



FORRESTER®

Affiliate Marketing Ranks As A Primary Channel For Customer Acquisition And Revenue Growth

How Affiliate Puts Marketers In Control With Performance Transparency And Pricing Model Flexibility

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Marketers Must Pursue Every Channel For Customer Acquisition

Customer acquisition stands among the most critical business levers for any brand, yet Forrester research shows that marketers lock themselves into focusing on search as their primary discovery marketing tactic. This occurs despite an understanding that customers use a diverse set of channels to discover the products and services they purchase.¹

This study examines the role that affiliate marketing plays in creating operating leverage for the brands that have an affiliate program in place today. Study participants whose brands have affiliate programs believe the channel 1) drives significant acquisition and revenue for their companies and 2) is less affected by issues like brand safety, fraud, and ROI visibility than other prominent marketing vehicles that employ a pay-for-access model.

Key Findings



Affiliate marketing is highly effective for customer acquisition: Affiliate was a key driver of new customers and revenue for study respondents.



Affiliate is less likely than other channels to worry marketers over ad fraud, channel ROI, and rising media costs. However, marketers can struggle to understand and communicate affiliate's value.



Pricing flexibility is a key driver of affiliate adoption: No pricing model (SaaS license or variable on performance) dominates, and marketers value flexibility in pricing their affiliate programs.

Affiliate Should Be A Key Part Of Modern Marketers' Customer Acquisition Strategies

The marketers who oversee affiliate programs enthusiastically endorse the channel as a key customer acquisition vehicle. In fact, marketers cited affiliate marketing as important to customer acquisition efforts more than any other channel, including paid social and paid and organic search.

Specifically, a majority of executive-level marketers who oversee their brands' affiliate strategies ranked affiliate marketing as one of the three most important acquisition channels, with one in five reporting that it is their most important digital marketing channel today.

“Please rank each of the following digital marketing channels in terms of how important they are for your organization’s customer acquisition efforts” (Showing top three rankings)

● Rank 1 ● Rank 2 ● Rank 3



Affiliate Is A Major Revenue Driver For Brands

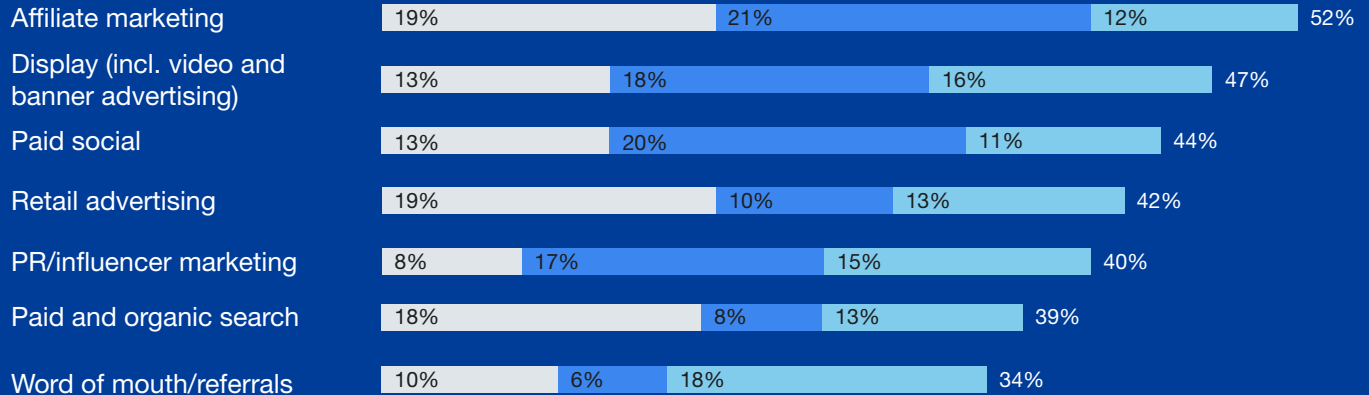
Ultimately, the gold standard for evaluating a marketing channel’s value to an organization is its ability to drive revenue for the company. In this area, too, respondents ranked their affiliate programs among their most significant revenue drivers. More than half of marketers in our study ranked their affiliate programs as one of their top three revenue drivers, and 19% ranked it as their top-performing channel overall.



Affiliate marketing is a top revenue driver for organizations today.

“Please rank each of the following marketing channels in terms of how much revenue they drive for your organization.”
(Showing top three rankings)

- Rank 1
- Rank 2
- Rank 3



Marketers Believe Affiliate Marketing Successfully Drives Acquisition

Marketers believe their affiliate programs are highly important to their customer acquisition goals and that these programs drive significant revenue results. They also report that affiliate marketing is highly effective for finding new customers.

Forty-two percent of affiliate marketers say that their affiliate programs are successful, and 33% highly successful, at driving customer acquisition. Yet 35% say they struggle with knowing how to measure affiliate's incremental revenue impact, suggesting a lack of channel visibility in their measurement and reporting systems.

“How successful are your affiliate marketing programs at driving your customer acquisition efforts today?”

Highly successful

33%

Successful

42%

Somewhat successful

20%

Not successful

3%

Not at all successful

2%

Affiliate Programs Are More Likely To Avoid Typical Channel Pitfalls

Marketers know that executing programs for different marketing channels brings challenges that must be addressed. For example, respondents told us they are concerned with ad fraud and establishing the ROI of paid search and search engine optimization (SEO). They also struggle with the rising costs of media in retail advertising and paid social, and they see ad fraud as a significant issue for paid social, search, and display.

By comparison, affiliate marketing was less of a concern in these key areas. Affiliate was 16% less likely to raise ROI concerns than display, 40% less likely to raise rising cost concerns than paid social advertising, and 44% less likely to be seen as a fraud risk than paid social advertising. Affiliate was also 17% less likely to be viewed as a challenge in measuring channel performance and 16% in establishing ROI compared to PR/influencer marketing.

Concerned with establishing channel ROI:



Affiliate 31%



Display 37%



Delta 16%

Concerned with rising cost of media:



Affiliate 20%



Paid social 33%



Delta 40%

Concerned with ad fraud:



Affiliate 19%



Paid social 34%



Delta 44%

Affiliate Programs Held Back By Lack Of Understanding And Inertia

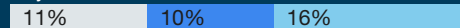
Affiliate marketers revealed that their primary concerns about affiliate cover three areas: 1) issues with key stakeholders not understanding affiliate’s value, 2) a lack of understanding of how to measure affiliate’s impact on revenue, and 3) a continued emphasis on historically prioritized channels.

Marketers raised two issues: First, a lack of stakeholder understanding limits their ability to quantify incremental impact on revenue and arises from affiliate not being accounted for in attribution or brands’ analytics systems of record. Second, historical inertia enables the same channels they have always been using. Therefore, it is the job of affiliate marketers to educate and advocate to key stakeholders on the value of the channel and to prioritize the need to integrate channel data into their attribution systems of record.

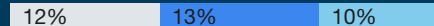
“Which of the following concerns do you have about affiliate marketing in particular?”

- Rank 1
- Rank 2
- Rank 3

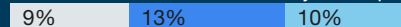
Key stakeholders don’t understand affiliate marketing’s value or potential



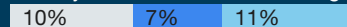
We don’t know how to measure the incremental impact on revenue



Other channels have historically taken priority



Inability to reach customers through that channel with scale



We don’t think we have the skills or expertise to manage a program



We don’t have the time to dedicate to affiliate marketing



Affiliate only drives end-of-the-funnel activities



Affiliate Programs Drive Significant Business Benefits For Marketers

Marketers running affiliate programs told us the channel is a significant driver of revenue and customer acquisition, but the benefits marketers associate with affiliate are broader than these two critical areas. For instance, they reported both higher-quality prospects and improved affinity and revenue from existing customers. They also believe that affiliate programs, which are often paid on performance, provide transparency.

In other words, those brands that currently deploy affiliate marketing programs receive value from them but must learn to effectively communicate quantifiable, measurable value to stakeholders that control budget and prioritization — and be supported in doing so.

“Which of the following benefits do you associate with your affiliate marketing program?” (Select all that apply)



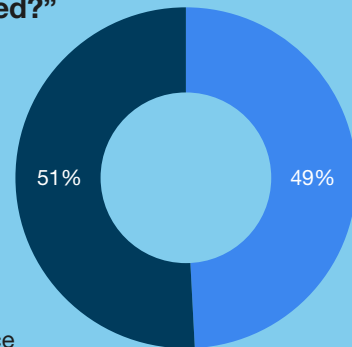
Pricing Flexibility Is A Driver Of Future Affiliate Adoption

Marketers indicated that pricing flexibility is a key aspect of their adoption of affiliate marketing programs. Marketers in our study were evenly split on whether they currently set budgets based on prioritizing predictability through a fixed-price model or if they require a commercial model that is adjusted based upon program performance. Additionally, nearly 60% of respondents reported that having access to pricing model flexibility from their solution providers is either important or very important to them in choosing their affiliate solution providers.

In other words, no one pricing model currently dominates marketers' approaches, suggesting an ongoing need for affiliate provider pricing flexibility.

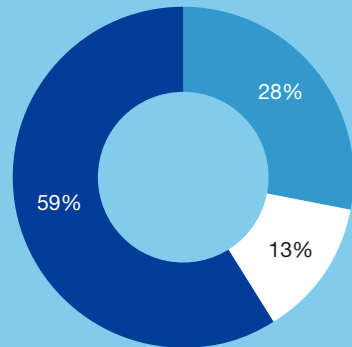
“Which of the following best describes how your affiliate program is funded?”

- Affiliate budget is fixed at the start of a budgeting cycle
- Affiliate budget is variable based on revenue performance



“How important is budget flexibility (i.e., having access to different payment models) for you in your affiliate program?”

- Important or very important
- Somewhat important
- Not/not at all important



Conclusion: Affiliate Opportunity and Operating Leverage Awaits

Affiliate programs have shown significant benefits in customer acquisition and revenue generation while mitigating marketer concerns with other discovery marketing activities like rising costs and fraud. To drive adoption and elevation of affiliate programs internally, marketers should:

- **Understand and communicate the value of affiliate to stakeholders.** Historical bias to other marketing channels and outdated information on the affiliate category are not a strong basis for strategic decision making. Counteract this by more effectively quantifying and communicating the benefits affiliate programs drive.
- **Leverage affiliate as a primary channel in their overall mix.** Misconceptions about affiliate marketing should not dictate the brand's ability to derive immediate value in the new customer acquisition and revenue generation.

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Methodology

This Opportunity Snapshot was commissioned by Pepperjam. To create this profile, Forrester Consulting fielded custom survey questions asked of marketing decision makers at firms running affiliate programs. The custom survey began and was completed in October 2019.

ENDNOTES

¹ Source: "Paid Search And SEO Shouldn't Be Your Only Discovery Tools," Forrester Research, Inc., February 5, 2018.

ABOUT FORRESTER CONSULTING

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY PEPPERJAM
OCTOBER 2019

Demographics

GEOGRAPHY

100% US

RESPONDENT LEVEL

38% C-level executive

20% Vice president

42% Director

REVENUE

17% \$1B+

25% \$500M to <\$1B

19% \$200M to <\$500M

19% \$100M to <\$200M

20% \$10M to <\$100M

SELLING MODEL

67% Both direct and through partners

33% Direct to consumer only

The background is a dark, blurred image. A bright blue light beam or lens flare originates from the right side and extends towards the center. On the far right, a person's hand is visible, appearing to be holding a device or interacting with a screen. The overall aesthetic is modern and technological.

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