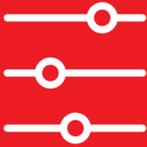


The Pepperjam Affiliate Marketing Sales Index



Updated through
May 23, 2020

pepperjam[®]



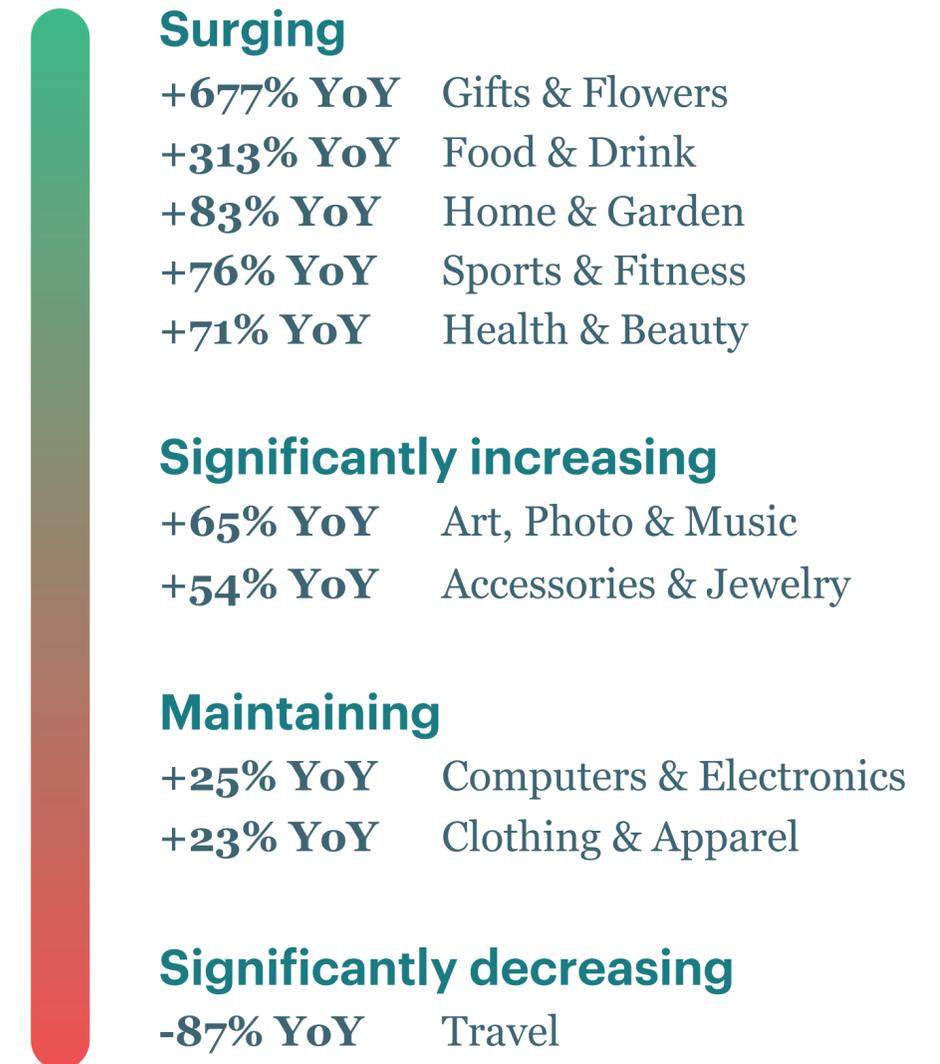
Introduction

In developing the Pepperjam Affiliate Marketing Sales Index we measured the gross merchandise sales directly attributable to affiliate marketing promotions for the period beginning March 1st through May 23rd and compared them against the affiliate gross merchandise sales for the same period in 2019.

We analyzed performance in 10 retail categories comprised of ~700 retail brands as tracked in the Pepperjam Ascend™ Affiliate Cloud Platform. Additionally, commission trends, publisher activity and customer behavior were also examined.

The PAMSI data is not intended as a proxy for overall affiliate marketing activity, e-commerce activity overall, or the performance of any individual business, including Pepperjam.

Vertical Status for Week Ending in 5/23



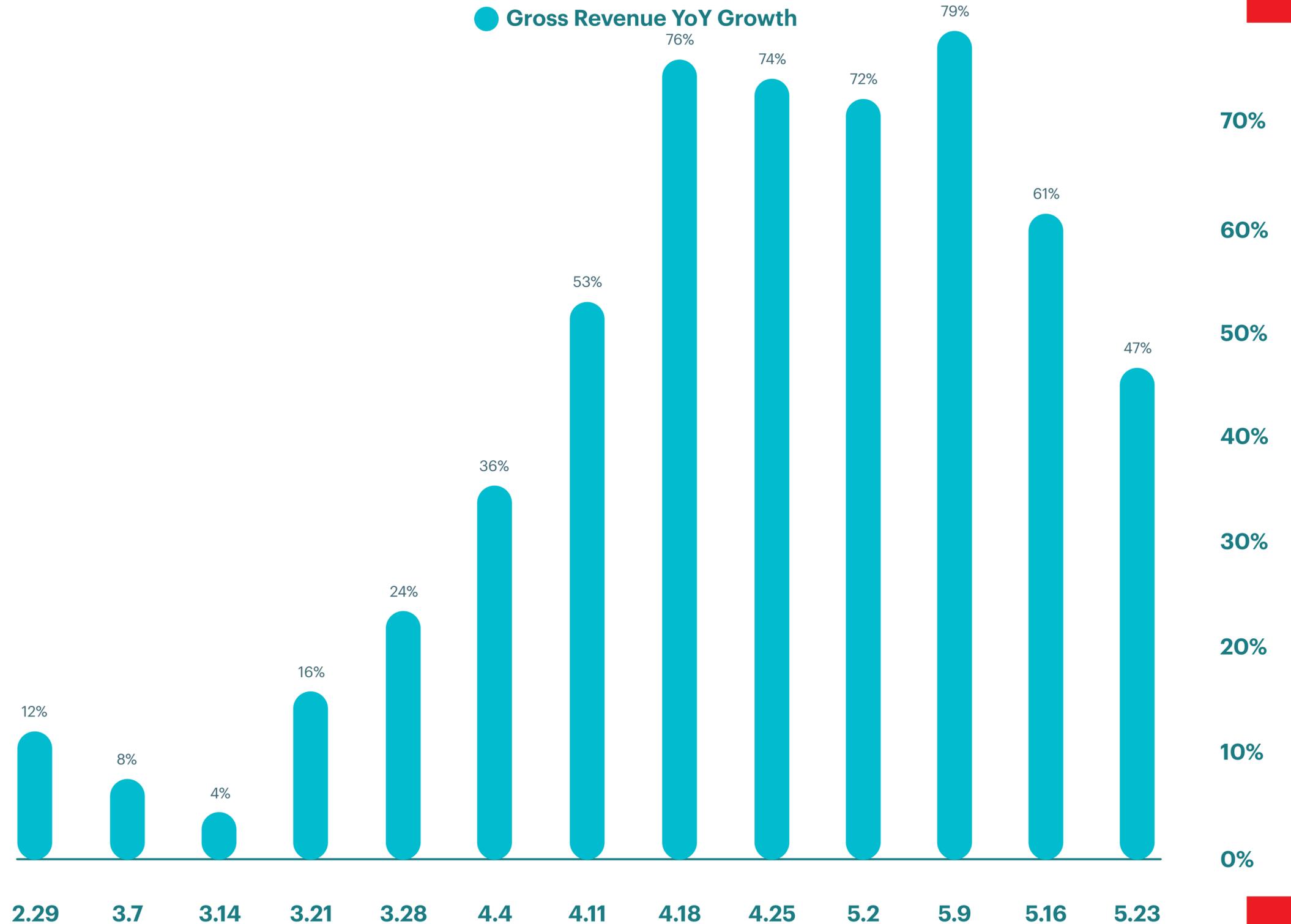


Weekly Revenue Trends

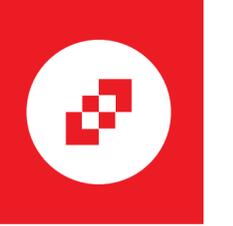
YoY revenue growth continued throughout May.

Weekly YoY revenue growth declined for the 2nd week in a row.

Gifts & Flowers YoY revenue growth remained very strong, while other verticals slowed. (see page 8)



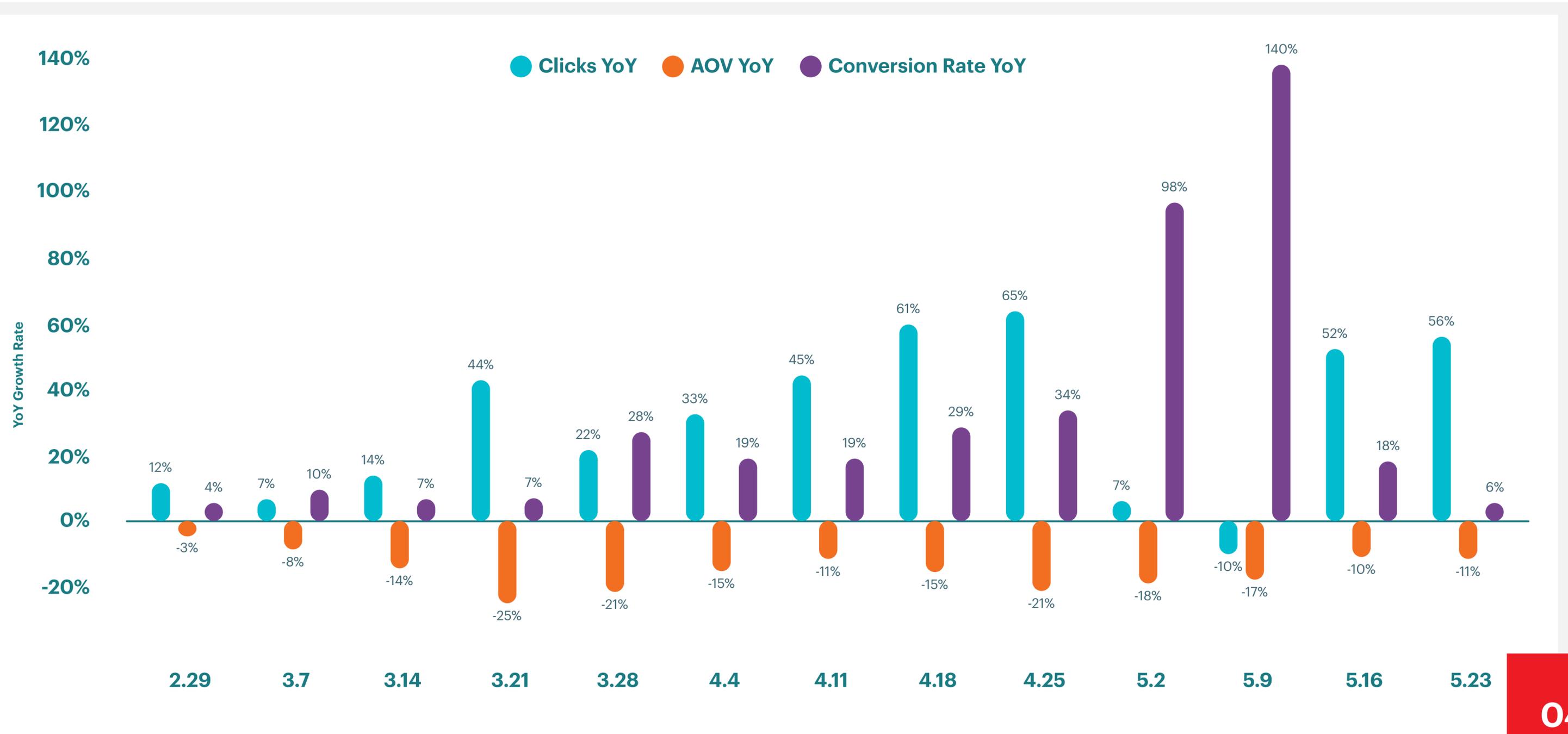
**In this version of the PAMSI and future versions hereafter, gross revenue data will be used, and will be independent of return data, to reflect true demand



Drivers of Weekly Revenue Growth

YoY revenue growth deceleration was driven by both conversion rate and click slow downs in week ending 5/23.

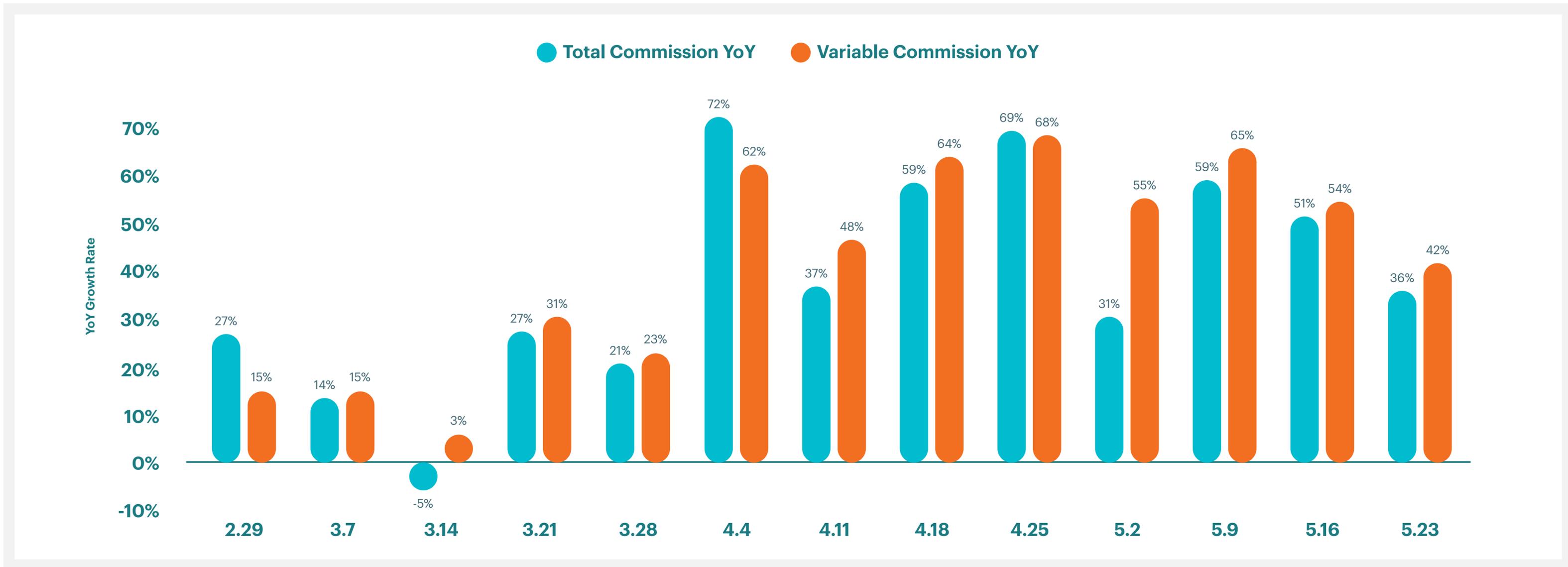
Early May conversion rate growth was a result of higher than average click activity in 2019, pulling the conversion rate down. YoY AOV continued to experience declines for week ending 5/23.





Weekly Commission Trends

We've provided views with and without bonuses to illustrate that spend is strong even without bonuses.



- Commissions paid to publishers are comprised of two types:
 1. “Variable Commission” is defined as a percentage of revenue or conversion
 2. “Bonus Commission” is defined as a flat amount typically associated with paid placements or media buys
- “Total Commission” is defined as the total of “Variable commission” plus “Bonus commission”

- In week ending 5/23 we observe a **47% increase YoY** in “Variable Commission” and **36% increase** in “Total Commission”.
- These trends are similar to YoY increases observed since the beginning of April.

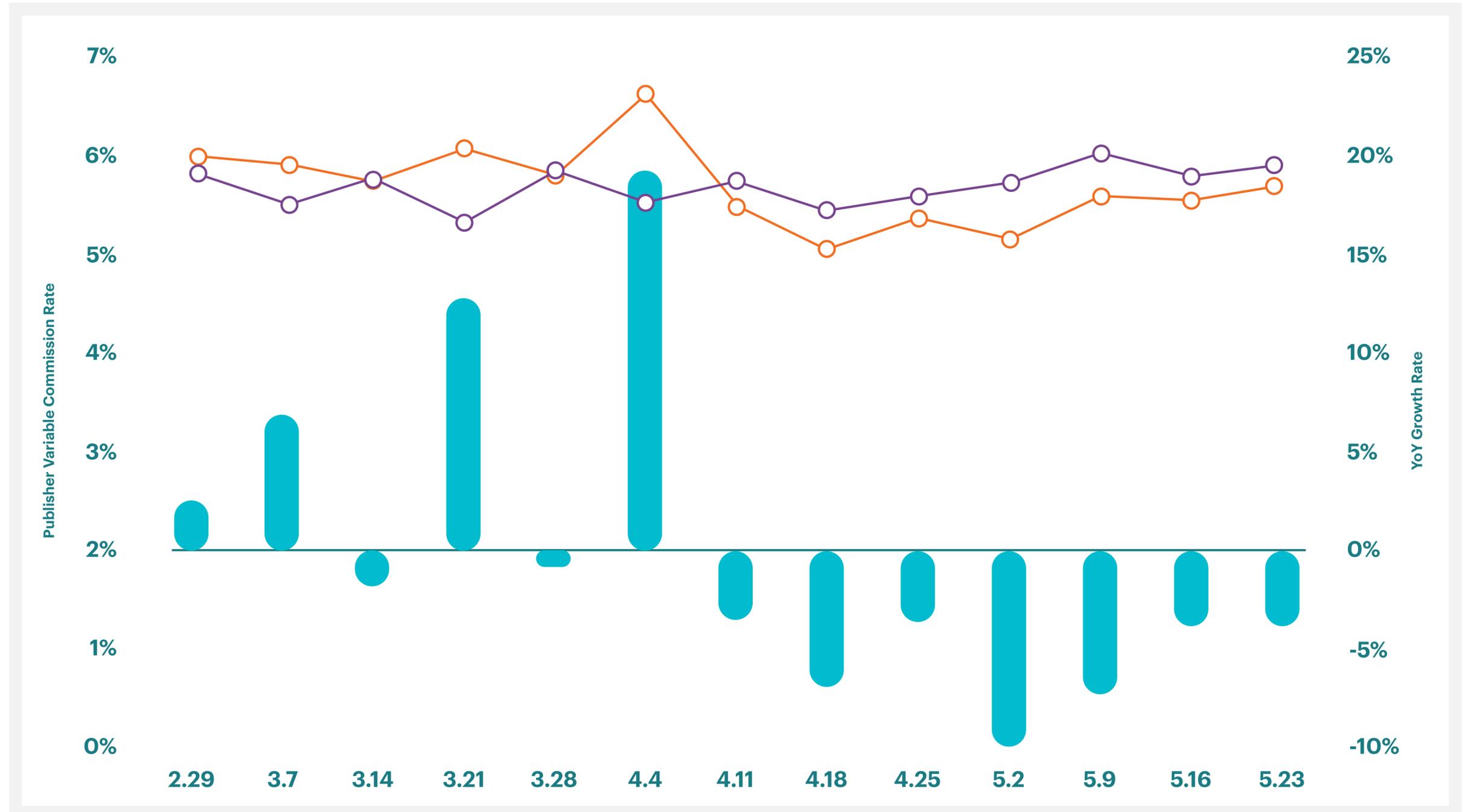


Weekly Variable Commission Rates Trends

YoY “Variable Commission” rate growth **continued to decrease** YoY into week ending 5/23.

However, the variable commission rate gap narrowed in week ending 5/23; the trend was only 4% lower versus the same period last year.

This data suggests that while brands continue to invest in affiliate marketing, they are **more cautious with the variable rate paid** to publishers.



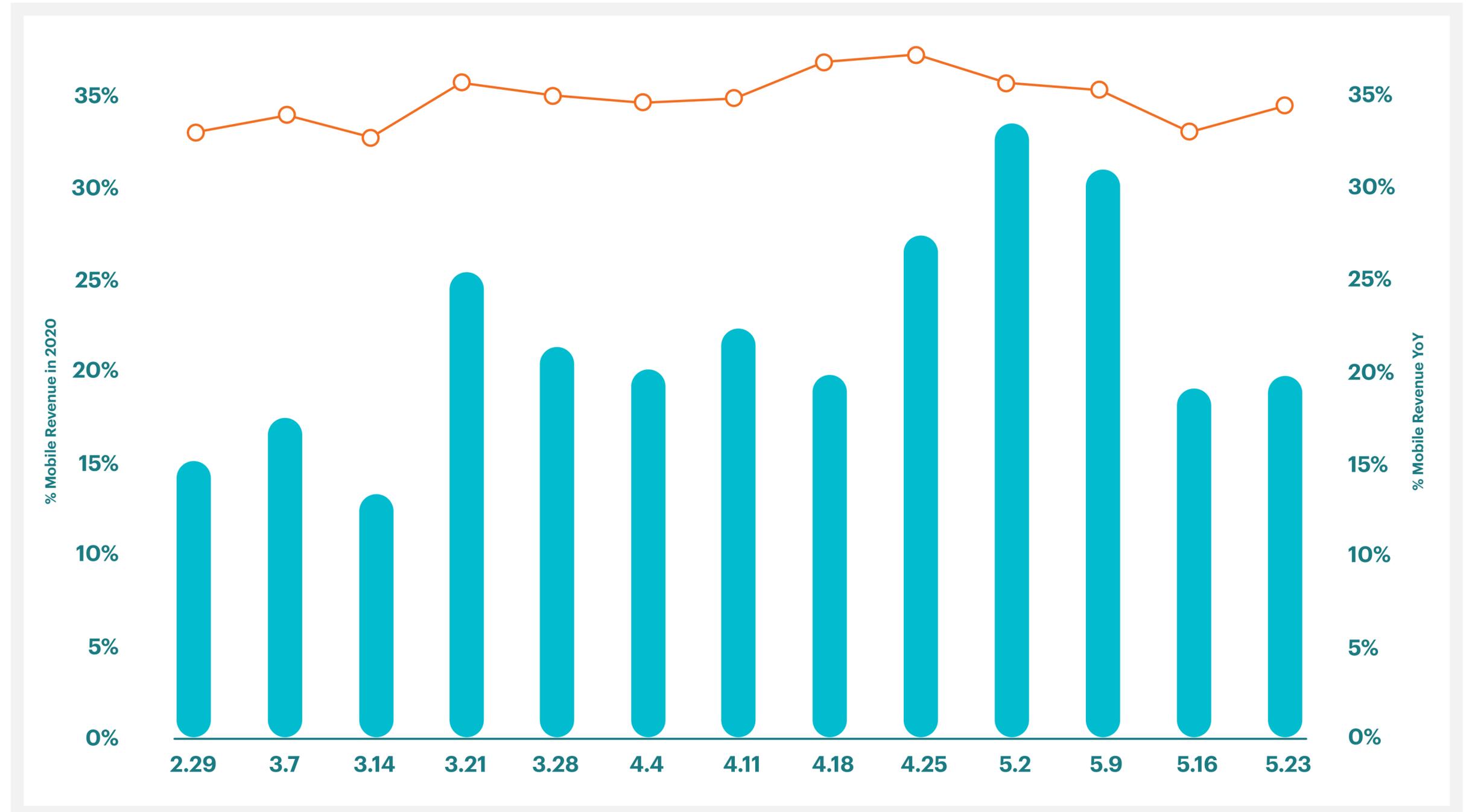
● Variable commission rate YoY ○ Variable commission rate 2020 ○ Variable commission rate 2019



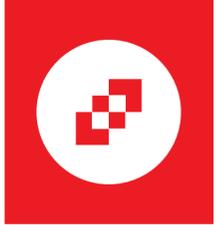
Weekly Mobile Revenue Share

In week ending 5/23, **34% of revenue was attributed to a mobile device**, as consumers continue to spend greater time on their personal devices.

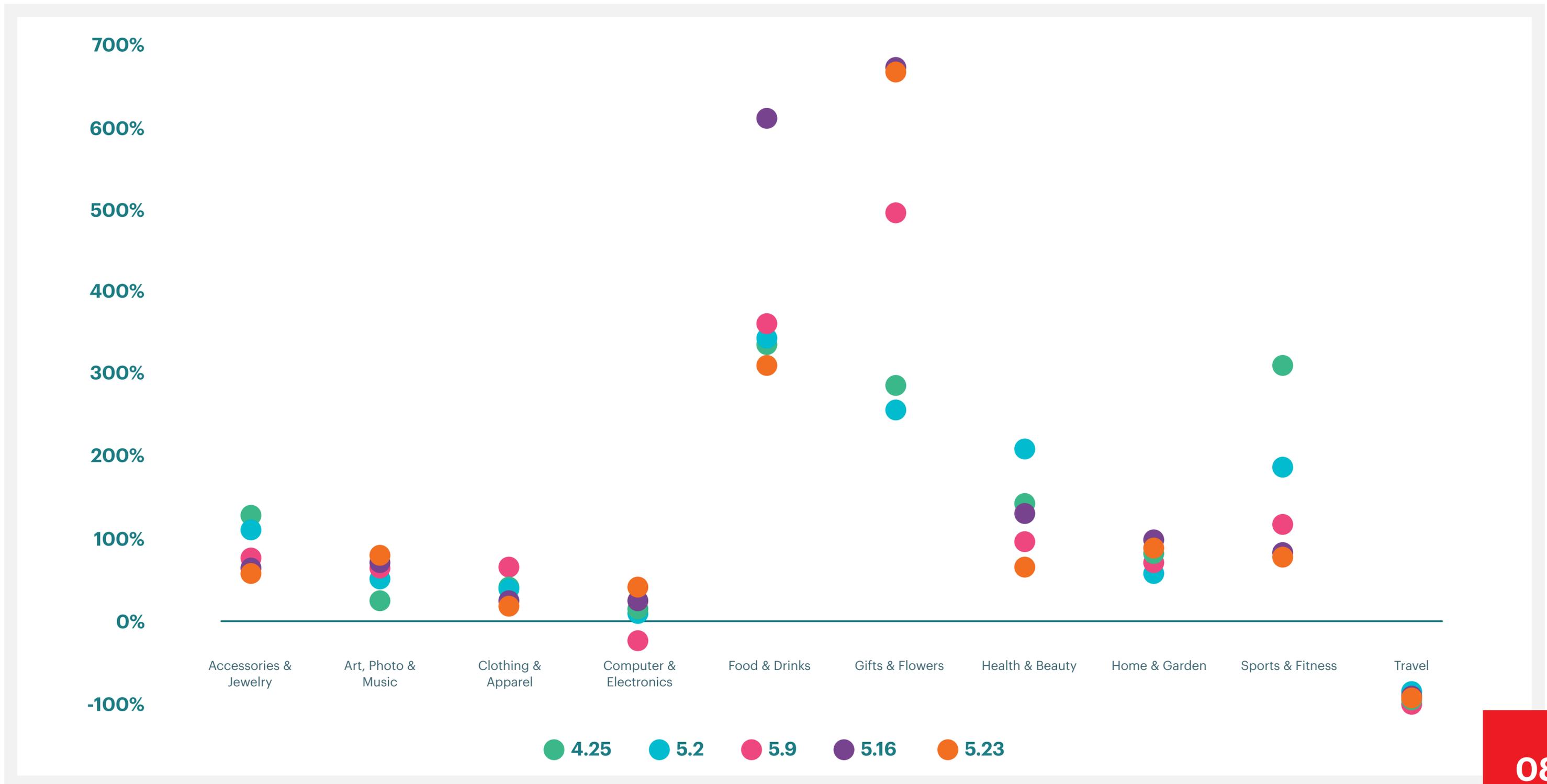
Mobile revenue growth YoY was 20%, up slightly from week prior.



● % Mobile Revenue YoY ○ % Mobile Revenue 2020



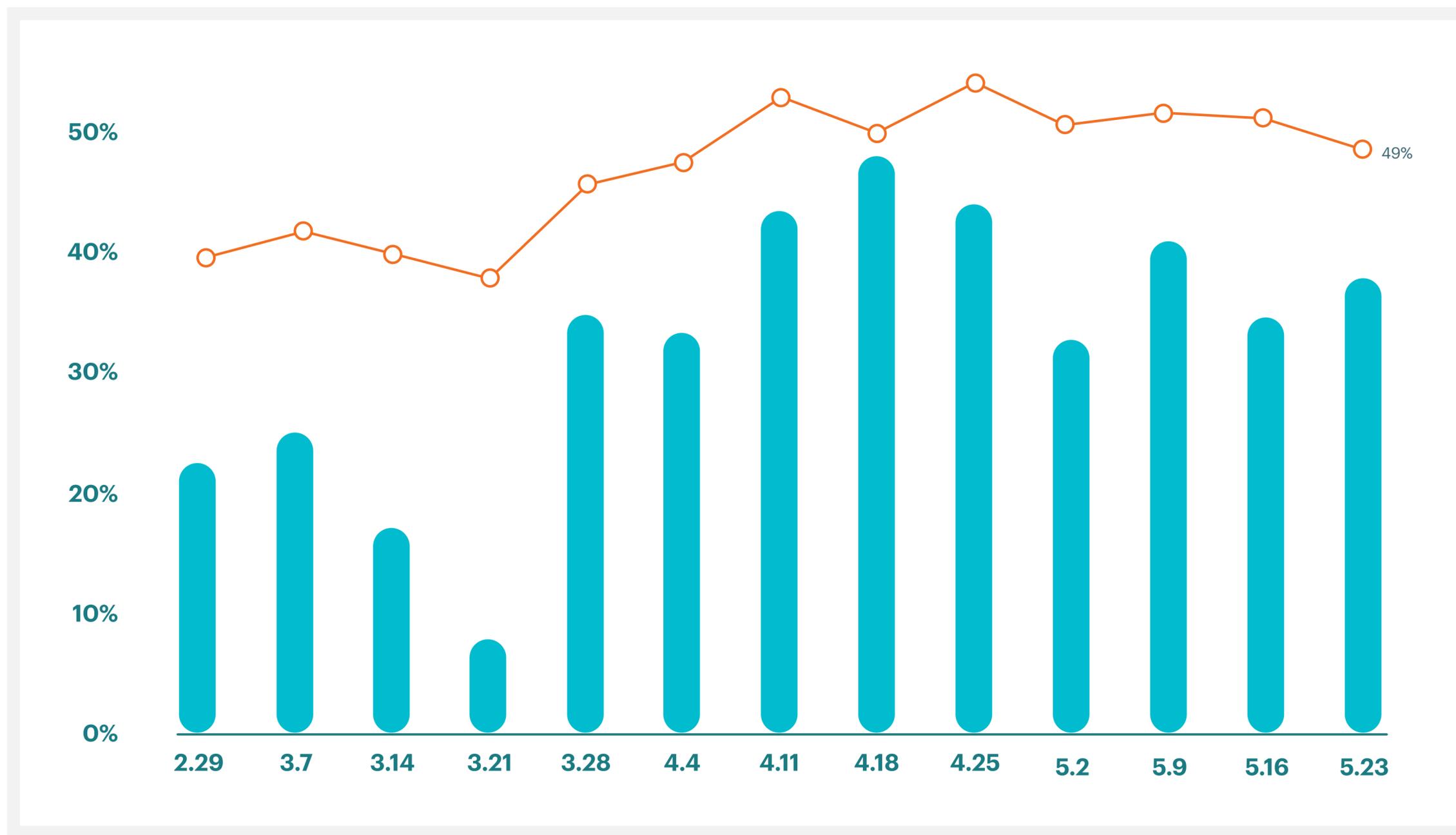
Revenue Growth by Advertiser Vertical





Weekly New Customer Revenue Share

New customer revenue share for week ending 5/23 was 49%, consistent with trends observed since mid-April. The % of new customer revenue grew 38% YoY for the week ending 5/23, indicating the new to file transactions attributable to the affiliate channel continued to experience a sustained upward trend. Content, Coupon and Other publisher categories saw a similar new customer rate % in week ending 5/23 (see page 10).



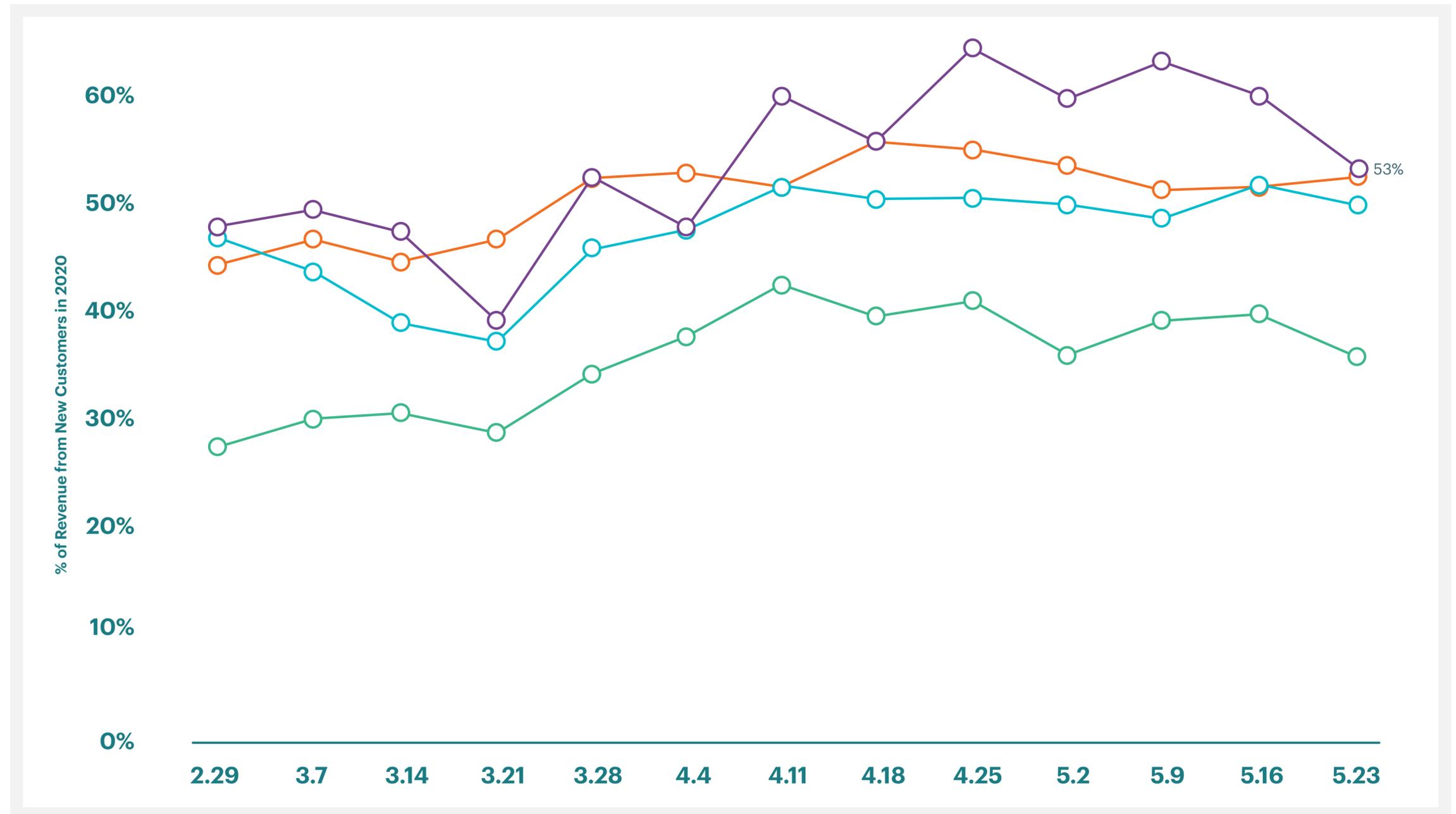
● % New Customer YoY ○ % New Customer 2020



New Customer Revenue by Publisher Category

Share of revenue from new customers acquired from **content and coupon publishers** was equal at **53%** for week ending 5/23. This constitutes an 18% and 23% increase, respectively, over the same period prior year.

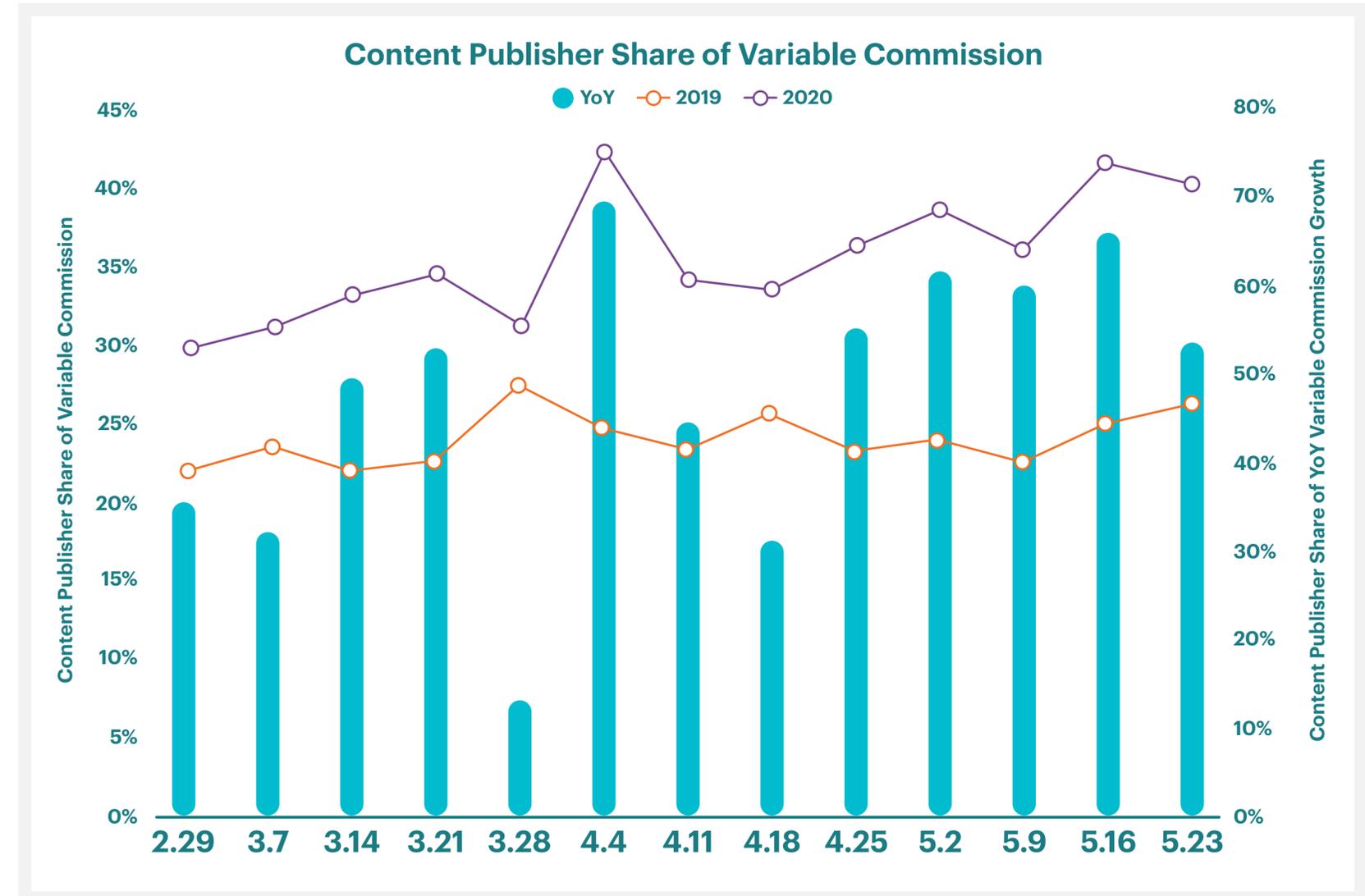
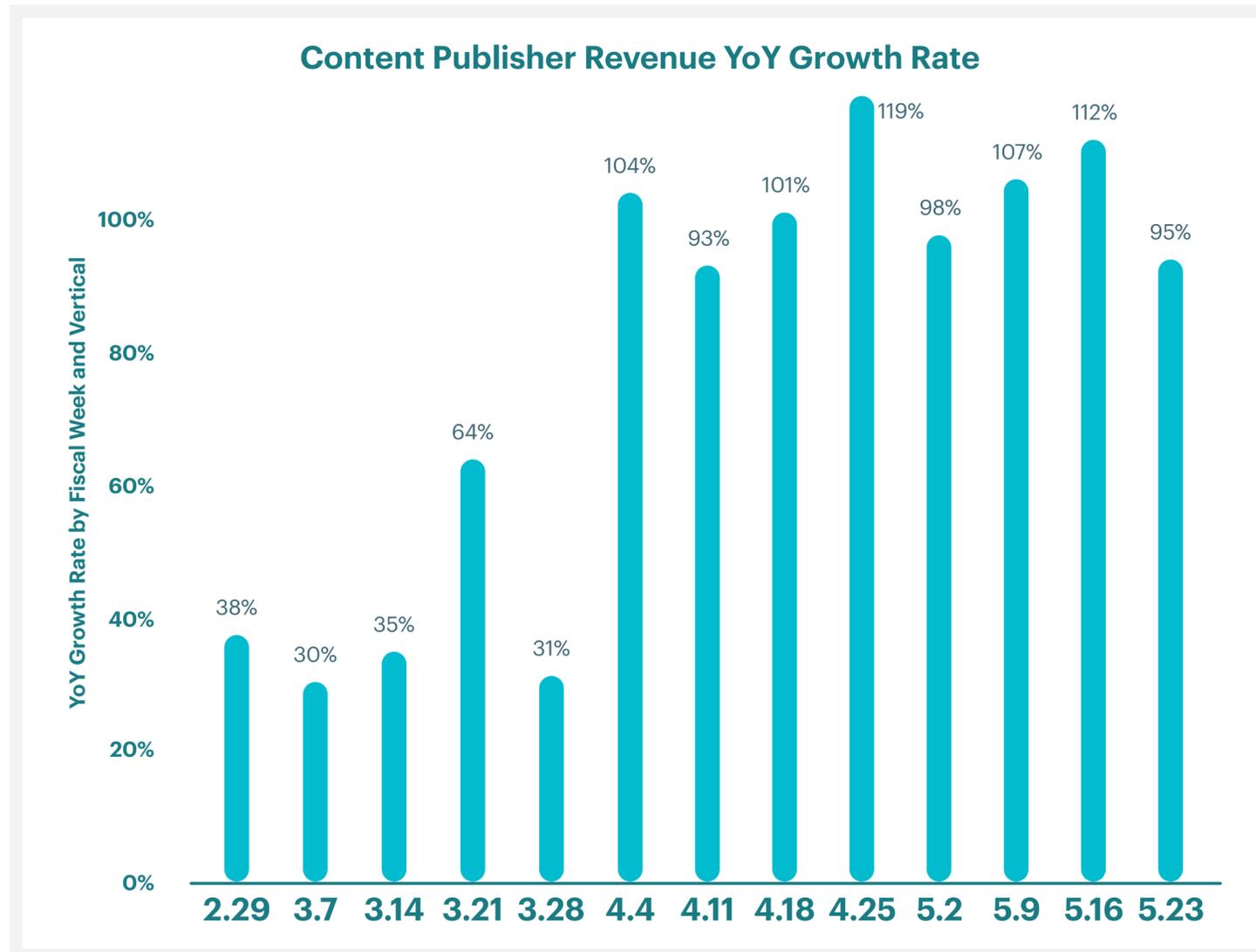
Loyalty new customer revenue declined to 36%.



—○ Content —○ Coupon/Value Propositions —○ Loyalty —○ Other

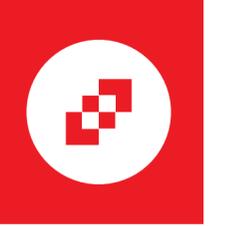


Content Publisher YoY Revenue and Commission Trends



The last 7 weeks have shown extremely high revenue growth YoY for content publisher partners. This growth is primarily at the expense of loyalty publishers, as content share of variable commission increased, while loyalty decreased. Content partner Share of Variable Commission was 40% in week ending 5/23, a 54% YoY increase over the same period in 2019, whereas loyalty partners share of variable spend was 21%, a 36% decline over the same period prior year.

Content publishers continue to offset losses from Amazon Associates commission cuts by working directly with brands whose affiliate programs offer competitive commission rates, as evidenced by increased Ascend™ application volume (see page 12). This is an opportunity for brands to diversify their publisher mix, and reach new customers through discovery-oriented publisher destinations.

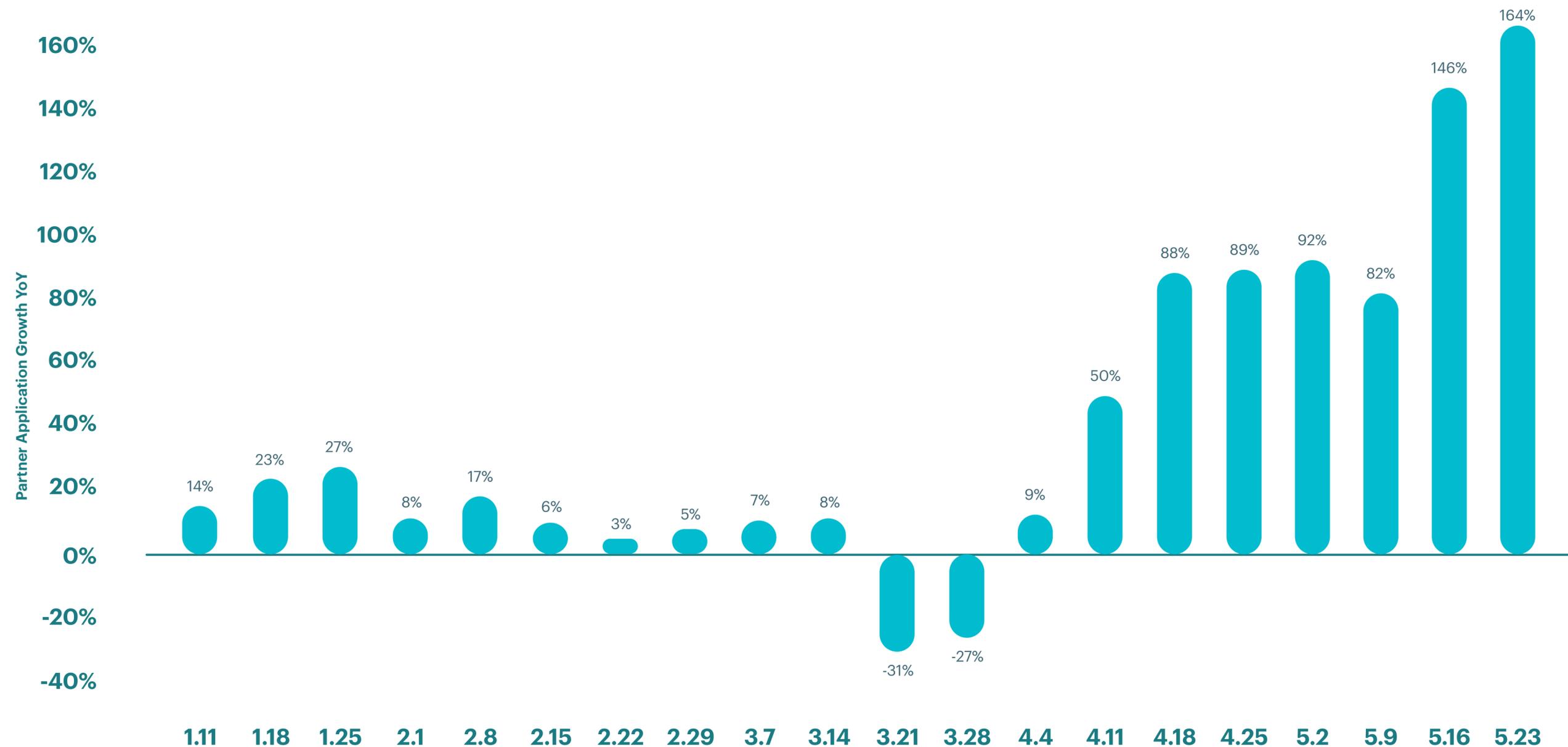


Publisher Application Growth YoY

In Q1, average growth rates YoY in Ascend™ publisher partner applications were ~13%. Beginning in week ending 3/21 applications volume declined.

However, once the Amazon Associate program commission rate cuts were announced on 4/14, Ascend™ YoY application growth accelerated, suggesting publisher partners were in search of alternate revenue streams. Pepperjam's Ascend platform enables brands to quickly identify publishers that have utilized Amazon Associates as a monetization source, and easily recruit them into their program at a competitive rate.

In week ending 5/23, we observed the **largest YoY increase in publisher partner applications YTD at 164%**.

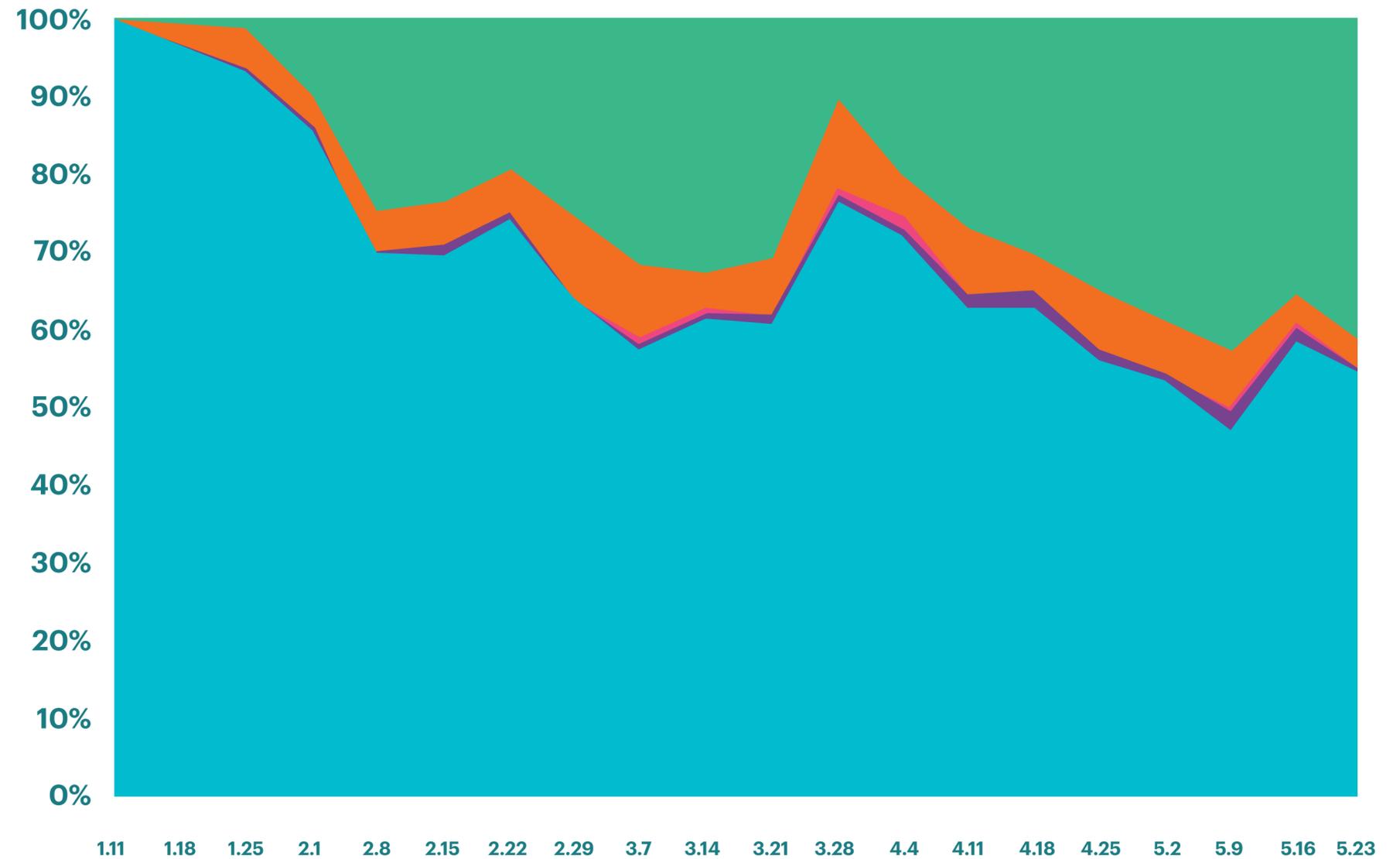




% of Approved Publisher Sign Ups by Type

YTD publisher applications have largely been from content partners.

However, in recent weeks, we have observed an increase in publishers classified as 'Social media', suggesting that **more influencers are turning to affiliate marketing** to monetize their content.



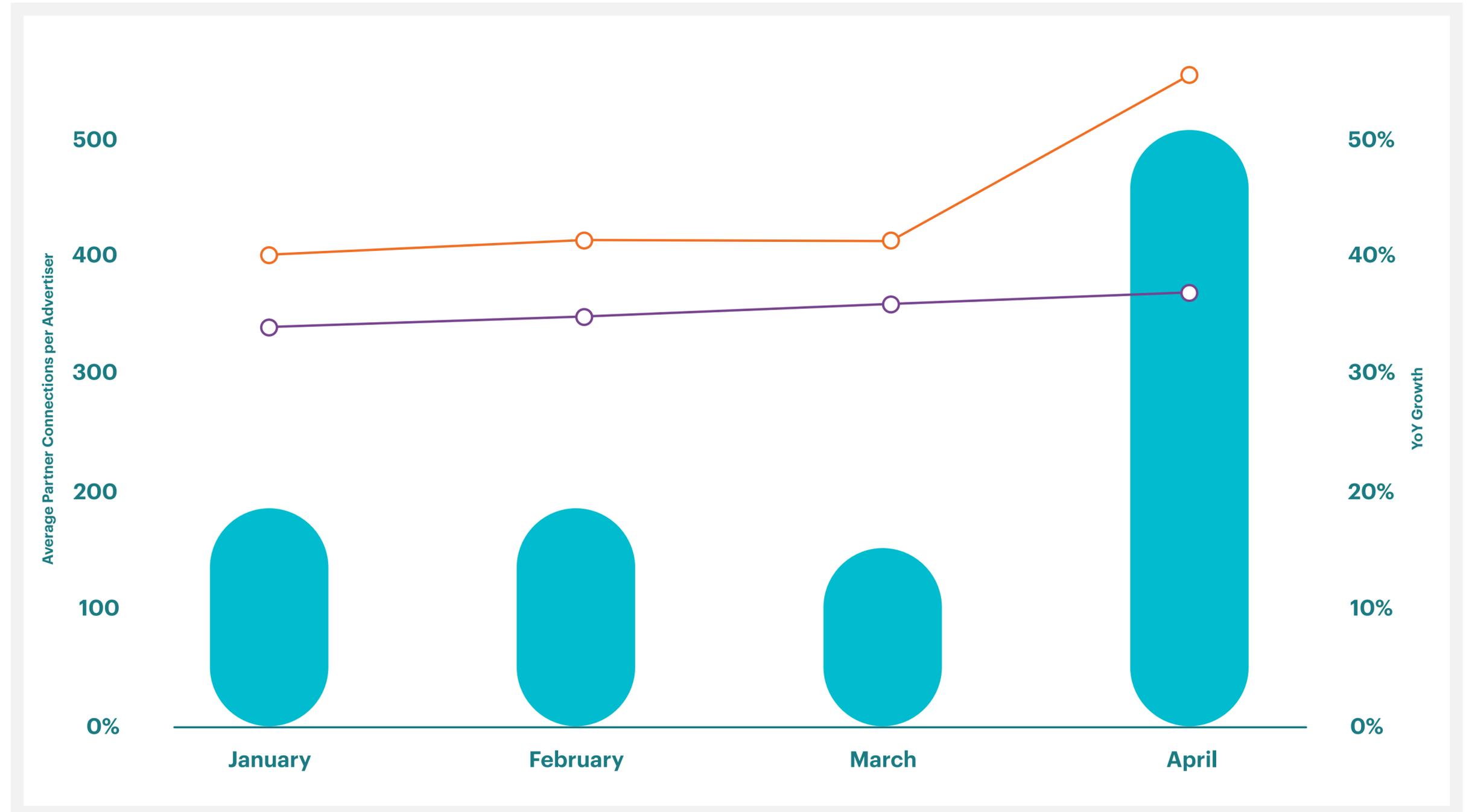
● Content ● Coupon ● Loyalty ● Other ● Social Media



Average Publisher Connections per Advertiser

“Connection” is defined as an active relationship between an advertiser and a publisher partner.

In the month of April, we’ve observed a **51% increase YoY in the average number of connections per advertiser**, suggesting advertisers are seeking to create new relationships in the affiliate channel.



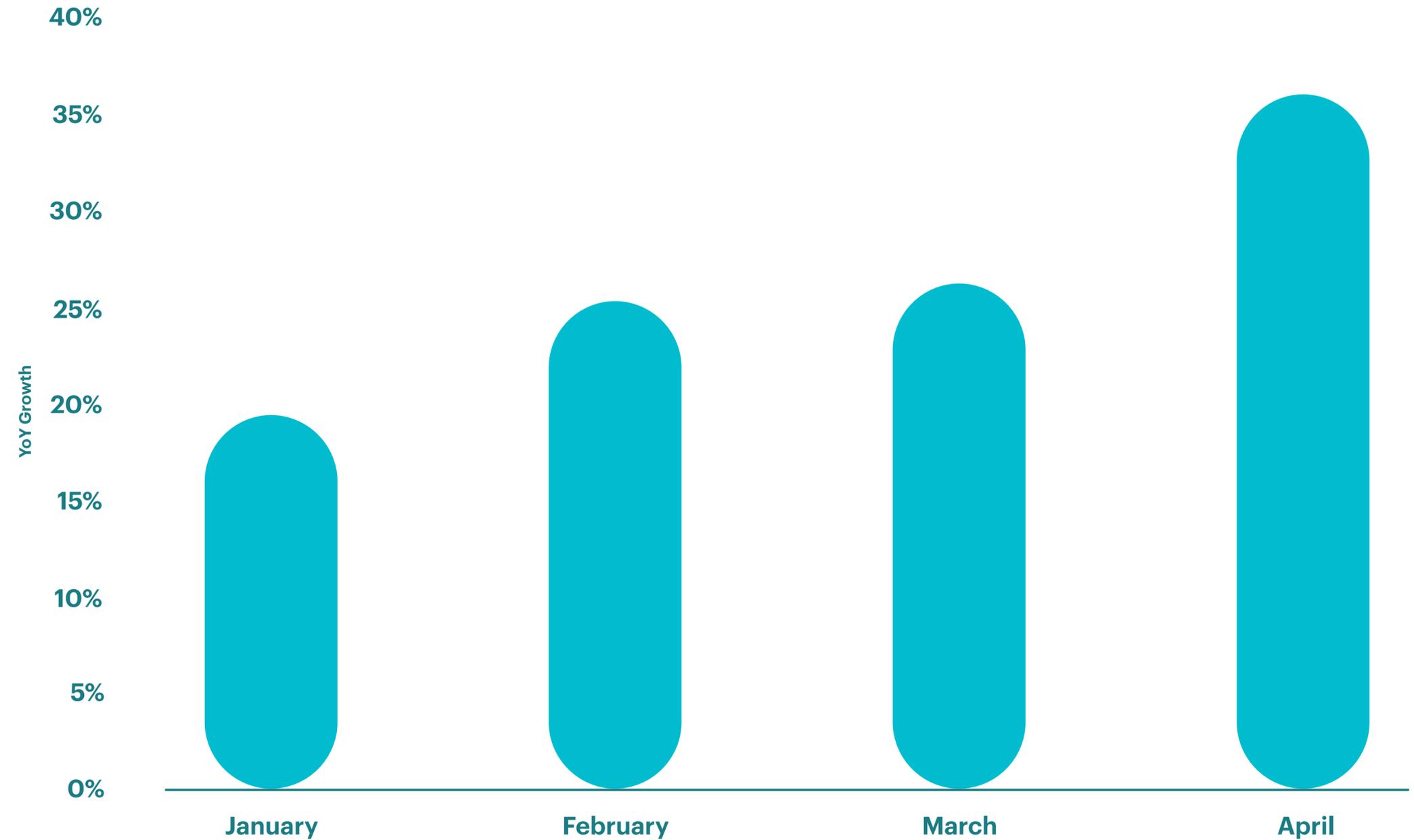
● Average Connections YoY ○ Average Connections 2020 ○ Average Connections 2019

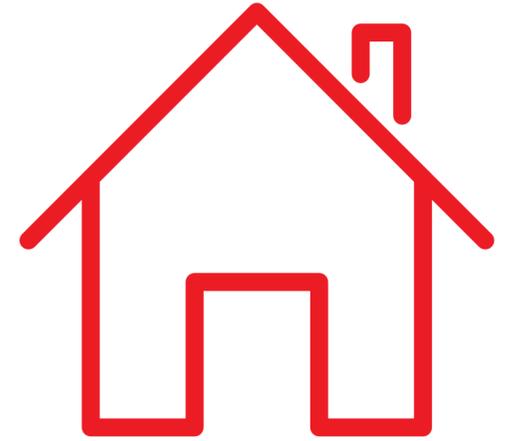
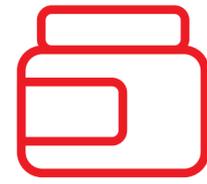


Average Revenue Generating Connections per Advertiser

Not only did we see an increase in the number of relationships established between advertisers and publishers; but we also observed a **36% increase in the number of advertiser-publisher connections that are generating revenue.**

This suggests that a mutual interest from both advertisers and publishers to speed activation and time to revenue within the affiliate channel.





Insights by vertical.





Weekly Revenue YoY Trends by Vertical



Accessories & Jewelry

4/25: **+97%**
5/2: **+85%**
5/9: **+65%**
5/16: **+65%**
5/23: **+54%**



Art, Photo & Music

4/25: **+23%**
5/2: **+46%**
5/9: **+50%**
5/16: **+51%**
5/23: **+65%**



Clothing & Apparel

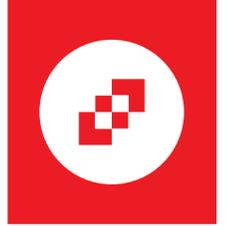
4/25: **+36%**
5/2: **+36%**
5/9: **+59%**
5/16: **+28%**
5/23: **+23%**



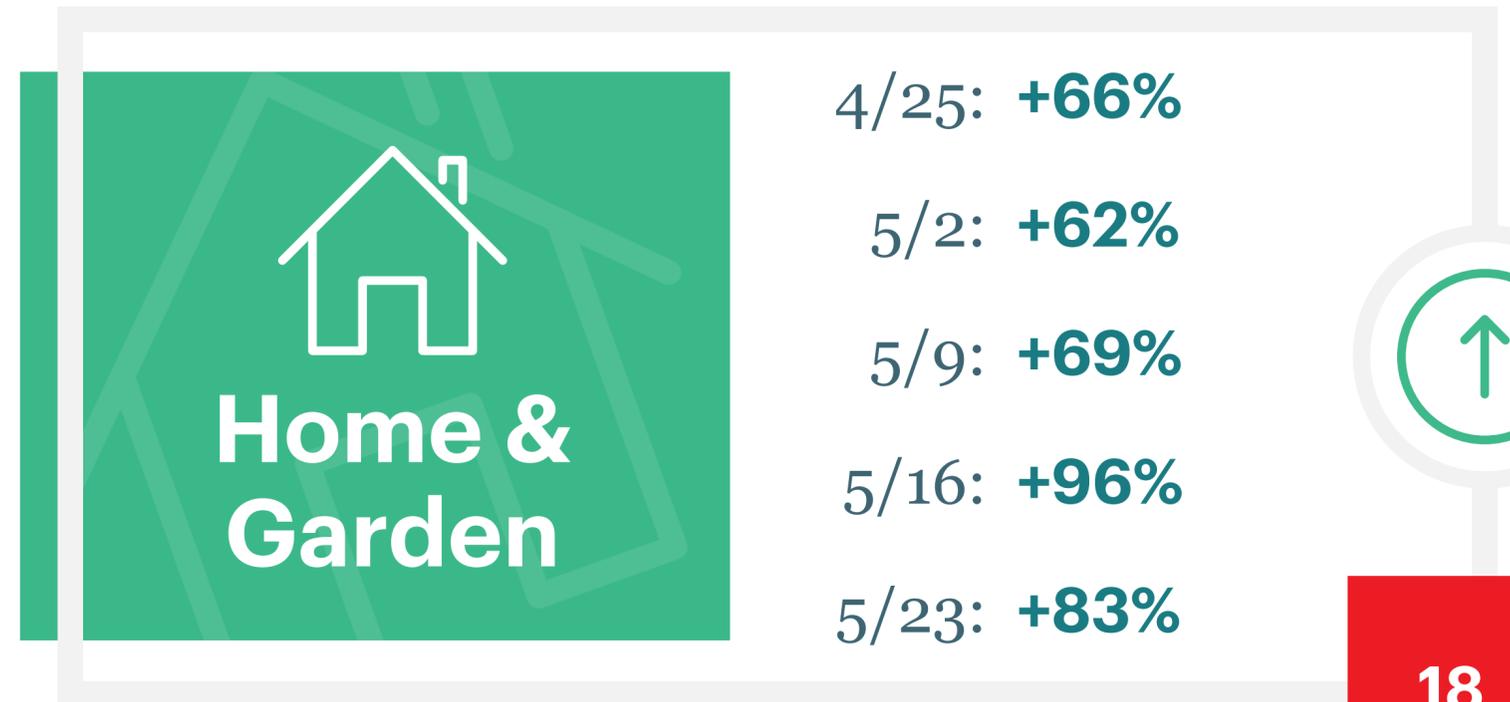
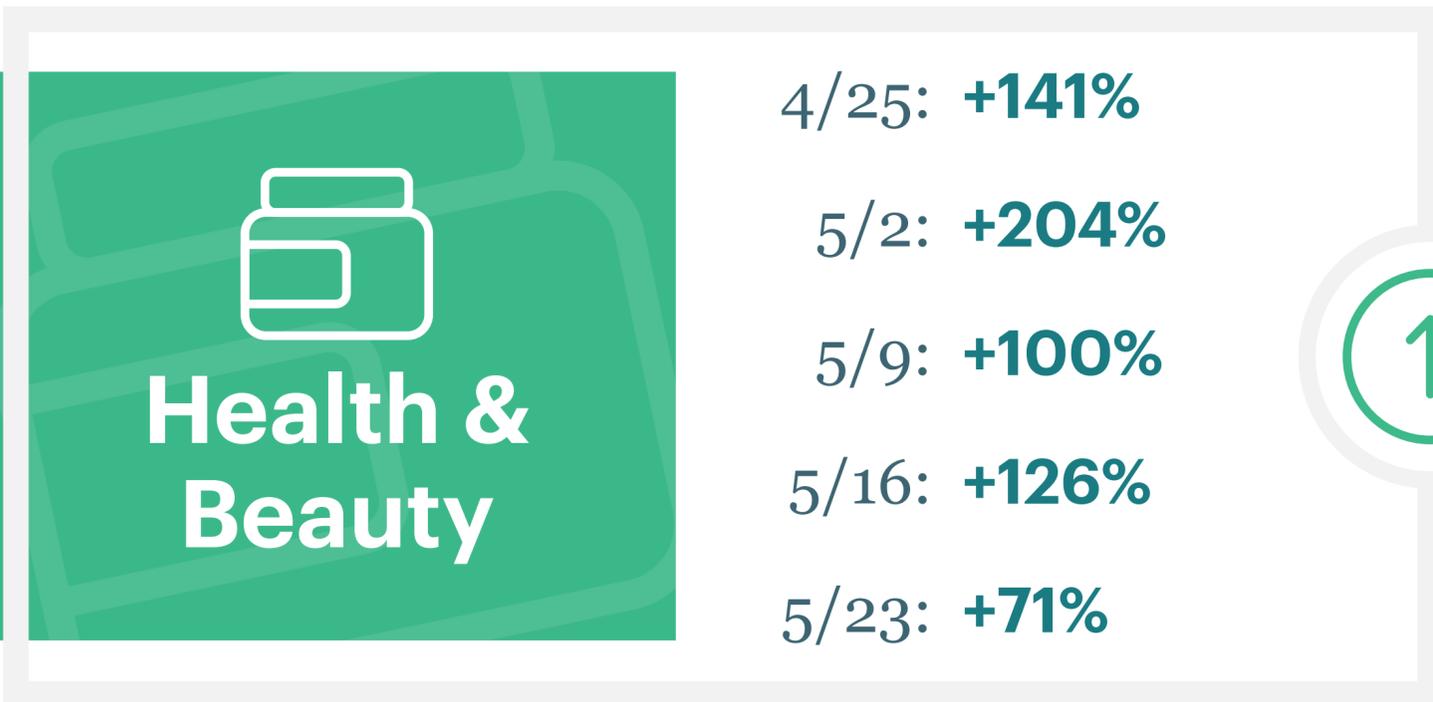
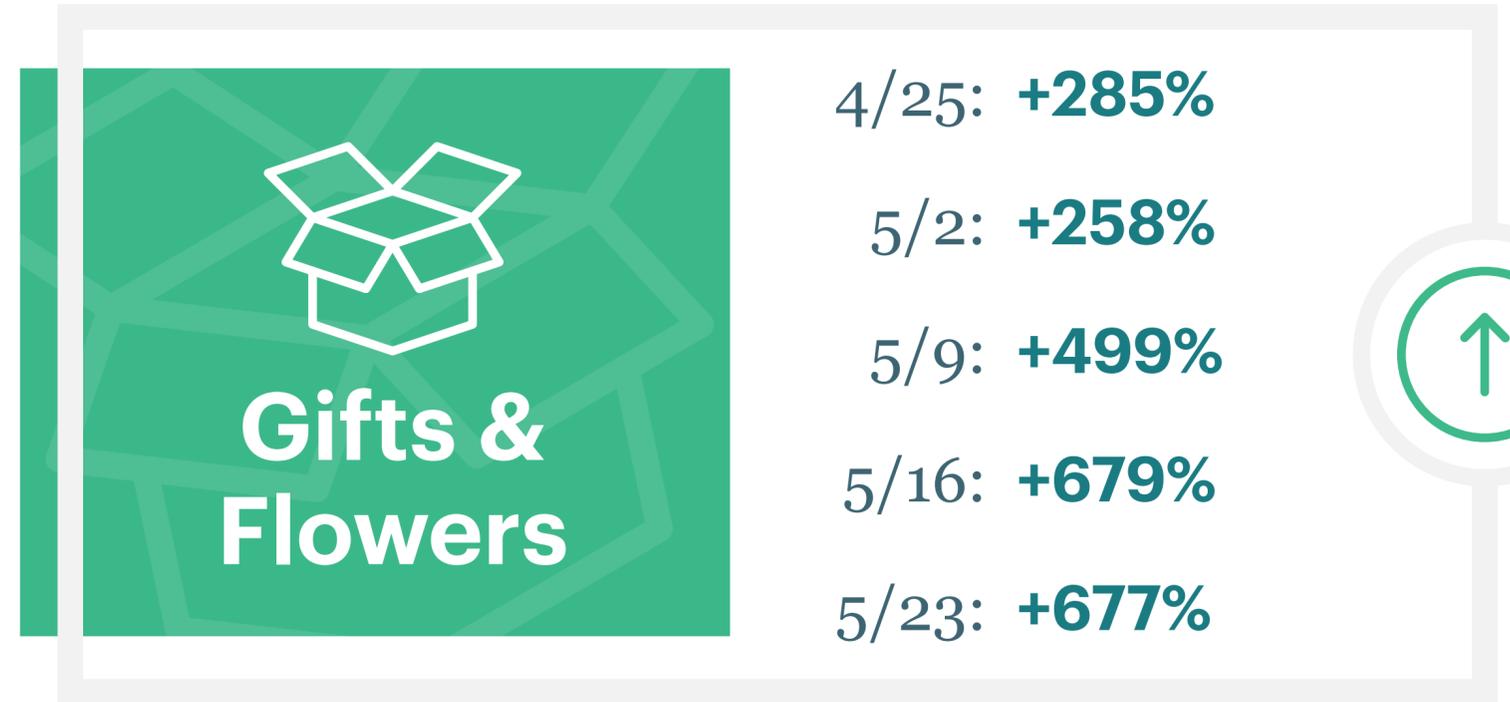
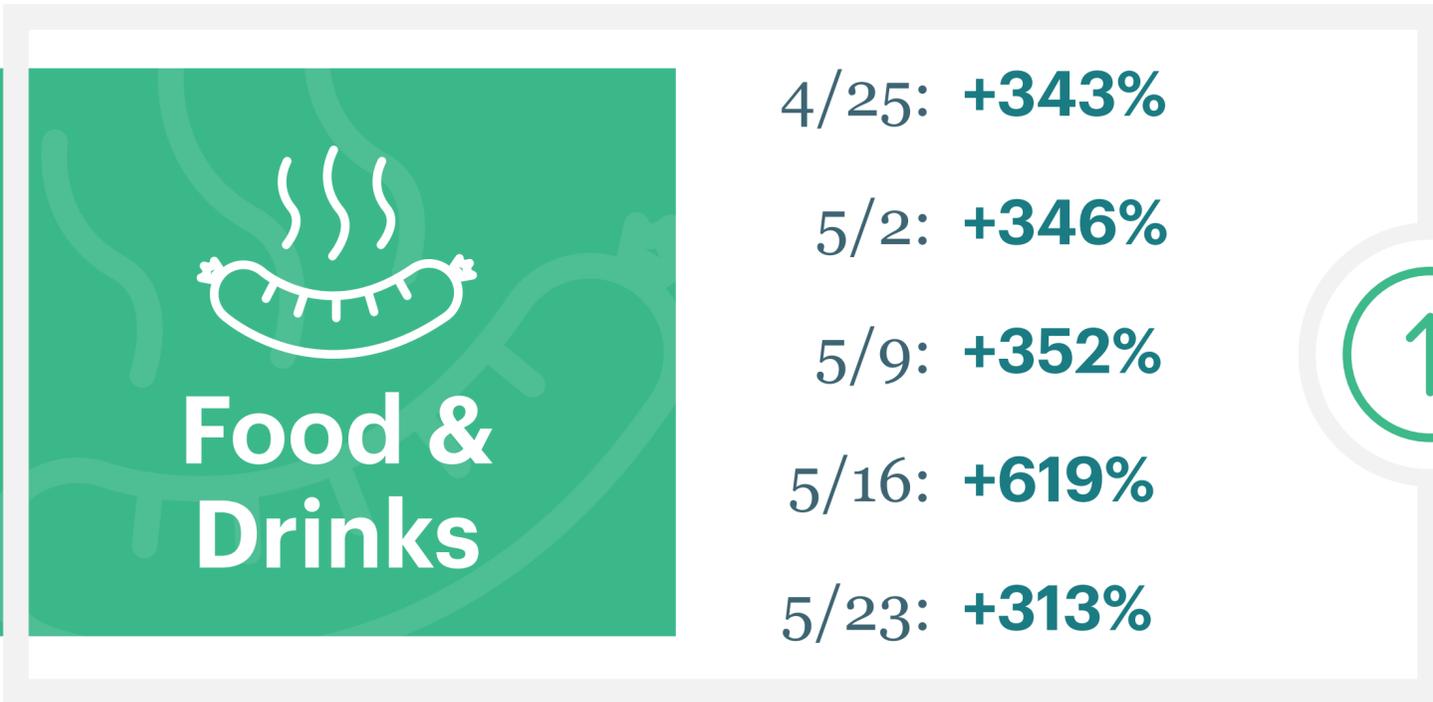
Computer & Electronics

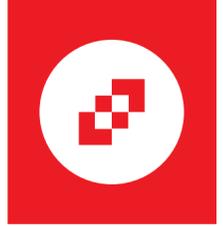
4/25: **+11%**
5/2: **+7%**
5/9: **-14%**
5/16: **+20%**
5/23: **+25%**





Weekly Revenue YoY Trends by Vertical





Weekly Revenue YoY Trends by Vertical



Sports & Fitness

4/25: **+307%**

5/2: **+186%**

5/9: **+114%**

5/16: **+85%**

5/23: **+76%**



Travel

4/25: **-88%**

5/2: **-85%**

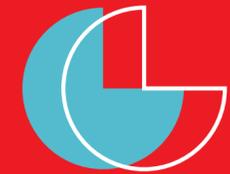
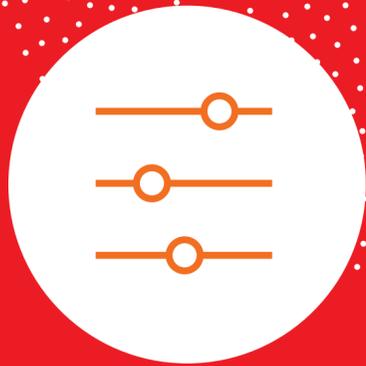
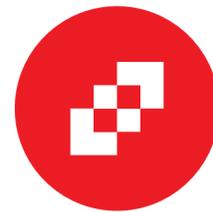
5/9: **-85%**

5/16: **-89%**

5/23: **-87%**



Rise above the status quo.



Interested in learning more with a Pepperjam expert?
Contact us at research@pepperjam.com



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