

Affiliate Marketing

[Affiliate Marketing](#) is one of the hottest ways to sell products on the internet. The way it works is an “affiliate” is rewarded for every visitor, customer, and subscriber that it provides to another online business, the “merchant”. It’s the internet’s version of the time honored tradition of paying finder’s-fees for the introduction of new customers to a business, except it’s much easier, less expensive and ultimately more successful if implemented correctly.

Compensation can be made in the following ways:

- **Pay per Click** - Based on a certain value for each **visit**
- **Pay per Lead** – Based a certain value for each **registrant**
- **Pay per Sale** – Based on a commission for each **customer or sale**

The best thing about this system from the merchant's viewpoint? No payment is due to an affiliate until there are **results**.

The perfect profile for an Affiliate would be a website with lots of traffic, and customers who are in the target market of the Merchants products. The affiliate can generate traffic in the following ways:

- Pay per Click search traffic
- Their own organic website traffic
- Natural search traffic
- Links to other sites
- General advertising

An Integral part of the online marketing mix for many companies

Many companies are running affiliate programs and finding that it’s a great resource of web traffic. In fact, they are finding that it accounts for a higher percentage of online sales every year. In many studies, it is being shown that the increase in business seems to be approximately 15-20% of total online revenue on an annual basis.

So what are the options for a company that wants to jump in the affiliate marketing game? Essentially, there are two ways to do it:

- **Private affiliate system** – the merchant company would handle its affiliate system and would need to sign up for affiliates individually at the respective sites.
- **The affiliate company joins an affiliate network** - all tracking and payment of commissions is handled by the network. The following are the most popular: **Commission Junction, Linkshare** and **Clickbank**.

Most affiliate programs have a one-tier set up. However, multi-tier, network affiliate programs are also an interesting dynamic. This is a program that distributes commissions into a hierarchical referral network of sign-ups and sub-affiliates. Here is an example:

- Publisher # 1 signs up for the affiliate program with an advertiser and gets rewarded for the agreed activity conducted by a referred visitor.
- If publisher # 1 attracts other publishers to sign up for the same affiliate program using their code, all future sales by the joining publishers will result in additional, lower commission for publisher # 1

As you would expect, this system rewards a chain of hierarchical publishers who may not even know about the others, and can be very successful if implemented correctly.

In addition to the third party affiliate networks explained earlier, there are other automated solutions for merchants who want to implement a program. These include:

- Standalone software
- Hosted services
- Shopping carts with affiliate features

Affiliate Marketing: The History

Affiliate marketing sometimes had a negative reputation in its early days. The reason? Affiliates had the tendency to use spam to promote the programs in which they were enrolled. As affiliate marketing has evolved, the terms and conditions of affiliate merchants have prohibited this practice. However, spamdexing became a little more complex when they started sending out volumes of autogenerated web pages, each devoted to different niche keywords as a way of optimizing their sites with the search engines. Fortunately, Google has removed a lot of this mostly computer generated duplicate content from its index.