

A photograph of two trail runners on a rocky path in a forest. The runner in the foreground is on the right, wearing a white shirt and black shorts with red accents. The runner in the background is on the left, wearing a white and red shirt and black leggings, using trekking poles. The path is rocky and surrounded by dense green foliage.

 impact.com

**How an affiliate partnership
program works — from first
click to payout**

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- 2** Affiliate definitions and meanings
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 - Referral
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 - Payout
- 4** Unlock the potential of your affiliate program

CHAPTER 1

Why you need an affiliate partnership program that works

A well-crafted program is a journey, not a destination

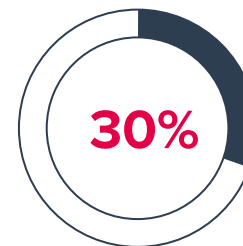
Chances are you already know that affiliate marketing is a successful channel for marketing. But just in case, these compelling stats help drive home the message:



15% of all digital media revenue comes from affiliate marketing.¹



The affiliate marketing sectors is worth \$12 billion and rapidly growing.*



Well-crafted affiliate programs boost revenue by 30%.¹

¹ "Affiliate marketing statistics," 99firms, 2020
<https://99firms.com/blog/affiliate-marketing-statistics/#gref>

These figures are impressive, but how do you make affiliate marketing work for you? To get the most out of your affiliate marketing strategy, like any journey, you'll need to start at the beginning. A good place to begin is by getting a grip on learning how an affiliate program works.

While there are lots of resources out there, many are outdated — and much has changed. They rely on stale methods on how legacy affiliate “set-it-and-forget-it” programs worked. Today’s more mature programs do not look at affiliates like simple pieces of a marketing puzzle, but have evolved their relationships into true affiliate partnerships. This guide will help you wrap your head around the fundamentals and how a modern affiliate partnership program works today.

First, let's review the basics . . .



CHAPTER 2

Affiliate definitions and meanings

What is affiliate marketing?

The Cambridge Dictionary defines affiliate marketing as “the use of one website [or app] to advertise the products and services of another website.” Although accurate, the definition is a little vague. Affiliate marketing more specifically represents the relationship between an online retailer or a brand, namely an advertiser, that pays external websites commission to drive traffic and sales to their website.

Here’s a simple example of affiliate marketing in practice: A fashion blogger mentions a favorite online fashion store in a blog post on their website, and provides a link to it. A fan of the blogger clicks the link, arrives on the retailer’s website, and buys a pair of shoes. The fashion blogger then receives an agreed-upon commission for the sale (not for the click).



The affiliate model is a performance model. It works in a similar way to traditional advertising by predominantly relying on cost per mille (CPM). Broadly, the affiliate performance model makes it possible to reward affiliates for a revenue-generating event, which is why it became so popular in the late 90s. Brands and advertisers realized that they didn't have to pay for banner ads, or even clicks and impressions. They could literally just pay when they made a sale. Fast-forward to today, where there are more ways to reward affiliates on intermediate success events that show strong intent, and eventually lead to a revenue-generating event. For example, an affiliate could generate a lead that guides a user to create an account or register on-site, or install a free software trial they may later purchase.



What is an affiliate?

An affiliate is an individual (or an entity) whose external website drives traffic to a merchant's site. Historically, affiliates were coupon, reward, or loyalty sites. Now, any external website or social platform can become an affiliate. This is why "referral partner" may be a better way to define various types of partnerships based around the affiliate payout model. When exclusively focusing on traditional affiliates, however, affiliate partners typically include (but are not limited to):

Affiliate partners



Coupon, rewards, deal, cashback, and loyalty websites and apps



Shopping websites / comparison websites



Product review websites



Blogs and niche or mainstream content websites



Merchant site

What is an affiliate program?

An affiliate program is the actual structure and process that manages the relationship between a merchant and an individual (or an entity) that drives traffic and referrals to the merchant's site. The individual/entity is considered an affiliate partner. Affiliate programs are generally performance-based, with their own set of criteria, tools, and procedures. All of this enables an affiliate to generate advertising and custom links for specific products, offers, or promotions.

First, the affiliate enrolls in a merchant-sponsored campaign. An affiliate manager then sets terms for the affiliate program that determines the compensation the affiliate will receive for every customer referral. Most frequently, the program ensures that the affiliate receives a payout for every person they refer to the website that turns into a customer (conversion). The affiliate may also receive a monetary commission for alternative goals such as engagement, first click, or newsletter sign-up.



Traditionally, affiliate programs only paid commission for last-click sales. But today, affiliates can receive commission for a range of valuable actions their referrals take. Commission can now be paid on anything that establishes user intent, such as funding an account for a brokerage service or setting up a retailer registry.

How do you pay affiliates?

When a site visitor performs an action that can broadly be interpreted as a “success event,” the affiliate partner that sent the visitor to the website is paid. The action could be a click, an install, a lead form submission, or a product purchase. Affiliates are typically paid based on performance, which means they only get paid if the visitor takes an action.



Types of affiliate marketing models include:



Cost per click (CPC): The affiliate gets paid for all clicks generated, regardless of whether they resulted in a lead or sale. This is fairly rare, since most of the risk is on the merchant (who may end up paying out for fraudulent or low-quality clicks).



Cost per lead (CPL): The affiliate gets paid for every lead generated. A lead could be an online form submission, a trial creation, or a pre-purchase. CPL is a shared risk between the merchant and the affiliate.



Cost per sale (CPS): The affiliate gets paid for every sale generated. This model is most common, since all risk falls on the affiliate. The approach, however, means that influencer or content affiliates driving value at the upper funnel may lose motivation when a sale leads to a payout entirely captured by the last-touch affiliate.

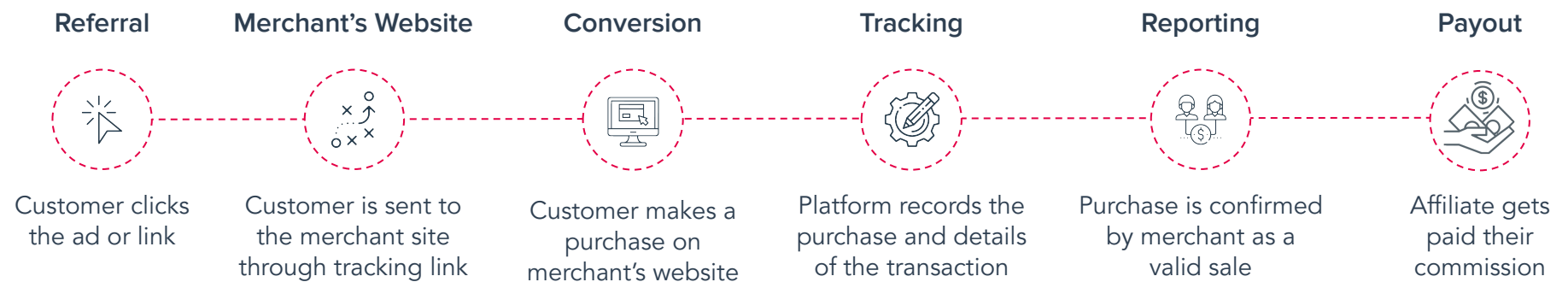


Cost per install (CPI): The affiliate gets paid for every app install driven. CPI is only relevant to merchants with a mobile app to promote. We recommend that merchants do not solely rely on paying out on install, due to the prevalence of fraudulent and low-quality installs and the ease of committing install attribution fraud. Merchants should rely on some form of post-install in-app action (which we refer to as a CPI+ payout model).

CHAPTER 3

The road to payout

What happens after that first click?



If you're still coming to grips with how an affiliate program works, think of it in terms of the user journey. Look at the key steps a user takes from first click to conversion — and the consequential steps that lead to affiliate payout. From there you'll get a clearer picture and areas of opportunity where you can improve performance.

In the following chapters, each step of the flow graphic is broken down to reveal what's "under the hood," including key considerations for managing an affiliate program in today's market.

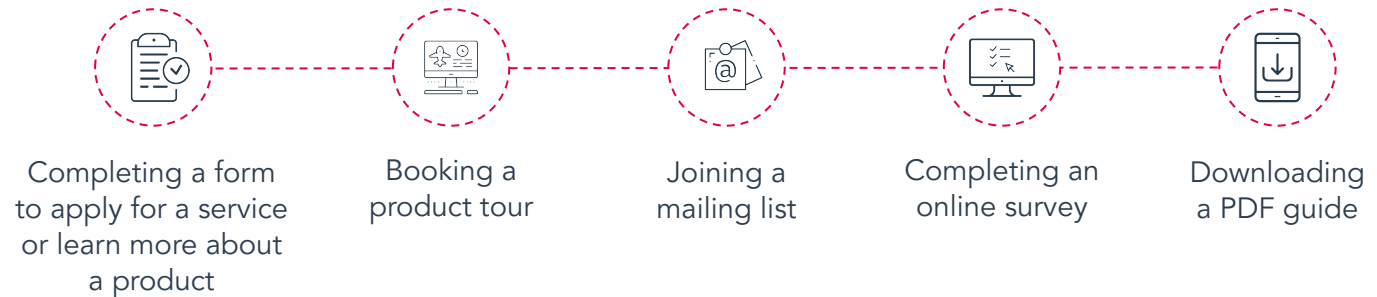
1. Referral

Customer clicks an ad or a link

Affiliate partners have existing traffic and followers that interact with content on their website, and people that listen to them or go to their website for specific information or insights. The affiliate partner website traditionally is where the user clicks on a link or call-to-action that lands on a merchant's website. Hopefully they'll buy something there. While this scenario is still very much the case, there are now many more channels and routes the user can take before clicking. In addition to promoting a product or service on their website, an affiliate partner may offer a mobile app or promote via email newsletters, private Facebook groups, Instagram stories, WhatsApp, Slack, or Salesforce. The user may also be browsing on desktop, mobile, or tablet.



Each affiliate campaign can have many goals beyond driving sales or bookings through user actions, including:



Unlike traditional advertising (which may be a static or animated banner), wherever the click takes place the user often sees it as a recommendation from the affiliate partner rather than an advertisement. Even compared to native advertising, this is a more authentic way to promote. The added trust and loyalty built with the affiliate partner's recommendation predisposes the user to buying or converting. They click on a link and land on the merchant's website. From that moment on, the affiliate's work essentially is done. They have driven the high-intent traffic and the sale is now up to the merchant. Of course, not everyone converts after that first click. This is why there are a number of ways to track first-click performance — right through to second, third, and so on, until the final conversion. A number of affiliates may make up the user journey, from first click to purchase, which is why it's so important to set up robust tracking. More on that later.

Traditional advertising vs affiliate links

Traditional advertising



A potential customer views your ad



They click and land on your website



You pay for the impression or click, even if they don't buy



You retarget them with another ad



You pay for another impression or click from the same customer, even if they still don't buy

Affiliate links



Your target audience views your partner's content



Interested, they click and land on your website



You pay commission only if they make a purchase



2. Merchant's website

Customer is sent to the merchant's website through a tracking link

Once the user clicks a link on the affiliate's website, they are directed to the advertiser's website. At this point, the key consideration is where the user lands on-site . . . and how they are driven along the funnel toward conversion. Either a custom landing page or deep linking can make this happen.

- Custom landing page — Specific campaigns and product promotions have customized landing pages, with relevant photography and information for that campaign or product. This leads to a higher conversion rate.
- Deep linking — An affiliate can simply deep link their audience to the most relevant page, whether a specific product or an offer page the affiliate is promoting on the merchant's website.



In the early days, little thought was given to the first landing point and the content on that page. Now, so many great tools provide the customer journey insight you need to create high-converting landing pages. In fact, 48%¹ of online marketers enhance customer experience and increase conversion rates by creating a new landing page for every single marketing campaign. As a result, consumer expectations are higher, too, because they know what a “good consumer experience” looks and feels like.

What does a good landing page look like?

It only takes a user 2.6 seconds to find the part of a website that most influences their first impression.² The landing page in any affiliate program is critical to driving the user from that initial click and interest in your brand or product toward significant engagement, whether making a purchase, sending an inquiry, or entering their details to download something of value.



2.6 seconds

for a user to find the part of a website that most influences their first impression

¹ “Why should I use landing pages,” iFactory, August 14, 2014. <https://ifactory.com.au/news/why-should-i-use-landing-pages>

² Peep Laja, “First impressions matter: Why great visual design is essential,” CXL, updated September 25, 2020. <https://conversionxl.com/blog/first-impressions-matter-the-importance-of-great-visual-design/>

If the user arrives from an affiliate website promoting a specific product, the landing page should provide product details and a simple path to purchase so they can learn more and click to buy. The same applies to campaigns that want to drive a visitor to take any action, for example, joining your mailing list so you can capture their data and retarget them with advertising for that product, or follow up with a promotion on a similar product. Once a user clicks on content that promises a discount on a specific product or service and lands on a page, the landing page must explain how to claim the discount. When creating landing pages, ask yourself:

- What content led the user to this point, and what do they expect to see?
- What “compliant” data can you capture to retarget the user in the future?
- How can you transform an interested consumer into a customer?
- What imagery and copy is most effective for this campaign?



How to create an optimized affiliate landing page

Once you've set your objectives for the page, it's time to build it. There are key elements to consider¹ when creating your landing page, they include:

1

The webpage:

A landing page generally needs to be clean of navigation bars and distractions so that users landing on the site are more likely to take the desired action. You may be able to build a landing page on your current website or there are a number of third-party landing page platforms and iframe options (check with your technical team or website development agency).

2

The design:

Keep the design clean and contemporary — white space is your friend. An optimized landing page typically includes a visual header with good imagery, summary text, and a call-to-action (CTA) button. Remember: the design should complement the product or service you are promoting, not overshadow it.

3

The imagery:

Make sure the images match the product or service and, where possible, include a person. For enhanced user experience and propensity to take action or purchase, it's a good idea to have human imagery with the person looking towards the button or action you want the user to take.

¹ Mandy Jones, "How to create affiliate landing pages that convert," Affiliate WP, January 15, 2019.
<https://affiliatewp.com/how-to-create-affiliate-landing-pages-that-convert/>



4**Headlines:**

Focus on value or solving a problem for users in your headlines. For example, if they clicked a link on an affiliate's site that promised a discount, fulfill that promise in the headline. Alternatively, if your affiliate sent a user to your website having promoted a specific service, highlight the benefits of this service to the user in the headlines so it is a dominant feature.

5**Copy:**

Keep the copy simple and relatable to your target audience, using bullet points and short snappy paragraphs. The content should continue the narrative from the affiliate's original post on their website or channel. Since you know the user is already interested, the landing page copy just needs to persuade users to transition from an interested consumer to a customer or subscriber.

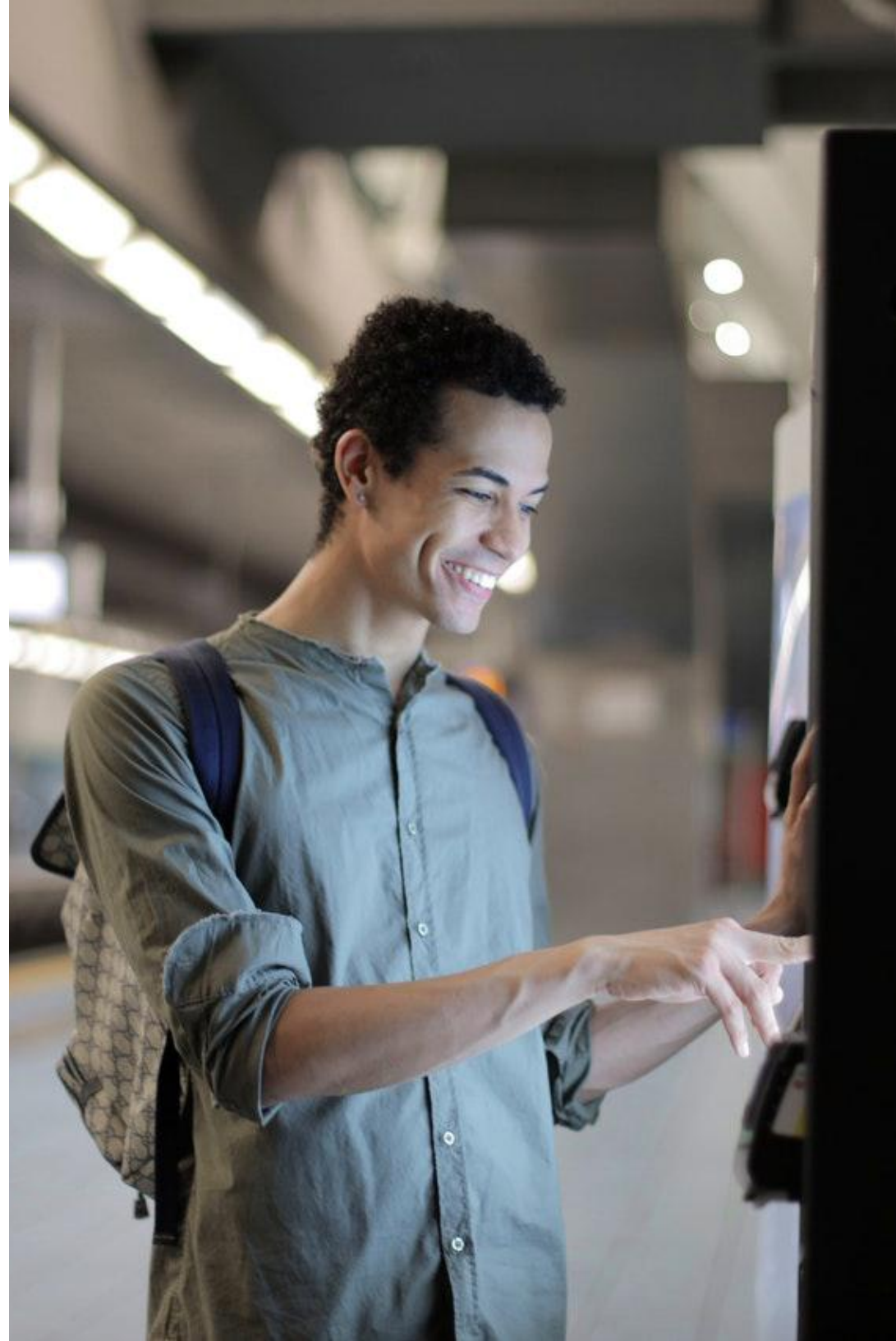
6**Call to action:**

Focus on one clear call to action on your landing page, whether that's buy, subscribe, sign up, or download. Then, direct all of the landing page content and design toward that action. For users not quite ready to take action, include a secondary call to action toward the bottom of the page, such as "get in touch" or "find out more," which will help move them along the conversion funnel.

3. Conversion

Customer makes purchase on merchant's website

“Conversion” is a term often casually batted about by marketers, but let’s talk about what it means in the context of an affiliate program. Put simply, a conversion is an action taken by a user who has landed on the merchant’s website. It’s considered to be a “success event” or an intermediate step toward the success event.



A success event could be a:



Purchase

The user buys the merchant's product



Subscription

The user signs up for a program or monthly subscription



Booking

The user books a hotel stay or flight on the website



Inquiry

The user becomes a qualified lead and gets in touch with the merchant



Download

The user enters their details to download something of value

An intermediate event that could lead to a “success event” could be:



The account funded

The user visits a fintech website, signs up, and adds money to their account



Registry created

The user creates a wedding registry and adds 5+ more items into it



Newsletter signup

The visitor enters their details to receive email newsletters from the merchant



Account created

The visitor creates an account to receive regularly-scheduled emails of daily deals

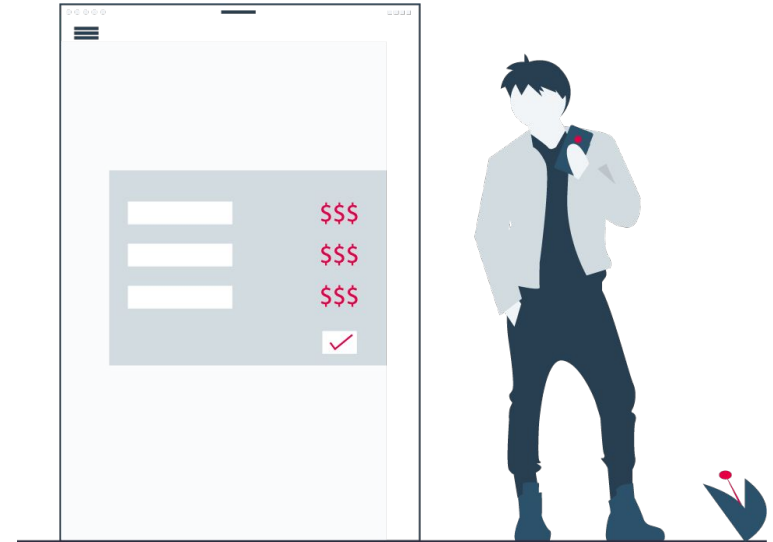


Reservation

The user puts on hold an airline purchase, car rental, or hotel stay, and intends to book within 24 hours.



The merchant has a target conversion in mind when recruiting affiliates. In most cases it will be a monetary transaction such as a sale or subscription. That said, now that many merchants use automation software that enables custom payouts, they may offer varying commissions on a range of conversion types. For example, one affiliate may not drive the last sale, but they did lead a user to inquire, then set up a product tour, and later subscribe. To do this successfully you need to effectively track all activity. This nicely brings us to the next point in the affiliate program journey: tracking.



4. Tracking

The platform records details of the clicks and ultimate transaction

Correctly tracking your affiliate program is crucial. It enables you to replicate successes to improve your program and determine how partners are paid commission. As consumers become more connected across multiple devices and spend more time online, it's critical that affiliate marketers accurately track and measure the consumer journey across all channels and devices.



What do you need to track?

In short, everything. Track as much as you can in the customer journey, beginning with that first click-through to your website from an affiliate website, including all actions the customer takes from that point that eventually lead to conversion. This could include the same affiliate lead typing the brand name into Google and visiting the website, clicking through on a paid pay-per-click (PPC) ad, or perhaps directly returning to the website on an alternate device such as mobile and tablet. The same lead may then click a retargeted ad on social media and finally return to make that all-important sale or take the target action. The more you know about that customer journey, the more you'll improve your affiliate program and accordingly reward affiliates for their input on the final transaction.



Tracking isn't as simple as it used to be

Tracking was relatively easy when merchants only cared about the last click that led to a sale. In the early days, they could simply provide affiliate partners with a unique discount code or a custom link. Later the practice evolved to include Google Analytics goals that tracked a customer landing on a sale confirmation or thank-you page. But if you're going to track the whole user journey, more intelligent tracking was required. Then there were cookies, sadly not the edible kind. These text files are dropped on browsers that record user data and their actions, shared across websites. The perfect solution, right? Not anymore — a number of Apple and Google updates have permanently crumbled the cookie tracking method.



Key moments in the demise of the cookie include:

- **2017: Apple introduces Intelligent Tracking Prevention (ITP),¹** making it harder to use third-party cookies to track Safari users on iOS and MacOS. However, at this stage marketers were still able to use first-party cookies.
- **2018: Apple releases ITP update 2.0,²** blocking even more cookie-based tracking and significantly impacting anyone using traditional gateway tracking. First-party cookies were no longer a viable workaround at this point.
- **2019: Apple releases ITP 2.2.³** This update limited the duration of some first-party JavaScript-set cookies to one day, down from the seven days set by ITP 2.1. Developers were still able to work around this, though, using local storage for first-party cookies.
- **2019: Later in the year Apple releases ITP 2.3,⁴** basically closing the developer loophole and making it clear that cookie storage was no longer a viable or reliable option.
- **2020: The Chrome 80 update** stacks up even more restrictions on the type of cookies that can be used in the third-party context.

¹ Matt Moore, "Safari's done it again — what you need to know about ITP 2.2," impact.com, May 28, 2019.

<https://impact.com/partnerships/safaris-done-it-again-what-you-need-to-know-about-itp-2-2/>

² Matt Moore, "What does ITP 2.0 mean for you," impact.com, August 8, 2018.

<https://impact.com/partnerships/what-does-itp-2-0-mean-for-you-2/>

³ Moore, May 28, 2019.

⁴ Matt Moore, "Browser news: What is ITP 2.3 and Google Chrome's latest on tracking," impact.com, November 26, 2019.

<https://impact.com/partnerships/browser-news-what-is-itp-2-3-and-google-chromes-latest-on-tracking/>

What types of affiliate program tracking can you use?

Even if you've used custom links or previously had success with cookies or basic analytics, it's time to get with the affiliate program of today. With the rising use of ad blockers, increasing levels of mobile and in-app traffic, and consequential declining reliance on cookies, you must consider many factors when structuring your tracking set-up. While you can take many custom approaches and routes with the right technology, there are five main options for tracking affiliate activity:



Option A: JavaScript tags:

The most widely used tracking methodology, JavaScript tags capture a wide variety of data points to enhance reporting and commissioning capabilities. The tags allow for real-time tracking of clicks, conversions, and website behavior.



Option B: FTP tracking:

FTP Tracking is used to submit batch file conversion reports to your tracking platform. FTP Tracking requires you to create a dedicated FTP site to house their batch files, and gets picked up by the tracking platform on a predetermined, recurring basis. Otherwise you can also upload your batch files to an FTP site on your tracking platform's server on a regular basis.



Option C: Application Program Interface or “API” calls:

Commonly known as server-to-server tracking. API calls allow conversion data to be submitted via a web service API call to an advertiser’s selected SaaS platform or affiliate network. API calls do not require cookies to operate, and can be made in real time or in delayed intervals. The brand passes in as an anonymous customer ID to the API call in order to help establish identity. This is the most future-proofed methodology available.



Option D: Promo code tracking:

Promo codes are a great way to monitor how partners aid your efforts. They are often shared as part of offline campaigns, and may not always have clicks associated with their usage. Customers often type in a URL or arrive via search (as opposed to clicking a link). The promo tracking mechanism associates a promo code used at time of conversion with a designated affiliate partner to ensure that the correct partner gets credit.



Option E: Unique URL tracking:

A unique tracking URL is a designated URL assigned to a specific affiliate partner. Typically, unique URLs are used for co-branded campaigns and offline promotions on television, radio, or print promotions.



5. Reporting

The purchase is confirmed by the merchant as a valid sale

So many data points can tell a great story, but only when you have the right reporting software. Typically, there are two types of reporting:

- **Performance reporting** — A list of data filtered by device, promo code, day, or hour
- **Insights reporting** — A view that first relies on the assembly of all the touchpoints on a conversion path, then extracts insights that highlight incrementality, role and value that various affiliate partners provide along the customer journey



Both report types serve different purposes, and both are equally important. Performance reports are used for day-to-day operations — to ensure that partners are on track or if unexpected spikes or dips exist. Insight reports typically are used for long-term analysis, enabling you to understand the value a partner delivers — whether it is introducing new customers to the merchant or leading engaged users to a purchase. A good insights report answers high-value questions that help you optimize your program and attribute value to the right partners along the way. Robust insight reporting software helps answer key questions, such as:

- **Contribution:** Do my affiliate partners generate the expected level of traffic per day/week/month?
- **Crediting:** Do I properly credit all affiliate partners for the value they drive? Or do some receive disproportionate credit?
- **Synergy:** Do high-converting users engage with two or more of the same affiliate partners in their user journey?
- **Behavior:** Which affiliate partners, ads, and deals are most effective at reducing time to conversion?
- **Customer value:** Which affiliate partners drive the highest value customers that return to purchase or buy at a higher margin?

Affiliate reporting today vs traditional reports

Big coupon, deal, cashback, rewards, and loyalty websites were always great at capturing last-click data and delivering reports based on those insights. This worked for a while because the whole affiliate model was based on last-click to sale. However, now we know there's much more to affiliate partnerships and that many steps drive the user to finally make a purchase or convert. Credit must be assigned incrementally:

Would Affiliate A have gotten a click-through to a sale without the contribution of Affiliate B, who then shared a social post, and Affiliate C who got that first click a few weeks ago but no immediate conversion?

Running a successful affiliate program is about going beyond a direct click-to-sale approach and understanding where the high intent to purchase happened. This requires intelligent data insight and robust reporting. Get it right and you can reward every single affiliate partner that contributed to a conversion. They'll be motivated to continue to drive the same value time and time again. Deep insight into what works and what doesn't enables you to replicate successes across your affiliate campaign and get the best out of your affiliate program..



6. Payout

The affiliate gets paid their commission

Payout to affiliates was traditionally either a percentage of purchase or a flat fee per sale; essentially, you paid for volume. The affiliate model has evolved to include paying value return for your affiliate partners, whether a sale, a lead submission, an inquiry, or on-site registration. Affiliate tools and automation technology also enable you to adjust payouts to pay more (or less) for a specific activity.



Here are two scenarios that demonstrate the benefits of flexible payouts:

Manufacturer | Unprecedented product demand

A consumer electronics manufacturer experiences high demand for their latest smartphone, which means they don't want to pay commission to affiliates driving further sales on the product. However, they do want to liquidate excess inventory and sell the two-generations-old smartphones filling their warehouses. As a result, they shift payouts to pay higher commission on older products.

Travel brand | Entering a new international market

A ride-sharing service wants to cultivate a new city within the Brazilian market and will pay affiliates more for new customers driven from that city. This demonstrates how it's possible to have higher margins or payouts for a particular customer in a certain market. A merchant may also choose to pay more for a new customer, and less or nothing at all for an existing customer that returns to a website via an affiliate link.

An intelligent and customized approach to payouts delivers the most commission to an affiliate that drives value toward specific business goals or helps merchants get more value from an affiliate partnership. Affiliate partners are also motivated to drive sales or conversions that deliver the most value, rather than those that only drive volume traffic to the website and hope for the best. This ability to be flexible enables greater performance and helps organizations adapt during times of crisis. Plenty of people still operate on the old pay-per-sale or last-click model. But if you want to modernize your approach and get the best out of your affiliate program, be sure to invest in technology that enables you to implement intelligent payout models for affiliate partners.



CHAPTER 4

Unlock the potential of your affiliate program

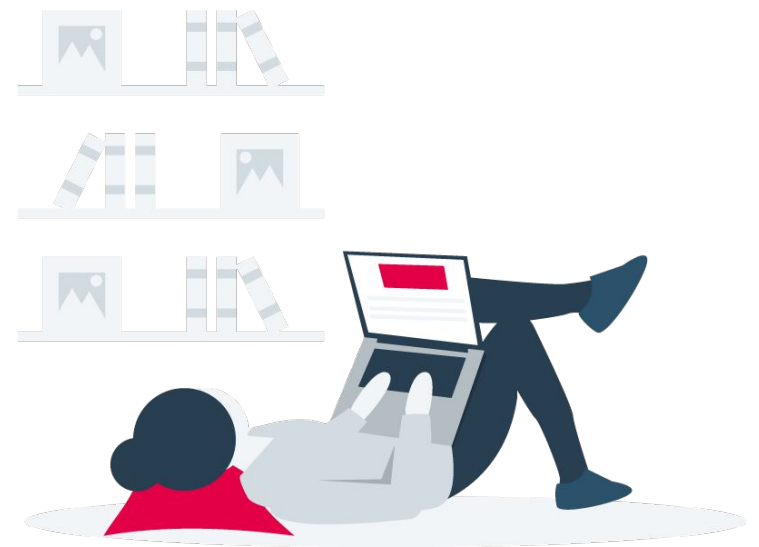
The principle of an affiliate program today is the same as it has always been: A website owner promotes a specific product or service and receives commission for directing traffic to the merchant's website, along with an eventual sale or conversion. What has changed is the huge potential for more diverse partnerships that work on the affiliate payout model.

The potential also includes greater insight into partner relationship performance, and the ability to drive more value return by attributing fair commission to each affiliate based on their “actual” contribution within the customer journey.



Like any other growth channel channel, the key to a good affiliate or partnership program these days is customer experience, which applies to potential customers landing on your website and also the affiliate partners you build relationships with. It is by providing an enhanced user experience that you will receive higher value return and get the best out of your affiliate or partnership program.

Now that you understand the mechanics of an affiliate program, you need tips on how to optimize your program which you can find in our ebook [13 best practices for affiliate partnerships](#).



About impact.com

[impact.com](https://www.impact.com), the leading global partnership management platform, has been transforming the way enterprises discover and manage all types of partnerships — including affiliates, influencers, commerce content publishers, B2B, and more — since its founding in 2008. Its powerful, purpose-built platform helps businesses, including brands, publishers and agencies, to build authentic, enduring and rewarding relationships with both publishers and consumers. By providing visibility across the entire consumer journey they are able to aggregate, orchestrate and optimize the total value of the entire mix of partnerships with ease and transparency, driving growth and creating new value for consumers.

To learn more about how [impact.com](https://www.impact.com)'s technology platform and partnerships marketplace is driving revenue growth for global enterprise brands such as Walmart, Uber, Shopify, Lenovo, L'Oreal, Fanatics, Levi's and 1-800-Flowers, visit www.impact.com.

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