

AFFILIATE MARKETING

AUSTRALIAN INDUSTRY REVIEW

The logo for iab. australia is contained within a white hexagonal shape with a red border. The text 'iab.' is in a bold, black, sans-serif font, with a red dot above the 'i'. Below it, the word 'australia' is written in a smaller, red, lowercase, sans-serif font.

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JANUARY 2021

Affiliate Marketing Australian Industry Review

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



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Contents

	Page
Introduction	4
Methodology	5
Experience with Affiliate Marketing	6
Scope of operations	9
Investment & payment models	10
Value of Affiliate Marketing	13
Measurement & results	14
Usage of exclusive promotions	16
Impact of COVID-19	17
Usage of third-party cookies	18
Marketers Priorities	19

Introduction

Affiliate Marketing is establishing itself as a valuable and sophisticated acquisition channel for brands. The IAB and its Affiliate Marketing Working Group have published this third annual industry review to explore current experiences and plans with Affiliate Marketing amongst marketers and agencies in Australia.

Affiliate Marketing is continuing to experience significant growth amid the turbulence brought about by COVID-19 and the lockdown. Over two-thirds of survey participants saw an increase in affiliate spend across 2020, with a third spending over \$50k per month through the channel. 70% of brands saw an overall increase in business across 2020, and 68% recorded increased revenue through the affiliate channel specifically.

Affiliate Marketing continues to be applicable to a range of marketers. SMEs made up almost half of the brands using the channel, with 18% of companies involved operating with fewer than 20 employees. Retail was the largest sector amongst surveyed participants at 59%, matching 2019 figures. International operations saw an increase however, with 67% of companies also servicing overseas markets.

Notably, the channel has perceived value for marketers. When compared with other marketing activities, 71% of respondents rated affiliates a 7 out of 10 or higher for return on investment, and 63% of respondents rated the channel a 7 out of 10 or higher for customer acquisition. The most valued affiliate type to work with was rated as Reward partners, which includes cashback and loyalty.

It is common for affiliate marketers to use more than the traditional Cost per Action (CPA) payment model through the channel, and over two-thirds are happy to offer exclusive promotions to affiliates.

With the coming retirement of the third-party cookie, some current methods for digital marketing and its measurement and tracking compliance will be challenged this year. Amongst affiliate marketers in this survey, 55% of brands are not yet making steps to track without third-party cookies, or did not understand the need to move away from third party cookie tracking. It's important for brands to make plans to adjust their marketing and measurement to ensure smooth continuity into the future.

The 2021 affiliate industry review demonstrates how important affiliate marketing is for Australian brands. Continued growth, and positive success metrics, are making this an invaluable channel during a time of uncertainty and disruption.



DAVID GLASGOW
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Methodology

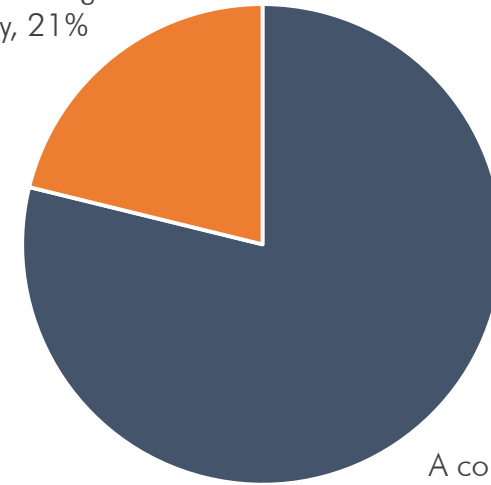
This research was designed and run by the IAB Australia Affiliate Marketing Working Group.

The group conducted an industry survey during October and November 2020 and responses were gathered from over 130 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.

This report makes comparisons to the previous IAB Affiliate Marketing industry survey conducted during August and September 2019 with over 70 responses.

RESPONDENT SAMPLE BUSINESS TYPE

An advertising agency, 21%



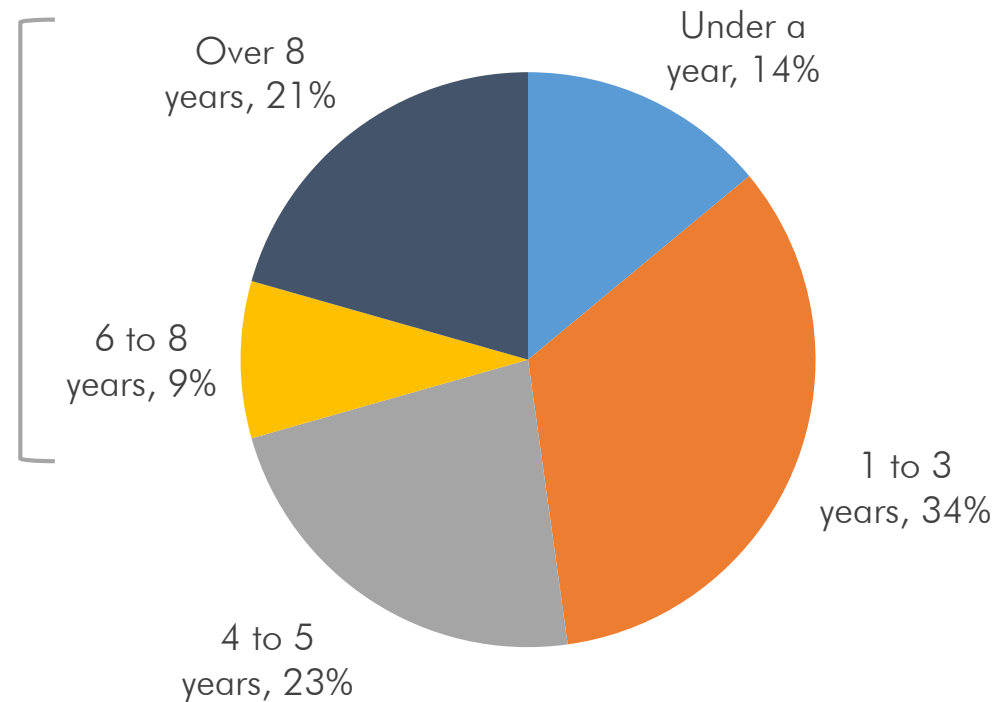
A company or brand, 79%

Experience with Affiliate Marketing

6 in 10 respondents had 1 to 5 years experience in affiliate marketing, however experience is growing with those having over 5 years experience increasing from 22% in 2019 to 30% in 2020.

NUMBER OF YEARS ENGAGED IN AFFILIATE MARKETING

30% of respondents of brands and agencies with over 5 years experience in Affiliate Marketing

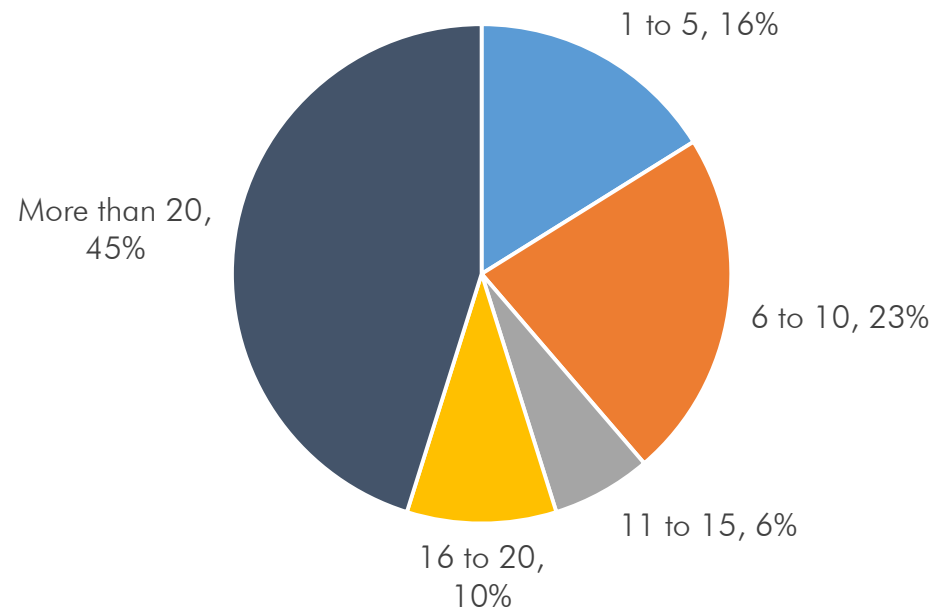


Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (How long have you been engaged in affiliate marketing?)

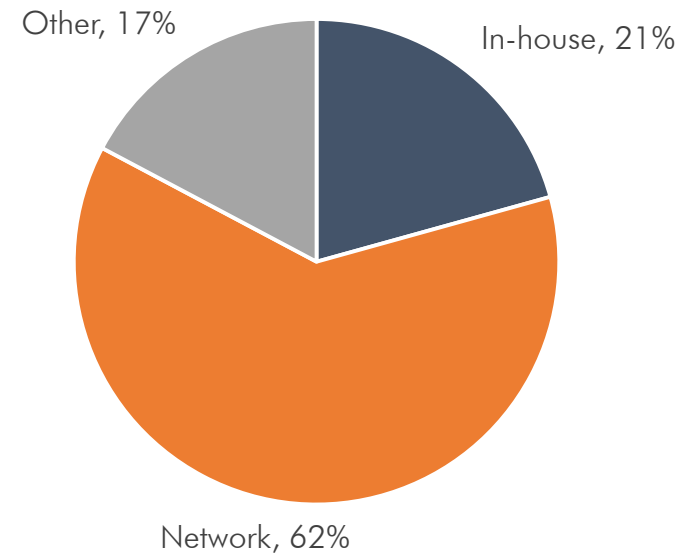
Marketing agency experience

For marketing agencies involved in affiliate marketing most client programs are managed by a network.

NUMBER OF CLIENTS ENGAGED IN AFFILIATE MARKETING



RESPONSIBILITY FOR MANAGING AFFILIATE PROGRAMS

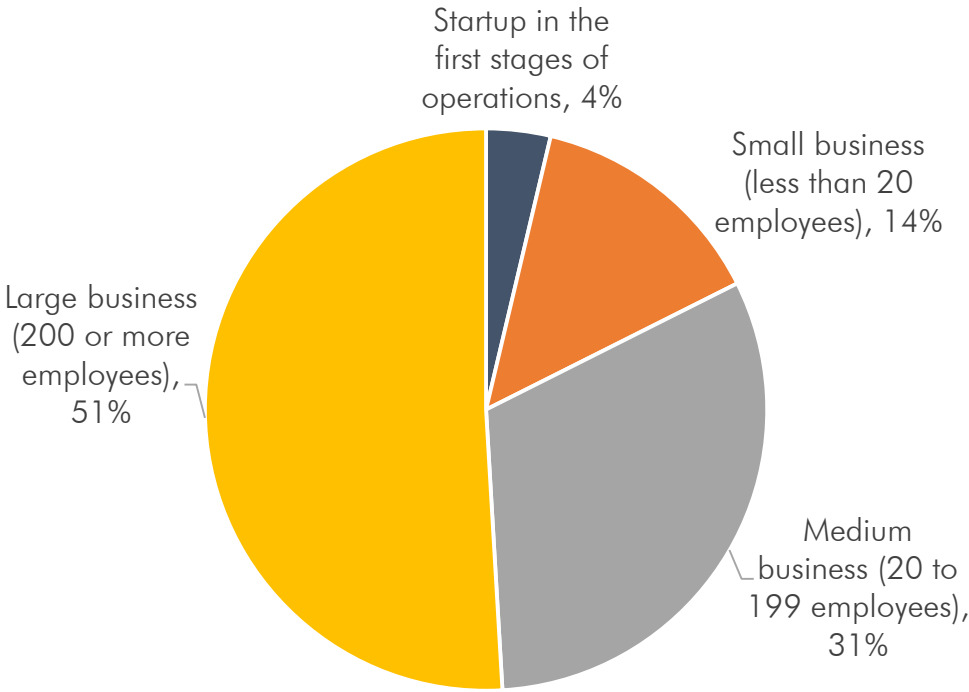


Source: IAB Affiliate Marketing Industry Survey 2020 ad agency n=29 (How many of your clients engage in affiliate marketing?, Who currently is responsible for managing your clients' affiliate programs?)

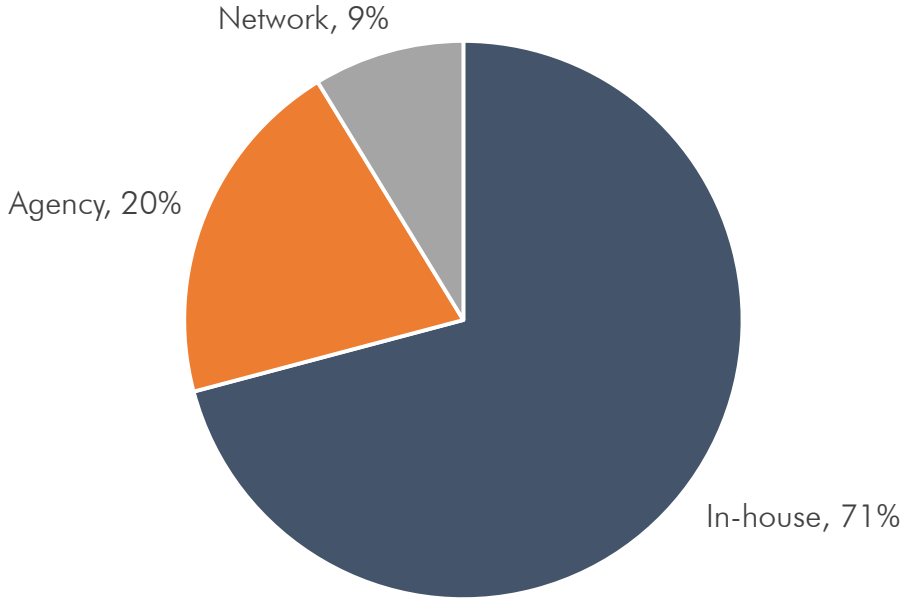
Brand/advertiser experience

For brands involved in affiliate marketing most manage their program in-house.

TYPE OF COMPANY



RESPONSIBILITY FOR MANAGING AFFILIATE PROGRAM



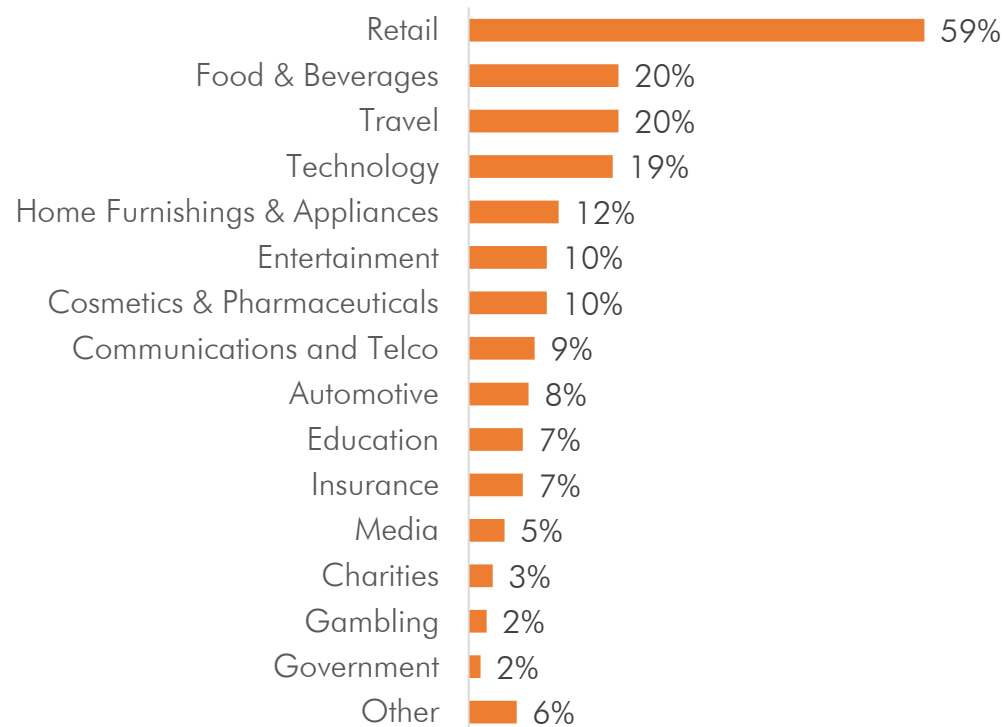
Source: IAB Affiliate Marketing Industry Survey 2020 ad agency n=108 (How many of your clients engage in affiliate marketing?, Who currently is responsible for managing your clients' affiliate programs?)

Scope of Operations

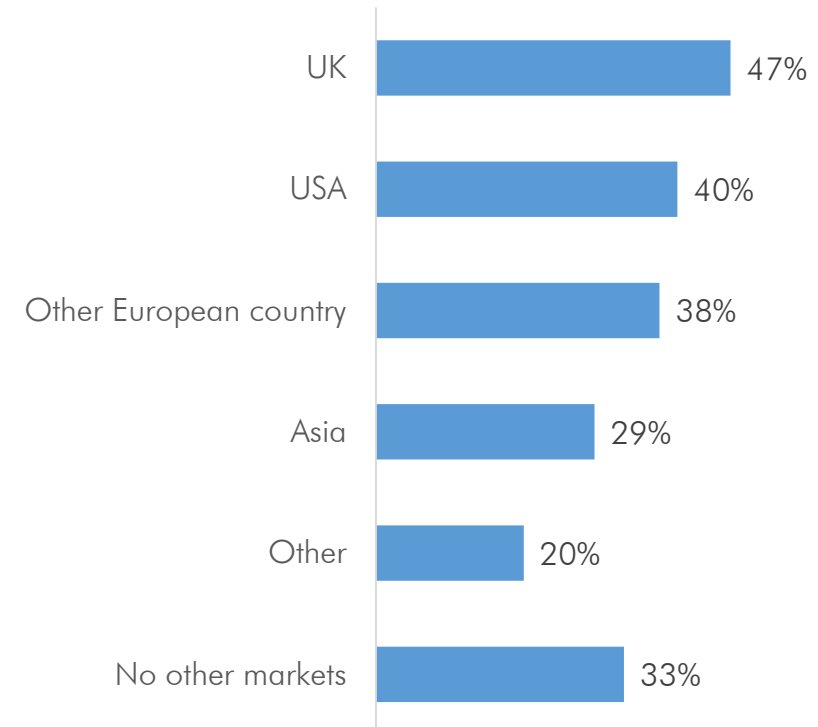
Affiliate marketers operate across a range of industries and in other markets. There is higher operation within the retail industry amongst our survey participants.

67% operate in overseas markets (up from 56% last year).

INDUSTRY OF OPERATION



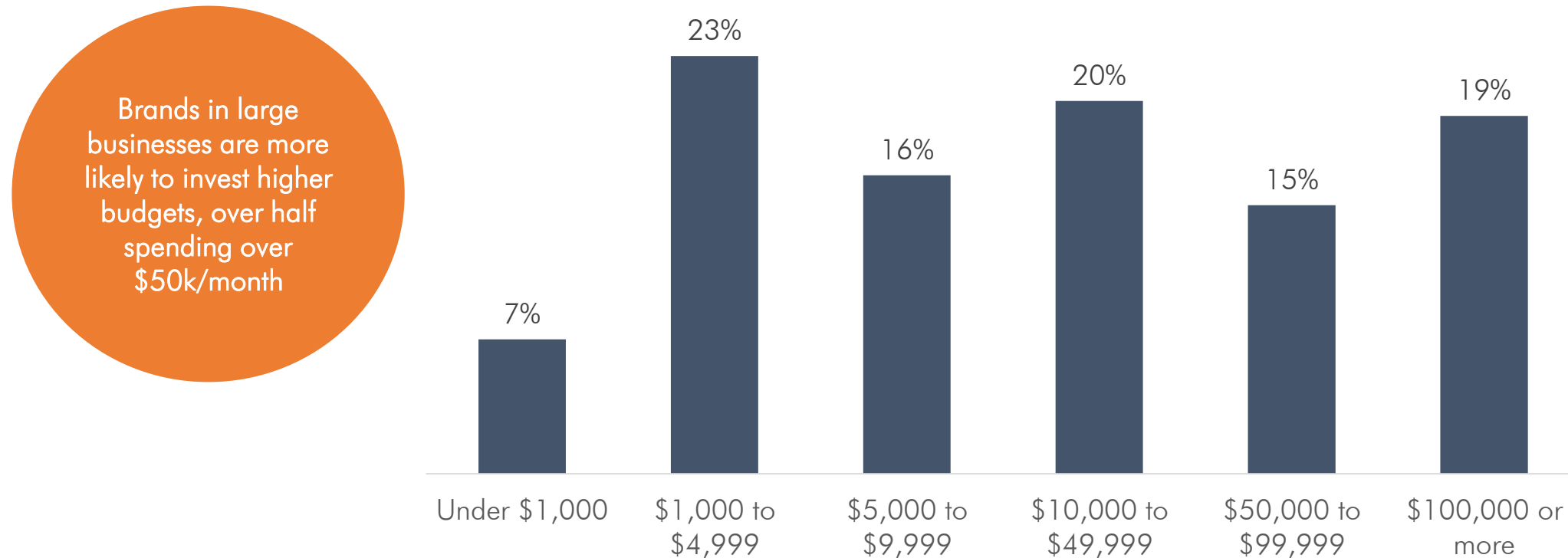
COUNTRIES OF OPERATION



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (Which of the following industry sectors does your company/clients companies operate in?, Do you/your clients operate affiliate marketing programs in any of these other markets?)

Average monthly spend

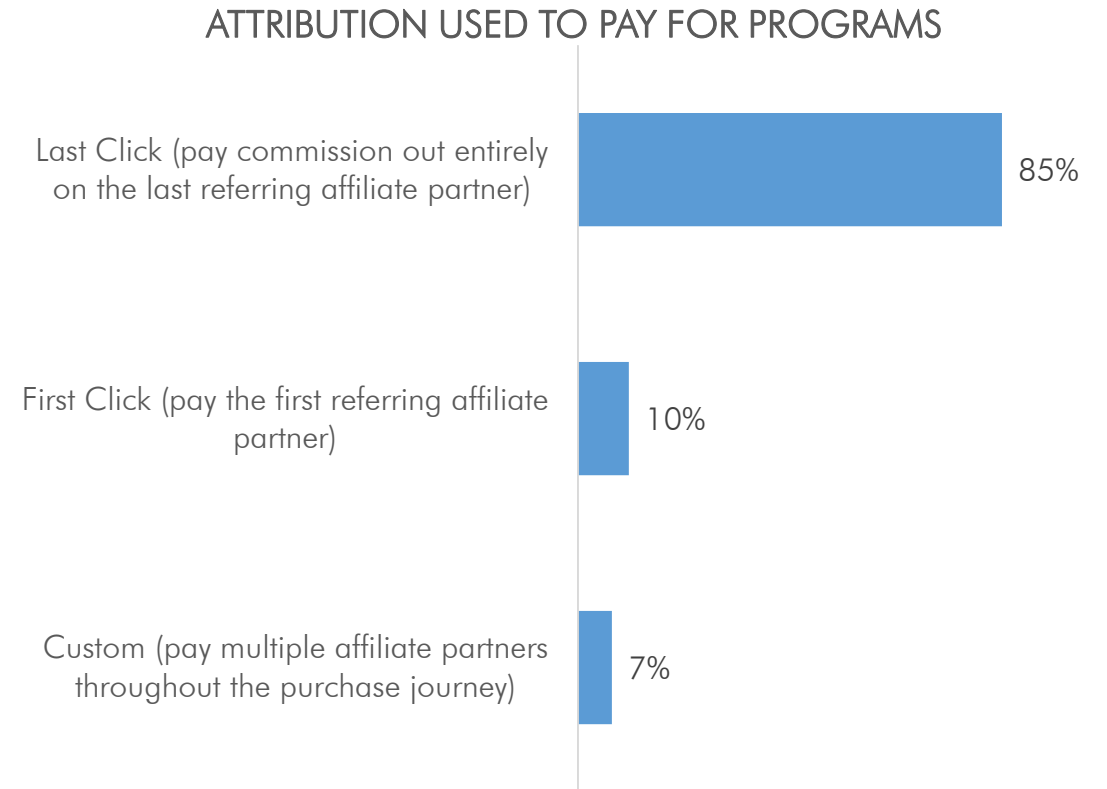
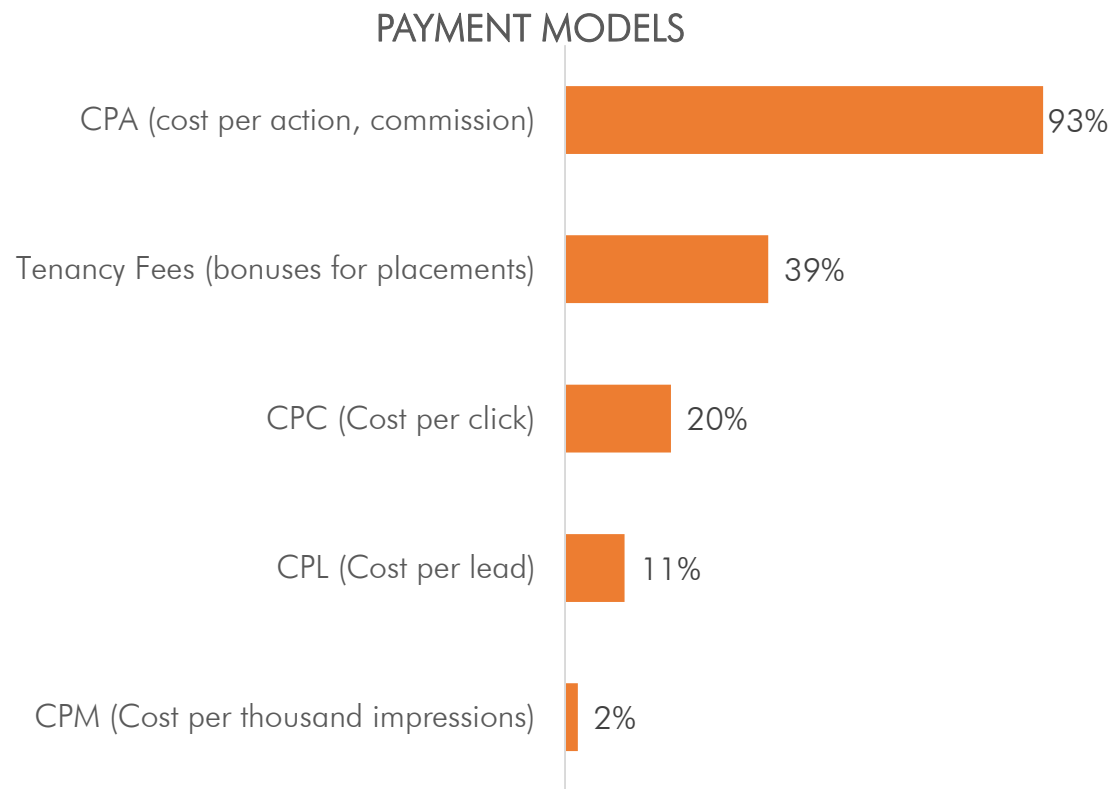
Affiliate marketers invest across a range of monthly budgets. A third (34%) currently spending over \$50,000 a month (up from 28% last year).



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (On average, how much do you spend on affiliate marketing each month?
If you are an agency, please estimate the average monthly spend per client across all your clients.)

Payment models

CPA is predominant way to reward publishers within affiliate programs, however it is also common to use other models in parallel. The usual allocation of CPA commission is the total to the last referring affiliate partner.

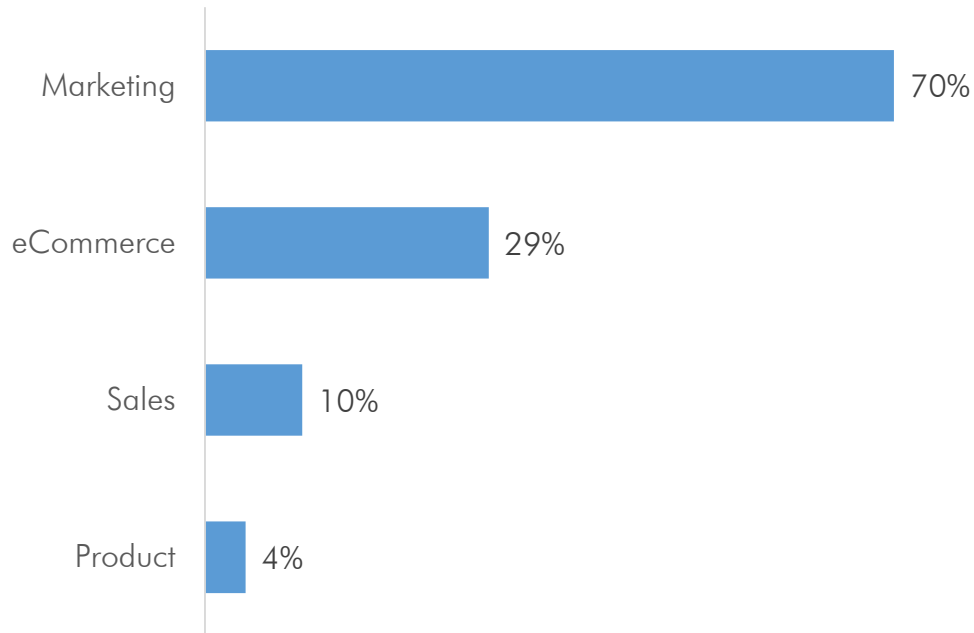


Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (Which payment models are you or your clients actively using through the affiliate channel?, What attribution rules or settings do you typically use to pay your partners for your affiliate campaigns?)

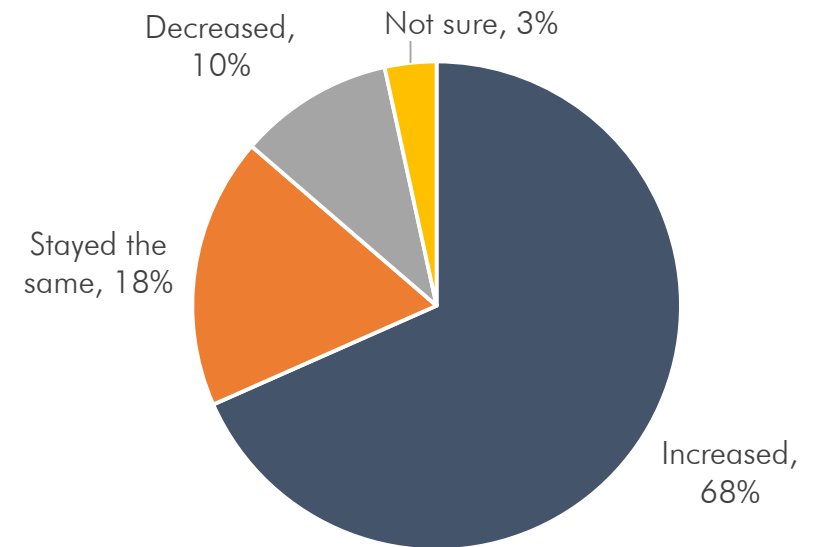
Budgets

Affiliate Marketing is mostly funded by the marketing department. There has been a slight increase in budgets coming from eCommerce (from 22% in 2019 to 29% in 2020). Nearly 7 in 10 are reporting increased budgets for Affiliate Marketing over the last year.

BUSINESS AREA BUDGETS FOR AFFILIATE MARKETING



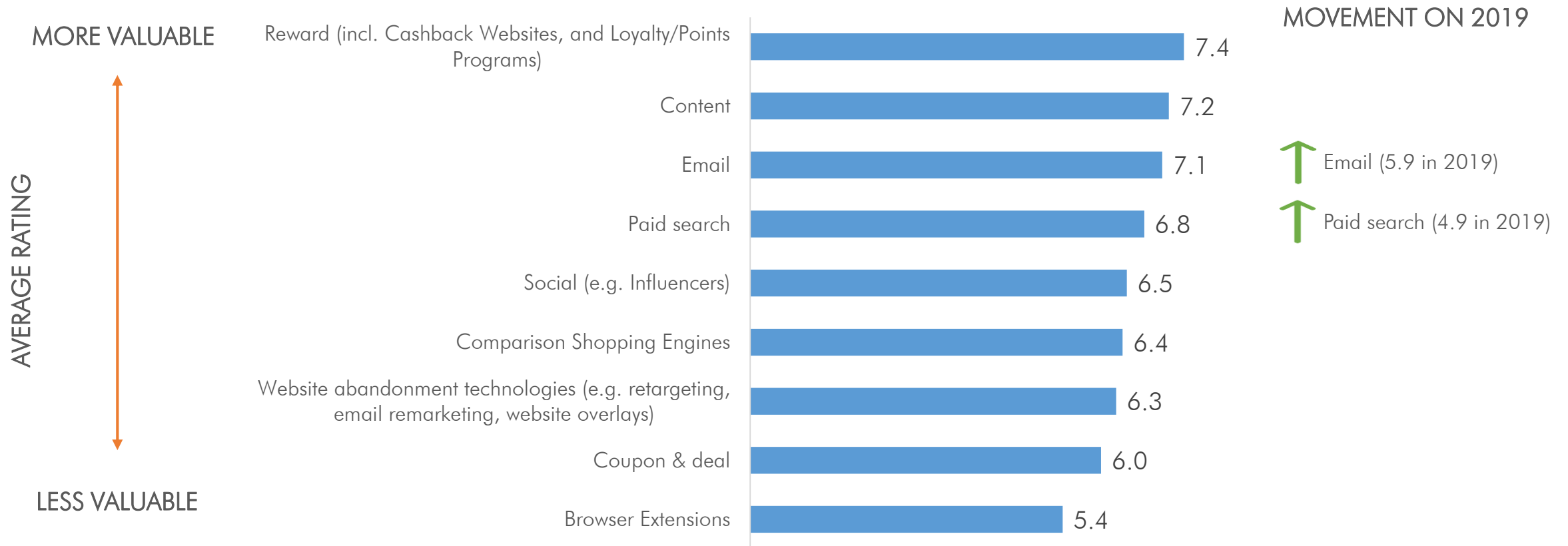
SPEND CHANGES OVER THE LAST YEAR



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (Which department/s does you or your client's Affiliate Marketing budget currently come from?, Over the past year, has you/your clients overall spend on affiliate marketing changed?)

Value of affiliate models

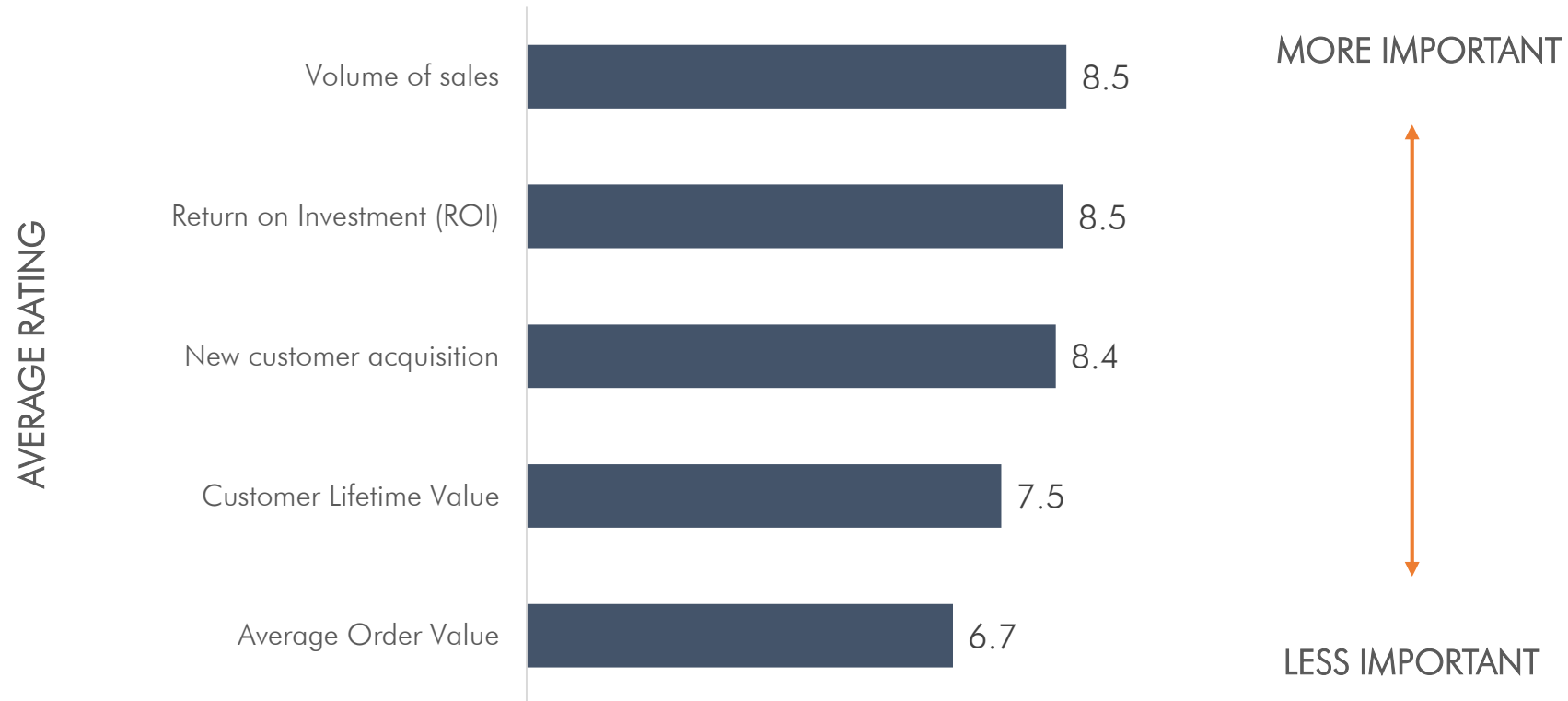
On a scale of 1 to 10, with 10 being most valuable, Reward models (incl. Cashback Websites, and Loyalty/Points Programs) were rated on average as the most valuable to brands and agencies.



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (How valuable do you rate the following affiliate models? Please rate these options 1 to 10, with 1 being least valuable, and 10 being most valuable.)

Measuring success

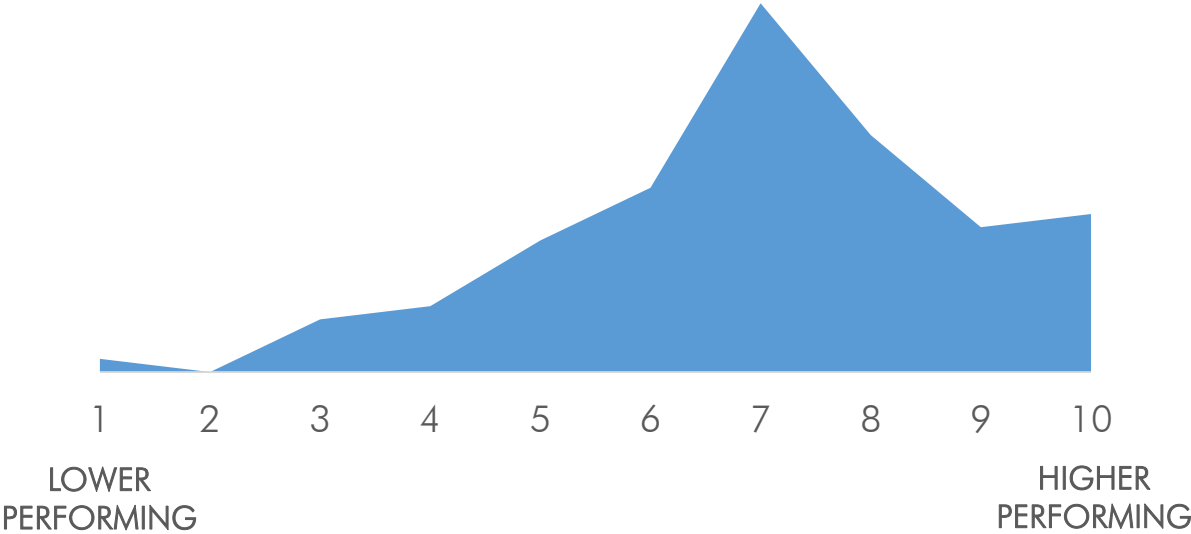
On a scale of 1 to 10, with 10 being most important, sales, ROI and new customer acquisition were on average rated most important success metric when assessing affiliate marketing.



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (How important are the following success metrics when assessing affiliate marketing?
Please rate these options 1 to 10, with 1 being least important, and 10 being most important.)

Results compared to other marketing activities

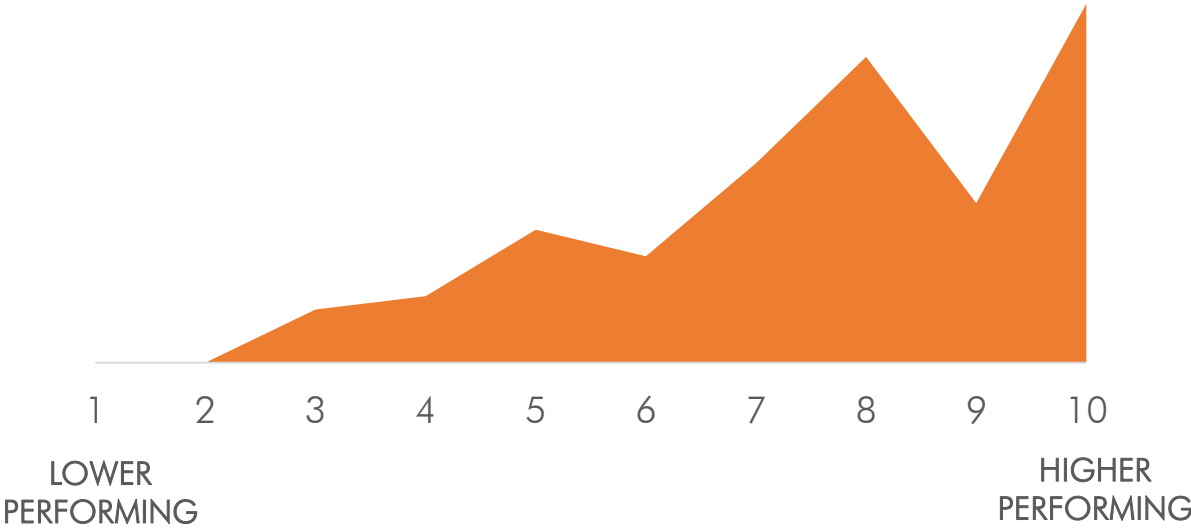
AFFILIATE MARKETING COMPARED TO OTHER MARKETING ACTIVITIES FOR DELIVERING CUSTOMER ACQUISITION



AVERAGE RATING 7.3

63% of respondents rated affiliate marketing as 7 or above out of 10 as higher performing compared to other marketing.

AFFILIATE MARKETING COMPARED TO OTHER MARKETING ACTIVITIES FOR DELIVERING RETURN ON INVESTMENT



AVERAGE RATING 7.8

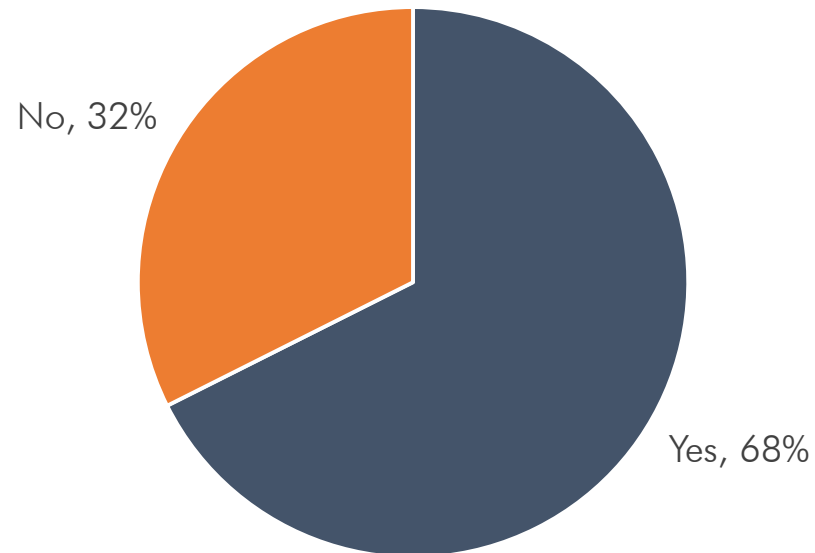
71% of respondents rated affiliate marketing as 7 or above out of 10 as higher performing compared to other marketing.

Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (Compared to other marketing activities, how do you rate affiliate marketing for achieving the following marketing results. Please rate these options from 1 to 10, with 1 being lower performing, and 10 being higher performing.)

Usage of exclusive promotions

Nearly 7 in 10 brands and agencies offer exclusive promotions to their affiliate partners, at similar levels to 2019.

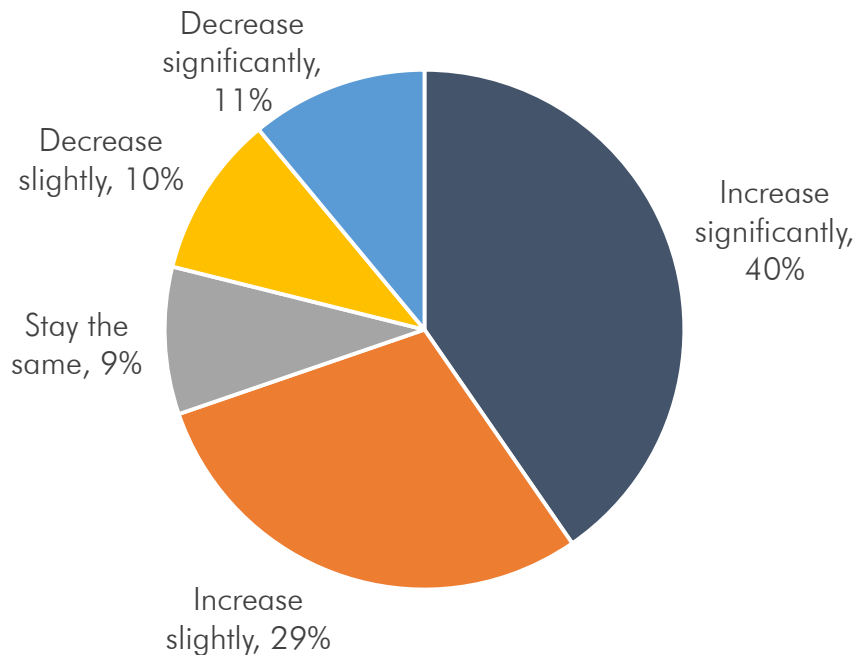
OFFER EXCLUSIVE PROMOTIONS TO AFFILIATES



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (Do you offer exclusive promotions to Affiliates?)

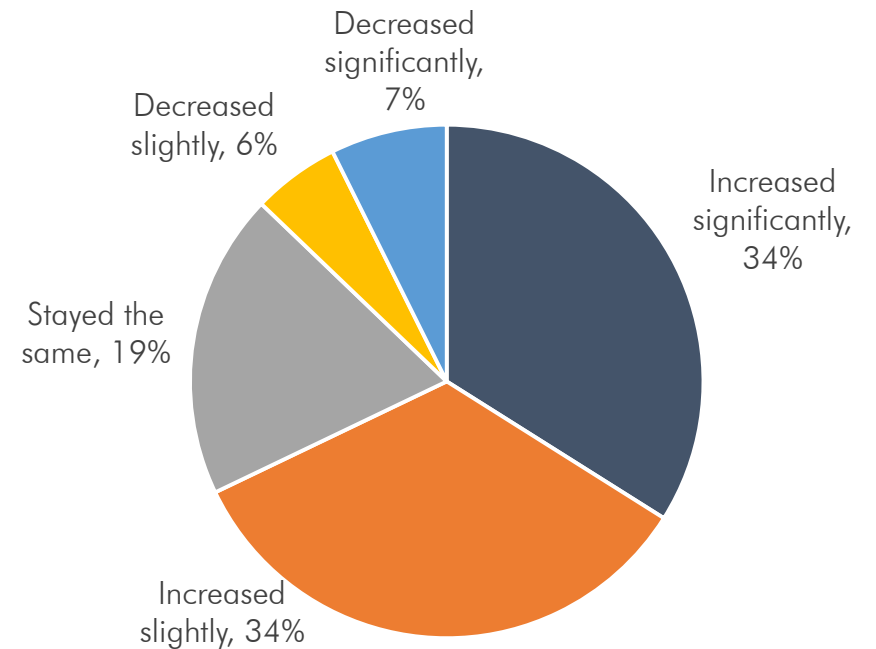
Results during COVID-19 lockdown

BUSINESS IMPACT OF COVID-19 LOCKDOWN ON BRANDS USING AFFILIATE MARKETING



Covid-19 lockdown had a positive impact for 70% of brands surveyed using affiliate marketing

AFFILIATE CHANNEL PERFORMANCE SINCE COVID-19 LOCKDOWN (MARCH 2020), COMPARED TO PRE-COVID



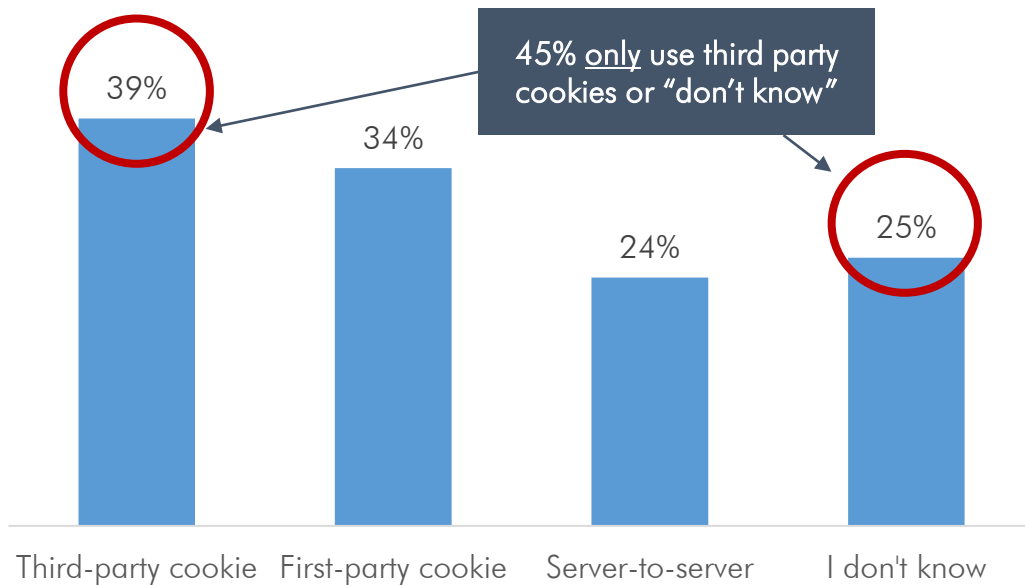
68% of respondents have recorded increased revenue performance through affiliate channels during COVID period

Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (How did the lockdown affect your overall business in Australia? , During the COVID-19 period from late March 2020 until now, how has the affiliate channel performed in terms of revenue compared to pre-COVID period?)

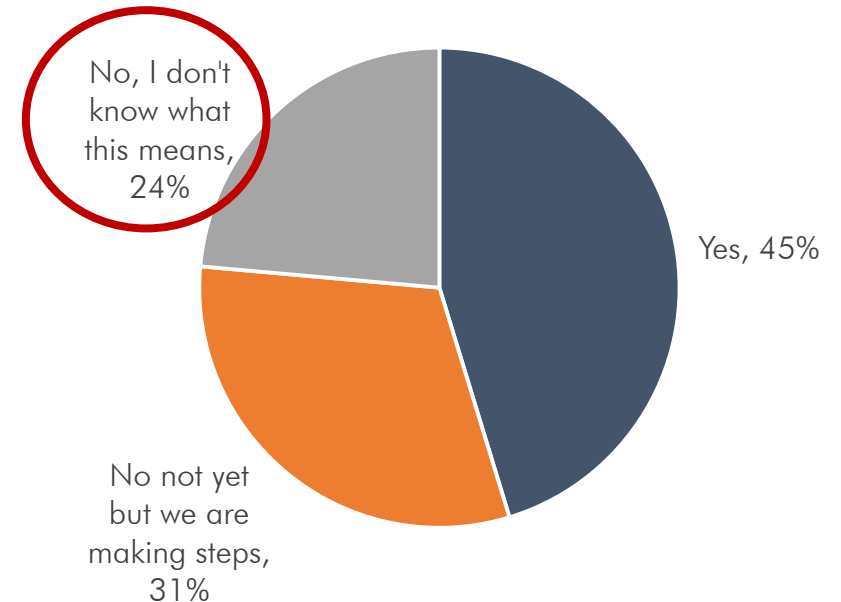
Usage of third-party cookies

In recent years, browsers & operating systems have been moving away from third-party cookies to increase user privacy. 4 in 10 respondents are using third-party cookies to track Affiliate Marketing. About a quarter are unaware of the need to prepare to track affiliate programs without the use of third-party cookies.

WAYS USED TO TRACK AFFILIATE MARKETING



READY TO TRACK AFFILIATE MARKETING WITHOUT 3RD PARTY COOKIES



Source: IAB Affiliate Marketing Industry Survey 2020 n=137 (How do you track your affiliate marketing activity?, Are you/your clients' affiliate programs ready to track without the use of 3rd party cookies?)

Marketers Key Priorities for Affiliate Marketing

Richer Integration with other digital marketing activity

Opportunities for training, events and networking

Education on assessing and measuring incrementality of the channel

Creation of best practices & standards

Greater transparency

Educate & share knowledge with wider digital community

Diversity affiliate models to generate scale

Source: IAB Affiliate Marketing Industry Survey 2020 - themes from the respondents on what they would like to see more of within the industry

FURTHER RESOURCES FROM THE IAB AFFILIATE MARKETING WORKING GROUP



[DOWNLOAD THE HANDBOOK HERE](#)