



High Performance and High Demand.

The reinvigorated, full-funnel
potential of affiliate marketing

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Executive summary.

For several years, the business agenda has been dominated by the difficult economic climate. Companies and consumers alike have been buffeted by financial crises, pandemic and war, and the response from both has been to try to make their money go further.

For consumers, this has meant belt-tightening and a continuing search for better value. For brands, it has resulted in a shift towards more measurable marketing channels and a greater emphasis on proving both return on investment (ROI) and return on advertising spend (ROAS).

Meanwhile, the biggest change in digital marketing for many years is pushing businesses further towards inbound approaches. Only a third (32%) of companies surveyed for this report strongly agree they're prepared for Google's coming withdrawal of support for third-party cookies in its Chrome browser, and only 35% strongly agree they have a strategy to build their own first-party database and audience targeting.

The research presented in this *High Performance and High Demand: The reinvigorated, full-funnel potential of affiliate marketing* whitepaper is based on surveys of both consumers and marketers, carried out in partnership with London Research. It explores consumer shopping behavior, including where they look for information, the sources they trust, and the importance of deals. And it looks at how well businesses are aligned with these changing behaviors, the extent to which they are investing in, and the challenges that stand in the way of a more strategic and integrated approach which would allow them to reap maximum benefits from the channel.

- Affiliate marketing is no longer simply a 'last click' channel. Its use spans the entire purchase funnel and it has become an umbrella term covering a number of sub-channels, including commerce content and performance PR. More than half of companies surveyed use the channel for upper-funnel awareness (56%) and mid-funnel consideration (58%), compared to exactly half for lower-funnel acquisition and conversion, and a third (32%) for post-sale retention and loyalty.
- The affiliate marketing opportunity is apparent from the extent to which consumers across almost all sectors are carrying out extensive research during their journey to purchase, across a broad range of publisher categories. They're most likely to be carrying out heavy research for travel, financial services, and insurance-related categories, as well as for electronics/appliances and health/wellness services, and for different types of subscription purchase. The more expensive the product, the more research consumers are likely to be doing.
- Consumers are also searching widely for inspiration at the start of their journeys, with the balance shifting significantly away from Google and Amazon in recent years. Social platforms, influencers, and popular magazines are now most heavily used in the inspiration phase.
- Consumers' most trusted sources of online information are endorsements from friends and family, followed by consumer and expert reviews, and comparison websites. Younger age groups are significantly more likely than over 55s to say that a range of information sources are 'very trustworthy'. Almost three-quarters of 18-34-year-olds and 35-54-year-olds say they trust brand-sponsored endorsements, recommendations, and reviews, compared to only 29% of consumers aged 55 and over.

- Consumers of all ages are significantly more cost-conscious than they were a year ago, and much more likely to be looking for deals. This isn't just increasing the influence of deal/loyalty sites at the bottom of the funnel. Deals through affiliate publishers also play a major role introducing consumers to new brands, increasing their basket size, and fostering loyalty.
- The mix of site types used by consumers changes throughout their path to purchase. Retail websites are most prominent for purchasing and repurchasing, although consumers are also increasingly likely to be going directly to brand websites to make purchases.
- Marketers surveyed for this report typically recognize the affiliate marketing opportunity. Almost two-thirds (62%) say they're planning to increase their budgets for this channel over the next 12 months. Social media advertising (68%) and content marketing (64%) are the only channels which are more buoyant, though affiliate marketing is most likely to see a large budget increase (33%).
- Almost two-thirds of marketers surveyed (62%) say they are shifting budgets to more measurable performance marketing channels, and just over half (52%) say they are changing budgets due to economic uncertainty. Almost half (46%) are moving budgets to channels with higher ROAS and ROI, while three-quarters (75%) say they would prefer to operate a pay-for-performance media spend model.
- The most prominent publisher models for affiliate marketing are social/influencers (49%), ecommerce/retailer (47%), review websites (44%), paid search affiliates (41%), cashback/loyalty (36%), and content/editorial (35%). For context, more than half of consumers surveyed are using social platforms (57%) and search engines (55%) at least daily. A third (33%) are visiting online retail marketplaces daily, and a quarter are on influencer (25%), cashback/loyalty (24%), and online expert review sites (23%) at least once a day.
- A third of companies (32%) say their affiliate marketing campaigns are managed exclusively in-house, while a fifth (21%) say they are managed by networks. Around two-fifths (44%) of companies are using agencies, including 23% using specialist affiliate agencies and 21% using their media agencies.
- Just under half (49%) of company respondents say the cost benefit of utilizing an agency is very important. Just over four in 10 companies say that it is 'very important' to have an agency for its publisher relationships (41%), for affiliate strategy (43%), and for execution of campaigns (44%).
- Almost two-thirds of companies (62%) say their affiliate marketing is separate from their omnichannel strategy, and 70% say it is a tactical rather than strategic channel.
- The greatest challenge to the growth of the affiliate channel is reliance on other traditional and digital channels, regarded as a barrier by 73% of respondents. Other key challenges include lack of budget prioritization (71%) and lack of resources and experience (72%).
- The most widely used key performance indicators (KPIs) for success are website traffic/engagement (49%), new customer acquisition (47%), and online revenue (46%). Only a fifth of companies (21%) are using incremental sales as a success metric.

Introduction.

'We earn a commission if you make a purchase, at no additional cost to you.' The words are as much a part of the online furniture as '[citation needed]' or '404 Page Not Found'.

Hidden behind this piece of familiar boilerplate is a powerful marketing channel that has continued to grow in scope and effectiveness since its introduction in 1994. But as Gen3 Marketing CEO Michael Tabasso says in this report, affiliate marketing has historically been treated as a standalone, tactical channel, and overlooked in the strategic marketing plan.

This is starting to change.

"It's the last untapped channel that hasn't been completely wrung out – like paid search and SEO, media, and marketplaces – where our customers have gotten all the efficiencies and gains they can," Tabasso goes on to say. *"A lot of CMOs are saying this is the last unfired arrow in the quiver, so we've got to take a hard look at this now."*

There are a number of other factors behind affiliate marketing's rise to prominence too. With the end of the third-party cookie – and therefore also of cookie-based audience targeting – on the horizon, affiliate appeals because it's a contextually-based, inbound channel that allows brands to build and strengthen loyalty with their own audiences.

In the current economic climate, it appeals to marketers looking for greater accountability, measurability, and return on ad spend (ROAS).

And the realization that activities such as influencer marketing, commerce content, and performance PR are all part of affiliate marketing is helping to drive understanding of the channel's potential across the full funnel. So too is the fact that coupon and deal sites often have the reach and traffic that makes them ideal for brand awareness as well as customer acquisition.

So this report looks at affiliate marketing from two perspectives; that of the consumer and the marketer. It examines changing consumer behaviors along the path to purchase, and how these are changing the role of affiliate marketing. It investigates how marketers see the channel, where they're allocating their budgets, and how they're measuring effectiveness. And it explores the opportunities that exist for brands to capitalize on platforms, channels, and publishers where their spend under-indexes against consumer activity.



Methodology

In addition to interviews with brands, publishers, technology providers, and agency representatives, this research is based on North American consumer and business surveys conducted by London Research in June 2023.

The survey of 2,000 consumers was conducted using a Toluna panel. The 250 business survey respondents came from a range of sectors, including retail, CPG, financial services, and travel. All respondents worked at organizations with at least \$500,000 in annual revenue. The report includes comparison of marketing survey results for organizations with less than and more than \$100 million in annual revenue.

All business survey respondents were decision makers in respect of their organizations' advertising, digital marketing, or performance marketing. More than two-thirds of respondents (70%) were C-level or directors/heads of department. Please see the [appendix](#) for a further breakdown of business survey respondents, and contact Gen3 Marketing for further information.

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Adam Weiss, Digital Marketing Consultant and Affiliate Marketing Strategy Advisor
David A. Yovanno, CEO, impact.com

The evolving consumer landscape.

1.1 The purchase decision-making process

The introduction of customer journey mapping, combined with the emergence of ‘big data’, revealed the true variety and complexity of consumers’ paths to purchase. And that complexity has continued to grow as more channels and platforms have been introduced, and as consumers have moved more of their shopping activities online, accelerated by the pandemic.



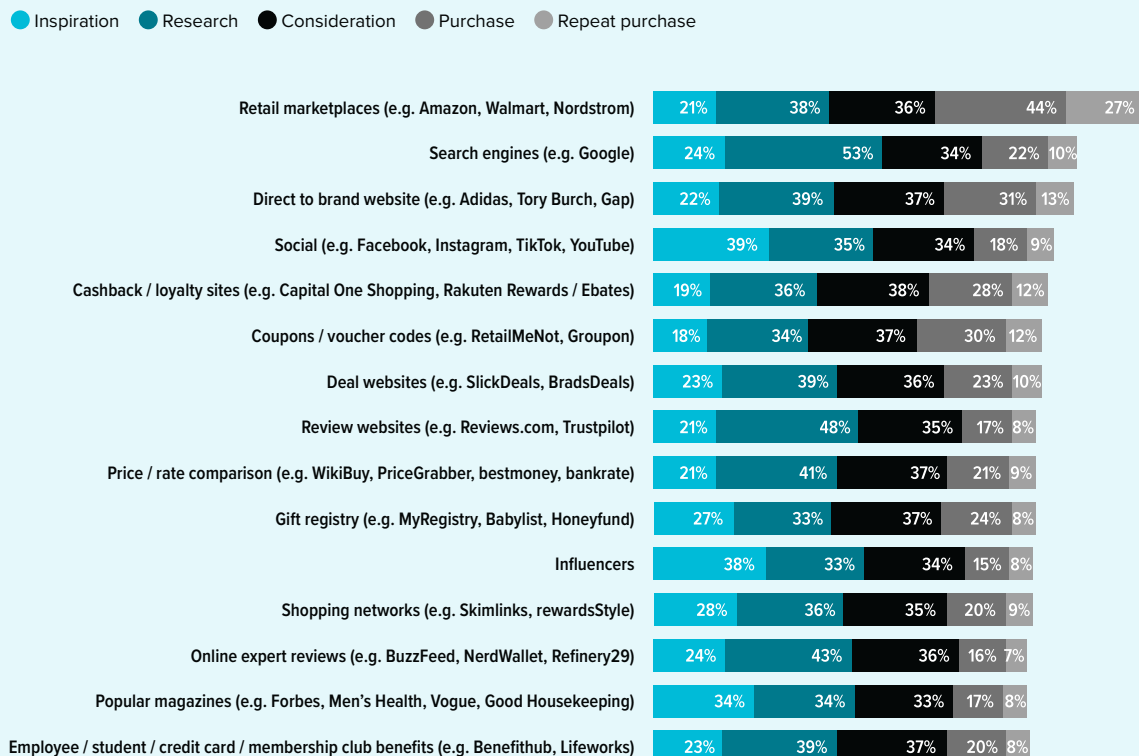
“From a macro-level standpoint, the value of content partners has greatly accelerated over the last five years due to more people consuming brand and product inspiration in storytelling formats and the advent of attribution tools to reward these partners for their role in the consumer conversion.”

– Christine Kammerer, Director, Content, Partnerize

This complexity is highlighted by *Figure 1*, which shows which channels consumers visit during each of the five stages of the purchase process. It also makes clear how nuanced customer journeys can be, and the limited role brands’ own properties play in those journeys.

CONSUMER SURVEY

Figure 1: Where do you go during the following stages of the purchase decision-making process?



Methodology note: Respondents could pick multiple options for each category.



“As the website and publisher opportunities for consumer touchpoints expand and evolve, we’re seeing a change in how consumers shop online. They are engaging with more types of content to narrow down their choices before they go and complete the purchase through a retailer. This reiterates the importance of brand presence early and consistently throughout the early shopping phases. Brand-owned websites continue to play an important role for engagement and loyalty as the point of purchase and repeat purchase.”

– Kerry Curran, Chief Growth Officer, Gen3 Marketing

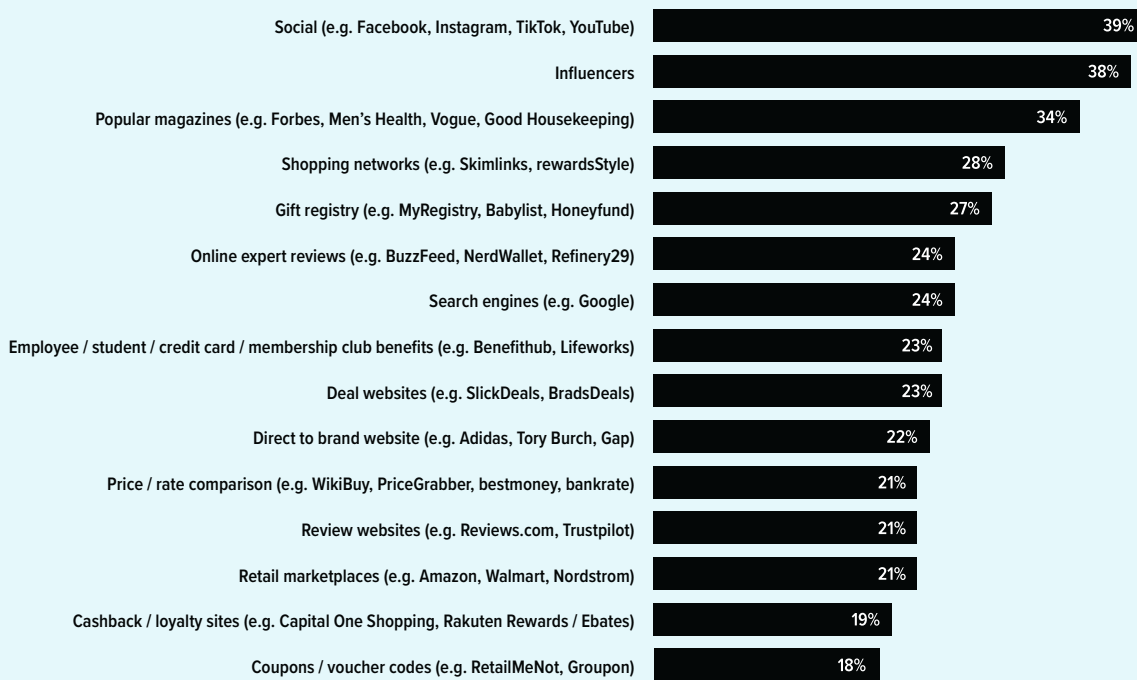
Brand sites are consumers’ equal second choice in the consideration phase (after cashback/loyalty sites). They’re also second for purchase and repeat purchase (after retail marketplaces in both cases). But they’re only fifth equal for research – where search engines and review sites dominate – and eighth for inspiration – where social media and influencers are most important.

Figure 2 shows which sites consumers use in the inspiration phase of their journey, in order of popularity. This shows a dramatic contrast to even a few years ago, when all the discussion was centered around whether Google or Amazon would become the dominant starting point for consumers’ paths to purchase. Now pole position has been taken by social media and influencers, which are themselves forms of affiliate marketing (see Section 2.1, Figure 19).

This chart also makes clear that shoppers tend to accommodate new channels into their journeys, rather than using them to replace older ones. The most striking example of this is that more people are starting their purchase journeys on popular magazines than on Google or marketplaces like Amazon (34% versus 24% and 21%).

CONSUMER SURVEY

Figure 2: Proportion of consumers visiting these websites during the inspiration stage of the purchase decision-making process





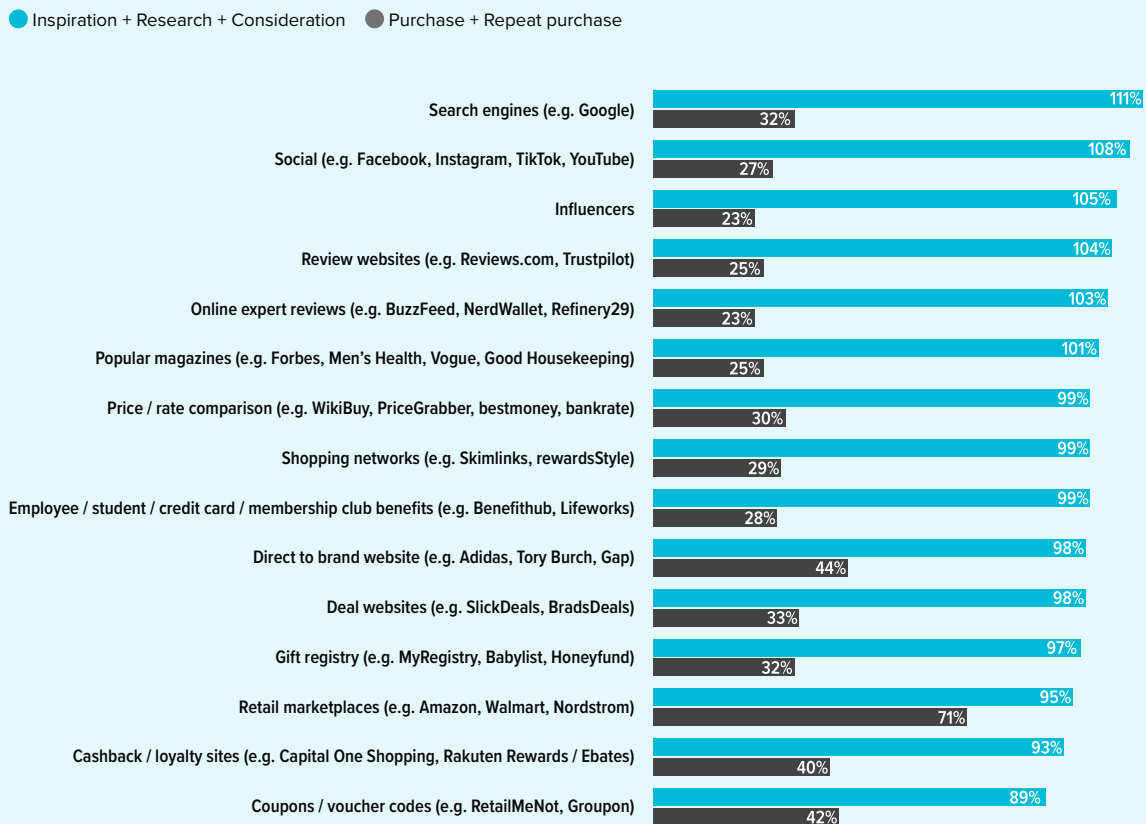
“The biggest trend driving the partnership economy is the change in how consumers are discovering products and making buying decisions. This has been a result of the rise of social media platforms and the democratization of commerce content. Consumers are now discovering and learning about products through all kinds of creators, influencers, and publishers that didn’t exist even just a few years ago, as well as the community that exists on the platforms they publish on. Less than a decade ago, creators and influencers started publishing more and more commerce content out of pure passion for the products, and then began to grab affiliate links to earn some kind of compensation. Now, all of a sudden, there is a locomotive of commerce content from a variety of different sources that’s picked up steam, especially with large publishing houses getting onboard, including the likes of Meredith, Condé Nast, and BuzzFeed, who all have full-blown shopping sections with rich content about products.”

– David A. Yovanno, CEO, impact.com

Figure 3 breaks the customer journey data down into pre-purchase and purchase/repeat purchase. As well as highlighting the ‘closed loop’ nature of retail marketplaces (which makes them such a powerful tool), it also emphasizes that consumers don’t otherwise tend to buy from the sites they use for research. This is certainly true of sites that fall under the umbrella of affiliate marketing (influencers, review sites, expert reviews, popular magazines, price comparison sites etc). This in turn means the traditional view of affiliate marketing as a ‘last click’ medium significantly underrates its influence.

CONSUMER SURVEY

Figure 3: Where do you go during the following stages of the purchase decision-making process (pre-purchase vs. purchase and post-purchase)?



Methodology note: Respondents could pick multiple options for each category.



“Reviewed is a science-based product review site. We have a 25,000 square foot testing facility in Cambridge, Massachusetts, where we test everything from televisions to refrigerators, dishwashers, robot vacuums, and everything in between.

“Our innovation is almost exclusively focused on the reader and their experience, and I think the merchants and brands benefit from that.

“We take our Reviewed.com content and we syndicate it across more than 200 newspaper websites from USA Today to the Detroit Free Press. In all, it’s about 140 million uniques a month. We do very well with deals and shoppable content, and we’re always trying to find ways to leverage the massive scale that we have with this network.”

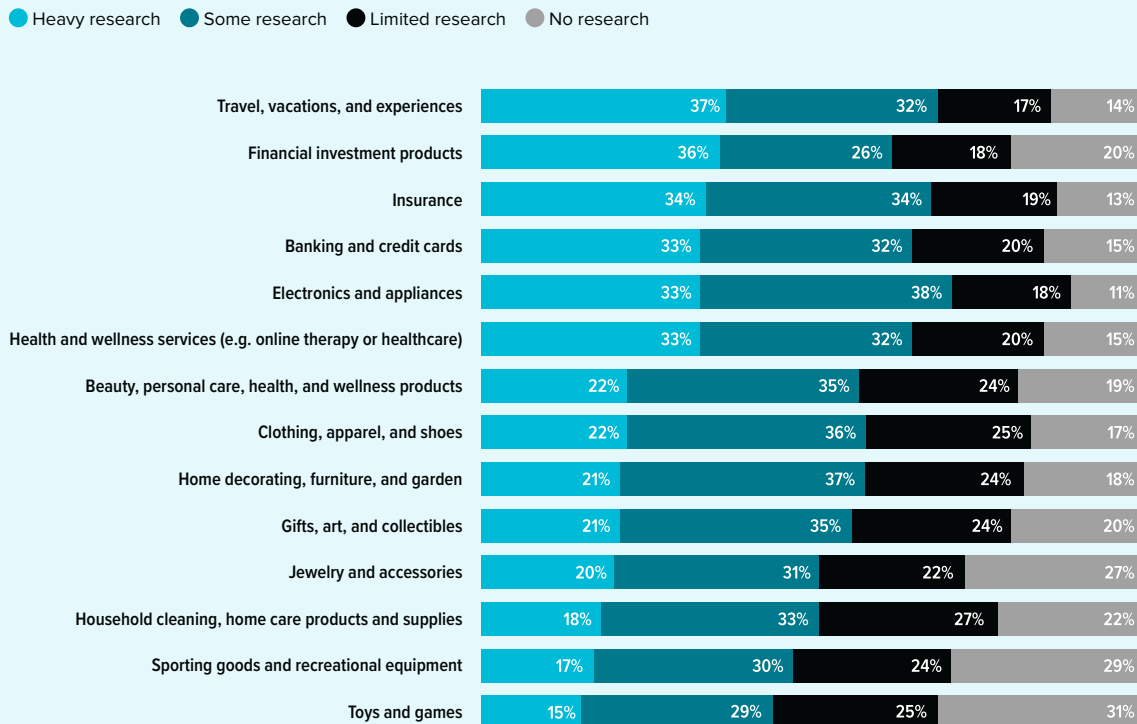
– Chris Lloyd, VP, Commerce Content, Gannett, and General Manager, Reviewed

The research phase opportunity

The research phase is the one most commonly associated with affiliate marketing, and the opportunity is apparent from the extent to which consumers are carrying out extensive research during their journey to purchase across almost all sectors. *Figure 4* shows travel, financial services, and electronics/appliances are the most heavily researched purchases.

CONSUMER SURVEY

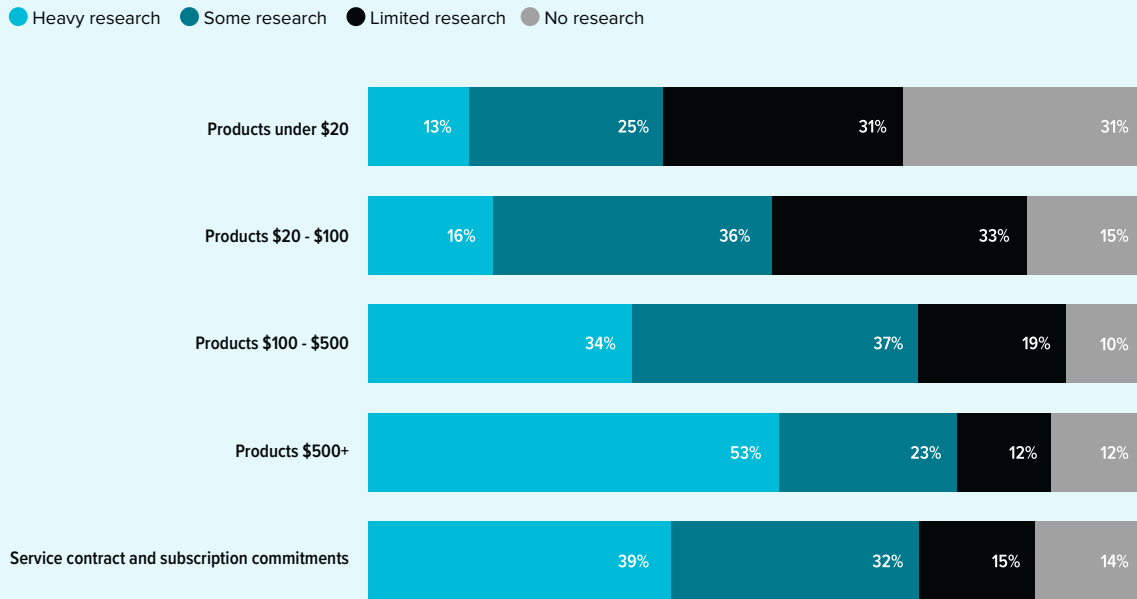
Figure 4: How much time do you spend researching when deciding on the following purchases?



The amount of research shoppers do also increases with purchase price (*Figure 5*) although, intriguingly, older people (55+) spend significantly less time researching less expensive purchases than do younger ones (*Figure 6*). The amount of time spent researching service contract and subscription commitments closely mirrors that spent on products costing between \$100 and \$500.

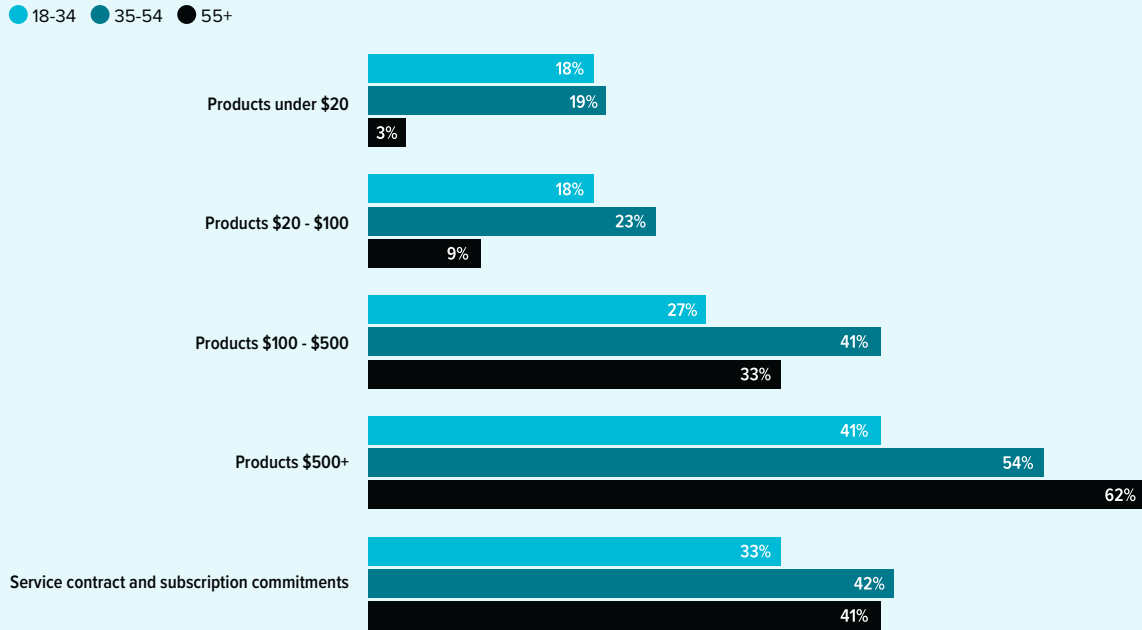
CONSUMER SURVEY

Figure 5: How much time do you spend researching when deciding on the following purchases? (different price points)



The amount of time spent researching service contract and subscription commitments closely mirrors that spent on products costing between \$100 and \$500.

Figure 6: Proportion of consumers conducting heavy research when deciding on the following purchases



‘Heavy research’ also suggests that these consumers are visiting more touchpoints, and engaging with more content. This supports the idea that brands need to ensure there is content in place throughout the journey, and that content needs to be extensive and more detailed the more expensive the product or service being promoted, and the older the people it is targeted at.

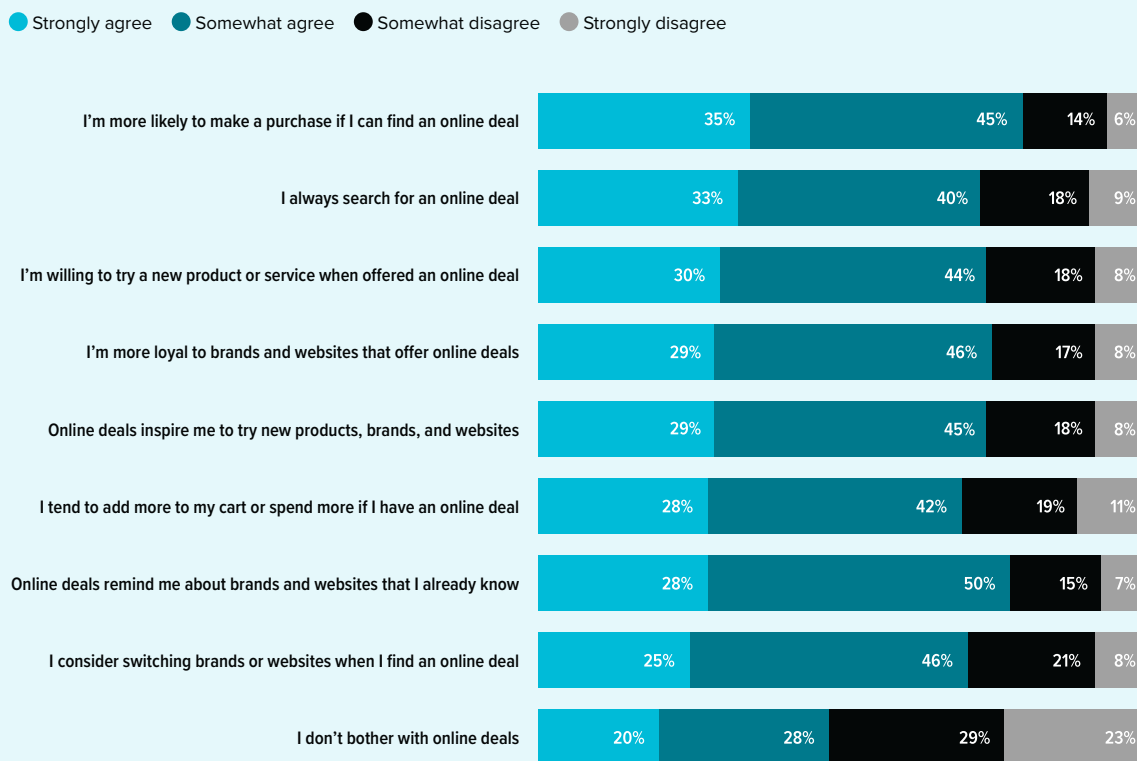
1.2 Deal or no deal?

In the previous section, *Figure 1* showed how important cashback, deal, and coupon sites are in the consideration and purchase phases of a customer’s journey, and to a lesser extent in the research phase.

Figure 7 shows how consumers feel about deals in more detail, including discounts, coupons, cashback, or loyalty rewards. Almost three-quarters (73%) agree they always search for deals.

CONSUMER SURVEY

Figure 7: Do you agree or disagree with these statements about online deals (discounts, coupons, cashback, loyalty rewards) when shopping?



Deals are important for both customer acquisition and customer loyalty, as well as increasing individual basket value. Deal/loyalty sites can introduce brands to new customers, even if the brand doesn’t traditionally focus on this area. The research found that almost three-quarters of shoppers (74%) agreed they were willing to try a new product or service when offered a deal, while just over two-thirds (71%) agreed they would consider switching brands if offered a deal.

Figure 7 also shows that three-quarters of shoppers (75%) agree they’re more loyal to brands and websites that offer online deals, although whether this actually constitutes genuine loyalty is debatable.

Perhaps more significantly, four out of five shoppers (80%) agree they're more likely to make a purchase if they find a deal, while 70% agree they tend to spend more if they have a deal.



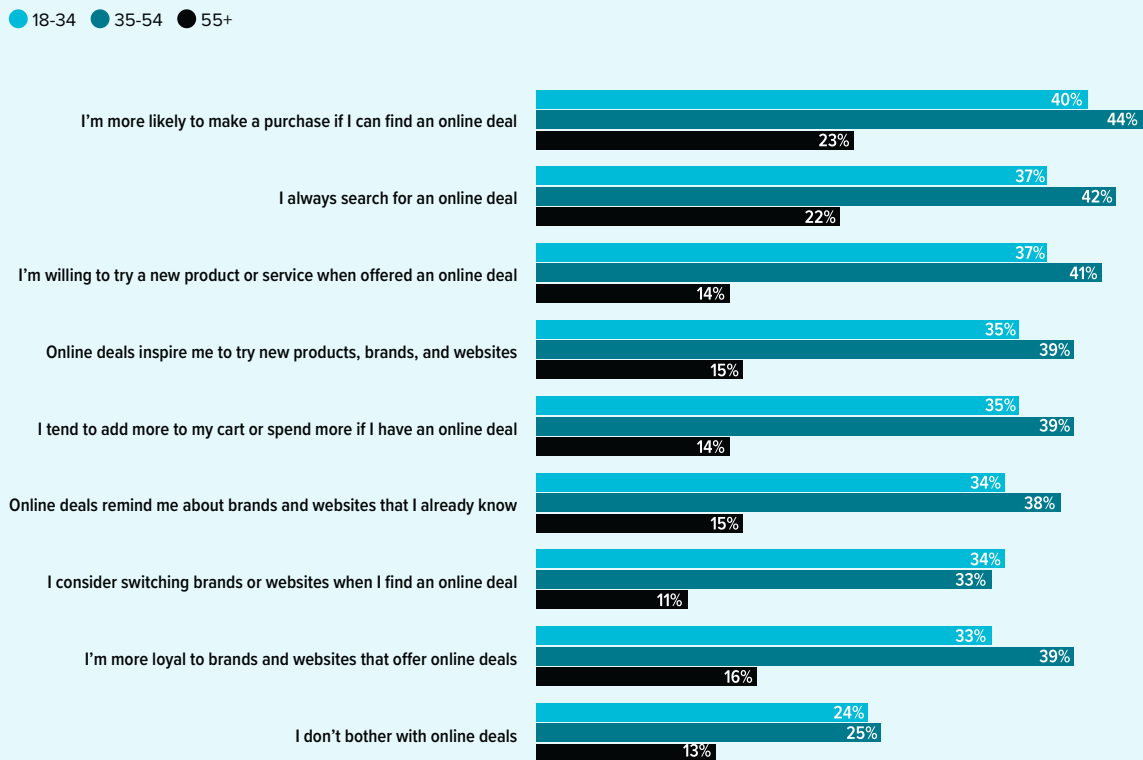
“So many brand marketing goals are focused on new customer acquisition, driving product trials, increasing basket size, increasing market share, and loyalty. The data supports that affiliate marketing should be a key element of the digital strategy for achieving those goals. Brands can also take a more strategic approach and lean into affiliate publishers to introduce new product lines, promote products more likely to drive trial, conquest competitors, and offload excess inventory.”

– Kerry Curran, Chief Growth Officer, Gen3 Marketing

Breaking this data down by age shows a similar pattern to those seen earlier (Figure 8). The 35-54 age group is the most enthusiastic about online deals, with 18-34s close behind. The over 55s are once again the least engaged. Less than a quarter (22%) of them strongly agree they always search for a deal, compared to 42% of 35-54s and 37% of 18-34s. But that's only part of the story. The two younger age groups are twice as likely to entirely reject online deals as their older peers are (25% vs. 13%).

CONSUMER SURVEY BREAKDOWN BY AGE

Figure 8: Proportion of consumers strongly agreeing with statements about online deals when shopping



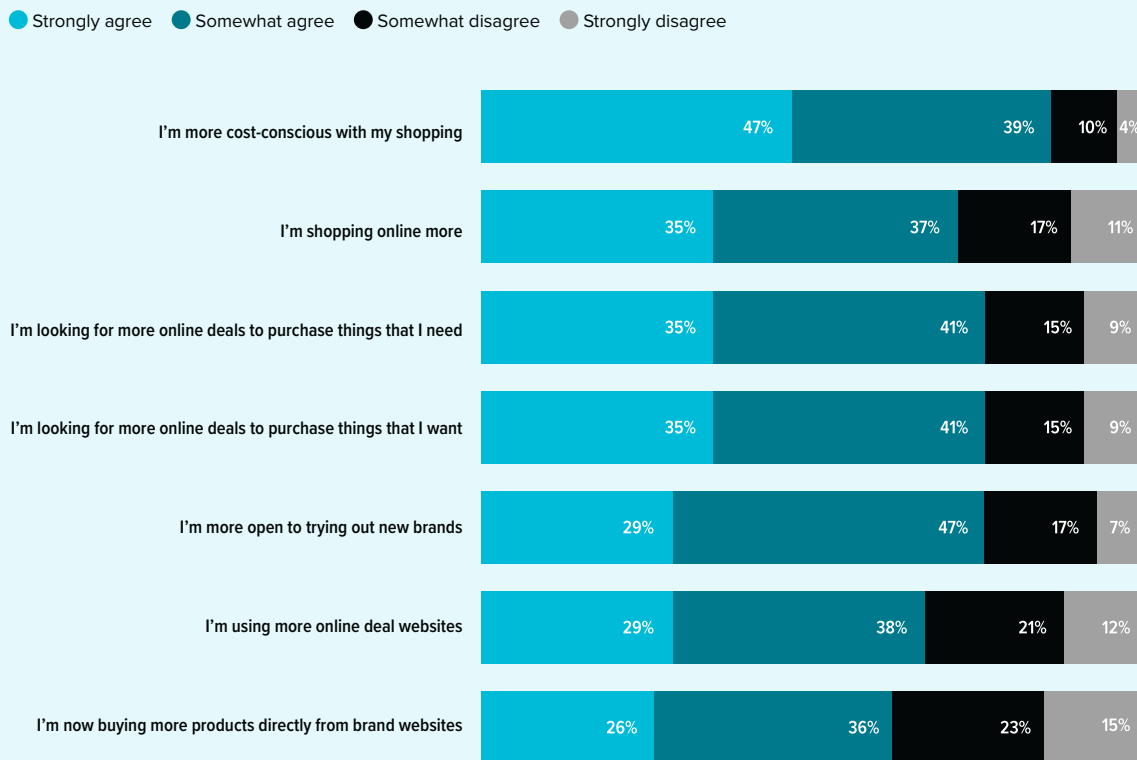
Changing shopping habits

Comparing people's shopping habits now compared with a year ago, the biggest influence appears to be the rising cost of living (*Figure 9*). People are more cost-conscious (86% agree), more likely to be looking for deals (76% agree), and more likely to be buying directly from brand websites (62% agree).

There's also evidence of the persistence of pandemic-era behavior, with almost three-quarters (72%) saying they're shopping online more than before. And the fact that three-quarters (76%) say they're more open to trying out new brands than previously could reflect a desire to save money by buying cheaper brands, or greater confidence in online shopping due to greater experience, or a combination of the two.

CONSUMER SURVEY

Figure 9: Do you agree or disagree with these further statements about your online shopping behavior compared to a year ago?



86% of shoppers say they are more cost-conscious than a year ago.

“Managing spend has become the key priority for consumers and advertisers alike. Given affiliate’s pay-for-performance model, more advertisers have turned to the channel as it allows marketers to tie spend directly to outcomes.”



“Consumers are really feeling the pinch this year. They are having to make tougher choices in terms of how they spend their discretionary income. While the job market holds strong, and the inflation rate improved to 3% in June, the US Consumer Confidence Index still highlights concerns of current business and labor market conditions. Equally, the leading economic index slipped again, signaling a recession and forcing businesses to make tougher choices in terms of how they invest.”

“Managing spend has become the key priority for consumers and advertisers alike. Given affiliate’s pay-for-performance model, more advertisers have turned to the channel as it allows marketers to tie spend directly to outcomes. Across Awin and ShareASale’s US operations, we see this firsthand with a continued influx of new partners joining our platforms. Through June ‘23 alone we welcomed 36,000 new affiliate partners and about 2,000 new advertisers.”

– Alexandra Forsch, President, Americas, Awin



1.3 The importance of trust



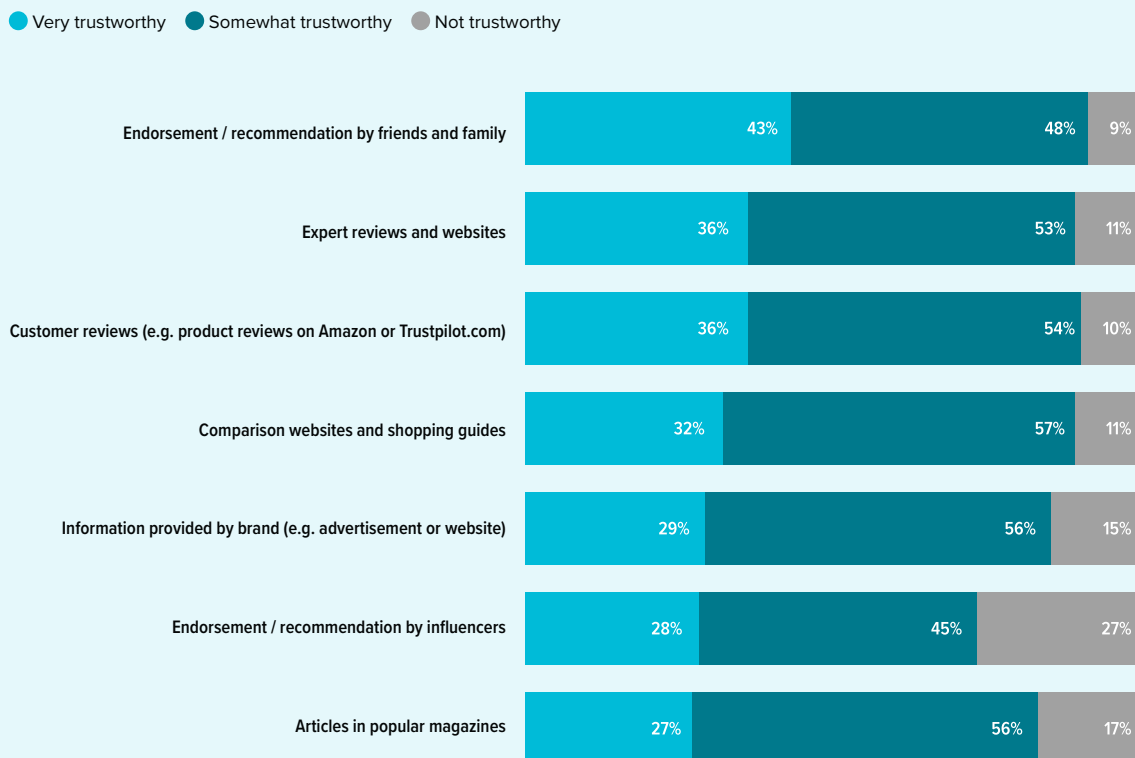
“It’s very possible to receive credit card offers several times a day before you even look at your computer or your mobile phone. So consumers are being bombarded. And they’re looking for trustworthy information. I’ve been studying credit cards for 15 years. I try to know everything I can about everything related to credit cards. Most importantly, consumers are looking for unbiased information. If I take a crappy credit card and I say, ‘This is the greatest thing ever,’ and every credit card I say, ‘This is the greatest thing ever,’ I lose my credibility. The website loses credibility. So you always have to maintain that credibility.”

– Jason Steele, credit card writer and producer of CardCon Conference

The overriding reason consumers choose the information sources they do for their research is because they trust them to tell the truth. As Jason Steele says above, they want unbiased information. *Figure 10* shows how consumers rate the various sources available to them for trustworthiness.

CONSUMER SURVEY

Figure 10: How trustworthy are the following types and sources of information during the purchase decision-making process?



It's no surprise that friends and family are the most trusted sources of information. But what is surprising is that shoppers give equal weight to both expert and customer reviews. This is despite estimates from customer advocacy groups that between 30% and 40% of online reviews are fake, and the Federal Trade Commission proposing new rules to combat the problem.

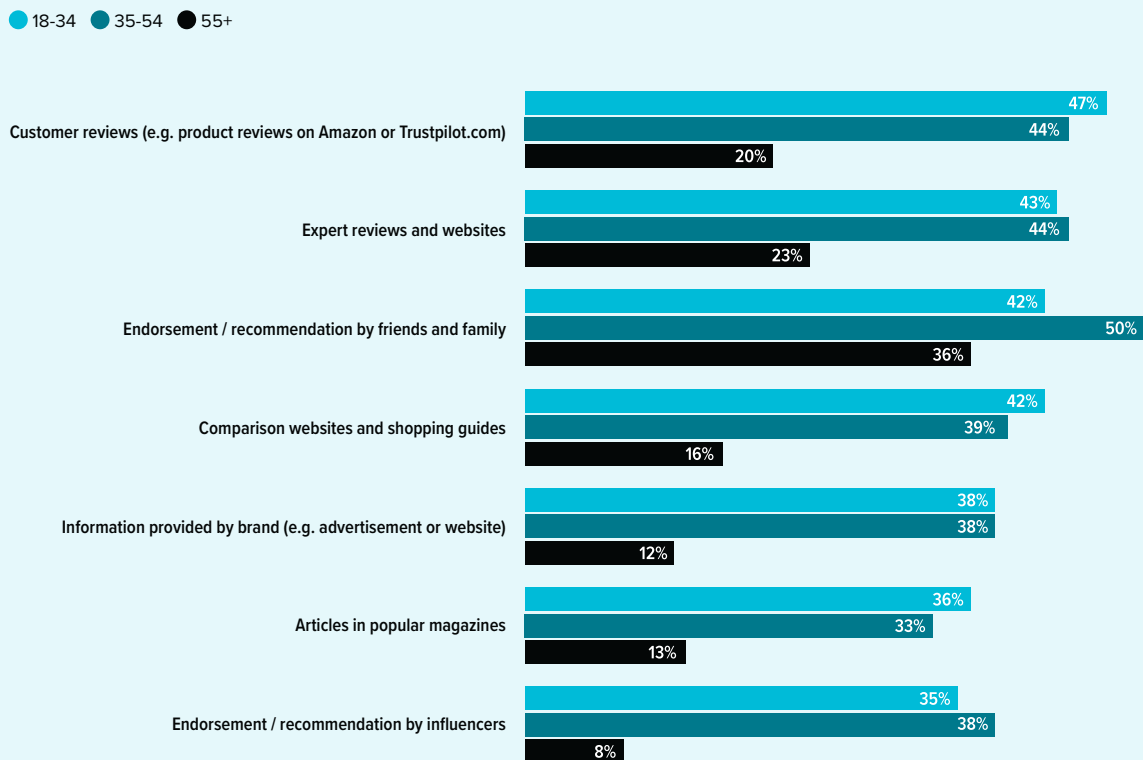
It's also interesting to note that while influencers have been seen to be a key source of inspiration for many consumers, they also emerged as the least-trusted information source by far. Just over a quarter of consumers surveyed (28%) rated influencers as very trustworthy (a similar percentage as brands and popular magazine articles). But almost the same proportion (27%) rated them as 'not trustworthy', the highest in the survey. In comparison, only 15% of consumers think brands are untrustworthy, and 17% think the same about magazine articles.

The wisdom of age?

Breaking this data down by age shows older people (55+) are much less trusting than their younger counterparts (*Figure 11*). Only a third (36%) regard the views of their friends and family as 'very trustworthy' (presumably because they think that, having lived longer, they know more than their younger relatives). That compares to 42% of 18-34s and half of 35-54s.

CONSUMER SURVEY BREAKDOWN BY AGE

Figure 11: Proportion of consumers rating the following types and sources of information as very trustworthy during the purchase decision-making process



For every other channel, however, the gap is much greater. Over 55s are about half as likely as younger people to trust customer or expert reviews, a third as likely to trust comparison websites, magazines or brands themselves, and almost a fifth as likely to trust influencers.

In contrast, the differences in attitudes between 18-34s and 35-54s are statistically insignificant (except where family and friends are concerned).

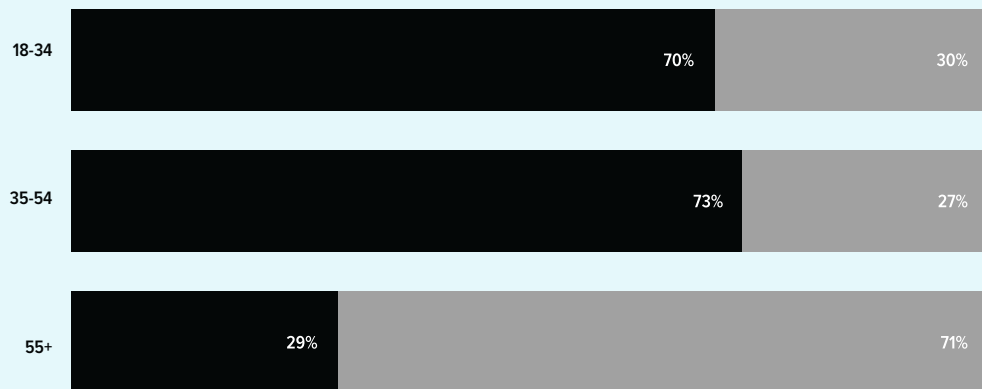
Pay to praise

Four out of five consumers overall (82%) said they were aware that brands sometimes pay for third-party endorsements of their products or services. *Figure 12* looks at how shoppers feel about these paid-for reviews and recommendations. Once again the over 55s reveal their cynicism. Just under three-quarters of both 18-34s and 35-54s said they trust these endorsements. Fewer than a third of over 55s said the same.

CONSUMER SURVEY

Figure 12: Do you trust brand-sponsored endorsements, recommendations, and reviews?

● Yes ● No



Only 29% of over 55s trust brand-sponsored endorsements, compared to almost three-quarters of younger consumers.

Then *Figure 13* examines the influence of influencers. Almost three-quarters of those surveyed (71%) either ‘strongly’ or ‘somewhat’ agreed they’re not swayed by social influencers. Despite this, 60% agreed that social influencers introduce them to new products, brands, and websites, and around half agreed that these influencers have an impact on what they buy.

According to *impact.com’s The State of Influencer Marketing for Consumers in 2023*, “*more than 6 in 10 consumers say they trust influencers they perceive to be like them, particularly if they share the same career or lifestyle choices*”. The relative lack of older people in the role may account in part for the antipathy over 55s show towards influencers.

CONSUMER SURVEY

Figure 13: Do you agree or disagree with these statements about social influencers?

● Strongly agree ● Somewhat agree ● Somewhat disagree ● Strongly disagree



“Whether they are a source of entertainment or purchase inspiration, influencers undoubtedly have an impact on consumer behavior. As a marketing channel, they are still an emerging entity as brands and creators strive to correlate business metrics with content. We’re seeing a real-time evolution from an awareness play to a sales strategy as more influencers are adding affiliate links to their sponsored promotions, but there is still a ways to go for efficiencies and maturation.”

– Kerry Curran, Chief Growth Officer, Gen3 Marketing

The financial services purchase journey



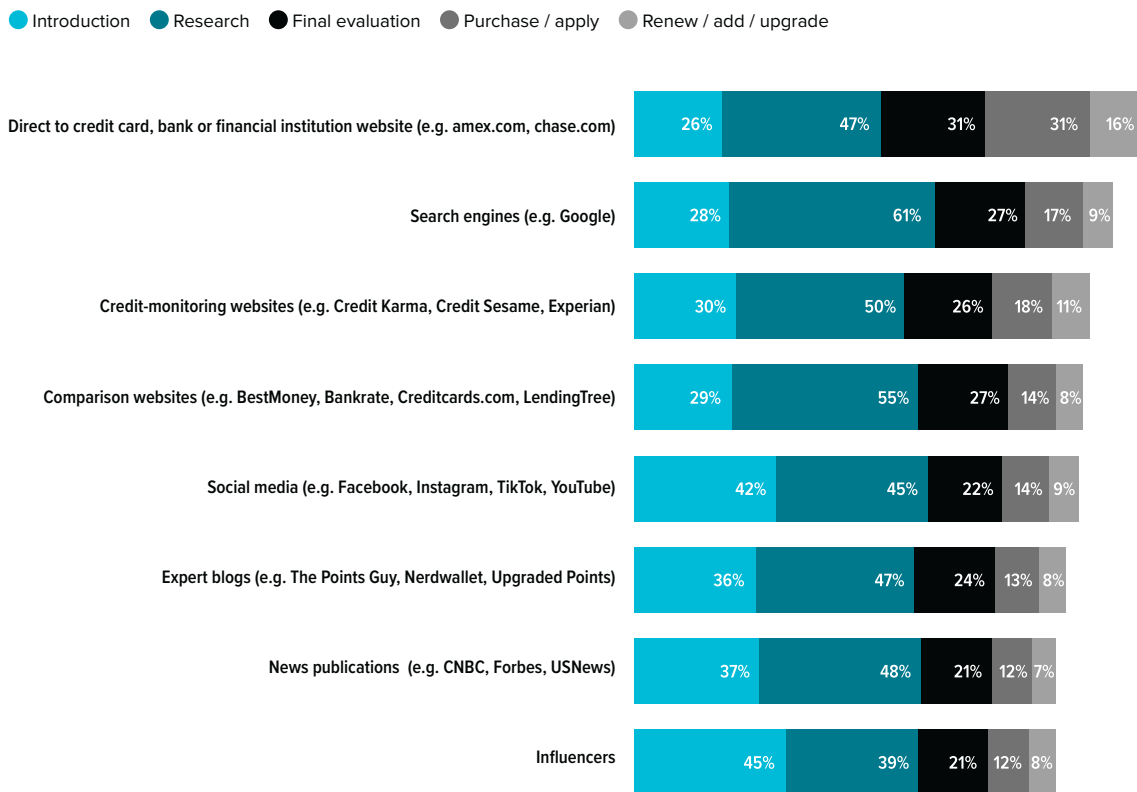
“If anyone wants to know why affiliate is so important, go to Google and type ‘best credit card’, every organic and paid listing that is not a bank, is an affiliate. If a financial institution is not partnered with those affiliates, that presents a potential loss [to a competitor].”

– Leilana Cantrell, Senior Vice-President, Gen3 Marketing

In Section 1.1 of this report, Figure 4 showed financial services (FS) accounts for three of the top six purchases most heavily researched online. Figure 14 breaks down the entire path to purchase for FS shoppers and where they spend their time at each stage.

CONSUMER SURVEY

Figure 14: When evaluating or selecting a new credit card, insurance, financial, or banking account, where do you go for the following stages of your decision-making process?



Methodology note: Respondents could pick multiple options for each category.

Influencers and social media are the most visited channels in the introductory phase, attracting 45% and 42% of consumers, respectively. These are followed by news publications and expert blogs, with search engines and the financial services institutions themselves lagging behind with about a quarter of the audience (28% and 26%, respectively).

Unsurprisingly, search engines come into their own in the research phase, attracting 61% of consumers. Next come comparison websites (55%) and credit-monitoring websites (50%), while the financial services institutions share joint fourth place with the news publications and the expert blogs.

Financial services brands' own digital properties finally become the most important destination during final evaluation, but still only attract less than a third of consumers (31%), compared to search engines and comparison websites with 27%, and credit-monitoring sites with 26%.

Financial institutions then dominate purchase and application, with almost double the audience of their nearest rivals, the credit-monitoring sites (31% compared to 18%). And this pattern reoccurs for renewals and upgrades, where the banks attract 16% of consumers compared to 11% for credit-monitoring sites, and 8% for comparison websites.



"Affiliates meet specific customer needs. They offer a source of credible, reliable information and influence customers and prospects during research and consideration phases. The venue they provide allows users to compare products to find the best one that fits their needs."

"I like to group publisher sites into three buckets. There are mass media/editorial sites; the likes of Forbes, NerdWallet or CNBC. There are traditional listing sites, which rank and compare products based on features, such as CompareCards or CreditCards.com. Lastly, there are more sophisticated authenticated sites like Credit Karma, which look at user profiles to present specific cards with the intention of a higher likelihood to be approved. Most of these partner groups overlap with each other in some capacity, but we find financial services partners tend to lead with one of these three groups."

– Leilana Cantrell, Senior Vice-President, Gen3 Marketing

Specialist knowledge matters

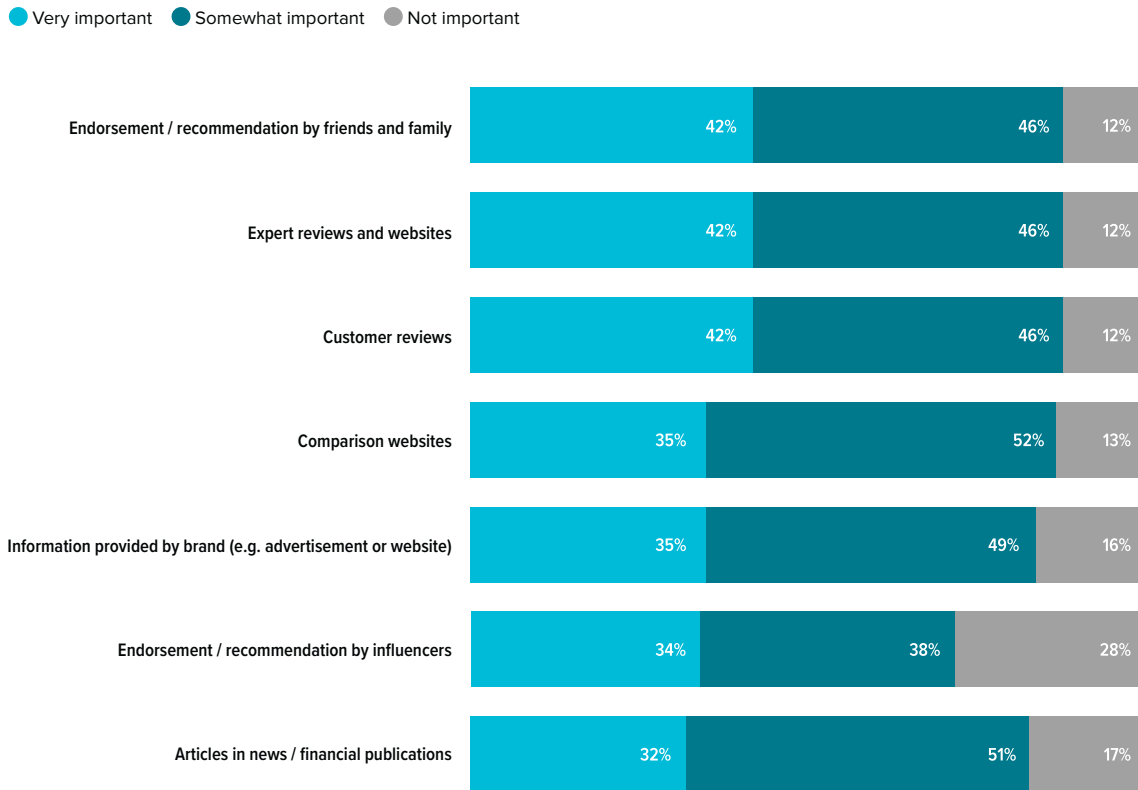
Figure 15 compares this breakdown of the customer journey with how important consumers feel the various information sources are in the purchase process.

As usual, recommendations from friends and family are rated highly but, perhaps due to the highly specialist knowledge involved, expert and customer reviews are seen as equally valuable (42% say they're very important). Brands score a little lower than comparison websites, but a little higher than influencers.



Financial services brands' own websites and advertising are regarded as less important for decision-making than recommendations and reviews.

Figure 15: How important are the following during the decision-making process for a financial or insurance-related product?



“[An important trend] is greater agency for consumers so they can better control what actions they choose to take or what companies they choose to interact with. Eventually consumers will own their own data and will decide when and what to share with the companies they choose to interact with. If you extrapolate that out a little bit further and think about how financial institutions or any company really markets to consumers, a lot of it is dependent upon getting access to data that right now is readily accessible, but which in the future will be much harder to come by without consumer consent. So the affiliate channel is very well situated to bridging those worlds where the customer is making the decision around what they want. I also anticipate that more and more the actual sale is going to migrate from advertiser-owned properties and more and more to the affiliates themselves.”

– Director, major financial services brand



“The financial services industry has been traditionally slow to adopt new technologies and trends, but that is changing rapidly. Consumers now demand more digital engagement and consultative consideration from their financial services providers. They also seek more information and education about financial planning and investment strategies.”

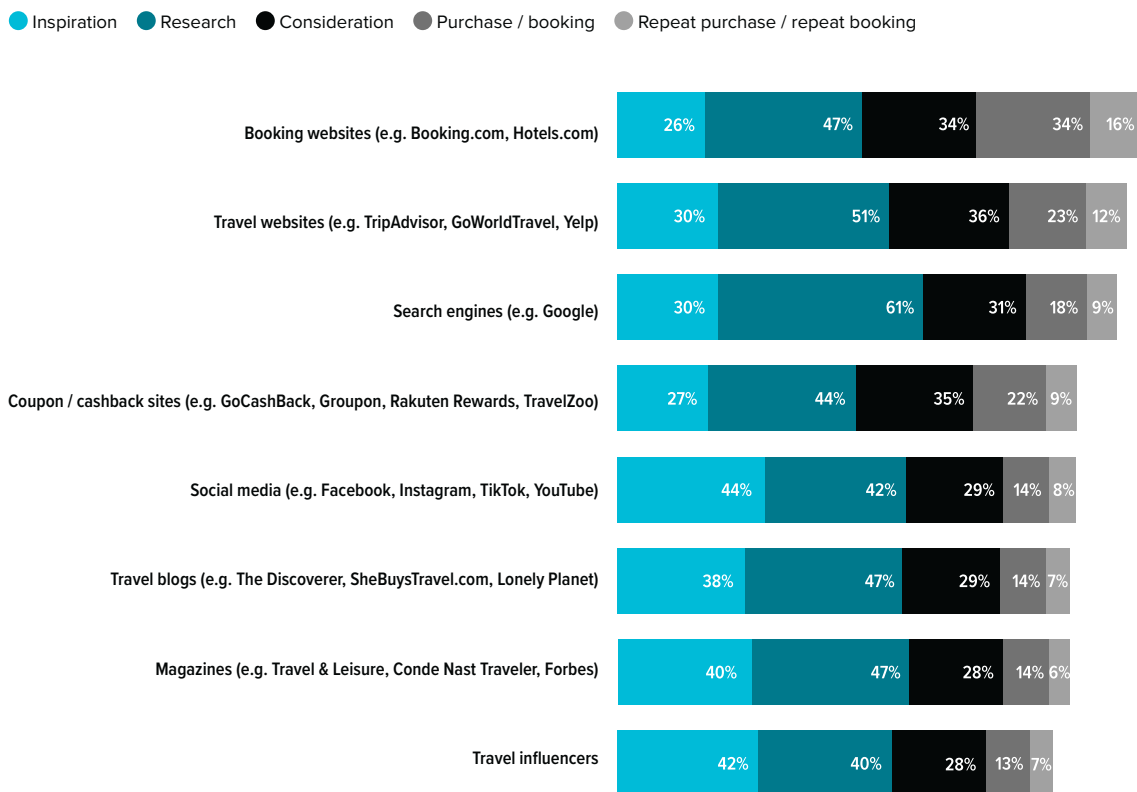
– Paul Tibbitt, President, CJ Affiliate

The travel purchase journey

Travel is the most researched online purchase, according to the data in *Figure 4*. Over a third of customers (37%) say they do heavy research, and a further third (32%) say they do some research. *Figure 16* breaks down travel customers' entire path to purchase, in terms of where they spend time at each stage.

CONSUMER SURVEY

Figure 16: When evaluating or selecting a new destination, hotel, or experience, where do you go for the following stages of your purchase decision process?



Methodology note: Respondents could pick multiple options for each category.

Social media is the biggest draw in the inspiration phase, attracting 44% of consumers. It's followed by travel influencers (42%), travel magazines (40%), and travel blogs (38%). Travel websites and search engines only attract around a third of potential travelers at this stage (30%).

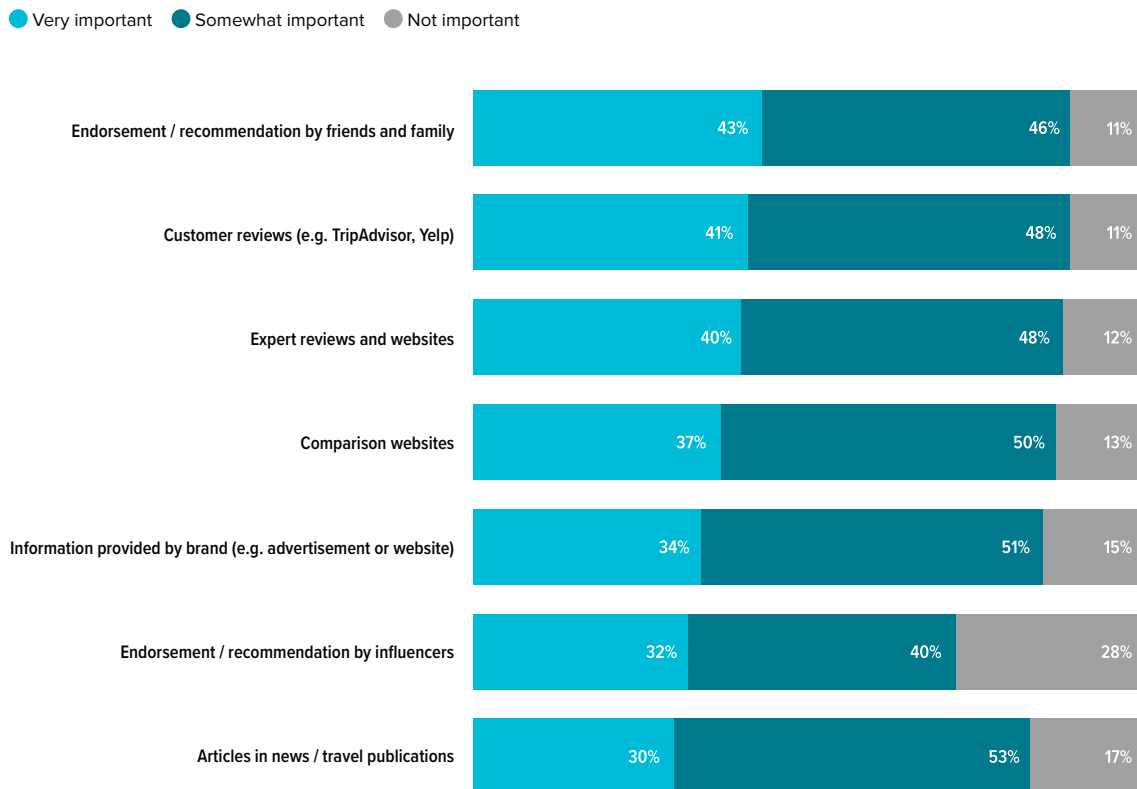
The research phase is once again dominated by search engines, with almost two-thirds of the audience (61%). Travel websites are some way behind with 51%, followed by booking websites, travel blogs, and magazines (all 47%). Influencers have become the least important channel by this stage. Although they still attract 40% of consumers, they've fallen behind people looking for a deal; coupon and cashback sites draw 44% of would-be travelers.

Unsurprisingly, travel and booking websites come to the fore in the consideration phase (36% and 34%, respectively), and are joined by coupon/cashback sites (35%). Booking sites go on to dominate the purchase phase, attracting 34% of consumers. And they're also the most visited destination for repeat purchases (16%).

Once again, consumers value recommendations from family and friends, customer reviews, and expert reviews most highly when making decisions about travel (Figure 17). Interestingly, travel brands are rated more important in this sector than are influencers. The difference is small for those saying they're very important (34% vs. 32%), but more significant for those who feel they're somewhat important (51% vs. 40%).

CONSUMER SURVEY

Figure 17: How important are the following during the decision-making process for booking travel, a vacation, or an experience?



Information from travel brands is rated as more important than influencer endorsements.

How companies are responding to the affiliate marketing opportunity.

2.1 The full-funnel opportunity



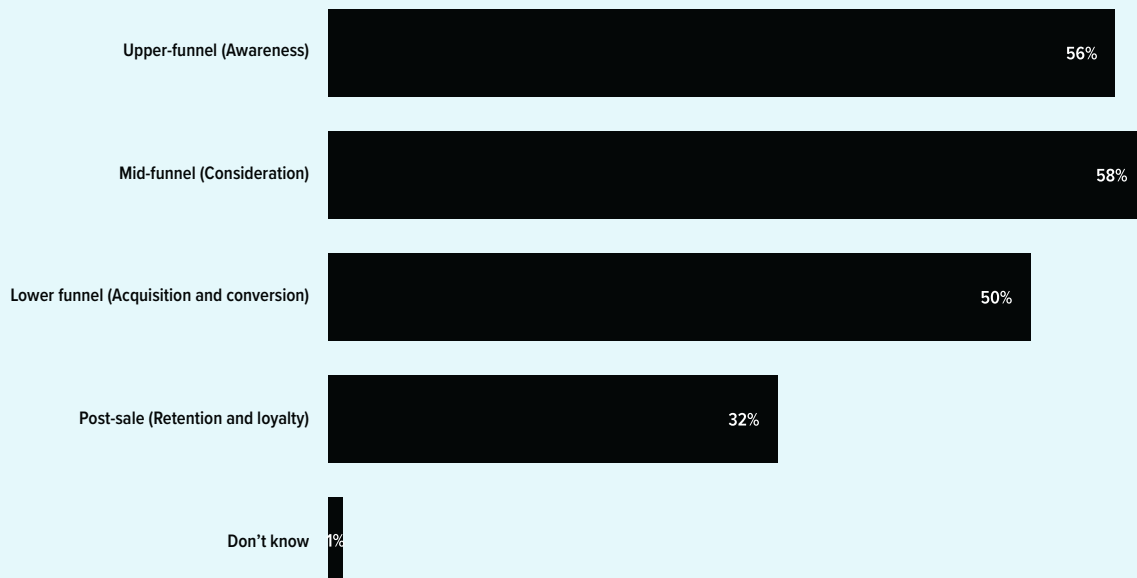
“Typically, coupons and loyalty are seen as bottom-of-the-funnel, but how they’re positioned and viewed from an attribution perspective depends on the advertiser program, the objectives of that program, and where they’re at from a lifecycle perspective. For example, a brand which is not as well known in a particular region or has a new product line, a loyalty or coupon site that has high volume and a lot of reach could actually drive top-of-funnel traffic and awareness for them. It all depends on the brand and its objectives. Content, review sites, and product recommendations are also driving top-of-funnel traffic, but the key is looking at all your publishers and putting together a portfolio with the right blend of partners to help drive particular actions.”

– Adam Weiss, Digital Marketing Consultant and Affiliate Marketing Strategy Advisor

Historically, the perception of affiliate marketing has been that it’s all about the last click and the lower funnel. But that has changed, as *Figure 18* makes clear. In fact, businesses are now slightly more likely to include affiliate marketing in the awareness and consideration stages of their media planning than they are for acquisition and conversion.

MARKETER SURVEY

Figure 18: Where does affiliate marketing fit into your media plan?



There are two main reasons for this. One, pointed out by affiliate marketing consultant Adam Weiss above, is that traditional affiliate marketing vehicles – coupon and loyalty sites – have high traffic volumes and large reach, two of the key components for driving awareness. The other, which Weiss also alludes to, is that there’s a lot more to affiliate marketing than just coupons and loyalty.



“I’ve been in affiliate marketing for a long time, and I’ve also been in more traditional display sales. You had a brand team and then you had an affiliate team and they were completely separate. They didn’t even speak the same language. But over the last two or three years, affiliate and ecommerce have become top-of-mind for people. My hypothesis is that eventually you’re going to have hybrid agency teams looking at campaigns holistically. We’re going to start seeing those affiliate and brand teams come together and hopefully unlock much larger budgets.”

– Chris Lloyd, VP, Commerce Content, Gannett and General Manager, Reviewed.

This is highlighted in *Figure 19*, which shows how widely other approaches, which are really just different flavors of affiliate marketing, have been adopted, alongside affiliate marketing itself. What’s clearly missing from the majority of businesses is the understanding that, if they’re talking to publishers about ‘commerce content’, for example, it’s their affiliate team that should be handling the execution.

MARKETER SURVEY

Figure 19: Does your company carry out any of the following performance-based marketing activities?



Given that brands are now using affiliate techniques across the funnel, the other challenge for marketers is to integrate their affiliate activities into their broader marketing thinking. This means joining up brand thinking all the way through the funnel to create a consistent, coherent customer journey.



“Affiliate marketing has the potential to be a much more integrated channel. For me, top-of-funnel affiliate marketing is the most interesting piece right now, because the bottom of the funnel is pretty straightforward. My goal is to bring our affiliate partners and our PR firms together to think about strategic planning moving forward. When we can merge the two is where we’ve seen success.”

– Amanda Knappman, SVP Global Marketing, Peace Out Skincare



“Affiliate marketing has become a mid to lower funnel channel for us, but we are aiming to get additional exposure of our brand and the products we sell. The bulk of our revenue that comes in through the affiliate channel is from savvy value shoppers who have an awareness of Coravin and the [wine preservation] products that we sell. We are trying to partner with more content creators who either review kitchen gadgets or blog about the wine industry, or something else that could be a great tie-in with the opportunity to earn commissions by referring traffic and sales. We’d love to build up more upper-funnel brand building through the affiliate channel.”

– Michael Allen, Senior Director, Ecommerce, Coravin



“You’re starting to see more sophistication among publishers in terms of how they’re selling their ad space. And as that happens, advertisers have to start thinking a little more holistically about where their dollars are going. As you get better attribution models, as you get more innovative publishers, as you get better technology to compensate them, I think we’re in the very beginning of a trend back towards a more holistic ad budget. And if that happens, affiliate teams will be pulled into that. You’re starting to see advertisers who put affiliates under the brand team because they understand that in the affiliate moment – which is really just the moment you decide what to buy – the purchase should be heavily impacted by the brand dollars that were spent.”

– Michael McNerney, Publisher, Martech Record



“There is a need to demonstrate affiliate is more than a ‘bottom of the funnel’ channel. CJ is helping advertisers demonstrate full-funnel activation and countering the myth that affiliate is a bottom-of-the-funnel sales channel. Through our expansive data suite, CJ brings to light the contribution of affiliate partnerships to every aspect of the customer journey. As a result, CJ’s clients are shifting to use affiliate at every stage of the consumer journey, and we provide the reporting to measure the effectiveness of affiliate across complex shopping journeys. This view into affiliate’s ability to influence shoppers in the awareness and consideration phase has resulted in spend from other channels, such as brand, social and PR, coming into the affiliate channel. CJ has successfully demonstrated that affiliate is truly a ‘channel of channels.’”

– Paul Tibbitt, President, CJ Affiliate



2.2 Budgeting for affiliate marketing



“There is a growing shift of investment into affiliate marketing; it’s hot right now. Those who haven’t done it yet want to get into it, those who are doing it understand its value. I think its potential is limitless. I almost see affiliate marketing seeping into all aspects or all marketing levers and tactics. Essentially, it’s trying to find monetary value across everything that we do. So that’s both interesting and scary. It’s everything that we’ve relied on in terms of our earned media and word-of-mouth influence that’s all become monetized in a way.”

– Amanda Knappman, SVP Global Marketing, Peace Out Skincare

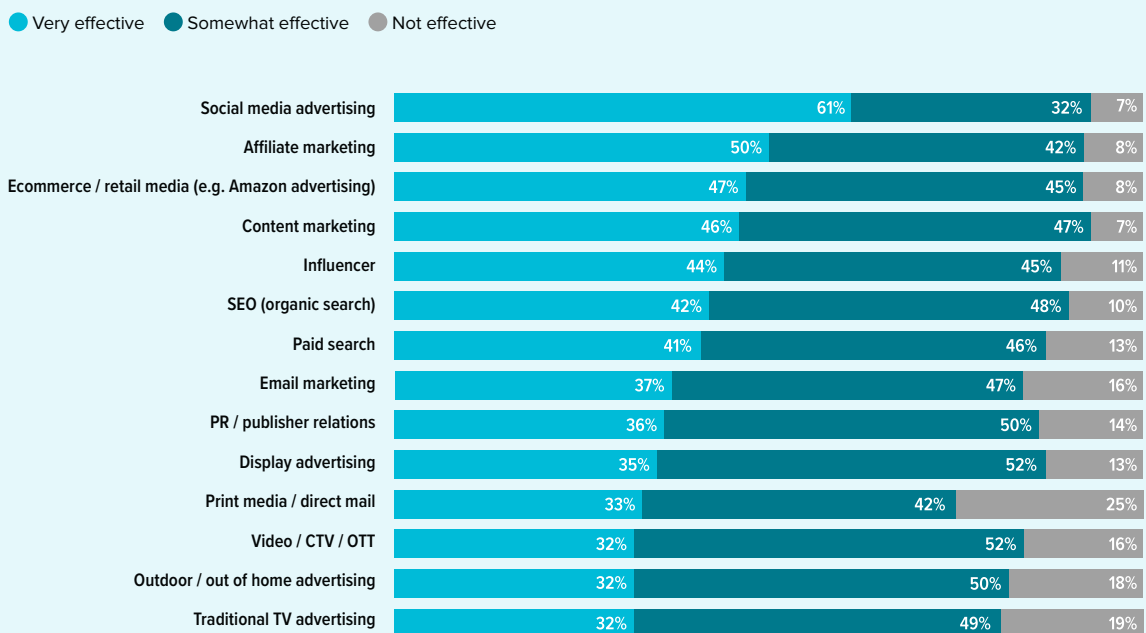
Since 2020, the story for most marketers has been one of pressure on budgets, of having to do more with less in the face of pandemic, war, and a resulting rise in the cost of living. Gartner’s annual CMO Spend and Strategy Survey results for 2023 show CMOs facing budget constraints again this year, as enterprises contain expenses to weather inflationary pressures.

But, as Harvard Business Review discussed in 2020: *“Companies that have bounced back most strongly from previous recessions usually did not cut their marketing spend, and in many cases actually increased it. But they did change what they were spending their marketing budget on and when, to reflect the new context in which they operated.”*

So the first question marketers have to ask is; which channels are effective, and which are less so (Figure 20). What’s striking in the context of affiliate marketing’s use across the full funnel is how much more effective it is seen to be than traditional top-of-funnel brand-building activity. One-and-a-half times as many marketers rate affiliate marketing as ‘very effective’ as say the same about display, video/CTV/OTT, OOH, or traditional TV.

MARKETER SURVEY

Figure 20: Thinking about your business goals, how effective are the following marketing channels?





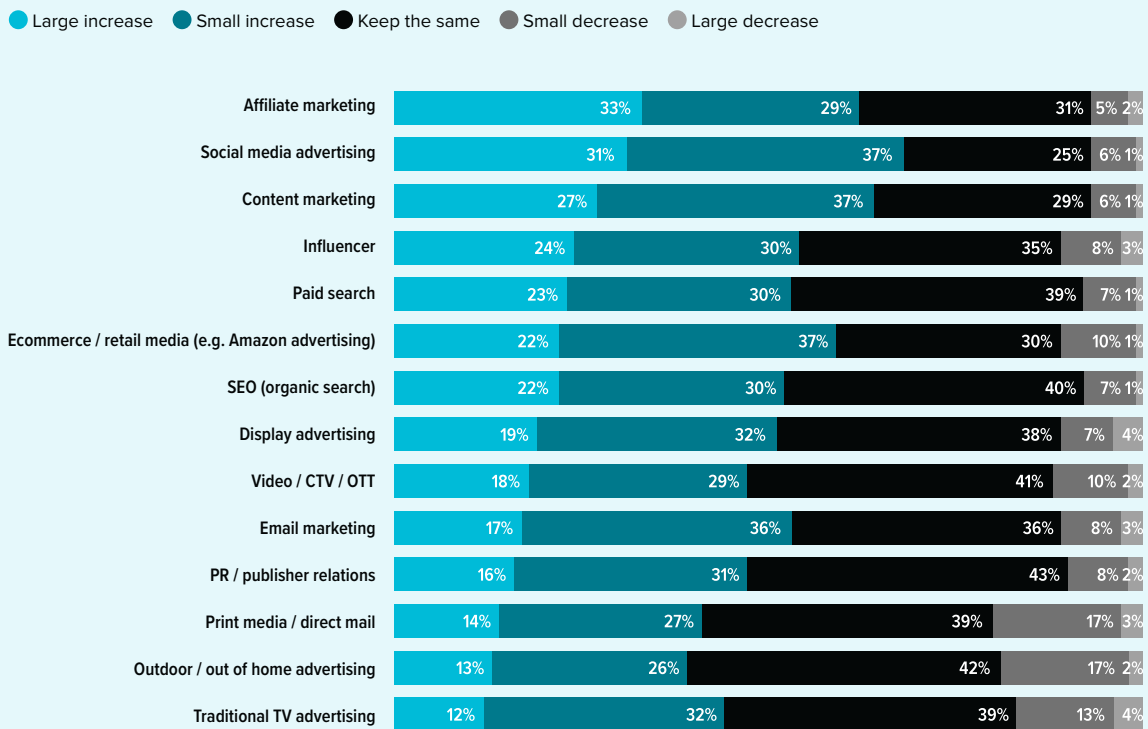
“For affiliate programs I’ve been associated with, effectiveness is usually tied to conversion. But, of course, there’s additional benefits too. You can end up going end-to-end, awareness-to-conversion within the affiliate channel. And there are certainly going to be circumstances where you’re making somebody aware of the product for the first time within the affiliate channel as well. And they may go to another channel to book, they may go direct, they could do any number of different things, but since you’re only paying for the conversion component of the funnel, everything else on top of that is gravy.”

– Director, major financial services brand

In turn, *Figure 21* looks at how marketers are planning to approach their budgets across different channels in the next 12 months. Surprisingly, in the light of Gartner’s report, very few marketers plan to reduce their spending anywhere. The biggest losers are likely to be print media/direct mail and out-of-home, each of which face cuts in a fifth of cases (20%). But, even there, around twice as many companies plan to increase their budgets.

MARKETER SURVEY

Figure 21: Are you planning to increase or decrease your budget for the following channels over the next 12 months?



The affiliate channel is most likely to see large budget increases.

In contrast, the big winners are affiliate marketing, social media advertising, retail media, and email. Nearly two-thirds of marketers (62%) plan to increase their spend in the affiliate channel, compared to only 7% who plan to reduce it. Social media and content are expected to do even better overall (68% and 64% of businesses increasing spend, respectively), but are slightly less likely to see a large increase in budget. And all three are likely to see a greater overall increase in budget than the current flavor of the month, retail media.

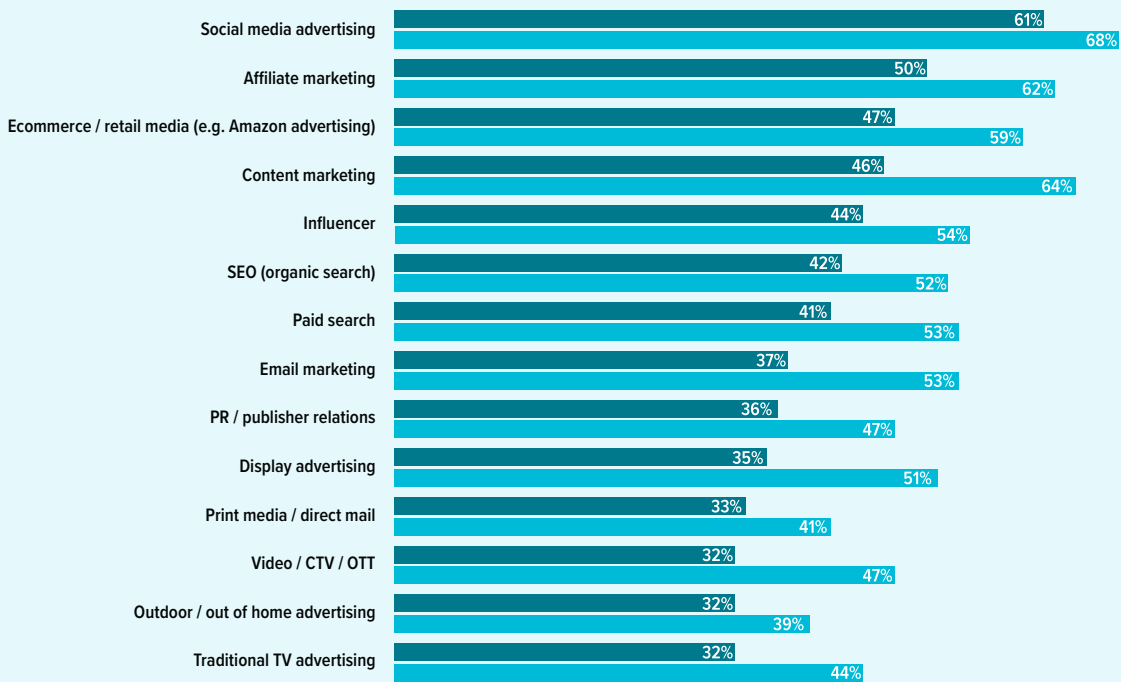
The other channels where companies are more likely to increase spending than not are influencers (54% planning to increase budgets), paid search (53%), SEO (52%), and display (51%). In other words, affiliate marketing and its related channels are all more likely to see budgets rise, rather than fall or remain the same.

Comparing *Figure 20* and *Figure 21* reveals the extent to which advertisers' investments are following results (*Figure 22*). With the supposed restrictions on marketing budgets, it's surprising to see the percentages of marketers increasing investment in the range of channels are higher than for marketers regarding the same channels as 'very effective'. Taking the average of the difference between each set of figures enables us to correct for this. It shows that more than the average number of marketers are planning to increase investment in content marketing, email, display, and video/CTV/OTT. In contrast, fewer than average marketers will be increasing their investment in social media, OOH, and print. Affiliate marketing and its related channels are slated for increases by the average number of businesses.

MARKETER SURVEY

Figure 22: Marketing channel effectiveness vs. investment

- Proportion of organizations rating marketing channels as 'very effective'
- Proportion of organizations planning to increase their budget for the following channels over the next 12 months

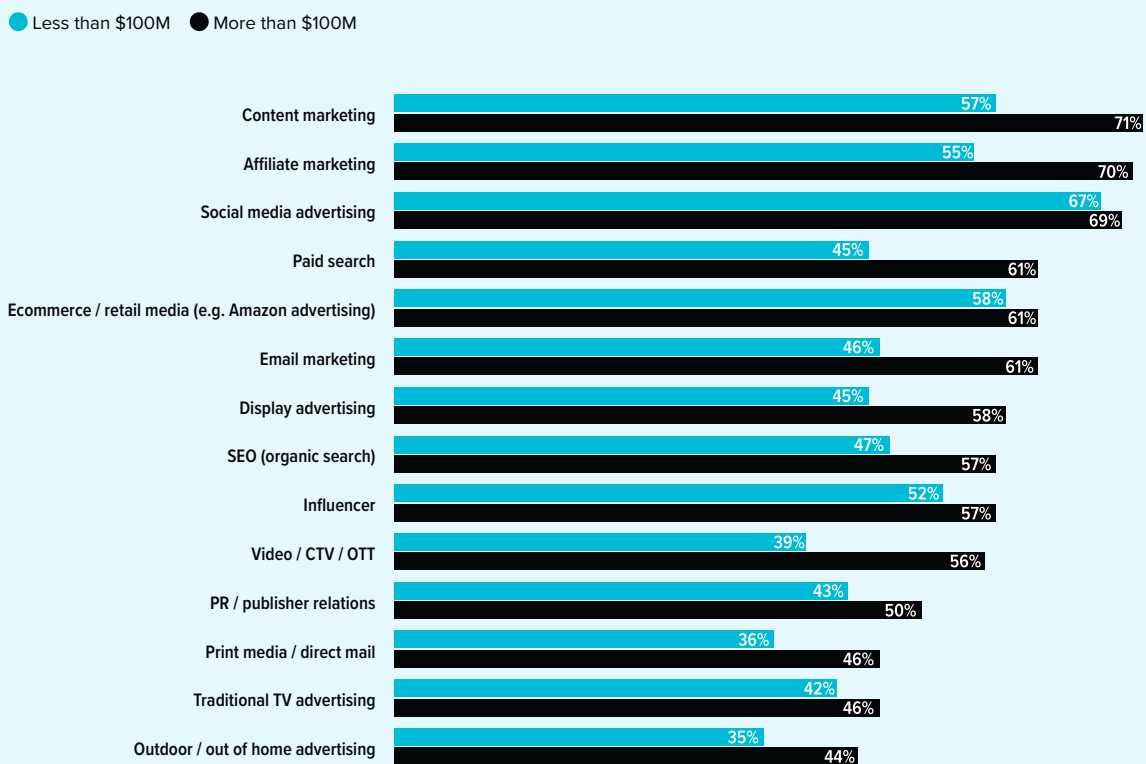


Bigger firms boost budgets more

At first glance, breaking down budgetary intentions by company size shows bigger companies are more likely to increase their budgets across all channels compared to their smaller counterparts (Figure 23). That's certainly true of affiliate marketing and most of its associated channels (content marketing and paid search), where bigger organizations are about 15 percentage points more likely to increase budgets than are smaller ones. Interestingly, however, the gap is much smaller for both social media advertising (two percentage points) and influencer marketing (five percentage points). This may be due to relative accessibility of these two channels in budgetary terms.

MARKETER SURVEY BREAKDOWN BY REVENUE

Figure 23: Proportion of organizations planning to increase their budget for the following channels over the next 12 months



“There isn’t a one-size-fits-all strategy for budget allocation. Budgets are always evolving to meet very specific needs at that time, supporting larger corporate initiatives like a new product launch or a rebrand. We advise our clients to maintain investments with publishers who can readily support near-term objectives, as well as to nurture relationships with other publishers who are aligned to longer-term objectives. The traditional view of publishers throughout the funnel is one way to understand publisher performance, but the beauty of a well-run affiliate program is that publishers can be grouped in any number of ways based on the KPIs they deliver against - from traffic to customer LTV, or to sales.”

– Mike Chin, SVP of Industry, Retail, Rakuten Advertising

Nervous moments for advertisers



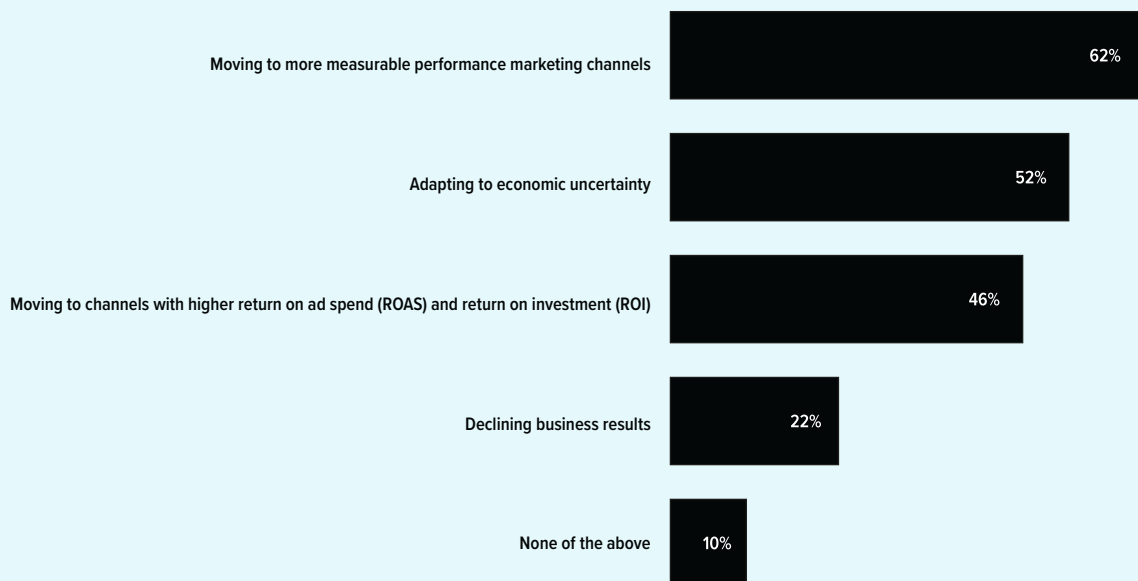
“The driver towards affiliate is that advertising, which goes through the big platforms like Google and TikTok, has gotten really, really expensive. So advertisers are looking for better ROI and, right now, affiliate is that better ROI. And then you have this weird economy, where no one really knows if we’re in a recession or a rebound or wherever. When advertisers are in these nervous moments, they look for immediate performance. And that’s why affiliate budgets, if they’re not growing, aren’t shrinking, or at least not shrinking at the rate some of their competitor channels are.”

– Michael McNerney, Publisher, Martech Record

McNerney’s view above is borne out by the results shown in *Figure 24*. This shows the reasons behind marketers’ decisions to move budget between individual channels. Just over half of respondents (52%) say they’re adapting to economic uncertainty – McNerney’s ‘nervous moments’ (and almost a quarter say their results are declining). Just under half (46%) say they’re looking for channels that deliver higher ROAS or ROI. But the kicker is that almost two-thirds (62%) want the security of more measurable channels at a time when every dollar they spend has to be accounted for.

MARKETER SURVEY

Figure 24: Are you changing your marketing budgets for any of the following reasons?

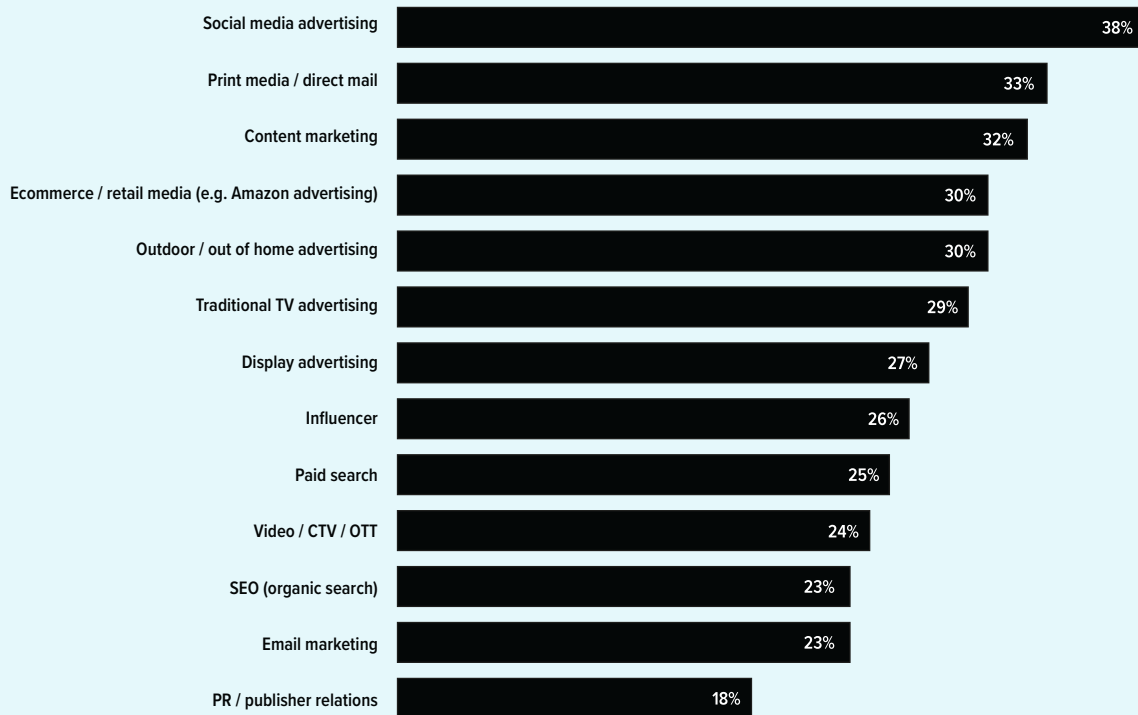


Now we know what marketers want to achieve with their money, *Figure 25* shows which channels are losing out. Some of these are as expected; OOH, traditional TV, display, and print are channels where ROAS/ROI is famously hard to measure. However, the prominence of social media advertising on this list is more of a surprise. Many brands may think they’re over-indexing on social media. Alternately, they may not necessarily be cutting back on social/content/retail media, but rather harnessing these channels as part of their affiliate marketing activities.

It's also important to remember that *Figure 21* showed that, in the vast majority of cases, marketers are not planning to cut budgets for any channels. Most of the time the least-favored will see their budgets stay the same, or only increase by a small amount.

MARKETER SURVEY

Figure 25: From which channel or channels are you shifting budget for your additional spending on affiliate marketing?



“The goal of affiliate marketing [for brands] is making a sale, and your expenditure is pretty close to zero until you’ve acquired the customer or made the sale. Imagine you’re selling some widget. If you make a \$30 profit on the widget, you’re more than happy to give a \$20 commission to anyone who’ll sell it because you’ll make \$10. If they sell 10, you’re great. And if they sell a million, you’re great. Because what you’re paying for the sales is directly proportional to the number of sales made. Compare that to an advertisement on television or in print. You have no idea how many sales you’ll make off of that. You might try to correlate it with when the ad came out and when your sales went up or down. But affiliate is a one-to-one correlation with performance.”

– Jason Steele, credit card writer and producer of CardCon Conference

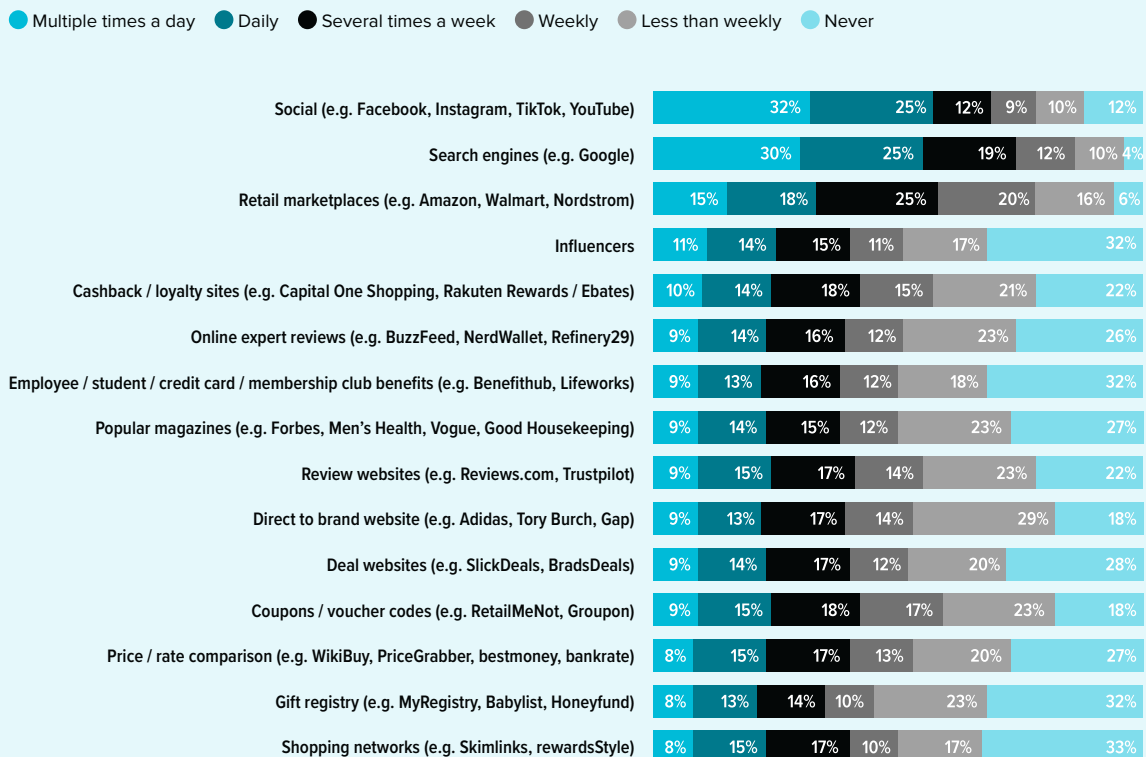
2.3 Closing the publisher gap

One of the defining features of interactive business is that companies follow consumers. Marketers need to be constantly alert to changes in consumers' media behavior, or risk being left behind, advertising to diminishing audiences still using 'last year's big thing'.

Figure 26 is drawn from the consumer survey, and shows how often shoppers engage with different types of websites. Unsurprisingly, social media and search engines dominate, since these service the internet's two most common use cases; engaging with friends and family, or finding the answer to a question. More than half of consumers surveyed visit these destinations at least daily (57% for social media, 55% for search engines). Retail marketplaces also score highly (33% visit at least daily), demonstrating the power and potential of retail media in the upper funnel.

CONSUMER SURVEY

Figure 26: How often do you engage with the following websites?

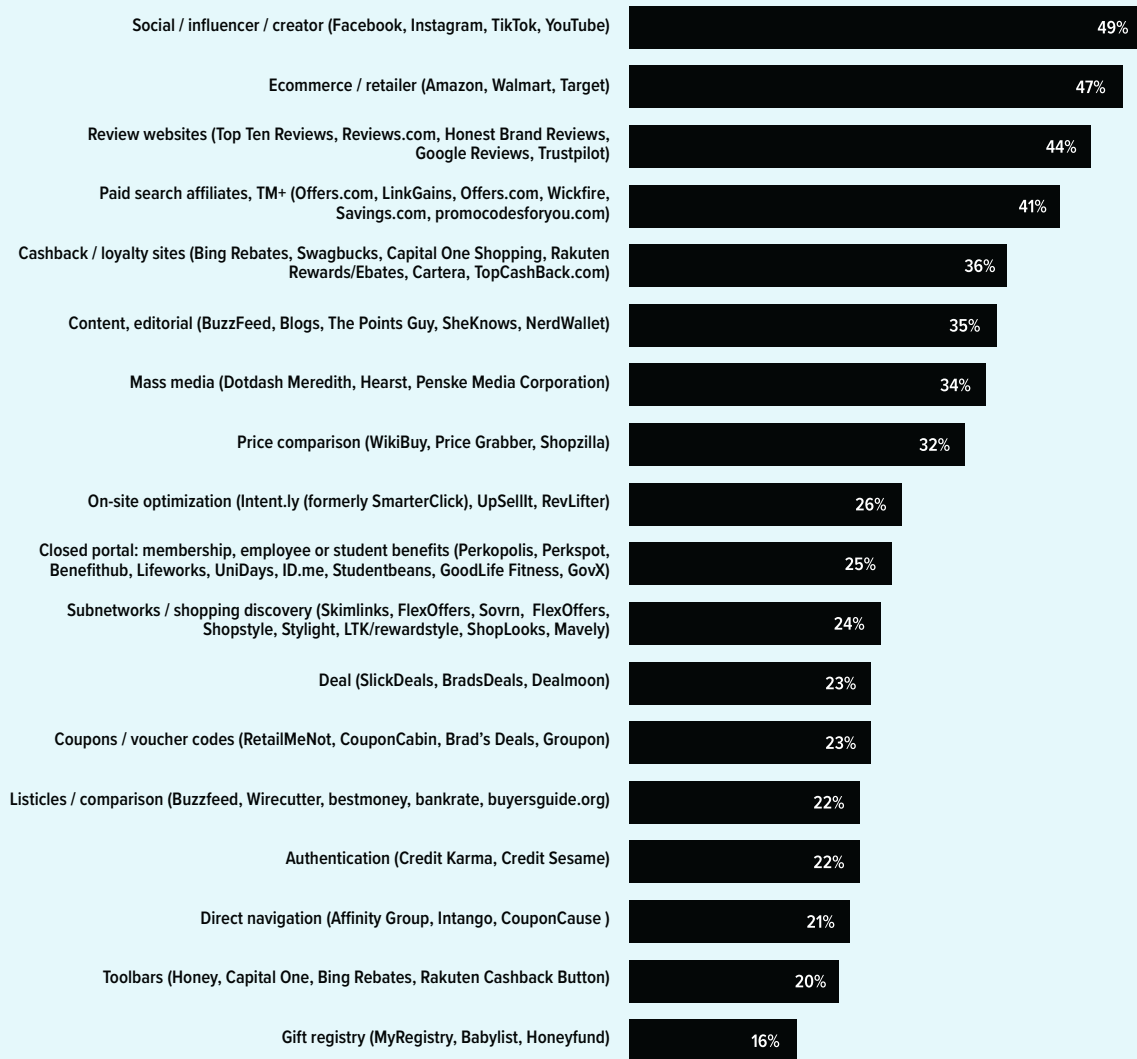


Social media and search engines are the most frequently used websites, followed by retail marketplaces.

Then *Figure 27* shows which types of publisher sites marketers are focusing on as part of their affiliate marketing activities. Again, social/influencer sites and retail networks score highly.

MARKETER SURVEY

Figure 27: Which of the following types of publisher models are most important to your affiliate marketing activities?



Methodology note: Respondents could check up to 10 options.



Social, ecommerce, and review websites are the top-priority publishers for affiliate marketing.

Figure 28: Importance of affiliate publisher categories to marketers vs. popularity with consumers in the purchase decision-making process (1.00 = average)

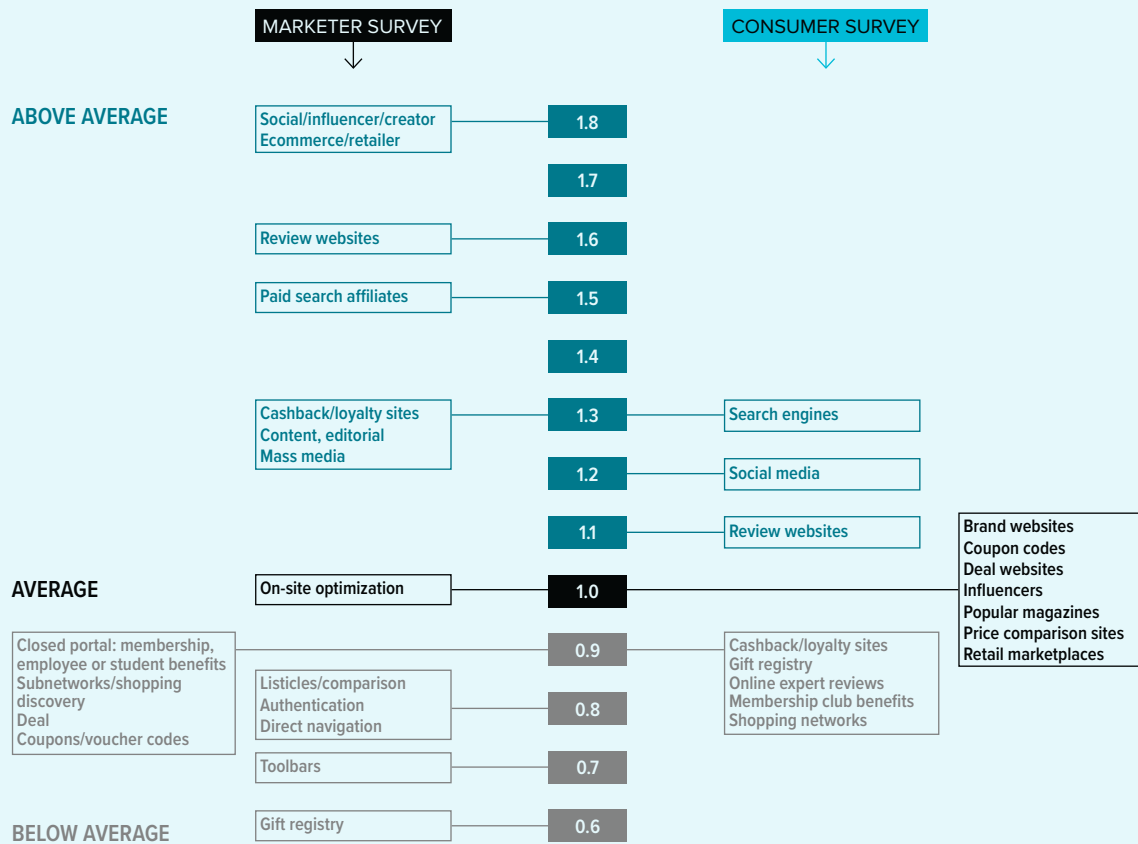


Figure 28 compares consumer data showing the usage of different types of websites for inspiration, research, or consideration, with how marketers rate publisher models for importance – shown in Figure 27 – based on the average in each case. The most striking thing this suggests is that, while both marketers and consumers attach more than average importance to social media, marketers are more enthusiastic about it than consumers are. The biggest difference occurs in the case of influencer sites, which marketers rate 1.8 times more important than average, but which consumers visit the average number of times.

Other significant gaps are between perceptions of retailer/brand sites (1.8 for marketers, average for consumers), and of cashback/loyalty sites (1.3 vs 0.9). It's striking that all these involve marketers rating sites more highly than consumers. The opposite is only true in three cases; coupon sites, deal sites, and gift registry sites.

This would suggest that marketers are prioritizing a small number of site types, while consumers spread their time more evenly.



“This is where a strong affiliate strategy comes into play. By leveraging the publisher networks, brands can efficiently scale placements across a wide variety of publisher types. Consistent presence throughout the purchase decision-making process increases the likelihood for customer acquisition, while publisher optimization ensures cost efficiencies.”

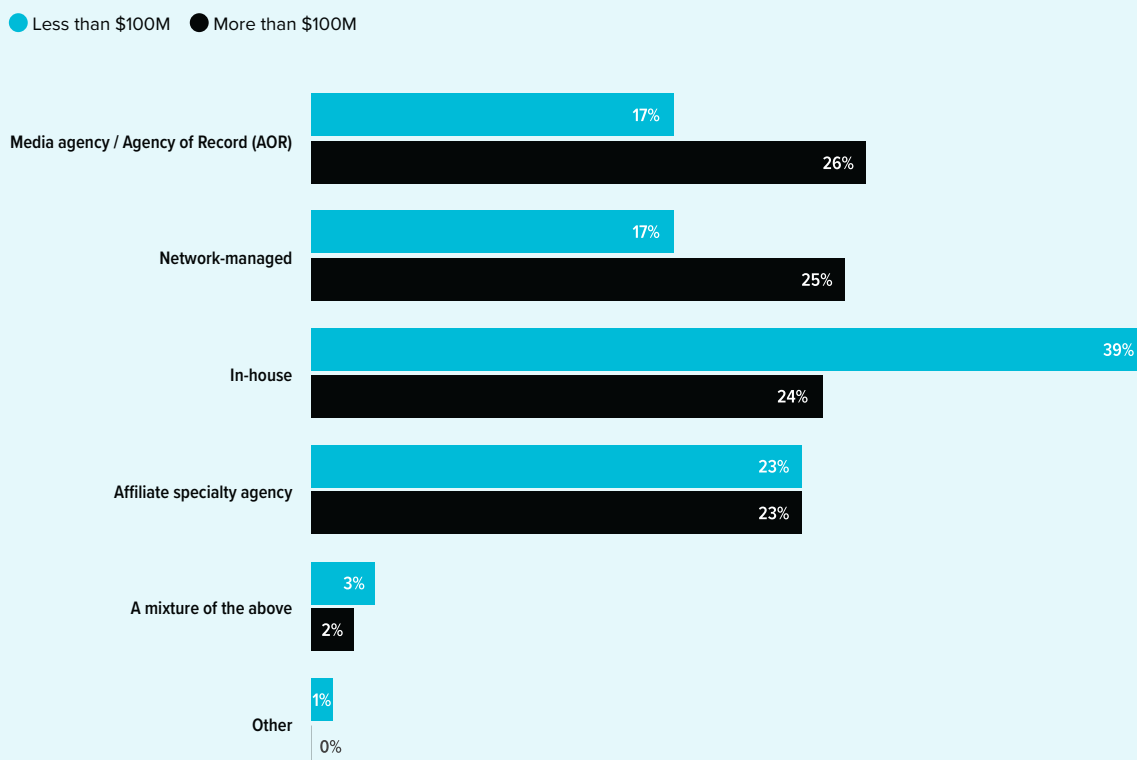
– Kerry Curran, Chief Growth Officer, Gen3 Marketing

2.4 Managing affiliate marketing

There are a number of approaches organizations can take to managing their affiliate channels (Figure 29). Smaller businesses are most likely to keep the work in-house (39%), than to choose to work with a specialist affiliate agency (23%). In comparison, larger businesses are equally likely to work with a media agency or their agency of record, an affiliate network, or a specialist agency, or to do the work themselves. This suggests that for smaller organizations, cost is the major factor in the decision, rather than any significant difference in capability.

MARKETER SURVEY BREAKDOWN BY REVENUE

Figure 29: How does your company manage the affiliate marketing channel?



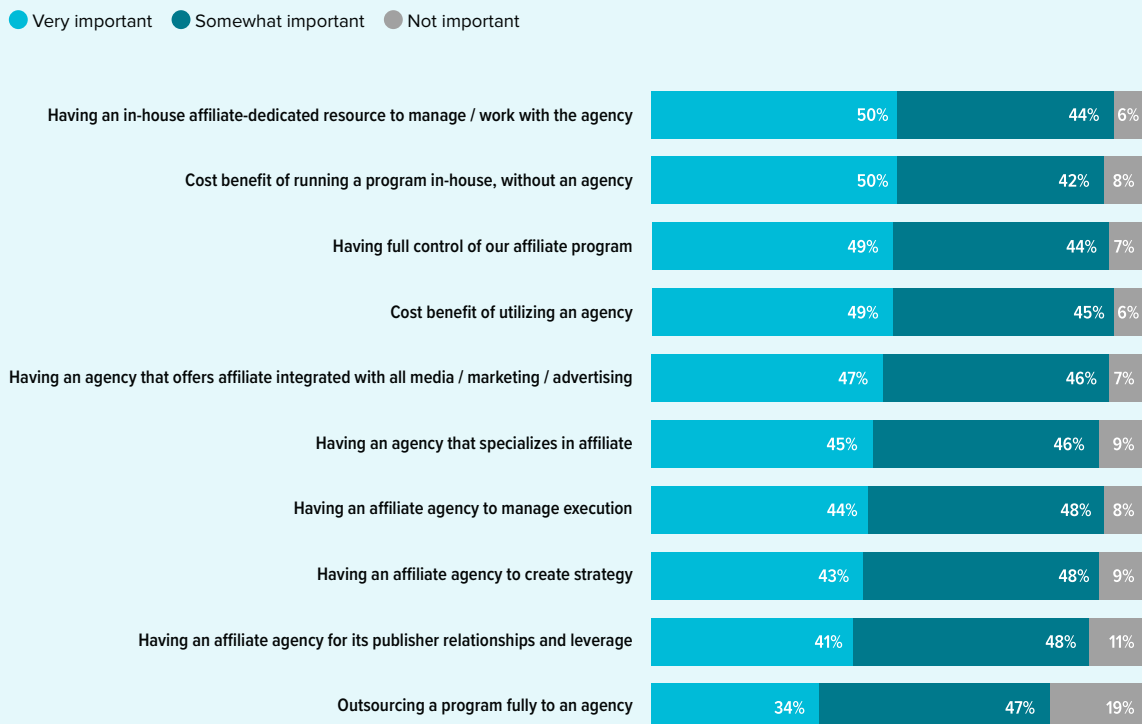
“When we work with a third party like Gen3, I’m primarily looking for two things. One is consultancy around what is happening in the broader space; I want them to be able to provide us that information so we can take it into account when finalizing strategy. And then two, I want them to help with bandwidth expansion for the team. I’ve been in organizations where they weren’t comfortable with the additional expense of bringing on the affiliate agency, or they felt this was something that could or should be managed 100% internally. And perhaps they miss some of the industry subject matter expertise an agency brings. When you’re executing an affiliate strategy internally, you’re basing a lot of very important decisions on your own limited view and scope of experience.”

– Director, major financial services brand

Figure 30 looks more deeply at the reasons around why businesses choose a particular approach to managing affiliate marketing. Marketers responding to the survey are split down the middle on the cost issue. Half rate the cost benefit of running their affiliate marketing purely in-house as 'very important', while the other half say the same about the cost benefit of using an agency. Affiliate agencies need to prove it's not just about cost, but also what else they bring to the mix.

MARKETER SURVEY

Figure 30: How important are the following considerations for how you manage the affiliate marketing channel?



However, while half (49%) also rate having full control of their affiliate program as very important, only a third (34%) say fully outsourcing to an agency is very important. Interestingly, in the light of Michael McNerney's comments in Section 2.1 that advertisers are starting to think more holistically about the role of affiliate marketing, half of respondents also say it's very important to have an agency that offers affiliate integrated with all other media/marketing/advertising.

Picking up on the point made by the financial services brand director on the previous page, two marketers out of five say it's very important to have an affiliate agency to create strategy (43%), and a similar proportion say the same about having an affiliate agency to manage execution (44%). Two out of five (41%) also rate an agency's publisher relationships and leverage as very important.



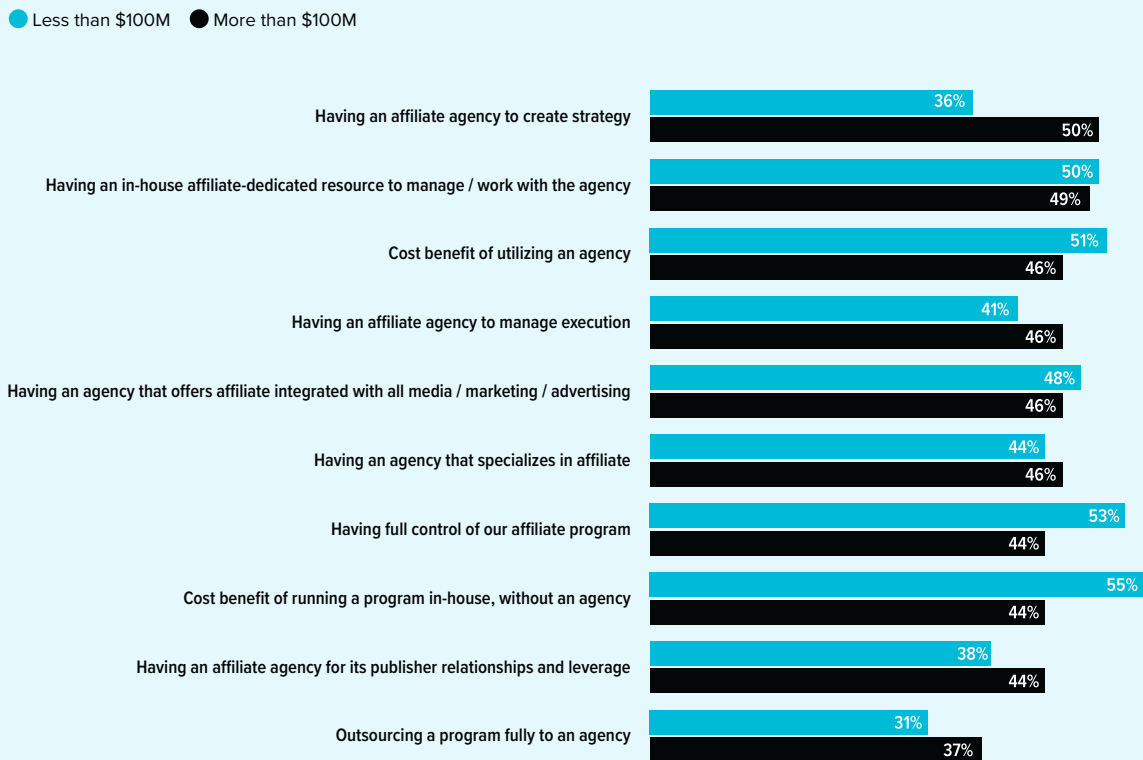
“You need someone - oftentimes that is a trusted agency - to do what we call in America blocking and tackling. That’s the hard work that goes into figuring out who the partner is, who to talk to, what to offer them, maintaining that relationship, changing the commissions. In search, if you want to change what you pay, you just plug it into something and it changes. Or Google just automatically changes the price and you figure out if you want to pay it or not. In affiliate, every relationship has to be negotiated individually.”

– Michael McNerney, Publisher, Martech Record

Figure 31 puts these ‘very important’ factors in the context of the size of the advertiser. Larger businesses are notably more keen to have an affiliate agency to create strategy than are their smaller counterparts (50% vs. 36%). They’re also slightly more likely to place a high value on an agency’s publisher relationships (44% vs. 38%), and on outsourcing their whole affiliate program (37% vs. 31%).

MARKETER SURVEY BREAKDOWN BY REVENUE

Figure 31: Proportion of organizations rating the following considerations as ‘very important’ for how they manage the affiliate marketing channel



Exactly half of marketers at larger companies say that having an affiliate agency to create strategy is ‘very important’.

“Our diamond agency partners like Gen3 Marketing are our most successful agency partners in terms of size and ability to drive value for our mutual clients.”

In contrast, smaller organizations are more likely to view as ‘very important’ full control of their affiliate marketing (53% vs. 44%) and the resulting cost benefit of an in-house approach (55% vs. 44%).



“A lot of in-house programs are truly world-class. But, on average, our agency-managed clients are growing as much as 50% faster year-over-year and are working with 40% more partners, which is part of the reason why we love working with agencies. One of the interesting things in the partnerships channel compared to other channels is that success is not only about the expertise and the attention an agency offers, it’s also about having a network of relationships with partners to tap into, and our best agencies have those relationships already in place. An agency is also going to get programs up and running much faster than a brand trying to do it on their own. Our diamond agency partners like Gen3 Marketing are our most successful agency partners in terms of size and ability to drive value for our mutual clients.”

– David A. Yovanno, CEO, impact.com.

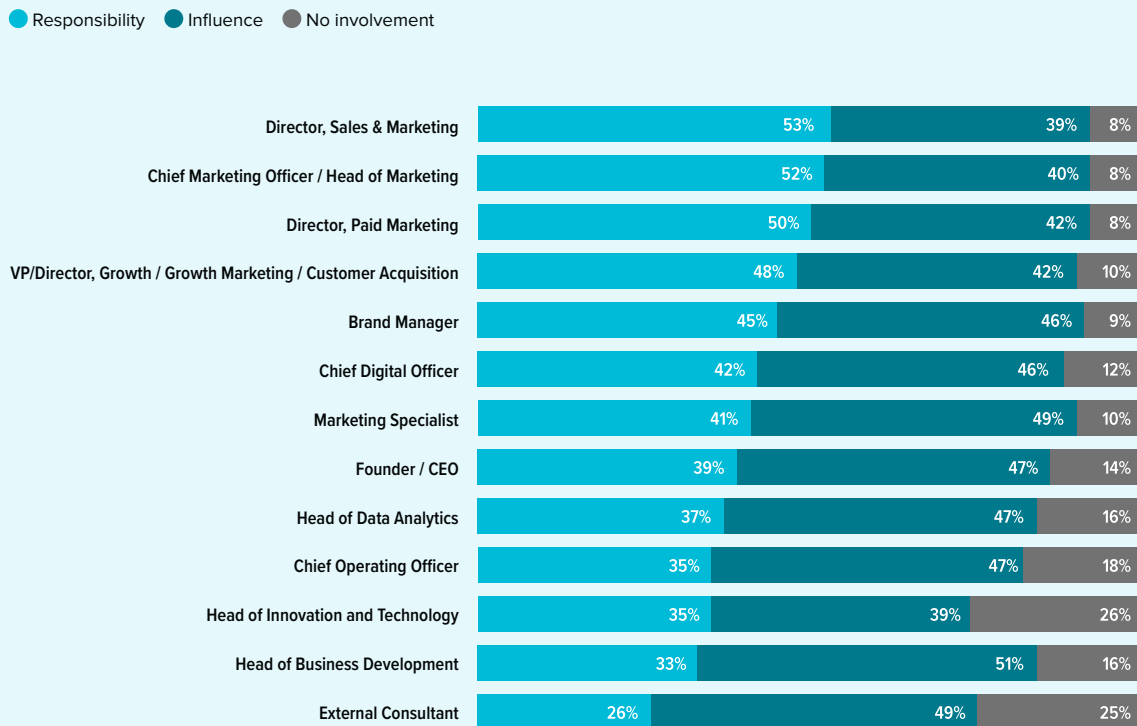


2.5 Who's in charge of affiliate marketing

There is significant diversity among respondents in terms of who within the organization has responsibility for affiliate marketing (*Figure 32*). This reflects the differing attitudes to the channel, and the relative importance placed on it.

MARKETER SURVEY

Figure 32: Who within your business is responsible for affiliate marketing?



It's unsurprising that the three most commonly involved roles are director of sales & marketing (53%), CMO (52%), and director of paid marketing (50%). More interesting is the high involvement of directors of growth/growth marketing/customer acquisition (48%). This emphasizes the growing importance of affiliate marketing at the top of the funnel, echoing the findings shown in *Figure 18*.

Equally, the fact that brand managers have responsibility in 45% of the organizations surveyed reflects the increasing need for a consistent brand presence across the entire customer journey (see *Figure 1*).

Looking beyond who's in charge of the affiliate marketing effort, the research also found two-thirds of the businesses surveyed (69%) have more than one full-time employee dedicated exclusively to affiliate marketing. A further quarter (26%) employ one full-time affiliate person. Only 5% don't have anyone working full-time in affiliate marketing.

2.6 Overcoming challenges



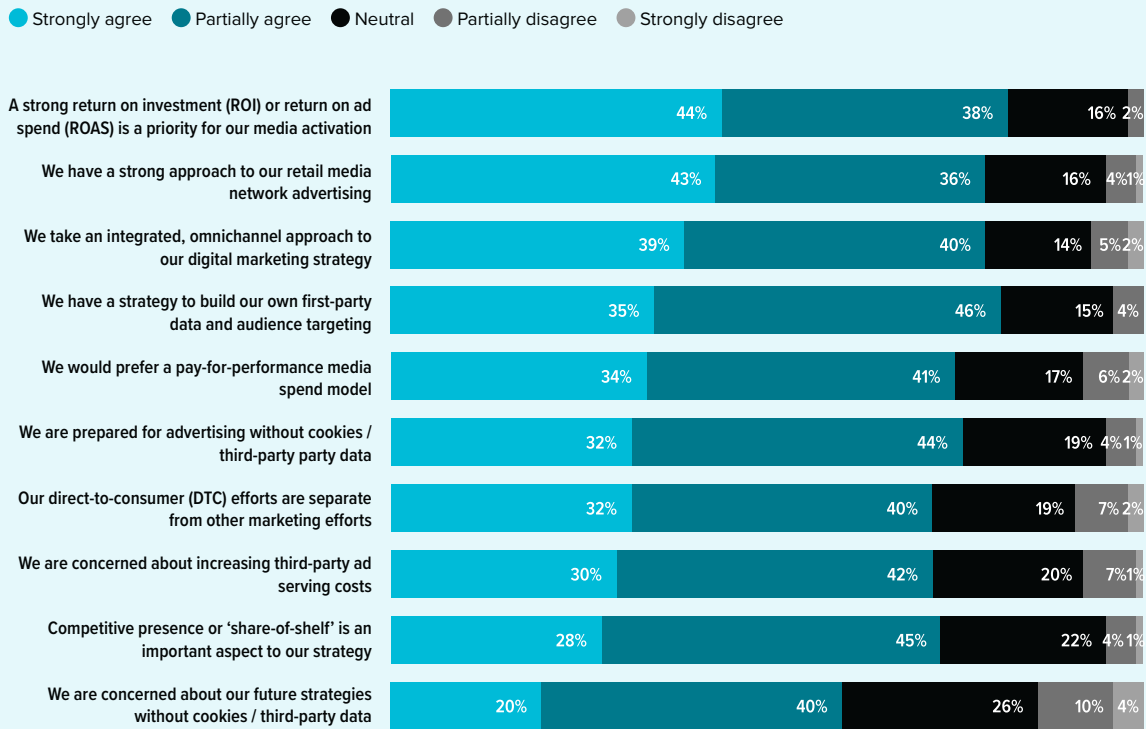
“Sometimes people who aren’t intimately close to the affiliate channel have a singular experience and think that’s what affiliate marketing can provide for them. Affiliate is a bit of a chameleon, so people need to embrace that and be open-minded and carve out their strategy because there are publishers and networks who can support it, whatever it is.”

– Jon Kendall, Senior Vice-President, Gen3 Marketing

To understand the challenges facing affiliate marketers attempting to both increase investment in the channel, and improve its integration within the broader marketing mix, it’s first important to understand how businesses currently think about their marketing activities (*Figure 33*).

MARKETER SURVEY

Figure 33: To what extent do you agree or disagree with the following statements relating to your company’s marketing activities?



As noted earlier, tough economic conditions have led to a high priority being placed on the accountability and effectiveness of marketing spend. Almost half (44%) of respondents strongly agree that strong ROI/ROAS is a priority for them, and more than a third (38%) partially agree. On top of this, a third strongly agree they would prefer a pay-for-performance media spend model, and a further two out of five (41%) partially agree. There is also concern about increasing third-party ad serving costs (72% agree, 30% strongly).

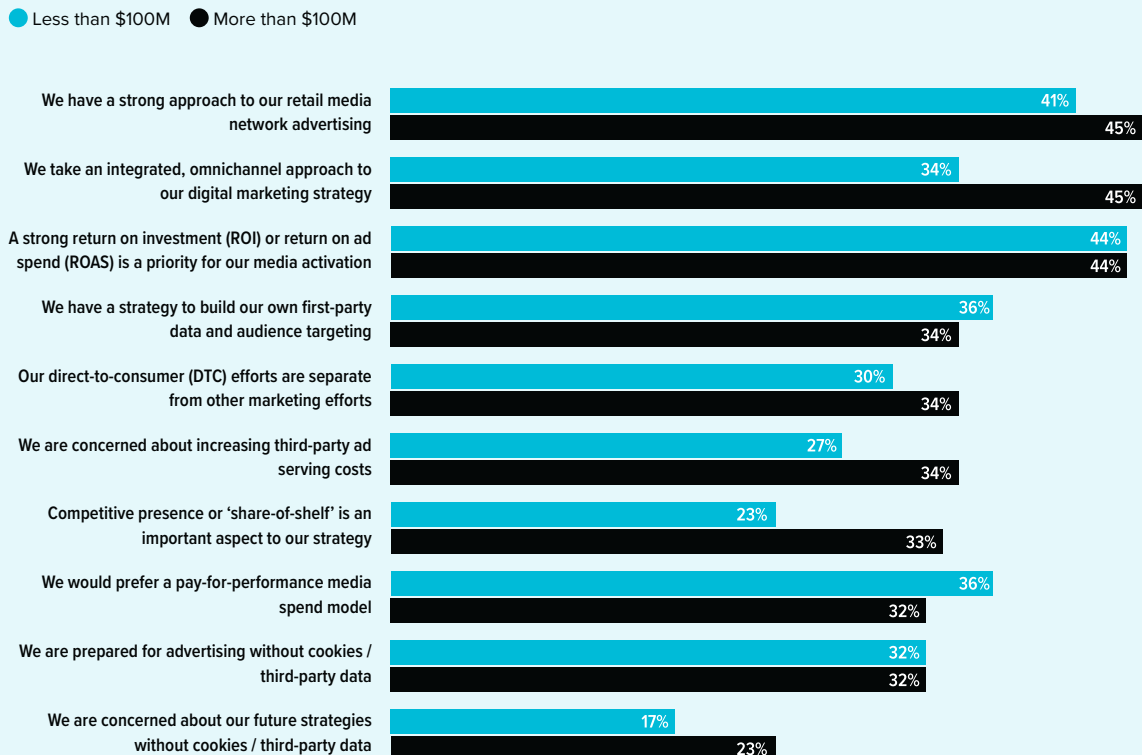
Meanwhile, although experts are predicting greater integration of marketing channels (see *Section 2.1*), only two marketers out of five (39%) strongly agree they take such an approach to their digital marketing, with a similar percentage (40%) partially agreeing. This is mirrored by the third of respondents (32%) who strongly agree – and the 40% who partially agree – that their D2C efforts are separate from the rest of their marketing.

Businesses are, however, split over one of the biggest changes in digital marketing; Google’s coming withdrawal of support for third-party cookies in Chrome browser. A third of respondents (32%) strongly agree they’re prepared for the ‘cookie-pocalypse’; only 20% strongly agree they’re concerned about it. But the percentages partially agreeing they’re prepared and partially agreeing they’re concerned are almost the same (44% vs. 40%). In terms of taking action, 35% strongly agree they have a strategy to build their own first-party database and audience targeting. However, 46% are much less certain.

Breaking this all down by business size shows the emphasis on ROI/ROAS is the same for bigger and smaller organizations (*Figure 34*). Larger businesses are notably more likely to have an integrated, omnichannel approach (45% vs. 34%), and to be concerned about life after the demise of the third-party cookie (23% vs. 17%). But the proportions saying they’re prepared for the cookie-pocalypse are the same (both 32%).

MARKETER SURVEY BREAKDOWN BY REVENUE

Figure 34: Proportion of organizations strongly agreeing with the following statements relating to their company’s marketing activities





“Privacy concerns and cookie deprecation will lead more advertisers towards affiliate. Without the benefit of third-party cookies, brands have to build their audiences more directly, leading to more direct affiliate strategies.”

– Michael Tabasso, CEO, Gen3 Marketing

Strategic understanding of affiliate marketing is still lacking



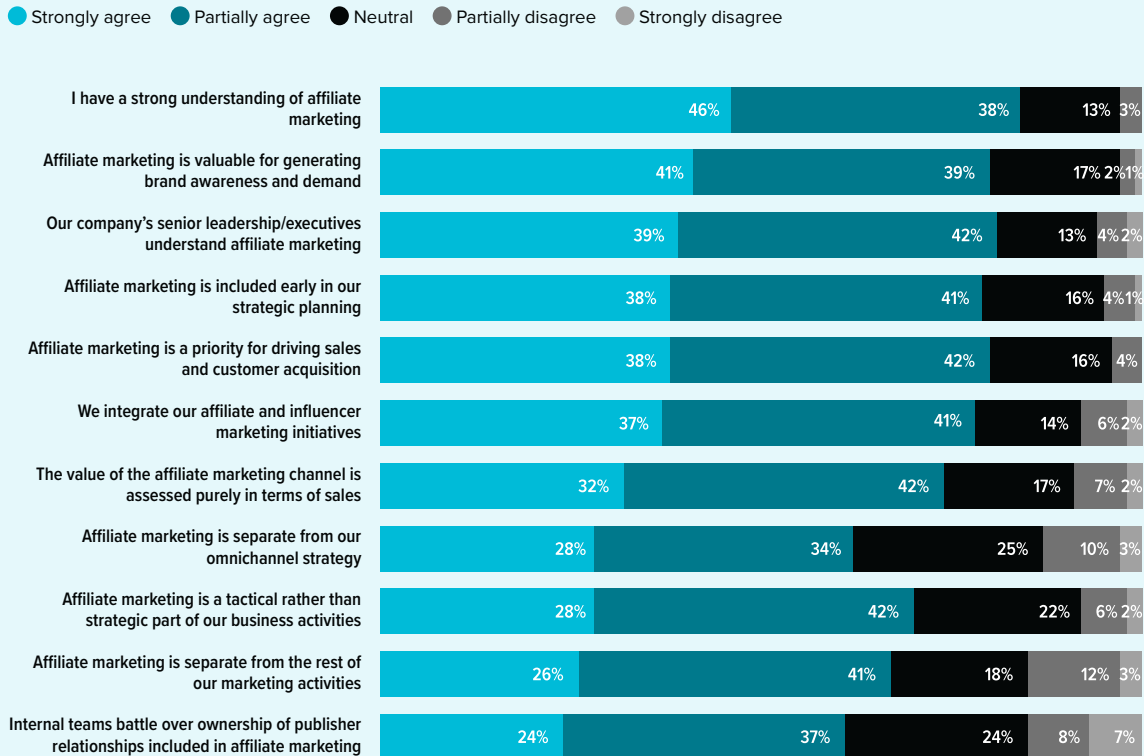
“We are seeing examples where affiliate and partnerships are being employed more as a strategic growth driver for organizations than in years past. However, that’s not to say there aren’t still obstacles in breaking through to the C-suite to get them to pay attention, and understand and appreciate the value that affiliate and partnerships drive on behalf of their business.”

– Maura Smith, CMO, Partnerize

Figure 35 digs more deeply into attitudes towards affiliate marketing. It suggests that, while most marketers have a decent grasp of the channel, there is still work to do to establish its strategic importance. Almost half of respondents (46%) strongly agree they have a strong understanding of affiliate marketing, but only 39% say the same about their senior leadership.

MARKETER SURVEY

Figure 35: And to what extent do you agree or disagree with these additional statements relating to affiliate marketing?



This sense of a channel battling for greater acceptance pervades the chart. Two out of five respondents (41%) strongly agree that affiliate marketing is valuable for brand awareness and generating demand, but a third (32%) strongly agree it's assessed only in terms of sales. And the reluctance to integrate the channel with the rest of the business's marketing is clear. Almost four in five (78%) agree they integrate their affiliate and influencer marketing activities, but 62% say affiliate marketing is separate from their omnichannel strategy. Seventy percent say the channel is seen as tactical, rather than strategic, and two-thirds (67%) say it's separate from the rest of their marketing activities.



"Affiliate marketing is becoming more and more integrated [with overall marketing strategies], and that's something we're trying to address, expanding our offering to include other digital channels including paid media and SEO. Affiliate was a standalone channel that was overlooked for a really long time, and it's the last untapped channel that hasn't been completely wrung out like paid search and SEO, media, and marketplaces, where our customers have gotten all the efficiencies and all gains they can. A lot of CMOs are saying this is the last unfired arrow in the quiver, so we've got to take a hard look at this now."

– Michael Tabasso, CEO, Gen3 Marketing

The importance of leadership buy-in

According to research commissioned by Partnerize from Forrester Consulting prior to the pandemic, senior executives had three primary challenges around affiliate and partnership marketing. Firstly, they didn't understand the channel. Secondly, they had a historical bias towards other digital channels, such as paid search, paid social, and programmatic. Thirdly, they didn't understand how to quantify or measure the impact of the results the channel is driving.

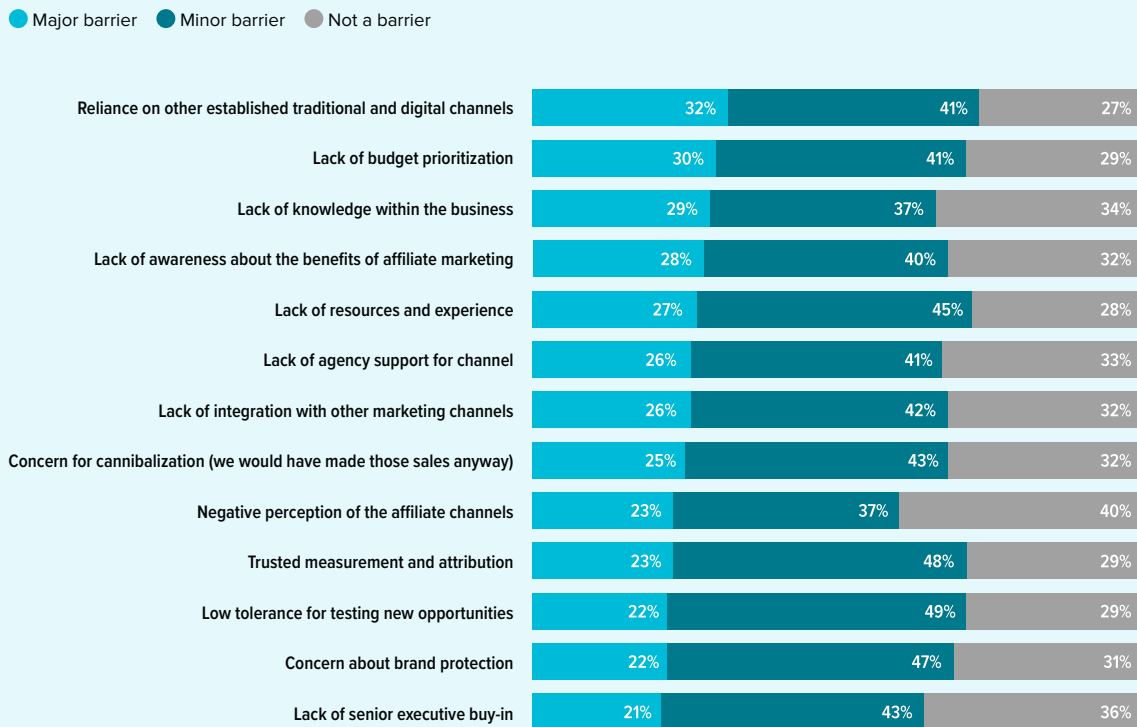
The results of this were two-fold. The lack of stakeholder understanding limited marketers' ability to quantify the impact of affiliate, since the channel was not accounted for in attribution models or in analytics systems. This in turn made it hard to challenge the historical inertia that favors existing channels.



Figure 36 shows that little has changed. Marketers recognize the channel's importance but are still fighting for budgets. And the challenges remain the same: reliance on established channels, lack of awareness and knowledge within the business, lack of resource or agency support, lack of integration.

MARKETER SURVEY

Figure 36: How significant are the following challenges in trying to increase affiliate marketing investment and grow the channel?



“Ensuring there is proper support from leadership internally is critical. This is not a channel you can very easily wade into if you have to win a lot of people over along the way. It requires support from the top so that as you hit some of the potential questions or challenges that come through from legal compliance or private risk management or vendor management, it’s not an uphill battle.”

– Director, major financial services brand



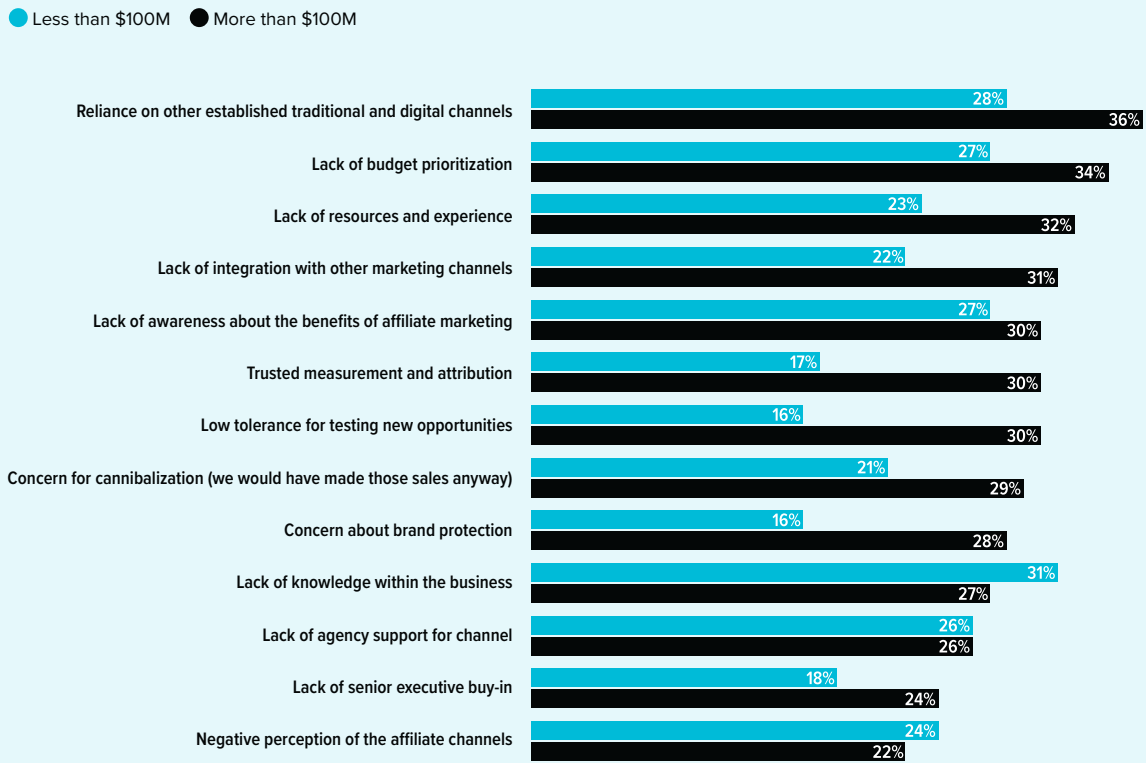
“Currently, we see about two-thirds of all US digital ad spend concentrated across Google, Meta, and Amazon. Not only does this signal great dependency in a now very competitive space that caused cost to spiral up over the past years, this also just doesn’t seem great choice for brands. If every time they spend three dollars, two goes to Big Tech, and one to literally everybody else, it’s not only our opportunity as an industry but our responsibility to ensure we’re giving businesses more choice and control.”

– Alexandra Forsch, President, Americas, Awin

Looking at this through the lens of business size once again (Figure 37) shows most of these challenges are notably more significant for bigger organizations. Lack of knowledge within the business is equally significant whatever its size, as is lack of agency support, and negative perception of the channel. But on every other front, affiliate marketers in big organizations have more of a struggle to make their voices heard. Taken all together, this reinforces the idea of big businesses being more averse to change than their smaller counterparts.

MARKETER SURVEY BREAKDOWN BY REVENUE

Figure 37: Proportion of organizations rating the following as ‘major’ barriers to increasing affiliate marketing investment and growing the channel



“In the 25-plus years this channel’s been evolving, the last seven or eight have really brought it more to the forefront, especially with advanced advertisers who have a good view on what a blended cost of marketing needs to look like to convert a customer, and have strong attribution logic tied to that.”

– Jarrett Embry, Senior Vice-President, Gen3 Marketing

2.7 Measuring for success



“The organizations that are more mature in their affiliate and partnership programs are now taking a longer-term view to evaluate performance using metrics like customer lifetime value or profitability at the partner level. They’re getting more sophisticated and more granular with their data so they can understand the conversions and customers they’re acquiring from each partner, and who is driving the long-term value and profitable sales they need for their organization.”

– Maura Smith, CMO, Partnerize

In the previous section, *Figure 36* showed that just under a quarter of marketers (23%) rated ‘trusted measurement and attribution’ as a major barrier when trying to increase investment in affiliate marketing and grow the channel. A further 48% rated it a minor barrier.

In addition to this, many of the other barriers clearly stem from issues with measurement, at least in part. For example, without robust measurement and attribution, it’s hard to gain buy-in from senior leadership (rated as a major barrier by 21%). That in turn makes it hard to win greater resource (a major barrier for 27%), including agency support (26%), to drive an integration agenda (26%), and to generate enthusiasm for trying new channels (22%), and not rely on traditional ones (32%).



“We partner with our clients to measure the value and success of our collaborations using several metrics. Depending on their specific goals, metrics can include speed to market, publisher growth in specific markets, verticals, territories, audience growth and engagement, traffic, conversion rate, average order value, and financial metrics such as ROAS and IMROI (incremental marginal rate of return). It’s equally important to partner with a network that offers robust reporting and benchmarking capabilities to measure and perform more effectively.”

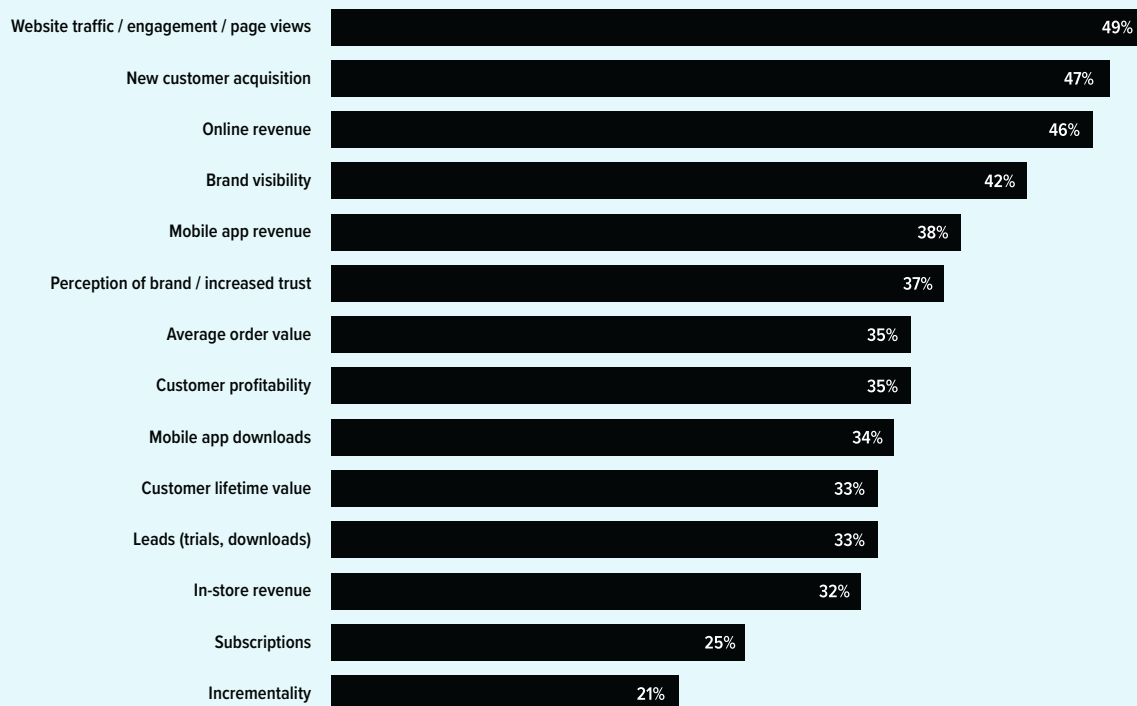
– Mike Chin, SVP of Industry, Retail, Rakuten Advertising



Figure 38 shows the key performance indicators (KPIs) used by businesses to measure the success of their affiliate marketing, or the ROI it delivers. Choice of KPIs will clearly depend on which areas of the funnel the business is focusing its affiliate activities on, so it's striking that new customer acquisition (used by 47% of respondents) and brand visibility (42%) rank so high. But it chimes with the findings in Figure 35 that 41% of businesses see affiliate marketing as valuable for generating brand awareness and demand.

MARKETER SURVEY

Figure 38: What key performance indicators (KPIs) does your business use to measure the return on investment or success of its affiliate marketing activities?



Further down the list, average order value and customer profitability (both used by 35%), and customer lifetime value (33%) speak to a channel that is integrated into the marketing mix, at least as far as measurement and attribution are concerned.

At the top though, the fact that almost half the respondents (49%) use web traffic, engagement, and page views reinforces the idea that these are the bread-and-butter metrics for management of the channel.

Concluding recommendations.

- 1. Think full-funnel.** Affiliate marketing is not just a ‘last click’ channel. Deal sites, for example, can introduce brands to new customers via offers, while coupon and loyalty sites have high traffic volumes and large reach, two of the key components for driving awareness.
- 2. Think integration.** The affiliate channel has proven to deliver across the full funnel, but to unlock its full potential, it needs to be part of the strategic marketing plan. Only then can you deliver the consistent, coherent customer journey that shoppers expect. Think about the best way of ensuring your agencies work together too.
- 3. Recognize the complexity of the customer journey is increasing,** and the role played in it by brands’ owned properties is small. As a result, there is a need for consistent brand content from early in the funnel, particularly on earned or paid-for media. That content also needs to be carefully tailored to the target audience and the price of the product or service being promoted.
- 4. Look beyond your previous experiences with affiliate marketing;** the channel can probably deliver more than you expect. It is also an umbrella for different sub-channels – commerce content or performance PR, for example. If you’re thinking of using one of these sub-channels, make sure you bring in your affiliate team to manage it.
- 5. Don’t assume new channels automatically replace old ones.** They’re much more likely to be added to an existing set of choices. For example, more people start their path to purchase on popular magazines than on Google or retail networks like Amazon (34% vs. 24% and 21%).
- 6. Influencers are seen as a key source of inspiration at the top of the funnel.** They are also one of the least trusted. Due diligence is therefore required when choosing which influencers to work with.
- 7. Educate your senior leadership.** Many of the barriers to greater use of affiliate marketing – lack of resource, reliance on existing channels, lack of integration into the marketing mix – can be traced back to lack of understanding and buy-in at senior level. In addition, make sure that, whatever else you’re measuring, you can talk to the C-suite using metrics they recognize and understand.



“Affiliate marketing has long been a separate initiative from other digital marketing strategies. While it’s promising that advertisers are increasing affiliate budgets, there is still a significant opportunity for brands to incorporate affiliate publisher placement strategies into their omni-channel media strategies. Brands that include their affiliate specialists earlier in the strategy and planning process will benefit from the scale, reach, and business results the channel offers. Those that value the impact, and prioritize investment, will continue to see their customer base and sales grow.”

– Kerry Curran, Chief Growth Officer, Gen3 Marketing

About us.

About Gen3 Marketing

Gen3 Marketing (Gen3) is the leading global performance marketing agency specializing in affiliate marketing, leveraging nearly two decades of publisher relationships and data-driven capabilities to transform business results. From performance PR to deal and loyalty publishers, Gen3 builds and maintains full-funnel programs to drive customer acquisition and revenue growth. The most awarded affiliate marketing agency, Gen3 has been recognized by Commerce360 as the leading Affiliate Agency for the top 1000 internet retailers and named Agency of the Year 14 times, including by AWIN Think Tank 2023, CJ 2022, and Rakuten Advertising 2022. Today, Gen3 manages over 500 affiliate programs for companies of all sizes in diverse industry verticals, with specialties in financial services, retail, and travel. Visit www.gen3marketing.com

About London Research

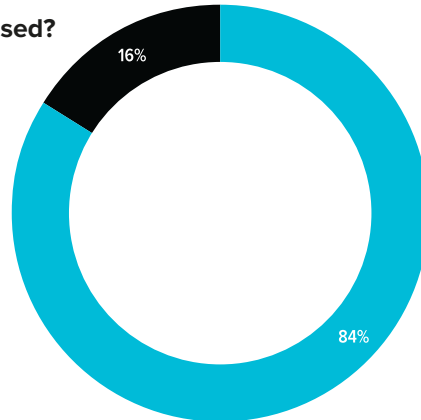
London Research works with technology vendors and digital agencies seeking to tell a compelling story based on robust research and insightful data points. It works closely with its sister companies Digital Doughnut (a global community of more than 1.5 million marketers) and Demand Exchange (a lead generation platform), both to syndicate its research and generate high-quality leads. Learn more at www.londonresearch.com

Appendix.

MARKETER SURVEY

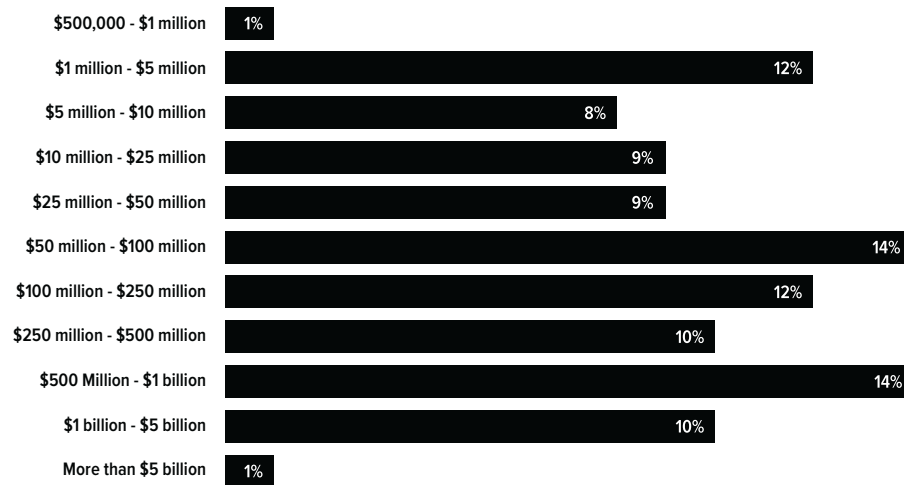
Figure 39: In which country are you based?

- United States
- Canada



MARKETER SURVEY

Figure 40: What is your company's annual revenue?



MARKETER SURVEY

Figure 41: Are you involved in any of the following activities for your organization?



Figure 42: In which business sector does your company operate?

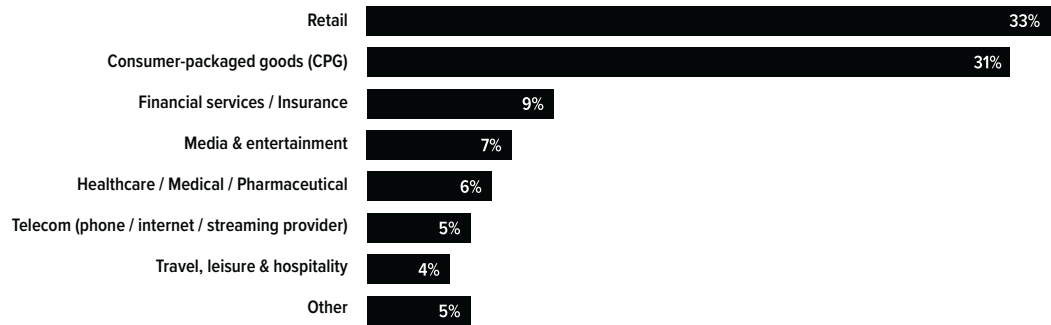


Figure 43: In which area of retail does your business operate?

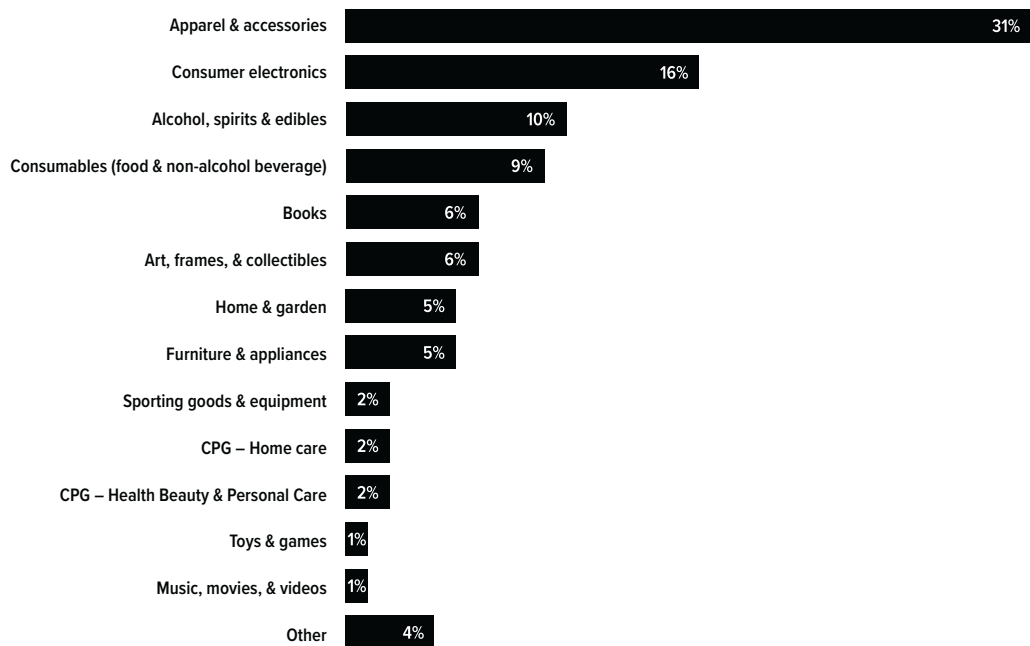


Figure 44: What is your level of seniority within the business?



