



## The Golden Quarter: Affiliate Predictions 2018

As ecommerce continues to transcend national borders, so the adoption of specific retail events by other countries has followed suit.

With November boasting a series of peak trading periods, it's now established itself as the core focus for many retailers, replacing December's traditional dominance in most markets.

With the Golden Quarter upon us, what are the trends we can expect to see from the affiliate channel in 2018?

Prepared by:  
The Awin Strategy Team

Date:  
October 2018

# Contents

|   |    |
|---|----|
| 2018: November's seasonal spikes coalesce .....                   | 3  |
| Going early: November reigns supreme.....                         | 4  |
| Awin's first 50% smartphone day .....                             | 6  |
| Finding a creative Black Friday angle .....                       | 8  |
| Regional variations will still be important .....                 | 11 |
| Overcoming the digital marketing challenges; digging deeper ..... | 13 |

## Introduction

# 2018: November's seasonal spikes coalesce

Retail events are convenient markers in the sand for brands, demarcating promotions and campaigns. Traditionally these have coalesced around obvious annual occurrences; Easter, Christmas and other regional and seasonal celebrations.

However, with the growing internationalisation of ecommerce, so we have witnessed a cross-pollination of ideas and campaigns ultimately leading to a more widespread adoption of these events.

Take Black Friday, an American retail phenomenon with in-store roots. It has long resonated with consumers in the US, falling the day after the national holiday of Thanksgiving and marking the traditional start of the Christmas shopping period.

*Dragging deals, promotions and offers ever earlier in advance of Black Friday, we are seeing retailer 'creep' as November morphs into a 30-day discounting splurge.*

Enter Apple and Amazon who transformed the retail landscape by exporting the basic principles of discounted and time sensitive deals to an overseas audience. While initially a slow-burn in most of the countries Black Friday was launched in, the concept reached a tipping point with the momentum over the past handful of years proving unstoppable.

Some brands have struggled to grapple with the surge in demand, including how to balance the increase in returns with maintaining decent levels of customer service and the inexorable rise of ecommerce and the margin hit from discounting.

Additionally, in an increasingly cutthroat retail environment that has seen traditional brands challenged on many fronts, many are seeking to steal a march on their competitors, seeking out an angle or opportunity to secure precious market share. Dragging deals, promotions and offers ever earlier in advance of Black Friday, we are seeing retailer 'creep' as November morphs into a 30-day discounting splurge.

With brands keen to seek out additional promotional opportunities, so Singles' Day is viewed as a further chance to push their products, especially for companies with an increasingly international focus. For those looking to target Australian consumers, Click Frenzy also looms as a chance to maximise sales. Other regional events are being thrown into the mix cementing the need for pinpoint accuracy in brands' marketing plans.

Long gone are the days when the Christmas rush was focused around the few weeks preceding the big day. In fact, December, while critically important, is becoming more ordinary with every year that passes, with the growth in 2017's year-on-year revenue for November three times that of December.

In the fast-paced world of ecommerce, retail events are built on shifting sands. Affiliate marketing has always offered brands obvious solutions for tapping into consumer demand across Black Friday and beyond but with the changing complexion of affiliate programmes, what trends can we expect to see in 2018 that will make or break the performance of retailers?

01

# Going early: November reigns supreme

Awin has been around for almost two decades and in that time certain truths have been established despite the ever-changing digital landscape. One such certainty is that the 'golden quarter', the last three months of each year, comfortably delivers the biggest volume of commission, sales and revenue for everyone making money from the affiliate channel.

While this has remained constant throughout the past 20 years, in 2016 the gradual change in sales' concentration shifted, with November posting bigger numbers than December for the first time.

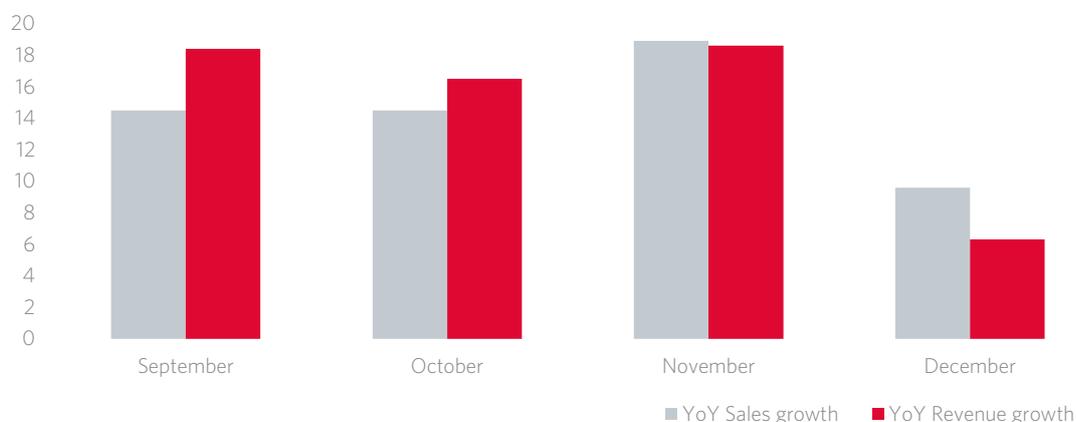
This was further compounded in 2017 and this year Awin expects the gap to grow even further.

Looking at Awin's data from 2017, the volume of sales tracked globally in November grew year-on-year by 18.9%, revenue by 18.6%.

December saw more modest gains, almost 10% and 6.3% respectively meaning that November comfortably consolidated its position as the most important trading month of the year.

What's more December was the only month across the year posting single-digit growth. The trajectory of growth for the last few months of the year can be seen in this graph:

YoY sales & revenue growth (by month, 2016-17)



Given November has now established itself as offering the highest concentration of the biggest and best offers, it will be interesting to track whether October will also see a squeeze as consumers become 'trained' to shop in a certain, narrow window.

Furthermore, December poses a challenge for brands who may not want to participate in the discounting associated with November. Should they sit out the spike in interest, instead holding their nerve, and potentially margin, for the December rush?

If more and more traffic does migrate earlier in the golden quarter, this may be a decision that is taken out of their hands.

Data from 2017 also demonstrated that certain brands were going earlier in November itself. So, the biggest year-on-year growth in the run up to Black Friday was on the Monday that preceded it, rather than directly around Cyber weekend.

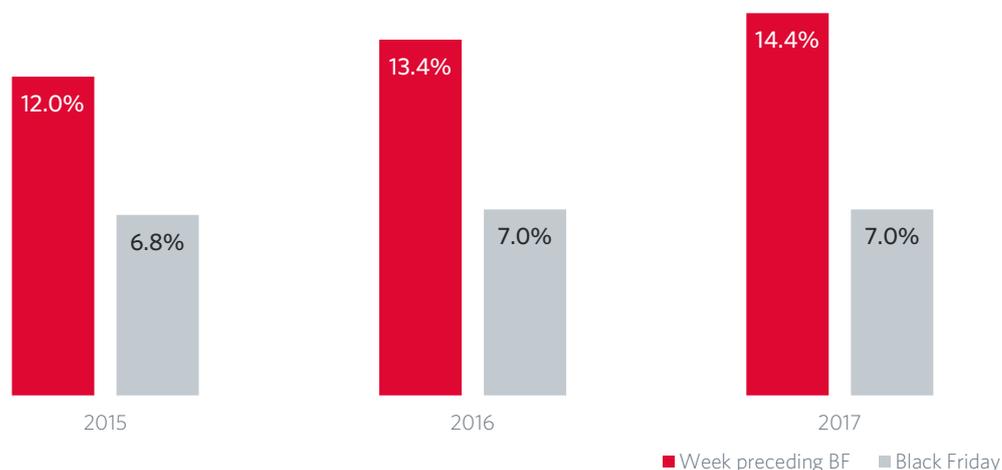
By looking at data from the past few years, we can see that while November as a total has accounted for an ever-increasing volume of sales and revenue, there are interesting patterns for those markets with an established online heritage for Black Friday.

The UK occupies a distinct Black Friday position. While adopting the event in the era of ecommerce and having already reached maturity in a way that hasn't been experienced in other European markets, many brands are trying to work out how to offer something distinct given its ubiquity. The most obvious tactic is to push offers and deals earlier.

If we interrogate the week prior to Black Friday (the preceding Friday to midnight on Thursday), an interesting trend has emerged.

Taking that data from 2015 to 2017 and then comparing it to growth on Black Friday across the same period we can see that growth is tenfold than that experienced on the main day:

#### Share of revenue week preceding BF vs. BF



While Black Friday tracked an extra £19m in revenue on Black Friday alone from 2015 to 2017, the more impressive numbers in advance of the event led to more muted comparative growth.

This dragging of trade earlier in the month could also find itself blurring with events like Singles' Day and Australia's Click Frenzy. While there's no doubt Black Friday is the main event, as the years progress so brands will be looking for anything that will give them an edge over the competition.

02

# Awin's first 50% smartphone day

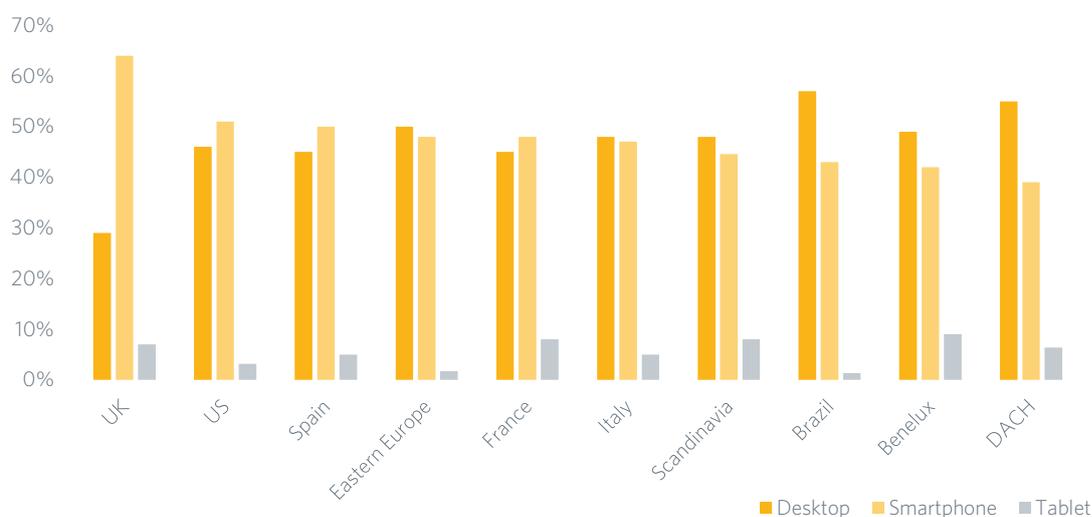
In the early days of smartphones, various milestones were used to showcase the rapidly evolving digital landscape, such as the point at which mobile accounted for double-digit sales or when clicks overtook traditional desktop.

However, with mobile now part and parcel of the wider digital landscape and having reached a tipping point, we take it firmly for granted. As we stand at the end of 2018, certain brands are tracking three out of every four clicks and nearly as many sales.

However, there is still a disconnect that we see within the affiliate channel. For while content, social and longtail affiliates comfortably over-index for smartphone traffic, they struggle to make the conversions count, and for a payment-on-sales model that's a problem.

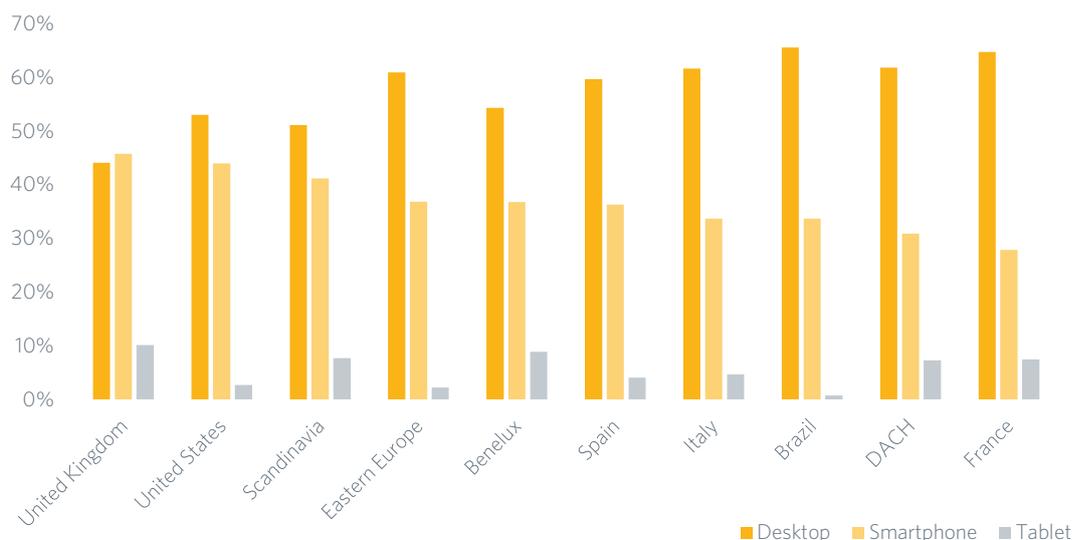
Take the proportion of clicks we track in the retail sector and compare our markets. Data drawn from the end of September 2018 shows that while desktop is still the largest source in three markets, mobile has sizeable share and continues to make daily gains with only one territory sitting just below the 40% mark:

Device share of clicks (%)



However, when we apply the same criteria and view the volume of sales tracked across the network the picture changes quite profoundly, something we've previously labelled the mobile dichotomy; the disconnect between sales (which advertisers do pay attention to) and clicks (which typically they don't due to the commercial model):

## Device share of sales (%)



Black Friday however, usually witnesses a spike in smartphone conversions, as well as some affiliates organising additional, non-acquisition payments, representing a perfect opportunity for them to take advantage of the major events in November.

Because of the significant increase in mobile traffic we can expect Black Friday 2018 to potentially track more than 50% of transactions through smartphones. The wider cyber weekend, incorporating the two days of the week when mobile sales peak, should also follow this trend.

At the time of writing, the final weekend in September saw more than half of clicks tracking through smartphones. A word of caution, however, should be noted. With the recent release of the new version of Safari and its blocking of third-party cookies, so the imperative for brands not integrated with Awin's Mastertag to enable this in advance of peak trading, is clear. Read more about the issue and the challenges it poses for the industry in [our whitepaper](#).

03

# Finding a creative Black Friday angle

Discounting presents retailers with a dilemma; embrace it and experience margin erosion or sit it out and risk missing out on valuable sales during peak season.

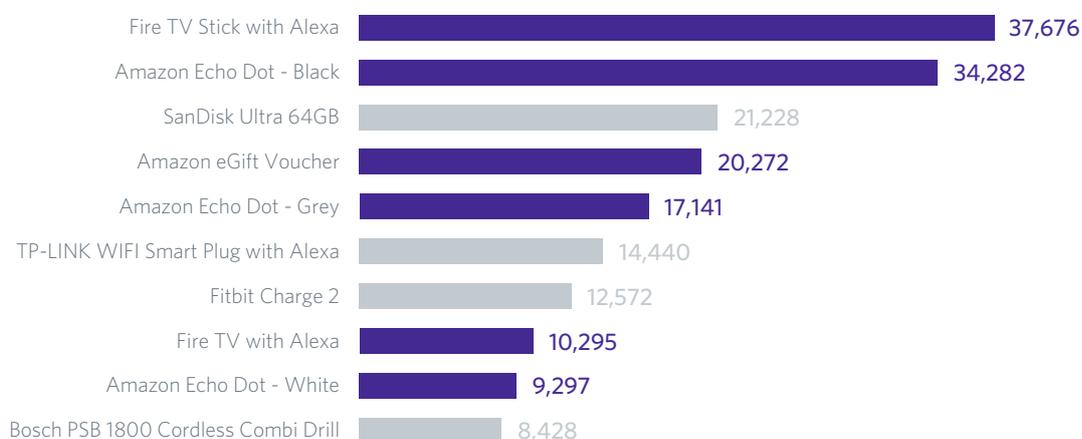
As predictable as the Black Friday newspaper headlines will be about the online frenzy and lack of customers in-store, so are certain brands' announcements that they have chosen to shun Black Friday.

But rather than a cut and dried decision, there are different approaches some retailers have been taking over the years. One notable department store teases their offers in advance of the big day, highlighting 'hero' products that they offer at extremely competitive prices.

Amazon is unique in viewing Black Friday as a means to an end. In selling its own proprietary products at knock down prices they are helping to grow both its advertising revenue and its future customer audience.

Having been instrumental in bringing Black Friday to Europe, Amazon also boasts its own shopping 'Prime Day' in July. It's no surprise that, according to [Hitwise](#), six of the top ten selling products on Amazon Prime Day in 2018 were its own. Their own products took the two top spots, Trojan Horses to increase their own membership:

## Top ten purchases: Amazon Prime Day 2018



Source: Hitwise

We've already considered that Black Friday is going earlier and earlier for some retailers and in fact 2017 saw some run daily deals across the whole month of November. It's increasingly common for brands to run week-long events and we would anticipate seeing more of that this year.

This challenges our perceptions of running deals and discounts as evidence shows that when they are considered time sensitive (i.e. contained to one day or an extended weekend), conversions, and therefore transactions, increase. Is this land grab concealing a longer-term problem? Potential sales

fatigue over time and suspicion among consumers that when products are fully priced, the cost has either been artificially inflated or doesn't represent value for money?

For retailers struggling in an age of waning brand loyalty, offering exclusives to repeat customers helps to build a perception of exclusivity that has worked for certain brands. This not only helps control the message and distribution of deals but also complements the growth in subscription-based models. Considering the lack of control advertisers often feel when issuing unrestrained coupons and vouchers into the market, it may be we will see more of these types of promotions in 2018.

Some brands will simply do nothing as famously espoused by Walmart-owned Asda after it was associated with the negative headlines of Black Friday when it first came to the UK. Others prefer to avoid discounting and some of the uncreative advertising that it's become synonymous with.

It should be hoped that every year a handful of brands will offer something ground-breaking, or at the least quirky to break the monotony.

In the Nordics one of the more unusual tactics deployed on the day came from the retailer site CDON.com who decided to host a live 24-hour video stream throughout the event which featured presenters discussing the latest promotions with a new offer publicised by them every hour. The broadcast also provided product reviews of some of the sale items along with numerous other novel content pieces designed to engage and inform the audience about what was going on during the event.



In Italy, the technology retailer ePrice launched a special promotion on the day which was designed to attract more shoppers to their website. Called the 'Black Hour' it consisted of certain selected products only costing €0.99 for just a 60-minute window.

The advertiser deliberately didn't announce when this would happen meaning that users were incentivised to stay on the site and engage with the brand for longer. The tactic was successful in so far as they drove an increase in traffic and sales, however it also put unanticipated pressure on their servers and the site did go down sporadically during the day because of this additional activity.

Technology is a sector that has been well served by the Black Friday sales period and, like the fashion and health & beauty sectors, is a well-established mainstay as far as participating retailers are concerned.

However, in Spain this year, the banking institution BBVA experienced a 400% surge in sales of one-click credit products after participating in the event for the first time and highlighting the breadth of sectors that are now using the event as a means of growing their customer base.

Even in the US, the home of Black Friday, there were examples of an alternative, ethical take on Black Friday when camping retailer REI shut its 151 stores nationwide, gave employees a paid day off and encouraged both them and their customers to instead spend time with their families in the great outdoors with the *#OptOutside* hashtag successfully gaining a lot of coverage in the media there.

Ultimately Black Friday is an evolving event, challenging brands to come up with interesting concepts around a basic core principle.

Perhaps we will start to see the Singles' Day approach of 'retailtainment' take root, whereby theatrics and a sense of occasion accompany the basic human desire to shop.

Pictures from the opulent four-hour countdown festival to Singles' Day in 2017 featured Alibaba founder Jack Ma alongside a mix of Asian and Western superstars and celebrities such as Pharrell Williams, Nicole Kidman and Maria Sharapova and dominated media coverage of the event.

Produced by the Emmy Award-winning producer of the Oscars, the televised event was fully interactive with viewers invited to engage through a series of online games where they could direct the action on stage or win digital cash prizes.

This television spectacular was the most prominent of a series of initiatives launched as part of last year's Singles' Day that attempted to 'gamify' the shopping experience and, in an era where retailers' ability and appetite for consistently making huge discounts on their stock are waning, the prospect of instead inciting consumer interest through 'retailtainment' tactics has an obvious appeal.

While we wouldn't expect to see anything on such a grand scale associated with Black Friday and Cyber Monday, Singles' Day offers a window into how branding and sales can merge to create an engaging customer experience, both off and online.

04

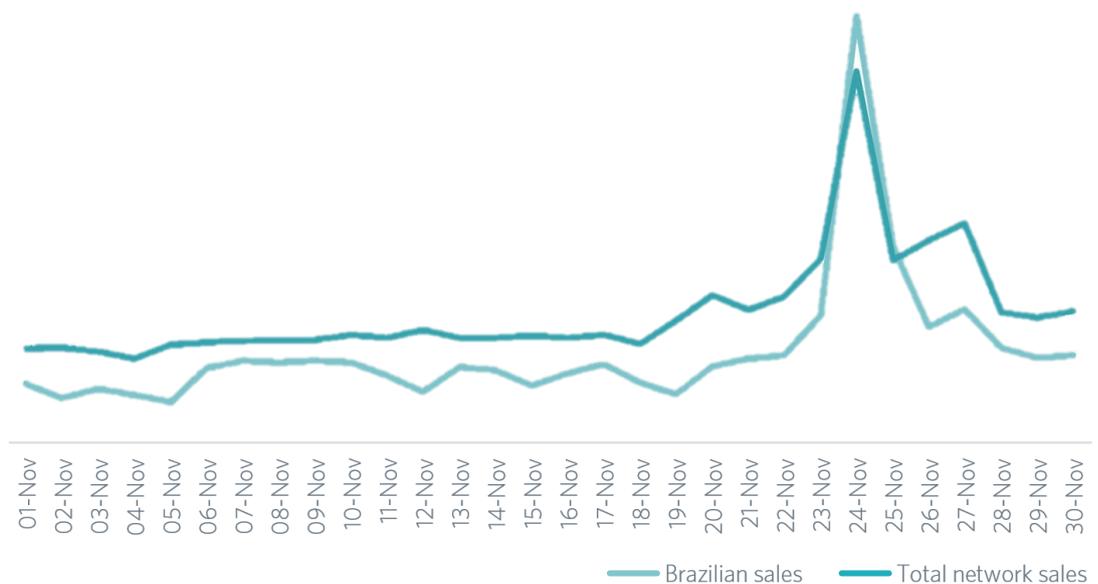
## Regional variations will still be important

There is an interesting quirk to the Brazilian market that makes it distinct from every other territory that Awin operates in.

Despite the protracted turmoil in South America's largest economy, locals are guaranteed some extra spending money ahead of peak trading thanks to a '13<sup>th</sup> paycheck', mandated in law. This means that every employee receives a bumper bonus during their summer months, an additional pay packet to supplement their normal earnings that ensures the economy is boosted by heightened consumer spending at a time that coincides with peak trading.

This undoubtedly helps account for Brazil's outlier status around Black Friday, with more than 20% of the entire month's sales on the Awin network tracked on a single day. The next biggest market is the UK at around 17% of November's total:

**Brazil vs. rest of network tracked daily in November 2017**

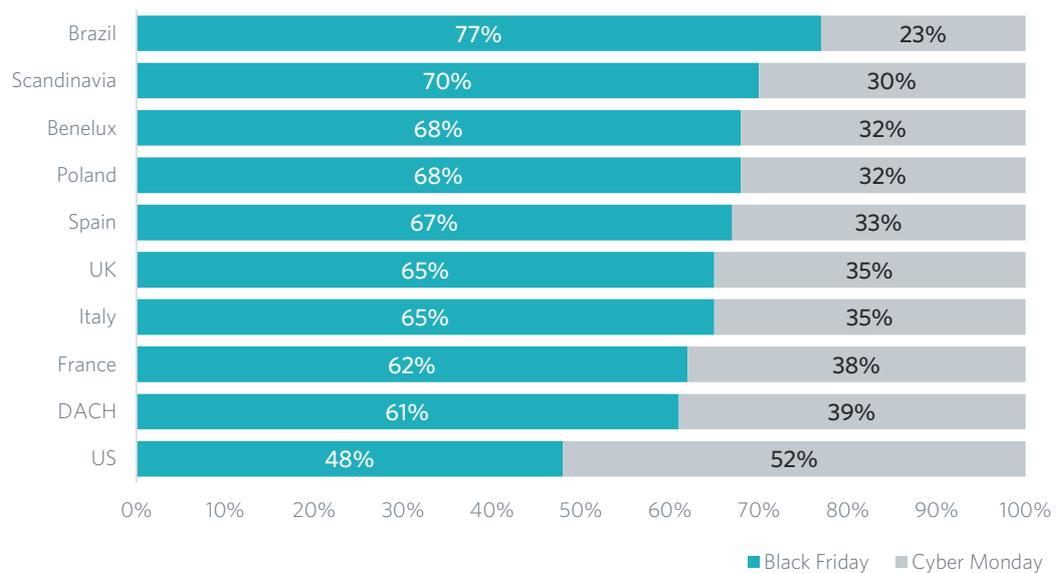


Such are the regional quirks and variations that exist despite the commonality of increasingly global events.

The US, for example, still clings to Cyber Monday as the pre-eminent shopping day in the ecommerce calendar. In fact, it is the only country Awin is active in that bucks the trend of increasing Black Friday market share due to the traditional pre-internet heritage of Black Friday.

Last year we predicted that 2017 could be the year that Cyber Monday was eclipsed, but instead we saw a slight tilt away from Black Friday, so while we expect another bumper seasonal holiday boost on both days, we may have to wait a little longer until Americans fully embrace Black Friday as an online event:

### Revenue Split by territory: BF vs. CM



We may not have to wait long for the transition as web traffic analysts [SimilarWeb noted](#), traffic to US retailer sites over the Cyber Weekend actually peaked on Black Friday. However, on Cyber Monday the quality of that traffic improved radically with bounce rates dropping and more pages being consumed per visit, suggesting users were far more engaged and readier to purchase during their visit.

Perhaps this is a manifestation of offers and deals being contained within a shorter, but defined window allowing for greater consideration to purchase time:

There are also distinct events within November of course, including the Chinese focused Singles' Day, the largest online shopping day globally. The staggering numbers promise to dwarf those of the previous year yet again.

For brands that export overseas it's always worth considering which publishers have a Chinese audience or focus. It's also important to remember that at midnight on Black Friday in Europe, it will be late morning in China as some Chinese consumers explore brands that ship there.

One additional event that's worth mentioning is in Australia; Click Frenzy, taking place this year on Tuesday 13th November. Like Black Friday or Cyber Monday, 2018 will see the sixth outing for one of Australia's most important shopping days of the year.

05

# Overcoming the digital marketing challenges; digging deeper

Digital marketing is experiencing an existential crisis. The advent of GDPR challenges what online businesses do about data capture and interrogation, while major brands are questioning the value received from their online marketing budgets. Add to the mix the prevalence of adblocking, ad fraud pervasiveness and the clampdown by technology giants on traditional tracking methods, and it's easy to paint a picture of a besieged and embattled industry.

The affiliate channel offers solace for those seeking answers to some of these core challenges. In its purest form the affiliate channel is inherently 'data light' and publishers have a core advantage in being able to tap into engaged and opted-in consumer bases they've built.

With transparent payment processes and typically compelling return on investment numbers, it makes sense for advertisers to funnel additional revenue their way. However, that will require us to tackle head on some of the inevitable questions events like Black Friday throw up.

As previously mentioned, some advertisers wince at the idea of discounting and the dominance of 'incentivised' traffic around key trading events requires affiliate marketers to be able to justify working with them. The persistence in a belief that these are customers retailers would have been able to secure independently is one that affiliate practitioners need to be prepared to tackle.

Ahead of Black Friday and peak trading this Golden Quarter, we hope that both greater controls and analysis will be carried out that produces insight to support continued investment in affiliate marketing.

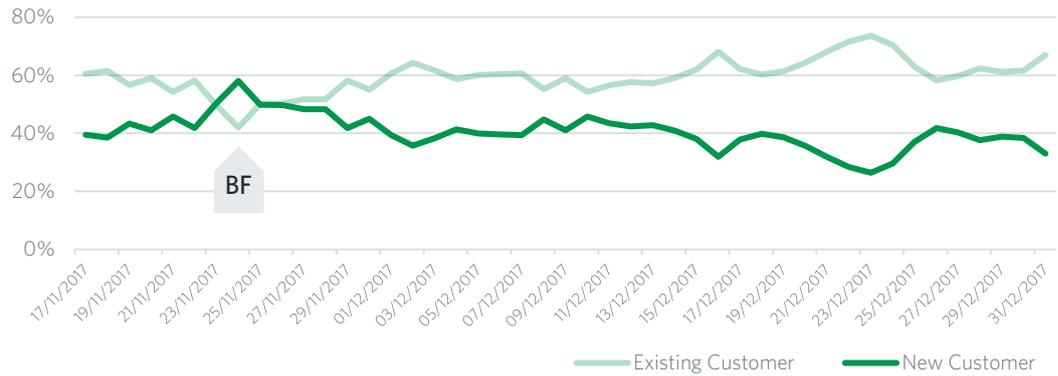
This isn't a new concept. Following 2017's peak trading period we assessed the different outcomes of various promotional activity. As part of this analysis we considered the performance of several retailers who focused on tracking new customer acquisition through the affiliate channel and aligned this approach with offers they pushed to consumers via their publishers.

While new and existing customer data around Black Friday doesn't show anything that is definitive (there is no obvious and general trend that running a specific new customer offer dramatically impacts performance), one sizeable fashion retailer ran new and existing customer deals and experienced a noticeable spike in new customer numbers around Black Friday.

In the following graph the sales performance of new and existing customer numbers is plotted daily from mid-November until the end of 2017. Black Friday was the only day during this approximately six-week window that new customers exceeded existing, with the wider Cyber weekend also drawing in higher-than-average new-to-file shoppers.

While it's difficult to draw concrete conclusions, this could support a theory that Black Friday traffic is distinct and enables brands to reach consumers they wouldn't ordinarily be able to.

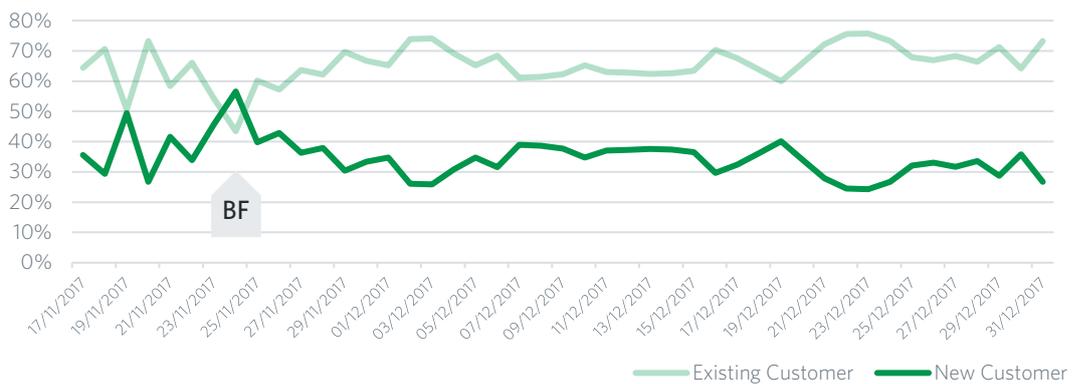
### Fashion brand: new & existing customer numbers (%)



Drilling down we can see how two different affiliate categories delivered. Here affiliates broadly defined as editorial content showed pronounced performance with new customers approaching 60% compared to a programme average of around one in three for the rest of the period.

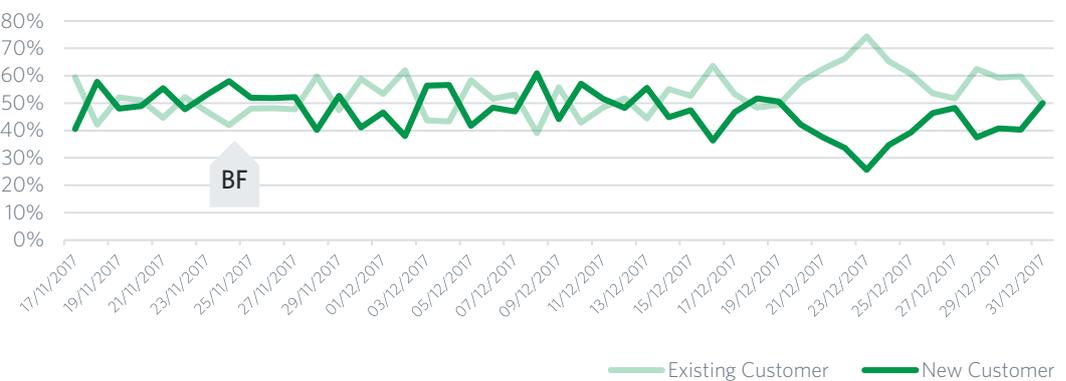
The spike around Black Friday emulated that of the programme in general but dipped back around the rest of the weekend:

### Editorial content



Cashback variations were less pronounced with the channel indexing above average on its ability to attract new shoppers, but their activity still showed a positive result across the wider Cyber weekend:

### Cashback



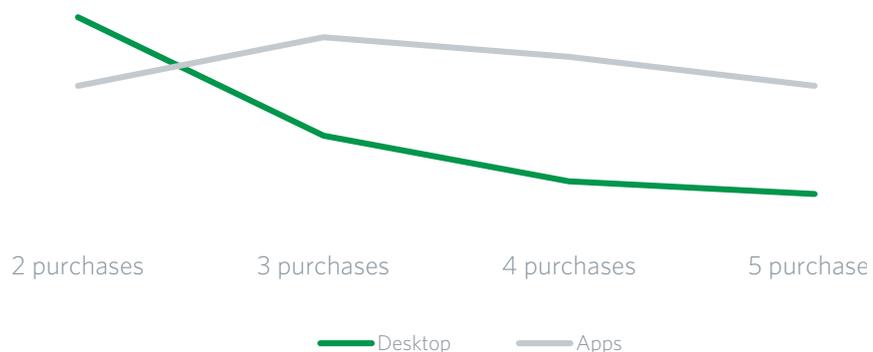
Interestingly, as this brand entered sale period just prior to Christmas, the incidence of existing, loyal customers shot up, indicative of the changing complexion of shoppers based on their reasons for buying.

We know from the network's numbers that regardless of offers and deals, consumers are actively seeking them online whether they intend to buy or not around Cyber weekend. Perhaps this is indicative of a surge in general traffic, with compelling promotions attracting curious and casual browsers, turning them into confirmed shoppers. We would encourage more brands to assess their performance over the various promotional stages in the Golden Quarter and work collaboratively with us to bring these insights to market.

Research from the Brazilian ecommerce specialist e-Bit in 2016 found that Black Friday was potentially a perfect opportunity to attract new customers. According to their insights the big day directly impacted the growth of online shoppers in the country by up to 17%, with an extra 280,000 shoppers making their very first online purchase during the 24-hour Black Friday period.

One area that few retailers heavily invest in is understanding the post-transactional behaviour of their affiliate-referred customers. If Black Friday offers the chance to attract a raft of shoppers new to a brand, then surely it makes sense to understand what those customers do next. Not only should this inform future approaches to the affiliate channel, but it provides an indicator about how incremental sales are.

While not specific to Black Friday, one brand Awin works with assessed the shopping habits of 1,500 new customers who had bought from them having clicked through from affiliate links. They discovered that over the next 12 months those customers purchased an additional 3.3 times, with those coming via their app being 'stickier' shoppers, buying on a further 5.1 occasions.



One of the most revealing insights was that of the revenue that was generated by those 1,500 shoppers over the next year and how much of it was associated with an affiliate marketing commission cost. Only around £100k revenue from approximately £750k came back via an affiliate link, be it a content, cashback, voucher or other type of publisher.

While not definitive this is one way the all-important measure of how incremental affiliate sales are could be measured.

Given we know that Black Friday is an exceptional event in the retail calendar, a combination of assessing new customers and their subsequent purchase behaviour should be a central part of evaluating performance around peak.



# *Thank you*

#AwinBlackFriday



This whitepaper was brought to you by Awin.

As the largest network in Europe with access to half of the top retail, travel and telecoms brands we bring you unrivalled insight into the affiliate and wider performance marketing space.

Keep up to date with our latest analysis via our [Market Insights](#) where you can also view our [Black Friday content](#).