radius
by Impact

# Affiliate Marketing is Dead

*(Long Live Partner Marketing)*

# Table of Contents



radius by Impact

# Let’s Talk About Affiliate Marketing

The affiliate channel has been around since the late 90s, and it’s gone through some serious changes. You probably know that the strategies that worked in the beginning don’t work so well today.

But the fact is, even the strategies that worked just a few years ago are no longer ideal. In this ebook, we’ll take a whirlwind tour through the history of early and modern affiliate marketing, and discuss how forward-thinking businesses can lead the pack as the affiliate marketing channel of the past turns into the partner marketing channel of the future.



# Hold Up

Before we dive in, let's define our terms. We're going to be examining affiliate management through the lens of three major steps: Recruiting, Engagement, and Optimization.

Put together, these form a complete picture of the ***partner lifecycle***.

Let's look at what these three areas look like in the past, present, and future.

radius
by Impact

**Recruiting**

How do you identify potential partners and convince them to join your affiliate program?

**Engagement**

Once a partner has joined your program, how do you get them active and productive?

**Optimization**

Once a partner is generating value, how do you go about increasing their productivity and efficiency?

# Phase 1: Early Affiliate Marketing

Let’s set the scene. It’s 1997. The dot com bubble is growing like crazy, and boy bands are just starting to take over the world.

It’s around this time that affiliate marketing burst onto the scene, promising huge returns with little work and no upfront marketing cost. The magic was in the *affiliates*, publishers who would promote your products and services for free, in exchange for a cut of the sale price.

It was a win for everyone. All you had to do was find some affiliates and watch the money roll in.

# Recruiting was scattershot

In the early years of affiliate marketing, the main focus was on getting as many affiliates as possible. Since you were paying on a cost-per-action (CPA) basis, it didn’t really matter if you accumulated some unproductive affiliates. The affiliates who were going to produce would produce, and the rest wouldn’t be doing any harm.

In his book *Performance Partnerships*, Robert Glazer describes the attitude of affiliate marketers at this point in time:

> *Shawn Collins remembers a conference where the keynote speaker “announced that he had a hundred thousand affiliates in the program.” The speaker received “a standing ovation” and “people were amazed,” even though the audience had no way of knowing what percentage of those affiliates was active and productive.*

The goal was basically to get as many affiliates as possible, let them do the work, and enjoy your newfound success. After all, you can’t fake a sale. What could go wrong?

*Glazer, Robert. Performance Partnerships: The Checkered Past, Changing Present, and Exciting Future of Affiliate Marketing. P. 76*

*Phase 1:*

Early Affiliate Marketing

# Engagement was set-it-and-forget-it

When you're recruiting hundreds or thousands of affiliates every month, there's no way you have time to check in with each of them and make sure they're engaged. And why should you? With that many affiliates, a few of them are bound to become valuable. All you need to do is keep tossing out those seeds; the ones that are going to sprout will sprout, and there's no need to bog yourself down with the rest.

In fact this was one of the big promises of affiliate marketing: all you need to do is find the affiliates, and they'll do the rest. Or even better, just sign up with a network and they would handle even that part for you. It was truly a plug-n-play channel.

radius
by Impact

# Optimization was one-size-fits-all

When it came to optimizing relationships with individual affiliates, well, that wasn't really a thing. Sure, maybe you gave your most valuable affiliates a higher commission rate, but with hundreds or thousands of affiliates, it just wasn't feasible to spend the time to understand their promotional methods and tweak your contract or offers to boost their performance.

Besides, there wasn't much you could do, even if you had the time. In the early days of affiliate marketing, volume was basically your only metric. The tech simply wasn't there yet to analyze whether or not that volume was particularly valuable or incremental to your business. And for the most part, no one seemed to mind.

*Phase 1:*

# Early Affiliate Marketing

radius by Impact

## The goal was to scale by volume

Again, the promise of affiliate marketing was that if you could find the affiliates, they would do all the work. From that starting point, it's logical to assume that the best strategy was to grab as many affiliates as possible and just let them do their thing.

And since volume was king, brands were usually willing to pay higher rates to affiliates who could produce that volume. More affiliates equaled more volume which equaled a more successful affiliate channel.

Essentially, the thought was "more affiliates, more better."

*Phase 1:*

**Early Affiliate Marketing**

radius by Impact

# But the result was bloated programs

As it turned out, more affiliates actually meant more problems.

Recruiting thousands of affiliates, leaving them to their own devices, and letting the fittest survive sounded like a great plan. The problem, which became apparent by the mid 2000s, was that this led to massive, unwieldy programs with huge numbers of unproductive affiliates clogging up the works. And what's worse, a decent chunk of those affiliates turned out to be either gaming the last-click system or even committing outright fraud, taking credit for sales that were generated organically or by another channel.

Once brands realized that some of the affiliate channel's huge success was coming at the expense of other channels, there was a significant backlash, and a loss of trust in the channel's ability to drive real value.

Affiliate survived, of course, but marketers had learned that success would not involve scaling up programs by volume of partners. They would need a new strategy.

# Phase 2: Modern Affiliate Marketing

Fast forward a few years. By the mid 2000s, brands had started to wise up about this whole affiliate marketing thing. Marketers decided that if success wasn't going to come with quantity, the solution must be quality.

Around this time, too, the US housing market crashed and consumers became increasingly deal-conscious. This led to the rapid growth of some major players in the coupon, deal, and loyalty verticals.

## Recruiting became disillusioned

The 80/20 rule says that 80% of the effects come from 20% of the causes. Well, in affiliate, it turned out to be more like a 90/10 rule, with the vast majority of revenue coming from just a select few mega-affiliates. As a result, marketers began wondering why they should bother recruiting at all. If most of the value was coming from the big affiliates anyway, there was very little marginal value to be gained by recruiting more mid and low-tier ones.

# Engagement was focused on the top 20

Since most of the revenue was coming from the top 15 or 20 affiliates, that's where brands focused their attention, keeping those major affiliates engaged and happy. As for the long tail partners, they were either cut from programs or handed off to affiliate networks to manage, with the brands themselves only managing the top affiliates directly.

Note, however, that this was still an overall increase in engagement from the set-it-and-forget-it mentality of phase one. Here, at least, brands had recognized that some level of investment and attention would be necessary to nurture valuable affiliate relationships.



## Optimization was segmented

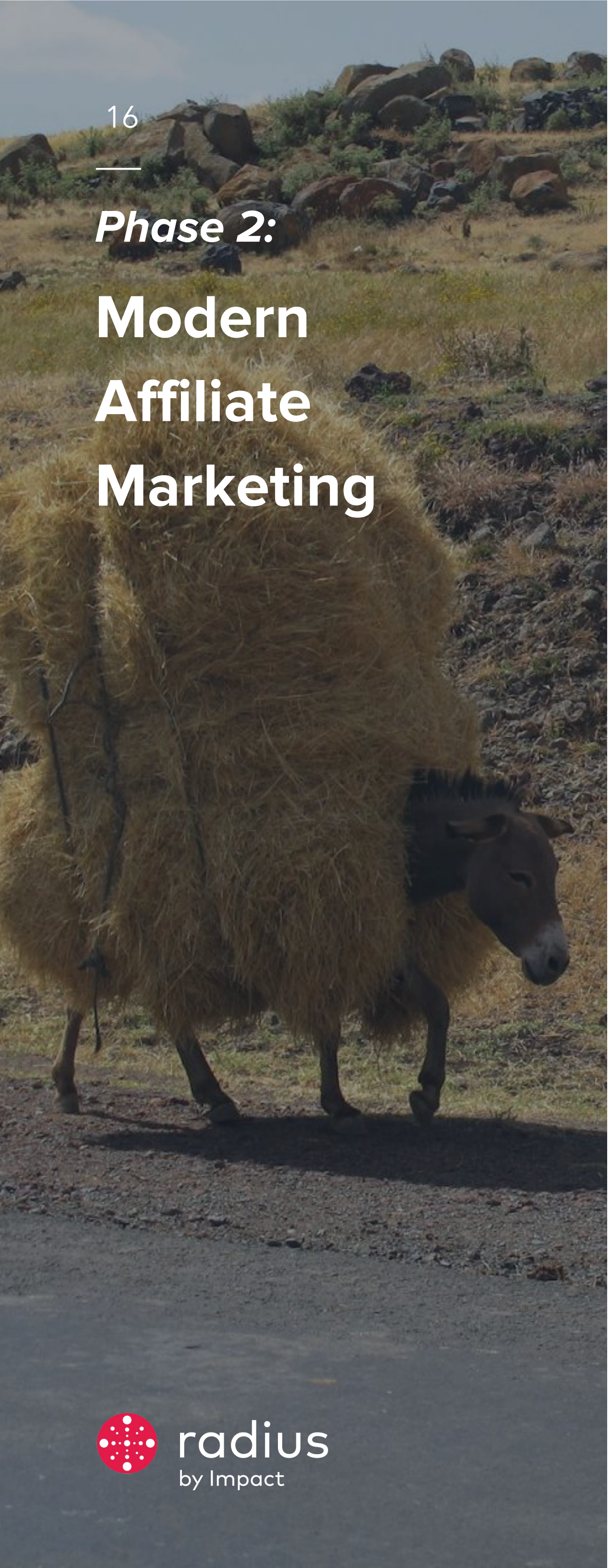
By this point, the affiliate channel had developed some recognized promotional verticals, and brands learned to manage affiliates based on which “bucket” they fell into. So coupon and deal publishers, perhaps, had one set of terms, loyalty another, and content another.

As with engagement, this was still an improvement over the previous one-size-fits-all way of doing things. At least now, brands had identified that not all affiliates were alike, and that what worked well for one affiliate would not automatically work well for the next.

## The goal was to scale by focusing

Since the scale-by-volume approach had clearly not worked, and since it had become apparent that a select few mega-affiliates were producing most of the revenue in most affiliate programs, it was natural for brands to conclude that the best way forward was to deepen their relationships with those major affiliates. In particular, brands began focusing much of their attention on optimizing and streamlining their relationships with the largest publishers in the coupon, deal, and loyalty verticals, some of which had even grown large enough to become publicly traded companies.

And for the most part, it worked. As long as those mega-affiliates kept growing and brands stayed in their good graces, most affiliate programs could hitch a ride and continue seeing steady growth.




# But the result was top-heavy programs

Let's do some mental math. What happens when a few affiliates are driving most of your volume, and then you spend years primarily working to optimize those largest relationships? Those affiliates begin driving an *even larger* percentage of your program's overall revenue. And since those affiliates, for the most part, represent just a few promotional methods, your affiliate program as a whole has become over-represented in those publisher verticals.

By the mid 2010s, many affiliate managers found themselves in this position: reliant on a few major affiliates and overexposed to the coupon, deal, and loyalty verticals. And since so much of their programs' growth potential was tied up in those affiliates, affiliate managers had essentially pegged their programs' performance to the growth trajectory of those affiliates. In addition, that dependence put many affiliate managers in weak negotiating positions when it came time to reassess those affiliates' commission rates. Clearly, something had to change.

# What's the real problem here?

So to sum up: focusing on quantity of affiliates didn't work, and focusing on the most productive affiliates didn't work either. What's left?

Let's think about the word affiliate.

*Af-fil-i-ate (noun):* a person or organization officially attached to a larger body*

Kind of sounds like a remora, huh?

Little affiliate fish latched onto the shark of your program, providing a little bit of value here or there, but mostly just along for the ride. There's got to be a better way to think about these relationships.

radius
by Impact

**Google Dictionary*

# You need partners, not affiliates

Sure, it's semantics. But it's not *just* semantics. When we talk about partners, we're no longer thinking in terms of little helpers who are simply along for the ride. Instead, we're thinking in terms of other businesses with a shared goal.

And "partners" can mean a much wider variety of relationships than "affiliates". For instance, a partner can be a business in an adjacent industry or a YouTube star just as easily as it can be a shopping comparison site. But if we want to truly manage these relationships as partnerships, we need to rethink the way we recruit, engage, and optimize them.

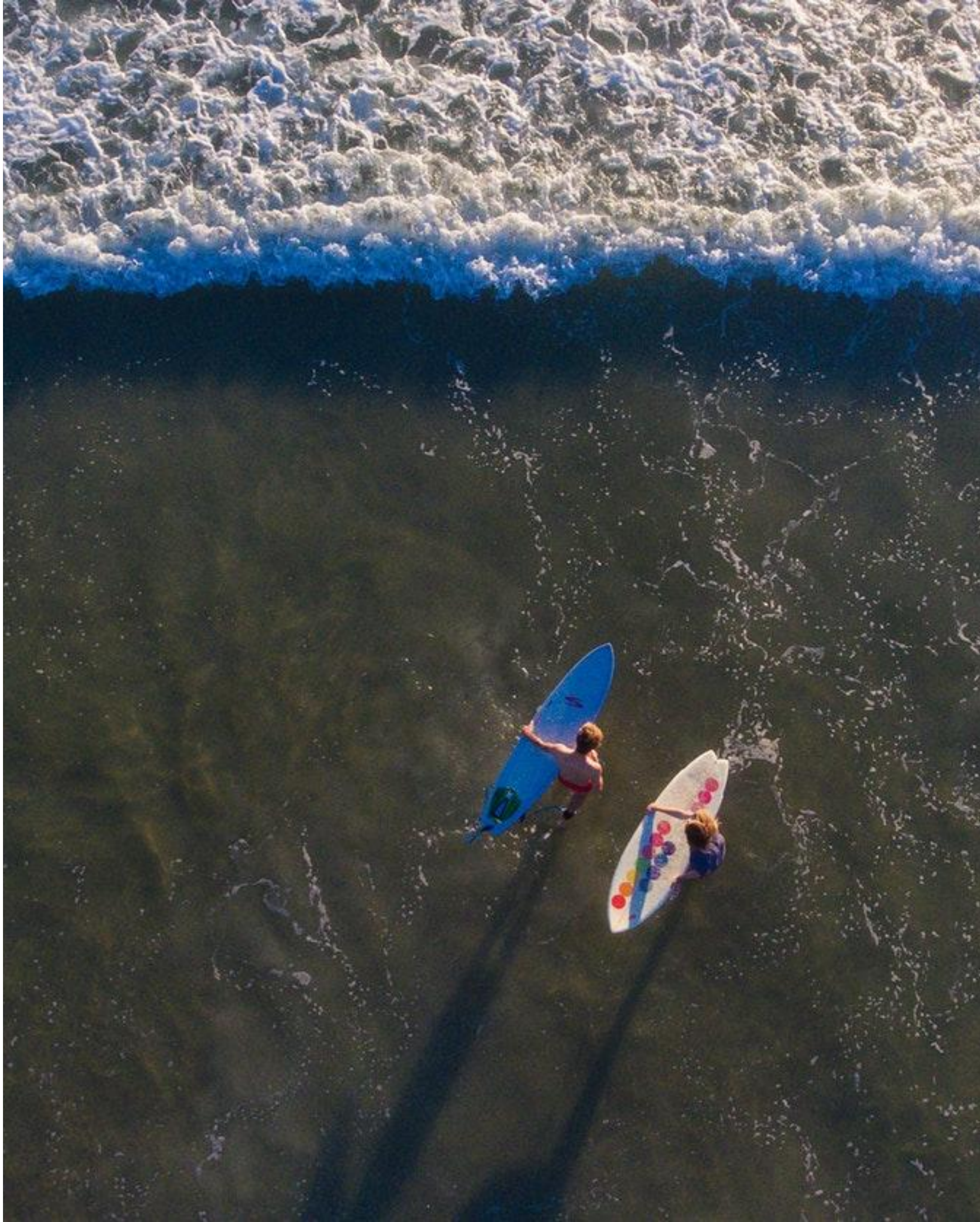


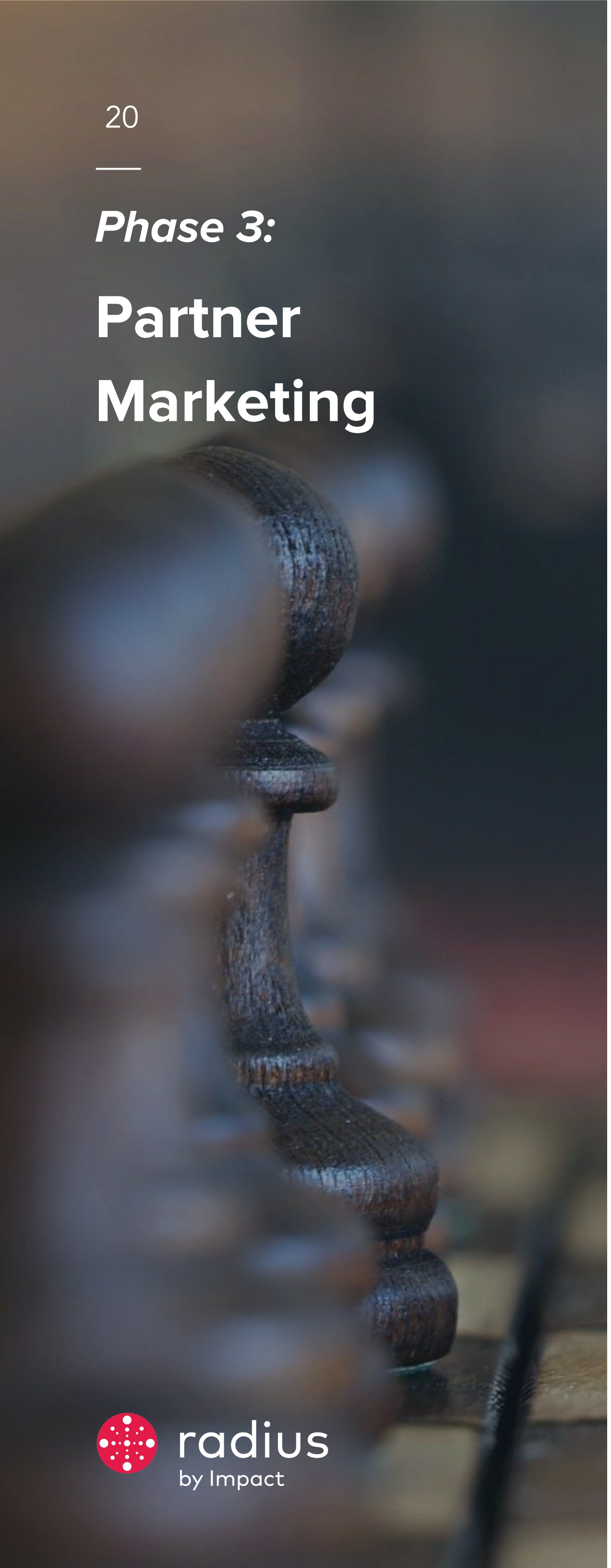
# Phase 3: Partner Marketing

While most brands are still somewhere in Phase 2, some pioneers have charted a course into Phase 3, which is true partner marketing.

Making this change requires not just a mental shift, but shift in the way we recruit, engage, and optimize our partners.

Doing it the right way takes some thought and requires the appropriate technology to scale well, but it's necessary work to ensure that our partner programs are set up for continued success.





# Recruiting should be strategic

Since a scattershot, spray-and-pray approach to recruiting left our programs bloated, and a disillusioned lack of recruiting left them top-heavy, let's try a new approach. The problem has been in the metrics we use to evaluate recruiting efforts. Most affiliate managers have based recruiting success on the number of new partners added to the program. Or, more recently, they've thrown aside recruiting completely as a waste of time. But what we're really after is the new revenue added to the program as a result of the new partners. We don't actually care about the number of partners added -- we care about the number of *productive* partners added.

It's easy enough to say "Our recruiting in Q1 brought in 50 new partners." But it's a bit more work to confidently say "Our recruiting efforts in Q1 led to a 6% revenue increase in Q2." That's more difficult, but much more powerful.

It's possible to do this manually, but if you want to automate it, you need to be able to merge your recruitment efforts with your actual day-to-day management platform, so you can easily report on the results of that recruitment. Once you've done that, it's easy to show (with real data) how your recruitment efforts have helped your program, which in turn gives you a more-informed starting point for your next round of recruitment.

*Phase 3:*

## Partner Marketing

# Engagement should be comprehensive

If the original approach was to scatter seeds and see what came up, the new approach is to plant them intentionally and nurture each one. In Phase 1 this was impossible for two reasons: there were simply too many partners, and the technology wasn't there yet to engage them at scale. In Phase 2, true engagement began, but only for a select few partners.

Now, however, it's both possible and essential to engage every partner who joins your program. After all, why bother recruiting a partner if you're not going to follow up and make sure they actually begin promoting your brand?

To do it well, though, you need technology that can help you scale your engagement efforts. In particular, you should make sure your partner management platform offers a way to send triggered messages once partners hit certain milestones, such as joining your program or making their first sale for your brand. It's also important to set up a "drip campaign" for new partners like you would for new customers. Think about what a new partner should be hearing from you in the days and weeks after they join your program, and automate that messaging.

## Optimization should be personalized

We know by now that our partners are not all the same. But what many marketers have not yet realized is that there can be major differences even within the same promotional vertical. Whereas one partner may bring in lots of new customers, a similar partner may drive mostly repeat customers with a high AOV.

Once you've identified where a given partner's strengths match up with your business goals, you can offer them terms that incentivize them to do more of what they're best at. In the example above, for instance, you might want to offer the first partner a higher rate for purchases by new customers, and the second partner a lower default rate with bonus payouts for high order values.

To scale this kind of personalized partner management, you need reporting that can clearly show you each partner's strengths and weaknesses. Once you've identified that, you also need to be able to give them ads and offers that play to their unique strengths and audience. You'll also want to make sure you have the ability to set payout rates based on criteria like customer status, order value, discount, and product category.

radius by Impact

# Let’s Review

Here’s where we’ve been, but what comes next?

| | Phase 1 | Phase 2 | Phase 3 |
|---|---|---|---|
| **Recruitment** | Scattershot | Disillusioned | Strategic |
| **Engagement** | Set-it-and-forget-it | Focused on the top 20 | Comprehensive |
| **Optimization** | One-size-fits-all | Segmented | Personalized |
| **Goal** | Scale by volume | Scale by focusing | — |

*Phase 3:*

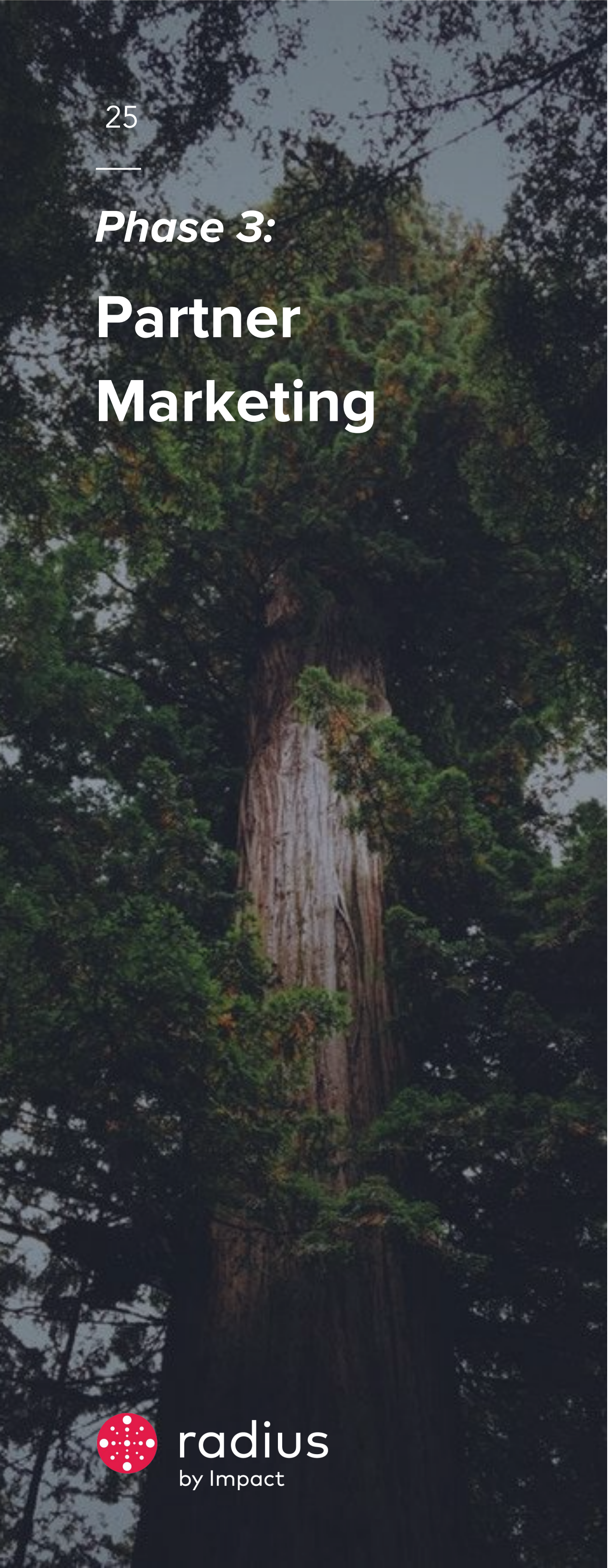
# Partner Marketing

radius
by Impact

## The new goal is collaboration at scale

Now that we're thinking of our partners as true partners, and not as affiliates, we can begin working with them collaboratively, instead of just barking orders. Many marketers began deeper collaboration with their top partners during Phase 2, but without the right technology to scale those practices to the rest of their partners, they were never able to apply those strategies to the whole program.

Now, though, we have the tools to accurately evaluate our recruiting efforts, automate partner messaging, and identify all our partners' strengths. As a result, we can strive for strategic recruiting, comprehensive engagement, and personalized optimization. As a result, we can take the best of Phase 1 (a wide variety of partners) and Phase 2 (collaboration with some partners), reaping the benefits of both while avoiding their pitfalls.



# And the result will be sustainable growth

In the early days of affiliate marketing, programs grew rapidly, powered by unbridled optimism and often inflated by unscrupulous business models. Once affiliate marketing matured, that growth slowed down, as brands became disillusioned, reduced their marketing spend, and pinned their hopes on a few mega-affiliates.

In the process, we learned that lasting success will come not from sheer quantity of partners or through merely optimizing existing relationships. Rather, we need both: a constantly growing program with a diverse array of partners, combined with an intentional strategy of engaging and optimizing based on each partner's unique strengths and weaknesses.

# So long, affiliate marketing

RIP affiliate. It had a good run.

The old way of thinking about affiliates may have brought us this far, but as marketers look to continue growing our partner programs, we need to stop thinking of them as affiliates and start thinking of them as partners.

While "affiliates" were just along for the ride, partners should be true teammates, working alongside us to achieve a common goal. And once we begin thinking that way, we can change the way we recruit, engage, and optimize those relationships.

Affiliate may be dead, but partner marketing is alive and well.



radius

by Impact

## About Radius

Radius expands your capacity for managing partners and affiliates. It heightens your efficiency every step of the way, beginning with contracting, then tracking true performance, and delivering payment.

We designed Radius to be versatile, so you can adapt it to your constellation of partners. It also offers immediate and direct access to your data so you can track what's working (or not), moment by moment.

To learn more, visit impact.com/radius, or contact **sales@impact.com** to schedule a free demo!

impact

**Follow us for all the latest news and thought leadership:**