Affiliate marketing in the context of online marketing

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Abstract. This paper deals with affiliate marketing, in which the seller or service provider is a financially rewarding agent so-called affiliate for each visitor, which through its website to attract a dealer there, who made some activity, either directly purchase products, register to subscribe to a newsletter, or just browsing the site. In this paper, the author tries to define affiliate marketing, the individual entities of affiliate marketing such as merchant, affiliate, network owner, affiliate network, briefly describe the history of affiliate marketing and illustrate its use for example a social network Pinterest.

Keywords: affiliate marketing, merchant, affiliate, network owner, affiliate network, referral link, affiliate lists, post affiliate pro, Pinterest.

JEL codes: M13, M31.

1. Introduction

In today's marketing we are recording condensed advertising information flow. Advertisement recipient perceives from all sides. Marketing communication follows the trend of the closest contact with the recipients. This is doubly true in online marketing. With social networks people provide the most personal information that today's technology can process in their favor. It is still, however, communication between the company and customers. Affiliate marketing is basically transmitting personal selling to online environment. Globally it can be considered a type of marketing that was already in the nineties, but in its essence it brings something that nowadays has become a trend again. To the relation of the company - customer it brings another man who has nothing to do with the company, and therefore the recipient considers him a better reference to classic advertising.

2. History and definition of affiliate marketing

Affiliate marketing combines the value of personal sales and technology solutions offered by online marketing. To companies with lower budget it provides an opportunity to increase profits and raise awareness of its brand.

Affiliate marketing can be described as one of the online distribution tools, thus one of the four elements of the marketing mix. Many authors label it as commision affiliate marketing of sales, which

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is not accurate, because the commission in affiliate marketing do not arise from the mere sale. Affiliate marketing itself must be seen as one of the most effective ways of distributing and selling the product in the online environment.

History of affiliate marketing goes back to 1994 when the company CD Now launched its commission program. Company CD Now has been offering to various websites that are dedicated to writing reviews of music albums, possibility of selling a particular album. In practice, it worked out so that the visitor can read reviews on the music server and underneath the review, there was a hyperlink to redirect if interested visitors to a company website CD Now. If the purchase is made, a certain commission appertained to the server on which the visitor read the review.

In 1996, a program Amazon Associates Program was developed, which is now one of the largest affiliate programs in the world.

3. Entities in affiliate marketing

Many affiliate marketing experts claim that this type of affiliate marketing works on the relationship between two entities, namely:
1. Merchant = merchant, sponsor, who created the affiliate program.
2. The actual affiliate = intermediary, the person who accepts the conditions of the affiliate program and promotes the product on the internet.

With the growing popularity and effectiveness of affiliate marketing to the said two entities joined the third - the owner of the affiliate network (network owner). This entity monetizes its position in this relationship by providing space to create affiliate programs for merchants. In the hierarchy of these entities it is going to the highest point.

For the proper understanding of the financial flow of commissions it is necessary to explain theoretically and define the individual entities.

- **Affiliate Network** is a web server on which take place and run affiliate programs that are generated by merchants (traders). Affiliate Network brings together not only merchants but affiliates themselves as well. The value of affiliate network is expressed by the number of active affiliate programs and the number of available affiliates. Some networks require a fee for access to the network. Other work on the principle of sales commission. Apart from the space for creation program they offer affiliate know-how as well. Networks are able to develop a detailed analysis of the target audience, how to communicate or make judgment on the affinity of the product for affiliate marketing.

- **Merchant** is a trader who enters into affiliate networks in order to increase profits and expand its product among Internet users at relatively low cost. The merchant therefore offers its products through an affiliate program. He creates the conditions under which the affiliate receives a commission claim. Affiliate must then perform some type of action. This is usually about the sale, but there are programs that have a commission for registration, for filling in the form and so on.

- **Affiliate** (mediator) is a person who can register to a particular affiliate program and promote the product in the online environment. The forms of promotion are diverse, but it consists mostly of banners and simple text ads. Every registered affiliate acquires its special link - referral link, which becomes the identification in the system, with which the system can detect and record activity of affiliate.
To record visits except referral line also serves cookies. A cookie is a file stored on your hard disk created by the browser, that contains a list of all cookies from all Web sites. This information is important when setting cookies in the affiliate program. In the context of affiliate marketing the cookies allows the system to remember, from which referral line customer came to the page with the product and when.

![Figure 1: Affiliate entities and commission flow](image)

4. Affiliate network

If the company wants to sell its product through affiliate marketing, it is necessary to choose the correct network. There are many affiliate networks, but not all are suitable for it. Some networks focus on all countries, while others deal only with some. Some networks operate on the principle of an entry fee and then provide their services. In others, on the contrary there is no entry fee. Such networks can have determined in their terms the amount of commission from each event that has been done. The current trend is that the network does not accept any candidate. First, they invite the applicant to contact them and describe their product. After considering the affiliate network will eventually decide to accept or not accept the company. This step is a very good choice, because in recent years the affiliate program involved companies that offered fraudulent services or even harmful products.

Under the affiliate network, even if only marginally includes lists of so-called affiliate programs - affiliate lists. Most are lists of free affiliate programs where they can add anyone who has an active affiliate program. The disadvantage, however, is often out of date and for the potential affiliate, lists are a mix of active and inactive networks.
There are plenty of quality assessment networks. The following are among the top rated networks for 2012:

1. LinkShare
2. Commission Junction
3. ShareASale
4. Amazon
5. oneNetworkDirect
6. ClickBank
7. AvantLink
8. Google Affiliate Network
9. Affiliate Window
10. RevenueWire
11. eBay Partner Network
12. Pepperjam
13. AdCommunal/AdCanadian
14. LinkConnector
15. TradeDoubler
16. zanox
17. PeerFly
18. Millionaire Network
19. Affiliate Future
20. AffiliateNetwork.com

5. Innovative use of affiliate marketing

The promotion process of each product is individual and each affiliate chooses it himself. A good example of the use of affiliate marketing is a social networking site, Pinterest. Pinterest is a social
network that works on the principle of the so-called boards. Each user of this social network has the ability to add pictures to the wall, which are related to his interests. The interests may be different, from interior design, via photos of nature to clothes. Each user can create his/her own profile just by these pictures. Pinterest is built on affiliate marketing. Every picture that is on this social network, is hyperlinked to the Eshop for example. So if the user will add to the wall image of shoes, after clicking the image it will redirect him to the site shop, where he can find the shoes. If you buy them, so the network itself automatically receives a commission on the sale. Innovative use of affiliate marketing can be at the social network Pinterest noticed the way that a given social network essentially acts as a tweaked affiliate network to which merchants add their product in the form of images. The user of this social network becomes part in two tasks simultaneously:

1. First, as the recipient, which is exposed to a non-standard form of advertising.
2. Second, as a customer, which is directed from the network to buy the product.

Figure 3: Social Network Pinterest

6. Conclusion

Affiliate marketing offers many companies a relatively inexpensive option to start marketing communications in an online environment. Through the affiliate program and affiliates themselves, the company can reach people and markets that would normally not reach with using conventional communication tactics at all or would have to make high finance. The added value of the affiliate marketing business is just an input of an objective person who has no relationship with that company, thus is becoming for a potential customer more objective reference. Since it is an affiliate marketing, financing costs are easy because a commission will be granted only after certain scheduled events will have been done. For global thinking companies affiliate marketing should become the most important communication and sales channel.

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8. References


