

## **A Theoretical Study on Affiliate Marketing For Business Strategy**

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### **Abstract**

Affiliates are mainly aggregated in networks and acts as the middlemen between a customer and the firm. Affiliate also called as publisher could be a company or a person who promotes the products or services of merchant website through their own website by publishing ads and providing links. Affiliate marketing is a type of online marketing technique where an affiliate/publisher promotes a business through an advertisement on their web site and in return that business rewards the affiliate with commission each time a visitor, customer generates sales. Merchants pay affiliate marketers on “Pay for Performance”.

An Affiliate Marketing strategy is a great way for businesses to keep a tight control on their cost per acquisition (CPA). Aside from increased control of CPA, an effective affiliate Marketing strategy allows businesses to build their brands at a lower cost. Many advertisers are finding this channel a cost-effective way to offset the rise in other advertising avenues such as print or television, banner etc.

The objective of this research paper is to analyze adoptability of affiliate marketing for business strategy in India and to study incentive model for affiliates.

Keywords: cost per acquisition, Pay per Performance

### **Introduction**

The internet technology has existed for more than 40 years now, yet it was the introduction of the World Wide Web that caused its fast market penetration in only four years, the internet reached an audience of 50 million users. It took the television over 13 years, Considering that, the internet can be said to be the fastest spreading information media in today's world. Of course, many people realized the huge possibilities of this media. Companies saw big marketing opportunities as internet user numbers increased (defines electronic commerce (EC) as “the process of buying, selling, transferring, or exchanging products, services, and/or information via networks, mostly the Internet and intranets.” Compared to traditional marketing, advertising on the web grew incredibly fast. There are major advantages of advertising on the web over traditional mass advertising.

In recent years internet based marketing has created a very competitive marketing. Online advertiser can be any company selling products like electronics, books, clothing, and air tickets online or could be insurance company selling policies etc. Publisher is the one who promotes advertiser's products or services through its website or blog. Consumer is the final and very important part of this cycle that see the advertisement and then makes an action (click) which takes him from publisher's website to advertiser's website and after making a purchase it is called conversion. Affiliate networked marketing has its own challenges as it involves many parties with different objectives of its own. Affiliate marketing can be viewed as an extra shop on the internet rather than a new tactic.

### **Literature Review**

Affiliates are mainly aggregated in networks and acts as the middlemen between a customer and the firm. Managing affiliate programme and measuring its effectiveness is a challenge. Affiliate programme can be useful to businesses as it saves on Cost per Action (CPA). For an effective affiliate programme businesses should bring in transparency in the activity and measurement, keep checks on ROI's of the activity, and ascertain true value of each participant in the program. Affiliate networks are helping brands to use cost-per-acquisition program effectively.

### **Objectives**

- To study affiliate marketing as business strategy in India.
- To analyze the functioning of affiliate marketing.
- To know the Incentive model of affiliates/publisher.

## Research Methodology

On the theoretical study of Affiliate marketing, methodology of present research is based on secondary data includes professional advice, Journals, Newspapers, textbook and internet. Data is analyzed on comparison of traditional marketing and online marketing. Research has viewed advanced and fast growth of online marketing has made a greater impact in the affiliate marketing in India.

### Affiliate marketing as business strategy in India:

Affiliate marketing has been introduced in India by many online companies. India being a big and diverse market place with growing online business has a potential for innovative and effective business models. Another favorable situation for affiliate marketing is its lower customer acquisition cost, and marketing expenses. Affiliates will get business opportunity through their websites or blog. Most of these affiliate programs ailing with India bloggers, social media platforms, and small business owners through their website to advertise their product and services. In order to attract affiliates to join affiliate programs various Indian and multinational companies have started their affiliate programs in India offering different types of incentives models.

These days, affiliates marketing are one of the important way to generate revenue for bloggers and other website owners. The companies are improving on the transparency in the business deals. Earlier Google Ad sense was the only option for bloggers for revenue and getting AdSense license was harder to come by. Even if one somehow get the license Google had complete authority to cancel the due amount sighting minor issues.

Online shopping companies, Matrimonial site, Online Job, Tours and Travel websites, And some other miscellaneous various industries currently offering Affiliate Program in India.

Affiliate marketing core consists of 3 parties: Advertiser, Publisher, and Consumer.

Ref. Fig. 1

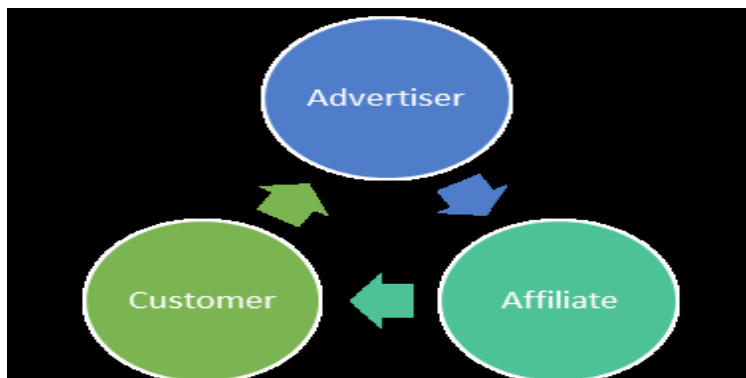


Fig .1

### Functioning of Affiliate Market

- Merchants are required to open an affiliate or associate program on its website where affiliates can register. Through this portal a merchant shall provide affiliate with all the necessary technology support like codes and links for the products and services.
- Affiliate are required to register itself to affiliate program of the advertiser.
- Once registered, affiliate provides links, ads, or banners from the advertiser and incorporates it in own website.
- Customer visits the affiliate's website; if he/she likes the ads or links and hence clicks it, he is redirected to merchant website.
- On visiting merchant website, if customer purchases the product or services from advertiser's website, then sales is considered as generated with the help of the affiliate.
- Then advertiser is supposed to pays commission to affiliate as decided in the agreement.

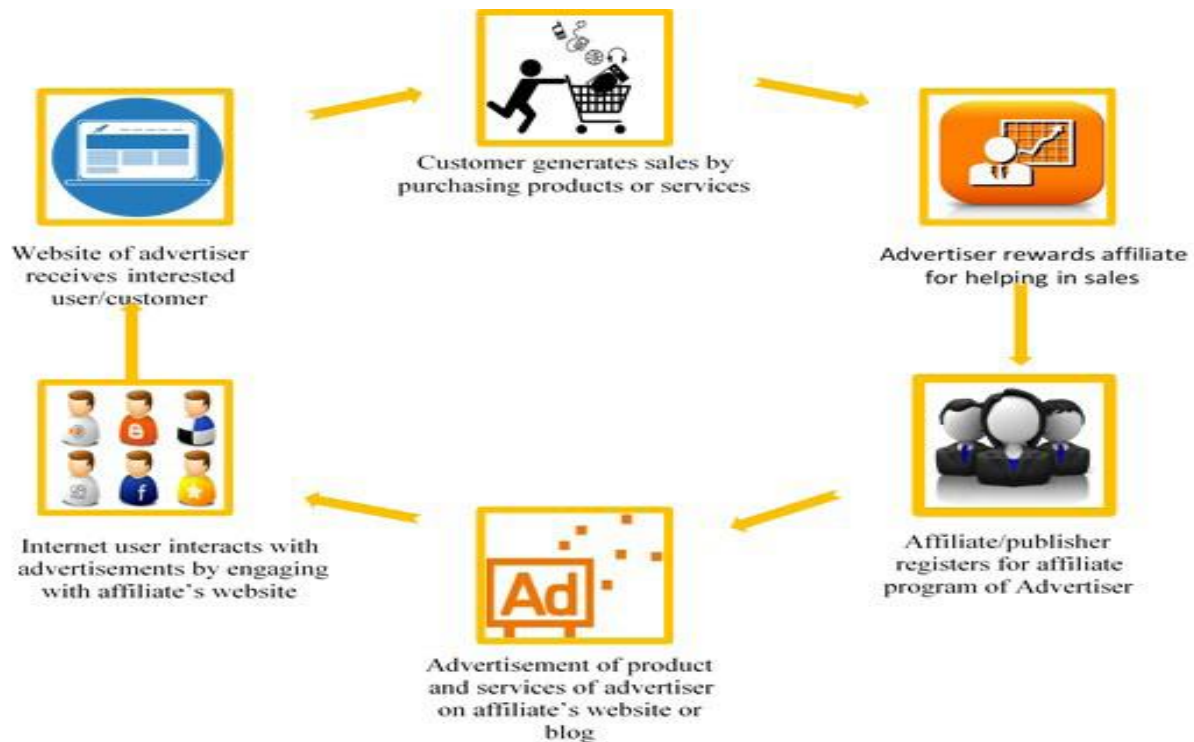


Fig 2

### Incentive model of Affiliates

- Pay per performance – merchant pays affiliate commission based on percentage of total order value
- Pay per lead / cost per acquisition – merchant pays affiliate commission for every lead or order referred from their site.
- Cost per impression – merchant pays affiliated commission for every 1000 impressions of their banner on affiliate's site.
- Cost per click – merchant pays affiliate commission every time a visitor clicks on their banner on the affiliate's site

### Suggestions

- Affiliates and merchants should build a good personal relationship with each other to communicate their requirement for success.
- Merchants should be alert on his business links and to make sure that tracking mechanisms is working properly.
- Affiliates and Merchants should concentrate to comply and modify their links which benefits their customer.
- Merchants should focus on developing brand loyalty and capturing market.

### Conclusion

Innovative customer acquisition programmers like affiliate marketing shall be growing extensively in coming years. Organizations should look beyond their present business models and adopt to cost effective models based on affiliate network. These innovative business models will create an opportunity for small businesses and individuals in generating earnings. Considering pace of technology, changes and innovations may come up but the conceptual base of the model will remain similar. Indian businesses and individuals can benefit from affiliate marketing in future.

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