



# The Ultimate Guide To **AFFILIATE MARKETING**

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This guide covers affiliate marketing, including an introduction to this monetization technique, a review of the most popular implementations of affiliate marketing, and highlights of the top affiliate ad networks.

This guide will be much more useful if you already have your own blog. In case you don't, check out our post titled "[How to Create a Blog and Make Money Online](#)".

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# 01

## WHAT IS AFFILIATE MARKETING?

Affiliate marketing has become a massive online industry over the past several years, emerging as both an effective way for marketers to sell their products and services and for publishers to monetize their audiences. Despite the popularity of affiliate marketing, many publishers still aren't aware of exactly what affiliate marketing is or how it works. In some cases, these publishers are gatekeepers to an audience that could be very effectively monetized through affiliate marketing, meaning that they're passing up an attractive revenue stream.

### What it is (and What it isn't)

At its heart, affiliate marketing is an online version of a sales structure that has been happening offline for decades. In its simplest form, it involves three primary components:

- A merchant, or someone with a product or service to sell
- An affiliate, or individual with the willingness and ability to sell that product to a particular audience
- A product or service

For each product the affiliate sells, they receive a portion of the proceeds from the merchant. It's effectively an outsourced sales team. At its core, affiliate marketing is just that simple.

### Offline Example

When I was a child, my school would have fundraisers that involved us going door-to-door to sell magazine subscriptions (magazines were glossy, soft-cover publications that would be mailed to a subscriber's house on a weekly or monthly basis). I didn't realize it at the time, but I was right in the middle of an affiliate marketing scheme. The magazine companies had products they wanted to sell. Schools had the ability to sell these products. And for every subscription sold, the magazine companies gave a slice of the proceeds to the school. (In this example, there's actually a secondary layer of affiliate marketing; the schools effectively outsource the actual selling to the students, in exchange for prizes that come with meeting certain sales figures.)

Online, affiliate marketing works generally the same way – except that the door-to-door sales approach is replaced by strategies more suited to a digital marketplace. In most instances, the affiliate marketing process works as follows:

1. Visitor to a publisher's website clicks an "affiliate link" that takes them to a third party landing page
2. Visitor makes a purchase
3. Affiliate (publisher) gets a commission based on the value of the products and services purchased at the partner's site

In other words, affiliate marketing is a kind of cost-per-action (CPA) advertising. The publisher makes nothing for highlighting a partner's product on their site, and they make nothing for getting a visitor to click through to that site. The commission is only earned when a sale is completed.

Affiliate marketing is facilitated by "affiliate links" that allow merchants to track where their customers originate. In other words, it's possible (and actually very simple) to know which revenue came from a specific affiliate and to compensate that affiliate accordingly.

## Affiliate Marketing Economics

For publishers, the affiliate marketing revenue equation looks something like this (we've bolded the factors that are most within your control in optimization efforts):

$$\text{Visitors} \times \text{Click Rate (on Affiliate Links)} = \text{Referred Visitors}$$

$$\text{Referred Visitors} \times \text{Conversion Rate} \times \text{Average Purchase Price} = \text{Referral Revenue}$$

$$\text{Referral Revenue} \times \text{Commission \%} = \text{Affiliate Marketing Revenue}$$

The success of an affiliate marketing strategy depends on how many referrals you're able to send to merchant sites and how well these referrals convert (hence the bolding of these factors above). The more relevant and appealing the offers you highlight on your site, the higher both your click and conversion rates will likely be. If you're running a travel blog, you probably don't want to be featuring affiliate offers for baby products; replacing them with affiliate links to cruise packages would probably result in a higher referral rate.

For more, see the next section on **Three Factors That Determine Affiliate Marketing Success**.

## Appeal of Affiliate Marketing (to Advertisers)

Advertisers love affiliate marketing because it involves minimal risk. If a sufficient margin is built in as compensation for the affiliate, it becomes impossible to lose money. That's because affiliates are generally only paid when a sale is completed (i.e., a lead is converted). Advertisers (or "merchants") pay nothing for leads that don't convert.

Compare this to a CPM-based advertising campaign, where an advertiser pays a fixed amount to get a fixed number of ad impressions. (E.g., they may pay \$10,000 to have 1 million ads shown on a publisher site, or a \$10 CPM.) That campaign may be unsuccessful however if the ad impressions don't convert into clicks and/or eventual sales.

Under most affiliate marketing arrangements, advertisers only pay for converted leads. There is basically no way they can lose money or get a negative ROI with this marketing method. Each new sale generated may have a thin margin after the affiliate payment is made, but it's possible to structure in such a way that eliminates the possibility of a loss.

Some merchants will pay for actions that do not involve the transfer of money (i.e., something besides a sale of a product or service). For example, many merchants pay affiliates for referred visitors that ultimately sign up for a newsletter or other free product.

## Appeal of Affiliate Marketing (to Publishers)

Affiliate marketing is very appealing to some publishers as well, because it can allow them to make considerably more money than they would under an alternative monetization strategy. Though the specifics of payout arrangements can vary a bit, in general affiliate payments will be significantly larger than the revenue generated from a click under a CPC pricing arrangement (or the effective CPC under a CPM arrangement). For high margin products such as e-books, for which there are no material costs, affiliate margins can be as 50% of the total purchase price. So it's not unheard of for affiliates to generate \$100 or much more from each referral.

To explain this a bit further, let's consider a real life example. Below is a screenshot from AffiliateTip.com, a popular blog run by affiliate marketing guru Shawn Collins. In his right sidebar, he has a number of affiliate links for products such as HootSuite, Dropbox, and Bluehost:

## Packing My Bags for Affiliate Summit West 2014

 January 4, 2014 by [Shawn Collins](#)

I am not heading out to [Affiliate Summit West 2014](#) until next Friday, but I wanted to get all of my stuff in order, and figure out which last minute items I'd need from my pre-conference Target run.

I like to pack early and get to the airport early, and I definitely don't want to be running in circles looking for my phone charger at the last minute.

Anyhow, I figured I'd share items I typically bring to a conference. If you have gotten my book, [How to Get the Most Out of Attending a Conference](#), I include this list in there, too.

While some of these things won't apply to you, maybe they'll help give you ideas or help remember to grab something you were about to forget.

Also, I've created a sublist of items that could help you prevent the "conference crud" (feeling sick and run down after getting home from long days and nights of networking).



- Address of your hotel. Ever gotten to a city and forgot where you were staying. I have – what a pain.
- Phone, camera, laptop, and chargers.
- Small power strip, because there is often a plug shortage at hotel room desks.
- Cable to transfer pictures to your computer.

### BLOGROLL

[Affiliate Links](#)

- [99designs](#)
- [Affiliate Summit](#)
- [AWeber](#)
- [bluehost](#)
- [Boomerang for Gmail](#)
- [CreateSpace](#)
- [Dropbox](#)
- [Genesis Theme](#)
- [Go Daddy](#)
- [Google+](#)
- [HootSuite Pro](#)
- [Pretty Link](#)
- [Shawn Collins](#)
- [VideoScribe](#)
- [WP Engine](#)
- [Yoast](#)



Alternatively, there could be a traditional 160x600 display ad unit here. From a network, that ad unit might earn the publisher an effective CPM of \$3 or \$4. If the optimal affiliate marketing links are used instead, the payout can be much higher.

Let's assume that the aggregate click rate on this affiliate link section is 1%, that 20% of referred visitors convert, and that the average commission is \$10. For every 1,000 visitors:

- 10 click through to an affiliate link
- 2 end up purchasing something from a merchant
- \$20 in revenue for the publisher is generated

The end result in this hypothetical is \$20 in revenue—significantly more than the \$3 or \$4 that could be earned from traditional display advertising.

Of course, the revenue per visitor is highly dependent on the click and conversion rates. But the hypothetical above should illustrate that if you're able to find quality, relevant affiliate offers, affiliate marketing can be a very attractive monetization opportunity.

## Affiliate Marketing In Action

Affiliate marketers can use a number of strategies to sell to their audience, with different approaches making the most sense for different niches and product lineups. These strategies include:

- Coupons
- Product Reviews
- Product Rankings
- Product Aggregation / Price Comparison

For more on each of these approaches, as well as examples of them in action, check out our feature on Five Proven Affiliate Marketing Strategies.

Below are some real life examples of affiliate marketing strategies in action:

- **Review: 31 Days to Build a Better Blog:**

Note the affiliate links to the landing page where this e-book can be purchased. For every referred purchase, this publisher makes 40% of the total purchase price.

- **Electronic Drum Kit Reviews** – This is your typical Amazon associates website. They've got a variety of articles about drumming gear as well as actual product reviews and a long "buyer's guide" on the homepage. They receive anywhere between 4-8,5% per sale.





































- **TV Review Site:** This site compiles prices for products at various Web retailers, including an affiliate link to all of them. If a visitor to this site ultimately clicks through and makes a purchase, a commission is earned.

- **Only Cookware:** This is one of several sites run by Amazon "super affiliates" Paula and Wanda. Their reviews feature affiliate links for visitors to purchase the products on Amazon, which nets them a commission **in the neighborhood of 8.5%**.

Many publishers would be surprised at the depth of the affiliate marketing industry; it's a lot more than e-books and amazon affiliates. Commission Junction, one of the largest affiliate networks, **has an impressive list of advertiser verticals:**

# Advertiser Verticals

Advertisers are divided into several different industry verticals which are broken down into smaller, categories publishers can easily search inside of CJ Account Manager:

 Accessories	 Construction	 Food & Beverage	 Online Services
 Airline	 Consumer Goods	 Gifts & Flowers	 Recreation & Leisure
 Art/Photo/Music	 Department Stores/Malls	 Health	 Retailer
 Banking	 Education	 Hotels/Hospitality	 Seasonal
 Books/Media	 Electronics	 Insurance	 Technology
 Buying and Selling	 Employment	 Legal	 Telecom/Wireless
 Clothing/Apparel	 Entertainment	 Marketing	 Transportation
 Community	 Family	 Media	 Web Services
 Computer SW or H/W	 Finance	 Non-Profit	 Other

## Bottom Line

Affiliate marketing is a fairly simple concept that can be implemented in a countless number of ways online. Though it's not as familiar or easy to set up as display advertising strategies that dominate many publisher monetization strategies, there is the potential for a big payoff if a bit of work is done upfront.



# 02

## THREE FACTORS THAT DETERMINE AFFILIATE MARKETING SUCCESS

As affiliate marketing has become a multi-billion dollar industry over the past several years, it's also become increasingly sophisticated. Across the seemingly endless niches are a variety of strategies for generating revenue. With more merchants, offers, and analytics, there's a lot to the affiliate marketing business.

But while the details have grown increasingly complex, the big picture remains incredibly simple. Success in affiliate marketing ultimately depends on how well you execute three tasks.

### Affiliate Marketing For Dummies

If you're an affiliate marketer, you have a chance to make money every time someone opens up a Web browser. To the affiliate marketer, below is a diagram of how the flow of every Internet engagement unfolds.



You make money on the path that includes three green boxes; on all others—the vast majority of scenarios—you get nothing. So at its simplest, affiliate marketing success comes to those who maximize the number of positive outcomes down the flow chart above.

## Three Key Factors

Put another way, think of affiliate marketing as this formula:

$$\text{Revenue} = \text{Visitors} \times \text{Click Rate} \times \text{Conversion Rate} \times \text{Commission}$$

Improving any one of the variables on the right side of this equation will increase the dollar amount on the left side. So affiliate marketing really boils down to optimizing three factors:

### FACTOR #1: VISITORS / TRAFFIC

In order to make money from affiliate marketing, you need to convert a visitor to your site to a paying customer for your merchant partner(s). Obviously, the more visitors you have (i.e., the greater the traffic to your site), the more chances you have to make an affiliate referral.

Building up a large base of traffic is in itself a huge challenge. There's an overwhelming amount of content on the Web dedicated to attracting visitors to your website, and we won't go into any detail on the topic here. (Check out [SEOmoz](#) or [Search Engine Land](#) if you really want to read more).

If your website doesn't have much traffic to speak of, there's probably not a big opportunity for you now in affiliate marketing. Focus on producing high quality content, building some links, and getting a recurring stream of visitors to your site. But if you have a website that is already attracting a significant number of visitors from referring sites, organic search, and direct visits, affiliate marketing could be a logical way to monetize.

### FACTOR #2: CLICK RATE

This is where we put the "marketing" in affiliate marketing. It's up to you as the affiliate marketer to make sure that your audience sees the affiliate links and offers you have on your site. You can't simply throw them into the right sidebar and hope that your audience seeks them out and clicks on them. There's a great deal that you can do to increase the likelihood that your visitors click on the links and get in front of the affiliate offer.

This topic is extremely broad; there are countless strategies for increasing visibility (and ultimately click rate) on your affiliate links, ranging from incorporating links into your content to sending emails to your newsletter list. Check out some of the affiliate marketing gurus on our [Best Monetization Blogs](#) overview for an extensive supply of tips and tricks for boosting the number of clicks your affiliate links receive.

John Rampton has some ideas on [increasing click rate](#), and Zac Johnson has [five simple ways to boost click rates](#) as well.

### FACTOR #3: CONVERSION RATE

Conversion rate refers to the percentage of referrals sent who ultimately complete the desired action (e.g., purchase something from Amazon).

This is one area that is often overlooked as an “out of my hands” part of the affiliate marketing funnel. Once you’ve sent a visitor to the merchant site, all you can do is cross your fingers and hope they ultimately complete whatever action is necessary for you to get your commission. That’s partially true I suppose. But you have more input here than you may realize.

Part of the affiliate marketing game involves picking out merchant partners and products to promote. If you’re promoting a crap product, you can probably send some traffic through the affiliate link by doing a good job of marketing it to your audience. But once they get to the merchant site and are disappointed in what they see, they’re probably going to abandon.

If you’re promoting a quality product that you think delivers great value to your audience, they’re much more likely to complete the purchase once they’ve clicked.

## Commission \$ vs Conversion %

There’s often a trade-off between the quality of a product and the commission being offered. And it’s tempting to gravitate toward the partners and products that pay you the most per conversion. But if those products are unlikely to convert, they might not be the best fit.

Consider two products:

- Product A: \$100 commission to affiliates
- Product B: \$25 commission to affiliates

Product A looks like the winner, right? Not necessarily; your expected revenue from promoting this product depends on the likelihood of conversion. Suppose the conversion rates look like this:

- Product A: 1%
- Product B: 5%

For each affiliate click you send to Product A, you can expect \$1.00 in revenue. For each sent to Product B, you can expect \$1.25 in affiliate revenue.

Don’t get blinded by simply commissions. Finding relevant, quality products to promote is one of the most important parts of the affiliate business.

## Bottom Line

Focusing on any one of these areas increases your chances of affiliate marketing success. But optimizing one area when another is sub-optimal won't deliver the results you want. In other words, the real success and revenue comes when all three are executed successfully.

For example, building up a big base of traffic won't deliver much of a reward if you're working with the wrong affiliate offers. Similarly, doing a great job marketing the ideal offers to an extremely small traffic base won't translate into much revenue. Each of these three points must be implemented and improved together, or else you won't see results.

There's obviously a lot of work that goes into each of the three points above; building up substantial traffic takes months (or even years) of effort, and finding the right affiliates involves never-ending research.

# 03

## 17 ARTICLES TO READ BEFORE YOU START AFFILIATE MARKETING

Before diving into affiliate marketing, it's wise to spend some time reading up on the challenges, opportunities, and best practices. This e-book will teach you most of what you need to know about affiliate marketing, but for those interested in furthering their education, we've highlighted 17 additional articles from other writers.

Working your way through all of the articles below will take you quite a while, but you'll end up with a complete understanding of the mechanics, opportunity, and challenges associated with monetizing a site via affiliate marketing. Click here to read the [17 affiliate marketing articles](#).

# 04

## 5 PROVEN AFFILIATE MARKETING STRATEGIES

Affiliate marketing is one of the most popular monetization techniques for niche publishers in 2014, being used by hundreds of thousands of sites in a wide variety of verticals. Affiliate marketing is popular for a number of reasons, including the potential for success with a relatively small audience and the deep pool of affiliate partners willing to pay to acquire new customers.

Affiliate marketing also is a very broad term; under this umbrella there are several different strategies that can be employed to generate affiliate revenue. The most appropriate and lucrative method (or methods) can depend on a number of factors, including your site's niche and characteristics of your audience. Below is an overview of some of the most popular affiliate marketing implementations, along with examples of each. Click [here](#) to read more about the proven **affiliate marketing strategies**.

# 05

## HOW TO PICK AN AFFILIATE MARKETING OFFER

For sites looking to monetize their existing traffic through affiliate marketing, a major determinant of success is picking the right offers to run. The difference in earnings from a bad offer and a good one can be enormous. Unfortunately, finding the “right” offer isn’t exactly easy; if you’re using an affiliate marketing network such as **Commission Junction** (now part of Conversant), **SharesASale**, or **LinkShare**, you will have literally thousands of affiliate offers available to you.

As with many aspects of Web monetization, the exact strategies will vary from site to site. There’s no universally superior affiliate marketing offer or merchant. There are, however, some general guidelines on factors to consider when evaluating potential affiliate marketing offers. We’ll dive into several of these below. We’re using screenshots from **ShareASale** throughout this article to illustrate the process, but the tasks and terms will be generally similar across the major affiliate marketing networks.

### Relevant Merchants

The major affiliate networks will have thousands of offers available to you. The vast majority of them won’t be appropriate for your site, in the sense that the products or services advertised aren’t relevant to your audience.

One of the major **factors that determines affiliate marketing success** is the click rate on your site, or the percentage of your visitors who click on an affiliate marketing link. The more targeted and relevant the offers you present, the more likely your visitors are to click through to the merchant site.

Every network offers affiliates a way to filter through the numerous offers presented. Take the time to go through the various categories or search for specific merchants that you think would do well on your site. There’s no set of rules for filtering through the options; you’ll ultimately need to rely upon your familiarity with your audience and your gut feelings about what types of offers will perform.

Results	Keyword	Advanced Search	Browse By Category
<b>Accessories</b>		<b>Art/Music/Photography</b>	
Cosmetics, Jewelry, Shoes, Fragrance, etc.		Music, Music Reviews, Art, Photography, etc.	
<b>Auction Services</b>		<b>Automotive</b>	
		Cars, Trucks, Rentals, Supplies, etc.	
<b>Books/Media</b>		<b>Business</b>	
Books, eBooks, Videos, Magazines, Newspaper, etc.		General Business, Office, Marketing, Productivity	
<b>Career/Jobs/Employment</b>		<b>Clothing</b>	
Employment, Job Boards, Headhunters, Benefits		Men's, Women's, and Children's Clothing and Apparel	
<b>Commerce/Classifieds</b>		<b>Computers/Electronics</b>	
eCommerce Solutions, Classified Ads, B2B Commerce		Hardware, Software, Electronics, Peripherals, etc	

If your site is more general in nature (e.g. a personal blog or general news site), you may have a bit more flexibility and a deeper pool of initial candidates.

## Commission Structure

The commission is generally the percentage of a sale that is paid to the affiliate for referring a customer. The commission percentage can range from the low single digits to more than 50%. (E-products generally have the highest commissions since the margins are close to 100%.)

Though commission rates are obviously important, this number definitely needs to be considered in connection with the type of offer. A merchant offer that pays 50% commission seems very attractive in a vacuum, but if the product offered isn't relevant to your audience and the creative is no good the results will probably be uninspiring.

In other words, the equation for affiliate marketing revenue has several variables:

$$\text{Revenue} = \text{Visitors} \times \text{Click Rate} \times \text{Conversion Rate} \times \text{Average Sale Price} \times \text{Commission}$$



In many cases, offers with the highest commission may result in sub-optimal click or conversion rates. The commission percentage only comes into play if you actually generate sales.

Some offers will feature unique wrinkles in the commission structure:

**Multi-Tiers:** While most commissions are a flat fee, some offers will pay out different percentages depending on sales volume.

▼

Default Rates:

Sale Commission \$25

Lead Commission: \$0

Sale Transaction Tiers
Tiers apply to Only affiliates at default commission
If Commissions for the Current Month is greater than or equal to: "500" set commission to \$30
If Commissions for the Current Month is greater than or equal to: "1250" set commission to \$35
If Commissions for the Current Month is greater than or equal to: "2500" set commission to \$40

**Bonuses:** Some merchants will offer bonuses for reaching certain sales thresholds, creating another opportunity to generate revenue for major affiliates. For example, a company may offer a \$500 bonus to affiliates that generate \$25,000 in sales in any given month. While only a very small percentage of affiliates will ever hit this target, it can translate to a higher effective commission rate (the extra \$500 on \$25,000 in sales is effectively an additional 2% commission). Here's an example of a bonus commission offer (in this case, \$625 for hitting the \$25,000 mark and \$1,250 for generating \$50,000 in monthly sales):

Bonus Campaign Preview					
TOOLS :: BONUS CAMPAIGNS					
Bonus Criteria	Bonus Amount	Frequency	Affiliate Restrictions	Date Range	Number of Bonuses Available
25K Bonus: Gross sales in the current Month reaches 25000	\$625.00	Each Month	All Affiliates	06/03/2011 - 06/03/2099	Unlimited
50K Bonus: Gross sales in the current Month reaches 50000	\$1,250.00	Each Month	All Affiliates	06/03/2011 - 06/03/2099	Unlimited

The presence of multi-tier pricing and bonuses can obviously increase the overall attractiveness of an offer.

## Creative Options

The hardest aspect of an affiliate marketing offer to evaluate may also be the most important. Your ability to drive traffic to merchant sites via affiliate links is one of the primary revenue drivers, and it depends in large part on the tools you're given. These tools are the advertisements merchants have available for affiliates to use on their site. The better the ads are, the more clicks they will get.

Networks will generally provide a preview of the creative files a merchant has before you sign up. There are a couple elements of ads to evaluate:

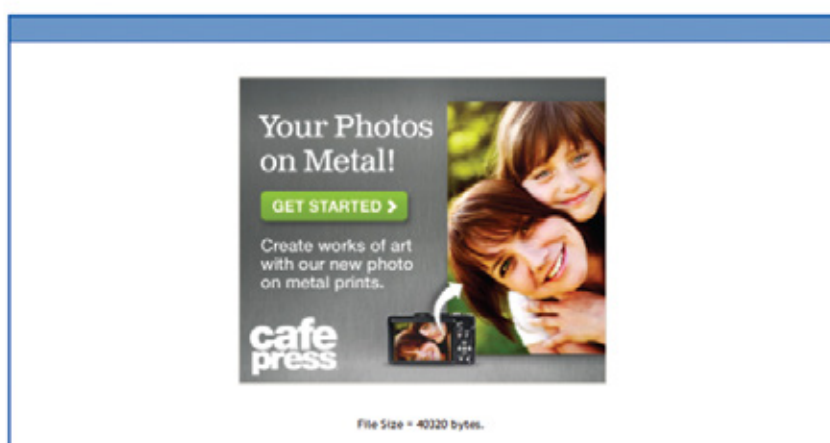
1. Technical aspects, such as size
2. Overall quality

The first point is straightforward enough; affiliates need to identify offers that include ads that will fit easily into their site. For example, if your site has only 300x250 ad units you'll want to stick only to offers that have a 300x250 ad.

Harder to evaluate is the quality of the ads.

Generally, larger and wealthier merchants will be able to spend the time and money to produce a wide variety of high quality ads.

### Merchant Banners



# Cookie Length

Affiliates receive credit for a conversion by placing a cookie on the computer of visitors they send to a merchant site, allowing the network to attribute sales to specific partners. Many merchants will give credit for a sale to an affiliate even if the sale comes after the initial visit to the site. For example, assume:

- 1. Visitor clicks affiliate link on publisher site;
- 2. Visitor browses merchant site, but doesn't buy anything;
- 3. Visitor returns to merchant site (by typing in URL) a week later and completes purchase.

Many merchants will still give credit for this sale to the affiliate, even though the visitor came directly to the site and not through an affiliate link when they completed their purchase. This is a fair solution in many cases, since many customers take time to make a decision and commit to a purchase. In the scenario above, the affiliate still provided a valuable service to the merchant—getting the customer to their site—and deserves to be compensated for that.

Here's an example of a cookie that lasts for almost 6 months:

Commission Structure	Vitals	EPC (100) View Trend		Reversal Rates View Trend		Average Sale View Trend		Average Commission View Trend	
7 - 10%	 180 Days	7 Day	\$56.27	7 Day	0.00 %	7 Day	\$73.29	7 Day	\$2.57
Per Sale, Store Based \$1.00		30	\$42.78	30	0.00 %	30	\$48.30	30	\$1.88
Per Lead									
<a href="#">Click here to view entire store list available.</a>									

A 30-day cookie is the standard, but there can be quite a bit of variation here. Some cookies expire after just a week, while others run indefinitely. From an affiliate perspective, the longer the cookie length the better.

## Estimated Earnings

Many networks provide metrics on the earnings of other affiliates with certain offers. The standard metric is EPC, or earnings per click. This unit is generally presented as the total earnings for every 100 clicks received. An EPC of \$97 means that for every 100 clicks on an affiliate link to that merchant, affiliates are generating \$97 in revenue.

EPC can be converted to RPM, or revenue per thousand impressions, as follows:

$$RPM = (EPC / 100) \times (CTR \times 1,000)$$

This assumes that you know (or can estimate) the click rate that an affiliate offer will get on your site.

This metric is a way of summarizing the conversion rate, average ticket price, and commission percentage. It does not take into account the click rate that an offer will receive. So while EPC is certainly a useful stat to consider when evaluating potential affiliate offers, it must be considered alongside the click rate an offer will receive. A great EPC combined with a bad click rate won't translate to great earnings. (In other words, the highest EPC isn't necessarily the best offer.)

## Reversal Rates

Reversals refer to completed sales for which the commission is cancelled and returned. This can happen for a number of different reasons:

1. The order was cancelled by customer (and refunded by merchant);
2. The transaction was a duplicate (i.e., customer card charged twice);
3. The transaction was fraudulent;
4. A violation of the merchant's affiliate policy was committed.

Reversal rates are generally in the low single digits; it's standard for about 1% of transactions to be reversed. If you see offers with extremely high reversal rates, that could be a red flag. It doesn't mean you should necessarily stay away, but it's worth understanding why so many transactions are returned. For example, there's something strange going on with this merchant:

	EPC	Reversal	Ave. Sale	Ave. Comm
7 Day	\$26.22	53.71 % 🚩	\$34.72	\$0.89
30 Day	\$87.32	16.52 % 🚩	\$35.20	\$2.69

A lower reversal rate equates to higher revenues.

## Pricing Models

Affiliate marketing compensation arrangements generally fall into one of three categories:

1. Pay-per-sale (most common)
2. Pay-per-lead (somewhat common)
3. Pay-per-click (pretty rare)

The pay-per-sale and pay-per-click structures should be pretty obvious. Under a pay-per-lead arrangement, affiliates can get paid even if the merchant doesn't generate any revenue. In most cases, this would involve earning a commission when a referral starts a free trial to a service. Even if they never pay for that service after the trial expires, the commission is earned.

You may eventually determine that certain types of pricing arrangements work better on your site and with your audience. Excluding pay-per-sale offers, however, will dramatically limit the pool of options at most affiliate networks.

### Merchant Search



#### Network Breakdown

All Programs [ 3969 ] Pay-Per-Sale [ 3837 ] Pay-Per-Lead [ 302 ] Pay-Per-Click [ 0 ]

[Results](#) [Keyword](#) [Advanced Search](#) [Browse By Category](#)

**Start With:** ☒ Merchants ☐ Products

**Popular:**


- \*\* NEW programs in the last 20 days. [ 90 ]
- \*\* Top 100 Power Rank [100]
- Programs Exclusive to the ShareASale Network [ 1025 ]
- Fall 2013 Catalog


**Activated In:**

- February 2014 [ 78 ]
- January 2014 [ 105 ]
- December 2013 [ 90 ]
- November 2013 [ 116 ]

**Holiday Sponsored:**

- Valentine's Day
- St. Patrick's Day
- Easter



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**A CYCLISTS #1 SOURCE**  
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- Average Order Value Over \$100
- Full Product Feed
- Dedicated Affiliate Team

Sponsored Merchant

## Bottom Line

Success in affiliate marketing ultimately comes down to finding the right offers for your audience, and effectively funneling your traffic to your merchant partners. Picking the relevant offers that feature attractive commissions is a tough process, but one that is worth spending a considerable amount of time on.

# 06

## HOW TO ESTABLISH A DIRECT AFFILIATE MARKETING RELATIONSHIP

The two primary players in any **affiliate marketing** arrangement are the content - creating affiliate and the product - selling merchant. But as affiliate marketers know, networks such as **Commission Junction** and **LinkShare** are key components of the “ecosystem” as well. Just as many sites that monetize via display advertising attempt to establish direct relationships with advertisers and cut out ad networks, successful affiliate marketers may wonder about eliminating networks and working directly with their merchants.

In this article, we’ll explore the options for affiliate marketers looking to cut out networks entirely and establish affiliate relationships directly with merchants who will compensate them for any sales generated.

### Affiliate Marketing Refresher

To understand the potential value in establishing direct relationships with merchants, a quick refresher course on the economics of affiliate marketing may be useful. We like **this visual** as a way to summarize:

# How Affiliate Marketing Works

Sugarrae.com



What the chart above doesn't show is the role of the affiliate marketing network (e.g., Commission Junction or LinkShare). From the publisher's point of view, the affiliate network is involved very early on in the process, generally supplying the ad creative and affiliate links used to refer traffic. They're also involved at the last (and most important) step in the process: a portion of the commission earned by the affiliate goes to the network who matches them up with merchants and handles the various administrative functions.

Whenever there's a network in the middle, the payout to the publisher will be diminished by the "cut" that player takes. So there is an opportunity to make more money in affiliate marketing by cutting out the middleman network and keeping the entire commission intact for the affiliate (publisher).

But establishing direct affiliate marketing relationships is extremely challenging for a number of reasons, which we'll get into below. While there are certain instances when a direct relationship makes sense, most affiliates will be better off accepting that networks are part of the equation and focusing on finding the right merchants and maximizing referrals.



## What Do Affiliate Networks Do?

If you're attempting to establish direct affiliate marketing relationships, it's important to fully appreciate the value that networks provide. To over-simplify, the network exists to:

1. Match up merchants and affiliates;
2. Handle the administrative aspects of an affiliate-merchant relationship;
3. Protect affiliates.

The "matchmaking" service—offering access to a pool of merchants—is the role of a network that likely comes to mind first. But the administrative workload handled by networks can't be overlooked; they handle all the tracking, reporting, and payment processing that arises during the steps shown above. While that might not seem like much, it can add up to a significant amount of time each week.

Affiliate networks also offer a certain degree of "protection" in the sense that they ensure revenue you earn is properly attributed and paid out. When you start establishing direct relationships, you put yourself (to some degree) at the mercy of the merchants you're able to land as partners.

## Direct Options Are Limited

There is a reason why many major merchants prefer to utilize affiliate marketing networks instead of setting up their own infrastructure. Just as the administrative burden can become overwhelming for publishers with multiple relationships in place, it can be too time consuming for merchants as well. Maintaining direct affiliate relationships involves building out an infrastructure to track referrals, calculate commissions, and process payments. While that may sound like a relatively straightforward process, it can become a major investment with plenty of potential complications and liability issues.

Even eHarmony, one of the Internet's largest affiliate merchants, uses Commission Junction to power its affiliate relationships:



### Why join eHarmony's Affiliate Network?

- ▶ eHarmony is a well-known, well-respected brand that converts
- ▶ We offer up to \$188 per subscription
- ▶ Our performance incentives are bonused manually, so you get paid faster
- ▶ 45 day cookie allows ample opportunity for conversions
- ▶ You can promote us internationally — in CA, US, and the UK!

### EARN UP TO **\$188** PER SUBSCRIPTION

Subscription	65% Commission	75% Commission
1-month / \$59.98	\$38.99	\$44.99
3-month / \$110.85	\$72.05	\$83.14
6-month / \$173.70	\$112.91	\$130.28
12-month / \$251.40	\$163.61	\$188.78

We are the top-paying Commission Junction merchant in the dating category!

### How to join:

**U.S.A. - Canada**  
Commission Junction's branded sign up page for the U.S. program:

**Get Started**

**Email**  
For Email opportunities, visit NetMargin:

**Get Started**

Many other major brands that use affiliate marketing take a similar approach and let one of the big networks do the heavy lifting for them: see **DirecTV** (CJ), **Best Buy** (LinkShare), and **Overstock** (LinkShare).

Many major merchants use multiple affiliate networks in order to maximize their reach. HootSuite is one such example; they'll work with affiliates through either Commission Junction or ShareASale:

## Turn your HootSuite Promotion into Profits

As a HootSuite Affiliate in ShareASale or Commission Junction, you can turn your promotion into profits by spreading the word about HootSuite Pro and any additional add-ons.

### Program in Commission Junction

- ✓ One-time 100% Commission for Monthly Plan Referrals
- ✓ One-time 15% Commission for Annual Plan Referrals
- ✓ No Program Payout Thresholds\*
- ✓ Monthly Commission Payments by Commission Junction

**Join Now**

to our Program in Commission Junction

### Program in ShareASale

- ✓ 15% Recurring Commission for Monthly Plan Referrals (*12 Month Max*)
- ✓ One-time 15% Commission for Annual Plan Referrals
- ✓ No Program Payout Thresholds\*
- ✓ Monthly Commission Payments by ShareASale

**Join Now**

to our Program in ShareASale

Of course, there are some companies out there who run their own affiliate programs without the help of a network. Below is a list of just a few of them:

- [Amazon.com](#)
- [Astrology.com](#)
- [AWeber](#)
- [Bluehost](#)
- [CarsDirect](#)
- [GoDaddy](#)
- [Gravity Forms](#)
- [Liquid Web](#)
- [Media Temple](#)
- [PhotoSpin](#)
- [Pretty Link](#)
- [SEMRush / SEOquake](#)
- [Skimlinks](#)
- [VideoScribe](#)

(We have a [forum thread](#) going with a list of direct affiliate programs; if you know of another, please add it there!)

If you want to uncover more merchants who partner directly with affiliates, just keep your eyes open. When you see affiliate links, do a quick search to see if the related merchant runs their own program. (We came up with the list above by reviewing a few of the bigger affiliate marketing blogs and investigating the most prominent affiliate links on those sites.)

## When Direct Affiliate Relationships Make Sense

Direct relationships between merchants and affiliates will generally develop in two (very different) scenarios:

1. An affiliate generates a huge volume of monthly sales and commissions; or
2. A merchant has a small operation and a very limited number of affiliates.

Let's start with the first scenario above. Suppose an affiliate is generating \$100,000 in monthly revenue for a merchant, and getting \$25,000 in monthly commissions. In this case, the network between the two may be taking \$10,000 a month for its part in the process. In this case, the merchant may attempt to go around the network and set up a direct relationship with the affiliate—perhaps with a 30% commission.

Note that merchants reaching out to establish direct relationships with affiliates will only focus on the “whales” who generate the most revenue. While it's possible to run a few affiliate marketing relationships directly, opening up this benefit to everyone quickly becomes overwhelming.

At the other end of the spectrum is the small merchant who is only willing or able to work with a handful of affiliates. In this case, the merchant and affiliate may come to an agreement and utilize a “low tech” solution to determine commissions earned (e.g., a custom referral path and an earnings statement powered by Google Analytics). This type of affiliate relationship will typically develop when there is a logical affiliate relationship between two parties, but the merchant isn’t interested in opening up the affiliate program to a wide range of partners via an affiliate network.

The vast majority of affiliate relationships are run either through networks or through custom platforms established by merchants. There’s a reason for that; these types of arrangements are the easiest to manage, and allow scale for both merchants and affiliates.

But there will be instances where an ideal merchant isn’t active on an affiliate marketing network and doesn’t have their own platform in action. There may be instances where a potential merchant partner doesn’t even know what affiliate marketing is.

## Tips for Establishing a Direct Relationship

If you have identified merchants for whom you think you could generate substantial revenue through an affiliate marketing relationship, there’s no reason not to attempt to set up a direct relationship.

There’s also not much magic to pursuing this type of arrangement; if there isn’t a pre-existing relationship, start by reaching out to your potential partner and telling them a bit about your site.

From there, it’s some good old-fashioned business development. A few tips / pieces of advice:

- Gather as much information as possible about their current marketing plans. How are they generating sales / leads now? Do they have any affiliates? Are they open to more?
- If you’d be the first affiliate, make it as technologically simple for your partner as possible.
- Be prepared to explain exactly what affiliate marketing is, and how it can benefit them.

In some ways, trying to establish a direct affiliate marketing relationship with a merchant is a lot like trying to get an advertiser to run a campaign on your site. But there is a major difference here that you should consider when reaching out to establish direct relationships: the biggest hurdle to overcome from the perspective of the merchant isn’t a cash payment (as it is with advertising) but rather an administrative burden.

## Bottom Line

In general, affiliate marketing relationships will fall into one of three categories:

1. Facilitated through a network such as ShareASale, Commission Junction, ClickBank, or LinkShare
2. Run on the merchant's in-house affiliate platform
3. Custom deal set up directly between two parties

The vast majority of affiliate marketing relationships will be established either through a network or through the generic, impersonal interfaces of the companies who have established their own platforms. While the opportunity to generate additional revenue exists if networks are cut out of the picture, the substantial benefits they offer, including administrative responsibilities, makes them a pretty vital part of the affiliate marketing ecosystem.

When opportunities to establish direct relationships and negotiate customized commission deals exist, there is likely already a relationship between the two parties. The biggest hurdle to overcome here is generally the administrative and technological burden, since there are no payment required unless revenue is generated.

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## TOP AFFILIATE MARKETING NETWORKS

Though the glory days may be behind us, affiliate marketing remains a multi-billion dollar industry and a primary source of income for thousands of successful online entrepreneurs. As the number of merchants embracing affiliate marketing strategies has increased, new opportunities have been created for Web publishers able to build an audience and effectively promote affiliate offers.

There are a number of merchants who work directly with affiliates; but most affiliate marketers will make use of a network to find and implement offers on their sites. Though networks take a cut of fees generated and therefore reduce the overall amount paid, they do serve some valuable purposes in the affiliate marketing ecosystem:

1. Aggregate offers from multiple merchants.
2. Present simplified way for affiliates to browse / compare offers.
3. Handle administrative aspects of affiliate process.

Check out some of the [best affiliate marketing networks](#) out there.