AWIN

2019
Awin Report

(L - R)
Peter Loveday, CTO
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Executive Introduction

A constant connection with consumers.

Five words that neatly encapsulate the power of publishers to partner with brands through the medium of affiliate marketing. Those words weren't written by us. They're the sentiment of the world's most influential marketer, Procter and Gamble's CMO Marc Pritchard, describing his mission to recast the global consumer brand in the digital age.

The analogy with the affiliate channel doesn't end there. Pritchard further explains how P&G is creating a business culture centered on small, agile teams that assume a start-up mentality to build solutions that address consumer demands, much like the huge number of affiliates we work with daily.

Over the past 12 months, Awin has welcomed almost 17,000 new active publishers to its global network. Businesses of all shapes and sizes drawn from across the digital spectrum with their own ideas about how to connect with consumers. Iterating, molding the latest technology, finding a new, lateral angle. It's this ability to adapt and evolve that is one of the channel's greatest assets.

The new publisher number is a reassuring statistic in uncertain times. Digital marketing is under greater scrutiny than ever before, and some of that examination will inevitably land at our door. But the channel's strengths - cultivated over the past two decades - are manifested in robust solutions that soothe some of the fears brands currently have, some of which we delve into in this year's Report.

As the number of affiliate partnerships continues to grow, the industry provides a healthy antidote to increased advertising homogeneity through the breadth and diversity of deeply-forged partnerships.

For Awin, it's been a period of cementing our own alliances. With the continued integration of affilinet and ShareASale under the Awin brand, as well as our partnership with Commission Factory in Australia, we are building a truly global platform for affiliate marketing to take center stage.

Cultivating collaboration in all its forms and guises will be a priority for us in the coming years, providing a constant in an ever-changing world. Jeff Bezos said, "When everyone is focusing on what is changing, I focus on what won't change and build a business around it." Regardless of your view of him, that sentiment has a distinct resonance for our business. Doing the basics well - whether it's strengthening tracking, cementing relationships or improving payment processes - remain a core, fundamental priority despite the shifting complexion and nuance.

Awin will also continue to create new technical solutions while reacting to the curveballs thrown our way. Broadening the appeal of the affiliate channel requires new ways of inspiring brands in a manner that is also respectful of data. The challenges we face are universal, assimilating new technology, brand and consumer demands, while facilitating enhanced insights and automation.

For us the outcome is a win-win. Our partners benefit from new opportunities while our teams are given space and freedom to create more inspirational solutions.

And while campaigns continue to offer compelling returns, we are confident that brands will find solace in the channel. With an estimated return on investment of 16 to one and more than half of online shoppers interacting with an affiliate service in the last six months, our industry provides a connection to consumers that is not only cost-efficient, but 'always on.'

The numbers have always stacked up but sometimes the stories remain untold. That was one of the core drivers behind publishing the first Awin Report in 2017. Now in its third iteration, we're handing over the storytelling reins to our numerous partners. We've interviewed figures from almost 80 different companies and organizations across the industry to hear firsthand their experiences. We hope they will inspire you to step-change your efforts and help write the next chapter in your affiliate marketing journey.

Mark Walters	Adam Ross	Peter Loveday
CEO	COO	CTO

Introduction

Blitzscaling: it's the Silicon Valley term used to describe the rapid expansion tactics of a start-up business to ensure success by disrupting, and then dominating, a sector or industry as quickly as possible.

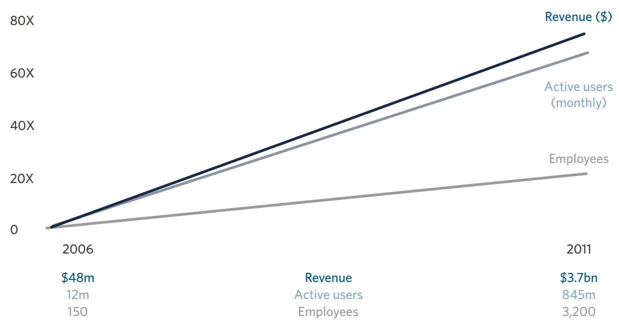
Coined by serial entrepreneur and founder of LinkedIn, Reid Hoffman, it was also the title and subject of a book he published last year.[1] In it, he explains how companies, including his own, have used this practice with great success.

The book is a fascinating insight into a business model that has captured the imagination of entrepreneurs around the world and funded the creation of some of the Valley's biggest 'unicorns.'

Its key characteristic is best crystallized in Facebook's early mantra of 'move fast and break things.' Thanks to the world's increasing connectedness, competition and threats can come from anywhere. Scaling your business as quickly as possible prevents the risk of rivals succeeding at your expense. Rapid growth of revenue and users usurp the antiquated idea of actually making money. Profits come later.

Piles of venture capital are initially burned through with this approach. The focus, first and foremost, is on achieving scale. A 'winner takes all' sentiment is the incentive and, for those few investments that succeed, the dividends can be astronomical.

By the numbers: Facebook's growth over time



Consider the example of Facebook, that jumped in the space of just five years from being a company with 12m users and generating $48m a year in 2006, into one that had close to 1bn users - hitting revenues of $3.7bn in 2011.[2]

Thanks to that rapid scaling of its platform, Facebook's long-term success was assured. It now enjoys a dominant position as one of the two biggest online platforms that advertisers invest their budgets in worldwide. Full year figures for 2018 revealed Facebook's ad revenues had grown almost 40% on the previous year to over $55bn.

Many industry commentators were shocked at these numbers. Facebook had endured yet another challenging year in its media and PR coverage thanks to repeated accusations and revelations of unethical or negligent behavior. From accusations of fake news peddling that influenced the US presidential elections and inciting hate speech in Myanmar, to criticism of the social giant's invasive approach to users' personal privacy, negativity was the primary tone of Facebook's public profile in 2018. Yet thanks to its size, the business appeared impervious to a litany of controversies.

> *"Thanks to Facebook's size, the business appeared impervious to a litany of controversies."*

Alongside Google, which had its own fair share of criticism over the year, the two digital giants now form an established duopoly that dominates digital ad spend. A recent assessment of the US digital ad market, the world's biggest, suggested they account for almost 60% of investment with that figure only set to diminish slightly by 2020 thanks to Amazon's own current rapid ascent as an advertising platform.[3] In fact, with Amazon seemingly hellbent on growing its own advertising revenues after spending years building its consumer base, it's likely that a new 'triopoly' will soon emerge to gobble up even more of that precious spend.

The attraction of these platforms for advertisers is easy to see. Thanks to their extraordinary scale and the volume of data they have on their users, they provide brands with a level of reach and personalization never before witnessed in the industry. Courtesy of the automated nature of their advertising processes, programmatically-targeted placements have flourished throughout the industry, tailoring advertising to individual users and their online profiles across millions of websites.

Yet, there is a growing consensus these benefits might not be all they appear to be. Ad fraud, despite numerous attempts to prevent it, is still rife. A New York Magazine article from December 2018 headlined ‘How Much of the Internet Is Fake? Turns Out, a Lot of It, Actually ’ reported on the extent to which advertisers were being duped into spending billions on ad impressions and views that consisted of bot traffic instead of real, human engagement.[4] The problem became so bad that YouTube nearly reached an inflection point in 2013, when half of its traffic constituted bots. Employees at the Google-owned video platform were afraid their automated anti-fraud systems would begin to recognize the bot traffic as real and the human traffic as fake.

Blitzscaling and the dangers of monopolization

Another consequence of the scale of these platforms is their inevitable impact upon competition. The very nature of ‘blitzscaling’ prevents rival businesses from establishing any kind of competitive foothold. Whether it be through tactical acquisitions or simply squeezing competitors out of the space, the approach aims to cement a dominant position that precludes new threats.

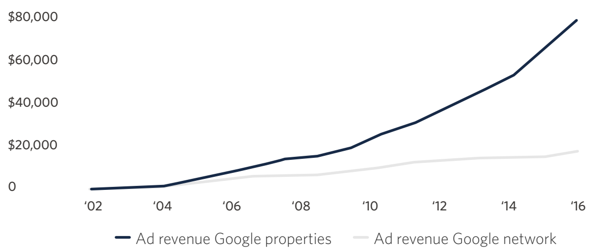
Google has already riled the EU’s competition authorities with its anti-competitive practices via its various platforms. From Android and AdSense to its shopping comparison facility, the search giant has frequently been fined by the EU for tactics deemed to be favoring its own business. In fact, the $900m it paid in fines in 2018 was actually more than it paid in taxes for that entire year.[5]

Without competition, profitability can be maximized and, true to form, that is exactly what has begun to happen in the case of the duopoly. A lack of alternatives have driven up prices and reduced advertisers’ marketing options.

Analysis by Tim O’Reilly on the money that Google makes from its own properties (Google Ads) versus that from ads it places on its partners’ sites (via AdSense) illustrates just how much it has increased its market share of ad spend through its own platform.[6]

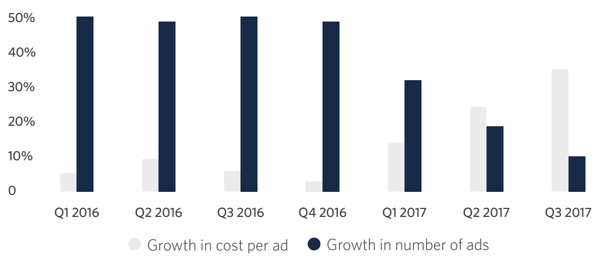
By deemphasizing the prominence of organic listings on its search engine results pages (in favor of ad listings and its own products for a wide range of sectors that keep users on the Google site for longer), it has successfully monetized its own products at the expense of the wider market. All of this under the noble guise of providing users with better, faster access to relevant information.

Revenue growth on Google’s own properties vs. its network



Similarly, as Facebook has blocked the number of ads it offers across its platform in an attempt to make the platform more ‘sticky’ for users, their cost has risen for advertisers.[7]

Facebook ad growth over time



Ironically, regulatory attempts to thwart the extent to which tech giants control and monetize user data through advertising have only served to strengthen their hand. The likes of Google and Facebook were firmly in the crosshairs of Europe’s Global Protection Data Regulation (GDPR.) Yet, because of their access to first-party user data, the regulation has initially only hurt those companies that were reliant upon third-party information that sat outside of these closed ecosystems.

If anything, the law compels advertisers to further tie themselves to the big platforms and that is, for a multitude of reasons, a bad prospect.

For advertisers, it’s dangerous because it places more eggs into a dwindling number of proverbial baskets. The lack of diversification in their ad spend leaves them open to all manner of risk if tactics don’t work or they find they’re not happy with results. Question marks continue to hang over the transparency of reporting provided by these closed ecosystems. But who do you appeal to in those instances? Where else can you shift your spend?

For publishers, the hazards have been frequently spelled out to them over the last two decades. Every algorithmic update a tech giant announces (or more often than not, is subsequently discovered by industry experts) is met with a sense of trepidation. Might this be the change that penalizes a site’s traffic, meaning it runs the risk of ruin?

For consumers finally, the effects are more harmful. With ‘network effects,’ the bigger and more popular a platform becomes, the more value it has to all of its users. Search queries become more relevant, more friends and family can be reached in a simpler fashion - and all of these sophisticated technology services are seemingly made available for free. But, if 2018 taught the wider public anything about the value exchange at the heart of that transaction, it was that there was a cost. The price was their own data, harvested to fuel a virtuous/vicious cycle of continued market domination.

Affiliate marketing’s antidote of digital diversity

What then, does all this have to do with the affiliate industry right now? And how do these issues inform The Awin Report 2019?

Well, this year’s Report is, above all else, a response to these difficulties. The content emphasizes exactly why the affiliate industry is primed to provide an alternative solution to the issues we’ve highlighted.

If the gravest current threat to the advertising industry is its increased monopolization by a few titans, then the solution surely resides in a channel that actively encourages diversity through its multitude of partners.

If transparency on investment is such a chronic problem that Procter and Gamble decided to pull $200m from its online budget in 2017 for fear of wasting it on ad fraud, then surely an industry that rewards on validated, real-world results like sales or leads is a better alternative?

If regulators across the world are desperately attempting to devise legislation that helps protect individuals’ personal data from being exploited online or that guards digital publishers from diminishing advertising incomes, then why not turn to an ad model that requires only the most basic data to function and can support quality content producers by partnering them directly with relevant advertisers?

The Awin Report 2019 aims to make a case for the affiliate industry, not by Awin grandstanding its own status but instead by shifting the spotlight away from the network and onto its constituents.

Any network worth its salt recognizes its primary role as a platform for supporting others, as an enabler of business relationships. That is exactly what this year’s Report provides - a stage for others to speak, honestly, about the state of affiliate marketing and where it sits within the wider industry.

“Any network worth its salt recognizes its primary role as a platform for supporting others.”

We’ve interviewed senior figures at almost 80 different companies and organizations from around the world, including advertisers and publishers of all shapes and sizes, regulatory bodies, digital legislative experts, agencies, influencer platforms and many more. And, it features as diverse a set of opinions as you could wish to see from all those differing perspectives.

For some, we’re experiencing a golden era of affiliate marketing, filled with opportunities and innovation, primed to capitalize on the anxieties that prey on the digital advertising industry at large. For others, the channel is still plagued with its own issues that will hold it back from taking center stage: payment processing delays, a lack of automation, or the need for better attribution systems.

The truth, as ever, is somewhere in the middle. By giving this array of voices a platform, we provide a comprehensive depiction of where affiliate marketing is in its evolution and how it needs to further evolve to ensure its future success.

In addition, we've reached out to a series of thought leaders, each an expert in their field, to ask them to explore some of the most pertinent topics and trends shaping affiliate marketing now.

From the importance of storytelling in affiliate campaigns and the increasing professionalization of influencer marketing, to how digital can help revitalize offline retail and what to expect next from online regulators across the globe.

Moreover, we've assembled a trove of case studies showcasing the work of our partners that demonstrate affiliate marketing in action. The range is vast and is a reflection of the variety of voices in the Report and a testament to the affiliate model's ability to work across sectors, markets and all manner of different businesses. Whether it be an energy supplier in Germany using dynamic commission rates, a bus ticket seller in Brazil leveraging the local popularity of Black Friday, or a Spanish bank experimenting with a series of novel cashback campaigns, affiliate marketing can mold itself effectively to any objective.

"Digital diversity is the key theme to this year's Awin Report and a feature that is worth celebrating in an era of creeping monopolization."

That characteristic of 'digital diversity' is the key theme to this year's Awin Report and a feature that is worth celebrating in an era of creeping monopolization in online advertising.

History is littered with analogous examples of why such monopolies offer little benefit. From the predatory pricing tactics used by Standard Oil at the start of the 20th century[8], to the stifling of innovation during the 'Browser Wars' in the late 1990s, when Internet Explorer's 96% market share saw Microsoft slow the rate of browser development down.[9]

Perhaps Authors United, a group of American writers caught in the crossfire of a commercial dispute between publishers and Amazon in 2014 articulated it best. Their collective letter to Amazon's board of directors raged against their sanctioning of the publisher's books as leverage in the dispute.[10]

"Readers are presented with fewer books that espouse unusual, quirky, offbeat, or politically risky ideas, as well as books from new and unproven authors. This impoverishes America's marketplace of ideas."

Substitute their reference to books with new businesses and it becomes clear how a funnelling of marketing spend into a limited number of companies, especially if the practices of those companies are being questioned, creates concern.

That's where affiliate marketing kicks into action. With its low barrier to entry, plug-and-play solutions, inherent transparency and spirit of collaboration, the affiliate channel represents the very antithesis of this approach. It offers the chance to test and learn, to experiment and build new partnerships, and to tap into new consumer groups daily.

The Awin Report 2019: A response to the 'techlash'

In last year's edition of The Awin Report, we discussed the commonalities of the global industry, identifying seven key themes that resonated across markets. From the value of coupon codes and the importance of global retail events, to the increased adoption of smartphone usage and the virtues of self-regulation. Despite its perception as a complex channel, made up of multiple moving parts that require time and resource, the Report highlighted a series of common threads that ran throughout its entirety.

This year, it's time to emphasize and celebrate precisely that complexity. In the face of a widespread 'techlash' that has zoned in on Silicon Valley's giants and their perceived negligence towards users, advertisers, publishers, regulators and even governments, the affiliate industry's perceived 'weaknesses' is slowly being recognized as strengths.[11]

Take that notion of complexity as an example. Affiliate marketing is a marketing is a microcosm of digital. It incorporates a huge variety of publisher models. Everything from cashback, coupon and comparison sites, to influencers, retargeters and loyalty platforms. The channel is adapting its performance model to suit all of them. Some programs might specify those affiliates they believe to be adding value at the early research phase of a user's online journey, paying them for the influence they drive rather than on the sales they don't. Incentive sites may work towards hybrid goals that incorporate not just payment for sales generated, but also for the lifetime value of the customers they help to convert.

This tailoring of incentives to suit the spectrum of affiliates working to promote a brand takes time, effort and expertise. But that's no bad thing. We've already witnessed how the premature growth of advertising or tech platforms can go awry. Other channels might offer more standardization via their ad models, an ability to simply plug in and connect with huge audiences through a slick toolbox of automated targeting. But the lack of manual oversight, the opacity of that black box of tools, and the amplified risk/reward ratios on offer have left many brands licking their wounds.

"Tailoring incentives to suit the spectrum of affiliates working to promote a brand takes time, effort and expertise. But that's no bad thing."

That isn't to suggest that all automation is inherently flawed. Affiliate marketing has long incorporated aspects of automation within its model, from publisher approvals to the validation of certain transactions. We will see that continue as vendors seek to provide more automated insights and recommendations based on algorithms to help expedite program management.

As well as hearing from the diverse voices within our industry, we're also including this year's key trends alongside a synopsis of peak trading and country sections for each market we operate in.

Running at more than 200 pages it might be viewed as a definitive assessment of the affiliate industry.

But, it barely scratches the surface. In these days of uncertainty and confusion, we hope it provides a clear indication of the channel's ability to be a trusted custodian of precious marketing budgets.

The pace of change we've all had to react to over the past few years will only accelerate. With additional US and European data privacy laws looming, and threats to some of digital marketing's fundamental elements lurking around every corner, affiliate marketing will look to its chameleon-like powers of reinvention.

That is what makes the diverse wealth of opportunities affiliate marketing presents so exciting. We hope this year's Report leaves you with a flavor of that diversity, and a yearning to find out more.

10 predictions for the affiliate industry

Brexit, online taxation and regulatory scrutiny. The digital advertising and e-commerce sectors face an increasingly hostile environment to operate in. However, with the affiliate marketing industry well positioned to capitalize on such dilemmas, Awin predicts where future opportunities may lie ahead.

2018: A year of controversy for ad tech

GDPR. Cambridge Analytica. Mark Zuckerberg's subsequent bizarre 'interrogation' at US Congress. A global walkout by Google staff in protest of the firm's handling of sexual misconduct allegations internally. Worker strikes at Amazon warehouses.

To say 2018 was a bumpy year for tech companies is no understatement. The unrestricted growth and success they had enjoyed for so long reached a point of change. A growing realization from governments, regulators and the wider public set in over the course of the year that recalibrated the scales, acting as a counterbalance to the unparalleled influence and power of these giants.

"GDPR signified a regulatory line in the sand for how the online value exchange should work."

GDPR was of course the most prominent of all the regulatory initiatives to launch in pursuit of this objective, attempting to take back control of personal data from private companies and place it into the hands of individual citizens. The full impact of this will play out in the coming years. However, the legislation did signify a regulatory line in the sand for how the value exchange that underpins much of the online economy should work.

Whether accessing search engines, maps, news content, social platforms, chat apps, email or much more, the services provided by many such companies rely upon the monetization of the data they accrue from the people using them. That exchange sits at the heart of the online advertising industry and yet is one a majority of users have remained largely ignorant of until the kind of controversies we saw in 2018.

For the affiliate industry, simultaneously a distinct segment of the wider digital ad sphere, while also its microcosm, this theme seemed particularly pertinent. Most affiliates are sat at the crux of this exchange, facing both consumer and advertiser. Serving the needs of both, while sustaining their own business, is a delicately poised balancing act.

Thanks to that proximity though, their ability to articulate the benefits of this exchange places them in a position of significant influence and value. In 2019 we can expect to see that value emphasized.

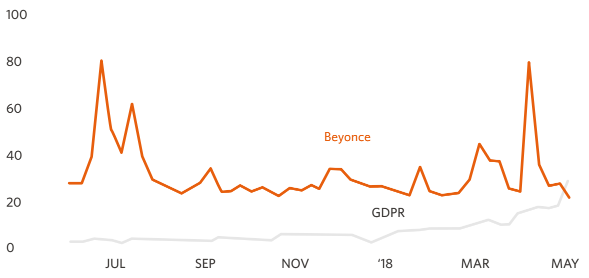
Of course, dilemmas like these evolve over time and are not simply reset or rebooted at the start of a new year. The themes we witnessed in 2018 will persist and continue to develop over the coming months. And so, taking into account that context, here are our predictions for what lies in store for the global affiliate industry in 2019 and beyond...

01

Tech gatekeepers will force a fundamental review of online tracking

The fact that private tech companies are leading the current revolution in online tracking instead of public regulators is telling. While GDPR dominated the headlines in 2018 ('GDPR' was briefly bigger than 'Beyoncé' as a Google search term the month it came into law)[1], its impact, beyond innumerable consent pop-ups and emails being sent, has been relatively negligible so far (Google's recent fine from the French watchdog CNIL aside[2].) Indeed, legal precedence may start to combine around the position that widely adopted consent tools are simply not fit for purpose,

Share of traffic by term



Much less touted, and yet far more impactful, are the iterations of Apple's Intelligent Tracking Prevention (ITP) initiative. As we've previously discussed[3], the enforced update has led to a scramble across the industry with tech providers desperately seeking to ensure their tracking is compliant. As of early January 2019, Awin estimates that around 80% of its clients are now tracking affiliate activity through its MasterTag, guaranteeing compliance with the new process thanks to its use of first-party cookies.

However, the widespread panic and flurry of updates that Apple's action provoked across the industry demonstrated at once the benefits and dangers of the power these gatekeepers hold over the online ecosystem.

There's no doubt that with a litany of recent data privacy scandals surfacing, a move by a prominent tech company to suppress unnecessary online tracking is a positive contribution to the dispute around how companies should be allowed to follow users on the internet.

However, it's also worth recognizing the manner in which updates like this are rolled out and the absolutism of the approach. Companies like Apple wield huge power and any small change can have devastating consequences for those businesses that have hitched their proposition to such giants' platforms. The absence of a public or regulatory debate over the merits or otherwise of such wholesale change is a dangerous prospect.

"ITP 2.0 is clearly part of a general zeitgeist movement toward a more transparent and ethical approach to online tracking."

ITP 2.0 is though, clearly part of a general zeitgeist movement towards a more transparent and ethical approach to online tracking. In 2019, we can expect the ad industry to fundamentally review the means by which it tracks users online with other browsers also rolling out similar changes.

Mozilla has launched its own similar changes to Firefox with its Enhanced Tracking Protection, shifting the default browser setting for Firefox Focus to one which automatically blocks third-party cookie trackers and gives users the option to block all cookies if they so choose.

And the increasing popularity of a privacy-first browser like Brave, which saw its monthly active user base grow from 1m to 5.5m in 2018 is indicative of a wider awareness and interest from online users in seeking out ways to connect online without having to give up personal information about their movements and interests.[4]

With the online population's view on being tracked an increasingly hostile one and the tech gatekeepers seemingly more open to giving users the changes they want to see, it will be a precarious year for those businesses overly reliant upon both parties and the notions of their decisions. Advertisers, affiliates and networks will have to be nimble and respond quickly to a set of goalposts that are likely to be constantly moving in 2019.

02

Industry consolidation will herald the rise of the 'Uber Affiliates' and a new opportunity for collaboration

The last couple of years have been notable for a series of headline-grabbing acquisitions within the affiliate industry as many of the more established players begin to consolidate their positions at the head of the table.

GoCompare.com purchasing MyVoucherCodes[5] at the end of 2017. MoneySupermarket's acquisition of the comparison site specialist Decision Tech in March of last year.[6] Groupon then following that with their purchase of Vouchercloud's parent Cloud Savings Company in May.[7] Germany's Global Savings Group recently buying the browser-based shopping extension Pouch.[8] And, of course, the current attempted merger of the UK's two top cashback sites Quidco and TopCashback.

The latter's investigation by the UK's Competition and Markets Authority[9], which hopes to ascertain whether the merger will ultimately bring about benefits for consumers, emphasizes the potential pitfalls of this kind of movement within an industry. A consolidation of power and variety in a market can naturally lead to a lack of competition with possible price hikes.

"Too much complexity can appear off-putting to those that might otherwise invest in the affiliate channel."

However, while that threat remains a very real one, the shift towards a less fragmented market may also lead to some valuable benefits that advertisers, consumers and the wider industry would gain from.

Although monopolization, as we go on to state a little later in the case of Amazon, is a grave threat to any industry's ability to innovate and remain competitive, too much fragmentation can also prevent progress.

Building enough consensus among peers to effectively self-regulate becomes near impossible. But with enough power and influence concentrated among a selection of players, and with the right principles in mind, real change can be devised and enforced.

Too much complexity can appear off putting to those that might otherwise invest in the channel too.

The affiliate industry already struggles to make itself heard at an executive level over the incumbent digital din of display, search and video. By consolidating the offerings of some of our biggest proponents, might we more effectively state the case for changing that status quo? Streamlining affiliate partnerships for advertisers, allowing them to access a better variety of tools and tech for reaching audiences across more aspects of the web in a simpler fashion.

Striking the right balance between too much consolidated power and too little will be the challenge for the affiliate industry in 2019.

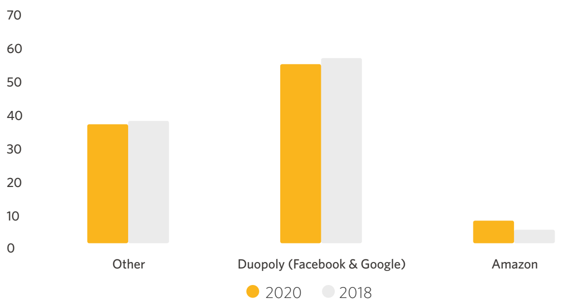
03

Amazon will represent a bigger threat than ever before

Speaking of monopolies… with Google and Facebook gobbling up the digital advertising market so successfully, Amazon's growth of its own ad business has gone relatively unnoticed. More time has been spent analyzing its threat to conventional retail and its high-profile acquisition of brick-and-mortar stores in the shape of the Whole Foods chain, than on how it is beginning to monetize its platform.

Last year, Amazon overtook Microsoft and Oath as the third biggest digital ad seller in the US. Although it still languishes some way behind the established duopoly, its growth and potential suggest we might soon be having to refer to a digital 'triopoly.'

Share of total US digital ad spend, 2018 & 2020 (%)



This has been on the cards for some time. The fact is, Amazon sits upon a trove of hugely valuable first-party consumer data based on interactions within an environment where users are primed to shop. And that trove has been deliberately grown in the last few years thanks to a series of initiatives built around its Prime membership scheme that seek to make their service ever more indispensable to users.

> *"Amazon sits upon a trove of hugely valuable first-party consumer data based on an environment where users are primed to shop."*

That tactic is working too. Increasingly, online shoppers are turning to Amazon first when searching for products. As Mary Meeker's report found in 2018[10], Amazon now dominates that product research phase, ousting even the likes of Google from this valuable marketing stage.

Where does this leave affiliate marketing? Well, it's hard to see the positives for the industry with another giant taking even more of the available ad spend pie. Amazon's developments increasingly shift its marketplace into a position that make it a virtual 'walled garden of e-commerce;' offering brands a space to advertise to consumers directly within it, and for consumers to research and buy products without recourse to the wider web.

While that's clearly not great for most affiliate propositions, it's potentially a dangerous predicament for advertisers too. With more ad budgets being invested into this space it decreases diversity of spend and concentrates reliance upon a dwindling number of promotional partners. The duopoly already dominates ad spend globally. With the dangers of that dominance already clear to many who have had their fingers burned by a lack of transparency and control when working with Google and Facebook, Amazon's evolution into an advertising platform should be ringing alarm bells.

Perhaps there's some irony to the fact the business which popularized the affiliate model is now a threat to the industry it spawned. But there are reasons to still be hopeful. Many retailers and mass media publishers recognize the threat Amazon represents and are actively seeking out a more diverse set of partnerships to help bring a healthier balance to their advertising incomes.[11]

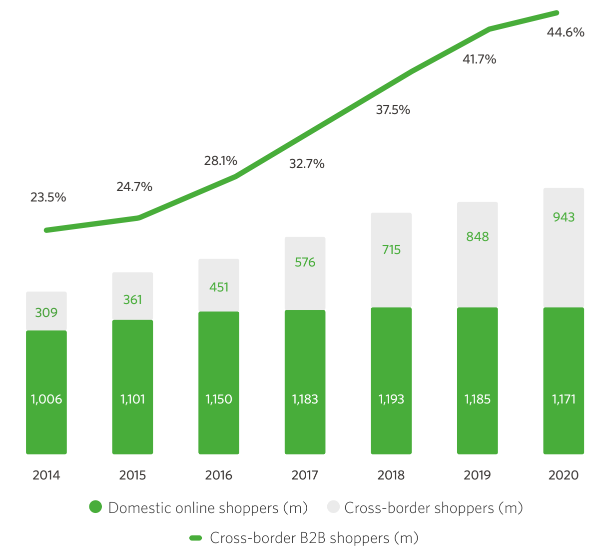
Networks have gone to great lengths to make affiliate marketing much easier to incorporate within a standard digital advertising strategy now and, with enough desire from publishers and advertisers, the channel can offer a solution that provides a built-in counterweight of digital diversity. It will be the responsibility of vendors like Awin to ensure the facilitation and integration of additional routes to market is both straightforward and seamless.

04

International trade disagreements may hinder cross-border e-commerce growth

A study from Accenture and AliResearch a few years ago emphasized the growing trend of consumers buying from overseas retailers, suggesting that by 2020 almost 45% of them would be shopping internationally on the web.

Global cross-border shoppers 2014-2020



This might have seemed a pretty sure bet at the time. The internet's borderless nature encourages a roving instinct among users where geographic boundaries no longer apply. With improving and progressively standardized e-commerce platforms, a surge in the popularity of global retail events (like Black Friday or Singles' Day) and the increasingly efficient logistics of delivery and returns, consumer confidence in buying from non-domestic brands has been riding high.

But that rosy picture faces challenges that could interrupt prospects for continued growth, largely thanks to global trade disputes.

The UK's future relationship with continental Europe has so far delivered only a severe lack of clarity on how UK businesses will be able to export and import goods to its EU partners after it departs, inciting much anxiety across a host of different industries.

Despite the government negotiating[12] continued membership of the Common Transit Convention, even in the wake of a potential 'Hard Brexit,' experts insist this still won't ensure 'frictionless' international trade.[13]

Meanwhile, although China's new e-commerce laws promise to empower citizens there to buy even more from abroad this year[14], the impact of its tariff war with the US is already being felt domestically with export rates falling and the economy's growth stagnating. Tit-for-tat retaliation from Beijing has meant that both nations are contributing to a hostile environment for cross-border trade that will hinder such e-commerce activity.

In Australia, where consumer appetite for foreign retailers has led to public debate around unfair competition for domestic equivalents, a new Goods and Services Tax (GST) was introduced at the start of 2018 in an attempt to level the playing field. More recently, the Australian government has even threatened to crackdown on those foreign businesses evading these fees by geo-blocking their websites from Australian consumers.[15]

> *"Affiliates have played a key role in the popularization of cross-border activity."*

Such protectionist impulses signal a very real threat to cross-border sales growth. For publishers, this could be disturbing news. A growing number of affiliate partnerships involve cross-border sales. Affiliates have played a key role in the popularization of cross-border activity. They offer advertisers a hugely effective means of tapping into new international markets with their invaluable connection to local consumers.

But with current politicians seemingly determined to complicate the nature of global trade, this may be a harder nut to crack in the future.

05

A new emphasis on customer value rather than just customer acquisition

2018 was the year the novelty of Black Friday appeared to wear thin. In preceding years, the event had taken the world by storm, eagerly adopted by markets outside of its Thanksgiving origins and identified by brands as a key opportunity to acquire new customers online. In exchange, advertisers competed for consumer attention by offering eye-catching, headline-grabbing discounts.

The tactic worked as planned. Consumers were drawn to the event and happy to buy from brands they hadn't engaged with previously. But as more advertisers jumped in on the action and deals became available ever earlier in an attempt to maximize market share, the increasingly pervasive availability of these discounts trained consumers to exploit the conditions to their advantage, and fostered a general feeling of weariness or indeed indifference.

"In 2018, we witnessed a dilution of the urgency that Black Friday had historically fostered."

Online shoppers have become accustomed now to finding competitive deals at almost any time and, in 2018, we witnessed a dilution of the urgency that Black Friday had historically fostered with more growth generally occurring on days either side of the event itself.

In the UK, something of a trendsetter market for Black Friday's online standing, the credit card and payment services provider Barclaycard reported[16] that although the volume of transactions on the day was up against last year, the actual amount of money spent by the population had declined. Here too, we can perhaps see the effect that big discounts has had. As Awin described in our own analysis of the event[17], discount code and cashback publishers have been highly effective in connecting shoppers across the globe to the savings they desire.

For Suzy Ross, senior adviser for retail at Accenture Strategy, the short-termism of such deep online price cutting is no longer a feasible tactic for retailers, "Retailers need to start fixating on their loyal high-value customers and on not losing those customers."[18]

"Retailers need to start fixating on their loyal high-value customers and on not losing those customers."

Thankfully, publishers offer a sophisticated enough channel by which to do this. New affiliate entrants like RevLifter and Increasingly have been welcomed by retailers keen to use their technology to cross-sell and upsell more effectively on their own sites.

It's not just through working with new partners that brands can use publishers to shift their focus towards more valuable objectives like lifetime value and higher basket values.

Part of the beauty of affiliate marketing programs is their flexibility. For advertisers they represent a virtual chemistry set of marketing that can be adapted and experimented with to incentivize the specific goals of their company. Whether it's by tinkering with tiered commission groups for inciting more valuable purchases, establishing basket value thresholds for affiliates to hit precise targets, or feeding additional post-transaction data points into reports to identify those partners delivering the right kind of customer, an affiliate program can be shaped to any purpose.

Black Friday 2019 may not deliver the same volume of activity we've seen in years past, but in mimicing a common theme within the channel, it may be time to pay more attention to the quality of those sales.

"Affiliates offer a virtual chemistry set of marketing which can be experimented with to incentivize specific goals."

06

5G won't revolutionize digital advertising… yet

It would be remiss of us not to mention the current darling of ad tech forecasters everywhere. 5G seems to feature prominently as one to watch and it's not hard to see why. The promise of a wireless network up to 1,000 times quicker and with 100 times less latency than 4G is an alluring prospect for marketers.[19]

Verizon's Nikola Palmer, who has overseen the initial launch of the technology in a selection of US cities already[20], has suggested the upgrade "has the potential to usher in the fourth industrial revolution." Its impact is anticipated to be felt almost everywhere - from AR and VR, to the Internet of Things and driverless cars, all of which require huge amounts of data for their processing.

For digital and affiliate advertising, the practical benefits lie primarily in the question of speed. Vastly improved access to the web via mobile devices will remove many of the obstacles and frustrations that consumers currently experience online. Page load times will rapidly speed up negating the need for ad blockers from a performance perspective, and the ad formats themselves will be able to deliver far higher quality and more personalized content too. But perhaps even the very idea of 'webpages' may seem anachronistic in the era of 5G where connected devices are predicted to open up advertising opportunities everywhere.

Be that as it may, it is optimistic to assume the coming year will see that vision come to fruition. It's still very early days for the technology from an infrastructure perspective, before we even consider a commercial one. Most countries around the world are only now in the midst of setting this infrastructure up and testing its capabilities, and it's much more likely that we won't see the kind of mass adoption of 5G that will really impact the shape and scale of advertising for a few more years.[21]

"Be that as it may, it is optimistic to assume the coming year will see that vision come to fruition."

07

Web tax initiatives may squeeze e-commerce margins in 2019

Donald Trump's Twitter attack on Amazon last March accused the company of using the US Postal Service as its own "delivery boy."[22] Although his tweets can often appear to put him at odds with much public sentiment, the targeting of Amazon and its taxation practices certainly jived with what many feel is a chronic problem with the tax contributions of digital and e-commerce giants that needs solving fast.

The rise of e-commerce at the expense of the 'traditional' high streets and shopping malls has gathered momentum as a popular narrative amid the epidemic of shop closures around the world. In early 2019 a shopping center in Scotland made headlines when it went on sale for £1 ($1.32 USD) because it's owner said it no longer made enough in rent to cover the costs of maintaining the building itself.[23]

It's therefore unsurprising to see nations attempt to combat this dilemma by devising new taxation laws targeted specifically at online businesses.

In Italy, the introduction of a new 'web tax' is intended to target the resources of those providing digital services - including online advertising - to Italian businesses. What was initially suggested as a 6% rate for each digital transaction was subsequently watered down to 3% and is expected to bring in around $680m a year for the government once it is successfully implemented.[24]

A similar 3% 'digital services tax' is also being discussed by the European Commission as an interim measure for its member states as it deliberates over how to more effectively tax the most powerful players in the digital economy.[25] A proposed reform of current corporate tax rules, which would tax certain digital businesses by virtue of them having met the criteria of having 'significant digital presence' in a member state, is also on the cards as a more long-term objective for the EU.

"These changes point towards a wider desire to redress an imbalance that is perceived to favor online retailers and businesses."

Despite leaving the EU, the UK is already debating the introduction of similar new tax laws focused on digital entities. A digital services tax is expected to come into force in 2020 with the UK Chancellor declaring that "it is clearly not sustainable or fair that digital platform businesses can generate substantial value in the UK without paying tax here."[26]

The US has already witnessed some notable changes in online tax laws with the introduction of the so-called 'Affiliate' or 'Nexus Tax' laws that changed the way in which companies residing in one state but delivering services in another could be taxed by those states.[27] In addition to that, we now have the Treasury's report into the state of the US Postal Service at the request of the President, featuring advice that the service should "impose higher rates on general e-commerce goods and other non-essential items sent through the mail."[28]

Taken together, these changes point towards a wider desire to repair an imbalance that is perceived to favor online retailers and businesses. This year, we can expect more of these initiatives to come into effect with the result that profit margins for such businesses will be squeezed, potentially impacting consumer prices or advertiser investment within the industry.

08

Affiliates' proximity to consumers will insulate them from 'digital deadheading'

Aside from the '5G Revolution' the other trending phenomenon in the wider marketing industry this year has involved a lot of swooning over the efficiencies and benefits of the 'Direct-to-Consumer' (DTC) model for brands. The current exemplar is Dollar Shave Club who successfully went from launch to a $1bn acquisition in just five years, welding this model to a digital-first approach.

The advantages of this tactic for brands are many: a direct relationship with the consumer that extends the opportunity for generating post-sale value, no need to rely upon wholesalers or retailers to sell your product, and arguably less reliance upon external parties to promote your brand - relying more upon in-house strategies to market your product.

Dollar Shave Club, and similar companies using the DTC model, have captured the attention of many of the incumbent brands, keen to streamline their operations and emulate the immediacy they've been able to cultivate with their shoppers.

Gillette is the resident powerhouse in Dollar Shave Club's field and Marc Pritchard, the CMO of their parent Procter & Gamble, has long expressed a desire to achieve this kind of status for the conglomerate's various branded offshoots. In 2017 he criticized the opaque nature of the online advertising supply chain. More recently, he has cited a desire to develop a "constant connection with the consumer" across the company by investing in internal teams to resolve marketing issues rather than outsourcing them to agencies or other advertising partners.

This strategy saw P&G, the world's biggest advertiser, cut their digital ad spend by some $200m in 2017 while still witnessing a 10% increase in their reach.[29] The experiment sent shockwaves through the digital advertising world and has left some of their previous partners permanently cut out of their spending plans.

"In 2017, P&G cut their digital ad spend by $200bn while still witnessing a 10% increase in their reach."

P&G's tactics often set a precedent for the wider industry and this kind of 'digital deadheading' could well come to the fore as brands begin to question the value of the extensive investment they've made in online partnerships that struggle to drive direct value back to them.

Affiliates though, have little to fear in this regard. Their close relationship with consumers, as highly-valued sources of information, means they are well insulated from such a threat and they can provide exactly the kind of direct relationship with consumers P&G is trying to develop and that DTC brands have successfully executed. The channel's natural efficiencies and invaluable relationship with consumers make it a far less dispensable part of the digital ad chain.

"Affiliates can provide exactly the kind of direct relationship with consumers that P&G is trying to develop."

09

Content monetization dilemmas will receive new attention

Just in case you hadn't had enough of EU-led digital regulation, 2019 brings the subject to the front again in the form of the EU's Copyright Directive. The controversial legislation, which in September 2018 received a majority backing from Members of European Parliament (MEPs), has attracted the ire of numerous advocates of the open web largely thanks to the particular focus of Articles 11 and 13 in it.

Dubbed the 'Link Tax' and 'Meme Killer' respectively, the articles allegedly seek to help better compensate content creators who are perceived to have lost out most acutely in the wake of the digitization of content. The former by compelling news aggregators (read Google News) to pay publishers for using snippets of their content on their platforms; the latter by preventing social platforms (read YouTube, Facebook or Reddit) from allowing users to upload and share copyrighted material.

From musicians and journalists, authors and artists, the effective monetization of content through the web has long been a problem that the internet has struggled to resolve. The EU's directive is intended to help remedy that situation by giving these content creators more control over, and more reward for, their work.

Opponents to the legislation accuse it of being impractical, unworkable and harmful to the very community it purports to support.[30] And, with member states recently failing to agree on the terms of the directive it appears that those opposed to the legislation are gaining the upper hand.[31]

Quite apart from the ramifications of the directive itself, the debate surrounding it will force the issue of content monetization back on to the agenda in 2019, and that's no bad thing for the affiliate channel.

The industry has long championed its ability to help publishers monetize their content, and has been a hugely effective launchpad for numerous e-commerce businesses by connecting them with relevant advertisers that can invest in, and support, their work on a performance basis.

From Awin's perspective, the network has invested in the development of numerous tools over the years designed to help publishers successfully monetize their content and their traffic.

From the Opportunity Marketplace and improved product feeds, to its partnership with Monotote and the pending release of its Publisher MasterTag, these have all been built with a view to supporting and easily integrating publishers, large or small.

In 2019, the affiliate industry has an opportunity to emphazise examples like these to demonstrate its value in sustaining an open and free web for users.

10

Automation of fundamentals will carve out more time for strategic support

It's not uncommon for prediction pieces to be a staple output, annually produced by digital marketing companies. Contained within will invariably be variations on similar themes and this year a further conceptual iteration of 'automation' (probably dressed up in the buzzier terminology of AI) will likely feature.

However, this shouldn't mean our eyes glaze over as we struggle to bridge the mental divide between our mundane daily tasks with the white heat of machine learning and AI technology that the digital world has been filled with for the past couple of years.

Core to this will be an increasing realization that automation will become a more salient topic, as it will be demanded as much by necessity as it will be by commercial differentiation.

The affiliate channel has enjoyed double-digit growth for years but, as well as some of the challenges outlined earlier in this publication, companies are finding many campaigns are becoming steadily less commercially viable. This brings into sharp focus the need for alternatives that drive efficiencies while mitigating any potential damage from a more hands-off approach.

Automation has an awkward history with the affiliate channel. While it can seem less attractive because of the wealth of manual tasks involved, this is because it's an industry built on cultivated relationships. And those connections have invariably resulted in great partnerships. Regardless of the attention lavished on AI in recent years, people still buy from people.

But this is as much a topic about internal efficiencies as it is about new opportunities to grow affiliate programs exponentially. And this is an important distinction; automation through data aggregation and algorithmic learning should be something the industry embraces to do the heavy lifting, to perform the grunt work that sinks the hearts of many account handlers on a Monday morning.

Crystallized, it presents an intriguing opportunity. Remove the boring, labor-intensive tasks from account managers and they then find their time freed up to invest in the more creative tasks of campaign optimization and relationship building that the affiliate channel is premised on.

Not only should campaigns in turn perform better, but client-facing staff are empowered to work on far more rewarding tasks. It would be a fantastic irony that one of the main criticisms leveled at the affiliate channel, its dominance of relationship building over automation, would actually enhance those partnerships through deeper insights and connections.

Practically applied, the concept isn't new. It's now almost a decade since Awin started investing in additional business intelligence tools that allowed for more granular detail and informed outcomes.

One such example springs to mind around weeding out potentially fraudulent sales. A report was built (and is still used to this day), that aggregated geographic sale-referrer information. By plotting this information using map visualizations, it was then easy to spot if clusters or unusually high volumes were centered on certain locations. A pretty basic report, but a clear example of how data was used to automate a manual task.

"Meaningful automation allied to human expertise and creativity will ultimately enhance the level of service a network can offer."

Of course, time has moved on beyond data presentation to the new era of data recommendation, and this is the next stage being incorporated into the network's reports. This will augment the toolset at an account manager's disposal to help their clients make better decisions.

In doing so, we are fusing together the best aspects of both components. Meaningful automation allied to human expertise and creativity that will ultimately enhance the level of service a network can offer.

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Australia

Regional information

24.9m
Population

AUD$
Currency

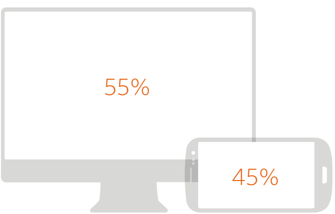
21.7m
Number of internet users

634
Number of advertisers

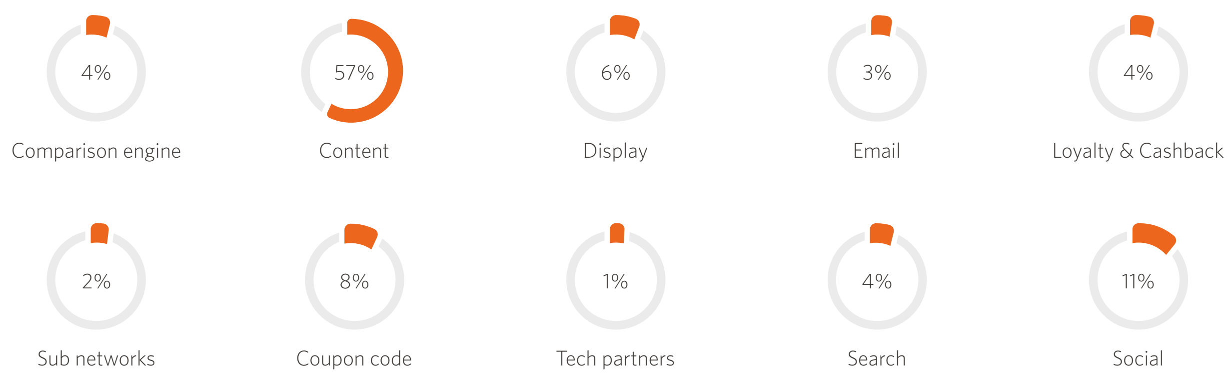
87%
Adults with a smartphone

6,819
Number of active publishers

Device split of sales



Share of sales by publisher type



The Australian market in 2018 was one of contrasts and contradictions.

The year finished with many uncertainties for the future of the economy. Falling household consumption, declining real estate value and high debt levels were the primary driver of these concerns, along with the ever-increasing cost of living thanks to a farming crisis with unprecedented levels of drought and - unique to this country - a scandal involving needles in strawberries and other fruits that drove up the price of groceries. In the face of this though, Australia still maintains an above global average rate of economic growth and 27 years without a correction or recession.

One of the country's contradictions is that even with these economic predictions, it saw robust retail sales during November thanks in part to higher participation in Click Frenzy, Black Friday and the Cyber Weekend. Where December used to be the highest performing month, November now sets the pace of online shopping that slowly dissipates up to Christmas Day.

As a whole for the online retail economy, more stable monthly movements in growth and contractions suggest a maturing domestic marketplace, with online retailers ready to challenge international competition and for consumers to embrace new players.

SME online retailers made up about 35% of all online sales during the year, with faster sales growth than their corporate counterparts. This support of local, smaller players is a crucial differentiator in the Australian marketplace where people often turn their backs on the larger conglomerates. Evident in the history of coffee corporations in Australia like Starbucks, which have mostly failed and abandoned the market due to Australian preference towards independent cafés.

Amazon's place in the Australian market has yet to have an impact on local online and brick-and-mortar retailers since their launch at the end of 2017, but complacency towards this sleeping giant is best avoided. Analysis by Bain And Company suggests Amazon will become the sixth largest retailer in Australia within five to 10 years. If true, some of our oldest and more established retail giants that have shown an unwillingness to change may go the way of the dodo.

The affiliate landscape matured in 2018 and the networks present for some years have had the benefit of growing with the market to evolve in line with expectations from advertisers and publishers. They have taken learnings from more advanced markets like the US and UK and brought those expectations from these markets to Australia. Their learnings continue to propel the industry, even when overall education in the channel is still lacking, except where networks have stepped up to educate and become authority figures on the subject.

Affiliate marketing has become an integral part of marketing activities in Australia, with over 70% of the top 100 retailers now have an affiliate program and seeing up to 20% of their new customers coming from the channel. This growth led to the launch of Affiliate Summit APAC in 2018 – a much-desired event for the region with many Australian advertisers, publishers, networks and agencies converging on Singapore.

With some brands in Australia still yet to adopt a full digital strategy, therein lies the continued growth for the region along with how they will compete with many new international players entering the market. Their growth may come in the form of further adoption for the buy-now, pay-later methods on offer and increased use of card-linked services, marrying online and offline.

The increased competition of Amazon and international players will lead to seeking new ways of growing market share, and affiliate marketing can offer that opportunity of not only eyes on the page, but tangible sales and customer acquisition.

Awin Australia & Commission Factory

Australia

Local Market ***Q&A***

Matthew Llewelyn Lloyd
Group Affiliate & SEM Marketing Manager **(MLL)**

Terri Owens
Head of Affiliate Marketing **(TO)**

Sophie Stickland
Client Service Director **(SS)**

Peter Wakim
Sales Director **(PW)**

What is your business and how is the affiliate channel important to it?

(MLL): Catch.com.au is Australia's leading online-only retailer. With a range of over two million products across all categories, Catch provides savings on everything you need and anything you want. Since launch in 2006, we have given every Australian the chance to buy high-quality branded products at prices they can afford.

The affiliate channel is important to us for three main reasons. First, it creates additional touchpoints for brand awareness and gives us the ability to build brand trust. Second, it's a vehicle for new acquisition and retention campaigns. And finally, it represents a key pillar of our growth strategy.

Our affiliates are a fantastic voice for Catch.com.au. We believe strongly in evaluating all opportunities from all kinds of affiliates. At all stages we hold openness and honesty as part of our affiliate mantra. As a result, we believe our affiliates trust our relationship with them, no matter how large or small, where they are located, or the vertical they specialize in. And this has helped build a strong element to our overall digital marketing strategy.

(TO): Mindshare changed the industry when it became the first global media agency, launched in 1997. We took a chance and launched in Asia as opposed to the UK or US, and we were the first start-up WPP ever invested in.

We are on a tireless mission to bring accountability to all aspects of marketing. To develop bold campaigns that both reflect and shape culture. To play with and develop new technology, making enormous investments toward the right solutions. To inspire each other, our clients, media owners and even our competitors to be audacious and never stop pushing our industry forward.

Mindshare and the GroupM/WPP agencies work with a hugely varied client base and I could apply 'affiliate' to 90% of them. I think for a full holistic digital approach, affiliate needs to be incorporated in some way. With some clients, we see over 50% of their online post-attributed acquisition come from the affiliate channel.

(SS): Cashrewards is a cashback and savings site. For us, affiliate networks and their technology help us to connect to brands. Without the affiliate channel we simply wouldn't be able to operate.

(PW): Upfeat is focused on providing commerce content solutions. There is a new/old industry brewing right now, where publishers have discovered they can augment falling programmatic/direct ad revenue with commerce content. Big publishing brands have a lot of coveted SEO power, which allows them to compete in otherwise extremely competitive spaces around commerce content. Commerce content can range from coupons, to buying guides, to full on e-commerce offerings.

Upfeat helps publishers bridge the technology gap when getting into the commerce content space. We specialize in data-driven affiliate marketing and analytics and have been involved in the UK, USA, Canadian and Australian affiliate markets since 2006.

We operate solely in the affiliate channel right now, providing technology to big publishers that would have traditionally only been used in affiliate-driven businesses, such as cashback, coupon, or deal websites. The affiliate channel allows us to quickly build relationships with publishers and provide them with tech solutions to increase revenue through retailers and traffic via Google.

How important is affiliate marketing in Australia right now?

(MLL): II think it's more a case of how affiliate marketing is maturing in Australia right now. At a company level, it is really dependent on what you want to use affiliate marketing for and the vertical you specialize in. For B2C it should be a part of your overall digital advertising strategy. If you are not already using affiliate marketing, you should be investigating it, and if you already are, then it is a case of nurturing it and making it an important part of your digital strategy, as it is for us.

At an industry level, there is still a fair amount of mystery around affiliate marketing in Australia from it being an unknown quantity to outright scepticism, mainly from dubious techniques used by some affiliates in the 00's. The industry has moved on massively since then though. In Australia, it is a case of the networks getting together and educating potential merchants. It is coming along but is still behind Europe and the US.

There is a pecking order for sure, but when you think you can have all your digital advertising run by various affiliates (and there are some with outstanding capabilities), affiliate marketing should be at the top of the mix. It is a case of education. The minimum affiliates can do for a merchant is help fill in the advertising gaps.

(TO): I think it's super important. Outcome-based marketing is the way the industry is heading. We recently pitched a full digital approach to a client who obviously knew what social, search and programmatic was. But when we got to the affiliate channel they were blown away, not only by what we can and are doing and how we complement/work with other digital channels, but also in bridging offline-to-online and online-to-offline. The status with our clients running affiliate is very high. With clients who don't use it or are not sure what it is, there's obviously very little status. But once the client sees what we can do, nine times out of 10 we get the channel live.

(SS): The channel is growing rapidly YoY. We are seeing more and more brands jump on board, including brands that have previously pushed back on affiliate. Cashback as a publisher group is also growing and we saw a fair few competitors enter the market in 2018.

(PW): The Australian affiliate market has been in a massive growth phase since 2012. While other digital advertising channels are seeing declines, affiliate continues to increase. Just in the last 12-18 months, we have seen a number of top 20 Australian retailers jump on the affiliate bandwagon and embrace the quality of traffic and sales that are being produced by top Australian publishers.

What are the biggest challenges currently facing digital advertisers and publishers in Australia?

(MLL): In terms of the affiliate industry, it has to be what to do with Instagrammers? How to engage with them? The market is completely different to Europe and the US. In Australia the market is dominated by media budgets and not performance. Yet in the last three months, we have started to notice more Instagrammers joining the network and our program. In Australia, 2019 could be the year where engagement does change and that can only be good for all parties.

The challenges for the overall channel relate to ROI and the acquisitions of new users, and this is where affiliates for us have been so important. The ROI is constantly strong and it is one of our main channels for acquisition. During 2019, the challenge will be growing the level of new user acquisition in the industry.

For merchants new to affiliate marketing, it is knowing what you want from your affiliates and to find the ones that will help you attain your goals. There is no need to rush in. Take your time to understand the industry and build trust.

In addition, the other challenges for merchants in 2019 are likely to be attribution and dynamic pay-outs. The two almost go hand-in-hand. To engage more with the likes of Instagrammers, I can envisage attribution technologies evolving at a faster pace. The traditional last-click coming under pressure from dynamic pay-out requirements, particularly from the new breed of affiliates in the social media space.

For publishers, this is a tough one. At Catch.com.au we vet all affiliates who apply to our program. This of course is not the case for all merchants, far from it. So, the first challenge for publishers to understand is that not all merchants are the same. And this goes for promotional techniques like coupon codes as well. Not all merchants use them. They need to understand the diversity among the merchants and what the merchants can and can't offer them.

Also, publishers need to be clear to merchants what they can offer, the vertical they specialize in, the techniques they intend to use to promote the merchants. It doesn't matter how small a publisher is, if they are clear in what they can offer, particularly if they can differentiate themselves from other affiliates, then that is all good. This reverts back to the question of acquisition and retention.

(TO): Safari ITP 2.0 and attribution. Safari due to obvious reasons; how channels are going to adapt to zero cookies, especially programmatic and retargeting. But beyond this, how are we going to track/award channels for the contribution they give to the client?

This then leads to attribution because I think this is normally put to the agency or tech vendors to fix, but it's a combined approach. We all need to work together to create the tracking, rules, passing back of data, etc. and not just across one channel, across all channels.

(SS): ITP 2.0 will start to affect the business if major networks don't move quicker in shifting clients to server-to-server tracking. The lack of connection between channel experts is also an issue. Affiliate does still seem to operate separately from other channels, inclusive of those in-store channel owners.

The saturation of digital media has become prominent in the past two years, with consumers becoming more discerning in the media they want to consume. This hasn't necessarily been an issue for us as we offer a benefit to the consumer and therefore our engagement is higher than most other channels.

(PW): Competition with foreign media brands stands out as the number one challenge. With recent changes in Google's algorithm, there are a lot more foreign content providers taking up affiliate market share in Australia and this is putting greater pressure on local publishers to maintain ranking and organic SEO traffic. Local retailers are also feeling the pinch with more overseas suppliers selling into the Australian market with competitive deals and shipping costs.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Australia?

(MLL): At Catch.com.au, other than following ACCC guidelines, we are not really affected by regulatory bodies in the affiliate industry. As we do not ship overseas, we are conscious of but haven't really been affected by GDPR.

(TO): At the moment we're preempting what is happening globally with what is happening locally in Australia, e.g. GDPR, cookies being classed as personal data, how we should change how we track, etc. Beyond this, the main things that are affecting us are the Australian Securities & Investments Commission (ASIC) requirements for any publishers promoting our finance clients and the requirement for an Australian Credit Licence (ACL).

We work with a lot of content partners, who up until recently wouldn't have had an ACL as they weren't 'promoting' finance, more writing about the benefits, but ASIC is clamping down on this, so for a portion of time we paused publishers until they had an ACL.

(SS): We haven't yet been affected by GDPR but if we saw that introduced in to Australia, I am certain it would shake up the market significantly.

(PW): Regulatory bodies have been around for a while now and they play an important part in the advisory process for advertisers, networks/media agencies and publishers. If we are to maintain an upwards trajectory in the advertising market, it is important that we stand out as the professionals that we are, adhering to the highest standards and maintaining our own standards. I have not personally seen a big difference with new legislation such as GDPR as I think in general our industry has always been at the forefront of self-regulation, protecting data and customers.

How do you think Amazon's recent entry into the Australian market will impact e-commerce there?

(MLL): Amazon's entry into Australia in 2017 can only be a good thing for the e-commerce industry. They have increased more awareness about the digital industry, particularly above the line, and we can all benefit from that.

(SS): Amazon is not yet that competitive for delivery and price. As a result, their entry has been slow to take off and we didn't see a massive impact for the first half of the year. However, we did see a shift over the Black Friday weekend as their sales increased significantly.

(PW): There should be a huge, positive knock-on effect. Australia has always struggled with things like high shipping costs among other things. The competition that Amazon brings into the market will encourage other e-commerce providers to match Amazon's logistical efficiency, which will be fantastic for consumer confidence in online shopping as a whole.

What consumer trends have you noticed that appear distinctive to the Australian market?

(MLL): The two events, more than trends, that are unique to Australia are End of Financial Year (EOFY) and Click Frenzy.

EOFY is a pre-digital event and has been around for a long time. More recently we've seen the rise of Australia's answer to Black Friday, Click Frenzy. Both events generate huge interest for various reasons. What EOFY does is create interest in the middle of the year, which is hugely beneficial to the digital industry. In terms of the affiliate channel, I believe it is far more aggressive among merchants than Click Frenzy and lasts for a longer period of time, so strategies need to be different.

(TO): Australians love a frequent flyer or rewards point! It wasn't until moving to Australia that I even cared about my points balance across airlines, credit cards and shopping.

(SS): We've witnessed a big growth in online here. We increased 100% YoY over Cyber Weekend, with a higher percentage of active shoppers. This obviously comes down to a number of internal factors but also supports the notion that Australians are starting to shop more online and are becoming more savvy with their shopping habits.

It's also worth noting that on average Australians have high disposable incomes and money to spend on luxury goods and travel.

(PW): Unlike the US and UK, Australia is a bit slower to react to the big shifts in the affiliate market. In the UK and US, all large publishers are pushing extremely hard with commerce content and Australia is only starting to push in that space. In the Australian market, we have just recently started seeing a concerted push towards Black Friday/Cyber Monday, buying guides and coupons, with a greater number of content publishers looking to gain organic traction and sales. As a business, we have had to pivot slightly and we are now working closely with retailers, publishers and networks to ensure that we are providing the full range of online tools that they require to capture and maintain market gain.

Where are you seeing the most exciting developments and growth in the affiliate industry right now?

(MLL): Where to start? Affiliate marketing has always been exciting. There have been some large overseas players enter the Australian market this year and this has really helped push and develop the industry further. It has been interesting to see how the dynamics have changed with the already-established Australian affiliates.

Content (bloggers) and Instagrammers could be one of the biggest growth areas, if not right now, perhaps by the end of 2019. And what excites me is the massive potential these affiliates can bring to the performance industry.

The cashback vertical evolved rapidly in 2018 with the amount of coverage they are now getting on national television really impressive. This will most likely be the biggest growth area in 2019 and it is likely to be dominated by a handful of players unless they are niche, specializing in finance for example.

But the one thing that really excites me most about the industry is what we can and will do with app-to-app relationships. It is the new toy to play with in the affiliate industry and a very exciting opportunity.

(TO): I honestly feel the affiliate channel does all the hard upfront work and this is then replicated in other channels. For example, programmatic (in my eyes) is mass-scale, automated affiliate banner booking, in very simplistic terms! Or native advertising (Plista, Outbrain), again, is simply mass-scale and automated affiliate content.

I think affiliate is way further forward in terms of server-to-server integration and awarding payment throughout the funnel, and the rest of the market will follow. How they do this, I'm not sure, but we need to move away from cookie tracking and last click, and I think the affiliate channel is ahead of the other channels with this.

(SS): There's lots to get excited about! An increase in performance in the channel, a growth of new brands entering the space, card-linked offers and also ever more affiliate competition which will help it to develop further.

(PW): Commerce content would have to be one of the bigger developments in the industry right now. Consumers are sick of seeing pop-up ads and banners and are looking more for quality information blogs with referral links. Consumers are quite savvy but they are still looking for a friendly, informative voice or online/influencer to help them make a decision as to what to buy. This is why we have seen a growing trend in comparison and product guides, as well as social media influencers. Consumers are happy to take the time to read an article and click on the product link but hate the thought of ads popping up in front of them or following them around on the internet because they clicked on a product at some point.

What's one thing would you change today in the affiliate industry if you could?

(MLL): Oh boy. I'm not sure if I would, it is so exciting at the moment in Australia. I believe it is more important to be a part of the ride and where possible help and educate others about the benefits of the industry. If there was one thing, it would be to get all the networks together, like an Affiliate Summit or PI Live. Due to Australia's size, one event in the spring and one in the autumn, in Melbourne and Sydney, would help to start the education and ongoing learnings for the Australian market.

(TO): The stigma that we have, although I do feel we've done a 180 from that position and clients now see the value of the channel. But, this is down to education, so in this market I'd say more meet-ups, conferences and educational events.

(SS): Payment and approval timeframes would have to be the most important aspects that need to change in the industry right now.

(PW): Education. If this market is to evolve in a meaningful manner, retailers need to properly understand affiliates and what they do. I've seen retailers turn off publisher accounts because they've run out of marketing budget or because they want to narrow the number of affiliates they work with because "it's just too hard." These are the same publishers and affiliates that have spent considerable time, tech and money getting traction for that retailer through Google, email and social. I would personally like to see more round-table discussions between retailers, networks and affiliates as this will greatly increase awareness and productivity across the board.

How do you expect the affiliate industry to evolve in Australia over the next two years?

(MLL): If I had a crystal ball, I would envisage there being a large shift towards vloggers and affiliates who use video. In addition, cashback sites will go from strength to strength, and more digital advertising services will be allocated to affiliates, particularly by SMEs. I'm not sure if the word affiliate will necessarily be relevant in two years' time, as it will naturally become more focused on performance.

(TO): I think clients will look at the broader partnerships piece and how we can utilize influencers, brand ambassadors, large publishers and other brands to collaborate on a performance basis. We'll also try throw in a conference or two, as this is something I miss from the US/European markets and I think it's super important we're all collaborating within the industry.

(SS): I would say Australia is where the UK is about six to seven years ago and the channel is really starting to show potential. I expect continuous growth and a multi-channel shift with more attention moving across to app and mobile activity. I also hope we'll see improvements to tracking and more automation too.

(PW): I envisage that the rest of the big retail brands will jump on the affiliate bandwagon and move away from more traditional marketing. Commerce content will be a major force behind affiliate marketing as more publishers look for meaningful content with monetized links out to retailers. Affiliate marketing will no longer be overshadowed by programmatic or Google paid campaigns, but instead seen as a rich source of reading material that is engaging readers and encouraging them to make a purchase.

Case study

THG IDEAS WITH MOMENTUM

The Hut Group prepares for peak by leveraging Afterpay Day

With Singles' Day, Black Friday and the domestic sales event Click Frenzy all converging on November, Australia's Q4 is packed with shoppers looking to buy online. The Hut Group prepared for that all-important peak by testing discounts during the new local event, Afterpay Day.

Afterpay Day

Founded in 2015, the Australian fintech start-up Afterpay has quickly emerged as an influence on consumer behavior down under. The company brings the Australian tradition of the 'lay-by' model into the era of e-commerce, allowing customers to split their purchases across four two-weekly installments with no interest and no service fees.[1]

In 2017, Afterpay launched Afterpay Day in celebration of hitting one million customers. The day consisted of a 24-hour flash shopping event that invited retailers offering the Afterpay service to offer discounts ranging from 15-40% off to their users.

The inaugural Afterpay Day event was deemed a huge success with 1.5 orders processed per second in the first hour and $10.5million USD in sales processed over the entire 24-hour period.

With August being a traditionally slow retail month, The Hut Group Beauty sought to capitalize on the newly-created shopping event. They identified their Recreate Yourself brand (RY) as one that could benefit from participating and set the following objectives for the campaign:

Boost
Increase sales volume during a quiet sales period

Brand awareness
Raise RY's brand profile leading up to Q4

Test
Gather learnings on effective offers ahead of the online shopping peak

The approach

In the lead up to the event, Awin worked closely with RY and publishers to conduct research on sales patterns, match publisher audiences with the RY brand, understand frequency rates for code redemptions and analyze the most effective marketing copy and messaging.

This information was utilized alongside Awin's product-level reporting to help draw conclusions about customer purchase behavior and to inform the offer strategy for Afterpay Day.

It was decided that, alongside on-site discounting of up to 60% that did not require a code, RY would run two codes:

Gift with purchase code
A 'gift with purchase' code where customers were gifted a beauty bundle valued at over $50 when they spent over $100. This was a tailored vanity code aligned with the message of the event (AFTERYAY).

An '18% off favorite brands' code that was not aligned with the event.

The codes were live for 48 hours from the August 16 – official Afterpay Day - and ended just before midnight on August 18.

These deals were communicated directly to publishers and distributed to the general publisher base via the network, as well as being added to Awin's own offers feed.

The results

The Afterpay Day campaign was a huge success for RY, with a series of significant uplifts in performance for their program.

+273%
YoY sales increase

+250%
YoY revenue increase

+141%
Increase in code usage during the promotion than in the 48 hours prior to it

+520%
More redemptions of Afterpay vanity code than generic code

Overall, the Afterpay Day campaign drove huge value to RY. Not only did it drive significant volume during a traditionally quiet period, it also helped the brand understand more about their customers' incentive preferences and prepare them well for the upcoming peak period at the start of Q4.

Market sponsor

retailrocket

Retail Rocket is a big data-based personalization platform for e-commerce. We offer personalization, not just content filtering, by analyzing the behavior of each visitor and adjusting the web-shop in real-time so that each individual gets their own tailored version. We do this by highlighting products they are most likely to buy based on their preferences and purchase history.

The Retail Rocket platform provides your online store with a set of self-learning algorithms that let you create a truly personalized shopping experience which, based on A/B tests, means our clients can expect up to 50% revenue growth.

www.retailrocket.net

Belgium & the Netherlands

Regional information

28.6m
Population

Euro (€)
Currency

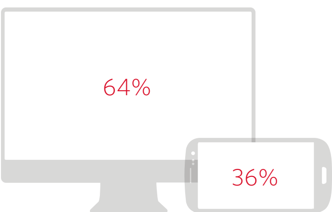
27.2m
Number of internet users

2,451
Number of advertisers

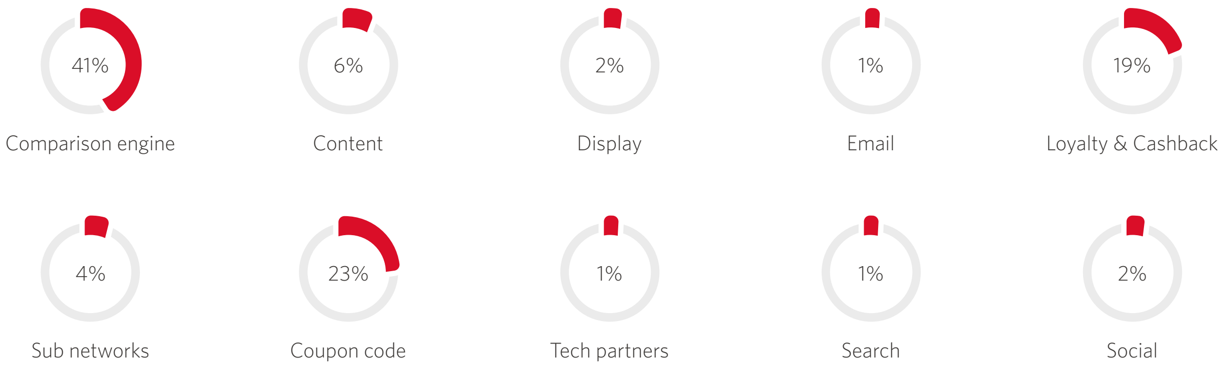
79%
Adults with a smartphone

10,966
Number of active publishers

Device split of sales



Share of sales by publisher type



At the start of 2019, the United Nations Conference on Trade and Development (UNCTAD) released its global annual B2C e-commerce index with the Netherlands sitting pretty in the top spot.[1] Citing the fact that 95% of the population enjoyed internet access, of which 85% shopped online, it was easy to see why the nation had been crowned king. With over 40,000 pure-play online retail shops, and having witnessed massive growth in sales and money spent online, the Dutch have been particularly keen early adopters of e-commerce.

And it's partly this zealously progressive attitude towards e-commerce that has often left neighboring Belgium look a relative straggler by comparison. Yet, with a more than healthy ranking of 28th within the same index, Belgium's e-commerce industry is by no means undeveloped.

When considering the latest innovations in retail though, the Dutch market is the undeniable hub. At the vanguard has been the nation's number one supermarket, Albert Heijn, with a number of new initiatives designed to bring the traditional shopping experience into the digital era. Its experimental use of smart door locks that enabled it to deliver home groceries right into the customer's kitchen made headlines in 2018. So too did its partnership with popular takeout delivery firm Thuisbezorgd.nl, enabling shoppers to have popular food products from the supermarket's specialized 'To Go' shops delivered quickly to them.

This level of innovation is only possible thanks to Dutch consumers' increased confidence around e-commerce and their willingness to try new things. Another local example of that has been born out by the increased use of 'SuperSnelBetalen' (translation: 'SuperFastPayment') integration in shops in the region. Built on the foundations of the local payment process iDeal, which the majority of consumers in the region use, faster payment options are becoming gradually more familiar. Dutch Bank ABN AMRO's launch of its Twinkie proposition gave online shoppers the option to transact faster through a payment request sent to the user's phone via SMS, WhatsApp, email or social media account for them to confirm directly.

While these advances are specific to the market, the Dutch and Belgian digital industry is also one that is responding to common global changes too. The inability of online mass media publishers to effectively monetize their traffic has drawn them towards a model of 'content commerce' that affiliate marketing provides valuable tools for implementing. The likes of Hearst, FashionChick and Elle Shop have all taken to utilizing this model to bolster their revenue streams.

The rise in app-based e-commerce is also something Dutch retailers have been quick to adapt to. App-based transactions are thought to have around a 27% share of e-commerce sales in Europe, with much higher conversion rates compared to the mobile web.[2] Many Dutch brands are anticipating these rates to grow with their local customers and have built dedicated apps to serve their swelling appetite. With Awin developing a series of partnerships to ensure tracking functions within such apps, this will provide another rich seam of opportunity for affiliate marketing.

Google's opening up of its comparison shopping facility is also of keen interest to the market here. Comparison publishers have long played a pivotal role in helping shoppers to find the products they want at the best possible price across a diverse range of sectors. It remains to be seen whether this new opportunity will be taken up by the popular comparison sites and it is something that Awin will be monitoring with great interest.

Whatever the outcome, affiliate businesses in Belgium and the Netherlands will undoubtedly be at the forefront of devising new means by which to capture consumer attention online, and that bodes well for the future of the wider industry.

Awin Benelux

Belgium & the Netherlands

Local Market *Q&A*

Greenhouse Group

Dennis Touw
Team lead Affiliates & CSEs **(DT)**

Takeaway.com

Sweta Mehta & Rico Stuijt
Senior Affiliate Marketers **(SM & RS)**

The Dutch Selection

Gerard Meijer
Founder, Owner **(GM)**

What is your business and how is the affiliate channel important to it?

(DT): Greenhouse Group is an umbrella organization of five innovative and trendsetting digital marketing agencies. We believe in consumer-friendly marketing, using a combination of data, technology, creativity and media.

Affiliates are mainly an important channel for our financial service, utilities, insurance and e-commerce advertisers. In those sectors affiliate marketing really pushes performance goals, delivering between 5% and 30% of all online sales. As a digital agency we also want to deliver a full-service package to our clients, affiliate marketing being an integral part of the total marketing mix.

(SM & RS): Takeaway.com is continental Europe's leading food delivery platform offering customers an easy way to order their favorite food. For us, the affiliate channel is importantfor acquiring new customers and getting existing customers to make frequent orders.

(GM): The Dutch Selection offers price comparison technology for the telecoms market. We typically try to partner with websites/blogs/price comparators that clearly have a successful formula in terms of traffic, brand name, content etc. but that do not have the time, resources and/or know-how needed to build software for a market that is so specific as this. Our solutions are fast, easy to use, complete, responsive and integrated into the existing partner platform by just a few lines of JavaScript code. We are totally focused on telecoms and constantly learning from the feedback we get; we try to be the best in the field.

As a service provider, we benefit from both the advertiser and publisher relations the affiliate networks have. Some networks (like Awin) also provide the commission split between our partners and us. This gives us the opportunity to focus on improving our products.

How would you describe the current state of digital adoption among the Belgian & Netherlands population?

(DT): In the Netherlands the internet and smartphone penetration rate is extremely high, putting the country on the front foot of the world regarding everything digital. This makes the country a more than suitable playground for new digital innovations. Belgium, by contrast, is a more traditional country where the rate of digital adoption generally runs a little slower. Therefore we see quite a big difference in the performance of digital marketing in both countries.

(SM & RS): I'd say that the rate of adoption is generally high but still with a difference between the two. In the Netherlands we see an adoption rate that is much higher. For every need or service there is an online pure player who has an app to fulfil this appetite and a lot of people using it. Our app share in the Netherlands is, for example, a lot higher there than in Belgium.

(GM): I think overall it's really good. We're currently slowly rolling out our service to a series of other countries and we tend to see a much smaller adoption in these nations than what we're used to here in the Netherlands.

What are the biggest obstacles currently facing digital advertisers and publishers in Belgium & the Netherlands?

(DT): The introduction of the new GDPR legislation has naturally posed new challenges in the way we use data. Other obstacles are often more client or market specific. Regarding publishers, coupon code sites might be in for a tough future as clients decline cooperation with these type of affiliates more and more, not understanding the value that coupon code sites can add. These affiliates will need to find ways to add more value to the customer journey.

Keep in mind though that it is mostly an era of opportunity, our clients are switching more and more from an offline-focused mentality to one that is a complete offline and online integrated approach, making sure that any budget goes where the expected results are highest, thus putting affiliate marketing in a good spot.

(SM & RS): The biggest and most important obstacle to overcome is getting cross-device tracking as it is so important here, with around 95% of sales involving multiple devices.

(GM): For me, I would say that cross-device tracking really is a challenge at the moment and one I'd like to see resolved effectively.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Belgium & the Netherlands?

(DT): The new GDPR legislation has had a tremendous impact on the way Greenhouse collects and uses data. For example, in the affiliate department we've changed our way of working in a way that means we don't handle any form of personal data, altering the way we validate sales and adding extra 'GDPR proof' conditions to all of the programs we manage.

(SM & RS): They cause quite some impact as a lot of things you want to do as an online marketer now result in a lot of extra work or are simply not possible anymore. For example, using personal information or non-personal information for targeting purposes or storing customer information to enrich the database for future endeavors.

(GM): In our case (in the telecoms sector) we are subject to the Financial Supervision Act in the Netherlands. It can make things harder, but we also see other countries moving towards the same or similar kind of regulations. We can now often use it as an advantage when (potential) partners in other countries ask if we are prepared for specific regulations in that country and we can say that we already are, thanks to this kind of legislation and our experience with it.

What consumer trends have you noticed that appear distinctive to the Belgium & the Netherlands market?

(DT): Within Greenhouse we've been focusing on two main trends: video and conversational marketing. Video because the online video consumption in the region is increasing more and more. There's just so much content being created and being watched, and the consumer is increasingly switching from media consumption when available (traditional television and radio) to media consumption on demand. Reaching our audiences through video marketing fits right into this trend.

Another important trend that is growing is conversational. For example the Google Home and Alexa products are finding their way into people's homes and so we're experimenting with ways to incorporate this trend into our own digital marketing portfolio.

(SM & RS): Sinterklaas and Kingsday are special for these markets and worth paying attention to as a marketer. Apart from that we don't notice a specific consumer trend in the Belgian and Dutch markets. Voice ordering might become big in a few months/years but I doubt that this will be restricted to just Belgium and the Netherlands.

(GM): Comparing products online really is in the DNA of the people here. Consumer expectations for these services are really high too. Comparison services that aren't comprehensive or that don't show the correct data are really no longer accepted by consumers in this region.

How important are large retail events like Black Friday to Belgium & the Netherlands?

(DT): A few years back Black Friday was just a footnote on the yearly marketing calendar. But, especially last year, it was the main weekend for driving sales to our clients, with preparations beginning months in advance.

For affiliate marketing we're mainly busy with looking for the best deals with big Black Friday publishers, often combining fixed fees with a commission per sale. Outside of Black Friday, December is always a big month for retail here, with both Sinterklaas and Christmas being periods for gifts and for buying a treat for yourself.

In January and July, Belgium has the 'Solden' period, where advertisers are allowed to put discounts on out of season products (which isn't allowed in season). During Solden, the focus is on pushing the discounted products towards Solden-related publishers.

(SM & RS): Black Friday is not a very important event for us because of the nature of our product. However, by contrast, days like Kingsday and New Year's Day are always days where a lot of people like to order food and we make sure to always push some extra promotions out with a specific message related to that day to take advantage of this seasonal interest.

(GM): 2018 was the first year that we saw a real local uptake on Black Friday which was unusual as, since we are in the subscription market, we normally don't see that kind of trend on specific dates or events. Normally, the only events that are really important to us are the product launches from the big mobile brands, which is where we'll witness the big peaks and surges of consumer demand.

What's one thing would you change today in the affiliate industry if you could?

(DT): The progressiveness of the industry, there are a lot of opportunities in ways of using digital media that aren't explored enough. I feel it's still the same type of websites that are driving sales as 10 years ago. Why are 95% of the advertisers still using the same old JPG banner set instead of dynamic HTML5 ones? Why does it not seem possible to upload a video with an affiliate link embedded within an affiliate network? Where is the cooperation with social media/ online streaming/video influencers? I feel affiliate marketing needs to be more proactive and stake a claim in a bigger variety of markets.

(SM & RS): The one thing I would try to resolve would be to integrate affiliate marketing into the automated targeting rules of a DMP.

(GM): I would like to introduce a rating system for publishers that was primarily based on traffic added value. In other words, what does a publisher do for the advertisers to increase the likelihood the visitor is going to buy something from the advertiser? Most rating systems you see now are based on generated revenue. It's easy to see the problem with that approach when you think about the so-called 'cookie droppers.'

How do you expect the affiliate industry to evolve in Belgium & the Netherlands over the next two years?

(DT): The industry has been stagnant from a technological perspective for too long. Over the next few years I'm hoping and expecting solutions for creating a model for complete customer journey conversion attribution where we look across all marketing channels, not just affiliate, as well as better measurement across online (mobile and desktop) and offline. I don't think the way we use data within the affiliate market is as mature as it is in other online marketing disciplines either and this needs to change in order to keep up with them.

In terms of potential growth markets, I think private lease is a relatively new market where affiliate marketing isn't as big as it could be. It's a market extremely suited to price comparison sites and with huge potential due to its increasing popularity. We're also getting a lot of demand from several big automotive clients for relevant affiliate partners and therefore I think that's something that may grow in the future too.

(SM & RS): I don't really expect a lot to evolve because the affiliate industry doesn't change quickly enough, although it maybe should. Over the next two years there will maybe be a little more focus on app marketing, influencer marketing might get a little bit more important and also we'll hopefully see better automated targeting possibilities become available. With Amazon Echo and Google Home, voice search is gaining momentum and we expect voice ordering to get popular in our industry and so we hope affiliate marketing is able to participate in this trend as well.

(GM): I think that over the next two years there will be more service providers for complex products like ourselves. We see how difficult it is to do one thing right and that's also the feedback we get from a lot of our partners, "we tried this ourselves, but it failed." It has everything to do with focus. The web is getting more and more complex and consumers are getting more demanding.

What challenges do you think affiliates face in terms of the attribution of marketing value?

(DT): For affiliates I think it can become unclear as to what basis they are valued on. They need transparency from advertisers on any key metrics used to determine value and (in an ideal world) also insights into the traffic that suits the advertiser's needs best. Affiliates need to understand what traffic adds value so that they can optimize their earnings. However, this kind of exchange in data may be tricky in the current climate because of GDPR and the potential sharing of sensitive data.

(SM & RS): The biggest challenge for affiliates is for them to get a fair investment for the exposure (impressions) that their marketing generates. Currently there is not an easy and cheap way to get this integrated into, for example, DoubleClick, Google Analytics or a database. A lot of channels (display, social, TV, outdoor etc.) get budget for reach and engagement as they are able to make this visible in a certain way and/or integrated this for targeting defined audiences.

(GM): I think the hardest thing is to find an attribution model that fits your business and works for all situations. Without getting too specific, a click from a publisher that adds value for an advertiser (i.e. a reviewer or comparison engine) should be attributed in a different way to that of a click from a publisher who adds much less value to the brand.

What is the current state of mobile commerce in the Belgian and Netherlands market?

(DT): For our clients in the Netherlands we see a 50/50 split in mobile and desktop traffic. However if we consider conversions, there is a significant change in favor of desktop. In general, the Dutch consumer gathers information on mobile and converts on desktop, even though converting on mobile has never been as high. What is interesting though is the increase in mobile traffic isn't necessarily replacing desktop traffic, instead that is additional traffic. People are spending more and more time on their screens, making digital marketing more important than ever.

(SM & RS): From an affiliate perspective there is still a lot of progress to make concerning the mobile app part. A lot of affiliate networks only started last year to get app downloads and app orders tracked as well.

(GM): I think the adoption of mobile shopping is pretty high here. We don't have exact data about the percentage of sales that are made on a mobile device, but I hear from most advertisers who really put effort into their mobile site, that they're surprised by the results.

Case study

Centraal Beheer

Experimenting with closed user groups to reach a new audience of Dutch students

The Netherlands has one of the highest rates of academic attainment in the world, with the OECD reporting that around 32% of Dutch 25-64 year-olds hold a university degree, way above the OECD average of 24%.[3]

Such a sizable and growing student population represents a valuable target market for many advertisers, providing them with a first opportunity to create a relationship with young consumers that may offer long-term value over time.

Studentenbox is a unique local publisher proposition that provide an innovative approach to engaging this particular demographic. Their 'Student Box' is designed to give students a helping hand in adapting to their new, independent life at university.

For many young adults, going to college will be the first time they leave the comfort of their family home. Moving into their first dorms or student house in a new city is an exciting prospect for many students, but they may not have everything they need to ensure they make a smooth transition into this fresh phase of their life.

The Student Box provides new students with a selection of samples, goodies and useful information that will help make that transition easier. As the Studentenbox slogan explains:

"When you go to your new rooms at university there's a lot to deal with. You will decorate your room, cook for the first time, look for a new gym and local doctor...The Student Box helps you with this, providing everything you need to make a flying start!"

In addition to their Student Box itself, Studentenbox also host a selection of discounts and deals from a wide range of retailers on their site for these students, many of which are courtesy of affiliate partnerships they have in place.

One advertiser keen to leverage the relationship Studentenbox had cultivated with Dutch students was the insurance company Centraal Beheer. Founded over 100 years ago and made part of the Achmea group in 1995, Centraal Beheer offers a wide variety of financial products to Dutch consumers. Having established an exclusive partnership with Awin since 2010, their affiliate program had successfully promoted multiple insurance products including car insurance, travel insurance and home insurance.

As an advertiser, Centraal Beheer is always keen to seek out new publisher opportunities that diversify their program and the publishers they are dependent upon. The majority of publishers in the Dutch finance vertical are primarily made up of comparison websites. However, with the principles of building an effective comparison facility quite complex and technical and the sector being heavily regulated when it comes to promoting financial products, the choice of partners is naturally quite a limited one.

The challenge for Awin was to scout out new publisher opportunities that would fit both the program's criteria, alongside the overall goals of the advertiser. Studentenbox appeared to fit the requirements of this objective well.

Closed user groups are a relatively new publisher type in the Netherlands but, because of the tight control that this publisher model offered, Centraal Beheer considered it a perfect fit for their program's strict compliance standards. Studentenbox also offered the client a unique opportunity to engage a specific, targeted audience of students that was unusual and would help to promote them to a new consumer segment.

To simplify the offering for students, one dedicated product, contents insurance for student homes starting at the rate of just €4 ($4.47 USD) per month was offered to this user group. As an additional incentive, student customers were also offered a free Senseo coffee maker (worth €79.99/$89.46 USD) when taking out this type of insurance with Central Beheer through Studentenbox.

The campaign was undertaken for a two month test period to understand whether there was an affinity between these two partners, and to maximize the performance of this activity, the Awin team negotiated numerous additional elements of exposure including:

Landing page
Exclusive dedicated landing page for promotion of the offer

Exposure
Homepage exposure promoting the product

Campaign
A full social campaign

Newsletter
Newsletter features

After this two month test period, it was clear from the performance of the campaign that there was a significant student appetite for this insurance product and the Centraal Beheer brand name.

	Traffic uplift	Sales uplift	Commission uplift
Month 1	+768%	+538%	+587%
Month 2	+476%	+342%	+402%

Thanks to these positive results, Centraal Beheer and Studentenbox agreed to continue their partnership, providing students with a simple and cost-effective means by which to find the most relevant insurance product for their situation.

"Studentenbox is a great addition to our publisher portfolio, not only are the results mind-blowing but they serve an interesting target group. It allows us to target young adults and help them with their first insurance via a medium that is completely dedicated to them, hopefully resulting in building long-term relationships. Our first experience with closed user groups is very promising, we'll definitely invest more in this type of publisher in 2019."

Martijn van der Voort, CRO Specialist
Lead Affiliate, Centraal Beheer

"We have never seen or expected the results that came out of this first pilot. We have a steady traffic profile and loyal followers so we know we are capable of doing great results, but the combination of our traffic and the superb deal of Centraal Beheer and the incentive of Senseo really took this to another level."

Edo Burger, Founder,
Studentenbox

Market sponsor

Main Ad

MainAd is an advertising technology company specializing in global display and retargeting campaigns. 'Logico,' its flagship proprietary technology, utilizes machine learning to offer custom programmatic campaigns to brands. Combined with our tailored approach to campaign management, it offers improved performance. MainAd's data-based expertise amplifies advertising performance while delivering transparent and fair results.

Founded in 2007, MainAd serves global brands across 80 markets, with offices in Italy, the UK, Turkey, India and the Philippines. Present in South America since 2010, MainAd plans to strengthen further by opening a local entity in Brazil.

www.mainad.com

Brazil

Regional information

211.6m
Population

Brazilian Real (R$)
Currency

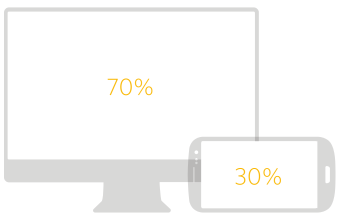
149.1m
Number of internet users

1,029
Number of advertisers

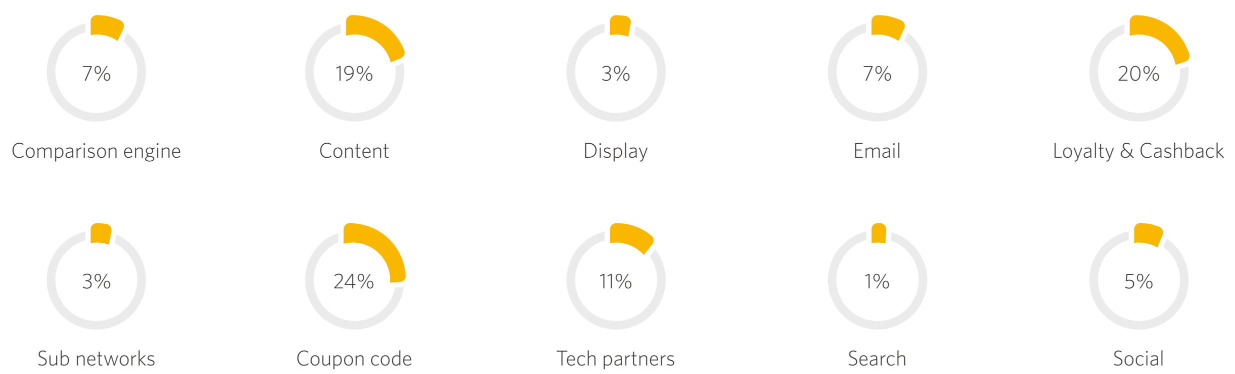
67%
Adults with a smartphone

4,063
Number of active publishers

Device split of sales



Share of sales by publisher type



Online sales and digital ad investment in Brazil hit 17% growth in 2018, with affiliate marketing continuing to outstrip this rate.

Traditional advertisers here have begun to see the importance of their online presence, while pure online advertisers bring innovation and more competitive pricing to the end user which, in turn, is leading to a more competitive market overall.

2018 was a difficult year for the Brazilian economy. Several offline retailers joined the online channel too late in the game and had to shut down their businesses. The economy in general is still facing a recession and shopping malls are emptier than ever. On the other hand, e-commerce sales are skyrocketing. Brazilian shoppers are price-driven and yearn for improved online shopping experiences and more convenient delivery methods.

Although we have seen a 3% decrease in the value of goods ordered during Cyber Week in 2018, we have also witnessed a simultaneous increase in the number of sales and total gross merchandise value, indicating users are adapting their shopping habits and looking for more transparent pricing.

Furthermore, advertisers are looking to optimize their ROI beyond just Google, Facebook and the CPM models offered by display advertising. Instead, many are seeking out a wider range of publishers with whom they can work on a performance basis - via CPA - leveraging these partnerships to reach the customer at a variety of stages in their online purchase journey.

Indeed, many Brazilian advertisers have started delving deeper into these journeys to further understand the value affiliate marketing delivers across them. From upper-funnel inspiration, like that provided by influencers, to lower-funnel converters, like cashback and coupon affiliates, advertisers are investing more into the channel, offering increased CPA pay-outs to capitalize on all of these partners' various contributions.

This increased investment has attracted a wide range of new affiliate types. With almost 70% of the population engaging with social media, it's no surprise to see Facebook communities and YouTubers as prime examples of those using affiliate marketing to effectively monetize their traffic.

They're not alone. Most media groups and publishing companies are focusing their attention on affiliate marketing now, recognizing its ability to bring them closer to advertisers and demonstrate to them their own value in the customer journey.

When you take into account the inherent transparency and quality of the channel's publishers, it's easy to see why there is currently such high demand for affiliate marketing in Brazil. In fact, many of those brands who are already running long-term affiliate programs state they invest as much as 20% of their online advertising budget into the channel.

Overall, we can see affiliate marketing is playing a significant part in the development of Brazil's e-commerce industry by bringing advertisers and publishers closer together, adding value and influencing local consumers at the right moment.

While many advertisers are already seeing success thanks to the increased ROI and quality of publishers offered by the channel, and many affiliates are utilizing the channel to understand better and monetize their audiences efficiently, there is clearly room for further growth.

There is an array of new opportunities available beyond the established sectors of retail and travel. Looking forward, we can expect more from the telecommunications industry, as well as within fintech and insurance. In doing so, affiliate marketing will continue to add value between advertisers, publishers and users.

Awin Brazil

Brazil

Local Market *Q&A*

André Amaral Ribeiro
Chief Strategy Officer **(AR)**

Matheus Sales
Affiliate Manager Brazil **(MS)**

Henrique Sato
Head of Commercial **(HS)**

What is your business and how is the affiliate channel important to it?

(AR): Méliuz is the leading cashback player in Brazil, providing savings for consumers both online and offline. With Méliuz users can withdraw money directly to their bank account, which is different to most of the loyalty programs in the market. Indeed, according to a Nielsen survey, reward programs using cashback as an incentive to purchase are the most preferred by Brazilians.

We recently launched an offline operation, partnering with supermarket and drugstore chains. We offer an easy-to-operate loyalty program, providing a complete solution including Business Intelligence and CRM tools. We provide a smart way to make offers and pricing, targeting the right shoppers at the right moment once we know all their consumer habits. This leads to actions focused on increasing the average basket value, customer retention and customer reactivation due to greater efficiency in promotional actions and investments.

For us, the affiliate channel is very important in the way that it has enabled us to build a scalable operation and really helped us to grow quickly in the last few years. The affiliate model allows us to easily integrate and connect with thousands of merchants quickly in an end-to-end operation.

(MS): Savings United is the leading strategic coupon partner of premium media companies, connecting brands to consumers in 13 territories, such as Brazil, Spain, the US and the UK. We power trustworthy content and coupon projects, enabling brands to stand out in a highly-competitive industry, while driving savvy shoppers through the full marketing funnel.

The combination of Savings United's expert, tailored-made service with its media partners' reach and authority results in an effective performance-based marketing solution, enabling advertisers to meet their customer needs, surpass brand ROI objectives and increase brand awareness in all verticals.

As a specialized coupon platform, the affiliate business is a core channel for helping us to connect top advertisers with potential customers through our broad range of media partners. By focusing on performance - and with the daily insights and optimization of key affiliate metrics that we can analyze via platforms such as our own business intelligence tools and the reporting tool that Awin offers - we are able to make our work increasingly efficient, transparent and profitable.

(HS): Social Miner is an engagement platform built to help e-commerce businesses increase sales through people-centric solutions, which we call 'People Marketing.' People Marketing is a methodology focused on consumers' engagement through humanized interactions for each step of the customer's journey.

The affiliate channel has always been important to our operation, mainly thanks to the support it has given us in terms of our market entry. The partnerships we have via the affiliate channel give us the possibility to scale our business effectively.

How would you describe the current state of digital adoption among the Brazilian population?

(AR): Like other emerging countries, Brazil keeps growing quickly in terms of digital adoption among its population. However, there is still a significant and important gap when compared to developed countries around the world, as well as internal gaps when we compare different regions within the country. This results in two main conclusions: 1) We have a great opportunity for growth here, thanks to the country's size and the size of the potential market; 2) There is still a huge ocean to be explored in the next few years and a lot of new opportunities coming.

To provide some context, around 70% of the Brazilian population now has internet access. In terms of households, 78% of them have access from mobile internet and 73% from fixed internet.

We can also see in Brazil a worldwide trend that is represented by the migration of traffic (and consumption) from desktop to mobile. Companies here must be prepared to anticipate this transition and ensure that they are delivering the best possible mobile experiences to consumers.

(MS): In 2018 the active internet population was around 60%, which might seem low to some people but still makes Brazil the fourth biggest country globally. In 2018, we also saw a significant (28%) rise in the share of visits on our sites via mobile devices - up to 68% of our total visits, which shows that Brazil has an advanced state of digital adoption. But this still needs to improve - for example 4G speeds are still low compared to regional and international comparisons.

Being one of the biggest countries in the world, Brazil therefore has many potential users and customers still out there needing much more information and support in terms of infrastructure to be part of this digital revolution.

(HS): Brazilians are increasingly adopting digital into their daily routines of life and consumption. And thanks to this growth we see many more new opportunities being created for segments that until now have remained little explored in the digital environment.

What are the biggest obstacles currently facing digital advertisers and publishers in Brazil?

(AR): Each day, more advertisers are looking for solutions that deliver highly-segmented and personalized campaigns. They are looking for solutions that are precise in reaching the right audience at the right time involving a high degree of sophistication, while massive and low-personalized campaigns appear to be losing relevance. Moreover, consumers are tired of being reached by a huge amount of non-relevant ads, which also represent a waste of money from the advertisers' perspective.

In this context, publishers need to invest in smart solutions and develop their own products that will enable them to deliver what is expected by both advertisers and consumers. It is only possible for publishers to win the game when they understand that this is a market that requires high investments in people, technology and product, and not merely produce some kind of content or campaign and then use the traditional ways for delivering it.

(MS): There are many obstacles facing digital advertisers in general, such as how to integrate with the high street, getting better visibility online and providing e-commerce-enabled mobile sites. Besides these though, Brazil also has some specific digital challenges, and these are topics that are as relevant to the affiliate channel as they are to the wider industry. Issues like fraud, high cancellation rates, a lack of digital education and even tracking problems. I would say that here, for publishers and advertisers alike, it is necessary to adapt your product to the market, and by understanding your users' signals, you should be able to drive more conversions.

(HS): The biggest hurdle for advertisers, I think, remains their culture and still believing that the only indicator worth tracking is conversion. The goal of Social Miner is to enter the middle layer of the sales funnel, engaging customers and directing them through to the next phases of the consumer journey, which are often misunderstood by advertisers.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Brazil?

(AR): Brazilian regulators recently approved our version of GDPR, which is basically a copy of the EU version. This new regulation will bring about a new way in which to treat and work with data for all companies in the market, especially those working in the online industries. The problem is that most of the companies in the Brazilian market do not know how to deal with this new regulation, including the larger ones like major e-commerce brands and even banks. Fortunately, at Méliuz we anticipated this topic and we started dealing with these issues even before the regulation came into effect. We now have a dedicated team working on cybersecurity and all data regulation topics to guarantee the safety of our users' and partners' data.

(MS): The internet is a powerful and growing tool! Because of this, there is a real need for regulators to ensure that standards are set and adhered to, to ensure consumers are protected. Because there is so much personal data that can be used in many ways, it is important to assure people that this digital environment is safe and private for its users while protecting the users' rights to express themselves freely. Our 'Civil Rights Framework in Brazil,' also known as Marco Civil da Internet, along with the recently approved law that is inspired by the EU's GDPR framework will go live in 2020, and both are relevant drivers for change into the way digital advertising is done here in Brazil. Having said that, it is important to recognize that a lot will need to be adapted in order to make it a completely safe environment for the most important aspect of the internet: its users.

(HS): For those businesses with serious solutions that care about the privacy of user information, there will be no impact whatsoever. However, the practice of data sharing, unfortunately, is common in Brazil and those who practice it will need to redouble their efforts to ensure their business is in line with these new regulations. As a consequence they may find that they lose some of their agility.

What consumer trends have you noticed that appear distinctive to the Brazilian market?

(MS): As a Brazilian citizen myself I would say that we always like to be in a winning position - not just in football, but also in online deals! It is therefore important to recognize that during the conversion funnel, Brazilian consumers are extremely likely to look for discounts, coupons, cashback or anything that will make them feel like they are 'winning' when they are purchasing something online.

(HS): Thanks to the increased levels of internet consumption that we've witnessed in Brazil, we can see that this growth has opened up space for some markets that previously had little or no presence in the digital sphere. Fashion and accessories, for example, are a sector that have really been gaining prominence in this period and are representative of a growing appetite from Brazil's consumers to buy these items online.

How important are large retail events like Black Friday to Brazil? Are there any local shopping dates that are exclusive to your region?

(AR): Black Friday is well established as the main seasonal sales day for e-commerce in Brazil and is, of course, hugely important to Méliuz. What we've been observing in the last few years is that with each passing year sales are not only concentrated in just the one day (Friday), but we increasingly have a five-day period with a huge volume of sales, starting from Thanksgiving and only ending on Cyber Monday.

Another day that is becoming more relevant to us here in Brazil is Singles' Day (which is by far the largest e-commerce date worldwide but still primarily focused on the Chinese market).

In addition, we also have other seasonal dates where we experience high sales volume like Mother's Day. Some of the largest e-commerce retailers also have their own events when they celebrate their own 'birthdates' with huge sales campaigns. In this way, Méliuz has also created its own events like the 'Cashback Day' we host in March, which we use to help boost sales in a period that was traditionally quite quiet and lacking in any seasonal campaigns. The event has been hugely successful for us, to the point where we have even won a prize for it as a useful example of innovation within the Brazilian e-commerce market in 2018.

During most of these dates, we negotiate special deals with the merchants that enable us to deliver incredible offers to our users who are attracted by the strong cashback offers. In addition to these offers, we provide smart solutions and products using our CRM team and other tools to deliver the right communications at the right time to our huge user base.

(MS): As was cited in the previous edition of the Awin Report, almost 15% of the revenue generated in November and December was tracked on Black Friday alone. Such data demonstrates the importance of the event and, with Brazilian shoppers usually looking for ways to get discounts and make savings, these shopping dates are hugely useful as a means of driving conversions.

In addition to Black Friday, it's worth considering the importance of Valentine's Day in Brazil, which is a new and interesting subject. In Brazil, our Valentine's Day is called Dia dos Namorados (it's also known as 'Lovers Day' or 'Day of the Enamored') and is held on June 12 traditionally. However, brands here are increasingly now looking to taking advantage of the worldwide date on February 14 and marketing sales around this date too.

What's one thing would you change today in the affiliate industry if you could?

(AR): Because of Méliuz's specific business model, we deal directly with the consumer at the point of conversion and therefore they feel any intrinsic problem that the affiliate model or market may have. Problems like wrongly cancelled purchases or non-tracked purchases may not seem a big issue (or even perceived) by most other publishers. However, in Méliuz's case, these kinds of problems impact directly upon our users who are expecting the cashback benefit from their purchases. Sometimes, when facing these problems our users feel frustrated and may even bring a lot of complaints to us. Fixing these issues, or at least reducing these problems, would really benefit a lot our users and our business.

(MS): From our perspective, we would love to see a standard on the available metrics and information made available to both digital publishers and advertisers, since campaigns should be constantly optimized to make them more efficient and profitable. Following this, it's important to keep a close eye on a variety of factors like the whole consumer journey, order value, device tracking and several other important data points that are relevant while, of course, respecting the user's privacy.

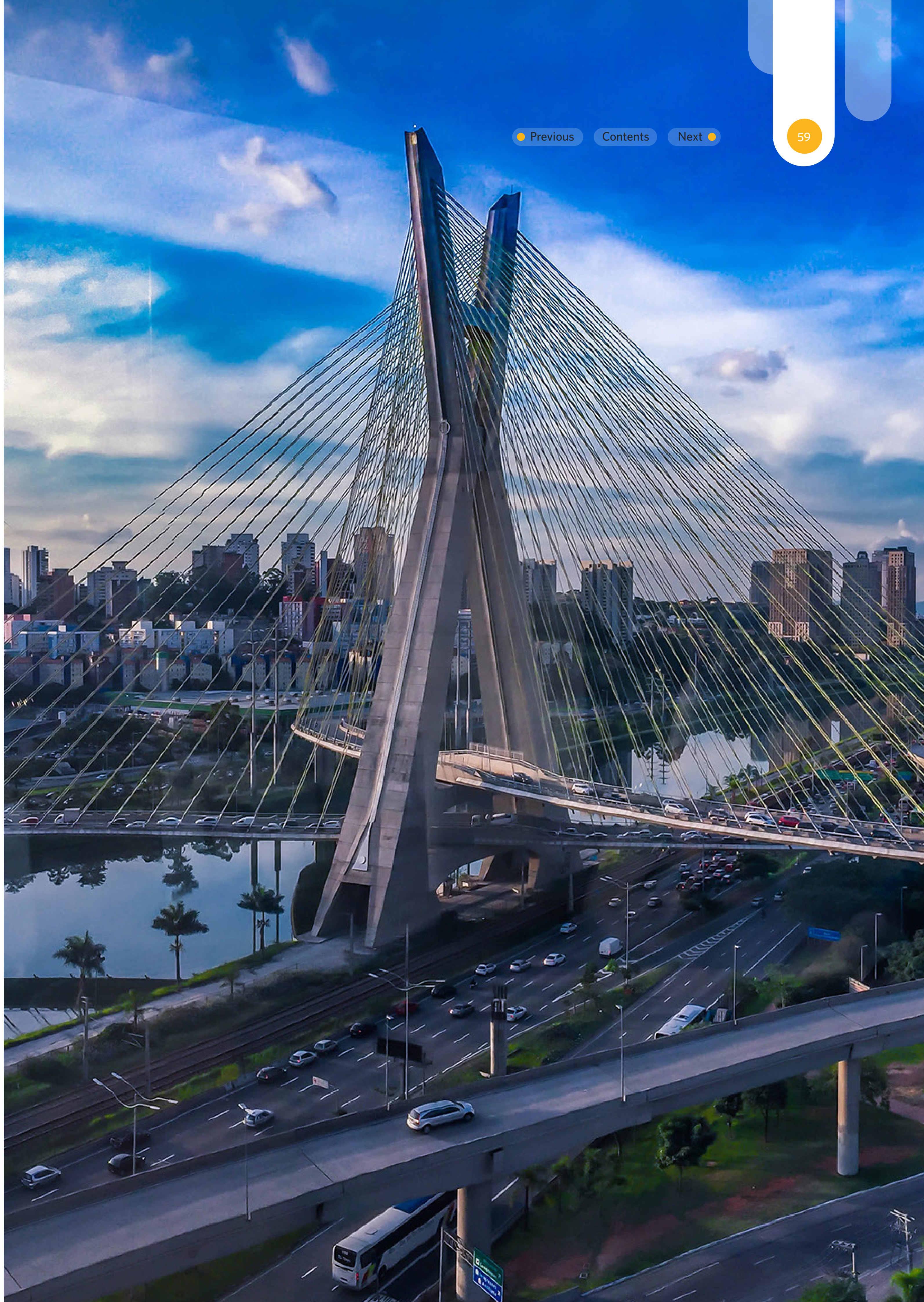
How do you expect the affiliate industry to evolve in Brazil over the next two years?

(AR): Currently, I feel that the affiliate industry in Brazil is still concentrated only in the online segment. This reality is already beginning to change in other countries like the US, and I think it is natural that this is the way things will soon evolve in Brazil as well.

Every day the user journey is becoming more entwined and mixed, with the online and offline worlds increasingly becoming just one. Advertisers are looking for ways to influence consumers both in the online and offline world, as well as seeking out ways in which to convert them in both environments. However, there is a lack of players connecting publishers and advertisers in this manner, and I think that because of the size of the opportunity here, it is an area where we will see some companies attempt to try and resolve. If it can be done then there will huge demand from both publishers and advertisers.

(MS): I do expect there to be an evolution towards a more transparent and robust market, especially since huge media organizations and international companies, with high demands for quality and compliance, are now adapting themselves to this objective and demanding it of their partners.

This, followed by the recent digital rights frameworks in the country, will surely provide a safer environment for new digital advertisers. This change may be a good thing for performance-based channels like affiliate. We may see the affiliate industry earn a larger share of revenue, thanks to the fact that it is based on the sales it generates and can demonstrate its value better than some older, more traditional channels. Therefore, I expect the affiliate industry to become an increasingly more integral part of advertisers' marketing mix, and, as consumers' online habits change, we will probably see publishers adapt their own business models to take advantage of the affiliate channel.



Case study

SEPHORA

Using affiliates to tap into Brazil's influential beauty ambassadors

Beauty is a highly-personal product and heavily driven by others' recommendations. As consumers increasingly turn to social media for advice and authenticity, it's no surprise influencers are being adopted as brand ambassadors who are critical to the success of beauty retailers.

Sephora Brazil is the largest perfume and cosmetics brand in Latin America. Since 2013, the company has invested heavily in its relationships with influencers via its affiliate program. The brand has recently evolved their approach, working more creatively than ever with a small number of handpicked brand ambassadors.

At the core of Sephora's new approach was a shift in focus from specific, campaign-based activity to one that sought to build long-term, sustainable relationships with influencers. With relatively small budgets available, this new focus represented a challenge and compelled the brand to focus on working with smaller 'micro-influencers.' However, it was soon discovered that these influencers in fact had the most loyal followers and, handled correctly, could deliver significant value to Sephora.

Sephora's nine-step strategy

In Brazil it is typical for brands to manage influencers directly, so when Awin suggested that the network centrally coordinate and manage their influencer program, Sephora jumped at the chance to explore a more streamlined approach to influencer management.

A project was initiated to educate influencers unfamiliar with affiliate marketing, covering everything from the payment options available and how to easily create and use deeplinks to track activity, to understanding more about how to promote the Sephora brand effectively and compliantly online, as well as inviting these partners to exclusive Sephora events to bolster the relationships between them.

In all, there were nine different elements to this educational strategy that would align the influencers' focus with Sephora's objectives.

Welcome Pack	**Brand** Guidelines	**Editorial** Content
Deeplink Education	**Product** Gifting	**Coupon Code** Sharing
CPA Rate Introductory	**CPC** Additional Payments	**Exclusive** Events

Adjusting KPIs to fit the influencer model

The 20 handpicked influencers understood they were part of an exclusive group that Sephora and the network would support, not just for a single campaign but on an ongoing basis, as they helped to promote and grow with the brand.

Typically, influencer campaigns are not subjected to the same targets as more conventional publisher types. Therefore, three key performance indicators were established with goals set that would better suit the activity that these influencers engaged in.

An additional 2% commission incentive was offered if one

Conversion Rate	**Sales** Volume	**Brand** Fit

criteria was met. If two criteria were met, this was increased to 2-3%. If all three were hit, these publishers could earn an additional 3-3.5% commission.

This incentivized approach led not only to additional exposure for the brand, but also aligned the publishers with the Sephora program targets.

Successful partnerships

Chata de Galocha: With ~700k Instagram followers, Chata integrated a Sephora product carousel while also offering a unique 50% discount on an eyeshadow palette. Over the past 12 months Sephora has received over 19k clicks from Chata's links.

Mariana Sampaio: This hugely popular Instagrammer (~2m followers) created quirky stories around the brand Urban Decay's eyeshadow palette. In just one month, Mariana generated almost 100 sales of the R$300 ($77 USD) palette to her young and affluent audience.

Manual do Homem Moderno: The 'Manual for Modern Man' blog site posted a selection of aftershaves matched to different personality types. They also published a video explaining 'how to choose an aftershave' with links to discounted products on Sephora's site. Immediately, they saw 40 aftershave sales on the day the post went live.

The long-term brand value

Overall, the shift in focus proved to be hugely beneficial for Sephora, helping them build much stronger relationships with a selection of Brazil's most influential publishers that were aligned with their own brand identity. Not only did the network approach allow them to streamline the management of these partnerships, but it also generated significant value for them over the first 12 months of their partnership:

6.8m Combined reach of the 20 influencers' audience	**60k** Clicks generated by them during the campaign	**R$11** Sephora's return for every R$1 they invested

"Until last year, we focused on affiliates for ROI. Our influencers were separate and managing them was time consuming. By aligning them with our wider tactics, we are not only running our whole enterprise more efficiently, but can focus on building the relationship and producing quality content"

Felipe Bernado,
Head of Digital Marketing, Sephora

Market sponsor

media impact

Media Impact is an experienced team of experts who provides clients with the best communication solutions. With a portfolio of well-known brands reaching over 21m Poles, we focus on video, native, mobile and content marketing. We also carry out 1,000 communication projects a year, including Mixx Award-winning ones.

Media Impact focuses on expert knowledge and development, and has over 100 specialists with DIMAQ certification who run projects and workshops. Some are also lecturers in the Impact Academy - a flagship project educating Polish marketers that, in 2018 alone, has supported over 1,500 people.

www.mediaimpact.pl

Eastern Europe

Regional information

255.4m
Population

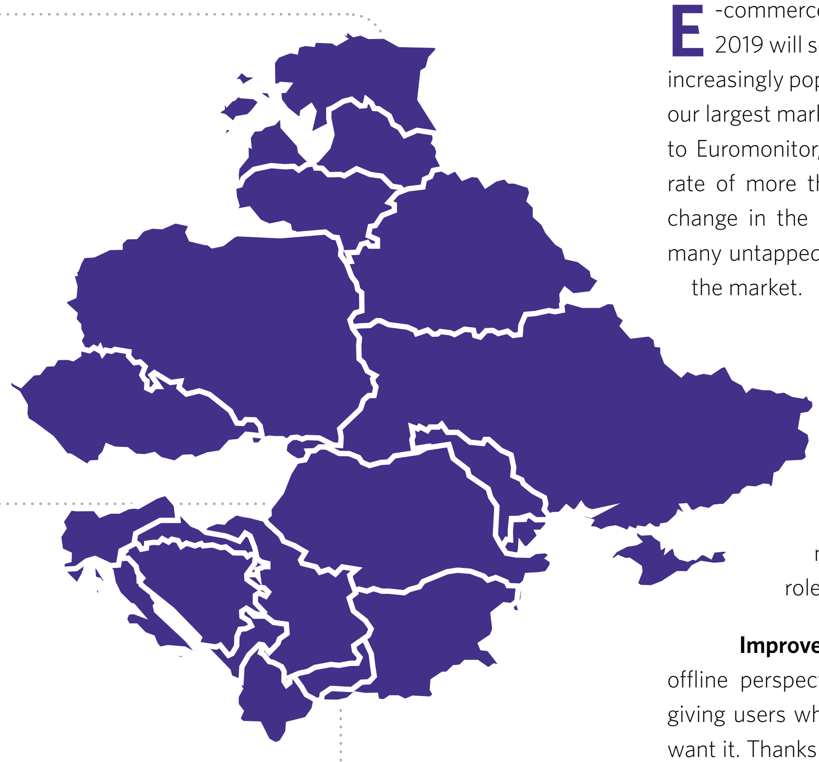
Various
Currency

203.5m
Number of internet users

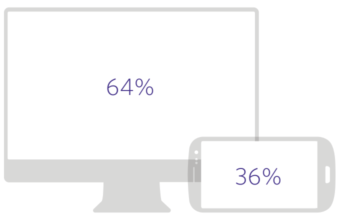
1,287
Number of advertisers

60%
Adults with a smartphone

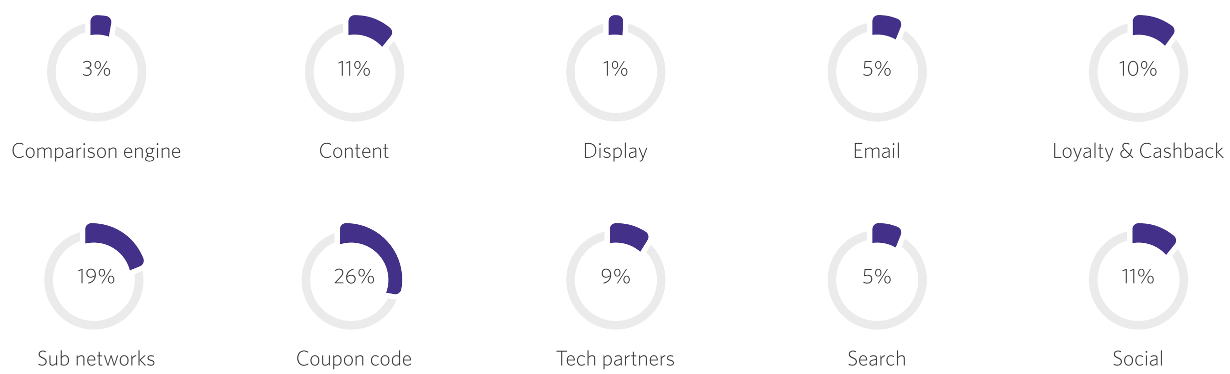
3,330
Number of active publishers



Device split of sales



Share of sales by publisher type



E-commerce in Eastern Europe is on an upward curve and 2019 will see greater growth as online shopping becomes increasingly popular. In 2018, the total value of sales in Poland, our largest market in the region, increased on 2017. According to Euromonitor, e-commerce is thriving, with record growth rate of more than 20%. Nothing suggests this is going to change in the near future, particularly as there are still so many untapped sectors and industries with huge potential in the market.

Performance marketing is seeing a similar rate of growth in the region right now as more advertisers and publishers become aware of its appeal. As a result, it currently enjoys around a 10% share of online advertising investment in Poland. A number of factors have played an important role in creating this positive scenario, namely:

Improved user experience: From both an online and offline perspective, there has been a real improvement in giving users what they want, when they want and how they want it. Thanks to the increased availability of data combined with advances in machine learning and AI in e-commerce, marketers are understanding better what offers to promote, how to promote them and when, to ensure the most effective delivery.

More marketplaces: There is an increasing number of these platforms in the region and they are playing a pivotal role in broadening and shaping consumers' awareness of how to search and shop online. The positive, smooth experiences they offer to online shoppers has seen them gain real influence in this market. It is telling, in fact, that the largest marketplace in Poland, allegro.pl, has almost a 50% share of e-commerce in the region, indicative of the popularity of this format for local shoppers.

Increased cross-border trade: The lack of territorial restrictions has invited a lot of e-commerce competition into the market, with an increasing number of local users happy to use foreign platforms (primarily from Germany, the US and China) to shop for the goods they want online. AliExpress has been particularly popular and, interestingly, Awin saw a 270% increase in revenue via the platform during Singles' Day. It's easy to see why, when products can be found so much cheaper there. This kind of growth has undoubtedly contributed to a 27% increase in wider cross-border trade in 2018 for B2C brands here.

Integrated multi-channeling: We've witnessed some truly innovative melding of different channels to respond to consumer needs at the right time in their purchase journey. This approach inevitably results in better consumer experiences, as well as improving brand awareness.

A great local example of this was the work undertaken by the Polish e-commerce brand eobuwie.com.pl, who opened a series of multimedia showrooms where consumers could come to check out their products and browse them via in-store tablets. The brand then evolved this by rolling out their esize.me project, where shoppers could scan their foot dimensions and would then be given automated recommendations of shoes online matching their foot profile. Thanks to this development, the shop eliminated any anxieties the shopper might have around the product not fitting, and also radically reduced the costs resulting from any subsequent returns.

While the above themes are having a significant influence over the state of e-commerce in Eastern Europe, there are numerous global trends that we can anticipate that will also influence its shape in the coming years. Chatbots, blockchain and voice search are all technologies that will soon start to affect the economy here and it will be fascinating to see what impact they have upon the affiliate industry too.

Awin Eastern Europe

Eastern Europe

Local Market *Q&A*

Rafal Kostka
Head of Performance Marketing **(RK)**

Maciej Tarsiński
PL, IT & DACH Markets Manager **(MT)**

Karol Tokarski
Ecommerce Director **(KT)**

What is your business and how is the affiliate channel important to it?

(RK): AZAGroup S.A. includes the popular regional fashion brands Born2Be and Renee. Affiliate marketing is one of the key performance channels for the fashion online industry in the Eastern European market. Even though deal-focused sites like coupon and discount code websites, cashback or loyalty are definitely crucial, these are not the sole affiliate traffic sources in affiliates' activities here.

In Eastern European markets like Poland, fashion aggregators, price-comparison websites and online lifestyle and fashion magazines contribute heavily to the affiliate ecosystem. Obviously, these affiliates provide on the one hand an increase in sales. However, they simultaneously create a cost-efficient method for generating new prospects too. And, because affiliate businesses interact with consumers at numerous stages in their online research of a product, they also provide a great way in which to maintain a relationship with these prospects across a range of touchpoints.

(MT): Every day, Picodi delivers over 100 discount codes and special offers to millions of users in 41 countries. Every day, we not only enable them to buy products online cheaper, but we also inspire them and give them the confidence to shop from relevant retailers.

As a popular discount code publisher, we play an important role within the affiliate ecosystem. Together with the companies that help connect us with our advertiser partners, we create a 'win-win' situation. We tend to be among the top partners for every affiliate network that we work with, generating a large amount of sales for our partners and, in turn, the affiliate channel has developed into an extremely valuable part of our business.

(KT): Komputronik provides online and offline sales (via our stores) of electronics products, IT equipment, and RTV/AGD, as well as items from across the broad home & garden category. Thanks to our cooperation with affiliate networks, we are able to quickly and effectively reach new clients via a wide range of communication channels. Not only that, but we also have the option of retaining control over our spend because of the flexibility of the commission models we can offer our affiliate partners.

How would you describe the current state of digital adoption among the Eastern European population?

(RK): As far as digital adoption is concerned, the tendency I have observed over the past few years across Europe is as follows: That the modern marketing trends show up initially in the UK and, after a short while, they expand to other Western European countries and then arrive in the Eastern European regions. Sounds logical, doesn't it? And yet, the evolution of the Eastern European customer happens here a lot faster than it has happened in Western regions. Therefore, the majority of global companies that enter the Eastern European markets tend to win out quite quickly, as the market is not yet saturated in most sectors and the number of online users who evolve into online customers is constantly growing.

(MT): In the countries with stronger economies, such as Poland or Russia, we can see a stable upward trend. On the other hand, in the countries where the level of e-commerce development is considered relatively weak (for instance in Romania or Bulgaria), they have a lack of big international players present there. As a result, the speed of growth is not as impressive compared to their capabilities.

(KT): With respect to Poland - as the data will show - the country is one of the most developed e-commerce markets in central Eastern Europe. From our company's perspective, we currently avoid dividing customers between offline and online and we treat them all identically. Our data shows that the time, place and context of the need means that a customer might initially sit in an offline channel but can then shift into an online experience in a moment.

It's also worth noting the improved level of trust from consumers in the region around online transactions, both in terms of the quality and ease of use of the stores themselves, as well as the related services that exist around this including things like payments (for example the mobile payment platform Blik) or logistic suppliers (for example the parcel distribution company Paczkomaty).

What are the biggest obstacles currently facing digital advertisers and publishers in Eastern Europe?

(RK): One of the major obstacles facing digital advertisers here in Eastern Europe is the mentality of online consumers in the region, particularly with respect to their trust and loyalty with brands online. According to surveys, things like paying via credit card or simply trusting in the quality of products sold online are among the most common doubts Eastern European customers have when purchasing online.

Moreover, the question that is mostly heard by colleagues in our customer contact center is, "What does this product look like in reality?" The insight we can learn from this is that most customers are still thinking in quite an offline way.

When it comes to the online media market, obviously the pricing is not quite as attractive as it used to be two or three years ago. More and more publishers appear to be declining the activity they undertake on a pure CPS model. Instead they are opting for hybrid models with flat fees for instance, even though the average conversion rate in Eastern European retail is quite below the average seen in Western countries.

(MT): In smaller countries, the main obstacles are the low awareness of online shops and the slow development of affiliate networks there. Most of the countries in the region are characterized by a lack of competition among affiliate networks; there is usually just one main player and a few smaller ones. In principle, the competition is good for all sides and a lack of it can usually contribute to stagnation within the industry.

(KT): Apart from the consequences from the changing legal conditions, the biggest challenge we're seeing in the region is the sheer domination of the larger e-commerce entities, and more specifically, an increasing degree of competition for customer acquisition with definitely lower budgets.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Eastern Europe?

(RK): Regarding the GDPR introduced last year, we have noticed some impact on the digital advertising market here and in our own experience. First of all, we started analyzing in a more detailed fashion what, how and by whom personal data is being gathered, which has made planning marketing activities a much more time-consuming undertaking.

In some cases, activities have been temporarily paused because of the possibility of legal issues and the attached business risks, especially when it comes to gathering large amounts of personal data. After a few months of uncertainty however, it seems that currently the situation has stabilized to some extent.

(MT): Recent local regulatory initiatives have certainly contributed to the development of the industry indirectly. An interesting example is the law banning trade on Sundays in Poland. Polish consumers were therefore deprived of the possibility of making purchases in a conventional manner in shops, and this gap has effectively been filled instead by online stores offering favorable promotions and delivery terms on Sunday orders.

Another interesting aspect is the effect of increasing investment in social advertising in some countries in the Eastern European market. As a result of this advertiser investment, we've also witnessed an increase in the variety of products that consumers are able to purchase, beyond the conventional product categories.

What consumer trends have you noticed that appear distinctive to the Eastern European market?

(RK): Eastern European customers love comparing prices. However in terms of e-commerce, they are not generally as deal-orientated as customers in other Western markets. This is related to the general consumer awareness and frequency of shopping online in the West compared to here.

Another growing factor to be aware of in Eastern Europe is the fact that the region's shoppers will mainly buy online only from retailers with a positive brand image that they know and trust.

(MT): The countries in this part of Europe can be characterized by a significant increase in their standard of living and accompanying purchasing power. For example, in the fashion sector we have recorded an increase in average order value year-to-year, ranging from 15% to 30% depending on the individual country.

It's also interesting to consider the interior design sector, where we can see a several-fold increase in turnover, especially in Poland, the Czech Republic and Slovakia. The biggest jumps that we've seen, however, are primarily being recorded among those offering food delivery services.

(KT): One trend that we've identified when it comes to talking about Poland is that a large share of traffic is taken by the bigger players in the marketplace and price comparison websites, especially in terms of searching for consumer electronics. This leads to fairly low loyalty to specific online stores or retailers, thanks to the active search that consumers undertake in order to find the best offers 'here and now.'

How important are large retail events like Black Friday to Eastern Europe?

(RK): Major commercial events in Eastern Europe are generally quite similar to those in Western markets, focused around sale periods during holiday events and people's paydays. Cyber Weekend, for instance, is increasingly becoming one of the key dates in our commercial calendars over the past few years. In fact, the competition is getting fierce from one year to the next, that now the Black Friday insanity starts days or sometimes even weeks before the actual day itself.

(MT): In Eastern Europe, Black Friday emerged relatively recently. In a short period of time, the event has grown into the most important shopping day in each country. The increase in transactions in some countries of the region in relation to the ordinary day reaches even several thousand percent (Hungary - over 9,000%, Belarus - 2,300%, Ukraine 1,300%).

One interesting fact is that in Romania, due to the influence of a large local player, Black Friday takes place a week earlier. In addition, Singles' Day is gaining popularity, mainly due to the fact that Europeans can now shop via Chinese online stores. However, we don't have other local shopping events, such as those celebrated in Latin America like Buen Fin and Hot Sale.

(KT): For several years now, it has been interesting to observe the growing interest from the local population in Black Friday and the wider Cyber Weekend and how it leads to actual increases in both traffic and sales during them.

What's one thing would you change today in the affiliate industry if you could?

(RK): Automation, I think, is key. Affiliate cooperation remains still quite a manual task in comparison to those tools offered by other distinct channels like social media, paid search or RTB. And as a consequence of this, it perhaps increases the risk of failure in realizing more affiliate campaigns.

(MT): From a local perspective, we would like to have more cooperation among publishers and affiliate networks, particularly in some of the less developed markets. By cooperating in this manner, I think that we can more effectively raise awareness of affiliate marketing in those regions and convince potential advertisers and brands to get involved in the industry, which would be hugely beneficial.

(KT): For me, the one thing I would look to change would be to lower costs!

How do you expect the affiliate industry to evolve in Eastern Europe over the next two years?

(RK): I think that, thanks to numerous attribution models being made available that are not based solely on the very last click, the affiliate channel will start being treated not just as a closing channel but also as one that generates prospects and that can help to maintain them in the customer journey through various touchpoints and their diversification.

I would assume that we may also see more of a technological revolution in that time. It is not only about the industry coming up to advertisers' expectations in terms of the different tracking methods, but also using more technological innovation within advertising. Personalization, big data or chatbots for example, should definitely play a crucial role in the affiliate industry in the region within the next couple of years.

(MT): We expect the market will become fully professionalized and marginal cases of fraudulent practices or violations will be consistently fought collaboratively by the industry.

On a larger scale, Eastern Europe is one of the most dynamically developing regions in the world, and will probably remain so in the next two years with the entry of larger global players into this region, providing an additional driving force for its development.

(KT): For a long time now, affiliate networks have been rapidly adapting to the changing nature of the customer's purchasing behavior and also in understanding the decision-making process for consumers, especially in the early stages. Certainly this is reflected in the growth of publishers focusing on the mobile channel and improvements we've seen in good quality content marketing.

However, we are still waiting for the development of transparent analytics and business models that enable an effective and satisfying way to appreciate those publishers operating at the early stages of the shopping journey who do not necessarily convert that traffic. I would hope to see this develop over the next two years.

Case study

FASHION SECTOR

Tapping into social fashion trends to boost program growth

In recent years, Poland has developed an enthusiastic streetwear and sneaker culture among its younger consumers. Recognizing this, one of Awin's fashion clients that was seeking to expand in the region sought to use its new affiliate program to tap into this local trend.

Social media platforms have played a significant role in developing this fashion sub-culture. Active social media users in Poland grew by over 13% (2m) from January 2017 to 2018. With this trend in mind, Awin's account team focused on the following objectives:[1]

Target
Target Polish streetwear fans seeking great offers on these products

Collaborate
Collaborate with local influencers to establish the fashion client's platform as the go-to destination for streetwear products

Grow
Grow the advertiser's program by developing a lead-based model that drew new customers to the brand's exclusive membership scheme Swisscom, Wingo, Coop Mobile and M-Budget Mobile

The approach

Awin identified a series of potential influencer partners with large, loyal followings, taking into account those with audiences that had a keen interest in discounted streetwear brands. One of these was the Polish streetwear influencer Mateusz Zaleski.

Noting that the discount element of the brand's offering was its biggest appeal for new customers, the team sought to make it as easy as possible for publishers like Mateusz to share the advertiser's latest deals.

A comprehensive list of these was provided on a weekly basis with tracking links included. Publishers were then able to quickly identify and broadcast those that they felt were most suitable for their audiences.

Facebook fan pages are also a great source of user-generated content, with followers regularly sharing their own product recommendations. To help publishers capitalize on this content too, the advertiser's team shared Awin's browser plugin (MyAW), allowing them to quickly generate affiliate links via these posts and aiding them in generating additional revenue from their pages.

Influencer Spotlight

Mateusz Zaleski is the owner of a number of popular fashion-focused Facebook fan pages, including High Society and Steal Alert.

With around 30k fans on his High Society page and over 90k fans on his Steal Alert page, Mateusz had organically built up a large base of kindred spirits with a passion for the latest sneakers and streetwear releases.

This work was recognized by Facebook recently, with Mateusz being nominated as a candidate for the social giant's Facebook Community Leadership Program, an initiative designed to support those people creating and leading online communities.

"Even people who stand out need a place to belong. And this is what the group is all about."

Mateusz Zaleski

Results and effectiveness

Awin's one-on-one support for these select publishers saw immediate dividends, with a swift increase in their sales and revenue contribution to the fashion brand's program.

One publisher in particular quickly became one of the brand's top affiliates, generating more than 2,000 sales in their first month.

Thanks to the lead-based aspect of the program, the team was also able to monitor publishers' effectiveness in driving new members, as well as sales and revenue volumes. And, in due course, the team found that some of these influencers were able to generate as many as 30,000 new members during the campaign.

With such strong results, the team had justifiably achieved the campaign objectives. The collaboration with highly-popular streetwear influencers had targeted a key local demographic and driven an increased number of new members, as well as significant volume in terms of sales and leads for the retailer.

Market sponsor

CFC Services mission is twofold: to retain customers of our major corporate partners and sponsors, while providing visibility and new customers to retail partners in accordance with their image and ROI.

CFC has a quality approach to its mission. Our clubs are only accessible to our partners' customers, with no public recruitment policy thus providing respect for our retail partners. With great generosity and no commercial pressure, we also respect our members. Thanks to a close collaboration with our sponsors, the closest retail partners also have access to exceptional exposure spaces.

www.cfc-services.fr

France

Regional information

65.4m
Population

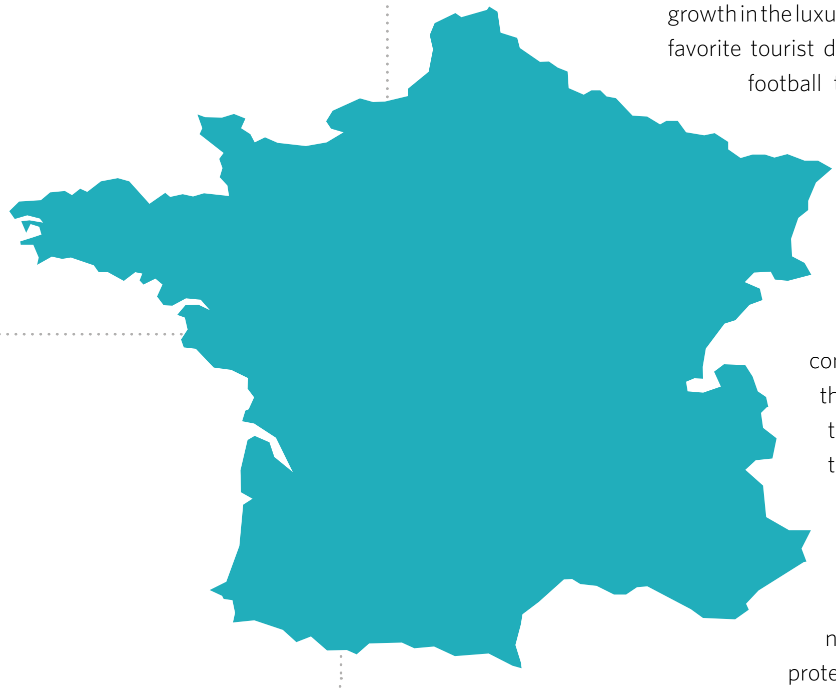
Euro (€)
Currency

60.4m
Number of internet users

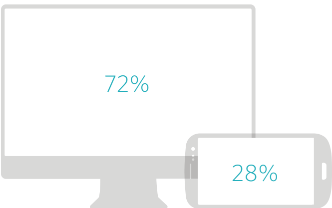
1,891
Number of advertisers

71%
Adults with a smartphone

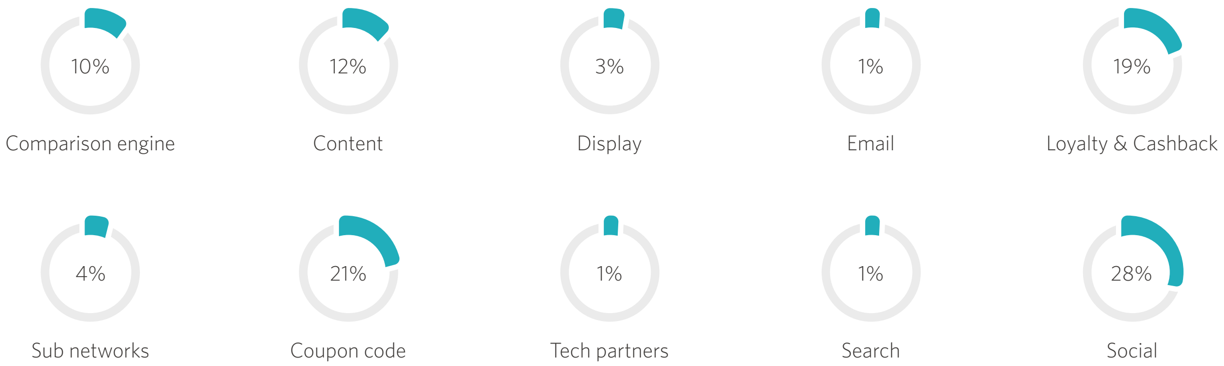
12,369
Number of active publishers



Device split of sales



Share of sales by publisher type



As the fourth quarter of 2018 arrived in France, the economic indicators for the country were generally looking quite optimistic. A slight decrease in unemployment rates, rising confidence registered in household consumption levels, the high-end fashion retailer LVMH reporting solid growth in the luxury sector, Paris regaining its spot as the world's favorite tourist destination and, crowning it all, the national football team's glorious World Cup win in Russia.

Then, suddenly, we witnessed an explosion in public rage as grassroots protests spilled out onto the streets across the country remonstrating over the government's increases in fuel prices, disproportionate tax rises and their contribution to the rising costs of living. With their iconic uniform of vibrant yellow vests, the gilets jaunes were a potent reminder that the great French tradition of revolution was still alive and well in the 21st century!

However, despite the wide attention the movement's actions have commanded in national media coverage, and the fact that their protests had knocked a reported $676m from the economy over the busy months of November and December, the French e-commerce industry continues to thrive.

In total, French consumers spent over $104bn online last year, representing a rise of more than 13%[1], and indicative of the improving popularity of the internet's offerings for shoppers. According to research from the French e-commerce industry body Fevad, 2018 saw over 37m French shoppers buy something online, and over 12m transact via mobile as consumer confidence around using smartphones to shop rose.

There is still huge room for growth in the French e-commerce field with around 87% of those online sales deriving from only 5% of online retailers; just 9,000 among a field of over 180,000 retailer sites. Amazon is by far the leading e-commerce retailer in France with Fevad reporting that nearly half of the population had visited Amazon's site or app in Q4 2018.[2] On a given day, unique visitors to the Amazon site amounted to over 5.5m people, underlining its huge dominance in the market.

With that huge opportunity to grow the diversity of the French e-commerce landscape, affiliate marketing has a chance to showcase its strengths. Networks like Awin are capable of connecting online retailers to millions of consumers thanks to a swathe of popular publisher sites that serve every part of the web.

Whether it be through influencers that can inspire users across a variety of social platforms, or national mass media news sites that harbor vast volumes of traffic, to sector-specific aggregators informing consumers on the best price for a product or a cashback affiliate rewarding the most valuable shopping actions, the array of options can be aligned to any retailer's objectives.

More and more advertisers in France are now considering affiliate marketing a mandatory part of their marketing mix, loosening their dependence upon the GAFA (Google, Apple, Facebook, Amazon) cartel and liberating them to experiment on their own terms. Affiliate marketing's historic values of transparency, innovation and a measurable return on spend make it an exceptionally appealing prospect in that context.

Nevertheless, 2019 will undoubtedly be a challenging year for the industry as well as the larger digital market. On the one hand, we can expect to see the continued growth of e-commerce as consumers gain confidence in its ease of use and the variety of options it offers them. On the other, we are faced with some political and economic uncertainty. From continuing data regulation to the unexpected challenges that Brexit may throw our way just across the English Channel. However, Awin will continue to innovate, to adapt to this evolving terrain, strengthening its close partnerships with advertisers and publishers in the industry and championing affiliate marketing.

Awin France

France

Local Market *Q&A*

SOCIETE GENERALE

Vinais Marine
Traffic & eCRM Manager **(VM)**

Racine Xavier
Head of Digital **(RX)**

Renaud Vaillant
Deputy Managing Director **(RV)**

What is your business and how is the affiliate channel important to it?

(VM): Societe Generale - French Retail Banking offers a wide range of products and services suited to the needs of a diversified base of individual and professional customers, businesses, non-profit associations and local authorities. Drawing on the expertise of a team of nearly 33,200 professionals, an efficient multi-channel distribution system, including nearly 2,900 branches, the pooling of best practices, and the optimization and simplification of processes, French Retail Banking combines the strengths of three complementary brands: Societe Generale, the renowned national bank; Crédit du Nord, a group of regional banks; and Boursorama Banque, a major online bank.

Affiliates are a key channel for Societe Generale's acquisition strategy and it represents the most important part of our marketing mix in terms of lead generation.

This is largely thanks to the wide variety of partners available in the channel and their natural diversity - whether it be emailers, comparison engines, content sites and blogs or many others.

(RX): My Media is a media agency that assists clients in the development and implementation of their media strategies. As a media agency, My Media specializes in customer acquisition issues, and is a leader in direct response TV (the management of TV campaigns based on the business benefits for our advertisers). For us, affiliates is a logical cornerstone for our performance strategies.

(RV): Our company is a subsidiary of 'Groupe M6' (a leading TV company in France) and we develop coupon and cashback businesses with two leading brands: iGraal.com and Radins.com. We operate in both the French and German markets. We have a very strong position in France (over 50% market share in cashback) and our German subsidiary is actively developing.

M6 has operated affiliate businesses in France for more than 10 years and the channel provides the vast majority of our income through our coupon and cashback businesses. It is a hugely efficient channel and one that gives us access to a vast network of online merchants and retailers that want to generate more direct and incremental sales.

How would you describe the current state of digital adoption among the French population?

(VM): Digital technology is now well established as a part of French people's daily life. Companies here have taken control of their own digital transformations and in doing so, have been able to offer more and more digital experiences to their prospects and customers across various areas. From initial contact, to sales, and then in the after-sales experience.

(RV): France is certainly a mature market with a strong digital adoption among its citizens. Consider these examples:

- Nine out of 10 French people have internet access
- Seven out of 10 French people have a smartphone
- The French spend on average five hours a day on the internet

These factors are particularly linked to a very good level of digital infrastructure (it was the first European country to introduce the 'triple play' set-top box, cheap subscription prices, high 4G coverage, etc). All of these investments have helped to facilitate wide adoption and increased the number of digital users.

What are the biggest obstacles currently facing digital advertisers and publishers in France?

(VM): The main obstacles I think start with adapting to how people are increasingly switching between 'physical' and 'online' experiences. This change requires an evolution in terms of the data systems we must use, our engagement with the customer or prospect, the reorganization of the back office, and adapting to this new omnichannel experience. All of this necessitates setting up of processes to help bring about a true digital transformation.

(RX): Unlike 'traditional' media levers, digital is a much larger market, with new offers, management solutions and technologies that are emerging every day. For advertisers, it is sometimes difficult to see clearly in this landscape, to choose the right offers. For publishers, it can also be difficult to find the right positioning, allowing them to do well, especially in a market where the large mastodons (GAFA) are draining a very large and ever-increasing part of advertising budgets.

The implementation of GDPR has had a very significant impact on all the actors in the chain too (advertisers, agencies, publishers). For example, Google's decision to close all these tools to third-party tracking has had an impact on the measurability of campaigns. Overall, small players have lost between 18% and 31% of their reach on the internet (CliqZ & Ghostery study), while Google has continued to increase its reach.

(RV): I think the main obstacle faced by advertisers and publishers today is the shortage of web developers. The recruitment market is extremely tense and it is difficult to find available talents to feed the demand we see. Inevitably, this means that it raises the prices for hiring!

What impact are regulatory bodies and new legislation having upon the digital advertising market in France?

(VM): Increasingly we find they are focusing more and more of their attention upon the user by developing initiatives that emphasize values like transparency and respect, so as to prevent the digital advertising industry from being too intrusive.

(RV): My feeling is that the French market is steadily adapting to this new regulatory climate, especially among the bigger players (both among publishers, ad tech providers and others). However, it may be that perhaps the French market is adapting slightly slower than in some other European markets like the UK or Germany. It seems that the regulatory authority in France (CNIL) is generally more flexible and gives more time to the players to comply.

Despite that, the implementation and effect of the new legislation has been to sideline some less 'virtuous' players in the digital ad industry and this is certainly a beneficial consequence of the clear out!

What consumer trends have you noticed that appear distinctive to the French market?

(VM): Overall I'd say that compared to many other markets the emergence and popularization of online promotions and flash sales arrived relatively late to the French market.

(RX): The growing trends that we tend to observe here among consumers are not particularly specific to the French market: mobile, for example, which is growing strongly (due to an increase in the adoption of smartphones across the country), and of course video content consumption which has also seen significant interest.

(RV): In a climate where people increasingly distrust institutions and politics, or are simply not interested in them, I'd suggest the French are among the most sensitive to 'local relationships.' In terms of consumer trends this means there is a growing appeal and attraction for local products, products that are 'Made in France' or produced via a local food system for example.

How important are large retail events like Black Friday to France?

(VM): Black Friday in France represents the start of the winter shopping season and is a key day for any e-commerce manager in terms of the revenue and traffic it generates.

Also, there are specific periods for France like the creation of the local 'French Days' event, but this remains relatively minor compared to the impact of Black Friday.

As a financial services provider, at Société Générale - Banque de France, we are not yet ready to create new dedicated offers on our products that will relate to these kinds of sales events

(RX): The official 'soldes' dates (France has two legal sales periods in the winter and summer that are decided by the government) are necessarily important for retail. However, with promotions that are available all year round, the official sales period has come to lose some of its value. Recreating an event, like Black Friday, just before the end of the year holidays was therefore useful. However, on the other hand, there is inevitably a risk of creating a strong dependency during this period for advertisers to generate sales from customers.

(RV): Black Friday, imported from the United States, keeps developing as a major online shopping date in France. However, faced with this 'global' event, French retailers launched their own initiative in 2018 with the 'French Days' sales (in spring and autumn). This initiative is obviously still very recent, but the success we've already witnessed suggest there is an appetite for it. However, it is difficult to say at this early stage whether or not, in the long-term, this will be sustainable.

What's one thing would you change today in the affiliate industry if you could?

(VM): The affiliate industry lacks what I would call a more focused, customer-centric vision, and the concept of targeting within the channel needs to be more efficient for the emailers and on display.

(RX): I would think of a way to automate the launch of an affiliate program. Today, and since the beginning of affiliate marketing, we remain dependent on the intervention of publishers to put a campaign online. Affiliate is only one of the levers available to advertisers to meet performance objectives, and advertisers are (perhaps wrongly) used to the much faster campaign launches and scaling that is provided by channels like display.

(RV): If I had to change one thing in the affiliate industry, it would concern the tracking. In a time when legislation is tough (GDPR, the impending ePrivacy regulation) and where browsers will continue to block third-party cookies, it seems urgent to me to completely rethink the affiliate channel's tracking paradigm and to offer more transparency for all - publishers, advertisers, affiliate networks, and of course users too!

How do you expect the affiliate industry to evolve in France over the next two years?

(VM): I think the affiliate channel will start to evolve in a manner that reflects some of the changes I referenced in the previous question, i.e. those relating to customer targeting. Plus, I think the channel is nimble enough that it will adapt in the face of changing digital evolution and the ways in which internet users are consuming content and purchasing online.

(RX): I think the market will continue to consolidate and concentrate with continued buy-outs and the disappearance of some players. In absolute terms, this is not necessarily a good thing for advertisers, with the potential for monopoly situations that will be created and therefore a balance of power that will not necessarily be to their advantage.

I also think (and this also concerns agencies) that advertisers want to have more and more control over their ecosystem (control over their data, over the environment in which their ads are distributed, etc.). As a result, more and more advertisers are internalizing media buying. It is therefore essential for the affiliate channel to continue to evolve, to develop new offers and technologies and to continue to grow.

(RV): My vision is that the market will continue to concentrate in the years to come. There will be fewer and fewer 'small' networks and the affiliate industry in France will be structured around a few major players. In turn, I hope this will enable faster technological developments and investments to better serve all the players in the affiliate industry!

Case study

Dr PIERRE RICAUD PARIS
L'EXPERT DE LA BEAUTÉ SUR-MESURE

Using influencers to connect with a younger market

Dr Pierre Ricaud, part of Groupe Rocher - a French multi-national business with six consumer brands - is dedicated to serving women's beauty and wellbeing. To help them target a new, younger audience, they sought the help of a selection of influencers.

In 2018, the company employed the help of Awin to tackle a challenge inherent to the business. As a cosmetics brand with a loyal following of female consumers aged 35 to 65, Pierre Ricaud had traditionally struggled to gain traction with a younger audience. Given that many consumers remain loyal to cosmetics brands throughout their lives, targeting young women was critical to building a future lifeline for the brand.

The affiliate channel was the perfect avenue to tap into key influencers that could help promote the retailer's products into this underrepresented market.

Defining the objectives

With existing influencer relationships traditionally sitting within the PR department, it was agreed that new relationships could be extended to the affiliate channel. The following objectives were agreed for the program:

Attract new customers
Increase the volume of new customers driven through influencers

Develop brand awareness
Double the volume of editorial content and social media mentions through the content affiliate program and new influencers

Create long-lasting relationships with influencers
Both activate and maintain partnerships that are on-brand and drawn from across the variety of available platforms.

At the initial planning phase, the team identified that in order to hit the new customer targets, influencers would need to be recruited both from within the Awin platform and outside.

The beauty industry in particular is known for its large numbers of successful influencers, who share tips via video content and in-depth tutorials that range from professional make-up artists to self-taught amateurs. With such a wide range of influencers, the Awin and Pierre Ricaud teams set the following recruitment criteria:

Size of influencer
How many followers do they have?

Platforms available
Were all relevant platforms explored (Facebook, Snapchat, Instagram, YouTube etc) to ensure the breadth of coverage?

Demographic fit
Target consumers aged 30+

Subject Authority
In aligning a brand with Pierre Ricaud's heritage, would the influencer fit with the retailer's core principles of science, skincare and wellbeing?

Fashioning an influencer-friendly model

The team devised an alternative commission structure for influencers, recognizing that typically these publishers were over indexing for upper-funnel traffic rather than traffic more associated with conversions. Additional influencer payments were therefore agreed for selected partners.

Education was key too. With a large number of the newly-recruited influencers having never worked within the affiliate channel before, it was imperative that the team worked closely with them to understand the benefits of the new payment model. In addition, guides demonstrating how to create and implement affiliate links were created, alongside welcome packs, branding guidelines and free samples.

Testing, learning and succeeding

The team started with 10 influencers and each tested core products relevant to their target audience for an agreed period of three months. In order to test the effectiveness of the campaign, Pierre Ricaud used different formats to gauge engagement and conversion levels. Throughout the three-month period the affiliate team was able to take on learnings and adapt their approach with the selected influencers.

One insight gleaned was that video content converted at more than 50% the rate of a static article, shifting their focus to more video-based content. Following the test phase, the team scaled the influencer program in month four, bringing a wider group of larger influencers on board.

This was a pivotal moment for the brand. Not only had more than 20 influencers now embraced the brand, they also confirmed they engaged the target audience and critically, drove sales. With new customer numbers at more than 75% overall, this was a powerful demonstration of how influencer marketing could be transformational for a brand whilst still working on a performance-based model.

+104%
Active influencers on the program

76%
New customer rate driven by influencers

x24
Increase in sales generated by influencers

380k
Views of video slots featuring the brand

"Activating influencer partnerships breathed new life into our affiliate program. We have not only seen higher sales, but we have exceeded all of our KPIs including new customers and those driving higher and longer-term value. In 2019 and beyond we plan to keep on strengthening and accelerating this approach."

Christelle Gimat, Head of Acquisition, France and Western Europe, Dr Pierre Ricaud.

Market sponsor

Whether using a fixed or mobile network, whether at home or on the go: the leading European telecoms brand offers consumers and business customers everything from a single source.

Mobile internet, the connected home, cloud services and intelligent networks are among the innovations and growth markets served by Telekom Deutschland.

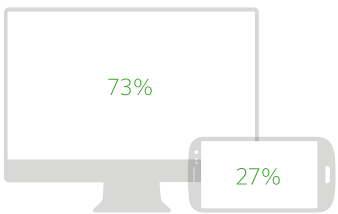
www.telekom.de

Germany

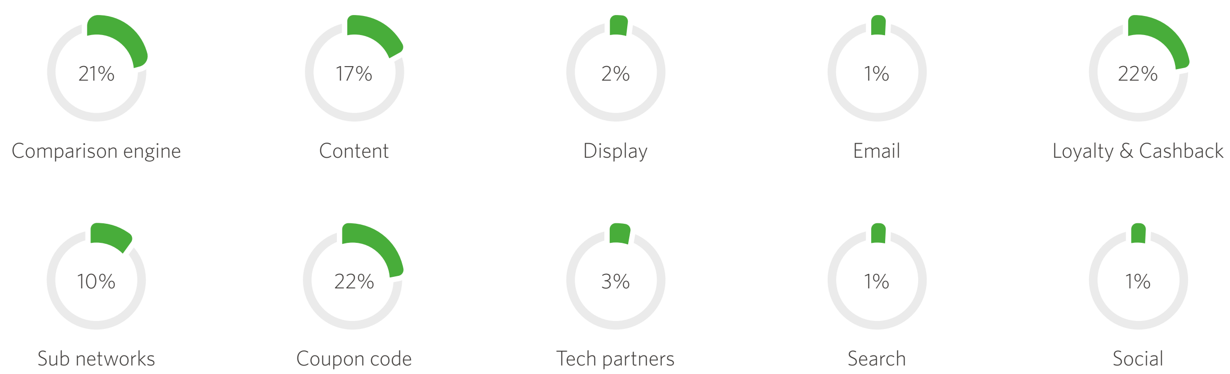
Regional information

- 82.4m Population
- Euro (€) Currency
- 79.1m Number of internet users
- 4,578 Number of advertisers
- 75% Adults with a smartphone
- 34,890 Number of active publishers

Device split of sales



Share of sales by publisher type



If we compare Germany with other EU countries, it has the strongest and most stable economy in Europe. There are over 80 million inhabitants and 93% of them have internet access. Nevertheless, Germany has long been sceptical about e-commerce. Growth has been slower than in other countries like the UK.

The latest data protection laws, which continue to pose a particular challenge for the digital economy, have had a positive effect on consumers though. In Germany, security concerns seem to have diminished and e-commerce is now unstoppable. We saw this in our Black Friday performance in 2018 with a 25% increase in sales.

Customer focus is key to success in e-commerce. Amazon is the market leader in this field, and a dominant player in Germany thanks to its ever-shorter delivery times. The benchmark it has set has forced the rapid professionalization of all online shops on our network. With the expansion of direct customer communication and the satisfaction of individual needs as core aspects of e-commerce, consumers now have a series of good alternatives that will contribute to further growth.

Mobile devices also play an increasingly important role. More than 40% of Germans have already made mobile purchases and it has never been more important to understand the various devices playing different roles within the purchasing process. Recognizing the customer journey's increasing complexity is an essential prerequisite for optimizing marketing activity.

Complexity and growth in the e-commerce market are also affecting ad spend here. Gross advertising expenditure has risen, with the strongest growth rates focused on mobile. Nevertheless, television remains the most important medium in the advertising industry with 68% market share, followed by desktop (9%) and newspapers (6.25%).

Overall, investment in digital advertising continues to rise. However, affiliate marketing's share of digital advertising budgets is stagnating at 4%, a development that is concerning for the industry. So, what can be done about it?

First, the entire industry must reduce its dependence on large American players. These businesses usually have enormous reach, and are perceived as both cheap and innovative. Nevertheless, European regulations, such as DSGVO and ePrivacy, are often not respected and are implemented by them in their own way. The phenomenon of the 'walled garden' is something that demands more critical attention, as should the strong reliance on just a few, large players. It is hardly surprising that consumer confidence in large digital companies is low. According to the German business magazine t3n, more than 70% of people are critical of them. A variety of other digital retailers in the network can offer consumers an alternative here. After all, the consumer ultimately decides.

At the same time, consumer brand loyalty is also declining. While customers historically have tended to remain loyal to one brand or one online shop, they now shop around more frequently. To counteract this, branding campaigns should be questioned and performance marketing should be more established in people's minds. Undoubtedly, the costs to reach loyal customers through branding and to retain them in the future will continue to rise.

The affiliate channel is more than suitable for customer retention, and can also offer enormous growth potential through acquisition. The channel incorporates transparency, performance, measurability, ROI, focus, low complexity and data protection compliance. All things that have never been more important in the advertising environment than they are today. Therefore, the industry's goal for 2019 should be to attract even more customers to our channel. Then we have the chance to convince them of the channel's quality and the opportunities it affords.

Awin Germany

Germany
Local Market *Q&A*

ARTEFACT
Julius Ewig
Managing Director DACH **(JE)**

babywalz
Philip Neumann
Head of Ecommerce **(PN)**

explido»iProspect
Claus Kreitmeier
Head of Affiliate Marketing & Lead Generation **(CK)**

freenet GROUP
Simon Hetkamp
Key Account Manager **(SH)**

Miles & More
Sebastian Gorbatsch
Manager Online Partnerships **(SG)**

What is your business and how is the affiliate channel important to it?

(JE): We are a digital marketing agency built on the perfect union of marketers and engineers. The agency works with the largest global brands to redefine the future of customer experience through new technologies. We have 25 offices across 17 countries, with 1,000+ employees delivering three service offers: Data Consulting, Digital Marketing Expertise and Technology Development (Big Data and Artificial Intelligence).

As a digital marketing agency, affiliate marketing is one of our core pillars within our activation offers, and is the second biggest department in terms of dedicated personnel and clients with constant growth year-on-year. The channel is particularly wide-ranging and has the ability to constantly evolve and adapt itself to its participants, thanks to the new partner models that are always entering the affiliate market.

(PN): Baby-Walz is one of the biggest baby-retailers in the DACH countries. Our focus is primarily on expectant parents and extends to children of up to about three years. Today, we sell more than half of our products online, but our 40 stores are also still important to our customers.

The affiliate channel is, after SEA, the most important online marketing channel for us. For us, the affiliate content portals are of fundamental relevance as they are an important contact point for women who are experiencing their first pregnancy. The first child is a very special challenge because prospecting parents usually face a mountain of questions. So they research a lot of information online. This is exactly where our content partners come in, as they answer these questions and point to us as a trusted retailer. In this way expectant parents come into contact with us early in pregnancy.

(CK): iProspect delivers personal, adaptive and valuable digital experiences by utilizing proprietary solutions including: paid and natural search, content generation, data and insights, social media management, structured data and feeds, performance display, conversion optimization and affiliates. As a full-service agency, we provide a comprehensive portfolio of services that covers all channels and disciplines. These core services are rounded off by our innovative and holistic solutions – developed exclusively for explido»iProspect clients.

For us as an agency, affiliate marketing is a very important channel. Of course, spending and revenue are generally smaller compared to PPC or display, but for a holistic digital marketing approach, affiliate marketing is essential. The market is not saturated and we frequently receive requests to launch new programs with most advertisers seeing that affiliates offer them a growing marketing channel.

(SH): Freenet Group is a digital lifestyle provider with a portfolio of services and products that covers telecommunications, the internet, energy and many other sectors, and affiliate marketing can help us quickly generate high reach and target a lot of different audiences. That's particularly important for us because we have such a lot of different products.

(SG): Miles & More was established in 2005 and is the largest traveler loyalty program in Europe with around 25 million members. Affiliate marketing helps the business by connecting us with relevant brands.

How important is affiliate marketing in Germany right now?

(JE): Affiliate marketing is very important as it is a constant growing channel. We can see this growth not only within existing programs thanks to more and more interesting, new publisher models popping up, but also within programs that now start for the first time working with affiliates. In addition, we also notice affiliate websites generating more and more traffic.

Compared to other digital advertising channels, affiliate marketing is not as technology and data-driven, so another approach is needed. But we also need to measure the impact of affiliates from a cross-channel point of view. With two of our international clients, another attribution model than the traditional 'last-cookie wins' logic has been implemented and we notice a very positive impact on that.

(PN): Of course that always depends on the industry. In general, I think affiliate marketing is still extremely important. The advantage is clearly the CPO-based pricing model, especially in times of ever-increasing CPCs. Running our SEA accounts efficiently requires an extremely good campaign management. Nevertheless, the growth opportunities are very limited here. It's very different with affiliate marketing. Here we are constantly finding new, interesting publishers or influencers who help us to acquire new customers or to activate existing ones.

(SH): Affiliate marketing is underestimated by most companies despite it becoming more important over the last few years, and it is still growing. It is a part of the general online marketing department but compared to channels like brand display campaigns or SEA it is certainly less valued.

(SG): Looking back from the perspective of more than 10 years of professional experience in the affiliate industry, my impression is that this channel is often regarded by advertisers as an 'unloved hobbyhorse.' Partly this was because in the past there were too many black hat tactics like ad hijacking through SEA or forcing cookies, but also because of the fact that the channel is resource-intense. However, our industry is mainly a people business and an affiliate program that is managed half-heartedly simply cannot function. Here it is important that you fill it from the outset with an internal expert or contact an affiliate agency. If these prerequisites are met, the channel can thrive and make up 25% or more of the entire online channel.

What impact does the merger of Awin and affilinet have upon your business in Germany?

(JE): When it comes to our German business, we always tried to challenge the two big networks in Germany – so this will obviously change. We are very keen to explore the next steps with Awin after the merger and will hopefully see an increase concerning the service level, the technology and a more advanced platform

(PN): We were able to work and collaborate a few new publishers, but generally the impact was relatively low for us. We were already very pleased with the performance of Awin before the merger anyhow.

(CK): The merger created a totally new situation in the German market. We see it as an opportunity to collaborate with an affiliate network that bundles its strengths and thereby can support us even more with better insights and benchmarks. We expect overall a higher efficiency and growing business for all stakeholders.

(SH): The affiliate agency has less administration overhead because we do not need to use two platforms anymore. Furthermore, the acquisition potential should be higher in the near future because the Awin brand is known all over the world and every publisher will be active in this really great portal.

How would you describe the current state of digital adoption among the Germany population?

(JE): From my point of view, a progress towards digitization in Germany is about to take hold. If you take a close look on search query results in PPC, you can see the usage of smart assistants is increasing. However, numerous surveys confirm that Germans are still sceptical about digitization primarily because of the possible violations of privacy it exposes them to. Compared to a market like China for example, the digital development in Germany is much too slow.

(PN): That is a difficult question. It is gratifying that the digital competence of the population is constantly increasing. People are looking for information and entertainment online, and they are increasingly shopping online. These 'established' digital disciplines enjoy a high level of acceptance. In the future though, topics like mobile payments, autonomous driving, smart technologies and even telemedicine will receive much greater scepticism in Germany than in Asia, for example.

At the same time, the lack of infrastructure makes access to more complex digital services more difficult. Only around 7% of German households have access to a fast fiber optic connection. In rural areas it is as low as 1.5%. In other words, while the population generally wants more digitization, it is hard to access it.

(SH): Germany seems to be not as far in digital adoption as it should be in comparison to the industrial level. One of the reasons for this is the bad telecommunication infrastructure like the missing WiFi and 4G coverage. Also, there is not as large of an IT startup scene as seen in other countries.

(SG): Within Europe I would place Germany in the upper third here. Digital trends are picked up very quickly here in Germany, but we are falling behind in the area of digital infrastructure – the key aspects being fiber optic expansion and coverage of the (internet-enabled) mobile network. Here we are strongly regulated in an international comparison. As long as nothing fundamentally changes here, we in Germany are still lagging behind when it comes to digital trends.

What are the biggest challenges currently facing digital advertisers and publishers in Germany?

(JE): I think one of the biggest challenges for both, advertisers and publishers, is the uncertainty due to GDPR and especially the upcoming e-privacy directive which will have a huge impact on affiliate marketing as well as other digital channels. In addition, Safari's ITP 2.0 browser update creates a challenge for advertisers and publishers as tracking in third-party environments is supressed so that workarounds need to be setup.

(PN): The biggest challenge for us is the customer's expectations. Above all, the customer wants one thing: to save time. They have only a certain budget of attention, while offers are growing steadily. Therefore, they rightly expect a personalized offer tailored to them and their needs. For us as an advertiser, this means we have to deal more with 'new technologies,' such as image recognition and speech recognition, as it enables us to better recognize the customer's intention. 'One fits all' is finally dead.

(CK): More and more browsers are delivered by default with ad/cookie blocking technology. This is not a new development and affects the whole digital industry, but publishers especially suffer from decreasing commissions if the advertiser is not using the latest tracking technologies (e.g. first-party tracking). Another current challenge is data protection legislation. It affects the entire digital industry, and one of the main issues is the uncertainty around how the final legislation will be enforced.

(SG): As in 2018, the online industry will struggle with the aftermath of the GDPR in 2019. Much more important in the first half of the year, however, will be a look at the further development of the ePrivacy Regulation. Should this actually come into force as things stand at present, it would be a disaster for the entire industry. There is no doubt that data protection is very important and should be taken seriously. I believe, however, that with the proposed regulation, the EU is clearly overshooting the mark.

How important a concern are data privacy issues for German consumers and what impact is this having upon digital advertising there?

(JE): One of the biggest issues for German consumers is their privacy. The market here has always been strict when it comes to personal data. For example, consider the adoption of the Digital Object Identifier (DOI) system, which is a standard in Germany but not in other parts of Europe. Due to this, it is more complicated to use generated or bought data for digital advertising. A personalized form of marketing is therefore made hardly possible and needs to accept a lot of technical limitations compared to other digital advertising markets.

Politicians here are thus still very defensive in taking a clear position on, for example, e-privacy according to these market-specific differences.

(PN): German customers consider privacy a very important issue. According to surveys, 85% of customers pay close attention to what data they reveal online. At the same time, more than half of users are convinced that they do not have sufficient control over the use of their data. This of course makes personalized advertising much more difficult.

The attitude towards data protection also concerns future topics like voice commerce. While voice input for Google research in the United States is already increasing, there is great scepticism regarding this in Germany.

(CK): German consumers presumably are among the most cautious consumers regarding data privacy, maybe sometimes even overly cautious. The digital advertising industry must partly attribute this to themselves by making consumers feel persecuted thanks to aggressive retargeting strategies. The consumers must be better informed about what kind of data is used and processed to avoid growing caveats, otherwise it would lead to an even stricter regulation.

(SH): Data privacy concerns are issues forced by governments. If you have a look at the usage of Facebook and other social media you will see the discrepancy between the new regulations and the way people act online.

What consumer trends have you noticed that appear distinctive to the German market?

(JE): In terms of payment methods, Germans are still very reluctant to change habits. In Germany it is not very common to use any other payment method except credit card or at best, PayPal, for online shopping. This payment trend is a relevant factor for performance marketing in Germany.

Coming along with the different branches of our advertisers, we notice a trend also for both mobile-first and mobile-only experiences. Finally, voice search is increasing and we expect this trend to grow even more in 2019.

(PN): Sustainability and social responsibility are issues that have become immensely important. Many customers attach great importance to sustainable raw materials and fair production conditions. Very often, our customers are also willing to accept a significantly higher price. As a company, we are very aware of our responsibility and pay close attention to the working conditions at our suppliers and service providers.

(SH): Regarding the telco market in Germany, we notice that the customers want to have fast internet/LTE and higher data volume. Outside of that sector we see that the desire for more transparency is wished by everybody regarding prices and conditions.

How important are large retail events like Black Friday to Germany?

(JE): During the last few years we have noticed an enormous increase in the importance of Black Friday and Cyber Monday with different promotions for our advertisers. However, both days surely have yet not reached the popularity they have in the US or UK. With our international advertisers, we also see that APAC events like Singles' Day are becoming more relevant, too.

Beside those dedicated retail events, seasonality still has a huge impact on performance. Of course, the Christmas period is one of the strongest ones but also Easter as well as Valentine's Day gain more interest for special promotions. When it comes to travel advertisers, the early booking period in January is the most relevant one, followed by the last-minute season from June till August. Summer, winter and mid-season sales influence our fashion advertisers' business, while for the insurance and contractual branch the end of the year, so mainly October and November, are high-season.

(PN): Black Friday is becoming increasingly important every year. In 2018 we once again broke all of our previous records. Especially interesting is the dynamic behind this event. Ten years ago, Black Friday was almost unknown in Germany. You can hardly imagine that today. Amazon particularly has contributed much to this popularity with its Cyber Monday offers. The exciting thing is that Black Friday works great online, but almost never in our stores.

(CK): In recent years, Black Friday and all the related shopping events around that date became the most important retail event with enormous turnover. Recently 'Singles' Day' has also become more popular, but in Germany this day is still rather unknown as a shopping event.

(SH): Black Friday is not as important for our company. Because of the extremely low prices it is not possible to get customers with adequate customer lifetime value. In our view Black Friday is a better time for branding.

(SG): If I had been asked eight years ago about the significance of Black Friday in Germany, my answer would have been clear: no relevance! But it took just a few years until Black Friday, Cyber Monday and the week around those two days arrived in Germany. Since 2017 Black Friday featured heavily in the media due to the brand protection topic, and you can say that this event has now arrived here with us definitively. By 2018 you had to 'disappear' completely in order not to hear anything about Black Friday.

In the case of Germany-specific events, the summer and winter sales in the fashion industry would be particularly noteworthy. In addition, there are only other smaller regional events like Carnival/Fasching or the time during the Oktoberfest in Munich.

What's one thing would you change today in the affiliate industry if you could?

(JE): Unfortunately, affiliate marketing still has a negative association of being more prone to fraud than other digital channels. Ever since its early days, the industry was perhaps too transparent in talking about those incidents so that a lot of online marketers didn't really notice that the fraud being caused in other channels massively exceeded the damages done by affiliate fraud. Therefore, the one thing I would change is to call for better self-marketing of the industry.

(PN): It can be very focused on coupons and discounts. Above all, they want to offer their users financial benefits because this leads to a higher conversion, but it also means that the quality of their content is a little out of sight. Unfortunately, this development means that our publishers are increasingly generating very price-conscious customers, who are much more difficult to get excited about our brand as their main focus is on promotions. We'd like publishers to be fully committed to their great content again. Then the conversions come by themselves.

(SH): The people that work in the affiliate industry should do more lobbying to influence and improve the reputation that corresponds to its value.

How do you expect the affiliate industry to evolve in Germany over the next two years?

(JE): I expect further consolidations and strategic alliances arising between all parties involved, particularly between networks and publishers. In addition to that, I also think there finally will be more automation for time-consuming tasks to be able to focus on what affiliate marketing actually is: a people's business.

(PN): Tracking technologies and privacy laws will be a big challenge to the affiliate world. Even pure content portals will have a harder time in the future, as customers and users expect a more personalized experience here as well. This means that even publishers must be more concerned with topics like UX and CRM in order to remain relevant to their users.

(CK): I am very confident for the future of affiliate marketing. It has always been strong in developing new business models and within the next two years, enhancements in attribution strategies and cross-device tracking will help publishers to earn appropriate commissions. Nevertheless, the whole industry must have a close eye on future developments regarding data privacy regulation and ad blocking technologies.

(SH): It depends on the decisions about ePrivacy – or in general on the legal regulations. Hopefully though the industry will become more established within many companies' sales channels.

(SG): Much will certainly depend on how the decision is taken on the ePrivacy Regulation, which is a landmark for the whole online industry. In addition, the mobile portion will continue to grow. This also requires that cross-device tracking and app-to-app tracking must be guaranteed for publishers. More will have to be done here in the future. In the publisher landscape, I see the proportion of influencers in particular continuing to rise. A buzzword that is also persistent and which I see continuing to rise in the future is customer journey tracking. Several advertisers have already shown that it can work but it is important to maintain maximum transparency towards the publishers when doing this.

Case study

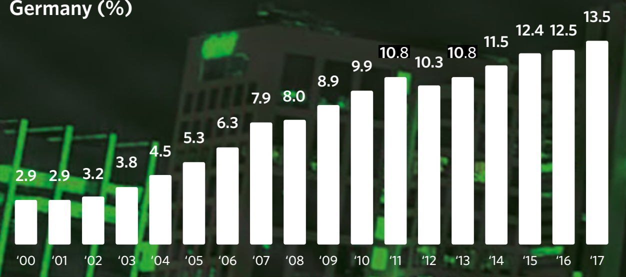
mainova

Awin's new platform powers Mainova's marketing aims in Germany

Germany is a pivotal player in the global energy sector. As the largest consumer of both electricity and gas in Europe, it represents an enormous market. And it's a market that has undergone significant transformation over the last couple of decades thanks to government-led initiatives designed to usher in a new era of renewable energy under its 'Energiewende' policy.

Roughly translated as 'energy turn,' the decision to shift the country's energy consumption to renewable sources began at the start of the 21st century, and has since accelerated in the wake of the Fukushima meltdown in Japan in 2011 as Germany has attempted to loosen its reliance upon nuclear power too. As of 2017, renewables have grown their share of the entire market from under 3% to over 13% and, in electricity alone, has grown its share to over 30%.[1]

Renewables as a percentage of primary energy consumption in Germany (%)



Source: Federal Ministry for Economic Affairs and Energy, 2000-2007, as per August 2018

Operating in this transformational context has cultivated an intensely competitive environment for German energy companies, and acquiring new customers has taken on a new value of significance for all of them.

Mainova AG is one of the largest regional energy providers in Germany and supplies around one million people with electricity, natural gas, heat and water. In addition, the company supports numerous corporate customers and businesses across the nation, supplying them with their energy needs.

Performance advertising has long played an important role in Mainova's marketing mix. With customer acquisition such a strong priority for the company, the channel's ability to target specific audiences and tailor messaging to them on an efficient payment model has proved invaluable.

Having partnered previously with zanox and affilinet since 2011, Mainova subsequently shifted and consolidated their affiliate activity over to the new Awin platform after the respective mergers. In doing so, Mainova was able to take advantage of the facilities offered by the new platform that would further support their marketing aims.

Energy and utilities products constitute a sector that is prone to extensive research and protracted customer journeys. The sometimes complicated nature of the products, their high value and the importance of finding the right service for each customer means that the duration of a sale - from first click through to conversion - can involve numerous touchpoints and sources.

For that reason, Awin's ability to provide detailed insight on those touchpoints in its reporting suite has become an asset to Mainova's online sales team, giving them a view as to which publishers are driving sales, what devices customers are converting on, and which products are proving most popular for them.

Mainova wanted to promote a selection of specific energy products to customers and using the flexibility of their commission groups to incentivize affiliates to promote them, they were able to target these effectively.

130k+	1.5m	7.8%	+30%
Leads Generated	Electricty	Natural Gas	CTR

Thanks to the combination of these attractive incentives, Awin's in-depth reporting and the on-hand support of their account team at the network, the share of sales driven by Mainova's online partners has grown impressively over the last few years.

+63.16%	+15.35%	+33.12%
2015	2016	2017

With Mainova's affiliate partners providing this kind of support and success for their business, the energy company can look forward confidently to adapting to a future in which the nature of the energy industry and its consumption in Germany is set to experience profound and exciting change.

"Awin provides us with prompt and competent insight for all our questions and the network's broad publisher base in the energy sector is an attractive factor. Taken together with the new platform and new functionality, like the pay-per-assist model, we have access to important insights which can support our marketing aims."

Patrick Gürser, Online Marketing Manager, Mainova

Market sponsor

SHAANS
Native Shoppable

SHAANS is a native advertising format developed by SHAA, a pioneer in interactive video and image marketing solutions. SHAANS is the perfect tool for monetizing images or video content and significantly increasing its value and impact on users. Publishers earn from clicks on their existing content, with no investment required.

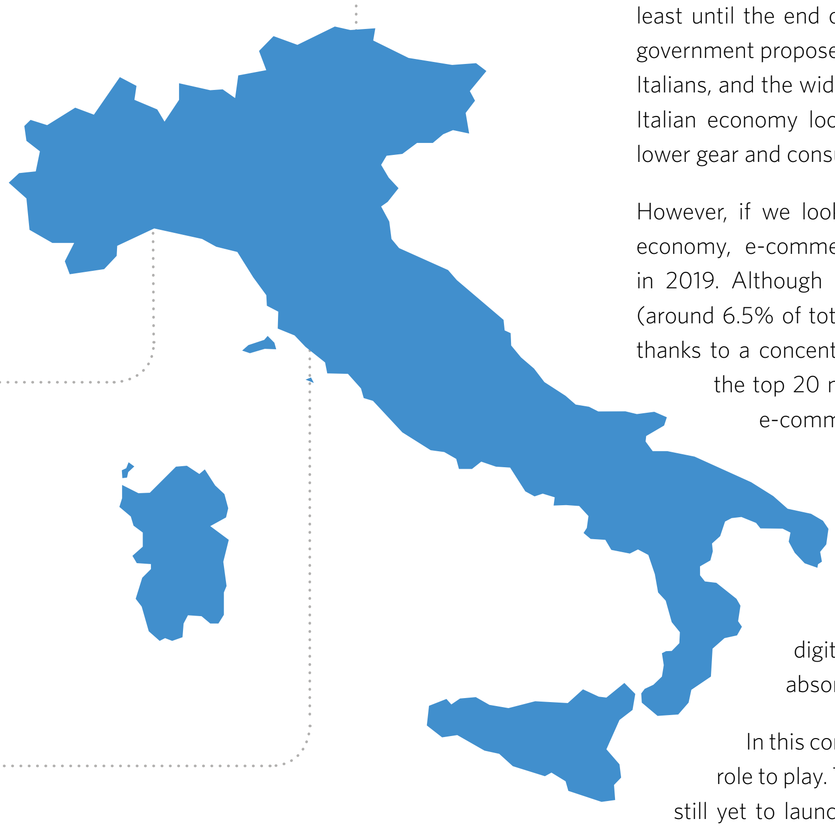
The SHAANS widget makes automatic hyper-contextualized product recommendations based on content the user is viewing, delivering the right product at the right time. Items are pulled-in dynamically from the best affiliate e-commerce companies. With a click of the mouse, the user is able to purchase the product immediately. You see. You buy!

www.shaans.com

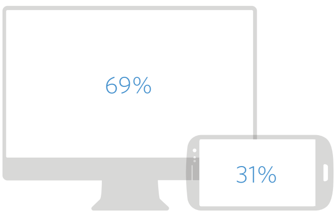
Italy

Regional information

59.3m Population	Euro (€) Currency
54.8m Number of internet users	2,404 Number of advertisers
76% Adults with a smartphone	4,086 Number of active publishers



Device split of sales



Share of sales by publisher type

8% Comparison engine	19% Content	2% Display	9% Email	15% Loyalty & Cashback
9% Sub networks	18% Coupon code	3% Tech partners	9% Search	5% Social

If you were to choose one word to describe the current state of the Italian market, it might be 'contradictory.'

In general, the economic outlook has been quite positive, at least until the end of 2018 when the new populist coalition government proposed a budget with a rising deficit that many Italians, and the wider European community, did not like. The Italian economy looks to have unfortunately shifted into a lower gear and consumer spending is currently stagnant.

However, if we look more specifically at the Italian digital economy, e-commerce is expected to grow around 15% in 2019. Although digital penetration is still relatively low (around 6.5% of total sales) that proportion is rising, largely thanks to a concentrated group of the biggest advertisers – the top 20 merchants represent almost 75% of total e-commerce.

In the digital advertising environment, this notion of concentrated power is a much larger issue with Google, Facebook and Amazon representing just under 80% of total digital advertising spending and collectively absorbing almost all of the industry's growth.

In this context, affiliate marketing has an important role to play. There are many important brands that are still yet to launch their e-commerce presence and Awin can support them in boosting their sales through the web.

Let us take the 'food and grocery' sector as an example. At the moment it's still a small sector in Italian e-commerce and represents less than 1% of online activity. In 2018 however, Awin supported FMCG clients, like Carrefour and JustEat, helping them to grow more than 150% year-on-year. This is just the start for a sector that has much potential.

Last year also saw us initiate a very important project that enabled us to collaborate more effectively with the country's biggest media houses and news publishers. Our increased efforts at collaborating with such publishers saw our clients feature prominently on the pages of such influential mass media players as RCS, GEDI and Mondadori, along with many others.

This is a totally new opportunity for the Italian market, and Awin has moved quickest in the affiliate industry to realize it. Until now, these publishers have driven online revenue primarily through other channels, such as display, video and programmatic.

In 2019 the goal is to consolidate and expand these partnerships, to help create a brand new revenue stream for these businesses which has obvious advantages for them: transparent KPIs, a wide selection of big brands to partner with, open budgets and no risk of cannibalizing existing advertising placements.

For advertisers, the benefits of being able to partner with these publishers are equally compelling. Boosting their sales through high-quality content and native marketing tactics that can reach huge, valuable and engaged audiences worldwide.

2019 promises to be a year of contrasting fortunes, with a mix of uncertainty and potential in the air. We will be faced with new data regulations in the form of the EU's ePrivacy regulation soon coming into effect, not to mention the unknown consequences of the UK's Brexit departure as well as a digital web tax being implemented in Italy.

Nevertheless, the Italian market still has a huge opportunity to grow this year, with numerous big brands still to enter the e-commerce world and to adopt digital advertising, along with many global players that are keen to enter the market here too.

Whatever happens, we are ready to meet the challenge!

Awin Italy

Italy

Local Market *Q&A*

netcomm

Roberto Liscia
President of Netcomm & Executive Board Member of Ecommerce Europe **(RL)**

ePRICE TI SERVE

Patrizio Pallicca
Head of Digital & Commercial Planning **(PP)**

GROUPON

Andrea Cappellato
Head of Coupons, Italian Market **(AC)**

What is it that your business or organization does?

(RL): Netcomm, the Italian Ecommerce Consortium, is the reference point in Italy for e-commerce and digital retailing. Established in 2005, Netcomm includes among its members over 300 companies representing both international corporations and SMEs that are flagships of Italian excellence. The Consortium aims to promote the spread of e-commerce and the digital evolution of companies, thus generating value across the entire value chain and for consumers. Netcomm is also co-founder of Ecommerce Europe, the European Association of Ecommerce.

Netcomm's work covers a diverse set of projects: studies and research on the e-commerce market; business events and workshops; working groups that analyze the e-commerce market from an economic and legal point of view, interfacing with national and international authorities through lobbying activities; legal, fiscal and business support to associated companies; communication and training activities on a national basis; internationalization projects for Italian companies; initiatives for consumers to promote digital literacy and to assist them in their online purchases, such as through the Netcomm Seal, a tool that identifies reliable e-shops.

(PP): ePRICE is an e-commerce platform and the first Italian operator in the sector. Today we have a catalog of over 4m products, including 'first-party' offers and our marketplace, along with more than 400 pick-up points all over Italy thanks to 'Pick & Pay' and 'Lockers,' which represent a distinctive asset in the market, and have contributed to our Net Promoter Score (NPS) of above 80. We also have a network of over 600 technicians specializing in delivery, installation and collection services.

(AC): Groupon opened in the Italian market in 2008. The discount coupon initiative officially began at the end of 2016 and is a new line of business that enables national e-commerce players to benefit from Groupon's massive traffic to distribute special offers to consumers.

How important is affiliate marketing in Italy right now?

(RL): I'd say that affiliate marketing is not as important as in other European countries, such as the UK. In Italy the digital marketing mix is focused on more 'traditional' tools like display and search advertising, followed by other channels. However, marketers here in Italy are increasingly interested in introducing new digital advertising formats with the purpose of innovating their digital marketing strategy.

(PP): Affiliate marketing is a very important channel within the Italian digital context, allowing advertisers to reach a large number of publishers that would be difficult to manage directly, as well as maintaining a great attention to performance, the main feature of the channel.

(AC): In an industry as dynamic as digital marketing, affiliate marketing remains a channel that will continue to grow and affect all the dynamics of online advertising. The US market is a good gauge of its regional scale and the industry there has grown from $4.2bn in 2015 to an expected $6.4bn in 2019. By 2020 it is expected to have risen to $6.8bn.

Being a branch of performance marketing, it remains a strategy based on leads and sales. Therefore, it's definitely of little risk for advertisers who pay only for performance. According to the latest data more than 80% of brands allocate around 15% of their marketing budget to affiliates.

How would you describe the current state of digital adoption among the Italian population?

(RL): The Italian population is adopting more and more digital behaviors. Already we can see that 'light' habits like using social networks or reading news online are widespread throughout the country, whereas 'heavy' behaviors like purchasing online or paying with digital tools are still developing. Ultimately, the Italian population still needs to strengthen its basic digital capabilities. To do so, schools and public administration will have a key role to play in this evolution.

(PP): The core market that we focus on at ePRICE, that of tech and appliances online, still has room for improvement here in Italy weighing in at around 13% of total retail. The adoption of the digital channel in Italy is growing year by year, thanks to the maturity reached by the various players that operate in the market. Although slower than in other countries, our consumers are moving more and more towards online, which is no longer a 'place' in which to conclude a purchase but has become part of a decision-making process that can often be found in the initial and/or intermediate phase of the purchase funnel. The wealth of information, transparency and the opportunity to compare different products in real time are certainly the strengths of the digital sphere for shoppers.

(AC): Unfortunately, according to the latest Digital Economy and Society Index (DESI) report, Italy remains ranked fourth last in terms of digital adoption in Europe. The countries that lead Europe are Denmark, Sweden, Finland and the Netherlands. Among the key points detailed in DESI, I find a couple particularly indicative of the current state of the Italian market.

The use of the internet by citizens outside of the big cities is still a long way behind and, secondly, the tech infrastructure is quite old compared to the rest of Europe; broadband still remains a utopia in many cities of Italy and, in some places, there is no internet at all. These two factors are inextricably linked, and can only impinge the level of Italy's digital adoption.

What are the biggest challenges currently facing digital advertisers and publishers in Italy?

(RL): Advertisers are facing a paradigm shift right now. Even the most backward companies are moving toward an advanced approach to digital marketing; they are experimenting with new digital advertising tools like retargeting, programmatic and affiliates. Moreover, they are planning integrated campaigns that can follow the consumer during their omnichannel journey.

On the other side, the more advanced companies are facing the challenges of big data, using advanced analytics to personalize messages, optimize performances and enhance customer relationships with brands.

Publishers are also integrating new technologies to deliver advanced tools. In the last year, programmatic has been one of the hottest topics in Italy, but I think that in the future we will talk more and more about advertising on smart TVs.

(PP): The biggest challenge we face is the ability to be precise, to hit the right target with the right message and to understand the exact moment in which a user is more inclined to purchase. All this while still trying to guarantee high standards for the protection of users' privacy and avoiding exposing them to too much advertising that means it risks becoming invasive.

(AC): Definitely the lack of culture and knowledge of the web in general, both at the level of management in companies and at the level of web users.

I would also add, especially since the end of last year, the theme of privacy has become more important. GDPR, and all the regulations that have come into force to safeguard the sensitive data of users, are certainly a major challenge for advertisers and publishers.

What new trends are emerging in ecommerce in Italy?

(RL): Italy's online shoppers now represent almost 40% of the total population and digital shopping is quickly becoming more and more popular. The population is experimenting with purchasing across all categories and 'traditional' online sectors like travel and electronics are giving way to new products like fashion, food, beauty and home design. Mobile is increasingly key too as it becomes the leading device for brands to interact with digital consumers.

(PP): Surely the biggest new trend in Italian e-commerce is the fact that it is starting to permeate more and more commodity sectors which, until recently, were completely unexplored like pharmaceuticals, food and the energy sector. This testifies to the increasing trust of Italians to make purchases (even expensive ones) online, with the hope of saving money and finding unique products.

All the latest developments in the digital world, like voice assistants, smart appliances, will also soon be integrated with the possibility of making purchases online and therefore giving a new long-term boost to the channel.

(AC): There are a trio of trends that I think will be felt in the coming years.

The first is 'dropshipping,' a model that is gaining more and more ground that makes e-commerce smarter and more economically sustainable (especially if new).

The user buys a product directly on the retail site, the merchant buys the products directly from the supplier (transferring the order) and the latter then sends the goods directly to the end user. The '2018 state of the merchant ecommerce report' states that out of 450 online stores, 16.4% use 'dropshipping' as their business model.

The second will be the rise of multi-channel selling. Users do not buy from a single channel but are used to doing research and buying from a variety of different channels. It is therefore important for the same retailer to sell its products on a variety of platforms (social media, Amazon, eBay, Google shopping, etc.)

Finally, the payment process will undergo transformation too. It is one of the most important steps affecting conversion levels with cart abandonment issues occurring frequently at this stage thanks to protracted processing, hidden charges for shipping and taxes and limited payment systems. It will therefore be one of the main areas of focus in 2019 to make the payment system smarter, easier and faster.

What consumer trends have you noticed that appear distinctive to the Italian market?

(RL): The Italian population is characterized by a digital gap between the north and south of the country. Digital competencies and, therefore digital behaviors, are generally stronger among the northern population - which is more accustomed to buying online, paying with electronic tools and adopting digital habits into their lives. This gap can be seen also between people living in big cities rather than in small towns, although really digital services could be much more useful for consumers that do not have access to all the varieties of stores and services in their neighborhood that you might find in larger towns and cities. In reality then, it is not surprising that all new initiatives, like digital food services, are launched initially in the biggest northern cities like Milan.

(PP): In a highly challenging market characterized by the presence of major international players, price leverage continues to be one of the main drivers of consumer choice. However, it is necessary to try to get out of the price war logic and increasingly focus on high-value services that support customers through the entire process of buying something online, from the information and research phase, through the decision-making process, and finally onto the post-purchase phase.

It is also important to continuously create innovative ways of engaging users, as evidenced by the Black Hour and Black Friday campaign we devised and ran, with which we have managed to involve a very large number of users on our site.

How important are large retail events like Black Friday to Italy?

(RL): Black Friday and Cyber Monday are becoming increasingly important events in Italy. More and more consumers are familiar with them and wait for these sales dates enthusiastically. Retail companies are also adapting to them and developing specific promotions for their customers which then have a strong impact on sales performances.

(PP): Events like Black Friday have certainly become more important in Italy. Unsurprisingly, during 2018's edition of the event we set a new sales record thanks to the promotions we featured, achieving double-digit growth in sales of large appliances and a 50% increase in the 'home services' we offer our customers such as delivery and installation of our products.

How do you expect the affiliate industry to evolve in Italy over the next two years?

(RL): We expect investments in the affiliate marketing industry, as well as all digital advertising channels, will go on growing as they have done in the last few years. Companies will develop their digital skills and competencies, and will seek out more advanced tools to be delivered by high-end partners. However, I think that it will take many years for the Italian market to close the digital gap with the most digitally developed countries.

(PP): As industry research regularly testifies, the budget allocated to the affiliate channel is going to grow hand-in-hand with the improved penetration of e-commerce in the Italian market.

(AC): I expect strong growth for the affiliate industry in the Italian market. However, it is very difficult to give precise figures, but I certainly expect positive change. As far as we are concerned at Groupon, the coupons market is expected to grow by around 30% year on year.

In terms of how the mechanics of the industry may change, we can expect a renewed focus in three specific areas. Voice search will increase in consumer popularity and that will have to be addressed to maintain key positions in the SERPs.

Influencer marketing, which is now an established part of the Italian market, will evolve to incorporate more aspects of performance marketing and therefore will boost its presence within the affiliate channel.

Finally, the use of artificial intelligence will also continue to grow in digital advertising, and I expect it to find more relevant synergies within affiliate marketing as it does.

Case study

JULIPET

Repositioning a brand through the use of influencer marketing

Julipet is an Italian nightwear and underwear brand celebrated for its high quality and contemporary style, and best known for reimagining their nightwear products as modern loungewear. The concept created was that of 'in and out' clothing, to be worn not only as pajamas but also during the day.

In 2018, the brand aimed to create interesting, high-quality content that would reposition them as the intimates specialist in the market. Influencers provided the ideal means of achieving this tactic and, with affiliate marketing offering access to a wide variety of them, the channel was identified as the perfect model for the campaign.

Campaign objectives

To change the consumer view of the brand, the affiliate team set three campaign objectives:

Recruit
Recruit five to 10 new brand ambassadors to the Julipet program with a following of 1m+

Reach
Reach and engage with more than 100,000 potential new Julipet customers

Hashtag
Spread the hashtag #dreamingjulipet via regular content and sponsored posts across a variety of social platforms

With Julipet having a diverse customer base, it was decided that the influencer selection should mirror this mix of audiences. The Awin team considered a range of potential candidates that could fit the brand and campaign objectives. Five influencers were recruited to the program, with a combined following of nearly 1.5 million between them.

The chosen five featured both male and female influencers and included actors and high-profile bloggers from a variety of different backgrounds.

These individuals all matched the brand's target publisher profile of being beautiful, authentic and providing inspirational content. Cultivating strong relationships with the selected influencers was understood by the Awin team. To ensuring the work produced was to the highest editorial standard, the Awin team took a 'test and learn' approach to the newly-recruited publishers to accurately monitor and optimize all of their activity.

Optimizing 'Blogger B' by understanding the value of engagement

Influencer campaigns can't always be measured in the same manner as other affiliate activity. Their position within the purchase funnel, towards the upper 'research and inspiration' phase means that understanding performance relies less on the hard currency of clicks.

By taking a deeper look into the value of impressions, the Awin team could better understand the value of certain posts and activity to improve the brand's partnership with the publisher.

An example of this came in the work the team undertook by assessing the difference in impression rates produced by 'Blogger B.' By taking time to dive deeper into the publisher's performance beyond just clicks they were able to quickly understand that, while a blog post was on average three times more expensive than an Instagram story post, the Instagram post delivered three times as many impressions. Reacting to this insight, the team rescheduled the remainder of the campaign with 'Blogger B' to capitalize on its highly-engaged audience on the social platform.

Campaign results

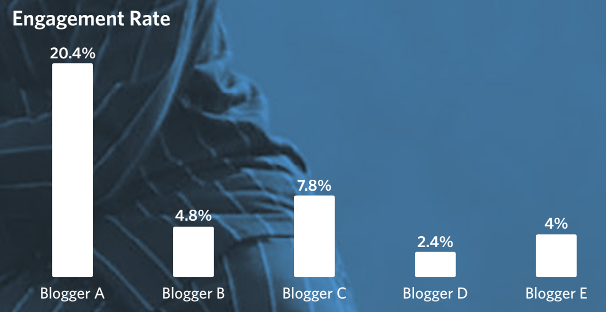
Engagement is key to any influencer-focused campaign and the Julipet campaign was hugely successful in this respect, with engagement levels amounting to almost four times the industry average.

Overall, the five chosen influencers drove nearly 1.5m impressions during the campaign along with over 130,000 likes, comments and saves across a variety of social platforms, ensuring that Julipet were reaching a new and highly engaged set of consumer prospects.

130k+
Likes & comments

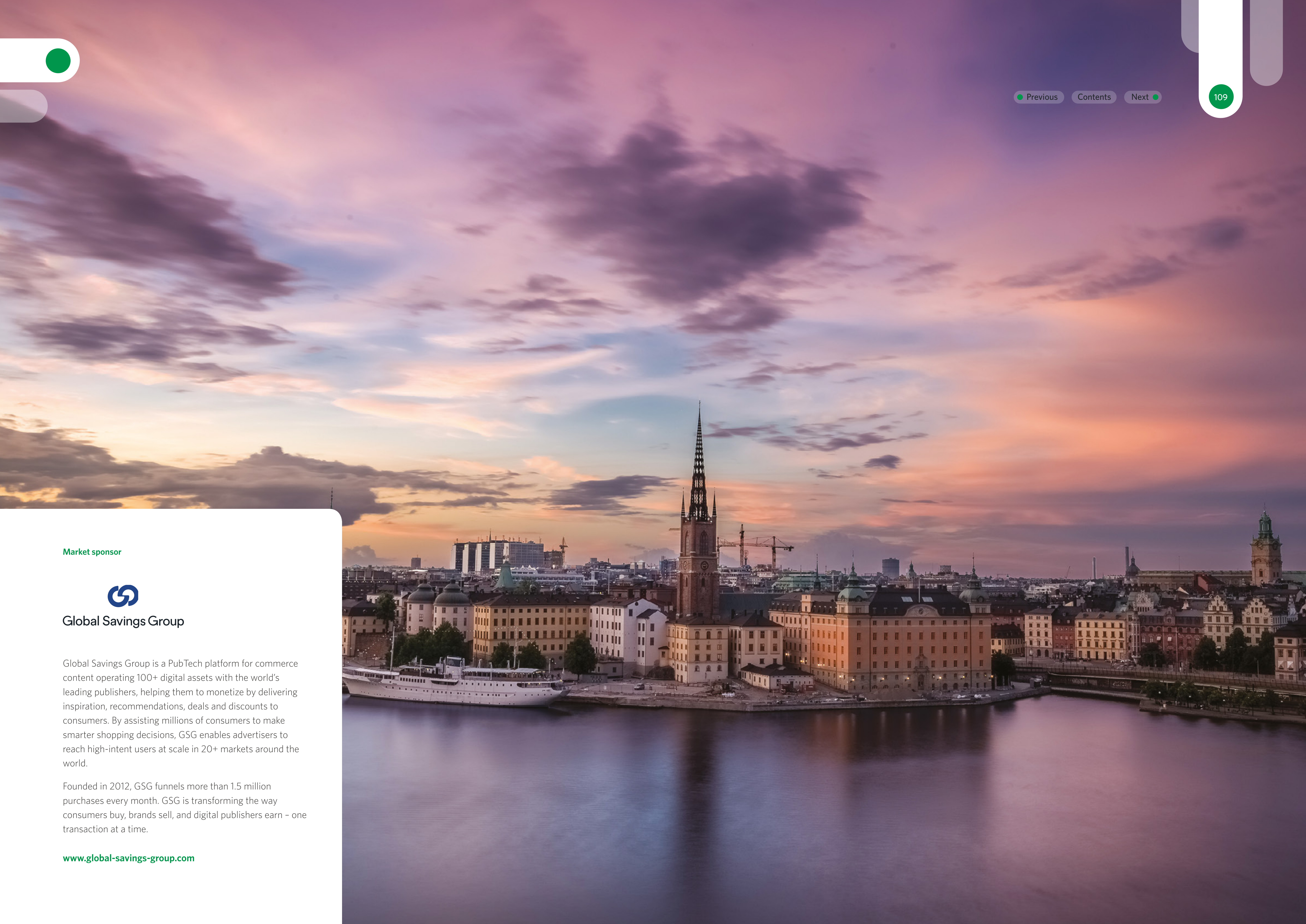
1.5m
Impressions

12%
Engagement rate



"Thanks to Awin, we had the opportunity to engage fashion bloggers aligned with our products and style. We selected five of the top names in the Italian blogosphere and this led to a high engagement rate, way beyond our expectations. In fact, thanks to the quality of our collections, which the influencers really enjoyed, we also attained even more promotion and exposure than we originally agreed upon."

Clemente Germanetti,
Julipet Brand Manager



Market sponsor

Global Savings Group

Global Savings Group is a PubTech platform for commerce content operating 100+ digital assets with the world's leading publishers, helping them to monetize by delivering inspiration, recommendations, deals and discounts to consumers. By assisting millions of consumers to make smarter shopping decisions, GSG enables advertisers to reach high-intent users at scale in 20+ markets around the world.

Founded in 2012, GSG funnels more than 1.5 million purchases every month. GSG is transforming the way consumers buy, brands sell, and digital publishers earn – one transaction at a time.

www.global-savings-group.com

Nordics

Regional information

26.7m
Population

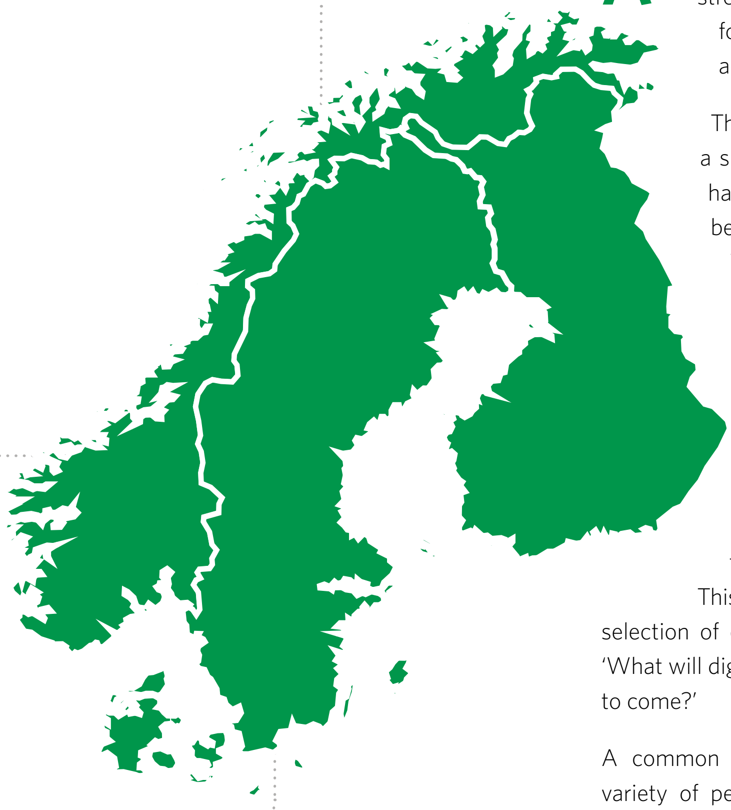
Various
Currency

25.9m
Number of internet users

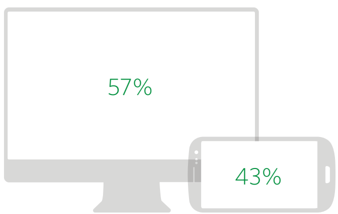
1,281
Number of advertisers

84%
Adults with a smartphone

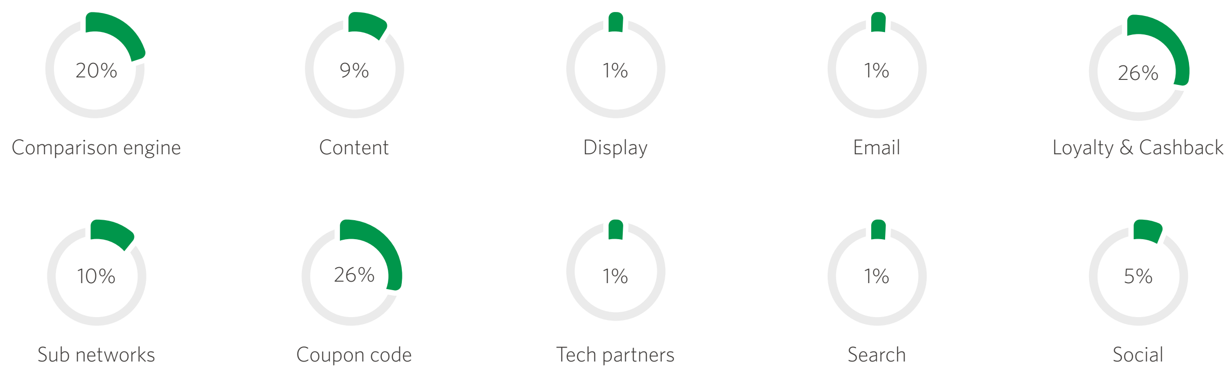
3,821
Number of active publishers



Device split of sales



Share of sales by publisher type



At Awin Nordics, we´ve been using the past year to strengthen our position as the network of choice for the region. Among others, there are two achievements in particular worth highlighting.

The first is the preparation and implementation of a smooth transition onto our new platform, which has brought about many new opportunities and benefits for our clients. The second is the continued investment in the affiliate marketing community we've made to increase opportunities and dialog between our partners.

On that latter point, Awin hosted its Retail & Fashion Day event late last year - the largest affiliate event of its kind in the Nordics with 150 attendees, affording our partners the chance to meet and discuss all the latest innovations, developments and trends. This year's event took place in Stockholm and a selection of expert speakers came to answer the question 'What will digital marketing and ecommerce look like in years to come?'

A common theme emerged throughout the day from a variety of perspectives: the desire to create new ways in which to engage and interact meaningfully with customers as we evolve away from more one-dimensional, traditional marketing methods. This desire to explore new ways in which to cultivate a dialog with consumers opens up a wide range of new opportunities to create new services for them. How can we help them to discover and select products? How can we provide a space for that dialog with customers and then use it to help them through the purchasing process?

Affiliate marketing can provide a solution to many of these dilemmas, bridging the gap between consumers and brands and helping to support a relatively young e-commerce industry as it exists here in the Nordics. In fact, there are already many good local examples of publisher innovation changing the way in which we interact with consumers, in some instances even outpacing the developments of more mature markets such as the US and the UK.

Refunder is just one such example, a Swedish loyalty and social shopping portal that is disrupting the traditional view of a user journey by leveraging machine learning, content and data-feeds to create a one-stop shop for their members. The combination of these factors combines in a platform where users will find product inspiration, comparison and lifetime value.

Another partner developing new ways to add value to their readers is the Danish-based editorial publisher Benjamin.dk, part of Bonnier Publications. In an Awin-run collaboration with our technology partner, almost 1m readers will have the opportunity to get instant gratification in their shopping experience by seeing product recommendations based on the editorial images they are viewing on site. The image-recognition facility is able to accurately display identified products in a photo and show equivalent products available from Awin's advertiser partners. The technology has the potential for high conversion rates and delivers entirely new monetization opportunities, while offering a seamless user experience.

Such innovations within the traditional purchasing journey point to how publishers will be challenged in the future to compete on the service they deliver to the consumer, consolidating a variety of functions into one platform and removing the need for multiple touchpoints. The continued development to improve the consumer's experience, while balancing the commercial interests between publisher and advertisers can only happen with an enhanced exchange, involving understanding and dialog between all three parties.

2019 will demand the industry's attention to reassess the value created for consumers and to lay a new foundation for this critical endeavor.

Awin Nordics

Nordics

Local Market *Q&A*

STROSSLE

Henric Smolak
Chief Revenue Officer **(HS)**

PSD Media

Daniel Sisay
Co-owner **(DS)**

KickBack

Mats Staugaard
CEO & Founder of KickBack **(MS)**

What does your company do and how does the affiliate channel help support your business?

(HS): Strossle provides technologies and revenue drivers that help publishers monetize the true value of their content. For advertisers, Strossle provides a distribution channel for getting the engaged traffic their content deserves.

(DS): PSD Media is an online-based marketing firm. We help companies with increasing traffic, sales and visibility and the majority of our business is based on affiliate marketing. It's a major source of new business partners for us.

(MS): In the Nordics, KickBack operates the largest voucher and coupon sites, the largest cashback site in Norway and we work closely with our parent company (Schibsted Media Group) to help monetize their local media assets through affiliate marketing. Internationally we're focusing on helping premium publishers monetize their platforms with affiliate marketing.

The affiliate channel is therefore very important for us and really our bread and butter. We work more or less exclusively with affiliate networks as this gives us the opportunity to quickly scale into new markets without having local boots on the ground. We view affiliate networks, such as Awin, as strategic long term partners that are key for our continued growth and expansion.

How important is affiliate marketing in the Nordics right now? What is its status compared to other digital advertising channels?

(DS): When we started our business 10 years ago the affiliate market was a small part of all online sales for us. With the increase in focus on sales ROI, the market has adapted to choosing advertising channels with sustainable ROI. We've benefited from having a business model based on CPA models that suits the need of modern marketing firms.

(MS): Unfortunately, I think it has not been a priority. Few advertisers have historically understood the affiliate channel and have treated it as any other marketing campaign - not with a long-term strategy. Sweden though has been far more mature in this respect than Norway and the rest of the Nordics.

But I do believe the standing of affiliate marketing in the Nordics is changing. Affiliates have moved from small one-man shows to become large companies with industrial backing from giants like Schibsted, Bonnier or thanks to venture capital investment. Big international affiliates have also expanded into the Nordics and this has, in turn, increased advertiser interest.

Advertisers are also increasingly looking for new and additional performance marketing channels outside the usual suspects of Facebook and Google. With increased regulation and scrutiny of Google and Facebook, I believe this trend will continue. The fear of Amazon moving into the Nordics has also forced retailers to finally figure out Amazon's affiliate strategy with Amazon Associates.

How would you describe the current state of digital adoption among the Nordics population?

(HS): I'm confident that the Nordic population is at the forefront in terms of digital adoption of technologies, as well as for digital marketing in general. However, as in the rest of the world, thinking digital is still an issue for many, considering all the conservative industries involved that are quite traditional in their outlook.

(DS): The early digital adoption of the Nordic population has been particularly helpful to online businesses in the Nordic regions. Currently it's reported that nine out of 10 adult Swedes shop online that demonstrates the popular adoption of digital here.

(MS): The digital adoption among the Nordic population is very high, but I feel the understanding of underlying technology, how it works, why it works this way, and how one could use the technology is actually quite low. We're good at buying the latest shiny gadget, but we're not good at using all of its features or taking advantage of its full potential.

What consumer trends have you noticed that appear distinctive to the Nordics market compared to elsewhere in the world?

(HS): We've seen a major shift into e-commerce and mobile here. The latest research showed that over 75% of all e-commerce visits were through mobile. We have also seen the platform revolution that has affected many industries, especially media where Facebook and Google have grown rapidly and taken the larger part of media investments and content consumption from the local media providers.

Amazon, which is expected to launch in the Nordics any day now, will also have a large impact on the e-commerce market, and especially with respect to distribution, which has been an obstacle over the past few years in the Nordics as this market evolves.

(DS): I think that the early adoption of digital is a trend that is somewhat distinctive to the Nordic market in my experience, especially when compared to other European countries, and particularly when we consider specific sectors such as fashion and electronics online.

(MS): All the Nordic countries are quite small and consumer trends tend to spread fast when they first commence. In regards to affiliate marketing, the influencer trend hit the Nordics very early, with influencers embraced by affiliate marketing as a way to monetize their content early on. Years later, we're now beginning to see the more established aspects of the media starting to catch up.

What regional differences do you find in terms of e-commerce across the various Nordic nations?

(DS): We've mostly had presence in Sweden, Norway and Finland and we do notice there are some subtle differences between the different countries, like local preferences for certain brands or stores. But overall my experience is that the Nordic regions are pretty similar in their shopping habits in regards to categories.

(MS): From the outside the countries are very similar, but there are several key differences when you look closer. There's no doubt that the Norwegians spend way more than their neighbors when they first open their wallets and they are very 'patriotic,' favoring stores they already know. The Swedes shop more frequently and love good deals, coupons and finding the best price. As for the Danes, they tend to sit somewhere in the middle and are a combination of both.

What are the biggest challenges currently facing digital advertisers and publishers in the Nordics?

(HS): Ad blocking, which is growing rapidly in the Nordics is certainly a threat. The latest reports say that about 30%-40% of the Nordic population has an ad blocker installed. Ad blockers together with the regulations around how to handle data will have a major impact on digital marketing in the Nordics. Especially since the programmatic landscape, and the way in which data is handled there, is very unregulated here today.

(DS): I'd say the increased pressure in sustaining good margins in sales, which benefits both advertisers and publishers, is a significant challenge here nowadays. We've seen a major decline in margins as the online competition increases yearly.

Our experience is that the Nordic region has been very good at adapting to the changing online trends. The main issues we've personally had as a business have been connected to recruiting new staff and trying to provide housing in an overcrowded market in Stockholm. But that's probably a whole different topic by itself.

(MS): GDPR is of course on everyone's lips. There is still a lot of confusion on exactly how this will turn out for both advertisers and publishers, but I think the general consensus is that Facebook, Google and programmatic advertising in general are going to change and become less targeted and less effective. I believe the privacy aspect is a very important challenge for affiliates to get right since this can be one of the key differentiators versus Google and Facebook.

Scale is also a big challenge for us here - the Nordic market is a particularly small one.

Are there particular publisher models that you find thrive in the Nordics and are popular with users there?

(HS): Many publishers in the Nordics are changing their business model, focusing on reach and advertising to a subscription model. They want to lock in customers and understand their users more to be able to provide them with better advertising and monetize in a more sustainable way. We also see native advertising as one of the fastest growing digital formats in the Nordics as well.

(DS): We've benefited most by working with a CPA-model and have seen many others do the same. In our experience it gives both the advertisers and publishers the best possible value for their work.

(MS): Consumers are always looking for a good deal, so the usual suspects of cashback, coupons and price comparison are thriving as they do everywhere. The influencer trend has also been a very important model for many advertisers over the last few years - especially in fashion. Over the next few years, I think the established media will increasingly turn to the affiliate channel to help with content marketing.

How important are large retail events like Black Friday to the Nordics?

(DS): The Nordics have generally been very good at adapting to international shopping trends, mostly thanks to those originating from the US. We've seen an increase in activities from advertisers around Black Friday and also the increasingly popular event Singles' Day, which originates from China. There are probably some local holidays like national day celebrations that are popular, but nothing beats Black Friday and the Christmas season in our experience.

(MS): Black Friday has been extremely important in Norway in the last few years. We've seen up to 200% growth every year around this event and we're also seeing that both Swedes and the Danes are now following their Norwegian counterparts.

What's one thing would you change today in the affiliate industry if you could?

(HS): I believe that the affiliate channel will evolve into something new. Personally I believe that the affiliate industry needs to move from the historic 'PUSH' impulse (always aiming for direct sales), towards more of a 'PULL' model where the whole customer journey can be taken into consideration alongside the quality aspect of the wider marketing activities that affiliates provide.

Affiliate is primarily just about data and revenue share currently. However, if we can get advertisers to not only focus on direct conversions and make them understand that storytelling and engagement is just as important as an initial part of the customer journey, I believe that affiliates can be a model that works better in the future.

(DS): A better dialog between advertisers and publishers regarding the situation of margins is essential. With the increase in online competition we need new strategies to be able to sustain our current business models.

(MS): Ideally I'd like to see increased communication between affiliates and advertisers. It's really very important that we know and understand each other better to improve relationships and results for both parties.

How do you expect the affiliate industry to evolve in the Nordics over the next two years?

(HS): As mentioned earlier, I believe that ad blocking and regulation around privacy will have a significant impact on the industry, particularly around how we can store and use third-party data. As a result of this, I believe the affiliate channel may decrease in the Nordics in the coming years.

But with that said, once marketers begin to start using the affiliate model in a proper way, not focusing entirely on direct sales and guerrilla marketing, but rather use the underlying data in a qualitative and transparent way, I believe that affiliate can thrive again as a marketing channel here.

(DS): Most likely I think we'll see an increase in general traffic and sales. With the expected improvements in delivery services, which sometimes even offer same-day delivery, this will most likely see an increase in online shopping from users in the region too.

(MS): I think Amazon's possible entry into the Nordics will shake up the e-commerce market in the Nordics. Retailers will be forced to follow Amazon and will see how affiliate marketing is one of Amazon's key marketing strategies. I also believe that established publishers in the Nordics will increasingly turn to affiliate marketing as a means of monetising their own traffic more effectively.

Case study

BEAUTY SECTOR

Harnessing the power of influencers to reposition a brand

The global cosmetics and beauty industry was thought to be worth some $500bn in 2017 according to research from Orbis, with its future growth expected to fuel that figure further and reach over $800bn by 2023.[1]

Cosmetics, beauty and healthcare is a sector that has contradicted the economic woes of the global recession over the last decade and continued to demonstrate strong growth in spite of this context. The combination of generally aging populations around the world within a culture that praises the glowing appearance of youth, has compelled more and more consumers to find beauty products that suit their desire to look and feel younger.

The Nordics is one region where the popularity of health and beauty products is well established. Norway, Denmark, Sweden and Finland are often looked to as nations of trendsetters for health and beauty products. Thanks to the widespread adoption of e-commerce, social and other digital platforms in the region, retailers there must have an effective digital presence to connect successfully with these consumers.

For one health and beauty brand Awin worked with in the region, affiliate marketing was seen to be a useful means of doing exactly this. However, with their affiliate program already long-established, it was deemed necessary to conduct a 'health check' upon its publisher makeup.

Recognizing that its program consisted of an overreliance upon a select few large publishers, the decision was taken to overhaul its composition and cultivate more diversity among its affiliate partners. Though the brand's relationship with the larger publishers was of great importance still, they were keen to increase the number of mid- and long-tail publishers to reduce the brand's overall exposure to risk.

With the objective set to overhaul the client's program in this manner, the advertiser's account team was told to ensure that this didn't impact existing partnerships that were expected to continue to grow and be nurtured.

Awin's team thus set three ambitious targets to achieve this:

Decrease dependency
Decrease the brand's dependency on top partners

Grow sales
Grow sales volumes by 100% year-on-year

Maximize partnerships
Maximize both existing and new partnerships

Work started with a close evaluation of the program, analyzing existing partnerships to identify the key drivers of growth, studying trends across publisher groups, and identifying potential new opportunities.

The strategy was split into three main areas of focus:

Additional budget
was set aside for top partners, and significant additional time was invested in growing existing relationships

Mid-tail partners were identified
and long-term exposure packages were planned and booked in

New publisher opportunities
were presented to the brand and those chosen were quickly on-boarded to the program

The results

Thanks to the new strategy, the account team was able to deliver on all of the prescribed objectives:

18% YoY
The dependency on the brand's top partners was reduced by 18% year-on-year

Top 15
In Q3 alone, three new publishers were added to the top 15 active publisher list

8 months
The 12-month sales target was achieved within just eight months

5% ROI
Over the course of a full year the program's ROI increased by 5%

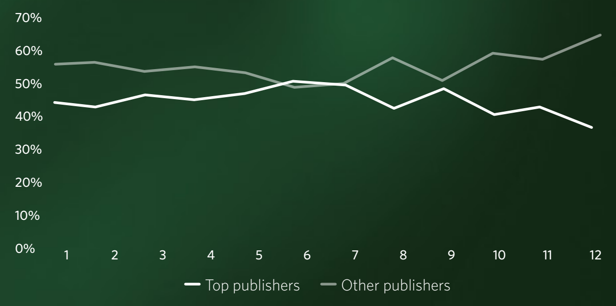
3%
The average order value of the program improved by 3%

25%
As a publisher type, closed user groups increased their share of the program up to 25%

In successfully diversifying their publisher mix of partners so effectively, the beauty brand was able to significantly reduce their overreliance on just a few of the larger affiliate partners in the region.

This tactic aided them in not only spreading their advertising investment across a healthier mix of partners, but also helped cultivate a series of new relationships with affiliates that could increase their reach to more beauty consumers in the Nordics market in a variety of different online spaces.

Share of sales (%)



Number of sales/month

Market sponsor

SAVINGS UNITED

Savings United is a leading coupon partner of premium media companies, connecting brands with consumers in 13 territories like Spain, the US and the UK. We power trustworthy content & coupon projects enabling brands to stand out in a highly competitive industry, while driving savvy shoppers through the full marketing funnel.

The combination of Savings United's expert, personally-tailored service with its media partners' reach and authority results in an effective performance-based marketing solution, enabling advertisers to meet their customer needs, surpass brand ROI objectives and increase brand awareness in all verticals.

www.savings-united.com

Spain

Regional information

46.4m
Population

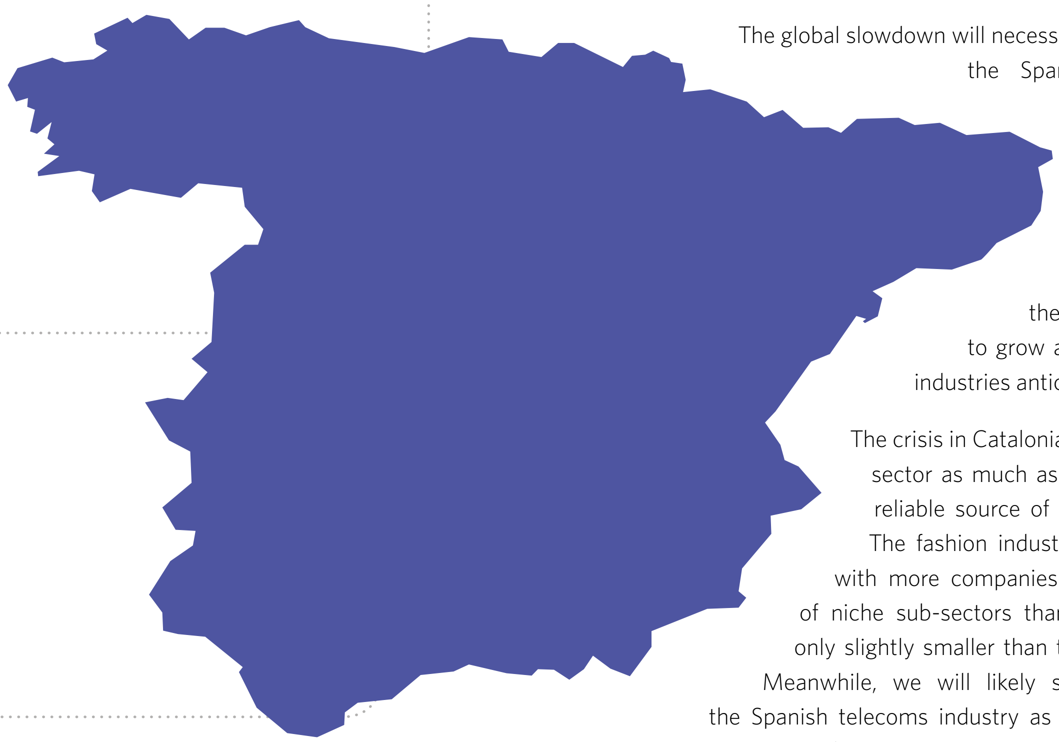
Euro (€)
Currency

42.9m
Number of internet users

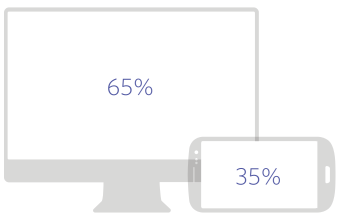
1,731
Number of advertisers

87%
Adults with a smartphone

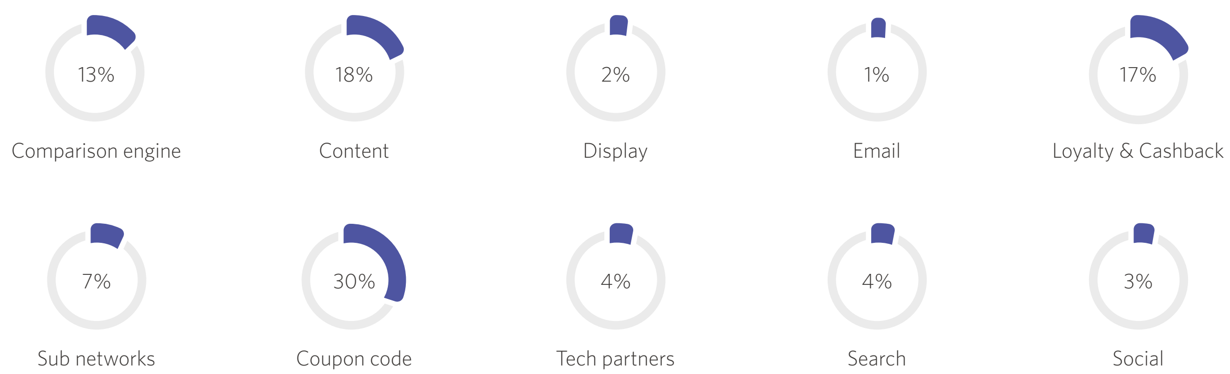
4,851
Number of active publishers



Device split of sales



Share of sales by publisher type



In 2019, Spain must contend with the fact that growth may be lower than in previous years. Despite its economy expected to be second only to the US in terms of growth this year, overall global growth is expected to slow down according to the IMF's latest predictions.

The global slowdown will necessarily have an impact upon the Spanish economy because of its large emphasis on trade exports, which make it sensitive to these macro challenges. Domestically though, the economy is expected to grow around 2.3% with several industries anticipating a healthy outlook.

The crisis in Catalonia did not impact the travel sector as much as expected and it is still a reliable source of huge consumer demand. The fashion industry is healthier than ever, with more companies growing across a range of niche sub-sectors than ever before, making it only slightly smaller than the finance industry now. Meanwhile, we will likely see consolidation across the Spanish telecoms industry as the market matures and competition heats up.

Looking specifically at digital marketing, online purchases in Spain in 2018 increased by over a quarter but adoption remains low compared to the European average. However, if we consider a more long-term view Spain has witnessed a higher growth rate of 50% over the last five years versus 38% for the Eurozone.

The digital challenge for advertisers is to work effectively with tight budgets and across a hugely diverse set of channels. Each channel is becoming more sophisticated, with the prospect of complex personalization thanks to increased data and new technologies. Additionally, they need to invest more in digital transformation projects, like UX, data security, dash-boarding and process automation.

From all the marketing trends here though, the most important in Spain is that of social shopping. Instagram, Facebook and Pinterest's e-commerce features have instilled a huge change in consumer behavior. Social media is no longer just a platform for passively browsing. A user can look for inspiration and discovery and, as soon as they fall in love with a product, they can make a direct purchase, as in any other marketplace. How blogs, content sites and native advertising can adapt to this new reality is something affiliate marketing has already started to tackle. In addition, these new digital communities provide a great opportunity for independent retailers entering the market. Rather than being the exclusive dominion of a few big brands, the proliferation of micro-influencers allows promotional opportunities for brands of all sizes and scale.

Looking forward, Awin anticipates that 2019 will see new routes to growth in the Spanish market primarily via the transformation of mass media publishers and the adoption of new technologies to reduce friction in the consumer journey. Spanish mass media publishers are currently revamping their digital offerings to create more personal, relevant content for individual users to help them monetize their traffic in a more profitable fashion. This will continue to be a priority throughout 2019.

New technology in the form of visual or voice search and the integration of AI also promise a wealth of opportunity this year. The consequences of these innovations are likely to be hugely disruptive to the wider industry and the nature of online shopping. It will not simply be a case of shifting budget from search to video; this is about a fundamental shift in the way consumers interact with brands and find the products they want.

What this means for the affiliate industry is yet to be fully understood. However, at Awin we are excited by the prospect of change and ready to adapt to this new world!

Awin Spain

Spain

Local Market ***Q&A***

peoople

David Pena del Río
CEO **(DP)**

Global Savings Group

Juan Mazzotta Calles
Commercial Director ES, IT & MX **(JMC)**

rumbo

Ruben van der Meer
Affiliation Specialist **(RM)**

What is your business and why is the affiliate channel important to it?

(DP): Peoople is an app where you can find local recommendations from the people you trust, including both your friends and your favorite influencers. Peoople has been operating in Spain for almost three years now and affiliate marketing is our main method for monetization.

You can buy anything on Peoople, so one of the key points for us was to build strong relationships with as many companies as possible. We are always looking for companies that can be included within the categories we have on the app and use affiliate marketing to partner with them.

(JMC): Global Savings Group is a PubTech company that operates digital assets with the most important publishers in the world. We manage the curation and distribution of commerce content through a wide range of business models, delivering recommendations, inspiration and discounts to millions of users in more than 20 markets.

The affiliate channel is crucial to our business model, as it provides us with the necessary tools to effectively monetize our assets.

(RM): Rumbo.es is a Spanish online travel agency where customers can search, compare and book deals on hotels, flights, packages and cruises. The site was founded in 2000 and was the first full-service travel website in Spain at the time of the launch. Nowadays we are a leading online travel agency in the Spanish market and Rumbo.es is part of lm group, one of the worldwide leaders in the online travel industry operating a portfolio of well-known brands like lastminute.com, Volagratis and weg.de.

Affiliate marketing is an essential part of the marketing mix for our company, as it is very low risk and it allows us to reach specific audiences in a way that would be difficult in other marketing channels. We develop long-term relationships with our affiliates and, together with them, we strengthen the perception of Rumbo.es as a travel brand and source of inspiration.

How important is affiliate marketing in Spain right now?

(DP): Brands are beginning to realize the importance of affiliate marketing here in Spain. The channel allows you to show more personal ads to your audience, but not as an intrusive communication, so it's a clear win-win. Moreover, influencers are helping it evolve quickly because their role is based upon personal links that brands give to them.

(JMC): Unfortunately, we lack a reliable set of statistics to evaluate the overall volume of affiliate marketing compared to other channels but according to the feedback we receive from our partners, affiliate marketing is definitely a crucial source of sales and leads for most of the online players in the Spanish market. The extent of its impact, obviously, depends on the industry and the budget allocation of every single company, but we know it's growing rapidly.

(RM): I would say that affiliate marketing is certainly an established type of digital marketing in Spain now, but compared to some other markets around the world it has not yet reached the same kind of level of maturity here. It is still a channel that is developing and therefore probably less prominent than other digital marketing channels that have already matured.

How would you describe the current state of digital adoption among the Spanish population?

(DP): I think digitization is now reaching a wide level of acceptance among the Spanish population. It's true that digital natives have always lived this way and, by contrast, people of my generation have had to get used to this new paradigm, but everything is digital nowadays - from buying food on Amazon to asking for a doctor's appointment - so we have no choice.

(JMC): Statistics show that the Spanish population is one of the most digitally active regions worldwide if you consider mobile user penetration and social media adoption as key indicators. This doesn't necessarily translate to online shopping, where there is still plenty of room for growth. I believe the Spanish population is still attached to in-store shopping when it comes to certain product categories, like furniture or sports equipment, as they are very sensitive to the quality of the products. Trust also plays a critical role online: Spanish shoppers are very attached to brands that have proven to be reliable in the past, both in terms of customer service and payment information security.

What are the biggest challenges currently facing digital advertisers and publishers in Spain?

(DP): Lack of a concrete measure of data and understanding what things we can do with that data to optimize the activity is certainly a challenge here in Spain. For instance, if we analyze correctly the data that we obtain we can use it to make more personalized and effective communications with consumers, obtaining higher conversion rates.

(JMC): Considering the evolution of traffic sources and the split between devices, I would say one of the biggest challenges we are currently facing is the monetization of mobile traffic. Statistics show that in the Spanish market the average conversion rate for mobile is three times lower than the average conversion rate for desktop, so this is definitely something advertisers, publishers and technical providers must work on. Another big challenge is the increasing gap between online investments and valuable solutions: current marketing channels are getting saturated and the industry must respond by creating or importing new ideas.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Spain?

(DP): It has already had an impact in that it has decreased the potential sales due to the lower quantity of people that accept the commercial use of their data. Now the consumer has more power to decide, which is good even for me as a consumer, but not so good for me as a brand.

(JMC): The implementation of GDPR had several consequences for digital advertising and it will probably take some time for the market to understand all the implications of the regulation. The bottom line is it requires the players of the industry to step up their game and make sure they provide real value to the users, otherwise they might lose track of them online. What I find most interesting, though, is the educational effect of the regulation, as it encourages companies and individuals to rethink their relationship with personal data. GDPR requires not only operational changes but also a cultural shift, and that's a challenge for the industry but also great news for society.

Do you see influencer marketing as an effective form of advertising in Spain right now?

(DP): Well, Peoople has grown significantly and keeps doing so hand-in-hand with its influencer partners, so I would have to say yes. I think the challenge for companies is knowing which influencer is going to give you the best results. And for that you need to study each influencer very well, discovering how he/she connects with his/her followers and how well your brand could match within that ecosystem. Fortunately, we have found the right ones and couldn't be happier with the results.

59% of consumers admit that if an influencer recommends something to them, it increases the probability of them buying it. We can't deny that influencer marketing is a powerful tool and can often be viewed as an easier option than other communication channels.

(JMC): If used properly, influencer marketing can be very effective. The Spanish population is definitely keen on taking advice from people they trust and mimicking the people they admire. The most important factors, from my perspective, are coherence and authenticity: influencers are storytellers and every marketing collaboration needs to find its place in the storyline. Sometimes being open about the fact that something is advertising content, for example, is much better for your authenticity than trying to pass it off as natural content.

How important are large retail events like Black Friday to Spain?

(DP): Maybe it is because the economic crisis has made us more rational consumers here in Spain, but we are always looking for the lowest price and waiting for special events, like sales, to shop. Therefore, even though Black Friday is a very new thing in Spain (it doesn't have a strong tradition in our country), it has already become an important date for companies and consumers. You only have to see how companies here don't talk about just Black Friday but a whole Black Week.

For us it is really important because it allows us to find people that show interest about products inside our app and retargeting them with the added incentive of a discount. It's a huge opportunity for us to increase the users' purchase intentions in a single day.

(JMC): Events like Black Friday, Cyber Monday and Singles' Day are becoming massive, to the extent that they have already disrupted seasonal trends that have been established for decades.

Regarding local shopping events, the Spanish market has an interesting peculiarity: Christmas is celebrated twice, December 25 and January 5, which means the sales period is longer than in other markets around the globe.

What's one thing would you change today in the affiliate industry if you could?

(DP): From our perspective I would like to see more transparency, more generous cookie lengths and a less tight industry in general.

(JMC): The one thing I would like to see change would be to increase controls over fraudulent activities within the channel and to set clear quality standards for every vertical of the industry.

(RM): More and more I see the urge to earn quick money here in the Spanish market. Personally I think a stable long-term relationship with affiliates will lead to much better performance and loyal customers than quick and low-quality actions for short-term earnings which, in actual fact, usually leads to lower revenues and a lack of transparency.

How do you expect the affiliate industry to evolve in Spain over the next two years?

(DP): I think it will be evolving hand-in-hand with advertisers and alongside other digital channels. The final goal of this evolution will be to get better deals for everyone, and so we will hopefully see better results off the back of this.

(JMC): Spain will probably follow the footsteps of more mature markets like the UK, France and Germany, so I expect new technological providers to enter the scene, improvements in measurement across devices and refinements in the strategical planning and execution of campaigns.

(RM): It will probably become more diverse, moving away even further from the traditional last-referrer and cost-per-acquisition models and with a stronger focus on content, a trend that already started a while ago and which I expect to see more of in the future.

Case study

BEDS brokers Bed Bank Manager

Helping travelers find the right hotel in Spain with Beds Brokers

Spain remains one of the most popular tourist destinations in the world. In 2017, tourism there hit an all-time high with the arrival of 82m visiting travelers, lifting the country into second place, above the US and behind only France, as a destination for global inbound visitor numbers.[1]

It's not just a popular holiday destination for foreign travelers though, with a huge number of the domestic population also choosing to take their break at home. And an increasing number of those bookings are occurring online - digital travel sales worldwide are forecasted to reach over $850bn by 2021. For Spain's digital consumers, travel is the most popular product to purchase online, according to a 2017 survey from the IAB in Spain.[2]

Navigating the online travel market as a consumer can be a dizzying proposition, with numerous sources of information for flights, accommodation and all the other elements that constitute booking a trip.

Competition for those consumers then is fierce. According to research from Expedia Media Solutions, the average number of travel websites visited by a travel booker in the 45 days prior to a booking is 38. Not only that, but in the weeks leading up to that booking consumers will increase the number of times they visit travel websites, sourcing more information, comparing rates and seeking out reassurance for their choice.[3]

Average travel site visits per week

The Spanish-based technology company Beds Brokers has therefore developed a business designed to help prospective travel bookers find the accommodation and travel packages they want as easily as possible online. With the help of Awin, they have successfully utilized the affiliate model to monetize it.

Thanks to their proprietary CMS and web management software, they have created a network of travel-related websites including TripExplorer.website and TravelCuba.website, which offer valuable information on top destinations and accommodation. With numerous websites offering bookings for properties from over 50 countries, including hotels and apartments, as well as travel packages and tours, Beds Brokers provides a comprehensive network of travel sites that travelers can use to find out essential information for their next holiday.

Virtually all of Beds Brokers' traffic derives from organic search results and the publisher doesn't participate in paid search activity. By instead focusing on optimizing pages and targeting long-tail keywords, like individual hotels, popular tours and other travel-specific services, the team ensures that they successfully rank hundreds of micro-niche pages.

This keyword specificity means that Beds Brokers generates only highly-targeted and highly-qualified traffic. Online users will only find their sites when searching for the exact name of a travel-related product or service. The target user is most likely at an advanced stage of the booking funnel and with a very high purchasing intent for the searched product or service.

After joining Awin's network at the start of 2018 and utilizing the network's platform to connect with a selection of initial hotel advertisers, Beds Brokers saw immediate success in generating affiliate sales.

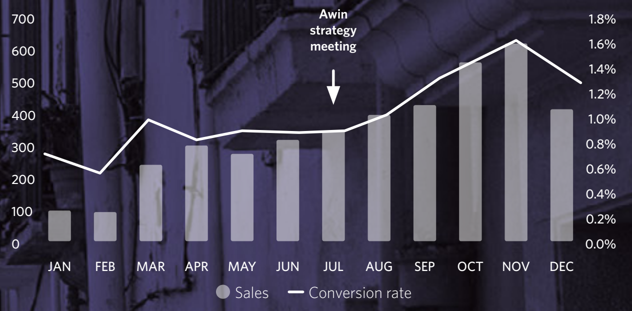
The Awin team in Spain was quick to recognize the success that Beds Brokers had garnered so far and sought to meet with the publisher to understand more about their proposition and find out how they could support them further.

In July of that year, the Beds Brokers team came to the Awin offices to meet with the account managers of the travel teams there. Together they discussed future strategies and additional opportunities for growing their activity via the network, as well as the Awin team offering advice and recommendations for helping them to partner with the most relevant brands available to them.

The collaboration was highly successful. Beds Brokers immediately developed a media kit on the advice of Awin that would help pitch their proposition to the network's advertisers in a simple and effective fashion. They also joined additional advertiser programs that would help them generate even more sales.

The next six months would see the Beds Brokers portfolio of sites ramp up its performance significantly for Awin advertisers and contribute to what was, ultimately, a hugely successful year for their business in terms of the sales and revenue they generated for their partners along with the commissions they earned themselves.

2018 sales and conversion rate



Comparing the publisher's performance from H1 and H2 of 2018, we can see the positive impact that a closer working relationship with the network had for Beds Brokers. Sales, revenue, commission and average conversion rates all improved dramatically.

57% Average conversion rate

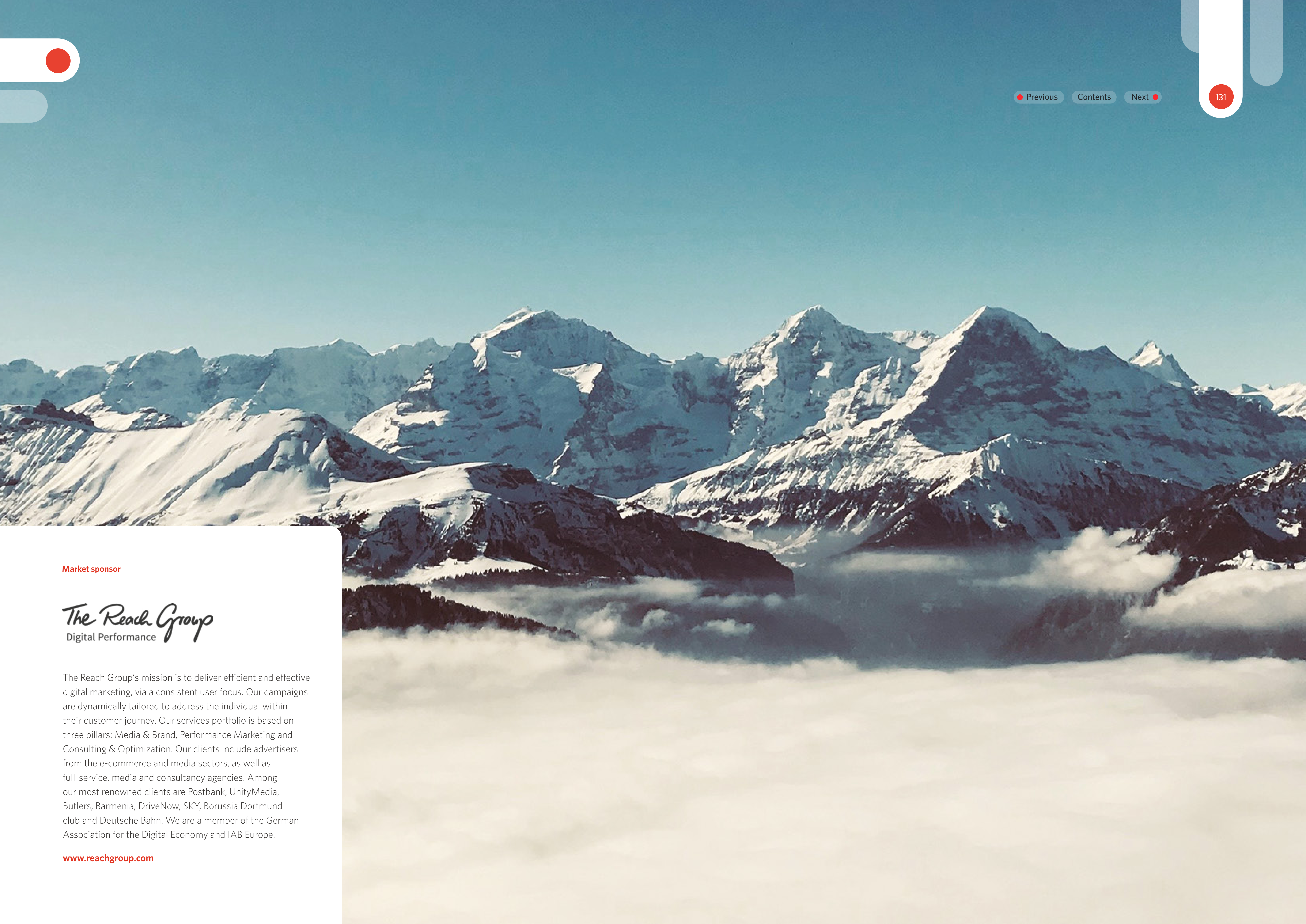
105% Commission

36% Revenue tracked

109% Sales tracked

"Since we started working with Awin our company went from being a mere experiment in monetization to a long-term commercial strategy for us. Thanks to good communication and transparency, our trust in Awin as a company and in affiliate marketing as a method of advertising has been confirmed. The ongoing commitment they have shown us, whether connecting with top-level advertisers or proposing tactics to increase conversion, inspires loyalty and motivates us to grow our business."

Alexander Canino, CEO, Beds Brokers



Market sponsor

The Reach Group
Digital Performance

The Reach Group's mission is to deliver efficient and effective digital marketing, via a consistent user focus. Our campaigns are dynamically tailored to address the individual within their customer journey. Our services portfolio is based on three pillars: Media & Brand, Performance Marketing and Consulting & Optimization. Our clients include advertisers from the e-commerce and media sectors, as well as full-service, media and consultancy agencies. Among our most renowned clients are Postbank, UnityMedia, Butlers, Barmenia, DriveNow, SKY, Borussia Dortmund club and Deutsche Bahn. We are a member of the German Association for the Digital Economy and IAB Europe.

www.reachgroup.com

Switzerland

Regional information

8.6m
Population

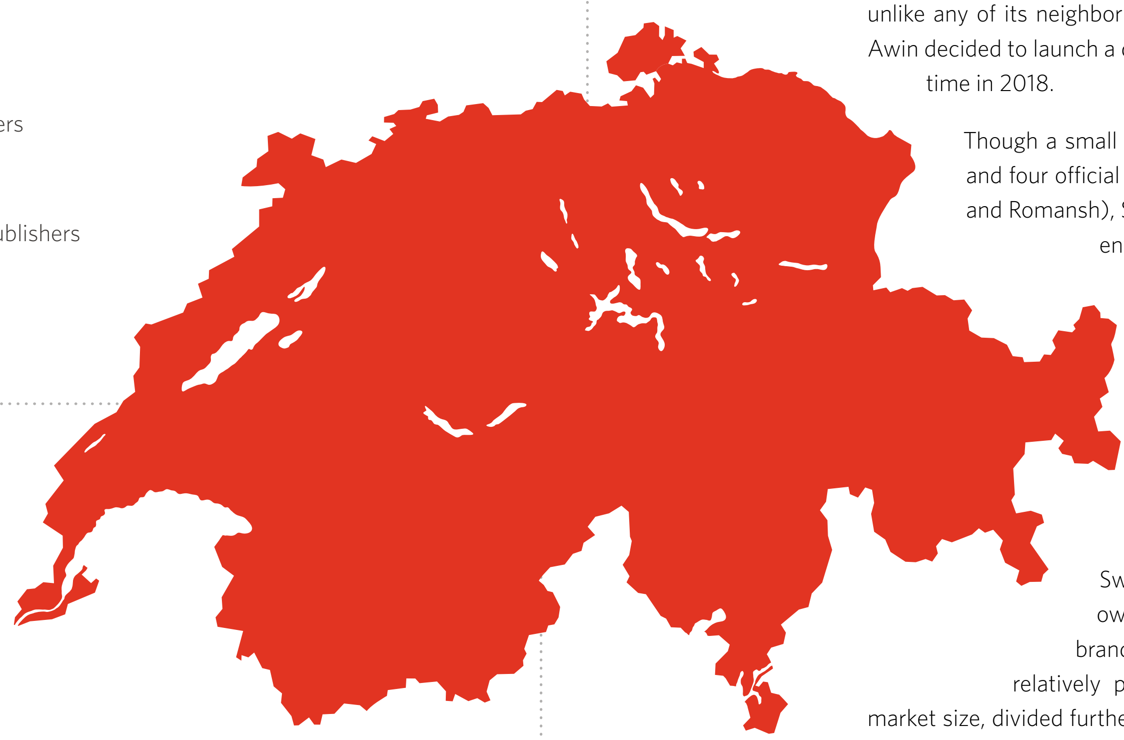
Swiss franc (CHF)
Currency

8.2m
Number of internet users

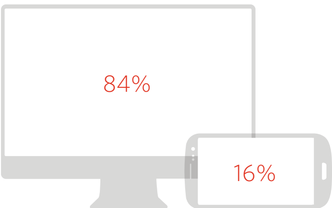
469
Number of advertisers

79%
Adults with a smartphone

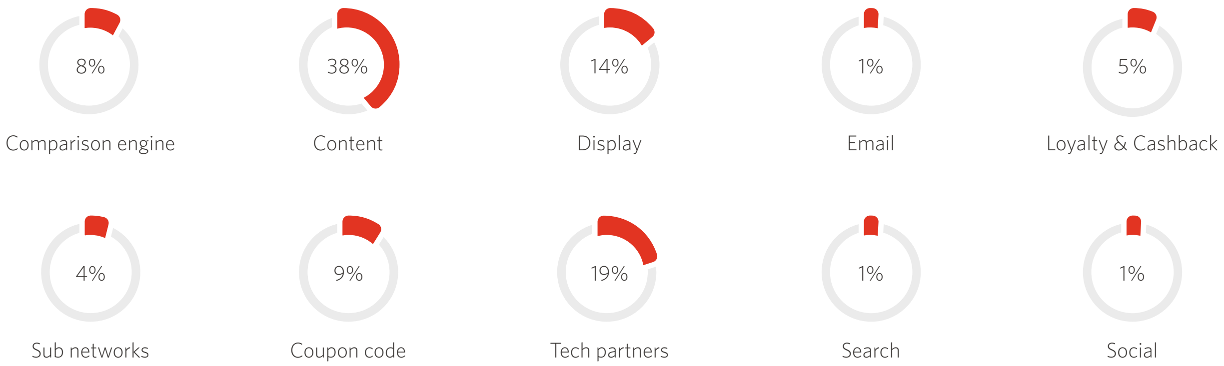
1,982
Number of active publishers



Device split of sales



Share of sales by publisher type



Switzerland sits at the very heart of Europe, yet without being fully part of it. This has led to economic circumstances and regional challenges and opportunities unlike any of its neighboring countries. As a result of these, Awin decided to launch a dedicated Swiss section for the first time in 2018.

Though a small country with a population of 8.4m and four official languages (German, French, Italian and Romansh), Switzerland enjoys a stable political environment and its income per capita is among the highest worldwide. E-commerce grew by 10% YoY and it has one of the highest digital ad spends per user ($247 in 2018) - attractive characteristics for any entrepreneur or marketer.

By not being part of the EU, Switzerland was able to grow its own digital ecosystem. Domestic brands could operate, until now, in a relatively protected biotope. Yet the limited market size, divided further by the linguistic regions, not only created an additional entry barrier to new market players from abroad but also limited scalability to local players.

Over the last few years though a tectonic shift has occurred here, with three key factors driving this change:

Firstly, a concentration of participants in the Swiss market is discernible; in 2018, the top 10 online shops reaped over 40% of the online market. Smaller players have been unable to match the necessary technological investments of the incumbents to maintain competition.

Second, with the decline in the value of the Euro since 2011, shopping outside of Switzerland has become cheaper. This has led to a rise in cross-border purchases. Travel was the first sector affected; Swiss people started to book more trips on platforms abroad. Then we had the entrance of fashion retailer Zalando who have since secured a third of the entire Swiss fashion market in only seven years. This course is now accelerating with the entrance of Chinese platforms who cut out intermediaries and sell directly to customers.

Finally, the third change is still to come... Amazon's potential entrance to Switzerland still hangs as a sword of Damocles.

Affiliate marketing can play a pivotal role in all of these changes. With only a 1.5% share of digital ad spend, it is undervalued as a marketing channel. This will change though, and Awin has been making significant advertiser and publisher investments to this end.

In Switzerland overall and at Awin, display is the dominant publisher vertical, as it is better able to target customers by linguistic background. Yet Awin could significantly grow other traffic sources. On the one side via incentivized traffic such as coupon and loyalty cashback, while on the other through content partners – including price comparison and editorial content. In addition, large publishing houses are starting to explore the possibility of monetizing their content in alternative ways outside of display, and content commerce is just the beginning.

Despite the fact that Awin is already working with around 40% of the top 30 Swiss online shops, affiliate marketing is frequently not prioritized by decision makers. Therefore, raising awareness of the benefits of performance marketing is one of the key challenges on the advertiser side.

With investment in affiliate marketing from advertisers currently below average and many publishers lacking awareness on how to best monetize their content amid growing competition from abroad, the Swiss region has great potential to become more mature in 2019. Awin is keen to push the Swiss affiliate market forward, to realize this potential for growth with our valued partners.

Awin Switzerland

Switzerland

Local Market *Q&A*

advanced store

Marc Majewski
CEO **(MM)**

Global Savings Group

Jürgen Burkhart
Regional Director DACH **(JB)**

Rabattcorner

Alban Grossenbacher
CEO **(AG)**

Julian Zrotz
CEO, blackfridaydeals.ch & preispirat.ch **(JZ)**

wingo

Michael Jakob
Senior Online Marketing Manager, Wingo **(MJ)**

What is your business and how is the affiliate channel important to it?

(MM): Advanced Store create display, native and social campaigns with a focus on the client's CPO. We are fully transparent for both advertisers and publishers. The affiliate channel allows us to manage several partnerships through one platform. In addition, affiliate marketing is geared to the goals of the advertising customer and includes a simple and scalable billing model.

(JB): Global Savings Group is the largest commerce content platform outside the US, operating in more than 20 markets. We help the world's leading publishing houses to monetize their traffic by building leading commerce content platforms. With our couponing portals, we have achieved market leadership in all major European e-commerce markets and are rapidly expanding.

As one of the leading affiliate players in Europe, most of our business is done through affiliate partnerships. Our clients appreciate how data-driven we act in order to grow our partnerships - this is only possible because affiliate marketing can give you very high transparency about user behavior.

(AG): Rabattcorner.ch is the leading cashback website in Switzerland. We founded the company six years ago and launched the first version of our platform in 2013. We help our users to save money shopping online by offering cashback and coupon codes. Our business model is fundamentally based on affiliate marketing as we share our commissions with our users as cashback.

(JZ): We are a classic affiliate marketing publisher. Our focus is bargains and deals. We own the biggest Swiss shopping community (preispirat.ch), as well as the biggest platform for Black Friday in Switzerland (blackfridaydeals.ch). We are also experimenting on more business models as well as to roll out successful projects internationally (like blackfriday-deals.at). The affiliate channel is one of our main sources of revenue as well as an entry point for direct bookings from advertisers on our platforms.

(MJ): Wingo is Switzerland's first online-only telecommunications brand. We are a subsidiary of Switzerland's #1 telco brand, Swisscom. Wingo itself is still a young brand and in Switzerland's saturated telco market it is crucial to have a USP in order to differentiate your product from the competitors. Affiliate marketing has been hugely important to us because it gives us valuable presence on a variety of important publisher verticals like comparison engines and discount and promotions sites. With those verticals we can gain a lot of awareness and, of course, sales.

How would you describe the current state of digital adoption among the Swiss population?

(JB): Consumers in Switzerland have been heavy online shoppers for as long as we have been operating there. What we see is an increasing trend of higher mobile penetration. All in all, the market is behaving very similar to more mature markets in Europe, with the high purchasing power of the population surely contributing to this development. In Switzerland we see one of the highest AOVs in online shopping.

(AG): More than 90% percent of the Swiss population uses the internet. Especially with respect to media consumption, smartphone usage is incredibly high. Publishers that have focused on mobile news have become very strong during the past few years, also in comparison to other markets. Probably also this can be accounted for because of our well-developed public transport system, where people use their smartphones very often. Of course, e-commerce is also growing very fast, but growth and innovation is mainly driven by international merchants.

(JZ): I'd say that digital adoption in Switzerland is not as far as in some other countries, but we are quickly catching up. I think one of the main reasons for that slow growth is the customs barriers that have been erected to protect the Swiss economy. Another possible reason is some of the reluctance we see from Swiss people when it comes to adopting 'new' things.

(MJ): In general, the Swiss population is eager to adopt new technology. However, for example concerning the 5G development in Switzerland, many health concerns have come up and will inevitably slow down the nationwide rollout and coverage of the new technology.

What are the biggest challenges currently facing digital advertisers and publishers in Switzerland?

(MM): High media costs, a limited source of established publishers and multilingualism are all major challenges in Switzerland.

(JB): One of the key challenges we are facing in the market at this point is the Apple ITP 2.0 launch and the Firefox update. We are happy though that Awin is tackling those challenges and supporting us in many ways to help resolve them.

(AG): Publishers are realizing that their business is not growing anymore in terms of display advertising. They are struggling with finding new business opportunities apart from through classified advertising, and partly this comes down to the fact that they're not willing to invest significantly in their existing digital media products.

At the same time, advertisers have more and more opportunities to spend their budgets. International players have become very relevant and they deliver, especially in performance advertising, better results than local publishers. At the same time, it is a big challenge to control the brands' goals and communication through all these channels properly.

(JZ): For us, the biggest challenges are the three main languages we have here in Switzerland, as well as the small population overall. That makes it incredibly hard to scale some business ideas.

(MJ): When you consider the big variety of fraud within the digital market a big challenge is (and always will be) brand safety. Over the years we have optimized our lists and partnerships to keep our brand sustainably safe.

What impact are regulatory bodies and new legislation having upon the digital advertising market in Switzerland?

(MM): The GDPR is not yet fully applied. However, as soon as it does begin to apply it is going to have an impact on the targeting capabilities and the inventory selection available for use.

(JB): As Switzerland has its own legislation and regulatory bodies, it is important to keep informed of the local changes for data privacy, and specifically for e-Privacy. With the cantonal setup in Switzerland, and with regulations being active within cantons, there is an additional complexity to the situation. Generally though, we are confident that the market legislation is evolving correctly, acting against fraud and fraudulent players and protecting the users and their data.

(AG): As in other countries, the topic of data protection is currently very relevant. Although we are not part of the EU, we still adopt many laws. Swiss companies with customers from EU countries needed to be GDPR compliant and it is planned that we will introduce a very similar law in Switzerland.

(JZ): I think we're blessed with a relatively well-balanced legislation in Switzerland overall. Unfortunately, we are forced to also comply with many EU regulations. As all bigger Swiss websites get traffic from within the EU, we have to comply with two different legislations. In the end, most regulations focus on privacy concerns that ultimately should serve the end consumer, which is a good thing. Unfortunately though, we don't know where especially the German legislation is going which also has a huge impact on the German part of Switzerland. It's highly likely that some smaller publishers will get into trouble by this and will have to change their business models. I think it's safe to say that it won't get easier to do affiliate marketing in the future because of new legislations and regulations.

(MJ): Every time you think you have established a new way of targeting your audience, new restrictions come up and stop us from doing our best online marketing worldwide. If this becomes a persistent condition of the market we will soon be having to print flyers and distributing them in public ;-)

What consumer trends have you noticed that appear distinctive to the Swiss market?

(MM): We find there's a much higher use of mobiles here in Switzerland, and also generally better mobile conversions too.

(JB): In terms of sectors, based on our data, the travel vertical has been growing over the last year and a half indicating a growing trend towards hotels and trips increasingly being bought online. Additionally, the health and lifestyle sectors have also seen local growth, possibly as a result of the population's focus on healthy living and fresh, local produce.

(JZ): I think the Swiss people are only now beginning to become more budget conscious when shopping. As an example, famous discounters like Aldi and Lidl tried to get into the Swiss market some years ago and had huge problems with their discount strategy. This changed slowly over the last few years with increasing prices in the Swiss market and decreasing prices in the German (and French and Italian) market. It got a lot of media attention that you have to pay two to three times the price of the exact same shampoo bottle in Switzerland than you have to pay in Germany. And this is the case with many products. Still, for the Swiss consumer it's important to get high-quality products, but they are no longer willing to pay unreasonable amounts for products.

(MJ): In the telco branch, Swiss consumers love it when everything works as wished and they do not have to take care of anything. As long as everything runs smoothly, they stay as loyal customers. However, when something bothers them and cannot be changed they are willing to change who they buy from quickly.

How important are large retail events like Black Friday to Switzerland?

(JB): Special shopping events have a tremendous impact on Swiss online shopping behavior. This year, we started our special Black Friday campaign earlier than ever before, based on the fact that consumers are increasing searches even before Black Friday.

For that reason we launched the campaign two weeks in advance, preceding the main Black Friday week. As a result, during this period, we observed as many visitors on our domains (cuponation.ch and gutscheine.blick.ch) as during the Black Week itself, confirming the trend from other markets of increased awareness of the Black Friday and Cyber Monday event.

Moreover new events like Singles' Day have been adopted very quickly by our partners and we see a rising demand for promotional options. We are certain that the demand for this originally Asian shopping event will grow further in the coming years.

(AG): Especially Black Friday is becoming more relevant for advertisers and publishers in Switzerland. In previous years it was already very strong but last year it became a real hype. All our expectations have been surpassed. Singles' Day was already more profitable for us than Cyber Monday. Growth was primarily driven by AliExpress, but I think Swiss merchants will start to launch more special offers next year.

(JZ): Black Friday is the single most important shopping day in Switzerland. Retailers make three to five times the sales of a normal Friday. Some of our partners make a month's worth of sales during just 24 hours. 2018 was the first year that we also saw a second important shopping day establish itself in Switzerland; Singles' Day was celebrated by more than 60 large Swiss retailers. Because Swiss consumers get more and more budget-conscious, these shopping events will get more and more important over the next few years.

(MJ): Over the last three years, Black Friday and Cyber Monday have become more and more important to the whole market in Switzerland. We try to give specific offers on events like these rather than just having another discount promotion on top like some of our competitors do.

Why do you think display advertising appears to play such an important role in Switzerland currently?

(MM): I think that search is limited, and social channels are limited too due to a dedicated target group (the ones who have the accounts). In contrast to this, display advertising is a strong business opportunity for scaling that includes the possibility to work on a CPO basis.

(AG): The Swiss market is quite small and large publishing houses have always played an important role. When they started with digital advertising, they charged similar CPMs as in print for display ads and that did not change for many years. One could almost say they copied their print advertising business into the digital age. Still, it is important to say that Swiss brands are looking for quality and brand safety and that is what they get. On the other side it would be very difficult to monetize quality content with performance ads in such a small market.

(JZ): I think the bosses of many marketing departments are still a bit old school. 'Branding' still plays a huge role in Swiss retail. It's the same reason there are still huge budgets in magazine and TV advertising.

(MJ): We changed our strategy on affiliate display over the last few months and we do not aim for reach in Switzerland anymore but rather cooperate with our partners across relevant sectors.

What impact does the unique mix of languages in Switzerland have upon e-commerce there?

(MM): Basically Swiss campaigns need more complex planning than in other countries, especially with regard to targeting. Multilingualism has a significant impact and means that you need, for example, a three-fold banner setup and you have to make sure you use banners with the right language for retargeting.

(JB): The unique mix of languages shows again how important customer segmentation is. Many retailers and publishers miss out on a significant part of the market. We ourselves tackle this issue with our dynamic solutions, such as the dynamic coupon. With the dynamic coupon we can adjust the language of the most important coupons to the users' language. This helps to strengthen conversion rates, and to provide a better user experience for our user community.

(AG): E-commerce is driven by economies of scale and this very special initial market situation makes it even more difficult to scale. Offering service in three languages within a market of eight million people is just super expensive, even for bigger companies.

(JZ): I think you need to look at the potential target customers to answer that question. There are around 8.4m inhabitants of which 5.4m speak German, around 2m speak French and about 700k speak Italian. The market for the Italian and French languages is really quite small. When you need to provide support, marketing, product descriptions, etc. in three languages, you have to take a hard look at the potential user base and do the math to calculate if it's worth the work and money you need to invest. That's why many Swiss retailers do not have an Italian or French version.

(MJ): Having four national languages in Switzerland does not make advertising easy. The challenge is in doing justice to all four regions. Due to a very small population or potential reach in the Rhaeto-Romanic and Italian-speaking region, this specific target group cannot be taken into account on every marketing measure we take.

Does not being part of the EU affect consumer trends in Switzerland?

(MM): There are shops that do not ship to Switzerland because of the customs duties in the market and this means that there will be international shops that Swiss consumers won't shop in because of these obstacles.

(JB): Yes, we have seen significant price differences that can be exploited by very savvy online shoppers. For example, one of our studies showed that the iPhone could be for a much lower price in Switzerland compared to the rest of Europe. Being an international company helps us to keep the overview on local price levels across markets.

(AG): I do not think so, it is not like we are an isolated island in the middle of Europe. For example, the German merchant Zalando has pushed the Swiss e-commerce market forward in terms of innovations like free delivery and free returns.

(JZ): Yes it does. Because of the different legislation and customs duty, we don't have many 'new technologies' in Switzerland. Take as an example Amazon Alexa or (most of) the Amazon environment. I think this is at least partly beneficial for Switzerland because otherwise the chances would be very high that Switzerland would simply be made part of the 'German market' for many big companies as it does with Austria.

What's one thing would you change today in the affiliate industry if you could?

(MM): A direct contact with advertisers, as well as prompt payment times would be great changes for us.

(JB): I would wish for a strictly enforced code of conduct. By increasing both the service level and professionalism of the operators in the affiliate channel, all participants will benefit and the channel will get the attention in the marketing mix it deserves.

(AG): From my perspective there is still too little attention paid to the mobile channel. Many advertisers have not implemented in-app tracking but still want us publishers to increase their mobile sales. That is definitely something affiliate networks and advertisers have to work on.

(JZ): I'd like to see an improvement in awareness from some of the big Swiss retailers. Many don't do affiliate marketing at all.

(MJ): An easier, faster and more reliable way for publishers to receive their promotions.

How do you expect the affiliate industry to evolve in Switzerland over the next two years?

(MM): Performance marketing is going to play a far more important role I feel. Especially within mobile and native forms of advertising it will develop more strongly.

(JB): We work very hard to make our wishes a reality. Therefore we hope to leave our own footprint on the development of the Swiss affiliate market. In particular we want to introduce new tools for advertisers and significantly improve the service level. Our mid-term vision is to position the affiliate industry as a transparent, and value-adding channel in the wider marketing mix.

(AG): Affiliate marketing has always been a niche online marketing channel in Switzerland. Larger publishers have missed out, and the industry has been a little slow to support them. Since the last two years, however, I see a change on both publisher and advertiser sites. New advertisers have started with affiliate programs and some publishers have become a lot stronger in utilizing the channel. The market is changing, and I expect to see relevant growth during the next few years.

(JZ): I hope that we will see more affiliate marketing spending from more advertisers, but I think it will most likely take more than two years for this investment growth.

(MJ): In a small but fast-developing country like Switzerland it is more important than ever to address your potential customers with the right content at the right frequency. In my opinion this cannot happen by displaying more and more ads, but has to occur via other verticals like comparison engines and editorial sites. This is a good thing for affiliates.

Case study

swisscom

Reimagining the network-brand relationship

Swisscom Group is the largest telecommunication provider in Switzerland and includes a number of popular Swiss consumer brands in the sector like Wingo, Coop Mobile (formerly known as SimplyMobile) and M-Budget Mobile. Following a reconfiguration of the Group's marketing teams in 2017, the client decided to partner with Awin in a new agency-style capacity.

Affiliate was recognized as a hugely valuable channel for the company's portfolio of brands and essential to their ongoing success. Therefore, Awin was charged with taking over responsibilities for all of their affiliate marketing activity, along with aspects of their media spend and promotional management.

A full-service model

A service package agreement was made between the Swisscom Group and Awin that would not only alleviate the strain on the brands reduced marketing team but also look to grow the Swisscom affiliate program.

Operational service
The daily management of the affiliate program

Financial management
All validations, budget management and invoicing

Relationship management
All publisher communication, approvals and recruitment following the high quality and CI standards set by Swisscom, Wingo, Coop Mobile and M-Budget Mobile

Monthly reporting
A comprehensive monthly report and call with the client

Campaign management
Management of all aspects of publisher promotional activity, based on the KPIs individually defined for each brand

Competitor & industry benchmarking
Daily monitoring of the sector and ad hoc industry benchmarking by program

Quarterly business review
A comprehensive review of program activity

The Swisscom brands

The Awin team took over the management of three brands that sit within the Swisscom Group. Each brand had its own distinct identity, audience and program objectives:

wingo

One of the more established of the Swisscom brands, with a target audience that tends towards being younger and savvier with high mobile and data usage at an affordable price. The existing affiliate program was already thriving. However, this was primarily down to a high reliance upon display partners that Swisscom were planning to remove from the channel.

coop mobile

Swisscom's newest brand that was formerly named SimplyMobile. Coop Mobile's objective was to tap into the niche market of low-cost mobile contracts with limited data use. The customer's advantage is that data does not expire and can be carried over to the next month. Without the same kind of profile that other Swisscom brands enjoyed, this challenge was predicted to be no easy feat for Awin to achieve.

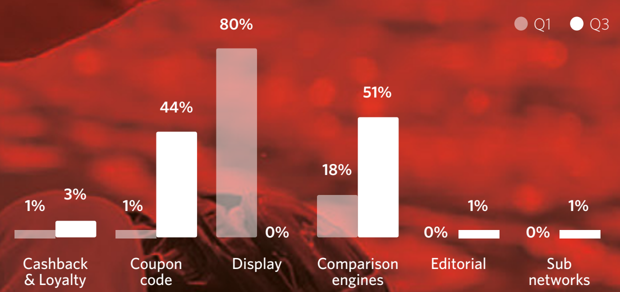
M-Budget

M-Budget Mobile offers its customers high-quality telecommunications solutions at attractive prices. Its affiliate program had historically been composed 100% of comparison publishers. upon being handed to Awin, the objective was clear - diversify the mix of affiliate partners while still maintaining healthy growth rates for the brand.

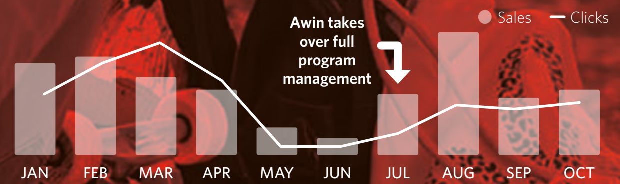
The results

Wingo results: Having removed all display partners from the program, there was an immediate need to diversify the Wingo publisher base and maintain overall growth. Awin set about recruiting new publishers operating in the comparison, coupon code and editorial content space. Thanks to these efforts, Awin completely transformed the publisher makeup of the Wingo program whil still maintaining healthy growth. By the third quarter of the year, Awin had grown program activity by 95% with new contributions from a variety of publisher types.

Publisher Breakdown



Coop Mobile results: The campaign saw huge success, with the SimplyMobile brand benefitting from Awin's full program management and quickly reaping the rewards of this additional support, seeing an increase of 122% in Q3.



M-Budget Mobile results: By investing more time in developing relationships with a diverse set of publishers, the Awin team was able to increase the partners they worked with. Though the team was given demanding sales target, they were able to hit this with a sizable increase in traffic, sales and improved conversion rate.

+56%	+138%	+5.3%
Traffic	Sales	Commision Rate

Market sponsor

RetailMeNot

RetailMeNot, Inc. is a leading savings destination connecting consumers with retailers, restaurants, and brands worldwide to find hundreds of thousands of offers, coupons and cashback solutions to save money while they shop online or in store.
More than $4.9 billion in retailer sales were attributable to consumer transactions in its marketplace in 2018. The company's portfolio of websites and mobile applications includes RetailMeNot.com in the United States; RetailMeNot.ca in Canada; VoucherCodes.co.uk in the United Kingdom; and Ma-Reduc.com and Poulpeo.com in France. Partnering with RetailMeNot,Inc. drives sales at every step of the shopping journey from awareness to purchase to loyalty.

www.retailmenot.com

United Kingdom

Regional information

66.8m
Population

Pound Sterling (£)
Currency

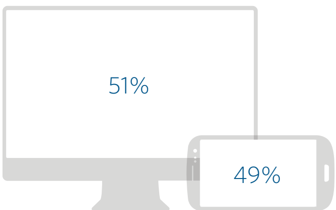
64.4m
Number of internet users

5,568
Number of advertisers

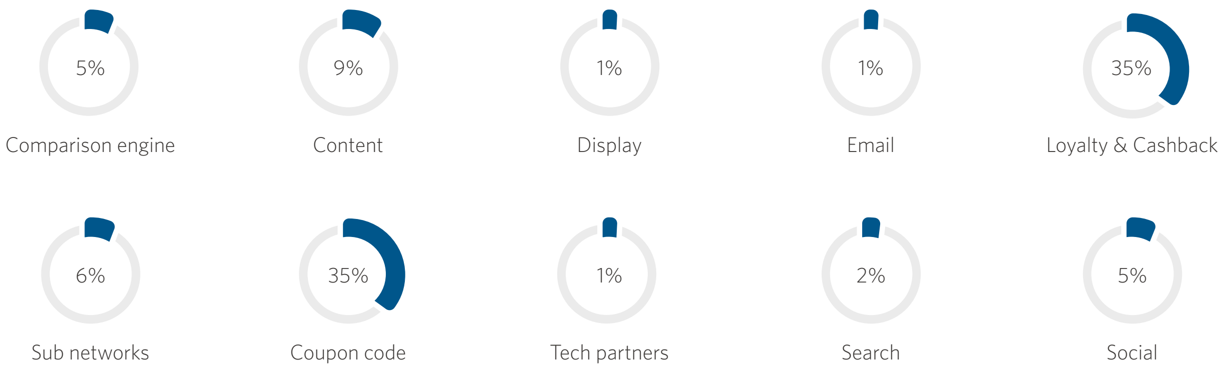
77%
Adults with a smartphone

31,343
Number of active publishers

Device split of sales



Share of sales by publisher type



There is only one topic dominating discussion in the UK. Brexit and its longer term consequences. What is clear is that the surrounding cloud of confusion have not helped the economy and many businesses have seen their growth stall amid the uncertainty.

Online advertising is by no means impervious to the repercussions of Brexit, however the UK's historic strength in the field has insulated it slightly from the headwinds that have assailed other parts of the economy. The UK sits at the forefront of many e-commerce and online industries and is, by some distance, the largest market for digital ad spending in Europe. More than 60% of total media ad spending was invested in digital in 2018 with much of the growth coming from advertisers' increased investment in mobile platforms.[1]

The high level of smartphone penetration, combined with widespread 4G coverage, has seen the UK population enthusiastically adopt increasingly mobile-orientated habits not just in terms of browsing but also buying. That shift in consumer demand has fueled a virtuous circle in which advertisers are compelled to invest more in reaching them in mobile environments, while also ensuring they can serve them in those same spaces.

Awin's implementation of cross-device tracking has therefore been of particular importance in this market, providing an overview of consumer behavior and affiliate performance across devices as individuals browse, research, compare and finally buy the products they're interested in.

Like the wider digital advertising industry it is a part of, the UK's affiliate industry is similarly mature. Testament to that fact has recently come in the shape of an increasing amount of M&A activity and consolidation within the market. The anticipated merger of the UK's two biggest cashback providers, Topcashback and Quidco, is the most prominent of a series of recent activities demonstrating this.

The maturity of the UK affiliate industry is something that has held it in good standing historically. Famed for being a channel that enjoys high levels of engagement and vocal debate from its constituents, there are a wide range of established annual conferences and events dedicated to performance marketing where professionals can come together to meet, network and share ideas about how it should continue to evolve.

The close-knit nature of its community means it's often capable of responding quickly to developments that threaten the industry's viability. Cross-industry collaboration is often seen as a key characteristic of the UK market, and threats like GDPR and Safari's ITP 2.0 have served as an impetus to bring competing companies together in an attempt to forge unified and standardized responses to these dilemmas. Though in practice this is sometimes more difficult than anticipated, the collective will is certainly there.

Such working groups may be a more frequent occurrence in the future. Digital advertising in the UK is, like in many other global markets, receiving more scrutiny than ever before from local politicians, regulators and the media. Whether it be the fallout from the Cambridge Analytica scandal, the public drive to 'save the high street' from the creep of e-commerce or the damage wrought on traditional journalism by comparatively paltry online incomes… these issues are staking a major claim on the public consciousness that will require collaborative solutions and answers from our industry.

Thankfully, the affiliate channel's data-light, transparent and efficient advertising model places it in a position to provide those solutions. And Awin's continued investment in technology that supports effective collaboration between publishers and advertisers, and active participation in discussions around how the affiliate industry responds to such issues, will undoubtedly contribute to ensuring it continues to punch above its weight in the UK for years to come.

Awin UK

United Kingdom
Local Market *Q&A*

Colin Carter
Director **(CC)**

Matthew Higgins
Head of Affiliates **(MH)**

Naomi Brown
Head of Ecommerce **(NB)**

Chris Said
Business Development Manager **(CS)**

Vicky Bruce
Head of Affiliates **(VB)**

What is your business and how is the affiliate channel important to it?

(CC): At Weather2Travel.com we share the very best travel deals and discounts from leading holiday companies, as well as climate information to help our readers decide when and where to go for the best weather. We also publish expertly written travel articles and destination tips to help inspire our readers to explore the world, far and wide.

The affiliate channel is a crucial element of our revenue model. As a non-transactional website we need to monetize the site in a variety of ways to spread the risk and maximize the return. Affiliate marketing has always been an integral part of this.

(MH): iProspect is the UK's leading performance marketing agency, with more than 20 years' experience driving business performance. As a critical marketing partner for some of the world's most successful brands including Diageo, ASOS, Eurostar, Saga and Kellogg's, iProspect creates and delivers transformative business outcomes to ensure clients win in today's rapidly evolving digital economy.

To ensure iProspect UK is consistently driving business performance for clients, we must build a holistic marketing strategy. Affiliate marketing is a key element of the full marketing mix and a highly-successful performance channel.

(NB): We are the UK's largest specialist photographic and video retailer – mainly we sell cameras, tripods and lighting equipment plus we also have a repair and rental business. Affiliate marketing has grown as our business has grown – it helps us get in front of new potential customers. We've also got a network of photographers, camera clubs and other small specialists where having a commission-based system works really well.

(CS): Genie Ventures owns and runs multiple successful affiliate websites including Broadband Genie and Genie Shopping. We also run Genie Goals, a fast-growing, multi-award-winning performance marketing agency working with retailers like Amara, Raging Bull and Karl Lagerfeld. Our business was built around affiliate marketing. It has allowed us to work with fantastic advertisers, from telecoms with Broadband Genie to leading retail brands with Genie Shopping. And it continues to open new pathways to successful revenue streams for us, with the latest being the Google Shopping (CSS) opportunity.

Our agency, Genie Goals, has also invested considerably in growing our proposition in the affiliate channel, helping our advertisers create a more holistic acquisition strategy. For advertisers with existing programs this is often realizing the potential the channel has in reaching new global markets. But we have also been launching programs for a lot of brands as well, where we have quickly shown the sales impact affiliates can have on their business.

(VB): The Telegraph is an award-winning, multimedia news brand that has been synonymous with quality and authority for more than 160 years. Our journalism is renowned for opinion, analysis and expertise. Every day the content we create – in print, online, for our apps and across many other platforms – is setting the news agenda, sparking debate and provoking comment.

In recent years, we have also diversified our business and developed specially tailored services and experiences for our customers within the areas of travel, e-commerce and events.

How important is affiliate marketing in the UK right now?

(CC): Through the years, affiliate marketing has had a checkered reputation compared with other channels. It has matured and become much more accountable with many large publishers now larger and more well known than some of the brands they work with. Cashback, reward and coupon websites are now brands in their own right.

(MH): Affiliate marketing is hugely important. The statistics that we're seeing from the IAB's PwC reports show YoY growth in spend, and increases in ROI speak volumes for the channel's performance. Utilizing affiliates is key to having a holistic digital marketing strategy and, at iProspect, we're having more conversations with our clients around making affiliate marketing work for their business.

The channel itself overcomes key issues in online marketing with it being a pure pay-for-performance model. The digital landscape overall is strong right now, and the key for us is making sure affiliates work with the other channels and not against them to meet client goals.

(NB): It's important, and I think with the rise of influencers it's only going to get more important. But unfortunately, by some senior execs it's still seen as somehow less professional or robust than other digital marketing methods. The prevalence of cashback and discount sites has done a lot of damage – some people now see them as synonymous with the industry and miss the bigger picture. But that's changing as people who have worked in affiliate marketing for years get promoted.

(CS): With us now covering so many areas we've seen this really differ advertiser-to-advertiser and it's surprising to see instances where it has no status at all - even with large retailers. For example, when reaching out to advertisers with our new Comparison Shopping Services proposition there has often been resistance to the affiliate channel - until the size of the opportunity has been made clear.

We've also worked with advertisers that have mature programs but we've still been able to add real growth, making it a key focus for them in 2019. Some advertisers, for instance, are still unaware how the channel can be utilized to support major onsite promotions or events. It sounds basic but goes to show how channel education is still required for a number of advertisers.

Then, as a publisher, we catch glimpses of how the channel is viewed versus others by advertisers internally. As a new acquisition channel, and at challenging times (in terms of hitting targets), the channel is heavily relied upon but the view of it in terms of customer lifetime value is a concern and results in its overall status being downgraded.

(VB): Affiliate marketing is important and growing, but it's often credited with a relatively small revenue line when compared to other digital channels.

Of course affiliate marketing itself isn't small. The average British consumer will have to work pretty hard to avoid coming into contact with an affiliate link while they're doing their shopping these days (unless they're going straight to Amazon - but let's save that for another day), and the reach of a typical advertiser's network of affiliates is usually quite big. But we're a channel that elects only to be paid when we drive the final click in a purchase journey, and to have all other earlier contributions completely disregarded. Are we really surprised that we're not getting the credit we deserve?

What are the biggest challenges currently facing digital advertisers and publishers in the UK?

(CC): Customer acquisition remains the biggest challenge, especially as Google has implemented changes to its algorithm and search results - looking to answer queries directly, keep users engaged on their platform, with rich snippets, knowledge graph results and advertising.

(MH): The largest and most immediate challenge is legislation, which impacted all businesses with the arrival of GDPR in May 2018 and saw companies increasing default privacy settings (ITP 2.0 as an example). These changes affect the core of online and impact the tracking capabilities. Although there are workarounds, tracking sales in a performance-based channel is paramount to investment and success. Although legislation is welcomed, it's certainly a major part of any conversation in the channel.

(NB): Honestly, I think the resurgence of CSS due to Google opening up their listings, is both an opportunity and a potential issue for the industry. It's hard for advertisers without paid search knowledge to understand whether affiliates turning on direct-linking campaigns could do some serious damage.

(CS): I think from an advertiser point of view, transitioning activities from purely new acquisition to a more lifecycle approach is a massive challenge. Affiliate teams are often keen to do this but the channel is perceived as 'acquisition only' internally. They are then given challenging new customer targets but a few months later are challenged on customer lifetime value. It's difficult to achieve both targets, so building strategies and methods to upsell and reach existing customers with affiliates is an area that needs improvement.

On another note with the rise of content and influencer marketing, marrying up activity and getting the right KPIs for what they invest in is needed. For a channel that is traditionally performance-led to spend higher fees for perhaps a lower ROI to test these areas is a continuing challenge.

From a publisher point, of view I think the most exciting challenge each year is simply ensuring your proposition stands out and is still relevant in today's market. You need to understand the objectives and areas of concern advertisers have and show flexibility to provide ways to help address them.

(VB): It's still the payment model. Sorry. But not in the way that you might think. I'm not calling for advertisers to start paying on a different attribution model because I know - for the time being at least - that it's not going to happen.

But it is a challenge. The last-click attribution model pushes publishers to work further and further down the purchase funnel in order to secure the last click in a sale. What else can we expect if those are the only sales they'll be paid for? But that in turn leads to questions from advertisers over the true value of the channel, and complaints over sales being stolen from PPC or display, or even direct. The affiliate channel earns a healthy dose of scepticism from the people in the boardroom looking at the top line data, and it reconfirms their position that a more generous payment model is out of the question. It's a vicious circle.

We can't blame advertisers for not moving en masse to a more evenly distributed payment model though. It would be a huge risk and a logistical nightmare to take the existing commission payment and split it between the two, three, five or even 10 affiliate partners responsible for a particular sale. Even less likely is advertisers opting to pay those earlier affiliates an additional commission in addition to the current amount the pay for the last click. Which marketing director wants to risk her job by declaring to the company that she wants to pay more money in exchange for receiving roughly the same amount of revenue? I'm not sure I'd be brave enough, even if I do believe in the potential long-term benefits.

A handful of brands have tried moving to an attribution model in recent years. Perhaps it's too early to see results. I personally suspect that unless the user journey is completely overhauled (which will happen, but not for a few more years at least) the last-click payment model in the affiliate channel isn't going anywhere.

What impact are regulatory bodies and new legislation having upon the digital advertising market in the UK?

(CC): It wasn't long ago that GDPR was on everyone's lips. It has certainly helped clean up some areas of the digital market like email marketing, although issues clearly still exist. It will be interesting to see how things develop with the EU ePrivacy Regulation in the coming months and years.

(MH): Looking at our client performance, we've seen very little change in the numbers to suggest any major impact on performance or sales. For iProspect, the real impact has come from an increased number of processes and technology implementations. I encourage regulation in the channel because it ensures that we're protecting our practices as well as those of the consumer, but we also need to ensure we continue to provide quality sales and traffic.

(NB): I know GDPR worried the hell out of a lot of people. But actually the impact for affiliates has been small – it's been an ongoing headache for advertisers to make sure all the boxes are ticked. I think longer term it's an opportunity for affiliates – we had success this Black Friday working with an affiliate with a highly-engaged and GDPR-compliant email list. As advertisers find their own lists reducing or becoming harder to monetize, that's where affiliates who follow the rules could really help.

(CS): It can only be positive, as regulation ensures the industry maintains standards and continues to regulate itself. GDPR is a big example and something that was a mammoth project across all Genie Ventures' brands. Being honest, GDPR at the time felt like an enormous hassle, but in the bigger picture it has forced us to look at how we operate and the data we use. There was always going to be an industry shift towards this, with many high-profile cases in 2018, but it was also an opportunity for compliant partners to maximize the opportunity.

How do you think Brexit has impacted the digital ad industry so far and what do you think the consequences of leaving the EU could be for it?

(CC): Brexit will have a large impact on the digital ad industry, no matter what happens in 2019. At the bottom line, uncertainty and consumer confidence will affect every business and individual in the UK. This will have a knock-on effect for digital spending in 2019.

(MH): This is something we've discussed in the iProspect UK affiliate community several times. The main problem we have at the moment is the uncertainty; Brexit is very much the unpredictable elephant in the room. There may be an impact on our clients and our clients' businesses. It might mean that we need to alter how we service programs, which may require them to be managed locally and guided by a central office rather than managed globally with a single central team. For us the focus is ensuring that, despite external challenges to our clients' businesses, we continue to deliver award-winning management and drive business performance.

(NB): So far I've not seen a big impact apart from some general worrying. I think the main consequence is going to be if we lose easy skilled migration – this industry thrives on keen young people getting involved and a lot of them are currently from the EU.

(CS): We've already seen in 2018 that the retail sector took a big hit, which is at least partly due to a lack of consumer confidence and uncertainty as a result of Brexit. This clearly had a knock-on effect on the marketing industry, and this pattern might get worse over the next few years. Recruitment from the EU is another area that has already gotten much tougher. However, I still expect Genie Ventures to do business widely within Europe and - like all hardened affiliate businesses - we'll be up for the challenge and will find a way to make it work and grow.

What consumer trends have you noticed that appear distinctive to the UK market recently?

(CC): The uncertainty around Brexit has definitely caused a sluggish period in the travel industry. The hot summer along with the football World Cup meant that the 'lates' market was poor. As we move into winter, it appears that consumers are continuing to be cautious around booking up too early for 2019 and beyond. Consumers are still spending but are likely to shop around and buy savvy.

(MH): I have really noticed an increase in the finance vertical recently, mainly off the back of the introduction of Open Banking in January 2018. I have seen more fintech publishers in the last 12 months, and more financial companies acknowledging the great value in the channel. We've supported the launch of products to the market, with a key area of the digital strategy being affiliates, so it's an exciting time in the finance vertical.

(NB): I'm biased here, but I think specialist retailers are having a resurgence particularly when it comes to customer service. That means having staff that are experts on what they sell, whether that's via a website or store. For purchases that mean something to them, customers are moving away from the big warehouse stores to buy from retailers who understand them and who market to that niche.

(CS): It's a bit predictable, but Black Friday needs to be discussed here, with it moving from a day to pretty much a month now. We now see volumes across most verticals gradually improving throughout the month to a huge peak on the day. With every year we also see more brands get engaged in the event, from retail to broadband.

We also saw a longer peak after Black Friday for a lot of our brands. November was massive but shoppers continued to shop through December and were actually buying full price even with sales on. Then you have events such as Singles' Day that is growing in the UK and should be considered by all major retailers in their strategies moving forward.

Where are you seeing the most exciting developments and growth in the affiliate industry in the UK right now?

(CC): This is a difficult question, as there certainly isn't the same innovation there was five or 10 years ago. Most new publisher developments are just the reworkings of a previous idea. There are certainly more exciting B2B developments like Uniqodo and RevLifter, which are tapping into the needs of advertisers directly.

(MH): I am having more and more conversations with smaller tech start-up publishers. I think for a long time it's felt like affiliate marketing in the UK has been all coupons and cashback, and certainly throughout 2018 I have seen a lot of exciting technology companies enter the market – and some of the older tech publishers step up their offering. You only have to look at the exhibitors at the annual PI LIVE conference to see the innovation in the channel.

(NB): Influencers are huge in some markets and are only going to grow in others. Affiliate marketing is really well placed to work well with the influencer model so I see that as our main growth opportunity.

(CS): I'm really excited about the technologies providing onsite purchases on publisher sites. This has been around for a while now, but the growth of Monotote and others into different verticals will result in this being mass-tested and adopted in 2019.

As well as this, the opening up of Google Shopping to comparison shopping partners has enabled open-minded, early-mover retailers to add a sizable new channel in the affiliate space that complements their existing paid search activity.

What's one thing would you change today in the affiliate industry if you could?

(CC): I've always strongly believed that we, as an industry, need to redefine affiliate marketing and broaden the remit to include branding and product awareness. This can only be done by tracking and rewarding on more than just the last click.

(MH): Tough question! There is a lot of opportunity around payment times, tracking, validation processes etc. to make them better, smoother and easier. For me though, one thing I would love to see is wider industry-acknowledged accreditations for both businesses and individuals. As marketers we love to showcase the depth of our knowledge in the channel and it would be great if that was recognized at a broader industry level.

(NB): I've been struggling with this for 10 years but if we can get the attribution piece sorted out it would solve many problems at once. The only way to persuade the C-suite of the importance of affiliates is if we can prove that affiliates are more than just last click. But it needs networks to work closer with advertisers on the data. Unfortunately I don't think the industry is setup to incentivize anyone to solve the problem.

(CS): It would be nice to find a way for entry-level brands to come into the market and be able to establish themselves easier. The channel thrives as more brands and publishers enter the space, but I think it can be challenging for new brands to cut through and justify large initial budgets. It is challenging for a publisher to justify promoting a lesser known brand, but ultimately worthwhile. Therefore we need to look at ways of providing opportunities to new advertisers so they see the potential of the channel quicker.

(VB): One of the most important metrics for any publisher is the conversion rate of each click once they've sent it away to an advertiser. And that conversion rate is so heavily reliant on the user experience of that advertiser's website and customer care.

If we could transform every advertiser website into one with a seamless UX - an intuitive search functionality, transparent pricing, one click shopping, next/same day delivery and a simple returns process - I'm quite sure that all brands, publishers, and even the users would all be much happier with the results.

How do you expect the affiliate industry to evolve in the UK over the next two years?

(CC): I would like to see the affiliate marketing industry implement my previous answer, however I'm not holding my breath that this will happen in the next two years. It would be very easy for little to change in that period with all parties continuing along the same lines of cashback, reward and coupon while talking about doing more content and working with influencers.

(MH): I expect there is a lot of growth still to be had in the industry as we're now having regular conversations with clients who haven't previously been in the space. I do think we'll see more clients reduce reliance on a handful of publishers and have a much more even mix in their programs. This goes hand-in-hand with an increase in the innovative technology in the channel.

(NB): We'll see at least one super-affiliate acting as a middleman for influencers (unless there's one already – if Skimlinks isn't looking at it I'd be shocked). Price comparison will have a resurgence due to CSS. Networks will start pushing cross-device and omnichannel commissions harder as that's a growth opportunity for them. And everyone is going to be under pressure from Brexit – consumer confidence will make life very tough.

(CS): I'd like there to be a more collaborative approach within the industry. I feel discussions around key issues can quickly turn negative and a blame culture surfaces, aimed usually towards networks. I feel if groups were formed, comprised of networks, publishers and advertisers to solve long-term issues, we'd be able to move forward quicker and be more positive. We can also have a more collective approach to ensure bad practices are called out and forced to change before those responsible benefit from the channel.

For example we need to establish a bare minimum advertisers need to provide in product feeds. It seems basic but this would enable far more innovation and also result in publishers being able to react to market changes quicker by having the necessary data available. Quality product feeds enable retailers to be more competitive and publishers to integrate quickly and efficiently, providing more channels of revenue for all.

I also think tracking will be more of a focus; the recent ITP 2.0 update showed there will always be things that as an industry we need to react to. Having robust tracking in place helps this and advertisers should be working with their networks to ensure they have the best tracking set up possible, to futureproof against these changes and be more agile.

Finally, I think brands will become more global with their affiliate marketing strategies. The UK will still be a big focus but networks will work less in a country-by-country silo and will have a more integrated approach. The UK will be a key piece to that puzzle, but I think brands will think less by market and more as a complete channel.

(VB): There are a few concepts cropping up at the moment that make the future of e-commerce sound a bit like an episode of Black Mirror. Voice search taking over from text search ("Alexa, order me some more dishwasher tablets"), or virtual reality shopping experiences (the Ikea one is quite cool - check it out if you haven't already). I think that's all further ahead though. I suspect in the next two years we'll see a few small changes to make our technology a little more future proof, and I'm really hoping that will include a mainstream tracking method that's more suited to 2019 than dropping cookies onto a single device.

Case study

Devising a competitive group brand strategy within the UK telecoms market

The broadband market is well known for being one of the most competitive in the telecoms space, where top brands fight it out for their next loyal customer and clever pricing strategies are key to each company's success.

In 2018, BT Group faced a unique challenge of positioning their three leading broadband provider brands (BT Broadband, Plusnet, and EE Home Broadband) within the same market without cannibalizing sales across the group. Adding to the challenge, each entity offered a similar product with their differences instead being emphasized through brand positioning, distinct customer targets, and their respective added-value propositions.

Objectives

In January 2018, BT Group tasked Awin with identifying a consistent pricing strategy for each of their brands that fulfilled several requirements:

Minimize competition on price point within the group

Target a specific customer segment for each brand

Remain price competitive within the fiber broadband market

It was important to BT group that Awin focused on two things: maximizing market coverage while minimizing the overlap of brands. In order to do this, three very clear objectives were set by the team.

Maintain market share for BT Group within the fiber broadband market

Increase year-on-year affiliate channel customer retention across all three brands by 10% by targeting and converting the most desirable customers for each of the BT Group brands

Reduce in-group cannibalization of sales by achieving 10% year-on-year growth for BT Broadband, Plusnet, and EE Home Broadband's top five publishers

A competitive market

The 2018 fiber broadband market was dominated by strong offers and changing price points, presenting even more of a challenge for the BT Group and Awin teams as market share fluctuated in response to changes in competitors' pricing.

Pricing strategy

The approach taken by the team was to establish a consistent and competitive pricing strategy for all brands within the group. Detailed research went into forming these pricing strategies, with the Awin affiliate team collating weekly price point information across all relevant competitors dating back to 2017. Awin holds a unique position within the UK broadband affiliate market by being the network of choice for all major telecoms brands in the space. All brands therefore receive accurate benchmarking and market share information.

Combining these two data sets then allowed the team to create a 'pricing calculator,' predicting volume gains or losses depending on what pricing tier BT Broadband, Plusnet and EE Home Broadband fell into.

The pricing calculator allowed individual brands within BT Group to identify their desired pricing and associated market share, which enabled them to increase or decrease total monthly costs to achieve volume and market share targets. It also meant brands were able to make informed decisions based on data when reacting to market changes.

Lastly, the affiliate teams at BT, Plusnet and EE were able to monitor the impact of their own pricing on their fellow BT Group brands and thus avoid cannibalization within the affiliate channel.

Wider impact

The detailed data analyses carried out, combined with the strategic insight shared on customer segmentation, helped the BT affiliate and wider online marketing team to influence internal stakeholders' decisions on the overall Group pricing strategy. This highlighted the impact and influence that affiliate data could have on wider business decisions if undertaken carefully and placed in a meaningful context.

The wealth of data collated by the Awin and BT Group teams allowed for fixed price points to be established for each BT Group brand. These price points were now uniquely positioned to appeal to the individual brands' respective customer segments. Alongside this, the team ensured they were occupying a space with no more than one major competitor present, thereby reducing market competition and increasing sales.

Results and effectiveness

Competitive pricing and increasing market share are common objectives for brands in the telecoms space. In devising these strategies, the BT affiliate team and their Awin counterparts demonstrated a multi-dimensional and creative approach to solving what is a recurring hurdle in the sector.

Overall, we can see that the price points established by BT Group have shown to be a highly-effective means of achieving, and exceeding, all of the targets set. Furthermore, the close cooperation between the advertiser and network teams broke new ground in demonstrating cross-group collaboration.

Maintained overall market share target after introduction of pricing corridors

20% year-on-year increase Internal BT Group analysis shows 20% year-on-year increase in affiliate customer retention, exceeding the target of +10% growth

+12% year-on-year growth All top 5 publishers show +12% year-on-year growth, exceeding the target of +10% across the group

Market sponsor

RevLifter

RevLifter uses AI to understand real-time signals from users' on-site behavior to deliver the right deal to the right customer at the right time, helping achieve advertisers' goals. It works by personalizing offers on a retailer's site and off-site that is designed to deliver incremental value and prevent customers abandoning to seek out deals from competitors.

The platform is used by each retailer to deliver their unique specific goals which often includes more new customers, higher AOV, and improved conversion rates. RevLifter is available worldwide, rapid to integrate, and paid on performance.

www.revlifter.com

United States

Regional information

327.9m
Population

US Dollar ($)
Currency

312.3m
Number of internet users

6,296
Number of advertisers

78%
Adults with a smartphone

116,840
Number of active publishers

Device split of sales

69%

31%

Share of sales by publisher type

5%
Comparison engine

4%
Content

1%
Display

1%
Email

43%
Loyalty & Cashback

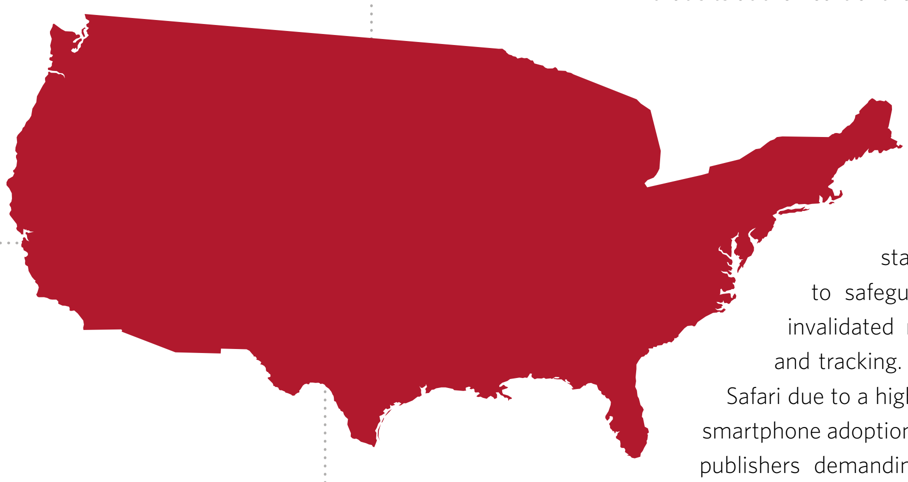
11%
Sub networks

30%
Coupon code

1%
Tech partners

1%
Search

6%
Social



2018 marked a year of significant change across the digital marketing landscape. The decline of third-party tracking and increasing data regulation through growing data concerns were the two most impactful to Awin's US operation. Power started to shift from advertisers towards consumers, as well as those affiliates who hold strong customer relationships and, therefore, can successfully communicate the value exchange that sits at the heart of the digital economy.

Spearheaded by US technology titans like Apple and Google, and first seen with the Safari browser release ITP 2.0 in Q3, affiliate earnings were threatened as online browsers started to block third-party cookies to safeguard consumer data. This in turn invalidated many affiliate links, ad-tech tools and tracking. With over 30% of shoppers using Safari due to a higher iOS (29%) over Android (15%) smartphone adoption, the threat to US e-commerce had publishers demanding greater tracking visibility from networks. The changes have seen proactive affiliates forge stronger relationships with retailers who offer assurance of fully-protected tracking.

Europe's GDPR also provoked much discussion in the US when it was released in Q2, triggering steps for compliance from domestic partners with an international footprint. Similarly, the California Consumer Privacy Act put further emphasis on the subject of data protection. This influx of legislative measures to protect user privacy led to a lot of confusion, as the rights of data subjects may differ state by state or by country. Although the 'data light' tracking model of pure affiliate marketing left the channel largely unaffected, we found that how you prepare as a network for these tightened regulations is crucial and educating partners on their responsibilities is key.

Meanwhile, 2018 marked the year in which the 1992 Supreme Court Nexus tax ruling was overturned across many US states. A much-debated sales tax legislation, it had historically required online businesses to collect state taxes based only on where they or their affiliates were physically based. The new ruling upended this precedent and subsequently saw over 30 states adopt the new practice.

As we have seen elsewhere globally, the rise of mass media partners and influencers has been considerable in North America. These affiliates are in high demand given their reach and ability to provide clear value to consumers. At the same time, rewarding their contribution in a multi-channel attribution setting continues to prove difficult. While many in the industry recognize the value of influence, how to tie that activity to a goal, track it, report on it and reward it remains unclear.

Loyalty and cashback sites further cemented their position with continued consolidations, accessing aggregated consumer data to power personalization. On the advertiser side, more brands have shifted their sales to Amazon Marketplace, which now accounts for over 30% of total US e-commerce retail sales. Those brands attempting to compete offer free shipping or monthly subscription services designed to help consumers save on their purchases - a service similar to Amazon Prime where the consumer can receive discounts in exchange for membership.

Overall, the US affiliate market yielded strong YoY growth in 2018, achieving record results across key trading events. For the first time in the US, Black Friday outperformed Cyber Monday due to extended promotional periods and strategic exposure, particularly with cashback and coupon partners.

In 2019, growth will depend on how well the industry adjusts to new consumer privacy regulations and whether it can ensure comprehensive tracking that attracts innovation and further investment. Data will be key to all this as advertisers compete for consumers and affiliates alike.

Awin US

United States

Local Market *Q&A*

Nilla Ali
Head of Affiliate **(NA)**

David Naffziger
CEO and Co-Founder **(DN)**

Michael Jaconi
CEO and Co-Founder **(MJ)**

Maria Chatterton-White
Marketing Director for Global Affiliate Program **(MCW)**

What is your business and how is the affiliate channel important to it?

(NA): BuzzFeed is the world's leading tech-powered media company, with a cross-platform news and entertainment network that reaches hundreds of millions of people globally. The company produces articles, lists, quizzes, videos, original series; lifestyle content through BuzzFeed Media Brands including Tasty, the world's largest social food network; original productions across broadcast, cable, SVOD, film and digital platforms for BuzzFeed Studios; original reporting and investigative journalism through BuzzFeed News; and BuzzFeed Commerce, which develops social commerce products and experiences as well as licensing and other strategic partnerships.

The affiliate channel is an important part of our overall business as it enables BuzzFeed to identify content that resonates most strongly with our audience not only through engagement metrics, but also based on conversion data and drives commerce on our platforms The affiliate business enables BuzzFeed to diversify our product offering for advertisers in a way that drives value for both our affiliate partners and our audience. The affiliate business continues to efficiently and effectively scale, as we're able to develop a strategy rooted in data and creating identity-based content.

(DN): BrandVerity is a software company that provides automated brand protection for online content. The affiliate channel is one of our key customer segments and we have developed a set of tools and services to increase transparency for affiliates, publishers, and brands. When BrandVerity launched in 2008, our earliest customers included the affiliate teams at Amazon, Awin (Buy.at at the time) and Netflix, so our business really started in the affiliate space and to this day continues to be central to what we do.

(MJ): Button is the mobile commerce platform that maximizes the value of every tap. With Button, brands can acquire and engage new customers at the moment they're ready to purchase, publishers can grow their mobile revenue, and consumers can get a better buying experience.

According to estimates, affiliate marketing is set to reach $6.8 billion by 2020—and it is a critical channel for Button's growth.[1] Through partnerships with affiliate networks, we are enabling brands to drive app installs and optimize their mobile performance in this important channel.

(MCW): TripAdvisor is the world's largest travel site, enabling travelers to unleash the full potential of every trip. My team and I manage the global affiliate program across a number of TripAdvisor brands in the Experiences and Vacation Rentals space. For Experiences, we have over 140,000 bookable activities around the world, making it easier for travelers to book just about anything they want to do while traveling. For Vacation Rentals, we list over 880,000 properties globally. From treehouses and cosy cottages, to luxury villas and city flats, there's a property to suit every kind of traveler.

The affiliate channel allows us to reach a wide consumer base, while maintaining a healthy ROAS. Through the likes of cashback, loyalty, discount, content and many other partner types, we are able to amplify our brand's ability to reach consumers that may not be aware of all our offerings, and to re-engage with existing customers. Using networks like Awin, our partners can connect to our programs quickly, which then leaves my team focused on optimization and growth as opposed to integration and partner set-up.

How important is affiliate marketing in the United States right now?

(NA): As affiliate marketing continues to grow within the advertising space, it has become a strategic part of BuzzFeed's business. Affiliate marketing aligns the incentive structure to be mutually beneficial for both the publisher and advertiser, which means higher potential upsides for both sides of the investment. With this model, publishers need to constantly optimize their advertising strategy towards performance.

Beyond affiliate marketing, there has been additional pressure placed on other digital advertising channels, as retailers reevaluate their investment goals, shift KPIs toward performance metrics, and lean into strategies that most effectively drive value for their bottom line. Of course, brand awareness continues to be a big focus for advertisers as the commerce space becomes more and more competitive. As a result, now retailers must balance maintaining a competitive-edge through upper-funnel brand awareness campaigns, alongside investing in channels that efficiently and effectively both drive new customer acquisition and increase the value of existing customers.

(DN): Affiliate marketing continues to play an important role in the online acquisition strategies of businesses, however it tends to follow channels like paid search, paid social, and display. It is an especially important part of the marketing mix for performance-oriented businesses.

(MJ): Brands are seeking more transparency behind their marketing spend and are looking for diversity beyond the duopoly of Facebook and Google. It is hence no surprise that brands are shifting their brand dollars to performance dollars. Affiliate marketing still stands as the highest-margin and highest-converting channel that marketers have access to, a great opportunity for brands trying to find performance methods of acquisition, especially in mobile. The challenge is that the affiliate channel has never allowed brands to dynamically increase spend to heighten sales, as do all other dominant channels. This is changing and will soon usher in a new era of opportunity for the affiliate channel.

(MCW): The US is a major market and historically we have seen a small selection of very large affiliates dominating it. However, over the past year or so the landscape has rapidly changed. With new affiliates entering the market and quickly establishing a strong foothold, we have seen more established affiliates beginning to innovate and evolve to keep up with the emerging partners in their space. This means revenue is no longer coming from a small select group of partners, and as it is a mature market it is imperative to keep a close eye on the shift among affiliates.

Over the last few years as the affiliate landscape has grown, this channel has become more recognized and valued within the company. As the channel continues to grow in the digital marketing space, brands are becoming more aware of the value it brings and the profitability we can see from it.

What are the biggest challenges currently facing digital advertisers and publishers in the United States?

(NA): Audiences have become more sophisticated and expect advertising campaigns to drive utility and value for the end user. At the same time, brands are also faced with a more competitive digital space and telling your brand's story effectively and to the right audience can be challenging. BuzzFeed is uniquely positioned to combat these challenges given our massive reach, relationship with the audience and by utilizing our audience insights and data to inform advertising campaigns and help reach target audiences.

(DN): Transparency and visibility. The affiliate marketing industry has come a long way since the Wild West days, which were focused solely on last-click revenue. Proving incremental revenue and margin, however, is challenging. As brands work to optimize their various channels, this type of transparency is proving to be essential.

(MJ): Advertisers and publishers are facing challenges on mobile. For publishers, the biggest challenge is the competition for dollars against the duopoly, and for digital advertisers, the biggest challenge is the diversification of acquisition from the duopoly - and both of these challenges are exacerbated on mobile. That is why mobile needs to be a focus area, as it's where all the growth and opportunity will be concentrated.

(MCW): The introduction of ad-blockers means advertisers have had to make changes to their set-up and look to move away from traditional pixel tracking to S2S. As the industry continues to grow, I suspect we will start to see some more competition among advertisers on publishers' sites. From a publisher perspective, new affiliates to the space will test consumers' loyalty especially as new brands enter with strong offerings or unique selling points.

What impact are regulatory bodies and new legislation having upon the digital advertising market in the United States?

(DN): The passage of GDPR in the EU and the California Consumer Privacy Act of 2019 have raised expectations of potential changes to the overall privacy law landscape in the US. Even if federal legislation isn't enacted in the short-term, publishers with consumer data who participate in affiliate marketing will be keeping a close eye on the shifting privacy landscape.

(MJ): With the arrival of the General Data Protection Regulation in the EU and the California Consumer Privacy Act, contextual targeting—where ads are targeted to users based on the context of what they're looking at online—is looking a lot more appealing and safer to brands. Button has been powering contextual commerce where we serve users what they want when they express intent in doing something. We understand what a user wants to do next based on location, the time of day, and the context of the other apps that she or he is using in order to anticipate their next action and connect them to the right paths to perform that next action. This has far-reaching implications as more brands begin to reassess their audience targeting and publishers begin to reevaluate the quality and focus of their content.

(MCW): As digital advertising matures, there is a growing focus on ethics, privacy, and legislating consumer data collection. Last year saw a number of major changes to the digital landscape, like Safari's browser update and Europe's GDPR legislation, and it's imperative that brands working in these markets put the necessary processes in place for their channels.

What is your opinion on the current state of influencer marketing in the United States?

(NA): I think there are still big waves of change to come to the influencer marketing space as it continues to disrupt traditional advertising. Influencers have a direct relationship with their audiences and are able to tap into niche identities, which in theory makes it easier for a brand to get in front of the right audience. But, influencer marketing is also hard to do so at scale. At BuzzFeed we have a team of 'creators' that we partner with and are able to leverage learnings from the influencer marketing space by creating niche, identity-driven content, supporting our distribution channels to reach audiences at scale.

(DN): Influencer marketing is still in the early stages and under increasing regulatory threat. We'll likely see some more high-profile cases as influencers continue to learn and test the regulatory limits.

(MJ): Influencers are the new media today and, I can safely say for a number of years to come. Niche interests, millennial distaste for the generic, and what seems to be an ever-growing obsession with social collided to make this industry a force. If you look east to China, many of their social media sites either have partnerships with China's top e-commerce platforms or have their own built-in e-commerce functionalities like WeChat. This gives influencers the choice to launch products on social platforms where they already have a strong following. I believe the US is just at the cusp of tapping into the 'influencer power' with scalable models.

(MCW): Influencer marketing continues to grow, but there are still opportunities for improvement in the space. I think the biggest area for growth is in customization. Too often, we see brands and advertisers trying to adapt a one-size-fits-all strategy and then being disappointed with their results. We work directly with both our affiliate and content partners to ensure that we build out a tailored approach, and look to adopt different growth initiatives like Awin's 'Payment on Influence' attribution model, tailored insight analysis, gifting opportunities, and incentive campaigns – to name just a few.

What consumer trends have you noticed that appear distinctive to the United States market?

(NA): From my experience, I'd say the affiliate marketing space is more sophisticated in the US, and a big initiative for most digital media companies. The rapid growth of shopping and review content is reshaping consumers' shopping behavior and there is now a longer research and discovery period when consumers are in the market for a particular product. US consumers are now accustomed to seeing holiday gift guides and Black Friday & Cyber Monday shopping content, so instead of hopping around multiple retail sites to find the right product, consumers are now starting their shopping journey with content, likely looking at cashback and coupon sites for compelling incentives, and then ultimately purchasing the product wherever they receive the best price and shipping terms. We see this trend is quickly trickling into other markets too.

(MJ): I see growth in mobile, on-demand businesses, and local search as trends that are unique to the US. Mobile usage continues to be on the rise with adults spending more time online and mobile commerce is also following suit - per user mobile commerce is forecast to increase more than 250% by 2021 globally, according to the 2017 Index: The Mobile Consumer by Button and App Annie.[2] The on-demand economy is going to continue its momentum driven by titans like Uber, Lyft, Airbnb, and Doordash as consolidation accelerates and as more consumers and workers are seeking flexibility. And when it comes to search, people are seeking fast and contextually-relevant answers to their questions—they are also increasingly searching for local results like 'near me' which is a huge opportunity for local businesses.[3]

Where are you seeing the most exciting developments and growth in the affiliate industry right now?

(NA): It's been really exciting to see content publishers of all types taking a big bet on affiliate, and with various iterations of affiliate. Publishers have different interpretations of how users are interacting with shopping content and strategies vary. I think publishers are understanding the value of both editorial and user-generated reviews of products, capitalizing on big shopping holidays, as well as creating unique incentives for users to convert or try new products and services. Advertisers are also seeing the value of the affiliate channel, and we are seeing a bigger commitment to investing in affiliate and optimizing the channel based on data.

(DN): We are very excited about the movement toward greater transparency and brand friendliness. Monitoring and compliance automation tools can help brands and affiliates get the full picture so that they can remain compliant and make the right business decisions.

(MJ): To predict our future in the west, we have to look down at our phones and gaze east to China for inspiration. China skipped the PC-driven digital revolution and headed straight into the digital era via the smartphone. Just take a look at Alibaba's Single's Day: sales topped $31bn in GMS and 90% of those sales came from mobile devices—that is well ahead of the US which saw 37% during Black Friday and 33% on Cyber Monday.[4]

The Chinese market is inherently 'transactional.' For example, WeChat makes money off the transactions driven from their platform, and advertising is far less important in their strategy. Becoming a part of the transaction is the most favorable business model for all parties—sources of traffic make money when retailers sell things and, most importantly, this only happens when users find the things they want. The future of the affiliate industry is similar to the future of the commerce industry—and mobile is going to be the most important channel for the next decade.

(MCW): Technology, whether it's the tech within the networks you operate in, or new providers partnering with the likes of Awin to deliver innovative solutions. These new advances in the affiliate space are what I feel is helping the channel to stay innovative, and giving advertisers new ways to optimize their programs.

What's one thing would you change today in the affiliate industry if you could?

(NA): The value of affiliate due to inaccurate measurement and tracking. In addition, the industry should strive to create better attribution models, offer more transparency between advertisers and publishers, and reerstablish the KPIs for the affiliate channel.

(DN): We would love to see a more unified and industry-wide governance in the affiliate marketing space. Our view is that a set of widely accepted and enforced standards would benefit all parties and would help the affiliate marketing industry mature.

(MJ): Nothing is dynamic enough. Every dollar spent is behind a phone call and humans interacting. If this changed, the affiliate industry would be as celebrated as search and other channels.

(MCW): I would say data. In my opinion, I feel that this area is still overlooked, especially by publishers. Advertisers can spend a lot on their affiliate budgets, through tenancy allocation or a revenue-share model, and it would be useful for them to have more data insights to track the performance of these campaigns.

How do you expect the affiliate industry to evolve in the United States over the next two years?

(NA): I think in the next two years, affiliate will exponentially gain market share of total advertising dollars and there will be rapid innovation in optimizing content experiences to more closely mirror consumer shopping behavior. There are multiple digital (and physical) touchpoints before a user finally makes a purchase, and I think the industry will collectively identify areas of efficiencies and publishers will begin to develop new experiences for their audiences that enable frictionless shopping.

(DN): Affiliates will increasingly own their compliance. We're seeing affiliates take more responsibility for ensuring that they and their partners comply with the policies of their advertisers. This is particularly true with large affiliates that have meaningful relationships with advertisers and we only expect it to broaden.

We also expect to see a move toward more transparency. As affiliate marketing continues to become increasingly brand-friendly, brands and affiliates alike benefit from greater transparency. In 2019, proving incremental revenue will continue to be important.

(MJ): Amazon will try to bring its affiliate traffic onto its platform—meaning it will host publishers within Amazon to make Amazon the starting point and the place for shoppers to purchase. This will cause challenges and confusion for retailers who have less scale.

I believe newer, sophisticated brands like Uber, Lyft, Pinterest, and others will find the value of the affiliate channel as the industry is headed towards greater transparency to get the full value of every dollar spent. These brands will begin to set an example to many other brands on how to invest, test, measure, and optimize their spend in the affiliate channel, especially on mobile.

(MCW): I feel technology will play a large part in evolving the industry in the coming years. Whether it's the introduction of new technology partners being able to provide targeted capabilities or conversion tools to boost engagement. I also feel that areas like cross-device tracking, app-to-app implementation and native advertising will become the standard for the affiliate channel. Also, as the channel grows in size, brands may start to reassess their internal attribution model as they start to see more and more how much the affiliate channel assists in the conversion funnel.

Case study

Constantly reinventing HP's affiliate program to bring new growth

HP is a global brand with a reputation for creating cutting-edge technology solutions for an array of industries and sectors. The business' philosophy to 'keep reinventing' is one that constantly pushes it forward, and is essential to its company culture and commercial success.

In working with Awin, HP found an affiliate network with a kindred spirit. Through proactive account management, the implementation of advanced tracking strategies, strategic placement planning, and innovative campaign tactics, Awin and HP have sustained the growth of their partnership and the success of their affiliate partners.

As a well-established brand with a long history of leading the market, the need to identify new opportunities for growth was of paramount importance to HP's continued success. Therefore, HP challenged Awin in 2018 to cultivate a diverse base of affiliate partners to support their brand. The target for the team was to identify and recruit unorthodox affiliate partners that could deliver overall revenue growth of 20% to the program.

Leveraging Awin's Coupon Attribution tool

One new aspect of Awin's functionality that enabled the HP team to immediately capitalize on this objective was the launch of the network's Coupon Attribution tool. The feature, which allows advertisers to offer exclusive codes to affiliates on platforms where conventional tracking isn't viable, was used by HP to work with ReviTrage, a publisher that specializes in connecting brands with users on popular social and UGC platforms like Twitter and Reddit - an untapped resource for HP thus far.

The tool was also used as part of a creative hybrid media partnership with the huge media site CNET with much success.

Using established affiliates in an unconventional way

In addition to working with non-traditional affiliate types, the Awin team got creative with how they worked with some of their more established partners. In exchange for the #2 brand PPC spot behind HP, top publisher Savings.com offered a direct marketing campaign via in-home mailer specialists ValPak that saw HP garner huge coverage across the US market.

"Coupon attribution provides a way to create an all-encompassing affiliate program and opens the door to unique partnerships which would otherwise be impossible."

Austin Ratner,
US Affiliate Marketing Manager HP.com

Innovative partnerships in action

ReviTrage Coupon Attribution Campaign
Using Awin's Coupon Attribution tool, ReviTrage were able to promote HP through their popular Twitter account and via a series of relevant community forums on Reddit, reaching a targeted segment of the social platforms' huge and highly engaged audiences.

CNET Hybrid Media Campaign
Awin provided a unique coupon code and secured on-site exposure along with a full-page ad in the Spring 2018 edition of CNET magazine. Readers who viewed the ad on the magazine, and were influenced to make a purchase on HP.com, were attributed to the affiliate channel.

HP advert featured in print edition of CNET magazine:

Savings.com 'Back to School' PPC Exchange
In exchange for brand PPC rights and a commission on sales, Savings.com sent in-home mailers via their direct marketing partner ValPak to 37m households with a media value of $175,000.

Results

Overall, the successes witnessed via these campaigns helped HP to continue to grow and develop their affiliate programme and meet the target of generating a 20% revenue uplift for H1 YoY .

Thanks to these unconventional and experimental partnerships, Awin were able to support HP in constantly reinventing their approach to affiliate marketing, all while delivering this promotion at 33% above their target ROAS for the channel .

20%
revenue uplift for H1 YoY

33%
above their target ROAS for the channel

"The versatility of the Awin team and their product has been an incredible asset in shaping our promotions and growing our business"

Michael Collins,
Savings.com, Valpak

Performance peaks in the Golden Quarter

The Awin Report gives the affiliate industry an opportunity to stop and pause. Hopefully if you've gotten this far, you've taken some time out of your busy day to read about what fellow marketers are doing to optimize their perfomance campaigns.

Ultimately, the channel is about the nuts and bolts of sales, revenue and commission. And nothing better encapsulates the zenith of that than Black Friday and the wider Cyber Weekend. While Singles' Day remains the preeminent online trading day it's a very different beast to Black Friday, which has been embraced by affiliate marketers across the globe.

For a seemingly blunt instrument, predicated on slashing prices and running promotions, the four-day spending splurge is surprisingly nuanced, especially when drilling down into regional data and local trends. That said, there is no doubt that from monitoring the activity around Black Friday over the years, it is becoming increasingly uniform. In the space of a few years, it has now replaced Cyber Monday as the largest online trading day in the West and achieves similar results across all our markets.

Regional events will always resonate more than a general shopping day that has little cultural heritage outside of the US, but in terms of cold, hard cash it reigns supreme. It is now part of the retail fabric across Awin. While that familiarity is starting to breed some contempt and many brands have an uneasy relationship with it, there is no doubting its ability to pull in the numbers.

"The four-day spending splurge is surprisingly nuanced, especially when drilling down into regional data and local trends."

For Awin, it was a $560m event. That's the amount the army of publishers allied with Awin drove in revenue for our thousands of brands across the four-day spending splurge, nearly $98,000 every minute of each day across the Cyber Weekend.

Diverse affiliate partnerships touching all areas of digital tapped into the wealth of consumer-first business models that the channel represents. Through ongoing investment and time, affiliates triumphed in 2018 and bested last year's numbers.

Through their emails, content, social media mentions, cash rewards and coupons, never before have consumers been so empowered and informed to make shrewd decisions about where they spend their hard-earned cash.

With the shopping frenzy now over for another year, what does Awin's data - drawn from more than 100,000 publishers promoting thousands of retailers - tell us about the wider e-commerce landscape?

01. Black Friday is a week-long event

Black Friday as an emerging phenomenon has developed at different rates across the globe.

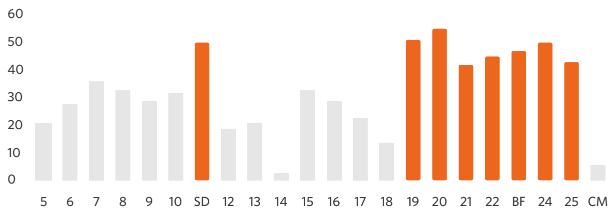
Though forged in the US, subsequent adopters were characterized by how the event initially emerged and rapidly expanded in the UK. Other markets in northwest Europe followed. With Poland and Australia on board, the event is now firmly and universally established across all Awin markets.

Concurrently, US shoppers have continued to modify their purchasing behavior, migrating the money they spend from in-store to online. Awin US posted a bigger day on Black Friday than the traditional powerhouse of Cyber Monday for the first time (although Cyber Monday clung on as the largest day on our other US network ShareASale, albeit by the narrowest of margins).

While initially confined to either Black Friday or the wider weekend it kicks off, the desire by brands to get a leg up on competitors by 'going early' is clearly manifested in where the biggest growth has happened over the past couple of years across November.

This graph shows the daily growth in commissions we've seen across the month of November to Cyber Monday, when comparing 2016's performance to this year's:

Daily growth in commissions in November, 2016 - 2018



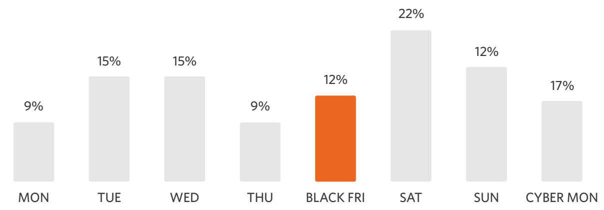
Highlighted in orange are the seven days around Black Friday, starting with the Monday preceding it, as well as the Chinese e-commerce event Singles' Day. Consistently across this week, the growth is pronounced and consistently outperforms the rest of the month with a couple of exceptions, one of them being Singles' Day. Although smaller in stature in the West, it is seeing impressive continued growth. A trend we expect to continue for years to come.

"The desire by brands to 'go early' is taking some of the shine off the big day."

Black Friday continues to see impressive growth, but the desire by brands to 'go early' is taking some of the shine off the big day. While there's no doubt it significantly outperforms any other trading day, proportionally the biggest increases are happening elsewhere. In fact, there appears to be a dual story here: brands running deals for longer, and consumers seem comfortable in biding their time, happy to take longer about their decision and buy at leisure across the weekend.

Looking at the week leading up to Black Friday and the subsequent days' trading, we can see Black Friday posts a pretty average year-on-year increase across the group:

Daily growth in commissions, Cyber Week, 2017 - 2018



Instead the largest growth we saw was over the course of the subsequent weekend, Saturday and Sunday, indicating perhaps the loss of a sense of urgency around Black Friday as a 24-hour-only event. In many ways, it has become a far more porous phenomenon with sales bleeding out over a wider window of time, and that dilution appears to have informed the way consumers purchase their deals.

02. The diminishing importance of Mondays

E-commerce is fickle. In a rapidly changing industry where fads come and go, new tech can shine brightly one day then feel old and irrelevant the next. While not evolving at quite the same pace, so too do consumers continue to change their spending patterns across the peak trading period.

For those with a decade or more online shopping experience under their belts, Manic Monday may conjure up memories from years back of the key Christmas push by brands ahead of the big event.

In many markets the first Monday in December was viewed as pivotal to their success. With Christmas rapidly approaching and shoppers having recently received their monthly pay, it was a natural date for brands to unite around in the more fledgling days of online.

But over time that date proved problematic. Slower fulfilment options at the time (there was, after all, a less-than-three-week turnaround for receiving goods before Christmas) may have contributed to some consumer unease around the date's timing. Nobody enjoyed the jeopardy of not knowing whether their gifts would arrive before or after the festivities.

Partly too, there was a desire on the brands' part to drive sales earlier so that transactions could be guaranteed. The fact that an earlier Monday sale could be easily tied to Black Friday meant that, in time, Manic Monday has come to represent nothing more than an ordinary day's performance now.

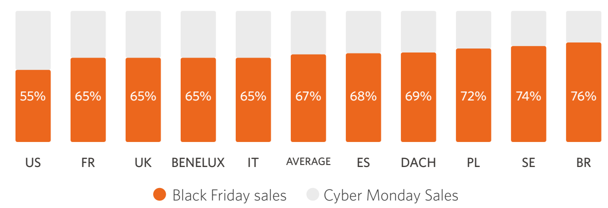
For many, the preceding Monday (so-called Cyber Monday) has come to replace it. But 2018 has continued to see a shift away from it. Firstly, Americans are replacing Cyber Monday with Black Friday for their online purchases, even though the latter was historically associated with being an exclusively in-store event.

Cyber Monday emerged in the US primarily as the online offshoot of Black Friday. Although it remains the bigger e-commerce event still in North America, according to the National Retail Confederation growth online this year was under 20% compared to almost 24% for Black Friday. While it may take a few years for the two to flip places definitively, Black Friday continues to assail the online dominance of its Monday cousin.

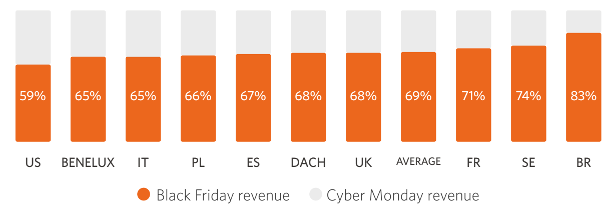
For the rest of the world, without the in-store heritage of Black Friday, Cyber Monday continues to diminish in importance. It remained the second biggest trading day, but by a smaller margin. In 2016, Cyber Monday hit about 80% of the commissions paid on Black Friday. This year that dropped to 58%.

Looking at the network, Brazil maintains a clear lead when showcasing the dominance of Black Friday, as in 2017.

Sales split: Black Friday & Cyber Monday



Revenue split: Black Friday & Cyber Monday



There are exceptions. The telco sector for key brands on the network posted significant numbers to rival Black Friday on Cyber Monday. Perhaps this is indicative of several operators in this space wanting to separate themselves from the noise of the bigger day.

Cyber Monday saw Awin post higher commissions for the main telco brands on the network, although sales were slightly ahead on Black Friday. One major supplier saw stronger market share for handsets prior to the Black Friday weekend, possibly due to strong reseller performance, with the market spiking on Black Friday but not as much as on Cyber Monday.

This is an outlier sector though, with retail dominating the volume of transactions and tracked revenue (telecoms programs tend not to have a revenue associated with them due to the contractual nature of many of their products).

There is one final, cynical, point to make about the shift in sales to an earlier date, to the detriment of these Mondays. And that is, by creating a lengthy gap between Black Friday and Christmas, the event takes on an additional function as a self-gifting occasion.

Research carried out by Awin several years ago showed around half of all consumers were intending to treat themselves on Black Friday, and not (as is commonly understood) taking advantage of the sales to buy gifts for friends and family. So, while we may see it as an event intrinsically linked to Christmas, by dragging Black Friday into the middle of November retailers have manufactured the chance to get two bites of the cherry.

03. Growing sophistication and nuance

We've often stated that Black Friday is a blunt instrument. It tends to be led by large discounts, high cashback and reward offers via loud, unsophisticated ads.

While that didn't dramatically change in 2018, there are signs that some brands are taking a more nuanced approach.

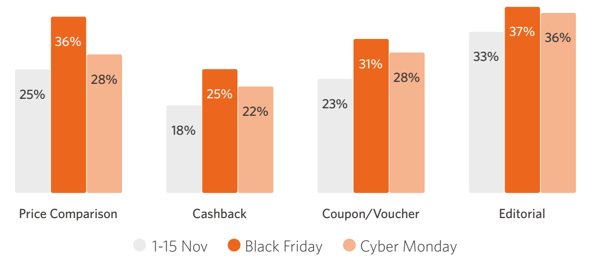
With a huge increase in casual browsing around Black Friday week, brands have an amazing opportunity to attract customers new to their business. If they're able to, the secondary challenge is to then maintain them as a loyal, repeat shopper. While Cyber Monday also has a role to play in this, Black Friday typically produces slightly higher volumes of new customers.

Let's look at a large fashion retailer on the Awin network. They work with all types of affiliates, with a healthy split across the publisher categories and an interest in social media, content and editorial sites to complement the discount and incentive-based banker affiliates.

This particular brand categorizes a new customer as one whose details are new to file. If this is email based, it's important to add the caveat that an existing customer could transact with an unregistered email address - thus skewing the data - but we will assume that the existing, new customer split is broadly reflective of just that.

We can divide their sales into three segments: first half of November, Black Friday and Cyber Monday, and then assess these date ranges across four major affiliates, drawn from different categories.

Shift in new customer numbers



With price comparison and cashback showing the biggest proportional uplifts (44% and 39% respectively), the opportunity is clear: Combine an increase in traffic and interest with new customer, exclusive or special deals and the tactical approach of Black Friday comes into sharper focus.

As well as the data behind the numbers, brands are also starting to take a more creative approach to how they work with affiliates, with more granular offers and deeper partnerships.

This is a concept that hasn't gone unnoticed elsewhere. The UK's online retail association, IMRG, labeled this year's efforts 'a more glamorous affair,' citing a greater focus on 'creating the kind of engaging visuals that were unthinkable a few years ago... the bland marketing has lessened and a bit more glitz and glamour that we might associate with retail marketing at other times of the year is more prevalent now.'

04. Mobile continues to make strides

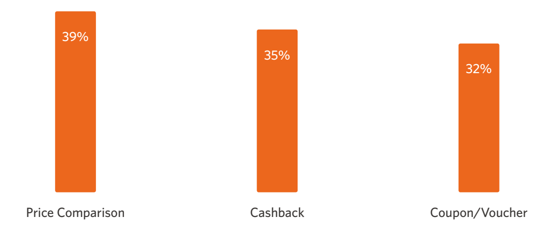
Many headlines have already been written about how Black Friday 2018 was a mobile event. There is no doubt that Awin's data shows a similar trend. Gone are the days when we used clicks to monitor and record mobile milestones. Mobile traffic now consistently pools above 50% of the global network, with certain brands tracking more than two-thirds of their affiliate interactions through handsets.

There has always been a disconnect, however, between clicks tracked and sales secured. Typically, transactions will be recorded at around three-quarters of the rate of clicks. There are obvious reasons for this when companies are operating in a last-click wins environment.

Mobile clicks are defined by casual browsing, consumers on the go, searching out goods and services but not always ready to move from interest to intent.

In addition, mobile sales tend to be - on average - for lower priced, more commoditized items. It's not unusual for handsets to completely dominate the volume of sales in the fast-fashion sector. The younger, social media-first demographic is a perfect fit for businesses that have cracked the logistics of delivery (and critically) returns on lower-priced items.

Mobile share, Black Friday 2018

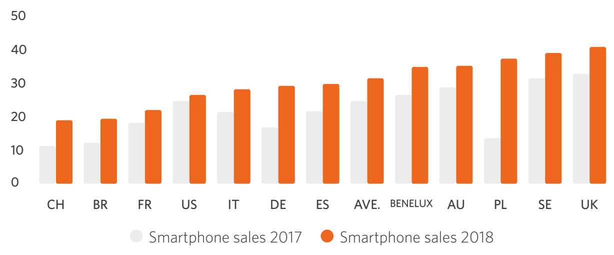


The gap between clicks recorded and sales, as well as the average basket value, has narrowed over the years as businesses become increasingly mobile-first in focus.

This yea,r we predicted that two or three markets Awin operates in could see sales tip over the 50% bar for the first time.

As you can see from our data, the volume of smartphone sales has increased by around 10 percentage points year-on-year:

2017 - 2018 smartphone sales as % of total sales



While no market hit the magic 50% figure, the UK saw handset sales exceed desktop transactions by around three percentage points. Sweden wasn't far behind, but without a doubt the outlier performance of 2018 was Poland where mobile sales almost tripled across the year.

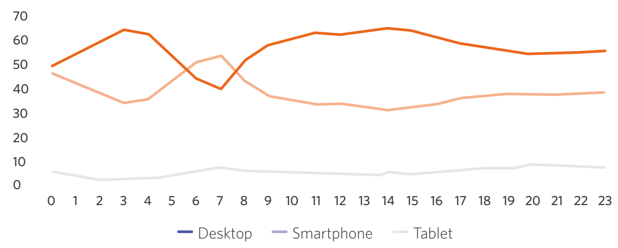
From a nation that idled last year, the past 12-months have seen the rapid growth of consumers embracing mobile e-commerce. In part, that may be a consequence of the swiftly growing popularity of social platforms in the region. Active social media users in the country have risen by over 13% (around 2m new users) in the last year and these platforms tend, of course, by nature to be accessed via mobile.

Tracking sales across the 24-hour period of Black Friday, the experience of the past couple of years was again repeated, with smartphones peaking at the point when, logically, people were most likely to be on the move. While smartphones fell short of hitting the 50% mark, they did achieve this for a couple of hours in the morning.

At this time of day, we have to assume that many consumers are being targeted by an influx of offers, deals and promotions via email. It's therefore logical to assume that this interest translates into revenue.

Conversions tend to be at their lowest during this period, highlighting that affiliate journeys aren't linear and simply looking to the converting publisher ignores the complexity of the path to purchase. This underlines the importance of tracking these interactions across devices to understand the role social media, email and price comparison plays in driving initial intent that may ultimately convert elsewhere. When we study the data from brands who have cross-device tracking enabled, it's apparent that there is a fairer distribution of contribution and revenue.

Device performance across Black Friday



There is, as is to be expected, huge variety in handset performance depending on how the data is segmented. For example, studying the performance of fast-fashion advertisers promoted by social media-focused publishers, it shows between 60%-70% of their sales are typically handset driven.

At the other end of the spectrum, it is worth remembering that many high-ticket items take longer to research and are likely to be more considered purchases. As such, the volume of mobile sales drops.

05. The hidden threats

2018 was the year of digital's existential crisis. We spent much of last year writing about how digital marketers everywhere needed to fundamentally reassess how the data they utilize was collected, ordered and reused. If little consideration is paid to the methodologies behind any of these - in tandem with the level of consent consumers provide for it to be used - then there's a problem.

That crisis extends beyond the growing need for transparency and consumer concerns around privacy. Increasingly, old practices are being challenged, hastening the need for new solutions to address the changing priorities of the digital titans.

It was only in June 2018 that Apple announced it would further restrict what data could be captured – predominantly by marketing companies – to understand customer journeys.

Essentially killing third-party tracking, it ushered in a frenzied push by networks and other providers to move advertisers away from legacy tracking systems. But with ITP 2.0 - incorporated with Apple's latest version of the Safari browser - launching in September, on the cusp of code freezes and the distraction of Black Friday and the wider 'Golden Quarter,' how did this play out in Awin's numbers?

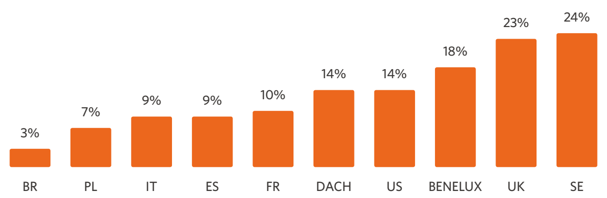
For some advertisers, it was business as usual. For the best part of a decade companies have been moving to first-party tracking that eschews the issues ITP brings up. However for legacy programs, there has been a rush to move brands over.

While it can be assumed that any brands who have mitigated this risk are safe, there are several complications, edge cases and the risk of partial implementation that require deeper investigation.

It's difficult to isolate what factor this may be playing in ongoing trade. While it is possible to separate Safari 12 traffic (the latest browser version) from pre-12 clicks and then compare conversion rates, different variables at any one time can play a part.

What seems clear is that for brands without fit-for-purpose tracking in place, affiliates may be losing out on significant amounts of commission. The latest version of iOS now accounts for around three-quarters of all Apple device interactions, and with the UK and Sweden tracking around one in four of their sales through Safari, the threats are obvious:

Safari share of sales (Nov 2018)



This is a situation Awin will continue to monitor and work to resolve. Ultimately, the responsibility to upgrade tracking is that of an advertiser's. It's important they recognize affiliates do not work for free, and there is an expectation they will be fairly compensated for any sales they generate.

Networks and affiliates will ultimately need to recoup lost revenue, with affiliates possessing the sanction to remove the offending advertisers from their sites. This could be a trend we see continue as other browsers, namely Mozilla's Firefox, emulate Apple's move. Not only does it signal the direction of travel, but also the need for the industry to be more forceful in recognizing the vulnerability of the CPA model to technical changes and in protecting hard-earned revenue.

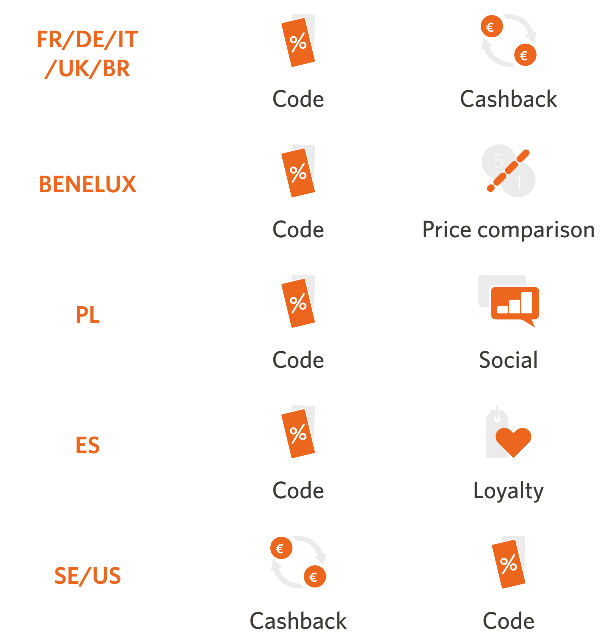
06. Consumers are increasingly turning to incentives

Black Friday is a perfect fit for certain elements of the affiliate channel. Primed to convert shoppers hungry for money saving deals, the obvious cashback, loyalty, reward and coupon platforms provide a perfect route to a retailer's next customer.

Despite affiliate marketing variations between countries, these affiliates are increasingly coming to dominate seasonal events.

As can be seen here, across the global company, all of our major business units feature coupon and voucher sites as their major driver of sales, except for two countries: the US and Sweden, where they are both pushed into second place by cashback sites:

Top Cyber Weekend sales-drivers by publisher type, by market



Interestingly, as mentioned earlier, we can see here again the importance of social affiliates to the Polish market, generating more sales than any other publisher type outside of discount codes.

Overall though, the power of cashback and coupons/codes is clear, with both models seeing a year-on-year increase in their market share and these publishers dominating retail in terms of both revenue and sales volume.

07. Consumers spending more... or less?

On Black Friday, Barclaycard - which processes around half of all UK credit card sales - reported that transactions were up around 10% on their previous year's numbers. At the same time, consumers were spending, on average, around 12% less.

While this data isn't limited to e-commerce purchases (covering all transactions whether in store or online), there could be a couple of explanations for this. Potentially consumers are acting more cautiously, choosing to spend less in what are uncertain times for British shoppers - perhaps the macro effects of Brexit playing out for local retailers.

But there could be another factor at play; maybe discounts were deeper, offers more compelling and therefore shoppers were more drawn to the additional cost-savings. IMRG monitors the performance of 260 British retailers and reported 40% of them were already in sale as we approached Black Friday, up 10% on the number slashing prices early in 2017.

It's hard not to feel a tangible nervousness among brands. For those choosing to embrace Black Friday and its associated discounting, it may have made sense to go all in and push offers out as early as possible for fear of missing out to competitors.

Overall, the average basket value at Awin dipped on 2017's figure, although by just 3% (2018's number was up on 2016's though). This meant the typical brand was tracking around $117.

There is added complexity for Awin as this draws all affiliate activity across a diverse range of advertisers together. Where this figure can be influenced is in the range of brands who succeed on Black Friday.

AOV across network

'AOV across network' is the mix of key sectors that we tracked on Black Friday. These are the biggest performers by revenue, with electronics, health & beauty, clothing & accessories and the broader category of department stores accounting for almost one million sales on Black Friday.

Unsurprisingly, electronics had the highest average spend. In the US, Black Friday has long been associated with the hefty savings that can be made on big ticket items and TVs, smartphones and voice-activated technologies that are heavily pushed around peak. Almost $11 extra was spent on each purchase in this category.

Clothing and health & beauty also secured higher baskets, and by higher proportions. But where Awin noticed a significant dip was in the department store segment, one that is facing significant challenges in today's cutthroat retail environment.

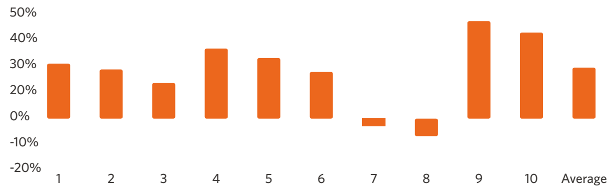
This was also born out by the market share that we saw for each, with department stores dropping away. While in 2017 there was little between the top three categories, electronics now accounts for a heftier slice of the network's sales and revenue:

2017 - 2018 smartphone sales as % of total sales

One of the most startling shifts in average baskets was in the fast-fashion sector. Having experienced huge growth over the past few years and established a strong foothold in the affiliate market, we assessed the performance of the top 10 largest brands we run programs for across the network.

Comparing their typical average order value for 2017 against this year's numbers produced some impressive hikes:

AOV variance 2017-2018



While two of these retailers noticed single-digit dips, two others saw them pull in more than 40% more in value per transaction, helping to swell the typical basket by 24%. Note, these figures are like-for-like, so are reflective of performance on the day regardless of returns and adjustments.

08. The Black Friday elephant marches on

Several years ago, we noticed the outline of Black Friday sales (just about) emulated the outline of an elephant. The pattern of revenue across the day retains the same shape:

The Black Friday Elephant

But the deeper insight is in what happens hour by hour. Black Friday has a patchwork of stories across the 24-hours that it occupies, cemented at the heart of retailers' fortunes during a critical time of year.

From the early adopting shoppers at midnight on their smartphones, many of whom will have researched the offers in the lead up to the big day, to the first risers turning to their mobiles to discover the best deals via email and other platforms.

"Black Friday has a patchwork of stories across the 24-hour window that it occupies."

Across lunchtime when sales peak, to the more casual browsing that may happen in the evening that leads to the lowest baskets of the day.

When the data is diced and spliced by sector and product, and by the myriad of affiliate opportunities that tap into millions of consumers, the power of the channel to connect advertisers to their next customer is clear.

Black Friday will continue to evolve, and brands will shift and shape their approaches to it and other peak seasonal events as technology changes and more creative solutions are found. The challenge for the affiliate channel is to ensure it is at the forefront of those innovations, helping to guide brands through this complex e-commerce maze.

Industry views

Where affiliate marketing sits within the wider digital mix

Seán Mahon
Affiliate Team Leader, Equator

Any digital marketer who has been in the game for a minute will be familiar with the tried and tested conversion funnel that has appeared in many PowerPoint decks over the years.

Affectionately referred to as the 'conversion toilet' among my peers, the diagram assumes that the likes of display sit at the far end of the funnel generating awareness, whereas affiliate tends to sit way down the other end, just before a customer initiates a purchase or action.

You could argue that such an oversimplification of the various channels has caused more harm for both than good over the years. Affiliates, in particular, tend to get painted as the bad guys in this scenario - jumping out last minute like digital highwaymen, ready to steal the limelight and reward from other channels.

Of course, if you've been to any affiliate conference over the last decade or so then you'll know there are literally hundreds of companies out there who will sell you the ideal attribution solution to combat this situation. But, rather than focus on the granularities of what each channel does at each stage prior to conversion, I will instead focus on the evolved role of affiliate marketing in the wider digital mix.

When former ASOS chief executive Nick Robertson infamously made his 'grubby little affiliates' comment back in 2007, it betrayed an ignorance of the channel that I would argue still exists to this day. "...but aren't affiliates just all cashback and coupon code sites???" is an exasperated cry that can still be heard in boardrooms up and down the country. For those of us who work in the industry, this may be cause to collectively roll our eyes. However, I believe it is our duty to educate such misinformed views and demonstrate the importance of the channel within a wider context.

Over the years, I believe this has been the key aspect sorely lacking from the conversation. You could argue that intentionally muddying the waters and obscuring data has been a rewarding approach, up until a point, for a lot of people involved in digital marketing.

You need only look at the recent ad fraud scandals, or dubious actions perpetrated by the likes of Facebook for evidence of this. That's why at Equator we looked to restructure our digital marketing team to combat such misinformation. The way I see it, our clients spend X and get Y. The Y that is in their cash register, when all is said and done does not change - regardless of assisted sales, or whatever attribution method we adopt.

Not to diminish the importance of understanding the interplay between channels, but we have to be realistic too. If we are reporting into a client team made up of finance, marketing and revenue-focused team members, we need to speak in clear terms that everyone understands. Intentionally confusing the matter, or trying to obscure the data, benefits no one in this situation.

In an effort to tackle this, we set about restructuring our digital marketing team as follows:

Search
(SEO, PPC)

Digital Media
(Display, Email, Social)

Partnerships
(Affiliates, Lead Generation, Outreach)

Rather than allow channels to exist in silos or group them by association within the outdated conversion funnel, we sought to bring together teams based on their complementary purposes.

Whether it is to own the search landscape, raise the profile of our clients, or build relationships on their part, each of the teams at Equator have a defined purpose. This restructuring has helped immensely for our clients, as it not only clarifies our intent and purpose but also demonstrates how flexible the channels can be when you take them out of their silos or any previously associated place our clients may have held them to on the path to conversion.

Take, for example, the Partnerships team. Traditionally, Outreach existed as an extension of our SEO team. However, through closer working with my Affiliates team, we identified a commonality in skillsets and approaches. How the Outreach team built relationships with sites in order to pursue their link-building activity was all too similar in approach to how my team forges relationships with prospective publishers.

Indeed, identifying this similar approach helped form the initial conversations about joining the teams up. By collaborating, we benefitted not only from sharing knowledge and skills, but also from growing the team's resources and ability to tackle work from existing and prospective clients.

Here are just a few examples highlighting the work we have done to rethink the role of affiliate marketing in the wider digital mix following this new internal configuration:

Cost model

The traditional CPA affiliate cost model is arguably the channel's defining characteristic. You could argue that the relative safety net of only paying for the sales you make is what got affiliate marketing in the door with a lot of brands in the first place.

However, in an ever-evolving marketplace, we can't always rely on this tried and tested method to get the result we want. Especially when working closely with the likes of influencers and bloggers, we are finding we need to really listen to what works best for them on a case-by-case basis.

A good example of this is how we utilize tools like Awin's Opportunity Marketplace to identify suitable content partners for one of our hotel clients. Using this tool to initiate conversations with suitable bloggers, we can arrange alternative payment models (e.g. a comped room) in exchange for an agreed piece of work (e.g. a sponsored write-up for our hotel client). We can then work with our Outreach team to ensure the link placement in subsequent blog pieces is optimal and that the client is satisfied.

We have also used non-traditional cost models to help develop the wider Partnerships team here at Equator. We have educated the Outreach team on how commission-based models work, and they are now looking to utilize these to trial new approaches with prospective link-building opportunities.

I think overall our approach is changing for the better – it is less about the strict payment models traditionally associated with isolated channels, and more about understanding what works best for our partners and tailoring our approach to be flexible and dynamic.

Contact lists

Ask any affiliate manager what they consider to be their most useful asset and they will likely respond that it is their contact list. Having a trusted pool of affiliate partners is key to your success, and the ability to pick up the phone and speak to them when you are in a jam is both a) lifesaving and b) one of the most defining aspects of the affiliate industry that sets it apart from other channels.

Over the years we have cultivated an extensive list of affiliate partners we can rely on, covering a vast array of sectors and territories. By joining forces with the Outreach team here at Equator, we have managed to pool our resources into what we have affectionately termed our 'little black book of Partnerships.' This means we have a go-to list of trusted contacts to connect with whenever the situation requires.

Upskilling

One of the key activities encouraged on the Partnerships team is upskilling. As much as we might be seasoned pros when it comes to affiliate marketing, it is of huge benefit to us to learn how to write optimized content properly, how to set up a paid search campaign, or understand how to traffic a programmatic campaign.

This has been enormously beneficial in expanding our knowledge beyond well-versed affiliate marketing techniques and practices. Likewise, we have been able to work with the Outreach team in order to grow their knowledge of the affiliate channel and really draw upon the networking and relationship-building skills they already possess.

I think this two-way method of communication and learning is essential for any dynamic marketing team. It keeps people learning and constantly innovating in their everyday working practices.

Ok, so the practices outlined above have all been beneficial for the team here in expanding our knowledge and skillsets, but what are the benefits for our clients?

What we are finding more and more is that strategies are being born out of open discussion and involvement from all relevant parties. Rather than responding with channel-led suggestions and assigning siloed solutions, we are listening to the client's requests and breaking it down into the simplest of terms. What is the key objective for the campaign? What are the desired results?

By simplifying our approach, we are encouraging a more open dialogue with our clients and not getting bogged down in isolated approaches and granular levels of channel detail. This is not to say our clients don't care about the nitty gritty of how our campaigns are run, but this collaborative approach is ensuring greater buy-in across the board.

It may sound like I'm trying to bury the role of affiliate marketing into the modern digital marketing mix by intentionally blurring the lines between the channels, but I wholeheartedly believe that this is the right approach for moving the channel forward. The risk of continually isolating channels and assigning them a predetermined function is that it reinforces this siloed mindset that tries to block outside influences.

The modern digital landscape is ever-changing and we cannot afford to take a limited approach to our supporting marketing efforts. Adopting an open-minded cross-channel approach is paramount. If we want to break the stigma that affiliate marketing is 'just all coupon code and cashback sites,' then we need to demonstrate the channel is flexible and dynamic enough to flourish in the modern marketing mix.

The backbone of what makes affiliate marketing unique - the relative safety net of a commission-based payment model and the ability to pick up the phone and actually talk to people - may seem like an outdated notion in 2019. However, I believe this is still fundamental to how we operate in the channel and can be of enormous benefit when aligned with other channel activity.

While I am absolutely advocating for multichannel approaches to digital marketing and encouraging cross-channel learnings whenever possible, I think it also important to not lose sight of what makes our channel special in the first place.

I mentioned earlier how the initial CPA affiliate model was the foot in the door for many programs, but I think one defining asset of affiliate marketing that is still relevant today is the human touch.

I recently attended a spirited discussion with a cross-section of merchants, publishers and network staff around the theme of 'the marriage of service and technology' and what impact AI and automation will potentially have on the affiliate industry in the near future. I think the overarching feeling from these discussions was that while our industry has always been quick to embrace innovation and new technology, this has always been underpinned by a human connection at some point in the process.

This enduring fact is one of the building blocks our industry has been built on. When I think back on all my greatest achievements and failures over the past decade working in the UK affiliate industry, I can remember clearly the phone calls, Skype sessions and meetings I've had that accompanied them.

The relationships I've built over the years as a result of these experiences are undoubtedly the most rewarding aspect of the job. For me, the ability to get things done quickly by picking up the phone and speaking to someone will always have a place in the modern marketing workplace.

"While the technology and innovation enabling us to achieve our results will continually evolve, the initial impulse and driving force behind this will always be characterized by our ability to reach out and communicate directly."

This is what we should be emphasizing when we are looking for buy in to affiliate marketing across the board, whether from the client themselves or with your own team internally.

I once heard of a luxury brand who was fundamentally set against affiliate marketing and did not want to be seen to be participating in the channel. Legend goes that the agency involved at the time simply rebranded the channel as 'paid partnerships' and, voila! Everybody's happy! Now, this might read as the intentional misdirection I've outlined earlier in this article, but I think that regardless of what we label our affiliate marketing efforts as we should let them speak for themselves.

Let us demonstrate how quickly we can set things up on a client's behalf and negotiate placements in their favor. Let us show how flexible our channel can be by securing exposure with relevant partners of all shapes and sizes. Let us show the incremental growth this activity drives and measure the overall ROI against other channels. This will be what secures affiliate marketing's integral place in the digital marketing mix of today and beyond.

Sector insights

Travel

2018 Trends

60%
The portion of airline sales driven by price comparison sites on desktops

6
The number of publisher types driving more than 10% of sales in Italy

38%
Almost four in every 10 clicks are driven by content affiliates in Brazil's travel sector

$375.08
Sweden's consumers boast the highest average spend in the travel sector

Highest AOVs by market

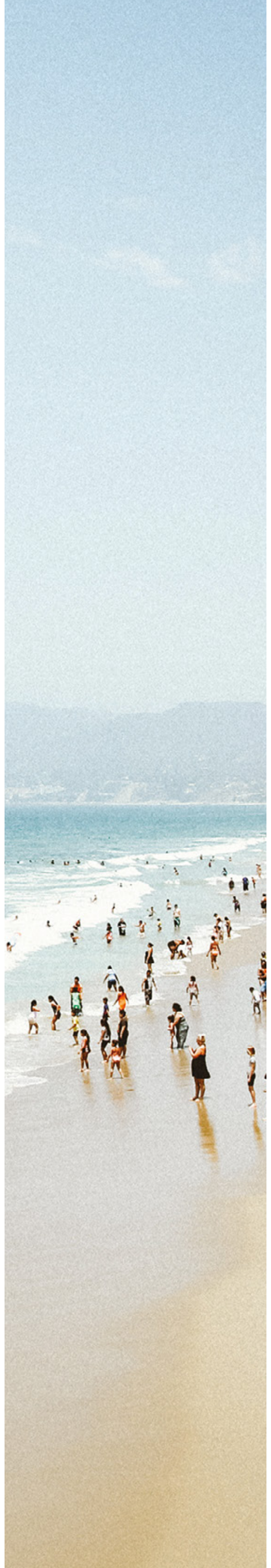
$375.08	$323.54	$257.66	$206.00
Sweden	US	The Netherlands	Germany

Markets with most active travel publishers

#1	#2	#3	#4
US	Germany	UK	France

Travel sales by publisher type

24%	21%	20%	15%
Cashback	Discount code	Comparison	Content
8%	6%	4%	3%
Sub networks	Loyalty	Display	Social



Until the dawn of the internet, the essential travel agent model established by Thomas Cook in mid-19th century England had remained relatively unchanged the world over.

Airplanes may have revolutionized access to new, far-flung destinations and helped encourage a booming industry of mass package tourism by the 1970s, but the booking of a trip still boiled down to browsingh a holiday brochure (another Cook invention) and speaking to a travel agent who could find you the best package for your money.

The web changed all that. Early pioneers like Expedia, Travelocity and Opodo saw in it a means of disrupting this established practice and providing the traveler with all of the tools they needed to book their own travel online. Suddenly the traditional gatekeepers of travel bookings, the high-street agencies, were under threat and an assortment of new online platforms were democratizing choice.

The online travel industry has never looked back, providing travelers with access to every aspect of the travel booking journey. From inspiration and research, to comparison and ultimately the booking itself, consumers were able to utilize the offerings of a plethora of travel websites and apps to help them find and build their own perfect trip.

As in any sector, affiliates feature during every part of this journey. From the travel blogger to the community forum, from the destination guide to the metasearch engine and incentive site. All of these affiliates play a valuable role in connecting prospective customers with the information they need to make informed decisions around their bookings.

Yet, travel is an affiliate sector with its own distinct idiosyncrasies that shape the running of your average travel program. Online travel purchases tend to have a notoriously long booking window. On average, a user will visit 38 different websites - some of them repeatedly - before committing to purchase. Booking travel is generally a high value purchase and one that involves multiple parts. An example trip might consist of booking flights, accommodation, car rental, travel insurance and many other individual products. Consumers' propensity for deliberating over their booking is understandable taking into account these factors.

Given that protracted and complex booking path, the need for more sophisticated tracking and attribution is clear. Cross-device tracking, assist payments and dynamic commission models can all contribute to the management of an effective travel program, not to mention the efficient supervision of a validations process for sales. In a sector like accommodation, where sales are often only validated once the guest has checked-out, keeping on top of validations can ensure that affiliates are being paid in a timely fashion and are able to reinvest their commissions into additional promotion for the brand.

Looking forward, the prospects for the travel industry in affiliate marketing appear promising with particular growth likely to come from the burgeoning activities and experiences sector, which has finally come online in a meaningful fashion thanks to the consolidation and standardization of its supply by larger vendors. Not to mention the huge wave of new accommodation inventory made available online by the likes of Airbnb.

Such developments offer countless new opportunities for affiliates to tap into and bring value to travelers seeking to discover and book their next holiday, wherever it may be.

Case study

ClickBus

Leveraging Black Friday to take Brazil's bus travelers online

Bus travel is hugely popular in Brazil and the preferred form of intercity transportation for its vast population. However, despite bus ticket sales reaching 160m in 2017, the majority of those sales were purchased offline. Only an estimated 6% of bus tickets are purchased on the web from an overall market thought to be worth some $5bn.[1]

Recognizing this huge market opportunity, the leading global online booking platform ClickBus sought to transform the way in which Brazilian consumers buy their bus tickets - ultimately making traveling easier and more accessible for them. ClickBus saw in affiliate marketing as a means of achieving this strategy.

Plotting a path to success

Four campaign objectives were initially set by ClickBus to accomplish the overall goal:

Local knowledge
Use local market knowledge to devise a campaign that increased the number of online sales

Engagement
Engage with large local audiences throughout the purchase funnel, from early inspiration and research phase through to conversion

Recruitment
Recruit cutting-edge technology partners that use data to accurately target the right consumers

Scaling growth
Scale the growth of the ClickBus program while maintaining a strong ROI

Brazil has a large and continuously growing online population, and social media has established itself as one of the most popular activities embraced by Brazilians while using the internet, with around 130m individuals using social media on a regular basis. Facebook is hugely popular in Brazil, and therefore represented the perfect means of reaching potential new customers for ClickBus.

Not only did the team consider the most popular means of reaching new customers but also the best time. The peak times to communicate to Brazil's consumers fell into two broad categories: during holidays when there is an increase in natural searches for bus tickets as more people travel to see friends and family, and Black Friday. The latter is a massive proposition in Brazil - more so than any other territory Awin operates in by some distance - with 21% of all November's sales occurring on this one day.

In managing the account, the team pitched the social media opportunity to their publisher base, reaching out to a series of partners active in the space and asking them to present what they would do with a fixed budget and how they would achieve the target ROI according to the program's objectives.

One affiliate, 'Social Miner,' was selected. Their pitch was considered both creative and flexible, highlighting them as a good fit and well placed to achieve the objectives of the client.

Their unique platform offers advertisers a means of engaging with consumers in a highly-targeted fashion, using automation and artificial intelligence to understand an individual's personal interests and to deliver authentic, tailored messaging at the right moment during their online journey.

Innovation and creativity

Social Miner's particular expertise in using Facebook as a tool for finding the right individuals to target and using humanized messaging to engage them on behalf of their advertiser partners meant the Awin team was confident they could help contribute to ClickBus' objectives.

Indentification
Social Miner's research suggested that for every 100 visitors to a website, only 5% reach the checkout. Their platform helped identify the remaining 95%, requesting a Facebook connection with them in exchange for a discount, which helped build out a profile of these users

Engagement
By monitoring users' site behavior, Social Miner was able to match the most effective content, timing and channel for every consumer and tailor messaging accordingly

Conversion
By using the insights gathered from this engagement, Social Miner could then ensure that discounts were broadcast at the right time in the user journey, whether that be at an earlier 'research' phase to hook the consumer's attention, or later when they were clearly ready to convert

Black Friday tactics

While Black Friday clearly offered an opportunity to engage with new customers online, it's also a period saturated with discounts from competing advertisers. To avoid the sales messaging being lost among the wide variety of offers available, ClickBus agreed to offer a headline-grabbing discount of up to 80% for new customers.

Social Miner then employed the following tools and tactics to maximize the impact of the ClickBus offer and sales messaging.

Social Bounce
On-site notifications for users abandoning a purchase

Facebook notifications
Personalized notifications sent via the social platform

Chrome notifications
Connecting ClickBus users with Google Chrome users via push notifications

Personalized emails
Customized email messaging sent to engaged users with targeted offers

Campaign results

Thanks to the support of Social Miner, ClickBus saw significant success over the course of their Black Friday campaign during which all of their objectives were met.

The publisher's activity helped incite more engagement with click-through rates from messaging improving by almost a third. Conversions increased too by 5% and by the end of the campaign Social Miner had contributed around 27% of ClickBus' total sales for the period.

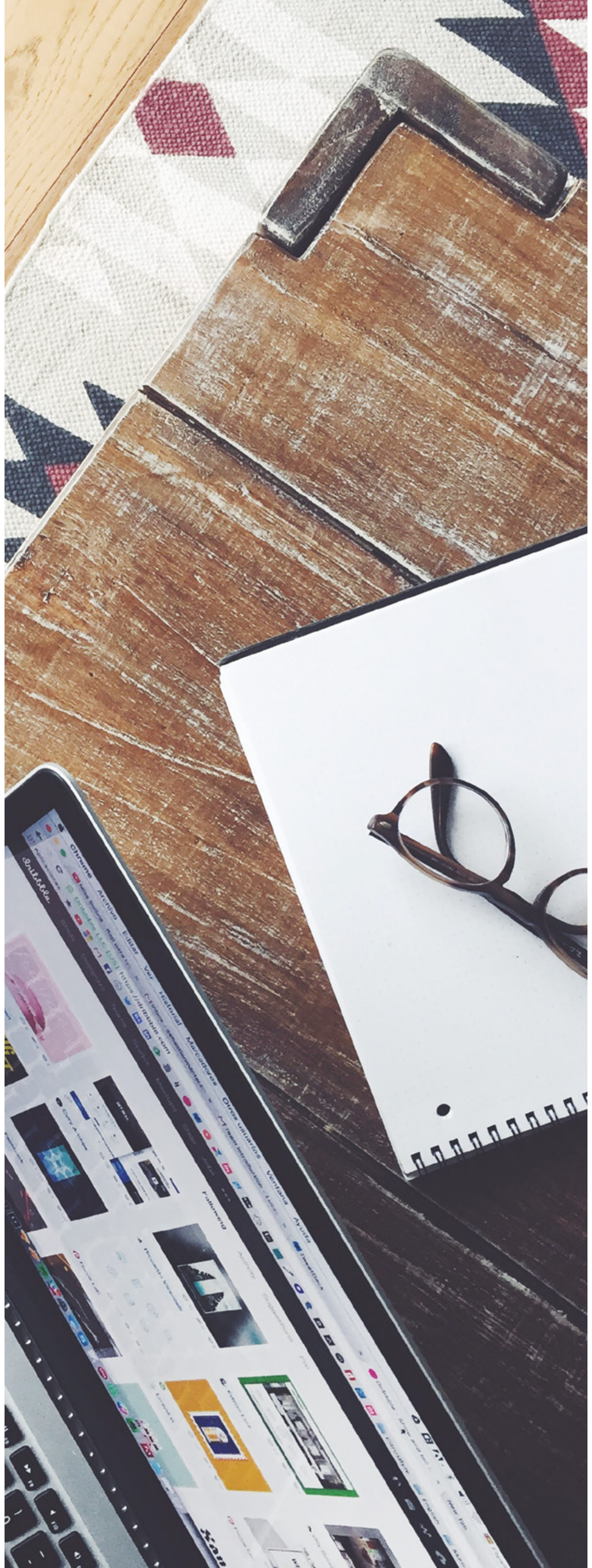
+5%
Conversion increase

+27%
Social Miner's share of sales

Social Miner's innovative, cutting-edge offering was able to connect the brand with new users across a variety of channels and platforms at different stages of the purchase journey, enabling them to target prospective customers and use a wide range of data to encourage them to purchase bus tickets online for the first time.

Industry views

As influencer marketing becomes **professionalized,** look to conversions for success



Kim Westwood
Managing Director, Shopping Links

In the four years since influencer marketing first emerged as an experimental strategy, influencer collaborations have become the fastest-growing consumer acquisition method for brands across all industries, earning an average of $7 for every $1 spent. The strategy has not only helped marketers boost their bottom lines, but provided them with greater detail about their customer demographics and typical shopping behavior, including their path to purchase.

No longer a fringe tactic, influencer marketing is now a crucial part of the marketing calendar for many brands, particularly in retail - integrating with CRM activities, affiliate campaigns and many other internal initiatives to bolster content quality and reach. From our front-row seat, as one of the first platforms to serve a global network of brands and bloggers, we have seen international brands achieve incredible returns from influencer integrations. We have witnessed A/B-tested email campaigns generate 22% more revenue from influencer imagery compared to campaign imagery, and we have seen over 50% sales uplift for leading e-commerce brands using influencer content on-site. And when analyzing traffic and sales conversion, we have seen up to a 30x increase in orders when certain affiliate tactics are incorporated into influencer campaigns.

It is results like these, with a real impact on brand revenues, that leave us excited about the future of influencer marketing and help put into perspective some of the growing pains the industry has experienced as it has evolved. The professionalization and standardization of influencer marketing has forced us to look at the way we measure the value of influencers and the success of campaigns.

As we reflect on the progress and professionalization of the industry, we're looking at not only the success of the strategy but the evolution of measurement tools that will help us achieve a greater level of understanding around the impact an influencer has on the entire purchase journey. We're certain that conversion will become the defining measure of influencer success and closer integration between affiliate and influencer marketing will set the benchmark for the industry.

Understanding influencer marketing

When influencer marketing emerged in response to the growing presence of shoppers on social media, it had little structure and even less transparency. Without standards or, more importantly, experience to guide decisions, brands modeled collaborations after display advertising - measuring the value of influencers based on their potential reach rather than their impact. This emphasis on follower count not only made the industry vulnerable to fraud, but it also distracted brands from seeing the full value of influencer collaborations, of which reach is only a small component.

We now recognize the impact of influencer content on SEO, website traffic, revenues and even the lifetime value of a customer. We also recognize that relevance is far more important than reach. An influencer whose audience strongly aligns with a brand's own will yield far better results in terms of conversions or the actions you want a follower to take, than an influencer with a broad, but largely disengaged audience.

Better measures of success and a broader understanding of influencer value has also helped brands use the model to enter global markets. When the value perception of an influencer was based purely on reach, brands missed significant opportunities in regions where absolute numbers were small, but relative impact was huge. The US, for example, is advanced in terms of the number and variety of influencers, but conversion rates can lag behind those of other countries due to the saturation of the market and competition for attention. The Australian market, meanwhile, yields more consistent results, albeit in smaller quantities. Australian shoppers appear to be more loyal to the influencers they follow, taking their advice on what brands and products to buy.

Finding results-driven ways to test influencer impact has been part of the shift toward professionalization in the industry, and brands are discovering ways to measure the impact of influencer value beyond reach. A leading international apparel brand, for example, saw a 22% increase in sales when using influencer imagery in EDM/CRM content compared with branded imagery alone. The same brand also saw an uplift of 59% in sales using influencer content 'on site' compared to their standard brand features. With both of these campaigns, the brand integrated technology to track traffic and revenues, allowing their team to see the monetary impact from each influencer and arrive at a true business measure of return on their investment.

This greater understanding of influencer value has allowed marketers to set better campaign objectives and select higher-performing influencers based on the regions they are targeting.

The journey from reach to revenue

Beyond the broader recognition of an influencer's value, advancements in technology to track customers through more of the sales funnel have had an equally important impact on the professionalization of influencer marketing. Not only have we learned just how effective influencers are at inspiring purchases, but we now have the tools, platforms and marketplaces to support tracking the customer journey from first touch to final purchase, which has been game-changing in terms of bringing a level of standardization to the industry.

Through today's affiliate-level tracking, we can look beyond the 'last-click' to analyze more touchpoints within the sales funnel, giving us a clearer picture of where influencers fall in the customer purchase journey. We have found that the path to purchase is much more complicated than we ever imagined. It's no longer simply a direct link from introduction through to shopping cart; customers need as many as seven touchpoints before making a purchase.

Influencers often make the critical introduction to a new brand or product, but unless they offer a discount code or special promotion, we have found that they're rarely the last-click before a purchase. The 'top-funnel' status of influencers has made their impact on revenues difficult to track, but thanks to affiliate integrations and advanced analytics we're getting better at understanding how influencers impact the customer journey and closer to being able to predict performance-based on real metrics.

We're also starting to better understand which elements to incorporate into collaborations for enhanced tracking success. Many advertisers often set out with an expectation to achieve comparable affiliate channel results from their influencer content campaigns and inevitably wind up disappointed. One way to ensure traffic and sales from the influencer channel is to incorporate the promotion of a discount coupon or site-wide sale as part of the campaign. When evaluating individual influencer performance, with and without a discount, we have consistently seen a stronger return with the inclusion of a code. Some influencers have been seen to generate a staggering 10x increase in sales compared to their full-price promotion.

This transition from guesswork based on potential reach to measurable impact based on conversions has contributed to legitimizing the industry, and we believe better measurement is also the answer to the two major challenges still facing the industry: fraud and under-performance.

Improving attribution: What lies ahead

Although marketers have become better educated in recent years about the role of influencers within the sales journey — recognizing their 'top-funnel' value as opposed to 'last-click' — attribution is still largely impractical and unachievable for most brands and their networks.

Despite the current attribution challenges, we expect to see a lot more progress around how we measure and track the role of influencers in the path to purchase for advertisers. Traditionally affiliate marketing has focused on last-click metrics where the full credit for conversion is provided to the channel who generated the final click to purchase. Whereas influencer marketing has focused primarily on brand reach and social impact without consideration of conversion metrics. Although first and last-click attribution models are easiest to measure, they rarely tell the full story of who and what channel was most important in terms of conversion, particularly when it comes to influencers.

Influencer and affiliate marketing are clearly different strategies with different budgets and resources, but their relationship and intersection is something we can no longer ignore. The opportunity is now for influencer and affiliate marketers to work more closely, to not only map out the journey of the shopper but understand more fully how each channel assists with conversion.

As the tracking technology becomes more sophisticated and marketers are held more accountable for the significant budgets being allocated to influencer activity, affiliate is well positioned to leverage their tracking technology across influencer campaigns and support brands in their quest for a deeper level of understanding and justification of spend.

One of the biggest challenges brands, affiliate networks and influencer platforms will continue to face is the constant evolution of shopper technology and how that affects consumer behavior. Where brands once had just a single online path to track, they're now tracking a journey that spans multiple devices and channels. In one noted example for e-commerce retailers, Instagram was simply a platform for inspiration two years ago; today it is an active e-commerce channel where shoppers swipe and tap to more purchases than they make on many retailer websites.

We may not yet know the next big platform or technology to disrupt shopping behavior, but we do know that brands, influencers and affiliate networks will need to continuously adapt. Marketers can start by understanding that an influencer's value lies higher up the sales funnel and there are now ways to measure how their influencers have assisted in a consumer's path to purchase for their brand. Recognizing the conversion value of influencer relationships and understanding how to tie those relationships to traffic and sales metrics, will also help brands stay ahead of ever-evolving shopping behavior.

Relationships have always been a key ingredient to long-term influencer marketing success but until recently, many marketers have not been able to quantify the true value of those relationships. Now, with technology and stronger integration to affiliate network tracking, we are able to measure the impact of organic sharing on traffic and sales, even when the path to purchase is complicated.

In one recent example of an organic post, an influencer with a strong affinity and established relationship with the brand was able to sell close to 800 units of a product, that generated over $11,700 worth of sales from a single organic Instagram story that featured the product with a swipe up to shop. This highlights the importance of not only tracking performance but the value of the influencer relationship itself.

Fighting fraud with better metrics

Fraud sparks strong emotions in all of us, and the deception that has occurred within the influencer industry through inauthentic audience-building and deceptive engagement is criminal. But it is also avoidable. It can be tempting to look for a quick-fix solution rather than exploring what factors encouraged the behavior in the first place. Exploring the factors is exactly what we must do if we wish to see fraud in the sector eliminated. It turns out, better metrics can solve many of these issues by rendering the fraudulent practices obsolete.

When you measure success with real business objectives, like traffic and sales to your e-commerce site or uplift in revenues derived from influencer content, rather than focusing on follower count or post engagement, these potentially fraudulent metrics no longer matter. Influencers can 'game' metrics tied to their own social media accounts, but they can't falsify an increase in revenue to your brand. This is where analyzing influencer demographics and indicators of performance becomes crucial. When your goal is impact, relevance is the most important safeguard against fraud, and its equally damaging cousin, underperformance.

Intuitively, you would never promote women's apparel in a men's magazine, or a campaign for corporate work wear in a teen publication - no matter how large the audience - and yet this is exactly the kind of mistake that brands make when they look only at follower count before engaging an influencer. If you want an influencer's followers to become customers, demographics matter. This is why we have worked hard to make influencer audience demographics clear, transparent and available to brands before they engage. Through the Shopping Links platform, brands can see an audience breakdown by gender, age range, and country of residence, as well as the granularity of their popularity by social platform.

Gift-only collaborations have also emerged as an effective way for brands to test audience alignment before investing in longer-term collaborations. Gifting at scale, or engaging multiple influencers at once, allows brands to assess the performance of bloggers across age ranges, geographic areas and content style to see how audiences respond without having to make a significant financial investment. We have found this works particularly well with an integrated affiliate component, which allows brands to measure the true traffic and sales impact of each influencer. You can then take this information and apply the learnings to a larger influencer with a higher level of reach.

A global retail brand, for example, recently utilized influencer gifting at scale to reach key international markets where they wanted to increase awareness and holiday sales. By gifting key products in highly-targeted markets, the brand was able to tie revenues of these products directly to the collaboration.

Established relationships with many of the influencers ensured there was deep brand recognition and trust among the influencer audiences, which in turn led to strong overall revenues for featured products and an even stronger ROI for the campaign as a whole. In one case, a product with an average single online sale per day jumped to a high of 30 sales the day immediately following the promotion.

Ultimately, the issues of fraud and underperformance will remain as long as brands continue to measure influencer marketing campaigns by potential reach. Thankfully, this is no longer our best metric. Brands now have the ability to cost-effectively test influencers through gifting collaborations, track the impact of each influencer with affiliate integrations, and tie the success of influencer campaigns directly to conversions. As brands start to adapt these measures of success, we will see fewer issues related to fraud and a more complete picture of the impact influencers have on the sales process.

Success through integration and consolidation

One final development that will become crucial as influencer marketing progresses toward a conversion-based success metric is the importance of integrating with performance-based programs like those offered via the affiliate channel.

Although the two models remain separate marketing strategies, their integration will be crucial to make revenue-based tracking possible for brands and agencies. And, despite the fact that the insights available through Google Analytics and social media platforms can give brands a sense of campaign engagement, it is affiliate marketing that is best positioned to track conversions all the way through the path to purchase.

We were able to see the impact of affiliate integrations recently when a leading UK-based retailer engaged Shopping Links to test the performance of their PR-gifted influencers using traditional affiliate performance-based tracking. With an objective to achieve a positive ROI using commission as a benefit, we were able to generate a return of over £39 ($50 USD) for every £1 ($1.30 USD) invested. When affiliate and PR teams align to track performance of their influencer relations like this, we consistently see a much stronger return for the brand. This kind of robust tracking is what will change the influencer marketing industry and see it set for long-term success.

The future of the industry will undoubtedly give rise to new phases of experimentation as new technologies, social platforms and user behaviors emerge, but with a performance-based, conversion-focused mindset, brands are well-positioned to benefit from each new phase of opportunity within the industry.

The ability to tie success to revenues - rather than vanity metrics - has permanently changed the landscape of influencer marketing, allowing brands to eliminate the issues of fraud and guesswork while giving them valuable information about their customers' online behavior. We believe these robust tracking capabilities will continue to fuel the strategy's popularity into 2020 as the influencer channel becomes an increasingly integrated part of the overall marketing program for leading brands.

Sector insights

Fashion & Beauty

2018 Trends

7x	$93.78	118%	61%
More clicks from social affiliates than discount code affiliates in the fashion sector	Germany's Average Order Value for fashion items bought on smartphones	The YoY revenue increase seen in Australia on Black Friday	The proportion of clicks from the fashion sector in France driven by social channels

Top 4 markets by active fashion publishers

#1	#2	#3	#4
US	UK	France	Germany

Top 4 Fashion AOVs by market

$98.66	$96.12	$86.84	$84.20
Switzerland	Germany	US	Sweden

Fashion sales by publisher type

41%	16%	16%	7%
Discount code	Cashback	Social	Sub Networks
8%	5%	6%	1%
Content	Loyalty	Comparison	Email

"I don't think of myself as a tech nerd, but I love all the different ways that one reaches one's audiences." So said fashion publishing icon Anna Wintour in a rare 2017 interview with AdWeek that discussed the impact digital had had upon the industry she presided over.[1]

As Wintour recognized, the web's ability to connect with huge audiences more directly and quicker than ever before was something to be embraced by fashion and beauty brands and publishers rather than hindered. Those that refused to take up the challenge risked being left behind by a sector that has arguably undergone more profound change than any other due to digital's widespread adoption.

E-commerce has revolutionized the shopping habits of fashion and beauty consumers, providing them with access to more choice than ever before. It has negated the necessity of a real world presence, inadvertently wreaking havoc upon the high streets, shopping centers and malls that housed many brands and were historically the primary destinations for fashion and beauty shoppers. As legacy retailers hastened to adapt to these new habits, a new breed of online-only, pure-play fashion brands have emerged, catering for an audience that is young, smartphone-oriented and extremely image-conscious.

Imagery has always played a vital role in the marketing and promotion of fashion and beauty, but the internet has seen this aspect scale new heights of potency. Instagram's popularity for young followers of fashion is unmatched and the social media giant has helped to develop an entirely new function of marketing, through its influencers, that have brought consumers ever closer to the brands they love.

Fast fashion, the inexpensive and swift mass production of the latest trends from the catwalks of London, Paris, New York and Milan, can equally trace its history directly back to the democratizing impulses of the internet. The likes of Missguided, PrettyLittleThing and NastyGal have all capitalized on these trends, leveraging social media and celebrity endorsements to build up a loyal audience of young consumers keen to wear the latest items they see promoted online.

An online-only approach hasn't provided a seamless path to success though. A lack of real-world presence throws up other obstacles like the cost of delivery and returns, which are a major factor for advertisers and emphasize the importance of accurate sizing details on their products. Ensuring that the clothes shoppers buy online are the right fit for them is an increasingly important target for retailers who are keen to bring down costs, especially when 'free delivery and returns' is regularly cited as a compelling incentive for consumers to buy.

All of these developments are reflected in the evolution of affiliate marketing programs in the fashion and beauty sector. The category sees a huge volume of its sales occur on mobile thanks to the early adoption of handsets being used by shoppers to buy clothing and beauty products.

Social publishers are now recognized as a key component of any fashion and beauty program. With seven times more traffic generated by these publishers than discount code affiliates, the need to adapt the last-click model was felt most acutely in this sector. It is not unusual now to find influencer and content affiliates ring-fenced onto a different payment model entirely that distinguishes between the real influence they drive and the sales they often struggle to convert.

That evolving perspective on attribution is helping to support a hugely-diverse publisher makeup in fashion and beauty. The sector is one that often exemplifies the best aspects of the affiliate channel's innovation - with an array of new entrants seeking to transform and improve how individuals can find, compare, engage with and purchase the products that inspire them. In doing so, they bring to life Anna Wintour's excited sentiment of reaching audiences everywhere.

Case study

born2be

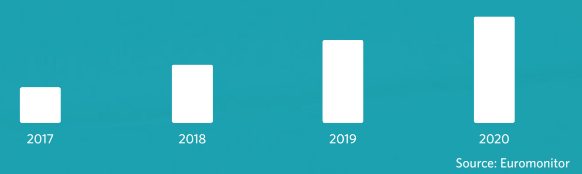
Fashioning a fit-for-purpose affiliate program for Born2Be

Fast fashion is a phenomenon that has arguably helped to bridge the gap between the high street and high-end catwalks in a manner never before witnessed by the fashion industry.

Driven by a generation of young consumers with an insatiable appetite for the latest trends and designs direct from Paris, Milan, New York and London, numerous new, digitally-native fashion retailers have entered the market offering their own low-priced versions of these high-fashion styles.

The opportunity for such retailers is huge, with consumers across the globe increasingly turning to the internet first to find, compare and purchase their clothing. Worldwide growth in online sales of apparel and footwear is, according to market research firm McKinsey, expected to grow by around 10% between 2017 and 2020.[2]

Growth in online sales of apparel & footwear globally (2017-2020)



This is especially true of the Polish market where clothing ranks as the most popular item purchased digitally by consumers there.[3]

Born2Be is one such e-commerce retailer, specializing in fast fashion. Keen to capitalize on the growing local consumer appetite for buying clothes online and with a company mission based around creativity and building relationships, the affiliate channel seemed a natural home for them and prompted the opening of their first ever affiliate program.

Setting objectives for the launch of the program

With Born2Be having never run an affiliate program before they decided to initially focus on three primary objectives that would direct all performance towards:

Build a diverse, multi-channel approach
Remain front-of-mind whenever consumers encountered the Born2Be brand and its products

Drive new customers
Take a 'test and learn' approach to discover activity that would drive 40% new customers

Build brand awareness
Engage the affiliate long-tail and influencer community to showcase Born2be and its products

Recognizing how affiliates can tap into potential customers from product discovery through to sale, Born2Be built their program around these different phases in the online user journey, defining three distinct publisher types that they wanted to work with.

Introducers
Those who introduce potential new customers

Retainers
Those who maintain and build interest

Closers
The final touchpoint, or sale converter

Awin supported Born2Be by targeting each segment with different messaging, offering affiliates flexible commissions based around their contribution, content and the activity they ran.

Utilizing these different publisher types to target new customers, Born2Be was able to focus their marketing efforts on consumers who were new to the brand using both rich content and new customer incentives.

One of the main challenges for the Born2Be brand was to achieve these targets while launching a completely new-to-market affiliate program. The team decided to stagger publisher sign-ups to retain control over how Born2Be was promoted online and initially recruited 100 specially-selected publishers, all of which were briefed on and asked how they could contribute to the program's targets.

Once joined to the Born2Be program, publishers were added to an affiliate matrix and segmented into 'Introducers', 'Retainers' and 'Closers.'

The resulting, extensive matrix was used for planning activity and identifying publishers best placed to support campaigns .

Adapting incentives for different contribution

Introducers: Awin's cross-device tracking data has demonstrated that on a last-click-wins basis, influencers and social media affiliates typically lose out. Therefore, to build a long tail of brand-conscious ambassadors, CPC payments were introduced for this specific publisher category. In addition, tenancies, placements and product samples were offered to help gain maximum exposure.

Retainers: To capitalize on the interest in the new Born2Be affiliate program, an optimized product feed was created, focusing on best sellers, seasonal offers and high margin products. As a reward for using the optimized feed, higher commission rates were offered on these products. Select publishers were also offered CPC payments in return for higher listings, and standalone emails were booked to target customers who frequently shopped with similar brands.

Closers: Born2Be utilized the data and segmentation abilities of coupon code and cashback sites to target new customers. They were able to entice customers that had bought from competitors with new customer deals, and therefore tap into a completely new customer base.

Results

By launching a sophisticated affiliate program that recognized the value different affiliates contribute and nurtured their respective strengths, Born2Be was able to drive huge value from their partners throughout across the online ecosystem.

The new program had a hugely successful first year with sales targets exceeded and new customer figures reaching as high as 45%, all while retaining a more than healthy return on their investment.

+70%
Sales Targets

45%
New Customer Rate

Industry views

Can digital help revive high street retail?

Trevor Pereira
Commercial & Digital Director, intu

2018 was an eventful and challenging year for retail. It's a market in constant flux as it evolves and adapts to the ever-changing needs of consumers and the world in which we live. Moreover, while headline-grabbing Company Voluntary Arrangements (CVAs) stole a larger portion of column inches in the year, innovation also drove change. 2018 saw a range of initiatives, from investment in flagship destinations to drive brand loyalty and the miniaturization of big-box retail into shopping centers, to new entrants offering something completely different – all helping to change the shape of retail.

The way people shop and spend their leisure time has changed, and retail is adapting to meet these needs. The internet has undoubtedly been a key driver; the convenience of online retail has influenced behaviors, expectations and how we interact with one another.

More broadly, digital innovation has brought with it as many opportunities as it has challenges. We've seen the birth of new pure-play retailers who have enabled us to browse, compare and buy at the click of a button. We've also seen traditional brick-and-mortar retailers like the UK's Next change their operating models to provide seamless customer experiences regardless of channel.

However, it's not all been about e-commerce. The potential benefits of digital go beyond simply shopping online. So how can digital help retail?

To look for possible answers, let's review how digital has changed the way we shop and the new ideas and integrated technology gaining traction. We will end with a vision of the future.

Thinking about retail differently

With a backdrop of significant change in consumer habits and expectations, there is a polarization taking place within retail, where the best locations continue to grow and the secondary or weaker locations suffer. Existing retailers are looking to those locations that will drive performance, locations where they can upsize and invest in their future.

Shopping is no longer just about shopping. It's about a day out experience, where people can shop, eat and play at their leisure. People want to discover something new, connect with friends and the place that surrounds them, and they want to spend their hard-earned leisure time well. Physical retail is absolutely changing.

> *"Shopping is no longer just about shopping. It's about a day out experience, where people can shop, eat and play at their own leisure."*

One area that is leading this change is digital. Digital innovation has enabled some retailers, who before might never have dreamed of entering a shopping center location, dip their toes in for the first time and see some strong results.

Take SEAT for example. A car brand that frequented many an out-of-town car showroom who, in 2016, took the decision to launch its first shopping center retail store - combining showrooming and digital technology to drive brand awareness among intu Lakeside's 26m customers. Tesla created a model, in which cars are designed, built and ultimately sold in very non-traditional ways. Tesla doesn't have dealers, rather 'self-owned' retail locations in high traffic malls. They want to engage with people when they are not thinking about buying a car, educate them about electric vehicles and their brand, all while expecting sales to then take place online.

A similar approach has been taken by other big box retail park brands like Silentnight. The UK's leading bed manufacturer opened two flagship stores, shrinking its product offering to fit within a shopping center environment while still offering its entire range to customers through digital in-store tools.

John Lewis is another company pushing ahead through digital. Thirty four percent of its sales are now taken through the internet - that's more than its Oxford Street flagship store. Tesco's online revenue is $3.8bn, second only to Amazon. Some argue that this is cannibalism, where these sales are at the expense of companies' own physical stores. However, understanding the true value of physical retail and the crucial part it can play in the overall sales funnel and drive consumer experience will be how retailers will ultimately win.

How has digital changed the way we shop?

The internet has affected everything, not just how we shop. It's changed our behavior, the expectations we have of the brands we offer our loyalty to, how we consume media, book our holidays and how we meet and interact with each other.

E-commerce has fundamentally changed the way we shop. The convenience of being able to shop at a time that suits us, in ways that add value to our busy lives has proven very compelling. Whether it's late night browsing in bed for what's new in fast fashion, searching the world to find that designer dress that is out of stock in your size across the UK, or ordering more cat food on your mobile with one click, the benefits of digital shopping are clear to see.

However, it's not all plain sailing for e-commerce. Returns can be significantly higher, ranging from 20%-50% for fashion. Sixty five percent of clothing & footwear returns to online pure-play retailers result from items not fitting properly, thereby demonstrating the importance of retailers providing accurate size guides and guidance on product fit when they do not have physical stores where shoppers can try on different sizes. Alongside this, products looking different to the image on the website is also a common reason for returns.

Multichannel retailers still drive the majority of the online clothing & footwear market, with spend bolstered by their wider brand awareness coupled with the brand touchpoints that physical stores provide. However, many believe the balance is shifting.

Although the clothing & footwear sector is well established online, GlobalData anticipate that the sector will experience high growth of over 40% in the next five years to reach $27.3bn by 2023.[1] Continued investment from retailers to improve the user experience as well as further developments of their propositions - including more choice of delivery options and quicker fulfilment - will encourage consumers to place more orders, thus driving growth in the channel.

Within the online clothing & footwear market, online pure-plays are gaining share, unsurprisingly as these businesses are able to focus on a single channel. Particular success stories include ASOS and Amazon, which together accounted for over 40% of online pure-plays in clothing & footwear spend in 2018. Online pure-plays are growing at a faster pace than their multichannel counterparts and bolstering overall online growth.

Young fashion online pure-play PrettyLittleThing was one of the biggest winners among online pure-plays in 2018, with a 95% increase in revenue to reach sales of $189.2m. Since launching in 2012, PLT has had an exceptional journey by offering standout, fashionable products at low prices and communicating with customers through strong social media engagement. Unlike many others in the e-commerce market, it has become more than just a transactional website. Influencers and celebrities wear products adorned with the PLT logo - often in own-brand pink - worldwide. It has captivated its audience and it continues to innovate with product collaborations and, most recently, by launching a unisex range.

"By becoming more agile and embracing innovation, multichannel retailers will be able to maximize both their online and physical presence."

It is likely that online pure-plays will remain leaders in the online shopping experience given their focus on one channel and the prominence of technology and innovation, which naturally occurs in these businesses.

Another example of digital innovation from Amazon is their 'zero-click' offering, whereby its AI functionality uses data collected from Prime customers' shopping habits to send them samples of products they might like before they even order them. Amazon has 100m Prime members, giving it unparalleled insight into buying patterns. A recent Amazon job posting said it was looking for candidates to help it build a product that "leverages Amazon's customer data to allow brands to put their products in the hands of the right customers to drive product awareness and conversion."

By becoming more agile and embracing innovation, multichannel retailers will be able to maximize both their online and physical presence. We are already seeing some brave new relationships emerging with both Walmart and Marks & Spencer signing strategic partnerships with technology giant Microsoft aimed at transforming the retail experience using the power of AI.

The true value of a store far surpasses the revenue it generates. The right physical location acts as both an advertisement for the brand and an important point of brand immersion - while also aiding cross-channel shopping journeys, giving multichannel players an advantage over their online pure-play counterparts. The best flagship stores will not only drive foot traffic to its location, but drive up online sales in that area too.

How is digital being integrated in-store to adapt to this new climate?

Multichannel retailers are actively experimenting with how to merge their digital and physical environments to add value to the customer experience. Brands like Nespresso are doing this effectively, using multiple on and offline channels to sell and market their products.

Some retailers, like JD Sports and Superdry, have successfully implemented an 'endless aisle' through a native app on in-store tablets and kiosks with an attached payment device. This enables store staff to capture the sale even when the stock is unavailable in store, driving an uplift in sales between 6% and 9%.

In-store 'click & collect' points have become the norm, enabling online purchasers to collect and return while being immersed in the physical product experience. Having a single view of their physical and digital audience is now a baseline. Understanding inventory tracking, stock availability, shipping details and more is essential for any successful multichannel retailer.

At Bloomingdale's they are reinventing the beauty shopping experience. Digital technology is deployed in various concessions within the beauty hall. One example is Tom Ford Beauty, who is debuting a new design concept that integrates digital with private consultation stations. Beauty advisors can record makeup sessions with customers so that they can take it home with them along with the products used to replicate the look. Added to this are high-tech try-on stations, which allow customers to apply different looks virtually.

While not wholly integrated into the in-store experience, Google has helped drive the relationship between the digital and physical channel. Since their launch in 2014, Google's local inventory ads (LIAs) have gained traction in driving in-store sales and footfall. River Island saw a large uplift in store visits (17%) and offline sales (33%). The purpose of LIAs is to draw nearby customers, searching on mobile devices, into physical stores. They are localized ads that surface when a consumer searches for a product 'near me.' The product availability, seen in LIAs, is a very compelling reason for a consumer to click-and-collect and visit the store.

Retailers are also connecting their ads to Facebook Locations. This is an effective way to target consumers in their store radius increasing foot traffic and sales. Facebook is able to surface relevant ads on their mobile devices when a consumer is near ambient WiFi, beacons or historical local information. This together with geo-fencing, geo-targeting and proximity marketing makes it possible to deliver a highly-personalized offering, driving conversions and making continued loyalty more likely.

Some retailers, including Zara in the UK, are learning the lessons of the supermarkets and trialing 'self-checkout,' while others are testing 'scan-and-go/cashier-less' and 'walk out' technology including Amazon Go and Walmart in the US and JD.com in China. Many believe this innovation will soon be ready to drive significant disruption within the retail industry.

Digital customers can blend physical and digital shopping through many new innovations including apps like Hero and GoInStore. An online shopper is connected with an in-store sales assistant who can show the product, talk through the fit and other details, and simultaneously cross/up-sell. This is a great way to harness the investment that has been made in the face of a brand, and testament to the importance of that human engagement. Hero claims a 10x higher conversion rate for an online customer and 40% higher spend at checkout when they 'live' shop with an in-store associate.

Can shopping centers survive?

As we talked about earlier, there is a polarization taking place within the shopping center arena. Flagship destinations that are actively adapting to the disruption taking place continue to thrive. Integrating leisure

"Destinations where shoppers and retailers alike want to be, will continue to attract strong footfall and retailer demand. Those that don't will suffer."

alongside places to eat and a mix of best-in-class brands are creating day-out retail and leisure destinations. Destinations where shoppers and retailers alike want to be will continue to attract strong foot traffic and retailer demand. Those that don't will suffer.

intu was the first shopping center group in the UK to go live with an online shopping center, intu.co.uk. The platform was initially launched in 2013 as a transactional marketplace where visitors could purchase from multiple retailers in one basket, with one checkout. The business model pivoted in 2015 to become an affiliate publisher and has seen YoY growth through all its digital content channels.

"According to research, Generation Z are the age group that enjoy shopping in physical stores the most."

This online shopping channel has facilitated new relationships with retailers across multichannel and digital teams. By bringing together the leasing, commercialization and digital offering, new relationships have been forged alongside the traditional property director one. The potential for innovative multichannel business models born out of these new relationships is promising for the sector.

Our content brand 'Inside Source' is focused on building a new, engaged online Generation Z community to understand their wants and needs better. This crucial relationship will help ensure that our shopping centers of the future chime with this important audience of the future.

The future for shopping centers is likely to be heavily influenced by Generation Z. Young consumers want to be able to live, sleep, work, eat, shop, get fit and socialize in a way that is convenient to them. Moreover, according to research carried out by Savills and intu, Generation Z is also the age group that enjoy shopping in physical stores the most.

Leisure, communities and experiences will light up UK high streets and shopping centers, creating day out destinations that sit at the center of people's lives. We are all learning to adapt to the rise of e-commerce and redesigning the way we want to live.

Sector insights

Finance

2018 Trends

28%
Benelux's share of total finance commission driven in December 2018. Across the global network it was just 9%

1 in 5
The number of finance sales driven by Spain's content publishers, the highest proportion on the network

1/3
Display advertising plays a pivotal role for finance brands in Switzerland, generating 1 in every 3 clicks for them

Top 4 markets for volume of traffic

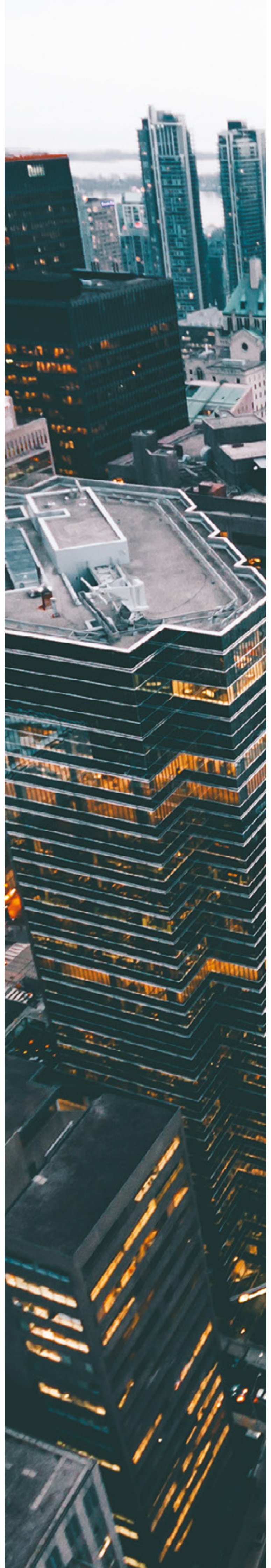
#1	#2	#3	#4
Germany	The Netherlands	France	UK

Top 4 finance markets for average conversion rate

9.5%	5.6%	5.1%	3.8%
UK	Spain	France	Italy

Finance sales by publisher type

Cashback	24%
Discount code	21%
Comparison	20%
Content	15%
Sub networks	8%
Loyalty	6%
Display	4%
Tech partners	2%



Trust is paramount for consumers in the finance industry. The high value of the products, their complexity, and the personal information required to secure them makes consumer confidence key. Where such products are researched and bought can therefore be restricted to a relatively small field.

A decade after the recession shattered the global economy, collective confidence in the financial institutions that contributed to the meltdown reached a rock-bottom low, spooling out into the wider industry by association.

Given that dilemma, traditional finance advertisers are arguably faced with a tough climate in which to market themselves. Rebuilding trust with consumers after such a seismic event has been difficult and possibly played a role in the arrival of new entrants to the market. Digital app-based banking platforms like Monzo, Chime and N26 have captured the imagination of many, offering nimbler, more personalized services that threaten the incumbent institutions.

However, affiliates have long offered a way to bridge the gap between brands and consumers and have played a key role in helping finance brands of all shapes sell their products online. Cashback partners are of particular value in the finance sector. Their ability to incentivize specific products and customers make them an asset to clients keen to target certain behaviors.

Comparison sites are also considered crucial. The larger platforms can give brands access to huge audiences for whom they offer an invaluable service, easily filtering through and comparing subtly different offerings from distinct providers.

Loyalty platforms and employee benefit portals also offer access to valuable, high-quality audiences that ensure any leads or sales generated are likely to have long-term value to the brand and not simply add to an unwanted churn rate.

Of course, a major factor dictating publisher recruitment for many finance-based affiliate programs is the tight regulation of promoting financial products online. Regulations will differ from market to market, but in the majority, the finance sector is among the most heavily controlled. That can have a big impact on the ability of an advertiser to work with certain affiliates. In the UK, for example, some advertisers can only work with publishers who have been certified by the local Financial Conduct Authority (FCA), a certification that entails a substantial fee and comprehensive assessment process that is not feasible for many smaller affiliates.

With such a restriction in place, the ability to work with multiple and long-tail affiliates becomes less practical, and so finance programs tend to be more streamlined than those witnessed in other sectors.

Seasonality can also be key for the marketing of financial products, with many likely to peak only at certain times of the year.[1] Search interest for travel insurance, for example, often peaks around the summer months just prior to a holiday getaway. Meanwhile, those looking to extend their credit facility will register interest in credit cards around November ahead of the big online shopping dates of Black Friday and Christmas. By the New Year, that instinct will have gone into reverse and thoughts will turn towards setting new targets for saving and looking around for the best banking products that offer high interest rates.

While those established patterns may suggest an industry prone to routine and rhythm, there is now the very real prospect of massive disruption in the future thanks to the new digital banking upstarts and the promise of Open Banking.[2] If, as has been suggested, the new EU legislation for opening up customer data from legacy banks allows third parties to own that customer relationship, we may well see affiliate businesses take up the opportunity to take on an even more valuable role within the finance industry.

Case study

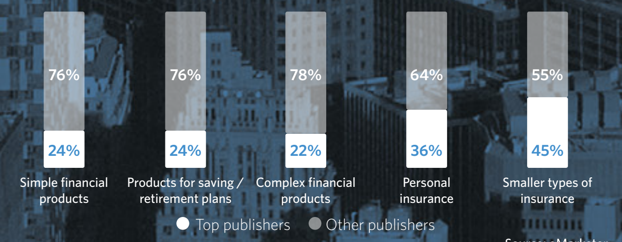
beruby fulltip

Cashback affiliates in Spain showcase innovation in the finance sector

Finance has historically been one of the slower industries to embrace digital and e-commerce as a means of connecting with consumers. The combination of huge, legacy banking institutions working within an industry that is characterized by a high degree of regulation means it has not been as speedy to adopt the newer, more innovative approaches of online marketing that other sectors have so enthusiastically implemented.

Because of the sometimes complex and valuable nature of financial products themselves, consumers have been somewhat slow to develop the confidence in purchasing them online. This has been particularly true of shoppers in Spain who, according to recent research from local insights firm The Cocktail Analysis, found that in the majority of cases Spanish internet users were more comfortable in acquiring a wide variety of financial services offline rather than online.[3]

Which types of financial services do internet users in Spain acquire online vs. offline? (% of respondents, April 2018)



Source: eMarketer

Despite those challenges, one of Awin's major finance clients identified the affiliate channel - and specifically its cashback partners - as being a promising source for generating leads for its personal banking account product.

Awin identified two specific local cashback providers, Beruby and Fulltip, who it felt could deliver valuable results to the client and organized a series of innovative campaigns designed to incentivize the right kinds of activity from their respective users.

Beruby

User referral campaign

The client wanted to boost the number of new bank accounts that Beruby generated to over 100 per month. Beruby suggested launching a new referral campaign on its platform in which a cashback incentive was shared between the person who opened the account and the user who originally referred them. The incentive was promoted across Beruby's homepage, social channels and an exclusive newsletter.

Results

Beruby's campaign saw them generate 140 new accounts in that month, with 85% of those sales accrued during the 10-day period in which the campaign was heavily promoted through exposure .

Sales over time (April-May, 2018)

Performance bonus campaign

Worried that some of the new accounts being sourced from their incentive partners were only being opened by users as a means of getting cashback rather than to actually use the account, the advertiser wanted to review the quality of the leads that Beruby was sending them.

Beruby agreed to focus their efforts on promoting a specific personal banking account in exchange for a performance bonus that would be met for achieving 100 new accounts that month. Beruby set up a premium incentive of €50 ($56 USD) cashback for those users opening up this type of account.

Results

Within 23 days, Beruby had met the target of 100 new leads. But the advertiser also wanted to check the quality of these new accounts that had been opened. Happily, they saw that 45 days after those accounts delivered by Beruby went live, 97% of them had already been activated and used by those customers.

Fulltip

Pre-payment partnership

One of the major drawbacks for many cashback users is receiving their reward quickly enough from the advertisers they buy products from. Awin decided to test a pre-payment model for sales with the popular Spanish cashback app Fulltip that would pay the user 10 days after they had opened a bank account.

Awin agreed with Fulltip, based on a monthly target, to pre-pay commission for the overall number of sales that were expected in two installments. In exchange, Fulltip devised a package of exposure that promoted not just the cashback offering but also the speed at which the customer would receive their money.

Results

Fulltip's sale performance increased by 17% on the previous month and it smashed its original target by more than 50%. Upon checking the quality of the accounts that Fulltip had provided during the campaign, the advertiser decided to implement this pre-payment partnership on a more long-term basis.

Campaigns like these demonstrate the capacity for cashback affiliates to devise innovative marketing methods for engaging their user bases and inciting quality leads for financial products. Thanks to the open-minded nature of the client, and their progressive approach to collaborating with these incentive partners, they were able to drive high-quality customers while retaining a performance-led model.

Industry views

Telling stories through affiliate marketing

Chris Johnson
Client Services Director, GROUPON

The rules of engagement in affiliate marketing, for the most part, haven't changed over the many years it has been in existence. While we still threaten to become less siloed versus the rest of the marketing mix, compensate in multiple ways and secure more budget for the channel, largely we are still to this day fighting the good fight to alter the status quo.

That's the pessimistic view, I guess. Things are, however, starting to change. Having produced my fair share of conference agendas for the affiliate marketing industry in years gone by, the challenge was always adding new sessions of value that showed true innovation and ways of working rather than reinventing the wheel on that year's best practice affiliate marketing strategies. You only need to look at recent event agendas to see the breadth of topics that now take center stage. Influencer strategy, incrementality, building performance cultures, product marketing and consumer psychology are just some of the buzzwords that drive engagement and generate ideas to reinvigorate the industry scene over the following year.

Where the industry doesn't aid itself well (and where we do - I personally don't think we shout about it enough) is something that agencies achieve with poise and that influencers do naturally: telling stories. Take your favorite novel - a good story is not just something that engrosses you, but the majority of the time it causes you to recommend that novel to others. And it goes further, with the best novels tending to form the basis for future film productions. Pun intended - the story goes on.

Why do I feel this is so important? The ability to be creative and innovative largely sits with either the audience owner or a business that possesses great agility. Largely as an industry we're therefore reliant on the affiliate to deliver campaigns that break the mold and ultimately enable us to shout about our collective success.

Why do we rely on the affiliate to drive this? Take your affiliate manager or digital marketing contact who's working at a well-established brand. The brand is likely to be working with multiple agencies across its many marketing disciplines. Creative agencies, strategic agencies, consultants, search agencies, conversion specialists and other third parties. The internal fight to showcase creative genius and value is hyper competitive. And as the sole representative of the affiliate channel, fighting the good fight is a huge challenge for many of our brand partners, especially when we now sit in a very measurable, budget-driven affiliate channel that's often left to its own devices.

In a great sense of irony, our industry successes, growth and way of conducting business has ultimately caused us a modern-day challenge. Recognizing that we need to disrupt the internal value fight within the brands we work with should be a major KPI for all industry stakeholders.

This is the point at which we could benefit an entire industry by introducing more creativity, or storytelling, as I've come to call it. One of the best innovations I've seen from networks over the past couple of years was actually entirely non-technical. Awin came to us saying that one of their brand's affiliate managers had managed to secure additional budget to put towards a creative campaign. We were asked to pitch for the budget, RFP-style, versus all other publishers to secure what was essentially an R&D allocation. Luckily, we are well versed with creative campaigns and we did win the budget, executed a stellar creative campaign, and subsequently won an award for our combined efforts.

Two and two was put together at Awin, and all of a sudden we were inundated with requests to compete for creative campaign budgets across a plethora of brands. The reality of doing something different, and importantly showcasing how our industry is just as capable of being as creative as agencies and third parties was being realized. It was a simple innovation that has changed many an affiliate's way of thinking. We're changing our nature, disrupting the status quo.

This diversity in approach from brands and networks has resulted in a fundamental alignment of how we have been approaching campaigns. It has also led to us look retrospectively at campaigns we had executed in years gone by that would easily class as being creative, ones that we hadn't shouted about enough. Lesson learned.

So - what does storytelling look like? A few of our own examples for you.

Our in-house business intelligence unit was at a loss to understand why a particular date in May drove a significant amount of sales for a selection of our food-to-go brands. Every year, without fail, one Saturday drove us an insatiable number of sales. Eventually we managed to identify that it was in fact the evening of the (if you know it, I'm sorry!) Eurovision Song Contest. A closer look at the figures and nearly seven million Brits are said to enjoy the Eurovision festivities.

It's a fantastic example of complementarity. Staying in and watching TV while ordering takeout is a process we all enjoy from time to time. It enabled us to pitch for the following year, actioning a creative campaign that allowed one of our food-to-go brands the ability to 'own' one of the busiest days of the year for takeout orders.

We utilized all of our available advertising mediums and created segments of users that we knew from previous purchase history were avid TV consumers or serial food-to-go shoppers. Pitching a campaign that kept the food-to-go brand at the front of mind from the moment they woke up until the time the Eurovision show started, involved email, retargeting, segmented offer alerts, Facebook advertising, and finally a push notification 30 minutes before the start of the live TV broadcast.

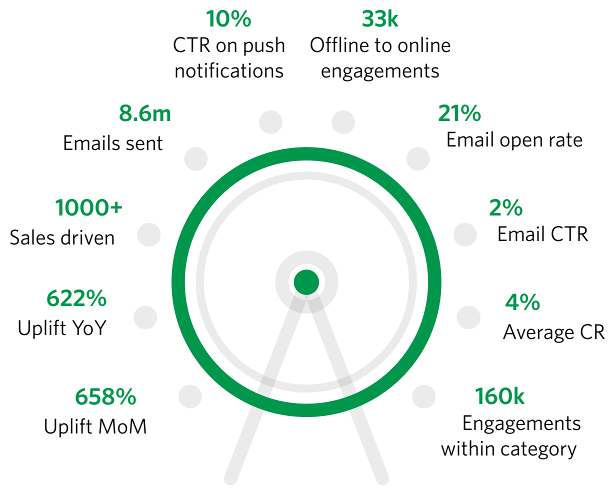
It's a campaign that we run each year without fail. We even tested our Australian base with campaign messaging for breakfast takeout, seeing as they managed to participate in recent years!

Another example that has turned creative thinking into repeat business is our half term attractions campaign. Utilizing our vouchercloud app, we created a geofenced 'ring' around London's zone 1 train termini. Think Paddington, King's Cross, Waterloo, Euston et al.

Anybody who had the vouchercloud app installed and subsequently entered London's zone one 'ring' during half term school weeks who hadn't previously entered the same zone in the past 30 days was added to a segment of users dubbed 'tourists.'

This enabled us to produce a campaign for one brand to again 'own' our half term London attractions space, and anyone who was dubbed a tourist and entered our trigger zone was pushed offers for London's best tourist attractions - think big wheels, waxworks, sealife and the scary side of London's past.

Campaign statistics



Incidentally, this also enabled us to work with last-minute hotel brands over the Christmas party period. Fine tuning our targeting to reach users who may have missed their last train home with reduced rates at nearby hotels, or even a first-ride reduced cab home via our automotive partners, all adds to the creativity and value that we can drive brands on a more consistent basis.

These are just a few examples of a continually evolving set of creative campaigns that we are pitching and delivering to brands as part of our ongoing partnership. The beauty of this approach isn't just to whet our creative appetite, but it's the associated value that, in my opinion, does the industry a favor.

Referring back to our direct brand contacts who are in a constant internal battle for creative ascendancy, the campaign execution and post-campaign reporting (the product of our creative efforts) they receive is used as a showcase of affiliate creativity gets the industry noticed and allows them to showcase how, even with set budgets and a complementary ROI, the affiliate industry should not be a creative afterthought and instead should be given more investment.

We're an industry of seriously creative minds but, ironically, perhaps we're not the best at our own marketing!

Sector insights

Telecoms

2018 Trends

11.7m
Telecoms sales tracked across the network

$280m
Commissions paid to publishers by telecoms brands

$20.00
The average commission earned in the sector

20,000
The number of click and sales-active affiliates working with telecoms advertisers

Regional Market Stats

9,000
The number of active publishers in the telecoms sector in the UK, making it the biggest market on the network

18%
The volume of Apple sales in the telecoms sector in France, emphasizing the importance of first-party tracking

56%
The portion of telecoms sales driven by sub networks and price comparison affiliates in Poland

Top 4 telecoms markets by conversion rate

5.8%
Switzerland

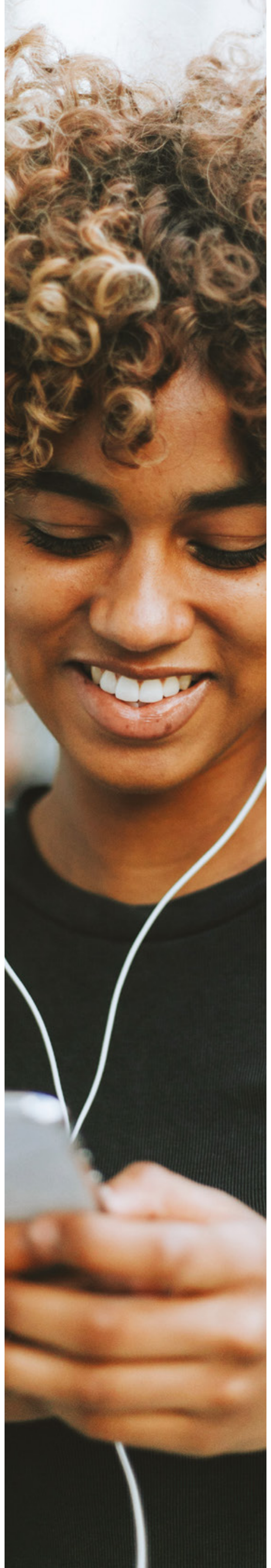
4.7%
UK

3.5%
US

2.0%
Spain

Telecoms sales by publisher type

23%	17%	17%	19%
Comparison	Cashback	Discount code	Content
12%	4%	4%	4%
Sub networks	Tech partners	Email	Social



Telecoms is an industry that moves at speed. Speed, in fact, is a central facet of its marketability. Broadband speeds. Download speeds. Streaming speeds. These are all of fundamental importance to consumers in an era that is defined by our ability to connect with one another or consume content near instantaneously.

The pace of technological change within the telecoms industry is also rapid and has led to major transformations every few years. Consider the evolution of internet connection technology - from dial-up and DSL, to fiber and the wireless possibilities of 5G's imminent rollout. Or, the changes we've seen since the iPhone's launch in 2007, ushering in the mass adoption of smartphones around the world.

In a sector so prone to such swift transformations, advertisers and affiliates have both had to remain agile to keep up with consumer demand. The market is hugely competitive and the desire to get a 'good deal' and frequently upgrade to the latest iteration of a handset or connected device means there is a well-established culture of 'switching.' Brand loyalty, with the possible exception of Apple, is largely missing from the telecoms market and that means larger affiliates in the sector hold a greater sway than they do in most other sectors.

Comparison engines in particular are significant here. The telecoms sector is somewhat unusual in the fact that these publishers wield huge influence, to the point where the dynamic between the biggest ones and their advertiser partners is one of virtual parity. Many comparison sites are mature, sophisticated and powerful businesses in their own right and that status means they can negotiate premium tenancy-based exposure packages and dictate terms to clients seeking to appear within their highly-trafficked listings.

That has led to valuable improvements in these partnerships that set a standard for the rest of the affiliate industry. The development of rich data feeds, innovative benchmarking reports, use of custom parameters and additional post-transaction data is indicative of an industry that has invested heavily in ensuring these partnerships are fully optimized.

Post-transaction data has proven especially useful in an industry whose products are characterized by their contractual nature. Customer churn rates have long been scrutinized by telecoms merchants. In doing so they have been able to tailor promotional activity with selected partners in a more targeted fashion. Cashback affiliates have demonstrated usefulness in this regard, capable of delivering high-value customers who have long-term worth to the brand.

While consumer interest in upgrading handsets appears to be experiencing a relative slump, currently due to a lack of innovation and the saturation of smartphone adoption, 5G's advent suggests a possible impetus for future growth. The global rollout of the technology promises much, and many industry figures have excitedly proclaimed its revolutionary impact in anticipation of it arriving. Download speeds up to 1,000 times faster than 4G have been cited and could transform the shape of the entire telecoms industry yet again.

A galaxy of interconnected devices could finally realize the potential of the Internet of Things, bringing everything from smart fridges and microwaves to heart monitors and other biomedical devices online, enhancing the insights that can be drawn from them. AR and VR technology could evolve into becoming a mainstream experience for consumers and the improved download and streaming speeds could have a profound impact on the esports and gaming industries that have recently begun to attract wider interest from advertisers.

While all of these prospects remain speculative for now, what is certain is that we're on the cusp of a possible technological revolution, and the telecoms industry stands ready to push the boundaries of what e-commerce looks like, with affiliate marketing at its forefront.

Case study

Carphone Warehouse

Aligning brand strategy to boost the launch of two new iPhones

With four individual telecoms brands operating under the Carphone Warehouse Group (Carphone Warehouse, Mobiles.co.uk, E2Save and ID Mobile) a key internal focus for this major UK client was to improve synergies across these separate identities. This was especially important in a year in which Apple would launch not one, but two new handsets: the iPhone 8 and iPhone X.

By combining the expertise and reach of CPW's multiple brands, the group hoped to capitalize on the huge consumer expectation for these new market-leading devices. The affiliate channel seemed the perfect place from which to drive this strategic initiative.

An integrated approach

To mark the beginning of the new CPW group team at Awin, all account processes were reviewed, procedures aligned and, where possible, efficiencies were made.

- The Awin team worked at the CPW office weekly, with the brand working in return at the Awin office once a month
- The affiliate team further integrated with the brand, attending trading meetings and meeting senior CPW stakeholders
- Group business reviews and strategy days were introduced to the program
- Benchmarking and GAP analysis reports were introduced to review the groups market share and identify areas of growth for all brands

Testing the new strategy via the iPhone launch

The iPhone launch presented an opportunity for the group to test the benefits of this new setup, with the teams collaborating on a series of initiatives designed to support the all-important campaign launching the new handsets.

Building pre-launch buzz

Knowing the launch of the new iPhones would incite a lot of anticipation from consumers, CPW incentivized the promotion of their pre-registration page for the iPhone launch by using a non-CPA model with a selection of key content publishers like Tech Radar, Time Inc. and The Telegraph. The success of this initiative was such that it will now be used for all subsequent product launches.

Reporting

A key consequence of the overall group alignment was the building of a new reporting suite that featured a number of new and detailed metrics designed to provide insight on specific product lines and the affiliates most effective at driving sales of them. With this overview, they could more effectively incentivize and optimize those partners that were contributing the most value to the program and identify those most likely to succeed in promoting Apple's new devices.

Pitching for premium exposure

To secure premium CPW exposure for the iPhone, it was going to be crucial to build close relationships with key publishers in the channel. The CPW group therefore invited publishers into a pitch scenario to compete for promotional budget. Supplier funding made this a lucrative proposition and several top publishers put together compelling packages that involved site-takeovers and onsite pop-ups from some of the UK's biggest incentive publisher sites.

Incentive sites weren't the only ones involved though and by the time the campaign launched, the CPW group had secured premium exposure with a record 14 different affiliates encompassing cashback, comparison, coupon and content sites. This ensured that promotional messaging was being broadcast across a huge breadth of platforms and at numerous phases in the purchase cycle, from inspiration and research through to comparison and conversion.

Success bolsters the case for the affiliate channel

The iPhone campaign was hugely successful for the CPW group, with the team seeing a significant uplift across a series of important measures that demonstrated the improvement in performance and the health of the overall ROI to the brand.

Indeed, the success of the results was borne out by feedback received from CPW's own senior management team:

+17%	+14%	+11%	-2%
Clicks	Sales	Commission	CPA

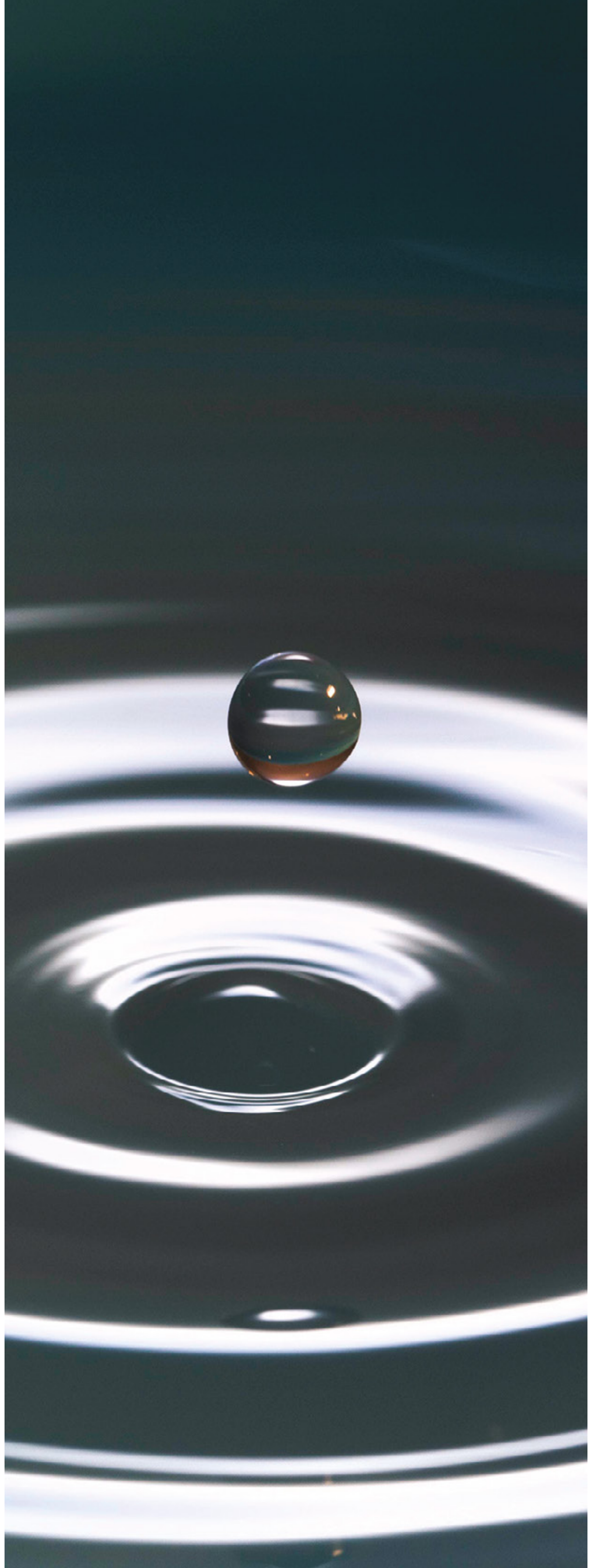
The iPhone launch campaign was just one element in a year-long strategy that saw the CPW group demonstrate the effectiveness of the affiliate channel in using insight, innovation and an aligned strategy to drive growth and value to its various brands.

In doing so, the team secured extra budget for subsequently investing in the channel, and also saw their own teams grow with extra heads being recruited to ensure their programm would continue to scale and receive the service and support needed to take it to the next level.

> *"We have collectively delivered some spectacular results. The CPW Senior Leadership Team and I have been blown away by the level of planning execution and tangible YOY growth. We look forward to reviewing in detail at the next QBR. Thanks again to the amazing Awin team."*
>
> Andrew Billington,
> CPW Senior Leadership Team

Industry views

The impact of regulation



SHERIDANS

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Online data privacy is currently an issue of utmost importance to users and regulators around the world. What do you think of the current attempts to regulate its use, and how effective do you think these laws might be in preventing data misuse by the wider online ad industry?

(EJ): The recent attempts to regulate the use of personal data, thinking particularly about GDPR and the upcoming ePrivacy Regulations, are arguably long overdue. When it comes to personal data, the previous laws effectively pre-date the internet.

These laws do two things. Firstly, they make it more difficult to use personal data without reflecting on how that may impact individuals and society generally. Secondly, they bring into focus the traditional online value exchange – free services in return for data – so that consumers can now consider whether that value exchange is a deal that actually works for them.

Ultimately, effectiveness will be determined by enforcement. We have yet to see how GDPR will be enforced to any material degree, and whether that enforcement action will cause businesses to change their approach.

(LCG): We think that GDPR has been a huge revolution, with special reference to how data protection is addressed. In our view, GDPR changed the perception of data protection in many companies' daily lives.

There are still huge gaps to be resolved though; the law does not match the industry's needs, the protection of users' data and the lack of awareness from users.

For these laws to become more effective, it should be emphasized that you have to enable users to make well-informed decisions.

(GK): In the United States, the digital media industry has embraced a self-regulatory approach through organizations like the Digital Advertising Alliance (DAA), Network Advertising Initiative (NAI) and other trade bodies. Industry-established standards are always preferred by businesses over legislatively dictated solutions. However, as questionable privacy practices have emerged and concerns have been voiced by the public, lawmakers are reexamining their hands-off approach and considering new laws to regulate how data is collected and used online.

What do you forsee being the likely consequences of California's Consumer Privacy Act (CCPA) and/or the EU's ePrivacy Regulation upon the advertising industries?

(EJ): The CCPA is state-level legislation in the US and therefore does not have the same reach as a federal law. It seems to be inspired in part by the EU's GDPR and if so, the consequences are likely to be similar, assuming the territorial scope applies. As for the ePrivacy Regulations, there are still some key points that are not yet totally clear, as the draft is bounced between the various EU institutions.

It's conceivable that ePrivacy Regulation will actually make things slightly easier for advertising industries, as it may provide website publishers the opportunity to block access to their content if cookies are refused. Under GDPR, which feeds new definitions in to the existing Privacy and Electronic Regulations, this is not strictly permitted although continues to be prevalent.

(LCG): In the wake of GDPR, the market's attitude will be to become stricter and more careful from a formal perspective (such as data protection clauses in all agreements, or data processing agreements), but at the same time from both a technical and a business side, there will be an attempt by many to identify new loopholes.

(GK): The CCPA is a watershed moment for the advertising industry in the United States. For the first time, a state will be broadly regulating personal data. The CCPA is extremely vague. Under the CCPA, "Personal Information" includes online identifiers, browsing history and even "inferences" drawn from such information. The law requires that individuals be provided with an opt-out opportunity before such information is shared with third parties. This infrastructure generally does not currently exist in the industry. If the law is not significantly revised through further amendments or rule making, or preempted by a federal privacy law, then the industry will have to materially change its practices to comply.

How at risk does legislation like this leave the traditional affiliate model?

(EJ): The traditional affiliate model, although it does depend on some very basic user profiling and tracking across devices, is not in any way as invasive as other forms of online

(LCG): The problem for the affiliate model is the nature of its role; being an intermediary, in any industry, always has its disadvantages. As for the wider advertising market, the biggest problem is that both publishers and advertisers will ask for guarantees. So it will certainly be a great challenge to balance those needs for reassurance while continuing to provide these services effectively.

(GK): These laws have a common theme of transparency and data access rights. Presently, businesses in the US are not under a legal obligation to share with consumers information about the personal data they have collected from them. With the advent of these laws, affiliate marketers, like all marketers, will have to share certain information with consumers upon request. That's a new process that most in the affiliate marketing space are not accustomed to handling.

The rise of influencer marketing has arguably highlighted the necessity of disclosing paid-for advertising partnerships in an online environment. Do you think the next couple of years could be pivotal in clamping down on non-disclosure in order to improve transparency around this issue?

(EJ): Yes, I do think this will be the case. We've seen action and guidance from the Advertising Standards Authority, changes to the CAP code and also more recent measures taken by the Competition and Markets Authority. These measures relate to influencers specifically, but also affiliate links in general, and mostly deal with disclosure requirements to ensure that those links are identifiable as ads. However based on my understanding of the impact of these types of disclosures in other scenarios, I don't expect there to be a huge impact on the efficacy of this type of marketing.

(LCG): In Italy in the past two years we have had a great revolution of this from a regulatory perspective (new self-regulation and decisions by local authorities) and from the gradual increased public awareness. We see now in each negotiation with influencers that these issues are frequently raised. There are some brands (and influencers) still resisting this, but the agencies are almost all on board and in favor of disclosing paid-for advertising partnerships. After a first phase of awareness of the issue, the next two years could lead to consolidation of the legislation and practice in a more systematic way.

(GK): Proper disclosure of influencer marketing relationships and activities was a key focus for the Federal Trade Commission (FTC) in 2018 and in earlier years. Since that time, the FTC has replaced all five Commissioners with new individuals. These Commissioners set the agenda and enforcement priorities for the Commission. While it's likely that influencer marketing will continue to be a focus of the Commission, it remains to be seen how this issue will be prioritized among the many issues facing the agency.

Effective content monetization remains a fraught issue for many online publishers (particularly in online news and media). Do you think that regulators should play a role in ensuring that digital content creators receive a fair payment for the services they provide?

(EJ): I think that government, rather than regulators, has a role to play in ensuring that these important services can be monetized fairly and that digital content creators do not find their content exploited by third parties. That said, I do think that regulators have a role in avoiding unnecessary damage to creators of this content. There needs to be some level of understanding from regulators that, while there is a public benefit to ensuring individuals' privacy is respected, there is also a public benefit in individuals having access to trustworthy journalism and investigative reporting. There is a balance to be struck here at a policy level.

(LCG): Not so much the regulators, but in our view this role shall be played mostly by self-regulatory bodies or associations. We find it very interesting that there are so many current initiatives about certifying inventory and its quality. IAB Italy has just launched a project on this, and it seems very promising. With a reliable certification, the advertisers will have the power to choose only trustworthy publishers. As a direct consequence, the market will automatically exclude suspicious suppliers.

(GK): The FTC is focused on protecting consumers, not mediating B2B disputes. However, lawmakers could always wade into issues that they feel are ripe for new legislation. Mere B2B disputes and negotiations over payments are often unlikely candidates for new laws.

An increasing number of countries around the world are discussing (and in some cases have already implemented) online tax laws that are designed to create more balance between digital and real-world retail. What's your take on whether this can be done in a way that protects brick-and-mortar while not stifling e-commerce?

(EJ): The tax laws around the world clearly advantage online businesses that operate globally, or according to their tax returns, don't appear to operate or even exist anywhere at all. This is an extremely complicated area of law and one on which a large number of vested interests come to bear.

It is assumed that these laws can only work effectively if implemented globally. That may well be true, but ultimately individual nations and also institutions like the European Union can take on some of this challenge. The recent implementation of a location-based tax for digital services in the UK is, in my view, a welcome step towards a fairer application for the tax laws in this country.

(LCG): This is a complex and evolving problem, mostly connected with economic aspects. In our view, instead of drafting laws to promote and/or facilitate one of the two worlds, measures are needed in order to 'connect' both the digital and real-world environments of retail.

(GK): The United States Supreme Court recently ruled in South Dakota v. Wayfair that states may collect sales tax on internet sales between in-state consumers and out-of-state retailers who don't have a physical presence in the state. As a result, many states are passing and/or updating their nexus tax laws to take advance of this new flexible standard which is not rigidly based on a physical presence in a state. We can expect to see this trend continue.

The affiliate industry has had some success in regulating itself in certain markets. What do you see as the benefits of this approach versus the enforced regulation of an industry by external organizations or bodies?

(EJ): The main benefit of self regulation is that an industry would never propose to regulate itself in a way which is fundamentally damaging. It therefore offers industry an opportunity to propose a legislation that works well for industry. Whether the self regulation goes far enough is often the big question here. However, I think self regulation can be an excellent starting point, as long as there is a means of enforcement. Otherwise, there is the inevitable concern that the regulator may not have true insight into knock on effects its regulations may cause.

(LCG): We have great respect for self-regulatory bodies and initiatives. We think that for the advertising market they are the best choice. The main benefit is that, for a complex market with many players involved, the rules will be fairer if they are drafted by someone who knows not only how the market works (technically) but also about the business dynamics behind it.

(GK): As mentioned previously, self regulation is generally preferred by businesses. However, a truly robust and effective self-regulatory regime with real consequences for non-compliance takes time and work to establish and get buy in from the industry. Once in place, regulators may defer to such comprehensive schemes if they do a good job of regulating the applicable industry. The affiliate marketing industry is not there yet.

Google and Facebook's advertising platforms currently dominate worldwide growth of digital ad spend. Do you think legislation should be used to prevent the kind of monopolization we've witnessed in the industry in recent years?

(EJ): Google and Facebook both operate models where a monopoly is required in order for them to be most successful. Facebook is only a successful social network if all of society appears on it - if half of your friends are on another platform, neither platform will be truly successful. Similarly with Google, its search results are most accurate because it learns from the broadest use and interaction by individuals. Where monopolies arise in any territory, or where a particular business or sector offers some kind of a societal function (be that energy, telecoms, water or transport) they may find themselves subject to regulations intended to maintain effective markets and prevent abuse. Personally, I think it is only a matter of time before Facebook begins to see specific regulation, particularly given their impact on elections over the last few years.

(LCG): Yes, of course. If we think about antitrust or unfair competition laws, the problem is that most of the time it is not worthwhile for a company to challenge the big tech incumbents, and this is something that the law should consider and prevent.

(GK): The United States has a well-established body of antitrust law to ensure there is fair and legal competition in an applicable industry. A well-known example of the exercise of such laws was the breakup of the Bell System in the early 1980s. I don't think we're anywhere close to that right now. There is competition and these are not essential services. You can live without posting on Facebook!

Regulating an industry like online advertising, which is notoriously fast-paced, appears to often leave legislators at a distinct disadvantage when attempting to create laws that reflect the reality of the marketplace. Is this simply the nature of law making or can lawmakers be better empowered to improve this predicament?

(EJ): Most regulations attempt to be technology neutral, and therefore they focus on principals and outcomes that become the focal point of compliance. It is therefore possible to create laws that reflect the reality of the marketplace and stay relevant over time. That said, paradigm shifts inevitably arises, causing changes in societal behavior. A great example is the post-Data Protection Act 1998 rise of Facebook. The Data Protection Act 1998 could not foresee a ubiquitous worldwide service in which individuals volunteer huge amounts of extremely revealing data to a large company based abroad. There is therefore only so much law makers can do to future proof the laws they make in the longer term.

(LCG): Drafting useful legislation requires time and involves a lot of bureaucracy. The online advertising industry is the perfect example for this comparison. The law is on one track, at 10 mph and the industry is on the next track at 200 mph.

May they meet at some point? We think so. But in ways in which they have to be innovative and reach a fair compromise between the two perspectives.

GDPR is already different from any other regulation, it established milestones and principles with the purpose of not making them outdated since their introduction. Such principles could be a guidance for other more flexible forms of legislation like guidelines or self-regulatory codes, which are issued by experts in the market.

(GK): The law and regulation can never move at the speed of technology. The challenge for lawmakers and regulators is to draft and enforce standards that are technology-neutral and flexible enough to withstand the test of time. The most effective laws operate in this way. However, it's challenging to establish generic standards that should apply not only to current services, but future services that have not yet been launched or even conceived.

What advice do you have for advertisers with regard to handling their affiliate relationships?

(EJ): My advice to advertisers is to take a collaborative approach to complying with data laws when working with affiliates. As a starting point, advertisers are likely to need to obtain information from some affiliates to come up with their own privacy impact assessments and compliance strategies. This is especially relevant when working with ad tech affiliates. When implementing those strategies, there will also need to be an understanding of the roles of each of the advertiser, the network and the affiliate - particularly in respect of things like notice obligations. The network will have a hand in shaping these roles, as the entity determining the overall structure of the relationship between affiliates, networks and advertisers, but advertisers can also use their program terms to impose any extra requirements.

(LCG): We recommend advertisers to use only reliable affiliate providers, and to check carefully the 'chain of guarantees' in the agreements. Plus, we recommend they consider that partnerships with 'cheaper' providers can lead to unexpected consequences. Therefore, within the considerations to be made when running an affiliate campaign, reliability should be one of the top qualities to look for.

(GK): Document and monitor. You should have a sound written agreement with every business partner that accurately reflects the rights, obligations and responsibilities in connection with the relationship. You should do your due diligence before entering into any new relationship. Thereafter, do not just sign a contract and shove it in a drawer. You should monitor the relationship and promptly address problems or make improvements along the way.

What is your future vision for how digital marketing could be subject to legislation in five years' time?

(EJ): In five years' time I expect to see two things happen to digital marketing. The first is to see a history of enforcement action that allows us to understand the real impact of GDPR. The laws of a country tend to be comprised of two things: the statute itself and the interpretation of that statute by the courts, as recorded in a series of judgements to court cases. With GDPR, we really only have the statute itself - the fine-tuning offered by court judgements is entirely missing. This is inevitable when a new law comes in to place.

The second thing I expect to see is a shift in the use by individuals of technology to manage their personal data when held by multiple service providers. This would be driven partly by technological advancement (particularly in the use of increased decentralization and personal data APIs), and partly by a change in consumer behavior as individuals become more aware of the value of personal data and seek to renegotiate the traditional value exchange. This will then impact on the way digital marketing is subjected to legislation.

(LCG): I think it will be divided from all the other markets from the perspective of tax laws and data protection, simply because the nature of this market is so deeply different from others. This demands a different legislative approach from lawmakers.

(GK): If I could predict the future, I'd pick stocks instead of being a digital media and privacy lawyer! That said, I think we will see a shift to more privacy laws on the federal level and more regulation of an industry that has previously operated much on its own. Therefore, companies are well-advised to get ahead of the compliance curve and put in place comprehensive privacy and data security policies and programs that comply with applicable law, satisfy consumer concerns and help their businesses grow.

Affiliate **glossary**

Like any industry, affiliate marketing has its own terminology that can quickly leave the beginner confused. It can be an overwhelming experience to start with, and therefore we've collated a selection of the most commonly-used terms you're likely to come across and provided simple definitions to make the industry that much more accessible.

Being an inherently localized industry, you may find that some regions use different terms for the same concept. Because of that, we've included, where relevant, the variations that you may come across in different parts of the affiliate world.

Ad blocker
A piece of software that can prevent online ads from displaying on a user's device.

Advertiser
AKA: 'Merchant,' 'Client,' 'Retailer,' 'Brand' - Refers to a business that sells goods or services to a customer. In affiliate marketing, advertisers pay affiliates a commission for referring traffic to their site that then results in a desired action (for example a sale or lead).

Affiliate
AKA: 'Publisher' - An affiliate is the person or business who promotes the advertiser to an audience of potential customers. This is primarily done through a website, however it may also involve a variety of other means like an app, social media account or third-party technology platform. Affiliates do this in exchange for payment, which is usually a performance-based commission.

Affiliate network
An affiliate network acts as an intermediary between publishers and advertisers, tracking user journeys from one to the other. They also provide reporting facilities for analyzing affiliate performance, handle the payment of commissions to affiliates for retailers, and sometimes provide account management services to the merchants and account support to the publisher registered on their network. There are many additional ancillary services networks offer that will vary between suppliers.

Affiliate program
AKA: 'Program' - The name given to the individual advertiser's partnership with its publishers. An affiliate program is usually run via an affiliate network and gives retailers the ability to manage and monitor the performance of the affiliates promoting them. Affiliates wanting to work with a specific advertiser will first need to join a network or program to do so. Some programs may be managed without the services of a network, directly or through another intermediary.

API
An Application Program Interface is an interface offered by an organization that allows their partners real-time access to elements of their data. It is most common in affiliate marketing for an advertiser to offer an API to their affiliates where they can access live data relating to the products they sell.

Attribution
A term used to describe the method of allocating value to the various touchpoints during a customer's journey towards an eventual sale. Attribution is often considered a catch-all phrase, but can mean how contribution is attributed within an individual program or it can refer to how affiliate marketing interacts with other digital marketing channels. Attribution is often employed to decide where marketing budgets are invested. It is rarely used in real-time to divide commissions between affiliates.

Average Order Value
AKA: 'Average Basket Value' - By dividing the money spent by customers by the number of individual orders they made we can calculate the average value of those orders or 'AOV.' Often averages will be created to show the performance of an affiliate program. It is always advisable to make the distinction between affiliates and affiliate types when considering averages as the variations may be marked.

Banners
AKA: 'Creative' - A graphical type of advertising that publishers can use to promote merchants These come in a variety of sizes and formats. Standard formats include but are not limited to 120x60 (pixels), 120x600, 234x60, 728x90 and 320x250. While many people associate affiliate marketing with banner creative, they typically will account for a small proportion of sales. As well as tracking on click, some programs may track on a post-impression basis.

Basket
AKA: 'Shopping Cart' - A piece of e-commerce software that allows users to a site to list the items they intend to purchase before eventually buying them.

Basket abandonment
AKA: 'Cart abandonment' - A behavior demonstrated by online shoppers who add items to an online shopping cart but don't complete the transaction, instead abandoning their basket.

Blog
Short for a 'weblog.' A website that contains regularly-updated content.

Bonus
A monetary amount given by advertisers to affiliates that sits outside of their conventional commission structure. This may be awarded for particularly strong performance.

Brand bidding
A term used for publishers who bid on search engine keywords that are either the advertiser's brand name or phrases containing the brand name.

Cashback publisher
A type of publisher that offers an incentive to customers for shopping through their website. Shoppers are rewarded a percentage commission when they purchase a product or service through the affiliate's links.

Click through rate
AKA: 'CTR' - Refers to the percentage of visitors to a web page that then click through a link on that page to another page.

Commission rate
The amount of money that an advertiser offers to its affiliates for completing a desired action, such as generating a sale.

Comparison website
A website that aggregates products from several different advertisers to allow customers to easily compare prices and other details.

Conversion rate
AKA: 'CR' - The rate at which a publisher's traffic, when sent to the advertiser's site, is successfully converted into sales or leads.

Cookie
A small text file that is dropped on a person's device to track users moving from an affiliate site to an advertiser one. Cookies are often used by affiliate networks to ensure that sales are tracked correctly.

Cost per acquistion
AKA: 'CPA' - The amount that the advertiser is willing to pay an affiliate for an acquisition. The CPA may be set as a percentage or fixed value, and is also a metric used to monitor performance and to set targets to. CPA can also refer to cost per action.

Cost per click
AKA: 'CPC' - An online payment model whereby an advertiser pays for each click that an affiliate sends through to their site.

Cost per impression
AKA: 'CPI,' 'Cost per mille' 'CPM' - Where an advertiser agrees to pay an affiliate for every thousand impressions of the advertiser's creative that are shown to its audience. 'Mille' comes from the Latin word for 'thousand.'

Cost per lead
AKA: 'CPL' - The metric generally used to measure the success of lead-based affiliate programs or campaigns. Affiliates promoting a brand are paid a commission for the confirmed leads they send through to the advertiser rather than for a converted transaction. A lead might constitute a prospective customer's contact number or email address and details on their inquiry. The model is most common in the finance, automotive or home improvement sectors where products generally require more consultation or have an extremely high basket value.

Cost per sale
AKA: 'CPS' - The commission structure where the advertiser pays a publisher a percentage or flat fee for a sale of a product or service to a customer referred to the advertiser's site.

Cross-device tracking

A form of tracking that enables a company to record a series of interactions that occur across multiple devices. This is important for understanding how consumers access content at different stages when making a purchase.

Datafeed
AKA: 'Feed,' 'Product Feed' - A file containing a list of data in a structured form that is often provided by an advertiser to affiliates about their products or goods. Datafeeds like these are useful to those affiliates, for example, that want to build a comparison website, comparing products from different advertisers.

De-duplication
The name given to a process for ensuring two different affiliates aren't awarded for the same sale. This might occur when an advertiser has two programs on two different networks. If a customer has visited publisher sites from both networks, and ends up with two publisher network cookies on their computer, the advertiser can end up paying twice for one sale if de-duplication is not set up. De-duplication can also accommodate other digital channels, whereby an advertiser may not choose to pay for a sale if the affiliate channel was not the last referring channel.

Discount code publisher
AKA: 'Voucher code', 'Coupon' - A publisher type that offers customers discount codes for advertiser brands as an incentive to shop through their platform.

Earnings per click
AKA: 'EPC' - A measurement used by affiliates to understand how much money, on average, they receive for each click they send through to an advertiser. Calculated by dividing the total number of clicks sent through by the total sum of commission they have earned. Some businesses present this figure as earnings per 100 clicks.

General Data Protection Regulation
The EU's GDPR came into effect on May 25, 2018, with the objective of giving individuals control over how their personal data is used by businesses. It has arguably set a legal precedent for governing the use of personal data and has inspired other subsequent variations on the same matter in several locales outside of the EU.

Geo-targeting
The practice of using location-based information to target specific types of customer.

Internet Advertising Bureau
AKA: 'IAB' - The IAB is a global trade organization that works to develop standards, conduct research and advocate on behalf of the online advertising research and advocate on behalf of the online advertising industry. Country specific IABs exist in all of the countries Awin is present in. They act largely autonomously from each other.

Impression
A measure of the amount of times a web page is loaded. Often used to measure the effectiveness of display or banner advertising.

Influencer
A term used to describe publishers who have great sway over a particular customer demographic. Examples in affiliate marketing would include bloggers and social media personalities with substantial, loyal followings.

Intelligent Tracking Prevention
Apple's ITP facility that its Safari web browser uses to suppress the use of third-party cookies. The initiative was first launched in 2017 to prevent individuals from being tracked across sites by marketers and analysts. ITP has since undergone further iterations that have refined its ability to carry this out.

Landing page
The specific web page that a user lands on after clicking through a link.

Leakage
The term used to describe actions on an advertiser site that may lead to non-trackable sales. For example, where a call center number is featured. In this case, unless call tracking is implemented, the affiliate may lose their commission as the sale will be attributed to the call center instead.

Lead
A lead is information that may be used later to provide a sale later on. This is normally a request for a quote, the ordering of a brochure or the completion of a questionnaire.

Lifetime vale
AKA: 'LTV' - The total amount of money that a customer will spend with a particular company during their lifetime. Of particular use as a metric for service-based products like smartphone or broadband contracts. The definition of lifetime can also vary, some advertisers will measure this over a fixed period of time. This data can be used to identify which affiliates are best at driving the optimal types of customers.

Last-click model
The most prevalent attribution model in affiliate marketing that assigns credit to the affiliate who drove the last click before the sale occurred.

Loyalty & rewards publisher:
A publisher type that offers specific rewards and discounts to a registered group of users for shopping through their website or platform.

Mobile
Generally refers to smartphone activity and is distinct from tablet activity. Often the percentage of smartphone traffic tracked is higher than the proportion of sales seen. This is due to the exploratory nature of traffic on these devices. It is important to recognize the difference between various types of device and the traffic and sales they track.

Network override
The fee charged by an affiliate network to their advertiser partners for any tracked sales. Override will usually consist of a set percentage fee for every tracked sale. This is in addition to the commission paid to affiliates.

Post-impression
A post-impression cookie is one that is stored after an impression-based (banner) ad is served. Within the affiliate channel it is typically 30 days and means an affiliate can receive credit for a sale within the 30-day window.

Pay per click
AKA: 'PPC' - A payment model used primarily by search engines that is charged to businesses for appearing in the sponsored slots of keyword-based search listings. Those advertising in these slots will pay for each click that comes from appearing in these slots. Where affiliate programs cannot track sales, affiliates may be paid on driving clicks rather than transactions and therefore a PPC model may apply.

Program terms
The name given to the agreed terms and conditions between an advertiser and affiliate partner. These will generally make explicit the commission structure, how the brand should be promoted and any other information relevant to the partnership.

Return on investment
AKA: 'ROI' – A metric used to better understand the value of an advertising campaign or partnership. Generally calculated by dividing the money made from an advertising investment by the original cost of that investment.

Server-to-server
AKA: 'S2S' - Relates to an automated tracking method where the client communicates the relevant tracking details to a network when an affiliate sale has occurred. This communication is made via a call from the client server to the network's server rather than using browser-based methods.

Search engine optimization
AKA: 'SEO' – A marketing tactic that involves improving how well a web page ranks in a search engine.

Tracking
The process of monitoring a user as they move from an affiliate website to an advertiser site. Tracking is essential to the affiliate marketing model and ensures that the correct affiliate is rewarded for their contribution to a sale.

Tracking tag
The piece of code that sits on the advertiser's website enabling Awin to report within the system when a sale has occurred. Various fields of information are captured by the tracking tag including total sale value, commission group codes and coupon code (if used).

Tracking URL
URLs that are redirected through an ad server so that they can be tracked and counted.

Traffic
The number of visitors a website has during a set period.

Transaction
AKA: 'Sale,' 'Order,' 'Lead' – The name given to the ultimate objective of the affiliate program, completing the desired action.

Upper-funnel activity
Refers to the conventional sales funnel that describes the different roles that different affiliates can play in converting an eventual transaction. Upper-funnel activity relates to those affiliates that play more of an influential role, promoting the brand message, but who are less likely to convert traffic into immediate sales. Examples of these might be bloggers, influencers or editorial content sites that sit in this upper-funnel region compared to cashback or discount code affiliates whose sales incentives make them better at converting traffic into sales.

Validation period
Refers to the period between when a sale has been tracked and when it has been confirmed as 'valid' by the advertiser in question, meaning that the affiliate will now receive their commission.

White label
A product or service produced by one company that other companies rebrand to make it appear as if it were their own. The partnership allows the latter business to implement a facility without having to develop it themselves and is usually provided on a revenue-share basis.

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