiliates reward the marketers that prioritize payments with loyalty and consistent traffic.

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Look beyond the "last click." All too often, affiliate performance tracking ends with the conversion. But not all conversions are equal — some may simply be one-time sales, while others may mark the beginning of a long and beautiful customer relationship. Customer Lifetime Value (CLV) — a prediction of the net profit associated with the entire future relationship with a customer — is an important metric to consider. By tracking events like log-ins, app usage and additional purchases beyond the final conversion, marketers can get a deeper picture of the total lifetime value of the customers that are being funneled to them by their affiliates. Armed with more insight into CLV, direct marketers can then identify and reward the partners who bring the most profitable traffic to the business over the long term. Affiliates who continually return repeat customers or big purchasers are the keepers.

Identify top-performing affiliates. More often than not, a customer's path to purchase includes numerous "touchpoints" between first click and final sale. The best affiliates may be the ones who first launch the prospect on their journey, or an important "middle influencer," but measuring just conversions will keep these gems from getting the recognition they deserve. More sophisticated tracking that incorporates attribution modeling can show the marketing impact of multiple touchpoints, and this ultimately will help affiliate program managers better understand the value of each and every contributor. On the flip side, good tracking can also be employed to root out poor quality affiliates. When each step along the customer journey is captured and analyzed, it is easier to identify potential red flags. Accurate and timely information about affiliate performance empowers marketers to take action, whether that means blocking a bad player, incentivizing a good one with bonuses or higher payouts, or simply adjusting campaign strategies to take better advantage of each partner's strengths.

Like any marketing initiative, affiliate programs take a little care and feeding to realize maximum success. Being armed with real-time insight and performing ongoing analysis on what's working and what's not, direct marketers can make better decisions about how to set commissions, support top-performing affiliates and most effectively allocate their digital spend.