Achieving Incremental Sales in Affiliate Marketing

Owen Hewitson, Client Strategist, Affiliate Window & buy.at

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1. Introduction

The place of the affiliate channel in an advertiser's online marketing mix is broad but complex. The average affiliate will promote an advertiser in a way that mixes a multitude of different promotional methods and breaches the boundaries of traditional affiliate categorisation. In deciding how to apportion spend and resource to each online marketing channel, advertisers need a clear view not just of the volume and ROI each produces, but the effect of these channels on each other.

In the affiliate sphere, as elsewhere, advertisers raise questions bearing on the extent to which the sales they receive through this channel are incremental. These are often phrased in the following ways:

- Would the customer have bought already?
- How do I know I am not paying for sales that I would have got anyway?
- Are affiliates capitalising on promotions that are financed by our business to give their own campaigns a boost?

This document will seek to:

- Address the questions above and the concerns they sometimes give rise to.
- Suggest types of questions that advertisers might ask of their affiliates' activity to assess the degree to which it is incremental.
- Provide practical ideas that affiliate managers can implement to boost incremental sales.

What is 'incremental'?

Whilst certain promotional methods in the affiliate channel have come under greater scrutiny than others when questions of 'incrementality' arise, the innovative nature of the affiliate channel is demonstrated by the way it has reflected – or driven – the way that people shop online nowadays.

Certain methods like voucher coding and cashback have risen in popularity with the rise of the smart, deal-conscious consumer. As it is easier to shop online so competition for the same customers over the same products and services becomes fiercer; and as the economy weakens, consumers become more eager to shop around to find a bargain. Therefore there should be some recognition on the part of advertisers that questions of incrementality should be framed by the reality of online shopping habits.

Achieving total incrementality is as unrealistic an expectation for the affiliate channel as it is for any other marketing channel. Even given the multitude of affiliate opportunities, and the sophisticated ways of targeting potential customers that affiliates can offer, a certain proportion of customers that are generated through the channel will have transacted on an advertiser's site regardless.

Similarly, in a competitive environment it is not realistic to expect that incremental sales equate only to those from new customers. Just because a customer has bought before does not necessarily mean that they will do so again. Incrementality can be defined in different ways. Whilst the amount of new customers a certain channel produces is an often favoured metric, advertisers may want to look at whether or not – and to what extent – the average order value has surpassed that of other channels. Similarly, they may want to look at the product bought, indexing against typical products bought and monitoring this per affiliate. Thus whether sales are incremental can be defined at the level of the customer or at the level of the order itself.

Attribution and de-duplication

The question of incrementality is inextricably linked to the question of attribution. These issues will be explored below in relation to particular types of affiliate activity that provoke the most common questions around attribution but it is important to state from the outset that attribution is not, and probably never will be, an exact science. Customers' paths to purchase are increasingly complex, and apart from the fact that a large number of different touchpoints might be involved, ascertaining the influence of those touchpoints on the customer's eventual decision to buy is not something that can be fully measured.

However, in making attribution decisions advertisers will have to know:

- **Firstly, what these touchpoints are** – As well as the different online marketing channels, what about offline media (display or print advertising that contributes to a customer's knowledge of a brand and therefore later intent to buy)? Similarly, with smartphone penetration in the UK now at 33% and 23% of time online spent online using a mobile device advertisers need to think about how online and offline touchpoints will become increasingly blurred as high street shopping increasingly involves a mobile-based decision path. Considerations like these require a deep insight into the customer's path to purchase and it is legitimate to ask whether insight at a sufficient depth can yet be provided.
- **Secondly, how to track and measure these touchpoints** – Advertisers may choose a third-party tracking provider to de-duplicate channels against one another, but not all channels will be able to be measured. Moreover, the de-duplication policy will need to be reasoned and transparent. Rather than looking at each channel separately

advertisers should seek to understand which multi-channel paths are more effective at producing conversions than others.

Advertisers often use de-duplication as a way to ascertain incrementality within the affiliate channel. De-duplication allows advertisers to identify which channel or activity is responsible for the sale and correctly apportion spend. But the logic by which de-duplication solutions are implemented (what rules determine the activity credited with the sale and the relative value of different activities in the customer journey) should be considered carefully by each advertiser based on an understanding of the customer's path to purchase, and how they interact with different touchpoints prior to the sale.

Thus advertisers should work from attribution to de-duplication rather than vice versa. In other words, *de-duplication is not an attribution strategy.*

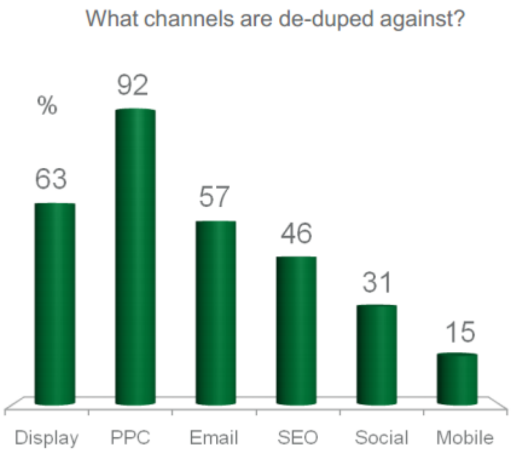
- **Thirdly, what value to attach to each of these touchpoints** – This is the crux of the issue of attribution which will inform assessments of incrementality.

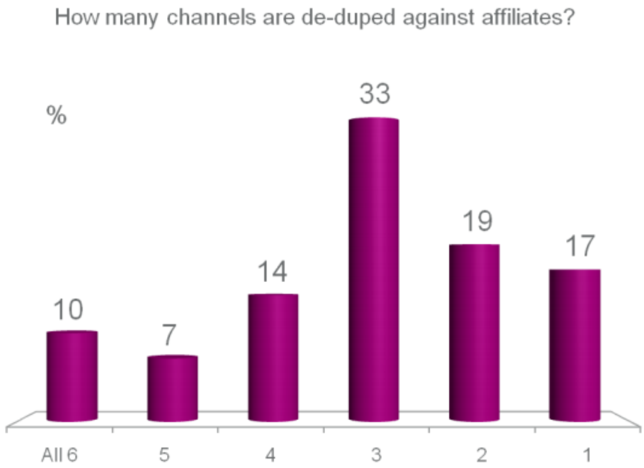
  Whilst advertisers may sometimes believe they are paying overly high acquisition costs to their affiliates with insufficient demonstrations of incrementality, it should be remembered that the customers that result can be remarketed to and re-engaged with by the advertiser at a later date independently of the channel. It can be argued that those customers may still choose to return via an affiliate site, but the choice of the consumer of where to shop on the web will be their own, and it is surely better that a customer return to an affiliate site and then to the advertiser than to go straight to a competitor.

Are affiliates winning or losing from advertisers' de-duplication strategies?

It is sometimes argued that a last click attribution model favours the affiliate channel, particularly those affiliates that offer incentives to their visitors (voucher code or cashback sites in particular). The business models of these sites depend on their being the last click, and it is therefore argued that on a 'last click wins' model they receive full credit for sales which have actually been assisted by other channels (through banner ads, direct mail, social, etc) and which should be credited (at least in part) for their influence on these sales.

This may indeed be true in certain instances. Only full-scale click-path analysis that takes into account each channel will be able to determine the most common paths to purchase. But it could be argued that other affiliates are as likely to lose as they are to gain on a last click wins model due to the extent to which their sales are de-duped against other channels.





Source: IAB / AMC Advertisers Survey November 2011

92% of advertisers de-dupe their affiliates' sales against paid search

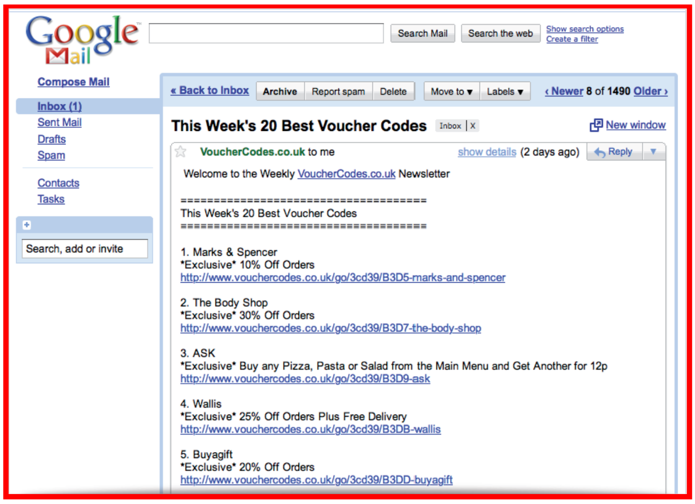
Paid search, particularly on brand terms, is often the biggest winner as many customers that research purchases on other sites (affiliates' content or comparison sites, for instance) will make a decision on a certain retailer and then return later after entering the name of that retailer into a search engine. In this case, the brand PPC ad would be credited as the last referrer and other referrers which had contributed to the customer's eventual decision to buy would not receive recognition for this. For this reason it can be argued that brand paid search is very rarely incremental.

Judging affiliates on activity rather than category

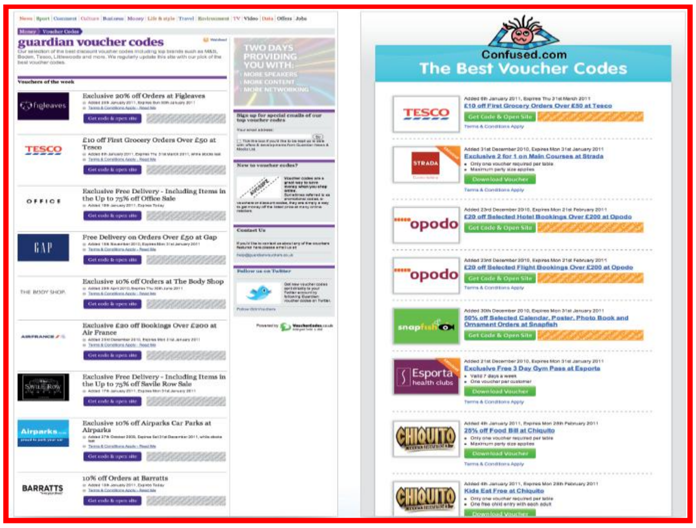
Too often questions around incrementality begin and end with a focus on categorisation. Usually the categorisation historically adopted within the industry – that of classing affiliates as voucher code sites, cashback sites, email or content affiliates, for example – is outmoded and fails to do justice to the way in which affiliates can drive incremental sales. It is more illuminating to ask what activity a particular affiliate is engaging in to promote an advertiser with, rather than just what method of promotion they are chiefly known for. It should be acknowledged that the best affiliates are those that are using multiple promotional methods. Affiliates that have built themselves into brands in their own right (which are sometimes bigger brands than those of the advertisers they promote), have had to do something of everything. It is in this way that they have been able to capture the user's engagement, trust and loyalty, and have established themselves as points of authority that often makes them the preferred shopping destination over and above an advertiser's site.

For example, VoucherCodes.co.uk would traditionally have been seen as a voucher code affiliate. This categorisation would likely have brought with it a collection of assumptions about the degree to which the sales they could produce would be incremental. However, far from being simply a directory of voucher code sites, VoucherCodes.co.uk can be seen as:

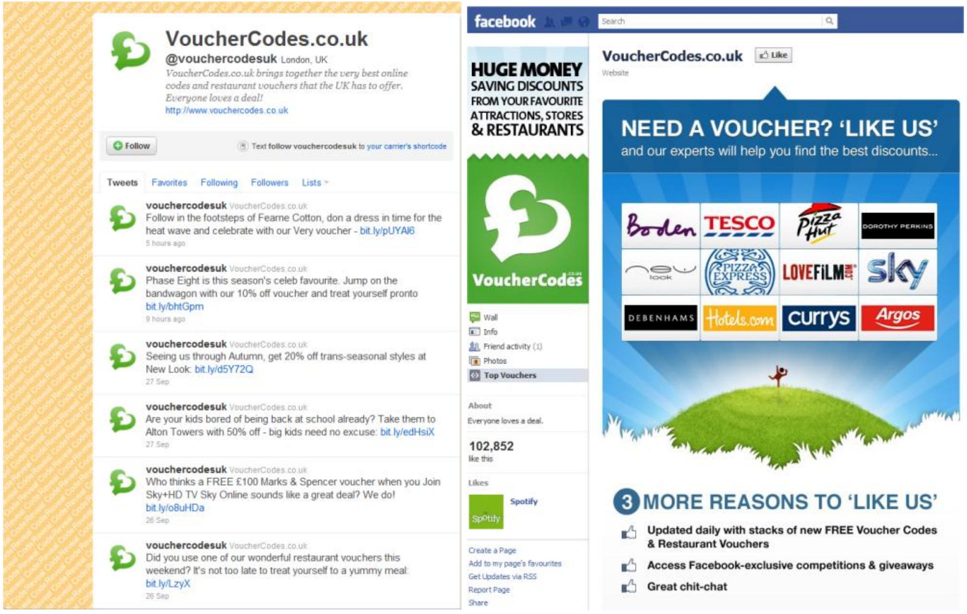
- An email affiliate – on the grounds that they have access to a highly-engaged opt-in email database of 4.5m members:



- A content site – on the grounds that their blog is updated more frequently and with more unique content than many sites considered 'true' content sites, and that they provide white-labelled voucher code portals for The Guardian newspaper and Confused.com:



- A social media affiliate – on the grounds that they boast over 100,000 Facebook Likes and 6,000 Twitter followers:



Nevertheless, because these forms of categorisation are a ubiquitous shorthand, for the purposes of this document we will use them to look at a number of different types of affiliates and how questions of incrementality can be asked – and answered – effectively.

2. Cashback

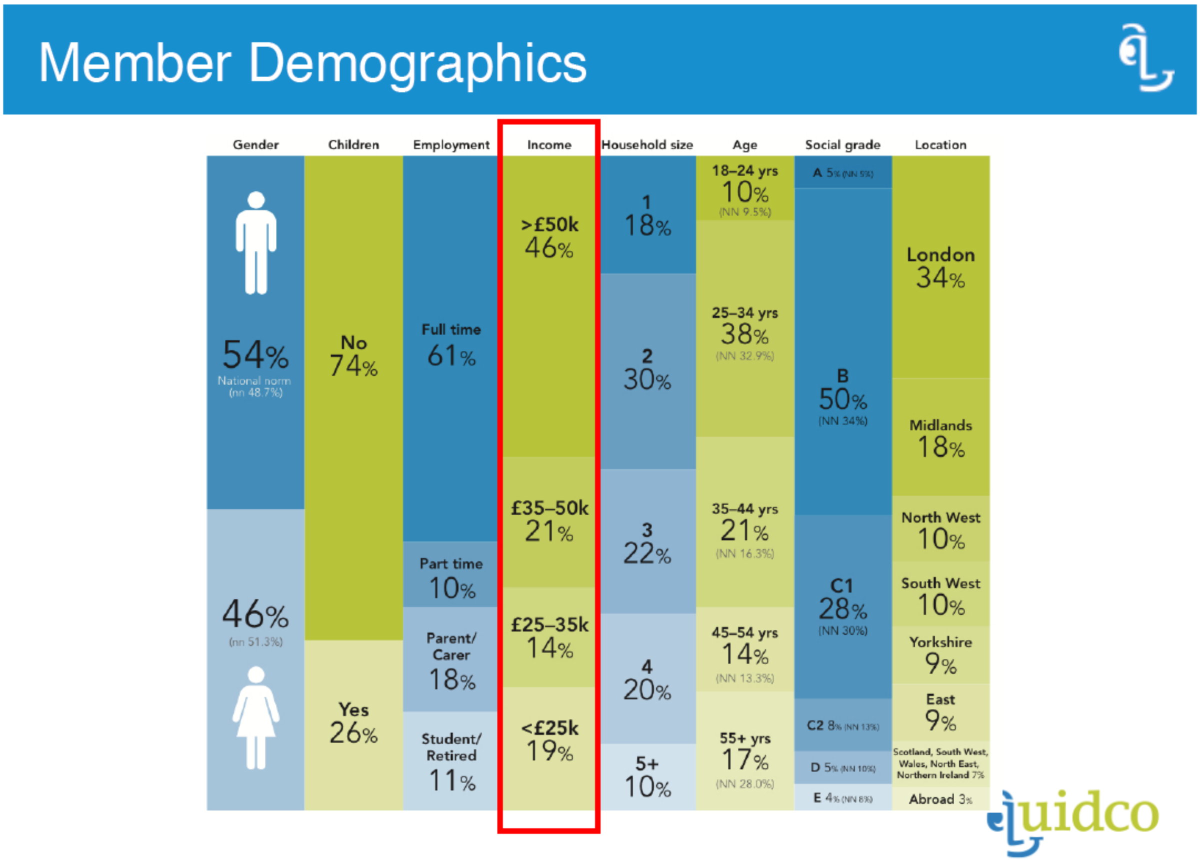
Strategic and tactical partners

A cashback, loyalty or reward site trades mainly on the loyalties that it can command amongst its members and as such these sites have a vested interest in making it habitual for customers to return to shop via their site when they make a purchase. As mentioned in the introduction, this is a part-and-parcel of the way that many people shop online nowadays.

At particularly competitive times of year when an advertiser has direct competitors that sell the same goods or services the question of incrementality is complicated by the fact that a certain number of customers that would usually come straight to an advertiser are more likely to shop around and could end up buying from a competitor. In working with cashback sites an advertiser is effectively trying to leverage the loyalty such sites command over their users to the advantage of its own brand against that of its competitors. Thus advertisers need to utilise cashback affiliates as tactical as well as strategic partners.

What does a cashback customer look like?

Cashback affiliates now have a vast amount of knowledge about their members' shopping habits which advertisers can capitalise on to ensure that their campaigns with them are better targeted. Demographic information can be particularly revealing. Rather than showing that cashback and reward customers are 'deal scavengers' who are income-poor and resist buying without an incentive, as Quidco's member breakdown below illustrates almost half of their members earn over £50k per annum (almost double the average UK salary of £26k in 2011) and the majority are classed in NRS socio-economic grades A or B:



In another example, a major high street department store profiled the types of customers that their major cashback, loyalty and reward affiliates referred over a given period. These sites produced an average number of new customers compared to their other affiliates, but those customers transacted more frequently and spent a considerable amount more than those from other affiliates.

TopCashback have recently commissioned some research into the shopping habits of cashback users (defined as those who had used cashback site in the last 12 months). A sample of 755 were asked to what extent they agreed or disagreed with the following statements regarding their use of cashback sites when shopping online:

Source: http://www.affiliates4u.com/news/2012/01/analysing-incremental-value-cashback/

Graham Jenner, Partnerships Manager at TopCashback comments:

"An interesting finding is that 52% of users purchase from brands that they had never considered before. This figure highlights the influence that cashback can have on the final decision. The 'we would have got the sale anyway' argument could fall down as over half of the users have bought from people they would not have considered." (source: 'Analysing the Incremental Value of Cashback', A4U News, January 2012)

Certain other sites that offer cashback through corporate intranets are also able to provide on-target demographic information for brands wishing to attract higher income earners. The nature of these corporate partnerships enables a reasonably clear link to be made between the employer and the income or even geographic location of the member.

Case Study: coverage beyond cashback

Another way of ensuring that the number of incremental customers referred through cashback sites are maximised is by supporting any cashback increase promotions with additional coverage from the affiliate.

One advertiser offering home furnishings ran a promotion with TopCashback doubling the cashback on a particular product, but keeping all other products at the original rate. This was supported by additional tenancy and newsletter placements including homepage coverage for a day (homepage banners receive 15m impressions/month) and newsletter coverage (distributed to over a million members).

The additional cost for this advertiser was £1,000, an amount which compares very favourably to offline print opportunities of the same scale. As a point of comparison, a major national newspaper offers coverage on the front page of its inserts for £10,500, reaching an audience of 950,000.

In return, this advertiser saw sales of the products on which the additional cashback was offered increase by 121%, with a 250% increase in revenue. Given that the advertiser sells home furnishing products the average order values (AOVs) are very high: the product on which the cashback was offered was a considered rather than an impulse purchase.This example demonstrates that targeted, tactical cashback rates work even on products that are not fast-moving.

Case Study: raising the AOV without a cashback incentive

However, advertisers do not always need to offer an increased cashback rate in order to increase incremental sales. As we have seen, far from being 'deal scavengers' who will not shop without a reward, cashback customers generally-speaking tend to produce higher average order values when compared to the affiliate programme as a whole.

One large electricals' retailer ran a competition with Topcashback to win a TV; in return, members had the choice of either making a purchase with the retailer or leaving a comment suggesting a product they would like to buy. The campaign was promoted on TopCashback's homepage and Newsletter. In the two weeks that the promotion ran this produced a 32% increase in sales and a 58% increase in orders on the same two weeks the month before. In addition, the average order value (AOV) increased from £237 to £251.

3. Voucher Codes

Should a voucher code site be awarded a commission if a voucher code was not used?

Some advertisers believe that sales generated through voucher code sites in which the customer has not used a voucher code should not be commissionable. This is an example of where an over-reliance on conventional affiliate categorisation models obscure an assessment of the incrementality of the affiliate's sale.

Whilst Affiliate Window provide a voucher code tracking solution to detect when a code is used, advertisers have to take into account that not everyone who shops via a voucher code site will use a code. They may, for instance, take advantage of a deal advertised on the site which does not have a code attached. These are clearly delineated for users on voucher code sites as a requirement of the Affiliate Marketing Council's Voucher Codes Code of Conduct. In this sense, advertisers can leverage the vast audiences that voucher code sites are able to access – for example, through the multiple channels illustrated in the case of VoucherCodes.co.uk above – without necessarily offering a code. Voucher code site visitors see these sites as much as repositories of deals as for voucher codes.

To move further away from traditional methods of affiliate categorisation, if advertisers are concerned that shopping via voucher code sites is overly habitual, or that the fact that a voucher code cookie has been dropped and the sale attributed to a voucher code site is not a good enough indication of incrementality, they may wish to offer voucher codes to other types of sites. However, if a code is offered to a smaller affiliate this obviously comes at the expense of the reach that voucher code sites can provide. So again, it is important for the advertiser to look at the kinds of activity the voucher code site is engaged in to generate the sale.

Types of voucher codes

The types of voucher codes offered are immensely important in establishing incrementality. Depending on the objectives of their particular campaigns there are a number of tactics that advertisers may wish to pursue to ensure that they do not unnecessarily sacrifice their bottom line or compromise their brand values in pursuit of higher sales volume.

- **Avoid offering a blanket discount on all products:** Blanket discounts are quite a primitive way of handling voucher codes and could yield poorer results in terms of conversions whilst unnecessarily discounting advertisers' products. They can cheapen the consumer's perception of the brand if the customer believes discounts are widespread and easily available. Advertisers which choose to offer a blanket code or offer may nonetheless want to consider the frequency with which these are released.

- **Exclusive codes to select affiliates:** Advertisers might want to offer exclusive codes to a select few affiliate sites identified as referring high quality, repeat customers, perhaps with high order values or strong conversion rates. Affiliate Window can provide voucher code tracking functionality to identify transactions where a code has been used and by which affiliate. This means that merchants can decline the commission on a sale from an affiliate not authorised to use this code.

- **Free delivery code:** These have the advantage of not devaluing the product itself. Many shoppers hate paying the delivery costs because it is not related to what they are buying or the brand itself, and may abandon the basket to search for the same product elsewhere without the postage costs. comScore reports that 61% of US consumers are "at least somewhat likely" to cancel their entire purchase if free delivery is not available, and orders which include free delivery record basket values averaging 30% higher than does that do not.

- **Free product code:** Rather than discounting the cost of the customer's basket, merchants might want to offer a free product instead. For example, 'Free box of chocolates with every order of Valentines Day roses over £50', or 'Free Bluetooth headset with every contract mobile phone order'. The perceived value to customers can often be greater than their actual value.

- **'Quick-Expire' codes to increase urgency:** This tactic involves varying the expiry dates of voucher codes, and varying the times at which they are offered. For example, many competitor merchants will set the expiry date on their codes to the last day of the month. One possible tactic merchants might want to consider is to release a code that is only valid for a short time, or that expires on a date other than the end of the week/month. There are two possible benefits of this. Firstly, the merchant can avoid their offers competing directly with those of their competitors; secondly, if a code is set for only a limited time it creates an added urgency to the customer incentive, pushing users to transact before the code expires.

- **Site abandonment codes:** Merchants could offer a code targeting users who abandon their shopping baskets with a voucher. Research indicates that as much as 87% of online shoppers abandon their baskets prior to purchase. Whilst many might be doing so specifically to look for a voucher code before making their purchase, if the email address is already captured following up with an offer of a 5% code may entice the shopper to return to complete the purchase.

- **Cutting commission to subsidise a code:** If margins are too tight to offer a code in addition to the commission offering, merchants might wish to split the CPA between the commission and an exclusive voucher code. For example if an affiliate was getting 10% commission a merchant could offer 5% commission and an exclusive 5% code. The full CPA would only be paid when the transaction included the use of the voucher code on the part of the customer. However, any move such as this requires consultation with the affiliate(s) involved.

- **'Stretch and Save' codes:** The merchant may wish to offer a code that is conditional on a minimum spend. These 'Stretch-and-Save' codes can be designed to ensure a minimum order value is reached before the customer can use the code. It also has the added benefit of increasing the EPC. For example, '5% off orders of £50 or more', 'Get 10% off all orders over £100'.

- **Only displaying the voucher code box to visitors who already have a code:** Onsite logic can be set to either display or hide the voucher code box depending on the referring URL. Only if the visitor has arrived from a site authorised to use the code will the voucher code box be displayed. A case study in which Red Letter Days have done this successfully can be found here.

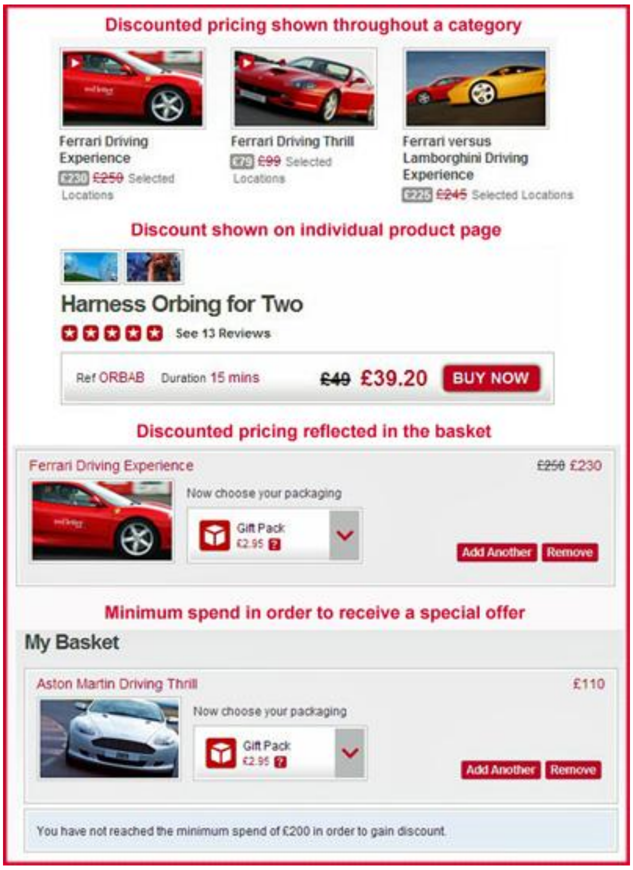
- **Target codes to particular customer types:** Merchant might want to consider offering codes that are only redeemable by particular types of customers that offer greater value to them. For example, codes for new customers only rather than existing customers. Nevertheless, what constitutes a new customer has to be defined, and there might be reasons why a higher proportion of new customers might come through the affiliate channel regardless (if, for example, the advertiser was new to the market). Similarly, it is far from being the case that existing customer sales do not represent incremental sales. An existing customer may only have returned after an affiliate successfully referred them ahead of one of their competitors, or switched them from a competitor.

Case study: Red Letter Days

Red Letter Days' implemented a technological solution on their site that ensures that the box on the checkout page where the voucher code could be entered only displayed when users were referred from an affiliate site that was authorised to use vouchers. Users reaching Red Letter Days from non-voucher code sites, for instance, would not see the box. This reduced the likelihood that a potential customer would abandon the checkout process when they realised there was a possibility of getting a discount.

Furthermore, the inbound URL was tagged with a 'deal ID' linked to the affiliate's own network ID which is valid for a single session. This allowed Red Letter Days to offer its affiliates exclusive deals unique to a single affiliate which could only be redeemed after the user had clicked through the affiliate site. Multiple affiliates could also offer different exclusive deals on the same product (for example, one affiliate a 10% off code, another a £10 off code).

The customer clicking through from the affiliate site will see deals that are exclusive to that affiliate with the discounted price already applied on the relevant product pages:



Best Practice and regulation in the use of voucher codes

The IAB's Affiliate Marketing Council's [Voucher Codes Code of Conduct] includes a number of areas which help advertisers guarantee that sales through affiliates using voucher codes are incremental. For instance, affiliates cannot place monetised links behind a code that is not authorised for use by the advertiser.

Affiliate Window's voucher code tracking solution enables advertisers to see when a code has been used, by which affiliate, and decline commissions on orders that have been made using it if it has not been authorised. This gives peace of mind to advertisers who fear codes they release themselves will go viral and be used by their affiliates to earn commission. The full Code can be read here.

Basket abandonment and voucher code use

Many advertisers are worried by the possibility that their customers could abandon their sites half way through the checkout process when they see a box marked 'Enter voucher code here', or similar, on the site. The suspicion is that a customer will leave to search for a voucher and return after having found one on an affiliate's site, with the cookie having dropped and the voucher code site therefore claiming the sale. Red Letter Days' technological solution discussed above, in which the voucher code box is either hidden or displayed according to the referring URL, and whereby the affiliate's ID has to match the a Deal ID the advertiser sets, resolves this problem.

However, advertisers that are not able to implement a solution like this may wish to look at the amount of time it takes a user to go from the basket to completion of the checkout process on their site. If, for instance, an advertiser knows that it is impossible for the user to transact in less than 5 minutes, commissions for transactions which are completed in less time indicate an interrupted journey that was completed later on after another affiliate's link was clicked (see example below). Affiliate Window's voucher code tracking solution can be used to see whether a voucher code was used in the sale, and if so, which code. This will give advertisers a relatively clear impression as to whether a customer has dropped out of the checkout process, returned via an affiliate's site with a code, and then finished the last stage of their transaction.

Trans. amount (GBP)	Comm. amount (GBP)	Date		Time between Click-Trans	Customer IP	Voucher code	Order Ref
		Click	Trans.				
259.95 (breakdown)	6.50	16/01/2012 10:08:05	16/01/2012 10:08:47	0 min	86.145.134.231	15BOSE	18570986
14.97 (breakdown)	0.37	16/01/2012 10:41:35	16/01/2012 10:42:17	0 min	194.237.142.20	n/a	18573026
29.99 (breakdown)	0.45	27/01/2012 11:52:03	27/01/2012 11:52:45	0 min	81.134.139.242	n/a	18785978
4.99 (breakdown)	0.12	05/02/2012 08:40:14	05/02/2012 08:40:56	0 min	195.219.99.9	n/a	18943938
4.99 (breakdown)	0.12	12/01/2012 22:45:33	12/01/2012 22:46:16	0 min	90.203.180.59	n/a	18503572
4.99 (breakdown)	0.12	13/01/2012 10:21:46	13/01/2012 10:22:29	0 min	82.6.167.39	n/a	18506930
9.99 (breakdown)	0.25	29/01/2012 13:24:56	29/01/2012 13:25:39	0 min	77.97.204.162	20PAYDAY	18827181
299.99 (breakdown)	7.50	05/02/2012 12:27:21	05/02/2012 12:28:04	0 min	86.9.151.205	n/a	18948906
99.99 (breakdown)	2.50	11/02/2012 14:26:10	11/02/2012 14:26:53	0 min	212.188.217.234	n/a	19048427
4.99 (breakdown)	0.12	13/01/2012 07:25:41	13/01/2012 07:26:25	0 min	109.150.106.252	n/a	18505602

Transactions of short duration between click and sale made using a voucher code

However, for some advertisers who have feared this is the case, a glance at the latency rates for sales in which a voucher code is used is all that is needed to demonstrate these instances are few and far between. One electronics retailer found that transactions made with a voucher code were no more likely to have a shorter gap between click and transaction than sales made without one.

Working with voucher code affiliates without a voucher code

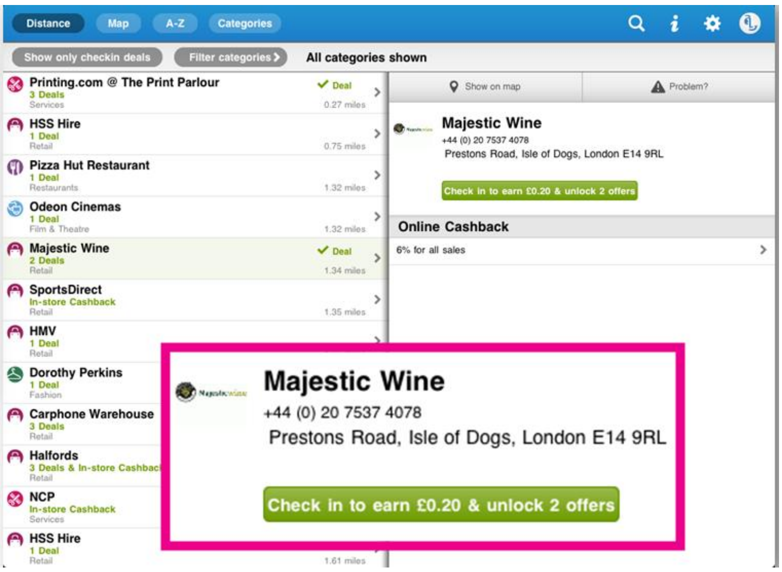
Advertisers can take advantage of exposure with voucher code affiliates without offering either discounts on their products or providing a voucher code box on their site. RAC worked with Vouchercodes.co.uk to offer a co-branded M&S voucher, initially valued at £15 and later rising to £20, limited to higher-end products to boost the average order value. This yielded a 14% increase in the average policy value, a 3,000% uplift in sales, and an overall ROI of 182%. More on this case study can be found [here](#).

Location-based incentives: the new frontier

With the number of transactions driven through mobile devices having grown from 1.5% to almost 6% of all sales on the Affiliate Window network from December 2010 – December 2011, many advertisers are looking for ways in which they can capitalise on this traffic.

A number of incentive-based affiliates have launched mobile apps that use location-based data to geo-target offers, either within the app or via push notifications, to drive footfall into advertisers' bricks and mortar stores.

In the following example from Quidco's app, members are able to get cashback simply for checking into a Majestic Wine store. The advertiser then relies on their customer service representatives to convert that footfall face-to-face:



What's more, once checked-in the customer can receive further offers that are only available in-store, but accessible online via the app. Not only are these excellent examples of blended online-to-offline promotions, but being highly targeted to the customer and their location makes the incremental value easier to demonstrate.

These initiatives are especially useful for 'considered' purchases like mobile phone contracts or travel bookings, or those that a customer may wish to see before buying, like certain fashion purchases.

4. Behavioural Re-targeting

Behavioural retargeting providers are relatively new entrants to the affiliate channel, but they offer a major advantage in that through working with them advertisers have the ability to access a large amount of ad networks' inventory that can be filled with relevant, product-based ads aiming to refer a user back to an advertiser when their previous path to purchase has been abandoned.

Five questions to help assess the incrementality of behavioural re-targeting providers' sales

In looking to assess the degree to which sales through these types of affiliates can be said to be incremental, there are five key questions that advertisers may wish to ask:

1. **Where are behavioural retargeting ads appearing?** What degree of transparency can a behavioural retargeting provider offer over where the inventory for its ads is bought? A lot of inventory, for example, is sold on a 'blind' network with the advertiser unaware of precisely which sites their ads will appear on. For peace of mind, advertisers may wish to check that their behavioural retargeting partner is working with ad networks that comply with the IASH Code of Conduct. But there are also significant cross-channel implications here. In an auction-based environment the advertiser could be paying more than they would ordinarily if their display provider is competing for the same inventory as their behavioural retargeting affiliate.

2. **What proportion of sales are generated via click cookies vs. post-impression cookies?** It might be expected that click-through rates on behavioural re-targeting ads would be higher than those for other affiliate activity given that the customer is already, to a certain degree, pre-qualified by having visited the site already. But given sales can be credited to a behavioural re-targeting provider as a result of a post-view cookie (rather than one dropped on a click) advertisers might want to

check what proportion of sales came from these cookies, and compare this to their campaigns in display channel. Whilst a cookie hierarchy is operated by Digital Window to protect click-based cookies from being overwritten by post-view cookies, advertisers might want to pay a split CPA – one for post-click sales; one for post-view sales – to recognise post click sales as more valuable without totally discounting the value of post-impression sales.

3. **Are the ads displayed above the page fold?** As many behavioural retargeting companies work on a post-view cookie, if ads are not displayed where the user can see them there is a good chance that the affiliate could receive credit for a sale without any form of user interaction or exposure. This is a problem that many advertisers will be aware of from their experience in the display channel, but with recent estimates by comScore suggesting that almost a third of ad impressions are never seen by the user, it is perhaps something that an advertiser may wish to investigate further.

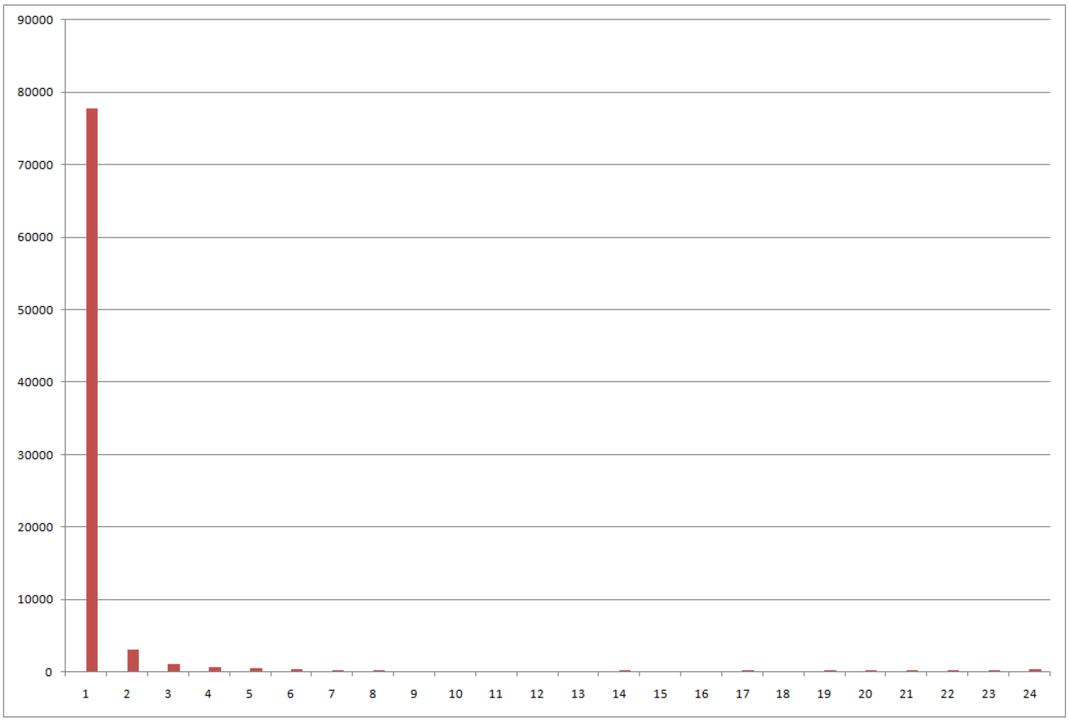
4. **Are the ads frequency-capped? If so, at what rate and for how long?** There are two issues advertisers may want to investigate here. Firstly, users are unlikely to feel predisposed to buy from an advertiser that they feel is constantly following them around the web to remind them of a product they might have good reason to chose not to buy. Secondly, the more times an ad is displayed the more a post-view cookie will be dropped. Despite the fact that such cookies may only have a 48-hour lifetime, if each time an ad is displayed a fresh cookie is dropped the cookie becomes effectively permanent.

5. **How much time is there between site abandonment and re-targeting?** Advertisers may wish to ask what window there is between a user leaving the site and behavioural re-targeting beginning. A user who has abandoned their basket is not necessarily one who will not return later.

   As the graph below shows, for most advertisers the vast majority of sales occur within an hour of the affiliate's cookie being placed. Most affiliate cookies are dropped on a click, and this click can therefore be taken as a sign of the intent of the user to visit the advertiser's store via an affiliate's link. In these cases, the contribution of the affiliate to the sale is relatively clear.

However, because behavioural re-targeting affiliates place cookies on a post-view basis (that is, dropped on impression rather than click) engagement cannot be demonstrated in the same way. Therefore, an advertiser can ask to what extent the ad displayed by the behavioural retargeting company contributed to their decision to buy, and how likely it is that the customer would have returned anyway. There are many reasons why a user will shop but not buy in a single session: for example, that they did not have their credit card details to hand, or that they needed to consult a friend or family member before purchasing.

One of the ways in which advertisers can assess the effectiveness of behavioural re-targeting ads in driving conversions that would not have happened anyway is by split-testing the ads displayed. To a control group, a message not related to the advertiser is displayed (for example, an ad for a charity); to the other group, the re-targeted message is displayed. If the conversion of the latter is above that of the former the ads can be judged effective. Equally, an advertiser may wish to look at awarding commissions on a blended engagement metric which combined click and impression. For example, a commission rule might read: ‘If the customer viewed at least two pages, clicked on one ad, and converted in no less than 1 minutes, then award a higher commission’.



Sample of transactions from eight advertisers exclusive to Affiliate Window. The *x* axis shows the period of time from click to conversion, demonstrating that the vast majority of sales occur within one hour of the cookie being placed.

Paying behavioural retargeting affiliates on a CPC

Paying behavioural retargeting providers on a CPC has certain advantages in terms of measuring engagement and therefore making the link to incrementality. Firstly, payment on CPC rather than CPA does not require a post-impression cookie to be dropped. Because a click is considered a better measure of engagement than an impression, advertisers do not therefore need to worry about the possibility that a vastly greater proportion of post-impression sales rather than click sales are being recorded. Moreover, a CPC payment model gives the affiliate a vested interest to make the ads as visible as possible (or, at least, put the ad above the fold): the affiliate only gets a commission when users click, and they will not click if they have not seen the ad.

As discussed above, in order to assess incrementality advertisers should look at the effective CPA for campaigns that are paid on a post-click basis versus those that are paid for on a post-view basis. Advertisers may wish to work with behavioural re-targeters on a CPA basis with a post-view cookie, but believe that because there is less of a need to engage the user via a click in order to make a sale, commissions offered to these players should be lower than those from click-based affiliates. Whichever payment model is preferred, an advertiser should consult behavioural retargeting companies to assess what effective CPA is realistic (whether this is reached via a CPC or traditional CPA payment method).

Is there a branding benefit to behavioural retargeting?

Advertisers might want to pay a higher CPA for retargeting activity if they see it as a blended branding/acquisition campaign. Equally, on this basis they may also want to consider whether buying tenancies with affiliates (for example, on CPM rates for exposure on their sites, at a flat rate for exposure in an email, or as part of a wider package of promotion) could also achieve these branding objectives.

The affiliate channel however has always been primarily an acquisition channel. In the extent to which an advertiser uses re-targeting as a branding device it should be remembered that the user will not be totally new to the brand – the retargeter is not introducing a customer to a brand that they would not otherwise have heard of. Moreover, it is also possible that over-exposure to behavioural retargeting ads have a negative effect on the advertiser’s brand, as users concerned with how retargeting works try to avoid using the site in future.

Finally, advertisers also need to think about how they are going to de-duplicate any post-view activity through the affiliate channel against any display activity on a post-view cookie which runs outside of the affiliate channel.

5. Paid Search and SEO

Paid Search

The most common argument for not allowing affiliates to bid on their brand is that these sales would have been made anyway, as searching on a brand term is a good indication that the user wants to go to that brand's site. This is a legitimate argument and there are very few cases in which paid search on brand yields truly incremental sales. But advertisers should think of the decision to give affiliates brand rights as a strategic one based on conditions in their market – specifically, the competitiveness of the search space and the competitive position of their product or service.

Advertisers may wish to ask: what is the user's experience at present? If advertisers run their own ads and no competitors are present users will have little trouble finding what they have searched for, and thus there is little reason for affiliates' ads to appear in this space as well. This may not be the case on all search engines however, and affiliates can be used to plug these gaps. Equally, for brands that lack recognition in a competitive market affiliates can advertise, perhaps below the advertiser, to squeeze out competition and achieve better coverage of the search results.

Indeed, where competitors are actively bidding against an advertiser's brand, a certain amount of customers that search for it will end up at a competitor. This is particularly the case in competitive markets. If Easyjet were to bid on its rivals, a significant proportion of users searching for 'Ryanair' will end up transacting on the Easyjet site, for example.

If an advertiser's brand is closely associated with a generic keyword(s) competitor ads are likely to appear in the search results due to broadmatching. Users searching for the travel site Lastminute.com, for instance, are perhaps more likely to search on the terms 'last minute holidays' than 'lastminute holidays'. In these cases, affiliates could be tasked with bidding on these brand + generic terms and giving them the right to use the brand in the ads will improve click-through rates, relevancy and therefore ultimately lower click costs whilst pushing competitors down in the rankings.

Advertisers may wish to look at giving special rights to use brand + voucher code terms to voucher code sites. Whilst the incremental value of doing so may appear limited, as noted above advertisers should acknowledge that a certain proportion of search queries will be on brand + voucher code terms and thus should ask the question: who would be better to convert that traffic: the brand's site or the voucher code affiliate's? An affiliate would be able to build an optimised landing page reducing points of leakage to competitors and mirroring the branding and messaging provided on the advertiser's site but nonetheless tailored to those searching for a good deal.

SEO

Some advertisers demand that their affiliates should not appear on certain terms in the natural search results (whether these are brand terms or generic ones). Rather than seeing affiliates as potential competitors here advertisers should see them as partners in reaching a larger proportion of the web than their own site would reach alone. It is perhaps useful to ask the question: what function is this affiliate performing for a user which our own site is not? If a certain amount of sales are being referred for by an affiliate site that is well-optimised on terms that the advertiser itself covets, affiliates should not be penalised for this success but partnered with. After all, it is likely that the generic terms (and perhaps to a greater extent the brand ones) are as applicable to your competitors as they are to your brand.

6. What next?

Perhaps the best place to start in assessing the incrementality of affiliate-driven sales is to look across the various customer journeys for the places that affiliates are featuring in the user's path to purchase, both within the affiliate channel (amongst other affiliates) and outside it (amongst other campaigns). Having data and insight into this is better than relying on assumptions gleaned from the perception of certain affiliate promotional methods. Digital Window can help advertisers make this assessment by investigating where certain affiliates' cookies are more likely to get overwritten by others.

7. Further information

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