



AFFILIATE MARKETING

AUSTRALIAN INDUSTRY REVIEW

JANUARY 2020

IAB AUSTRALIA'S AFFILIATE MARKETING WORKING GROUP



The IAB Australia Affiliate Marketing Workgroup consists of the following members from IAB Australia member companies:



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Director

Navigate Digital

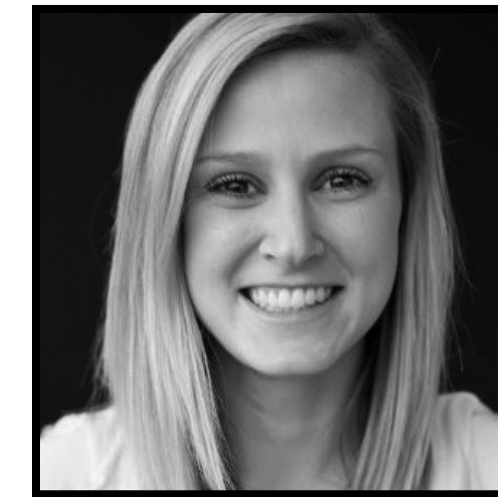
(Affiliate Marketing Workgroup Chair)



Isabella Marco

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EXECUTIVE SUMMARY

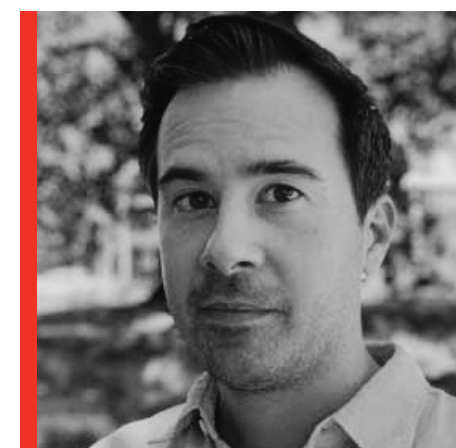
Following the previous industry review released in February 2018, the Affiliate Marketing industry is establishing itself as a growing, valuable and sophisticated acquisition channel for brands in Australia.

Of the surveyed participants, almost a third of brands and agencies currently spend over 10% of their Marketing budgets on Affiliate Marketing and this is expected to grow. 7 out of 10 respondents have increased their Affiliate Marketing spend over the last year; the same proportion plan on increasing their spend in the next 12 months.

The channel is seen as highly cost-effective, with 84% of participants rating the ROI of Affiliates as 7 out of 10 or higher, when compared to other Marketing channels. For over half of Affiliate Marketers, the channel drove 20% or more in new customer sales.

The industry is also noticing an evolution in how the channel is structured. Almost half of Affiliate Marketers pay tenancy fees on top of the traditional CPA (cost per action) model. 71% of participants offer exclusive promotions through the Affiliate channel. Finally, a significant 19% of responses noted using attribution models other than last click.

The survey demonstrates that Affiliate Marketing is cementing itself as an indispensable channel for Australian digital Marketers, with further growth expected.



DAVID GLASGOW
Director
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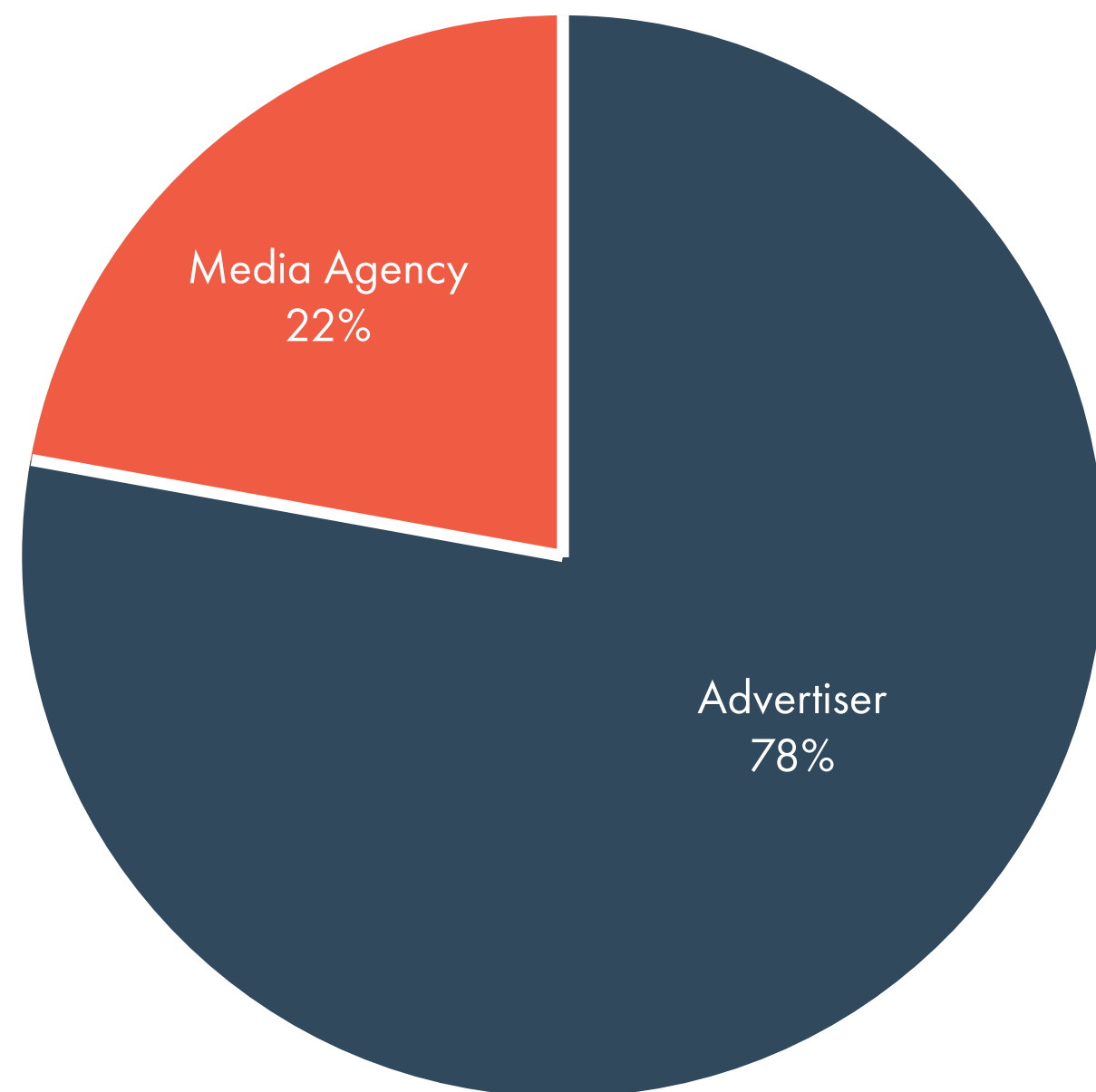
METHODOLOGY

This research was designed and run by the IAB Australia Affiliate Marketing Working Group.

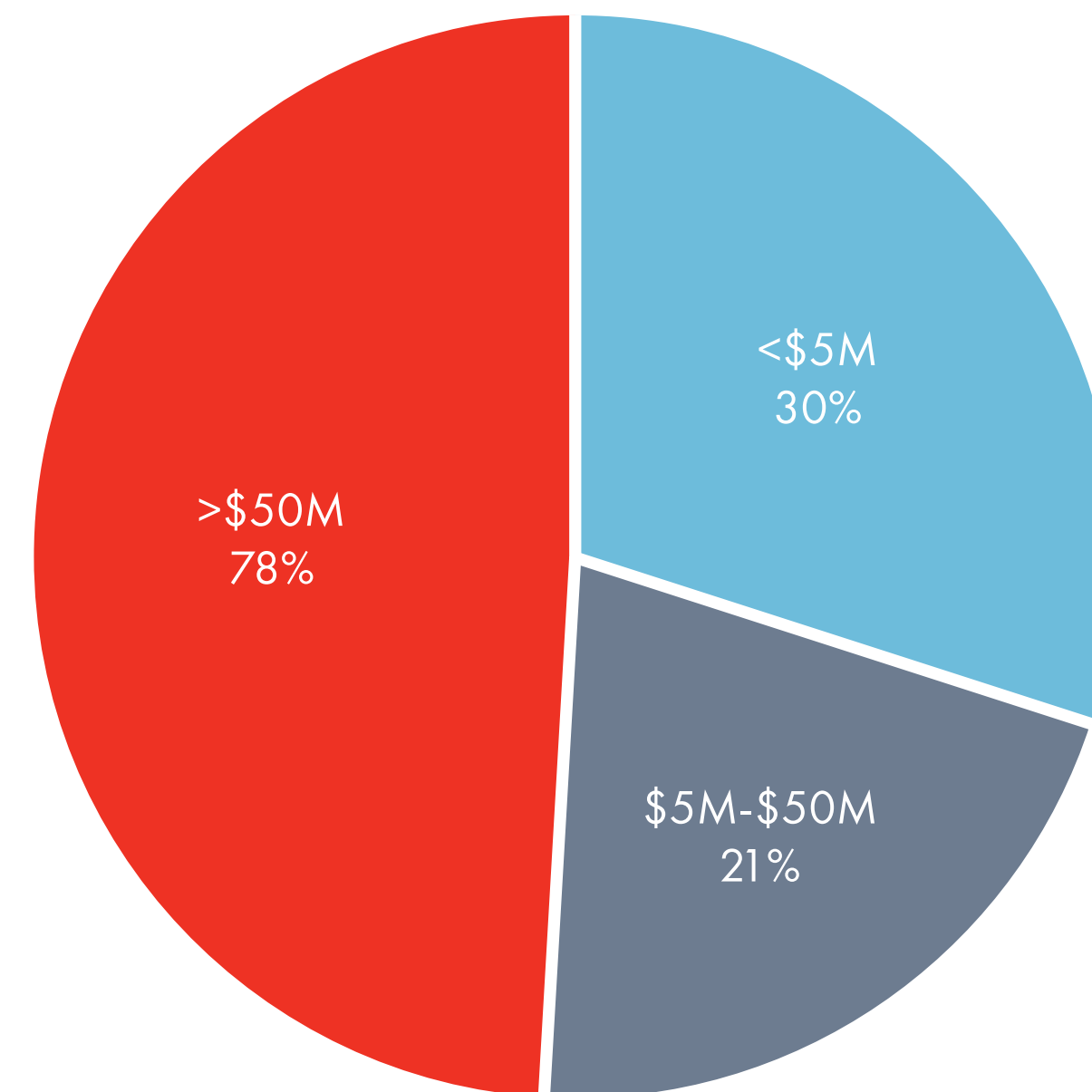
The group conducted an industry survey during August and September 2019 and responses were gathered from over 70 advertisers and agencies who operate Affiliate Marketing programs in Australia. This is a report based on the results of the survey aimed at exploring experiences and plans with Affiliate Marketing.

RESPONDENT SAMPLE

BUSINESS



ANNUAL COMPANY TURNOVER

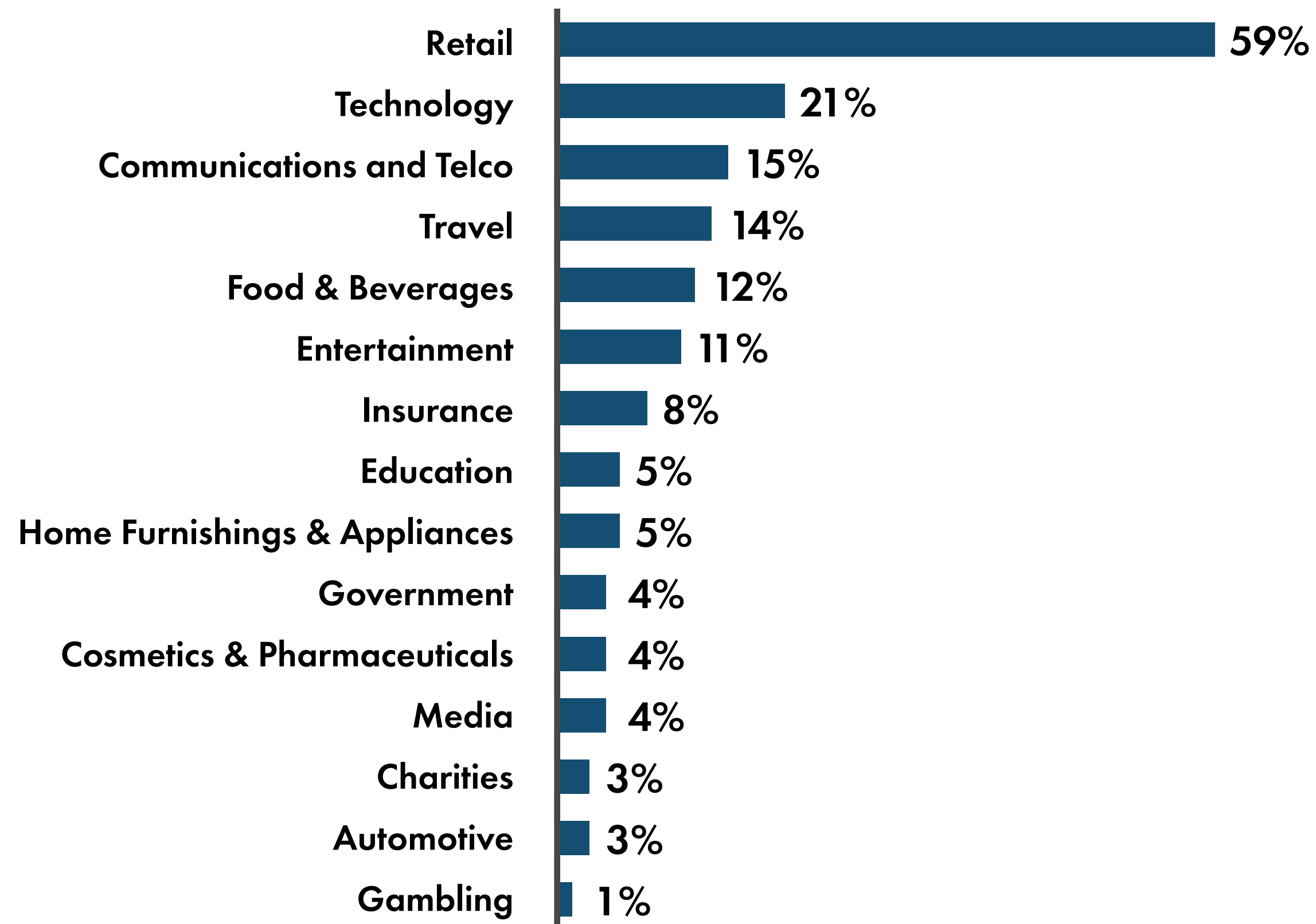


Source: IAB Affiliate Marketing Industry Survey November 2019 n=73

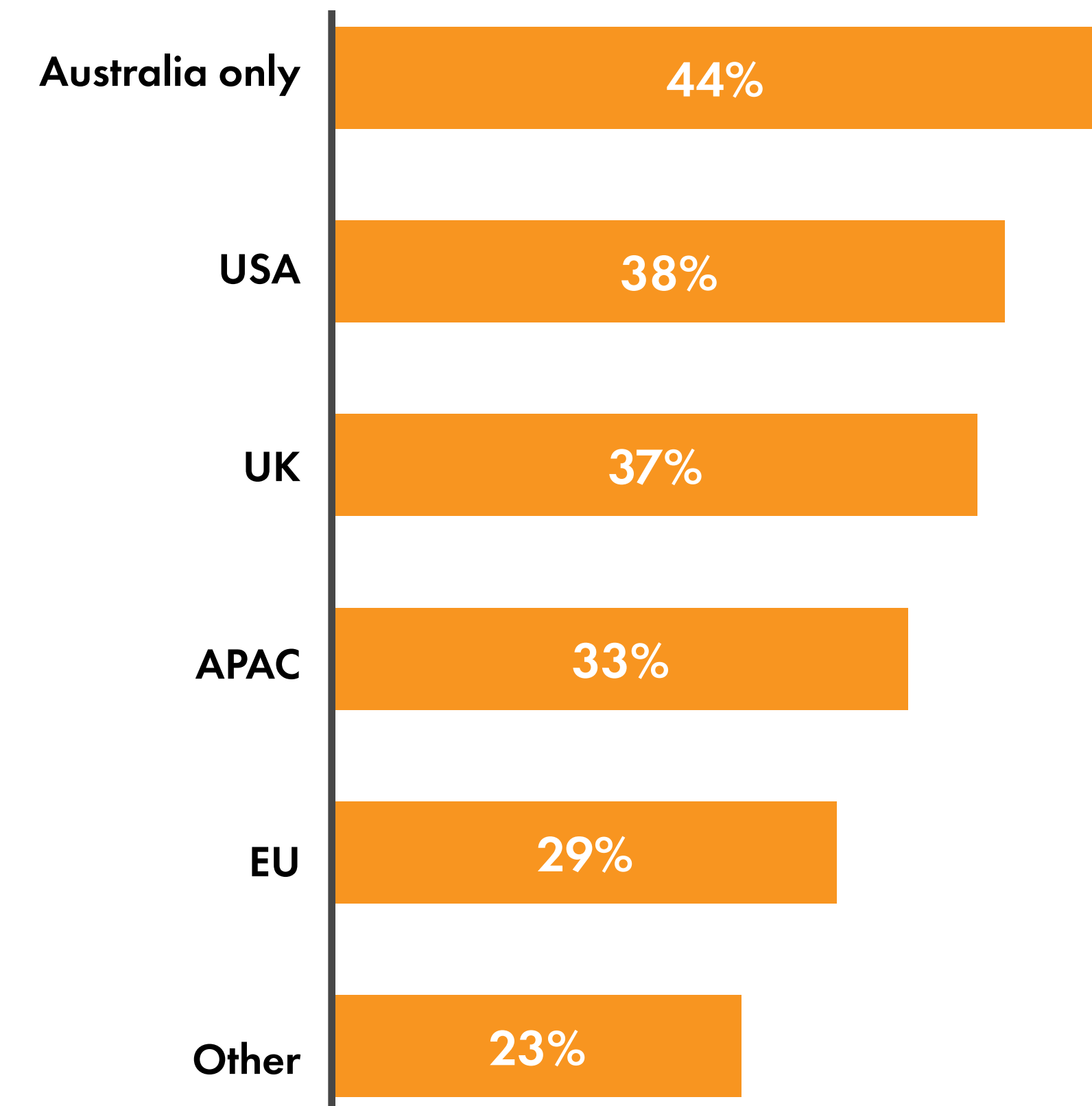
SCOPE OF RESPONDENT OPERATIONS

The sample of Affiliate Marketers operate across industries and in other markets. 6 in 10 operate Affiliate Marketing in retail sector while 56% operate programs in Australia and other markets.

INDUSTRY SECTOR OF OPERATION



COUNTRIES OF OPERATION

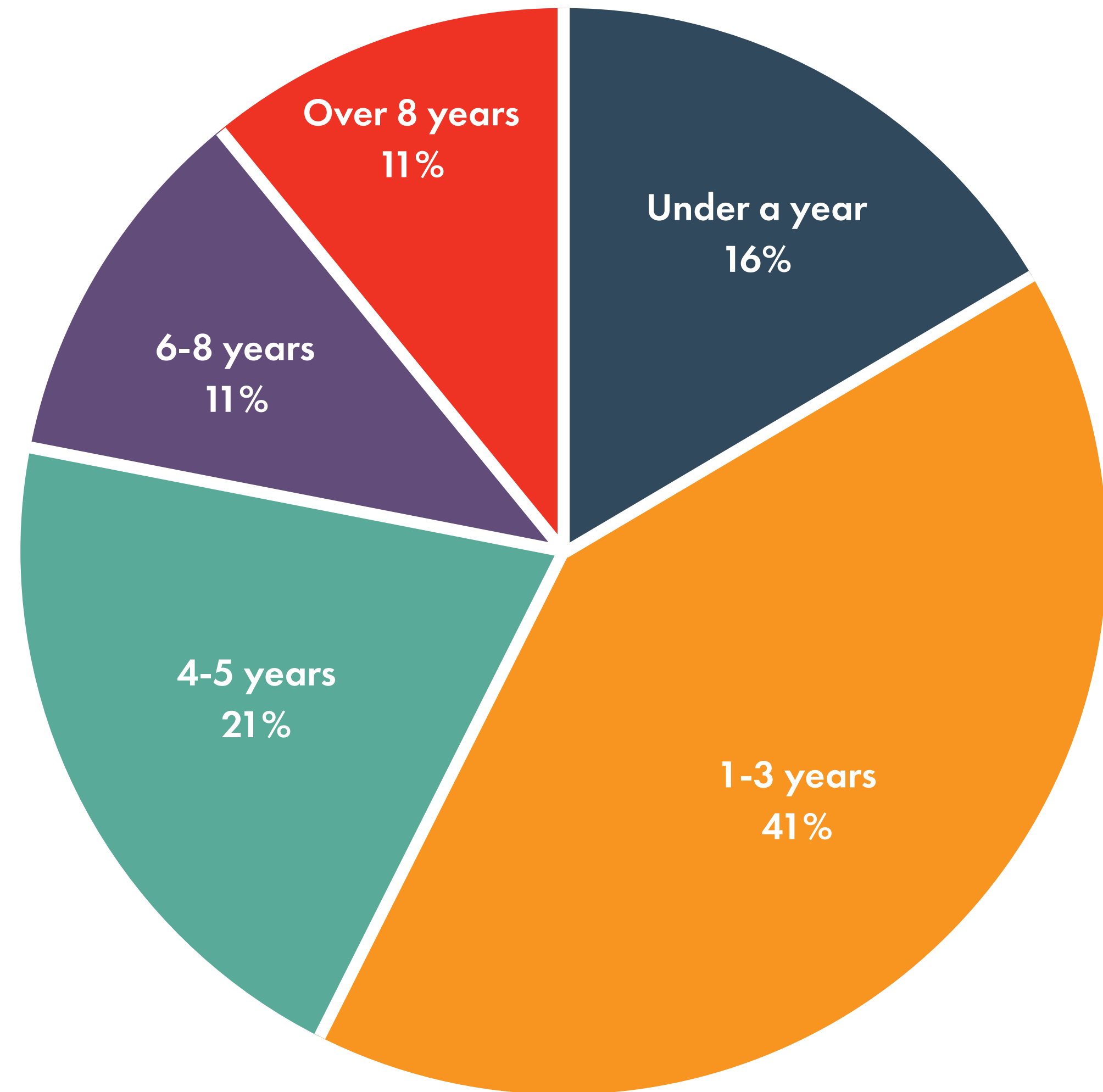


Source: IAB Affiliate Marketing Industry Survey November 2019 n=73

Q - Which of the following industry sectors does your company operate in?, Q - Do you currently operate Affiliate Marketing programs for your company or your clients in Australia?

EXPERIENCE WITH AFFILIATE MARKETING

NUMBER OF YEARS ENGAGING IN AFFILIATE MARKETING



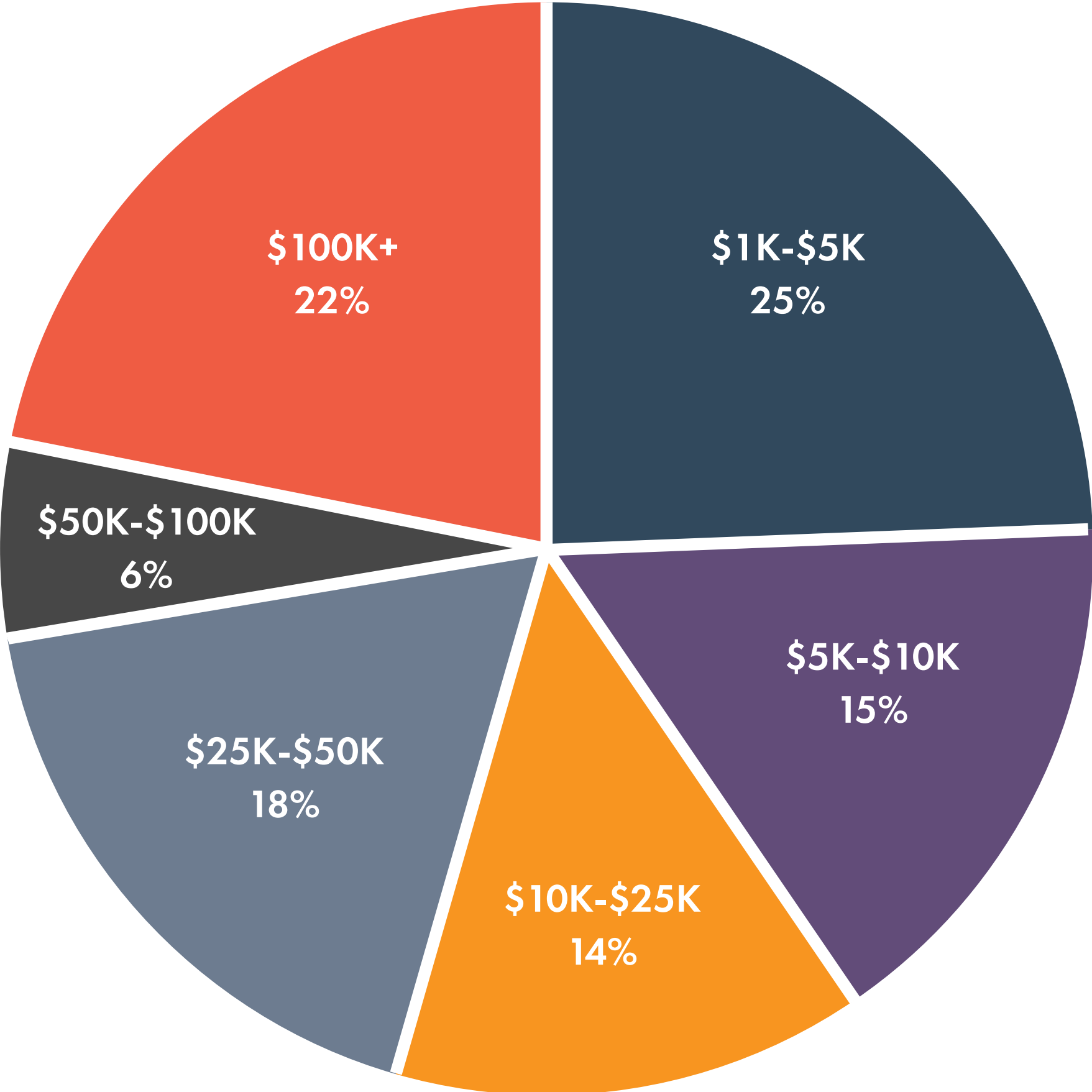
Nearly 6 in 10 have engaged in Affiliate Marketing in Australia for 3 years or less.

Source: IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - How long has your agency/company engaged in Affiliate Marketing in Australia?

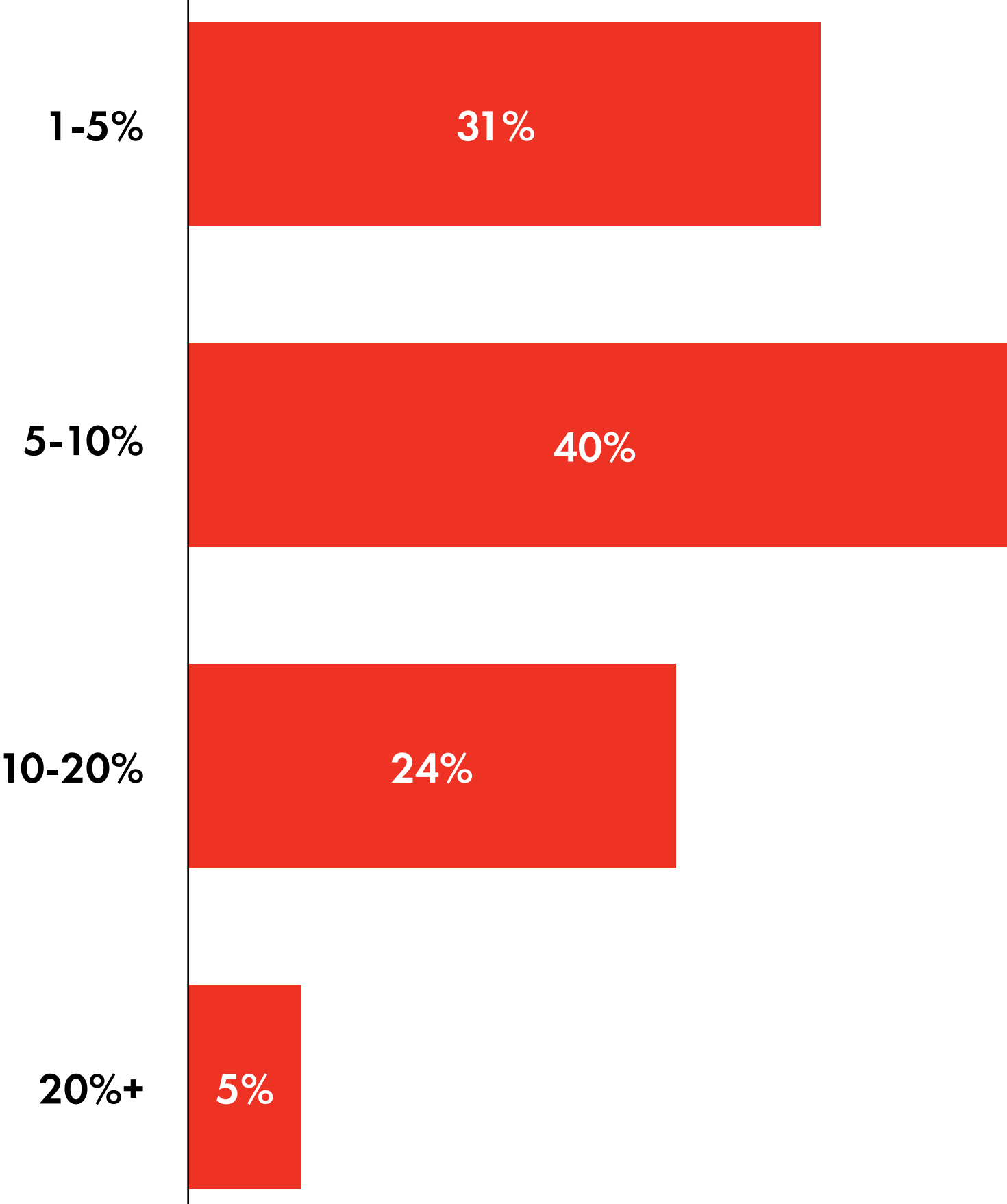
AFFILIATE MARKETING INVESTMENT

Nearly 1/3 of Affiliate Marketers & agencies spend over 10% of Marketing expenditure on Affiliate programs.

AVERAGE MONTHLY SPEND



PERCENT OF ONLINE MARKETING SPEND



Source: IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - What is your average monthly spend on Affiliate Marketing?, Q - What percentage of your online Marketing spend is attributed to the Affiliate channel?

CHANGES IN AFFILIATE MARKETING SPEND

7 in 10 Affiliate Marketers intend to increase their spend over the next year.

| | CHANGE IN PAST 12 MONTHS | CHANGE IN NEXT 12 MONTHS |
|-----------------|--------------------------|--------------------------|
| INCREASE | 69% ↑ | 74% ↑ |
| SAME | 17% ▬ | 19% ▬ |
| DECREASE | 6% ↓ | 3% ↓ |
| NOT SURE | 9% ? | 4% ? |

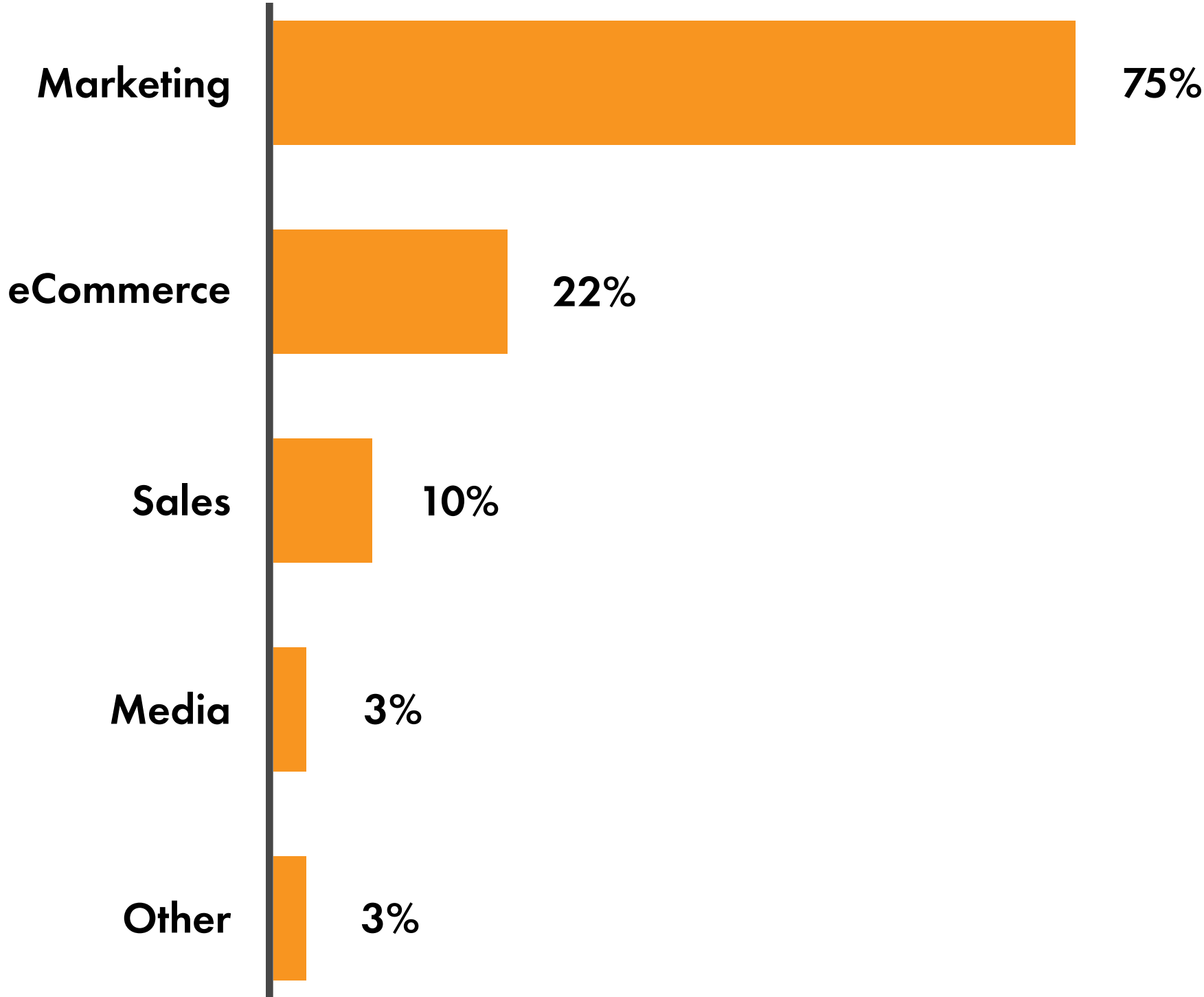
69% of respondents have increased Affiliate spend in the last 12 months

Source: IAB Affiliate Marketing Industry Survey November 2019 n=73
 Q - Over the past year, has your or your client's spend in the Affiliate channel ...
 Q - Thinking about you or your client's Affiliate Marketing spend over the next year, are they planning on having it ...

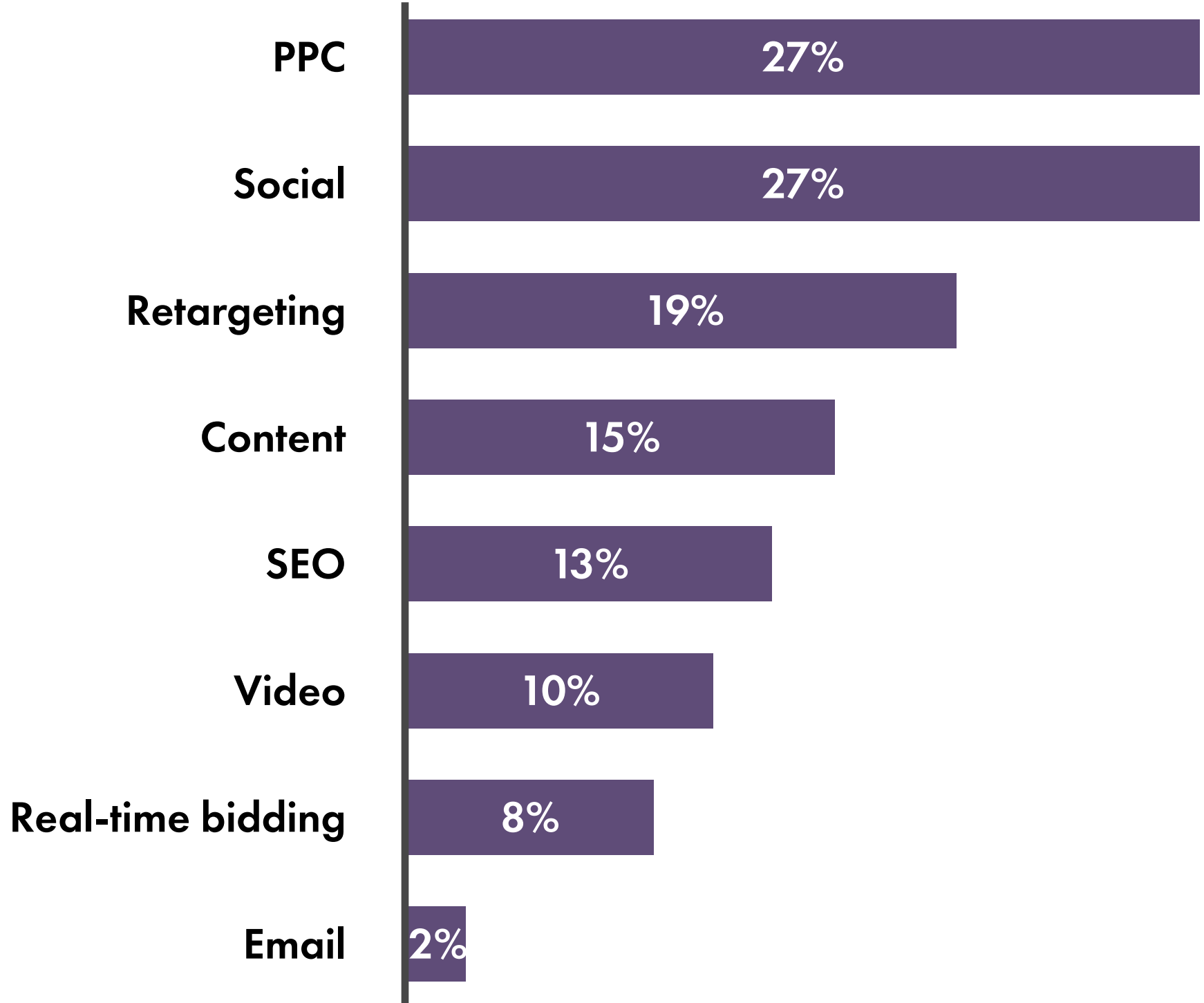
AFFILIATE BUDGET ALLOCATION

Budget for Affiliate Marketing mostly comes from the Marketing department budget. Where spend on Affiliate Marketing has increased, budget has moved away from PPC or social.

BUDGET ALLOCATION FOR AFFILIATE MARKETING



FOR THOSE WHO HAVE INCREASED SPEND, BUDGET HAS COME FROM ...

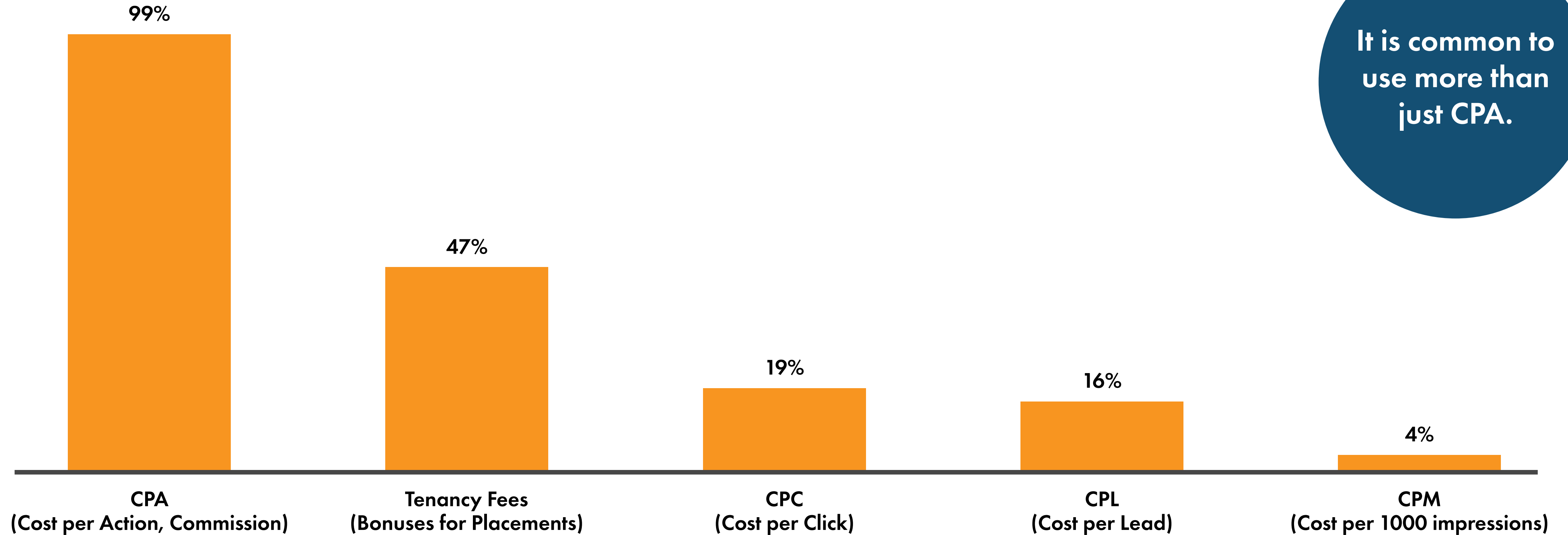


Source; IAB Affiliate Marketing Industry Survey November 2019 n=73
 Q - Which department does your or your client's Affiliate Marketing budget currently come from?
 Q - Which channels, if any, have you or your clients moved budget from to cover that increase? (amongst those increasing Affiliate spend)

PAYMENT MODELS

CPA dominates payment models actively used through Affiliate channels.

PAYMENT MODELS CURRENTLY USED BY AUSTRALIAN AFFILIATES



Source: IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - Which payment models are you actively using through the Affiliate channel?

NEW CUSTOMER ACQUISITION

For over half of Affiliate Marketers, the Affiliate channel drove 20% or more in new customer sales.

% OF RESPONDENTS INDICATING THE PROPORTION OF CUSTOMERS COMING FROM AFFILIATE PROGRAMS ARE NEW CUSTOMERS

| % of New Customers | |
|---------------------------|------------|
| 1-5% | 18% |
| 5-10% | 12% |
| 10-20% | 17% |
| 20-30% | 9% |
| 30-40% | 15% |
| 40-50% | 8% |
| 50%+ | 21% |

Affiliate driving more than 50%+ new customers for a fifth of survey respondents.

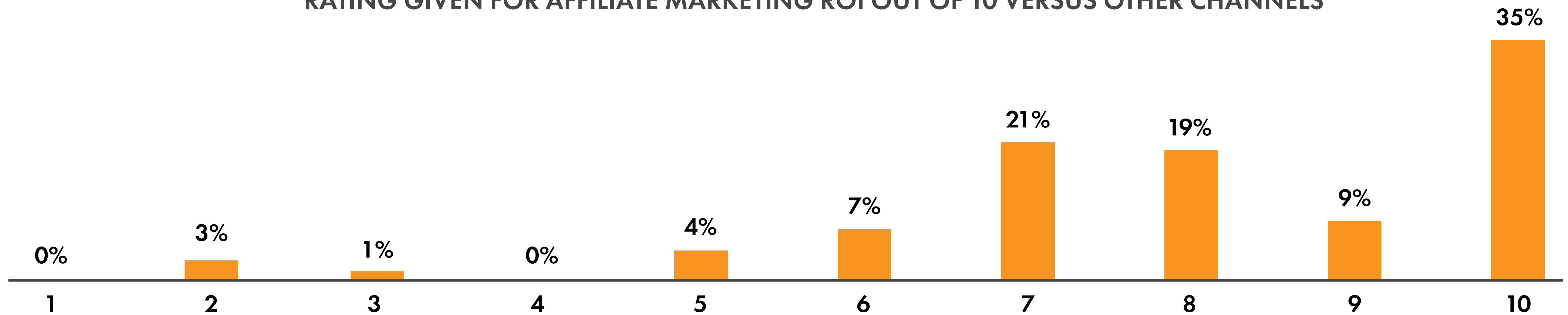
Source: IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - What percentage of customers from the Affiliate Channel would you consider to be new customers?

PERFORMANCE OF AFFILIATE MARKETING

84% rate Affiliate Marketing ROI a 7 out of 10 or higher compared to ROI for other Marketing channels.

35% rate Affiliate Marketing ROI as a 10 out of 10 compared to other channels.

RATING GIVEN FOR AFFILIATE MARKETING ROI OUT OF 10 VERSUS OTHER CHANNELS

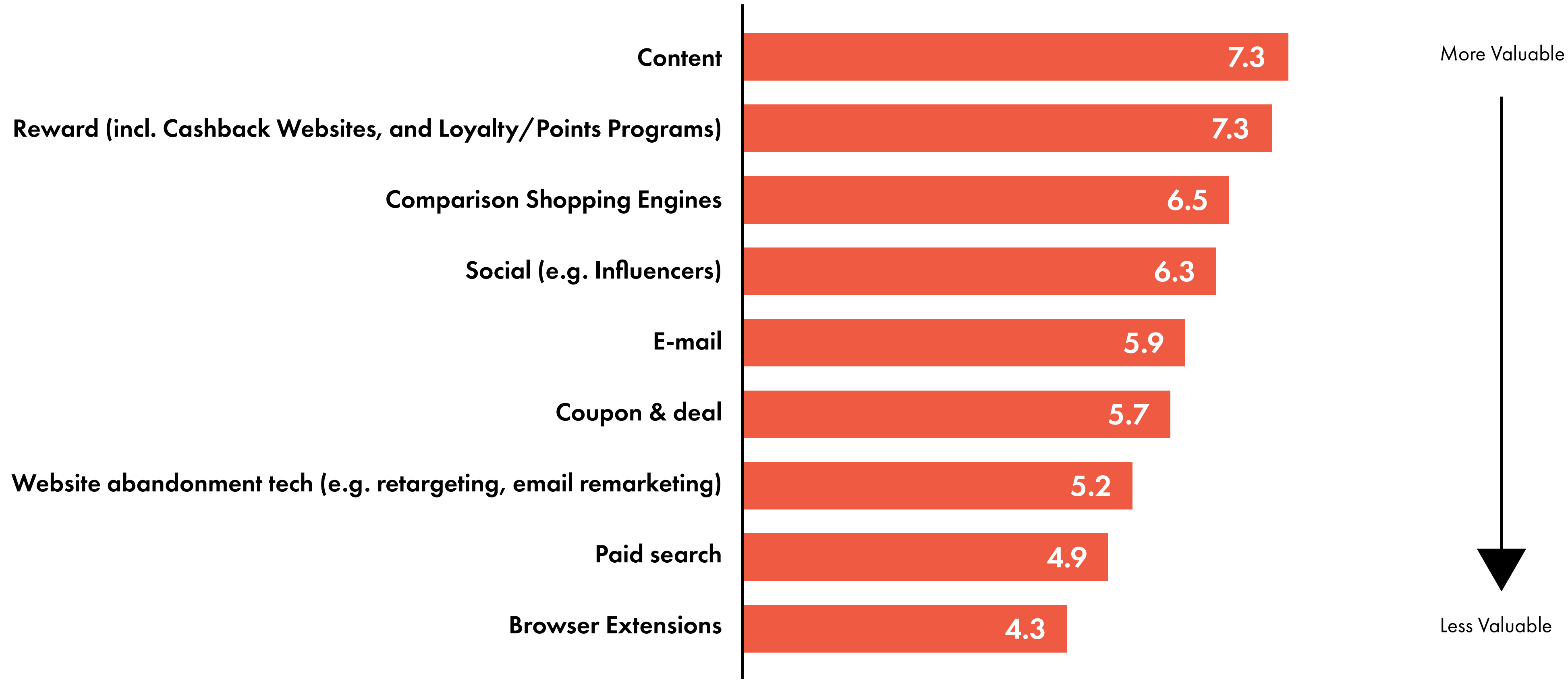


Source; IAB Affiliate Marketing Industry Survey November 2019 n=73Q - How would you rate Affiliate Marketing in terms of ROI vs other channels?

TYPES OF AFFILIATE MARKETING

71% offer exclusive promotions to Affiliates.

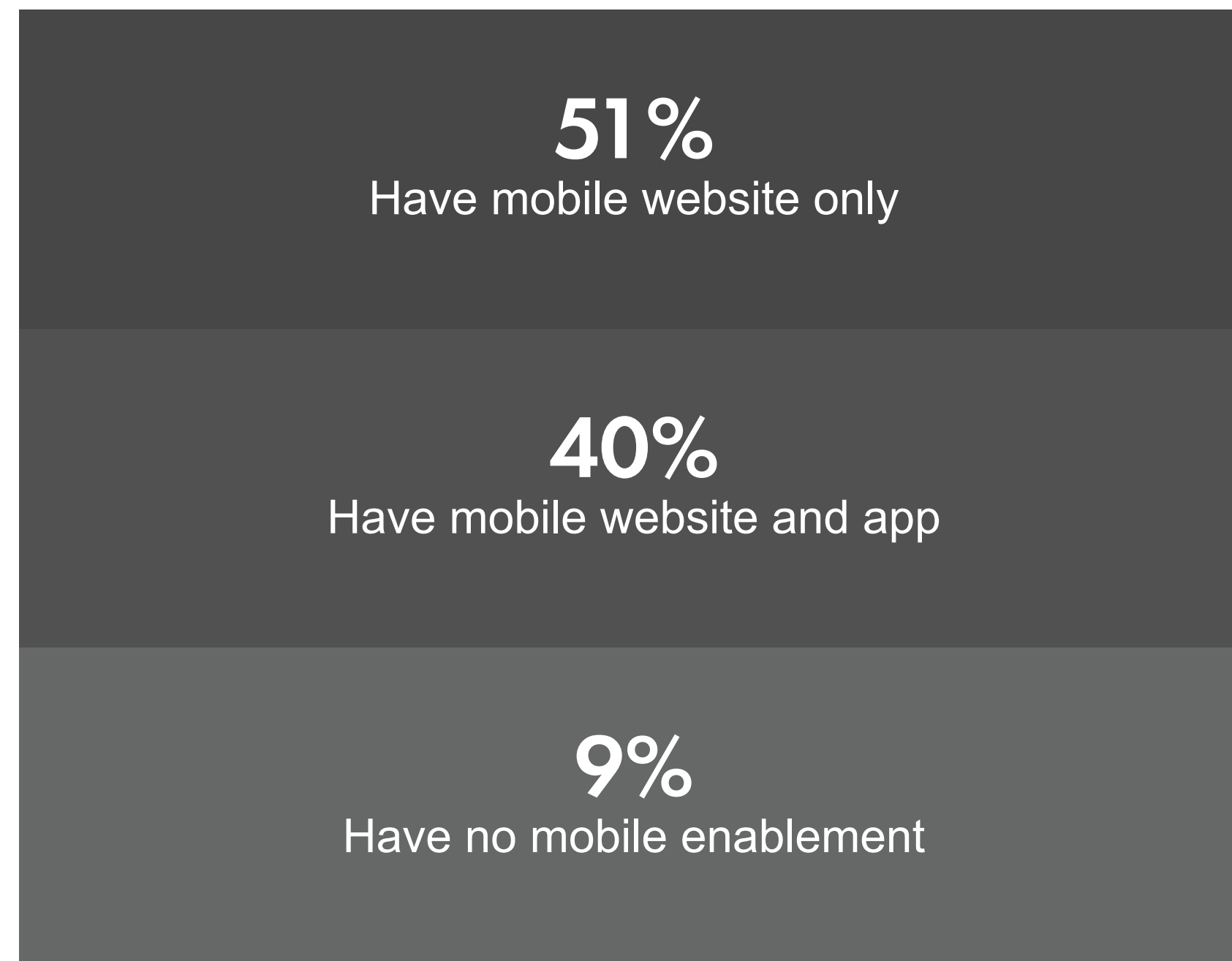
VALUE RATING OF AFFILIATE MODELS



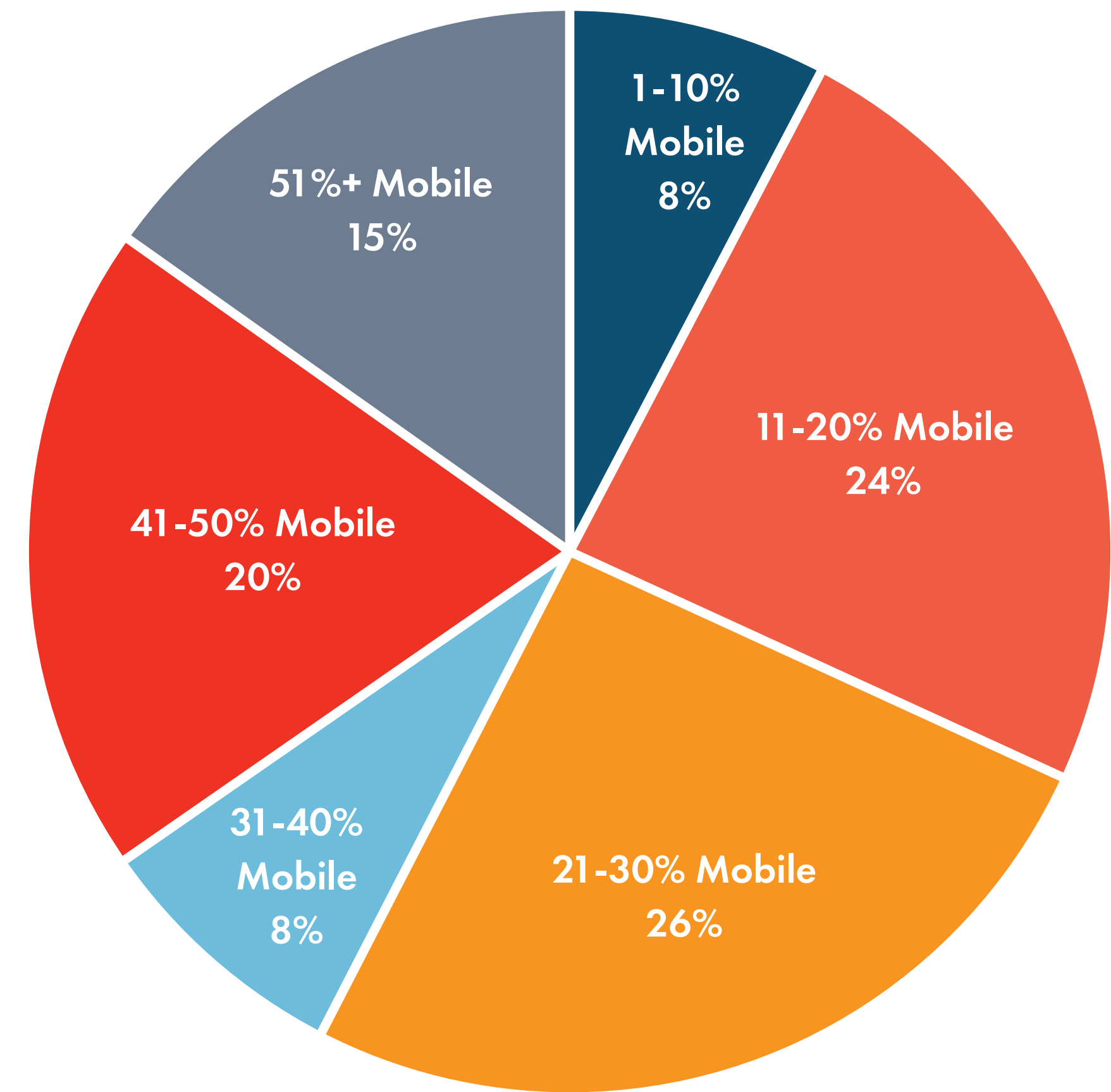
Source; IAB Affiliate Marketing Industry Survey November 2019 n=73 Q - How valuable would you rate the below Affiliate models?

IMPORTANCE OF MOBILE

15% of Affiliate Marketers see more than 50% of sales driven by mobile channels.



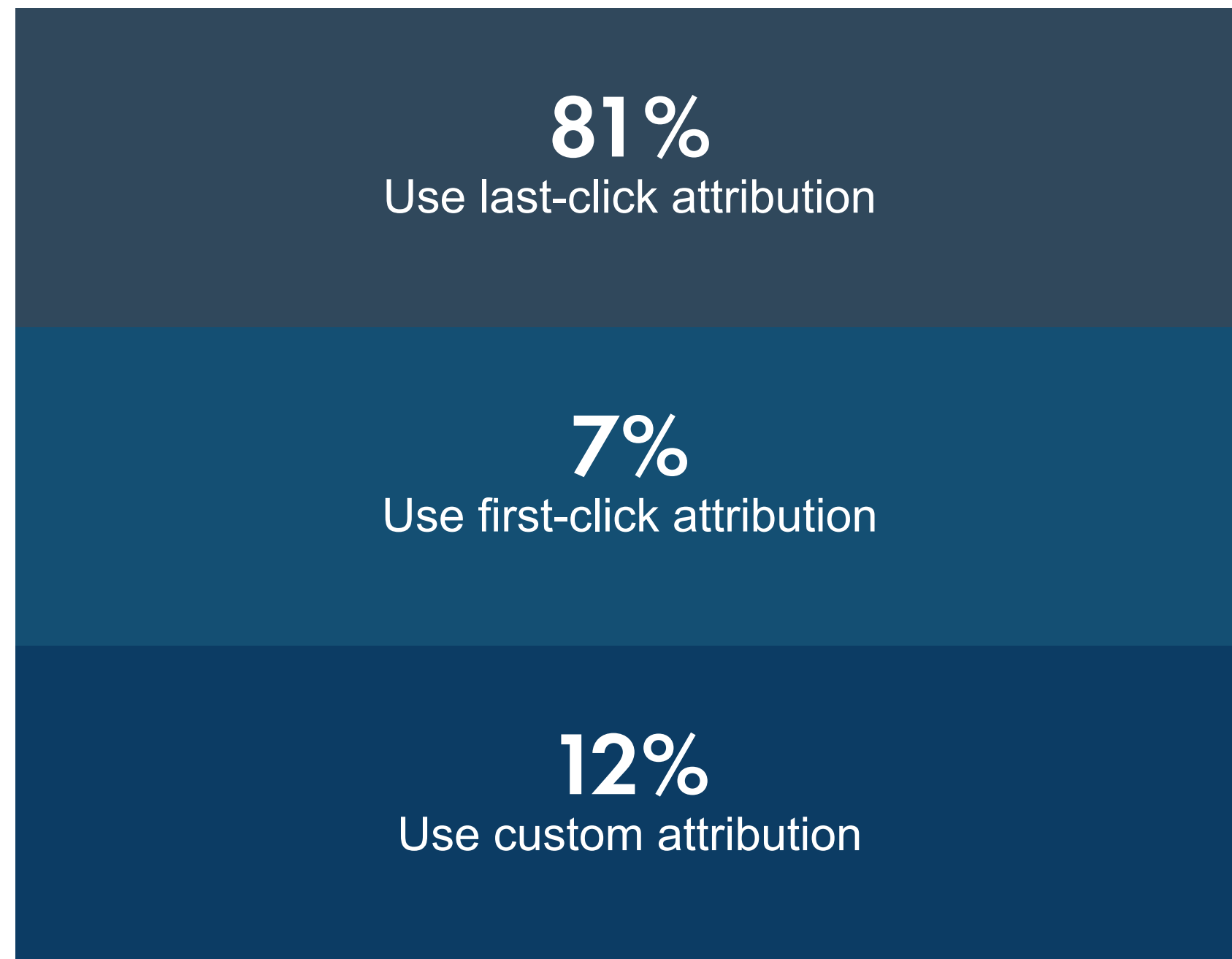
PERCENT OF TOTAL ONLINE SALES DRIVEN BY MOBILE



Source; IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - Do you have a mobile enabled website/app?
Q - What percentage of your total online sales is driven by mobile devices?

MEASUREMENT

There is growing sophistication in attribution techniques used by many Marketers and offered by organisations in the Affiliate Marketing space. These custom models recognise the contribution for different touch points through the Marketing funnel. 19% of Affiliate Marketers use attribution models other than last click.




ATTRIBUTION EXPLAINED

SINGLE-TOUCH ATTRIBUTION

Heavily simplified user journey


First-Touch

- Assigns all value to the first channel.
- Strong bias to initial driver of action.



Last-Touch

- Assigns all value to the last channel.
- Strong bias to final driver of action.




MULTI-TOUCH ATTRIBUTION

More Accurate model of user journey


Custom/Full Path*

- Assigns custom weight to every channel based on bespoke journey.



Position Based*

- Assigns value based on purpose of activity (e.g. U-shaped first touch and conversion touch).



*Best practice

Source; IAB Affiliate Marketing Industry Survey November 2019 n=73
Q - What attribution rules or settings do you use for your Affiliate campaigns?