# AFFILIATE MARKETING HANDBOOK

MAY 2020

# IAB AUSTRALIA'S AFFILIATE MARKETING WORKING GROUP

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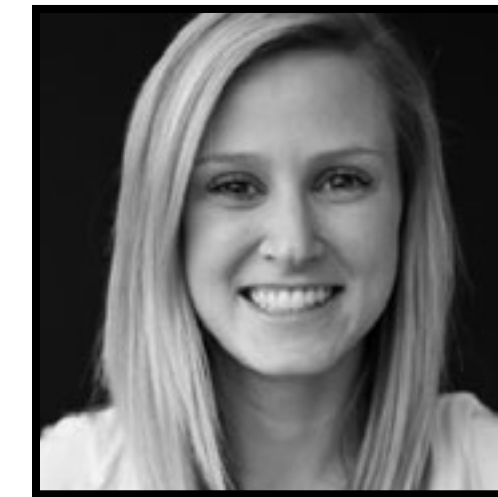
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Welcome to the second edition of the IAB Australia Affiliate Marketing Handbook. Since the IAB released the first handbook in October 2016, the Australian performance marketing industry has seen considerable and consistent growth in terms of revenue, but also in terms of the recognition and value that advertisers are attributing to this acquisition channel.  More and more Australian brands are launching affiliate or partnership marketing programs as we continue to see strong returns on investment, an ever-evolving landscape of opportunities, and a creative and diverse ecosystem that touches on many points in the customer's journey.

The purpose of this handbook is to provide a thorough exploration of the Australian affiliate landscape and will serve as a useful resource to both those who are new to this form of digital marketing, as well as anyone currently involved in it. We will be covering the basics of this channel, including an overview of the Australian market, the key players involved, the types of affiliates you can

work with, as well as best practices. We've also provided useful information on technology and tracking, best use of data, and how these relate to the latest privacy regulations. Finally, we explore where we see the industry headed in the coming years.

The handbook has been put together by the Affiliate Marketing Working Group, represented by some of the most knowledgeable and experienced minds in the industry, and whose purpose is to educate, set standards, and provide best practices.

**DAVID GLASGOW**
**Director**
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# WHAT IS AFFILIATE MARKETING?

Traditionally, affiliate marketing is defined as a performance-based channel in which an online advertiser pays a commission to an affiliate for any sales or actions that were generated from their referrals.

Affiliates, also known as publishers or partners, are people or companies that will promote a product or service to their audience.

Advertisers, also known as merchants, retailers or brands, are the online companies that have this product or service to sell. Essentially, affiliates are like an advertiser's "online sales force" that use a variety of ways to encourage consumers to a website to make a sale.

At the heart of affiliate marketing, is the concept of paying on performance. We term the payment metric CPA, or Cost Per Action / Acquisition. Typically, an "Action" is an online sale or service. However, it can also include leads, downloads, registrations, calls, newsletter sign-ups and any other measurable action. The CPA can be a fixed amount or a percentage of the basket value. As such, advertisers can guarantee themselves a return on investment through affiliate partnerships as they are only paying when the advertising is successful. In fact, in the 2020 IAB Australia Affiliate Marketing Australian Industry Review, 84% of advertisers rated their affiliate ROI at 7/10 or higher, compared with other channels.

Affiliate marketing is widely used across all verticals including fashion, travel, electronics, health and beauty, food, telecommunications, and finance as well as in B2B companies. It should be considered as a key part of an advertiser's marketing mix, specialising in turning brand awareness and interest into conver-

sions towards the end of the purchase funnel.

Sales will, in most cases, take place digitally, on the advertiser's website. However certain affiliate partnerships can deliver offline to online referrals, and vice-versa.

One of the main characteristics and draws of affiliate marketing is the diversity of opportunities that exist in the channel. Affiliates come in all shapes and sizes, from coupon and cashback sites, to review websites and blogs, to social influencers and marketing technologies. The CPA model is versatile and can be used to drive all kinds of partnerships with all kinds of businesses. More information on affiliate types can be found in later chapters.

## TECHNOLOGY

For advertisers to make use of affiliate marketing, they need to have an "affiliate program" that partners can sign up to in order to start promoting and referring through customers. Most advertisers will do this through an "affiliate network" or similar SaaS platforms. These are marketing technology platforms that provide several important functions:
- They act as a meeting ground, connecting affiliates to advertisers and vice versa.
- They provide robust, impartial tracking solutions that track affiliate activity and award commissions accordingly.
- They manage the payments of said commissions.
- They provide reporting and insights into the affiliate channel.

Once an affiliate has signed-up to an advertiser's program, they will have access to various resources to help them promote this brand. This includes



THE AFFILIATE SHOWS AN AD FOR THE MERCHANT ON THEIR WEBSITE

AFFILIATE GETS PAID THEIR COMMISSION

CUSTOMER CLICKS THE AD OR LINK

HOW **AFFILIATE MARKETING** WORKS

THE TRANSACTION IS CREDITED TO THE REFERRING AFFILIATE

CUSTOMER IS SENT TO THE MERCHANT SITE THROUGH TRACKING LINK

THE PURCHASE IS CONFIRMED BY MERCHANT AS A VALID SALE

CUSTOMER MAKES A PURCHASE ON MERCHANT WEBSITE.

AFFILIATE NETWORK RECORDS THE PURCHASE AND DETAILS OF THE TRANSACTION

*Source: Commissionfactory, 2019*

tracking links in the form of basic text links, banners, product feeds and offers feeds. So how does affiliate marketing work technically? Let's look at a typical customer journey through the affiliate channel. When a user visits an affiliate site, and clicks through to the advertiser's website, they do so via a network or SaaS platform tracking link which drops a cookie on that customer's device. Should that user go on to make a purchase, and reach the order confirmation page, the affiliate network or SaaS platform's tracking tag (or pixel) will fire behind the scenes. The tag marries up data from the cookie along with basket information and reports this data in on the affiliate network or SaaS platform's UI, assigning commission to the relevant affiliate. This basket data typically includes the Price, Order Reference, Customer status (new or existing), SKUs, and any Coupon Code that was used at checkout.

It's worth noting that networks use many different types of tracking other than cookie tracking, especially in recent years as more browsers and operating systems block certain types of cookies. More information on the different tracking solutions can be found in later chapters.

## GETTING INVOLVED

If you are interested in launching an affiliate program, it's important to understand the key benefits and considerations associated with this digital marketing channel.

**Benefits:**
- Low Risk – only pay when a sale or action takes place
- Diversity – opportunities exist across a multitude of different partnership types
- Reach – access and exposure on high-volume publisher sites, reaching specific and often highly targeted demographics
- ROI – typically higher than other online marketing channels.

**Considerations:**
- Set-up – working with affiliates requires technical tracking integration, setting-up a program through a network, and providing affiliates with the assets that they need to promote.
- Duration – affiliate marketing should be considered as a long-term marketing strategy that is always growing as you work with more and more partners. Because it takes time and resources for affiliates to build their promotions, the channel cannot be switched on and off and suitable notice periods are important.
- Strategy – affiliates come in all shapes and sizes, and it's important to understand exactly what types of affiliates you want to partner with and how best to work with them. Creativity and a test-and-learn approach go a long way towards running a successful program.

Affiliate marketing has drastically evolved over the past two decades in terms of how consumers behave, the different affiliate types and technological advancements. What also needs to be taken into consideration is despite Australia, the U.K. and the U.S. all being English speaking markets, they differ in terms of size, maturity (due to education and under-standing of the channel), legislation, increased competition and consumer values.

The below is a summary of the different affiliate technology and service providers that have established themselves in the Austra-lian market:
• Traditional affiliate networks: Offer both self-managed and fully managed services to brands along with the tracking, payment and access to their network of affiliates.
• SaaS platforms: Offer a self-service platform for brands to track and pay their affiliates and manage their programs au-tonomously.
• Affiliate agencies: Offer a management solution to brands - agencies don't have their own tracking solution and are usually working closely with a SaaS platform and/or affiliate networks to run programs on behalf of the advertiser.

Sitting on the other side of affiliate marketing are the affiliates, the key players in the affiliate ecosystem. An affiliate is any person or company that refers clicks, leads or sales to an ad-vertiser. Australia has become more than just an add-on for a number of international key players, especially in the last year or two. Australia might have been on the radar for a number of international publishers for a while, but in the last few years these publishers have started taking on the Australian market more aggressively, seeing it as a standalone market in its own right. A number of these international publishers have physically moved into the Australian market by opening up local offices with staff on the ground as well.

| Digital Marketing Trends | Australia | USA | UK |
|---|---|---|---|
| Internet Users penetration | 87% | 95% | 95% |
| Device Usage: Mobile | 96% | 90% | 92% |
| Device Usage: Smart Phone | 87% | 78% | 77% |
| Device Usage: Desktop/laptop | 84% | 77% | 74% |
| Device Usage: Tablet | 56% | 46% | 53% |
| Device Usage: Television | 92% | 89% | 89% |
| Frequency of internet use: Every day | 93% | 86% | 90% |
| Purchase Bills/Shopping Online | 76% | 77% | 81% |
| Men purchase online | 77% | 77% | 85% |
| Women purchase online | 74% | 77% | 77% |
| Purchased a product or service online (any device) | 69% | 77% | 81% |
| Purchase online via laptop or desktop | 48% | 56% | 53% |
| Made an online purchase via a mobile | 37% | 44% | 45% |

*Source: Hootsuite - The Global State of Digital in 2019 Report (Digital 2019 United Kingdom, Australia and United States)*

**AUSTRALIAN MARKET**

The Australian market is growing in its own direction to cater to one of the hardest demographics to advertise to. In an article in PerformanceIn, when comparing the U.S. to Australian marketing, it may not be as developed, however Australian online businesses are expected to grow by 15.1% this year, with currently eight out of 10 Australians shopping online. It is no surprise that Australia is the tenth-largest e-commerce market in the world by revenue, according to the Webalive - Australia Ecommerce in 2019 report. That being said, due to increased competition, including the entry of Amazon and increased operational costs, growth is looking to slow down, so that by 2021 the growth rate is predicted to be



*Source: KPMG - Retail consumer trends and the customer experience; 2018 Consumer Retail Excellence Report*

around 7.4%.

Interestingly, SME Online Retailers made up 35% of online sales during 2018, seeing a faster growth rate than large retailers. This demonstrates how Australians support local small businesses more so than other markets. Since its launch in Australia in 2017, Amazon has so far had minimal impact on local online and bricks and mortar retailers. Retailers are reacting to the market entry of this behemoth, however, as sales for Amazon are reported to increase, as stated in a recent article in the Australian Financial Review.

CONSUMER BEHAVIOUR

**General Trends**
As of 2019, 87% of the Australian population are regular internet users with 74% being mobile internet users (93% of which use the internet every day, higher than both the U.K. and the U.S), according to the Australia Digital Trends 2019 report from We Are Social and Hootsuite. Fashion is the largest retail sector, followed by consumer electronics and health & beauty. The 2019 Australia Post Inside Australia Online Shopping report noted fashion, consumer electronics, and health and beauty are the largest retail sectors, whilst leisure, and home and garden are experiencing the most growth.

**BNPL (Buy Now Pay Later)**
In 2018, more than 73% of Australian households shopped online. And the number of online purchases continues to grow exponentially due to the increased popularity of online sales events, Buy Now Pay Later (BNPL) payment options and marketplaces. BNPL payment options have been influencing how Australians shop online, with most of the users consisting of Millenials. However, according to the Australia Post report, Paypal remains the most dominant of payment methods, followed by credit card and debit card. BNPL is more commonly used within the fashion sector.

**Delivery**
Shoppers now have higher demand for express delivery and, hence, retailers who provide same-day or next-day delivery have an advantage to retailers who do not. With more Australian retailers providing a faster delivery service, this will soon become the norm, following the U.K. and U.S. standards in terms of delivery.

**Online and instore**
Retailers with online and in-store shopping options are now promoting Click and Collect to encourage consumers to buy impulsively and focus on convenience, providing a seamless experience between the physical and digital space for the shopper, also known as the "Phygital" customer experience.

**Environmentally friendly consumerism.**
Consumers are becoming more ethically aware and therefore it is important for retailers to adopt ethical and sustainable business practices, as there is increased attention on these facts. Sixty percent of consumers are reported to want parcels with sustainable packaging.

AUSTRALIAN AFFILIATE LANDSCAPE

According to the 2019 Awin report, in Australia over 70% of the top 100 retailers now operate an affiliate program and the market is seeing up to 20% of their new customers coming from the affiliate channel. We can expect to see continued growth, as global affiliates identify Australia as the next big market. Saying that, there are fewer affiliate marketing specialist agencies than in the other markets and there is still a need for education across the digital space and for retailers.

As an immature market, the publisher mix currently is very discount driven, with voucher code (or coupon) sites dominating the market, alongside cashback and loyalty. Content and large publishing houses are also looking to move into

the affiliate landscape, however, unlike the U.K. and the U.S. markets, the entry of new affiliates is not as frequent and there are fewer key players in the Australian market.

Australia has a few more key retail events such as ClickFrenzy, Travelfrenzy, Buy Now Pay Later sales events and Singles Day, as well as the usual, Black Friday, Cyber Monday, Christmas and the January sales. Affiliates who command a loyal user base often provide advertisers with different campaign themes during different times of the year.

Unlike more mature markets, most publishers in Australia will agree placements alongside their usual activity on a commission only basis. While some larger publishers have introduced fees, this is still significantly lower than in the U.K. or U.S., greatly reducing cost barriers for advertisers.

Australian publishers, like those in the U.S. and the U.K. are providing Card Linked Offers (CLO), however it is something that is still in its infancy. The requirement to innovate, although still something advertisers, SaaS platforms and networks want, is dependent on technical resources, business priorities and getting the basics of affiliate marketing right, as well as the market/consumers' readiness for something new.

A lot of the growth can be attributed to the learnings and insights from the U.K. and U.S. market being applied in Australia, as well as the expansion of global affiliates into the market. This increased presence of global partners has led to the expansion of the Affiliate Summit conference into APAC., the only affiliate event of its kind for the Australian market that is industry-wide.

Continued growth in the affiliate marketing channel will be down to brands taking on a fuller digital strategy, new international players entering the market, cross border transactions, and combining the online to offline experience. This will require stakeholders to understand the importance of a frictionless consumer experience and staying ahead of the competition.

## U.K. AFFILIATE LANDSCAPE



The figures from the 2018 U.K. IAB/PwC Affiliate Marketing Study revealed that spend on affiliate marketing in 2018 was £429m, increasing by £24m from 2017. This trend of increasing spend continues, and indicates the strength of the affiliate channel in the U.K. market - despite continued economic uncertainty around Brexit and more recently COVID-19. Affiliate marketing is perhaps better positioned to capitalise on this kind of uncertainty as it's a model that rewards on measurable actions, which is something that advertisers will want to scrutinise more and more as their budgets are squeezed and as investment into wider brand-building exercises take a hit.

In terms of U.K. affiliates, there is a constant influx of new affiliate partners, especially mass media houses joining the market and providing access to a new type of audience. Many large affiliates are powerful consumer brands in their own right and have achieved parity status with the advertisers they promote. One thing to note in comparison with the other markets was the introduction of the General Data Protection Regulation (GDPR), the EU's digital privacy legislation. GDPR) came into effect on the 25th May 2018, and has meant that advertisers and affiliates alike have to consider how to manage and process data. This also affects new tools and technologies being developed, along with how their employees are trained in the management of data. Failure to adhere to GDPR rules can result in significant fines.

## U.S. AFFILIATE LANDSCAPE

The U.S. is the global leader in affiliate marketing. As reported by PerformanceIN and the Performance Marketing Association, the U.S. is the most mature and advanced affiliate market with 25% of e-commerce revenue coming from this channel and an average ROI of 12:1. The affiliate market in the U.S. is forecasted to rise to USD $6.8 billion in 2020.



*Source: USA Hello, 2019*

The U.S. market has the most advanced data-driven affiliate models. Advertisers really want to know what publishers create and the platforms they use to publish the content, but also the type of customers the publisher drives. To do so, they have created data-driven attribution models to understand the value, contribution, and ROI they get from affiliates and from the affiliate marketing channel.

U.S. publishers are also more strategic and diverse compared to the U.K. and Europe with a wide range of affiliate types all contributing to advertisers revenue and sales.

# TYPES OF AFFILIATES

It is important to understand the role that each affiliate type plays at each part of the customer journey because we know consumers can have many touch points to purchase.

## CASHBACK, LOYALTY & REWARD AFFILIATES

These affiliates pass back a portion of the commission advertisers pay them to their members; typically in the form of money (cashback) or points (loyalty). Charitable loyalty affiliates use the same mechanism, but the commission is donated to a designated charity or non-profit organisation. In the Australian market, loyalty and cashback affiliates are key drivers for many advertisers' affiliate program revenue. Depending on seasonality, campaign exposure, and competitive offering to the consumer, these affiliates can drive significant volumes of sales.

Advertisers need to ensure customers have a seamless experience from end to end and therefore it is essential that the appropriate variables are passed back in the tracking and that advertisers have an effective validation process that includes transaction inquiries (this is where the consumer sends a missing points or cashback request to the affiliate, which then gets passed to the advertiser for review). The user journey coming from affiliate relationships and ending in a purchase with the advertiser should leave the consumer with a positive experience because every touch point can contribute to consumer's perception of a brand.

### Considerations
- Competitive Commission Rates - ensuring CPA rates offered to cashback/loyalty affiliates are competitive to the advertiser vertical. The consumers are incentivised by the percentage or points earned from the cashback/loyalty affiliates and this is directly affected by the commission rates being offered by brands.
- Cashback vs Coupon Codes - the benefit of cashback compared to flat discounting is that CPA rates can be scaled to product margins and be tailored down to a specific product level.
- Offline - there has been a growing trend of loyalty partners getting involved in the offline space via utilizing card-linked incentives to drive in-store traffic. This can be a powerful tool to marry up online and offline campaigns and use online channels to target and increase offline transactions

all while being able to track effectiveness and compensate partners on a performance model.
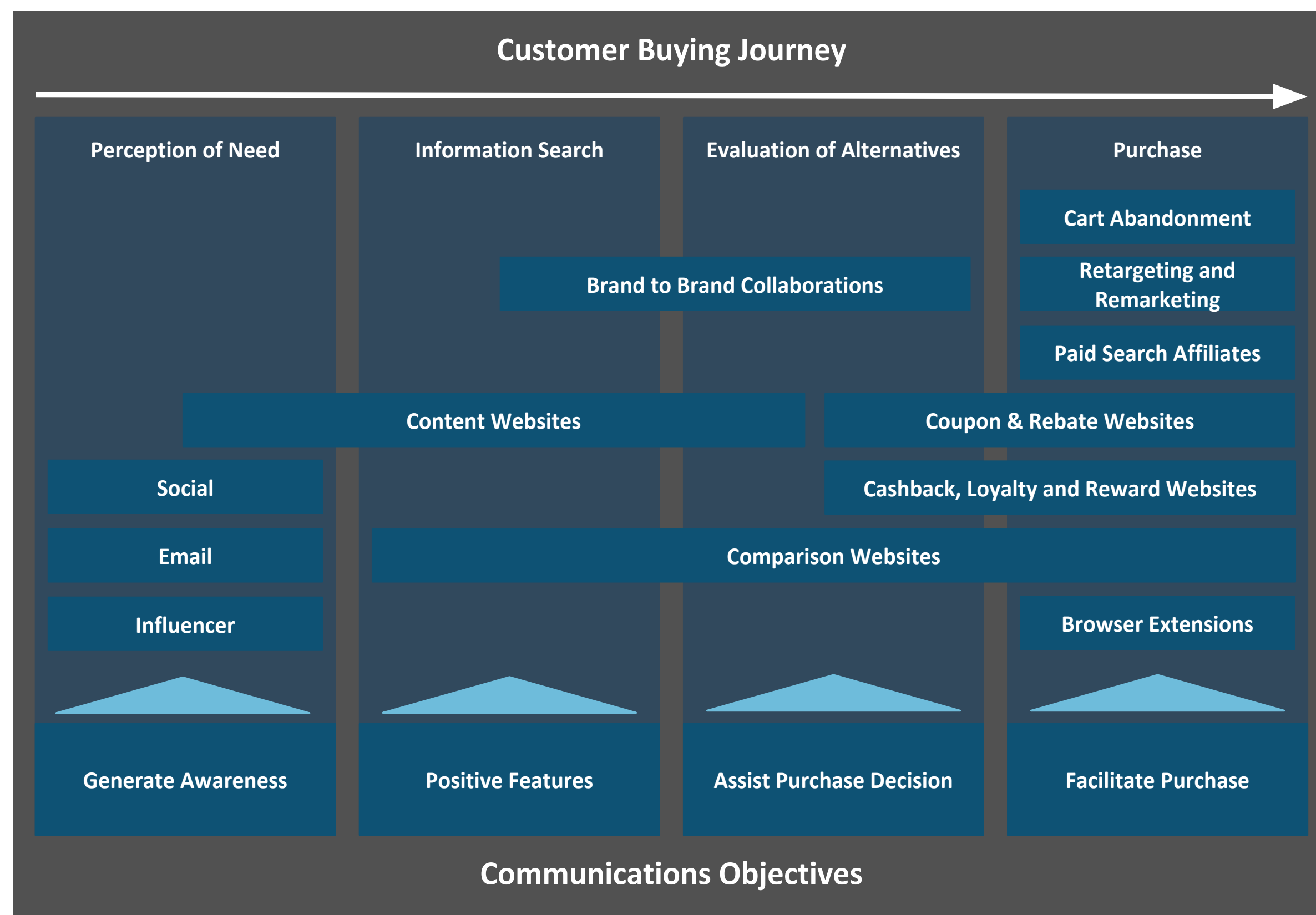
### BROWSER EXTENSIONS

Browser extensions are applications which consumers choose to download to help them with their online shopping experience. Examples of their function include price drop alerts, providing coupon codes, or assisting with cashback and loyalty redemption.

Browser extensions or toolbars can fall under any other affiliate types such as loyalty, cashback, price comparison or coupon. While it is an affiliate type of sorts, it is often an extension of an affiliate's marketing efforts like email and social media. There are also cases where affiliates operate solely as a browser extension and have advanced technology to provide a specific need within the consumer's purchase behaviour.

### Considerations
One of the ongoing debates is around whether browser extensions provide incremental value to the affiliate program - and that will depend on what they are used for and how they operate. It is worth ensuring from the start that any browser extension affiliates you work with compliment your program and your current activity.
- Opt in - Both from a consumer point of view and also as an advertiser, it is important that you and the consumer are opting into use

## Customer Buying Journey

| Perception of Need | Information Search | Evaluation of Alternatives | Purchase |
|---|---|---|---|
| | | | Cart Abandonment |
| | Brand to Brand Collaborations | | Retargeting and Remarketing |
| | | | Paid Search Affiliates |
| | Content Websites | | Coupon & Rebate Websites |
| Social | | | Cashback, Loyalty and Reward Websites |
| Email | | Comparison Websites | |
| Influencer | | | Browser Extensions |
| Generate Awareness | Positive Features | Assist Purchase Decision | Facilitate Purchase |

**Communications Objectives**

of a browser extension and have the ability to opt out at any point.

- Compliance  -  You want to ensure that any affiliates who use a browser extension are fully compliant with industry standards and are not dropping cookies without engagement from the user.
- Soft cookie - If you have concerns around attribution, it might be worth considering putting browser extension affiliates on a soft cookie or inquiring if  they have any 'stand down' capabilities. It essentially means if there is another affiliate in the consumer journey, the sale is not attributed on a last-click basis to the toolbar, but instead to the affiliate who drove the click prior. Please note, this is not a one size fits all solution. It is important to understand what value each individual browser extension is adding and how consumers are engaging with it.

## CONTENT AFFILIATES

Review sites, blogs, informational content, forums and user-generated content are still critically relevant within the affiliate marketing channel. There has been an increase in digital publications entering the channel who were not operating in the affiliate space back in 2016. Content affiliates are traditionally thought of as "introducers", engaging consumers earlier in the user journey, however, there has been a rise in commerce content that is focused not only on introducing and influencing purchase behaviour, but also converting visitors into customers. Content can be used to reach users that may have a trusted and long-term relationship with a publisher as readers of the site value the site's recommendation and opinion.

Advertisers are also able to showcase more than just price through content. The content can touch on benefits, customer experience, added value, differentiation, or special features of a brand/product which may not be showcased with other affiliate promotional methods.

**Considerations**
- Authenticity - it is about ensuring the affiliates and partners chosen are true to their writing style and their focus, and are aligned with the company views.
- Understand the reader - it is sometimes easy to prioritise a brand's needs or business objective, however though understanding the readers wants and needs advertisers can better align their content partners with their product offering. Focus in this area will help increase reader engagement.
- Unique content - with content being available 24/7 and consumed at pace, it is critical to ensure content stands out from the crowd with the above in mind.
- Costs - many brands often forget that quality content often comes with a price. A hybrid model with a flat fee + CPA is common practice when trying to secure exposure though content.
- Tailored offers - by providing a bespoke landing page or custom coupon with a vanity code, brands can help content partners drive conversions because the reader doesn't have to look elsewhere for a deal. Make sure that the deal has the readers in mind, as opposed to a blanket generic offer. For example, if the content is an article about the best waterproof lipstick then create an offer specific to that product range. This will ensure the content and offer remains relevant and tailored to the audience.

## COMPARISON SHOPPING ENGINES

These sites enable consumers to find and compare prices for products or services, across multiple advertisers in one place. These affiliates provide details on consumers needs, based on features easily highlighted in a table or comparison format. These affiliates can drive significant volume, especially those that specialise within a certain sector such as financial products, travel and electronics, where comparison engines are often utilsed by consumers prior to

purchase.
**Considerations**
Depending on the affiliate, the below are just a few things to consider:
- Robust data feed or API available -  ensure data feeds have full product information, short and long description, images, category and sub category depending on sector.
- Strong Earnings Per Click- competitive commission rates will provide an incentive for affiliate promotion, however comparison will always remain objective regardless of remuneration. Traditionally many of these partners operate on a CPC model so commission and conversion rates need to be competitive to yield a strong 'effective earnings per click' that will be more in line with CPC prices.
- Original and reduced price - especially during key retail shopping events, being able to see the saving will help consumers make a decision sooner .

## COUPON AND DEAL AFFILIATES

Coupon and deal affiliate sites specialise in publishing advertiser's coupons or offers to consumers. Some coupon centric partners tend to focus on exclusive offers that can only be redeemed through their website, whilst others may have a mixture of exclusive offers, as well as highlighting existing compelling deals. An exclusive code is usually preferable and will often secure increased exposure for a brand, depending on whether the offer is market leading and compelling to the consumer.

Deal sites are different to coupon sites as they usually encompass user generated content and are formatted in more of a blog or forum style with the newest and most relevant content displayed at the top of the page. As opposed to focusing on coupon codes, these sites are usually more product specific and highlight sales and promotional events. They also boast a robust and incredibly engaged community of

shoppers and deal hunters.

In Australia, the U.S. and the U.K., coupon and deal sites have been the main revenue driver over the past 10 years, with their value within the affiliate marketing mix continually questioned. However, studies have highlighted the relevancy of coupon and deal sites in pushing consumers to convert, as well as increasing basket value. There can also be added value in organic exposure on search engines as these types of affiliates are often experts in SEO.

### Considerations
- Bespoke codes - getting creative and generating codes to fit seasonality and customised to the affiliate will help with engagement and uptake.
- Code duration - be sure to set out clear start and end dates for all codes. Depending on what the campaign objective is, set appropriate durations that align. For example, if the need is to clear out old inventory, setting a short duration code can help to create a sense of urgency in the purchase process.
- Avoid code clash - run different type of codes if you are to run codes simultaneously, so codes do not clash with other affiliate codes you may be running and ensure that exclusive offers are in fact exclusive to one affiliate for that period of time.
- Terms and conditions - make sure to have clear terms and conditions to create a smooth customer experience and so they are aware of what the code can be redeemed on.
- Coupon code protection - to make sure your affiliates are rewarded for their efforts, assign exclusive offers to a specific parter and provide a vanity code to discourage any leakage.
- Coupon strategy and control - utilizing an affiliate who offers technology solutions to elevate coupon strategy can be hugely beneficial to meet specific objectives such as increasing AOV, conversion rates, and new customer acquisition.

- White label solutions - there has been an increase in affiliate companies who provide a white label coupon portal for other publishers and content creators to increase the number of conversions they drive by using a coupons to close the sale that the content may have introduced and influenced.

## EMAIL AFFILIATES

An email affiliate either has access to their own database or to a third-party database to send targeted email sends to potential consumers. These affiliates usually work on a fixed budget for an agreed total number of records and in some rare cases they can also work on CPA.

In Australia (unlike other markets where the databases are larger and therefore affiliates in these markets are able to work with highly targeted sets of customer data) going too granular can mean limited reach and the failure of an email campaign. Therefore, it is important to ensure the affiliate chosen already has access to the demographic or audience that is trying to be reached, rather than to narrow the focus of a larger database.

### Considerations
- Data quality - vet the source of the database to ensure quality leads are being reached.
- A/B test - email affiliates usually have the capability to test different messaging and subject lines and optimise towards the most successful campaign, so ensure you are able to provide various creative options.
- User in mind - make sure the content is relevant, compelling and engaging.
- Data policies - ensure users are able to unsubscribe and that emails are data and GDPR compliant.

## SOCIAL MEDIA & INFLUENCER MARKETING

What is the difference? Social media marketing is when brands or companies use social channels to promote, which can help to drive awareness and assist in generating need through organic social posts or through sponsored or paid advertising. Whilst Influencer marketing is when you pay an individual or personality to promote your brand to their followers or audience.

Influencer marketing in the affiliate channel has played an important role in winning new customers for brands through influencers' marketing efforts, personalities and the human element. Influencer marketing utilises one person's power to change the mindset of their audience to adopt a product or service. It goes back to authenticity, trust and to emphasise the value that influencers demonstrate as to how personal recommendation is key to consumers discovering new brands.

### Considerations
- Relevant content - it is crucial for posts to align to the brand's campaign and values.
- Strong call to action - ensure posts have the ability to convert and will positively impact the purchasing decision.
- Cost - For social media affiliates they may require higher CPA or additional payment (e.g. pay per post), whilst influencer marketing can vary from free, product, commission, or to hundreds of thousands or even millions of dollars.
- Trusted face and companies - This applies to all affiliates, but especially so when it comes to social affiliates and even more so with influencer affiliates, ensuring they align with the brand with their own organic content and add a human element to that consumer's experience.
- Influencers tone of voice - influencers leverage authenticity and their own individualised communication style to engage their audience.
- Metrics and KPIs - seeing as this channel is frequently used

as a branding exercise, brands should carefully consider metrics used to measure success of influencer campaigns depending on objectives they are trying to achieve. A larger influencer may have greater reach but a micro influencer may have better and more authentic engagement and thus can more effectively influence purchase behaviour.

- Scalability and resource - managing hundreds of influencers and obtaining post-campaign performance metrics is time consuming and can be a huge strain on resources. Many fantastic influencer marketing platforms exist and can be excellent revenue drivers within the affiliate channel.

## PAID SEARCH AFFILIATES

Paid search affiliates enable merchants to operate in the paid search space on a CPA basis, allowing the affiliate to incur the CPC costs involved with search engine marketing. In essence, the affiliate is bidding on relevant keywords or brand terms, pushing out the competition and taking up more real estate within the search results ensuring the relevant and desired brand appears as the first search result.

Paid search affiliates can work on a CPA basis or fixed confirmed monthly budget (depending on viability), and will generally provide a post-campaign analysis and check-ins to review performance.

**Considerations**
- Agreement - clarify any guidelines in place around budgets and search terms permitted to bid on.
- Requirements - provide express permission for the affiliate to bid on your brand or keywords and outline any exclusions they should be aware of.
- Approval - agree that all ads will be approved by the advertiser or agency.
- Results - review the campaign results, tweak and repeat.

## PERFORMANCE-BASED RETARGETING: PROGRAMMATIC & REAL-TIME BIDDING

It may not be obvious, but these terms, although related, are not synonymous with each other.

**Programmatic advertising** is an automatic process of buying and selling ad inventory in real-time, using software, rather than manually negotiating.

**Real-Time Bidding (RTB)** is an online advertising inventory-purchase model based on bids. In this model, many agents can intervene for each transaction (advertisers, agencies, ad exchanges, DSP, trading desks, advertising networks, publishers). Bids are made for each unique impression, in very high sales and purchase volumes, all in real-time. Although the sale by the advertiser occurs uniquely for each impression, the generalized CPM model adds those impressions in "packages of a thousand" and adds the price paid for each of the thousand impressions in total CPM.

There are also some agents (ad networks) involved in the process that work, based on arbitration, with different price models such as CPC (cost per click), CPL (cost per lead), CPA (cost per acquisition). These agents will normally buy advertising inventory from the publishers on a CPM model and sell the inventory to advertisers with particular agreements or through affiliate networks or SaaS platforms.

There are different types of programmatic strategies, but there are three that we would like to highlight:
- Branding is the strategy used by marketers to build brand awareness targeting specific users and behaviours using programmatic.
- Prospecting is a strategy that consists of looking for new users and clients related to the advertiser's product. Using

this strategy, the behaviour of an impacted user is analysed to determine how relevant it is for the objectives of the campaign.
- Personalised retargeting is most commonly a display advertising technique used to recapture consumers who visit a retailer's website and leave without making a purchase. Those users are shown personalised adverts on other websites they visit to encourage them to return to the retailer's website to purchase.

**Benefits of programmatic & RTB for advertisers:**
Advertisers can use programmatic to bid on digital media and buy inventory without previously negotiating a price, buying a minimum number of impressions or signing a purchase order.
- Real-time bidding based on demand.
- Efficiency - connect with users at the right time and context.
- The perfect combination of the target audience, message, and context.
- Access to larger inventories.

**Benefits for affiliates:**
- Better user experience with more relevant ads.
- Access to more advertisers.
- They can choose the minimum price for the inventory they sell
- Transparency and information - they can see which advertisers are bidding on the inventory on their website and what the price is.

**Considerations**
- Exchanges - know which exchanges your programmatic partner uses to avoid duplication.
- Brand Safety - ensure that ads are running alongside content that aligns with the brand's values and can provide black and white list URLs to manage this.
- Cap frequency - ensure that the same users are shown the optimum number of impressions of the same ad.
- Flexibility - brands can set and fully customize how and when a retargeting partner engages with the consumer.

- Cookie settings - ensure you are getting set up with the industry-standard settings.
- Commission rates - you may need to pay a higher rate of commission to ensure the affiliate can earn a profit since they are out-laying the CPM cost of the campaign.
- Test - it is recommended to trial different creative and messages and not to rely too heavily on incentives.

### BRAND-TO-BRAND COLLABORATION

The affiliate industry in Australia is helping brands to establish brand-to-brand partnerships, both through affiliate partnerships and direct relationships. This is often on a campaign level and can be achieved via a number of different and creative ways Some examples include:
- Inclusion in reciprocal brand customer EDMs - often a competition is a great way to introduce a brand to a new set of consumers.
- Social media post - again a competition or a discount provided to the consumer works the best.
- Consumer discounts as physical inserts into packages delivered by one brand.
- On-site post sale confirmation offer.

The key players in the affiliate industry are able to help facilitate these relationships, so we are seeing more brand collaboration in Australia.

**Considerations**
- Non conflicting - ensure the brand does not conflict with your own product or service.

- Brand alignment - make sure that the demographic, company persona and price point matches.
- Tracking - your network, affiliate and brand partner can help support this type of activity.

### ON-SITE OPTIMISATION TOOLS AND MARKETING TECHNOLOGIES

When it comes to converting the consumer on an advertiser's site, it is all about enhancing the user experience on-site, whether that is supporting the consumers decision to purchase a certain product, providing further information or helping them decide the product or service that is right for them. There are a number of technology partners who for the most part work on a CPA basis, although this may vary depending on the company.

**Remarketing**
Remarketing which is also known as cart abandonment refers to when a visitor is sent an email if they have abandoned their shopping cart, making it easy for them to return and complete their purchase.

**Exit-Intent panels**
Exit-intent panels, refers to showing the consumer an overlay when they are about to leave a website. The overlay messaging could communicate  a customer added value e.g. free delivery, a bonus gift or warranty or it could be price driven.

**Chatbots & Product Recommendations**
Chatbot refers to technology that allows for advertisers to be able to provide customer support, product recommendations

and effectively enhance the user journey with Artificial Intelligence (AI), providing answers to commonly asked questions or assisting with product or service queries, with an option to speak to a real person if a question is recognised.

Product recommendation providers also utilise machine learning to effectively recommend products or product bundles to clear out any old inventory and/or to increase AOV and conversion.

**Considerations**
With On-site Optimisation Tools/Marketing Technology, it is important to take into consideration firstly the reason why you are using the tool. The customer should be front of mind and therefore it should enhance and assist the user experience and not be used as a vehicle to hard sell. With the level of automation with all of the above, make sure you have taken the following into account:
- Timing & Frequency - It is important that timing and the number of emails sent (for example for remarketing) is capped. Common practice is maximum 3 emails (one hour, 24 hours, and a week) and exit-intent panels are only shown when the consumer is leaving and not all the time.
- Creative and messaging - Making sure the messaging is personalised (and ideally dynamic rather than static) means that whether it is an exit-intent panel or email, the product recommendations and messaging is tailored to the consumer and focusing on the consumer's purchase history or session.
- Automation - Although a level of automation is great and can free up resources internally, for customer support, it is still worth ensuring your potential customer can reach a human at the end of the day.

# AFFILIATE TECHNOLOGY

For better or for worse, technology has taken a leading role in our everyday lives. With disruption happening in every industry thinkable, the way we live, shop, travel and communicate has undeniably been changed forever.

Affiliate marketing is no different with the proliferation of different technologies, tools and platforms available today. In the last decade, several affiliate networks have made strategic acquisitions to enhance their technology capabilities, and the rise of SaaS or Network Automation Solutions has brought scale and mass personalisation to managing the affiliate life cycle.

As this industry continues to evolve, here are some key points to consider when launching, expanding or diversifying your affiliate program.

## TRACKING: THE HEART OF THE AFFILIATE ECOSYSTEM

According to a May 2019 report by the NBN, the average Australian household has 13.7 connected devices. That number is predicted to rise to 30 by 2030. As consumers become more connected and spend more of their time online, it's critical for affiliate marketers to accurately track and measure the consumer journey across devices.

With the rising use of ad blockers, increasing levels of mobile and in-app traffic and declining reliance on cookies, there are many factors to consider when structuring your tracking set up. Tracking and reporting all activity correctly is what powers attribution models and determines how affiliates are paid their commissions, making this a crucial part of any affiliate program.

There are currently three different tracking options available.

Option A — Javascript Tags:
• This is the most widely used tracking methodology in market today. Javascript tags can capture a wide variety of data

points to enhance reporting and commissioning capabilities. It allows for real-time tracking of clicks, conversions and website behaviour.

Option B — Image Pixels:
• A less robust tracking method but image pixels are still used to track clicks and conversions by several advertisers. Whilst image pixels still allow for real-time tracking, there are fewer data points available for capture when compared to Javascript tags.

Option C — Server to Server:
• There are two methods of server to server tracking - API calls and Batch File Conversion Upload. API calls allow for the submission of conversion data via a web service API call to an advertiser's selected SaaS platform or affiliate network. API calls do not require cookies to operate and can be made in real time or in delayed intervals. The brand passes in a pseudonymised customer ID as a parameter to the API call in order to help establish identity. Batch File Conversions Upload via FTP or SMTP This process is the most 'manual' of all the options with tracking and reporting not happening in real-time. Batch conversion files can either be uploaded via FTP (File Transfer Protocol) servers, pulled from the Advertiser's FTP servers or sent via SMTP (Simple Mail Transfer Protocol) for a batch upload.

## COMBATING APPLE'S ITP CHANGES AND THE RELIANCE ON COOKIES

Back in September 2017, Apple introduced Intelligent Tracking Prevention (ITP), which made it harder to use third party cookies to track Safari users on both iOS and MacOS devices. This posed problems for many tracking providers since a good deal of tracking is done with third-party cookies. A common workaround for marketers was to switch to first-party cookies. However, in later ITP versions (2.0, 2.1, 2.2 and most recently, 2.3), Apple began limiting the use of first-party cookies as well. At the point of writing this, third party cookies are no longer

valid and first-party cookies will stay active for just 24 hours on certain iOS and MacOS devices.

Whilst these changes were primarily put in place to protect the privacy of users, it's created a new set of challenges for the affiliate industry because of its 'pay for performance' model. Enterprises using tracking that does not comply with ITP 2.3 may be at risk of losing attribution whenever the last click before a purchase on Safari occurred more than 24 hours earlier. In other words, if the last click occurs more than 24 hours before the conversion, an affiliate will not be credited for the conversion. (Read more on Cookies and consumer privacy on page 20.)

**So what's the solution?**

At the moment there's no single industry standard solution available to address the ITP changes. However, there are some alternative solutions that will either provide a level of tracking protection or remove the reliance on cookies.

Custom Tracking Domain:
• By redirecting referral traffic through a sub domain of the site's primary domain structure, the cookie stored on the users' machine will be identified as first-party and the sale will be tracked. It's worth bearing in mind that if your website has multiple or complex domain structures, there will be some limitations to what is achievable.

Server-to-Server Integration:
• Server-to-server tracking has been around for a very long time, and simply means that an advertiser is passing conversion (sale or lead) data back to a tracking provider via API or FTP. That is, the advertiser's server is sending data directly to the vendor's server. This is often called "cookieless tracking", but the truth is that no tracking method on the web is truly cookieless. At the very least, the advertiser will need to use their own cookies to identify the user and process cart events.

**What's to come in the future?**

With Firefox offering the ability to block third party cookies in a 2018 browser release and Google Chrome announcing their Same-Site attribute coming in 2020, the signs that cookie-based tracking will eventually become redundant are all there. Advertisers should, at the very least, begin exploring options that reduce their reliance on cookies. Whilst every tech provider will have different options available, all have methodologies in place to combat these changes.

## CREATING THE RIGHT SUCCESS METRICS

Technology has given marketers access to more data than ever before. With access to so much data, you can easily get lost or distracted measuring things that don't matter. Putting the work in early to set business objectives specifically for the affiliate and affiliate channel is paramount to the success of any program.

Onboarding a new technology vendor requires some customisation depending on what performance level data you want to see. Whether you're measured on category and/or SKU, customer status, customer lifetime value and even margin, the more visibility you have on the conversions being tracked, the more ability you will have to optimise your program.

**Create a scorecard of success metrics**

In the past, the affiliate channel was viewed as a one size fits all channel. Advertisers paid a flat percentage of sales for each and every affiliate. Today's landscape is very different. Mature brands are adopting flexible payment and commissioning terms to reward and incentivise affiliates. If new customers are important to you, incorporate a bonus for new customers, the same goes for category, SKU and even customer lifetime value (if this data is available).

**Leverage data to make program optimisation decisions**

Affiliates play very different roles in a consumer's path to purchase. Some affiliates play a vital role top of funnel (research and consideration) whilst others are more influential during later phases in the purchase journey. Certain affiliates may drive higher value shoppers whilst others drive more frequent buyers. Without having full visibility of the entire customer journey, you don't have the data you need to make informed investment decisions. Program optimisation decisions shouldn't be based on historical bias - each affiliate has their own strengths regardless of what category they sit in.

**Make internal education a priority**

For many teams within an organisation, affiliate marketing is still somewhat of a mystery. There's often confusion around which affiliates add value and which do not. To ensure that this channel can grow and mature, get buy in from across the organisation early and agree on a set of success metrics that make sense to you, your team and the stakeholders within the business.

## MOBILE MEASUREMENT AND INTEGRATION

Mobile internet usage continues to rise at a staggering rate, with many verticals seeing mobile traffic overtake desktop. This new gateway into the World Wide Web has come a long way from WAP access, circa 1999. As smart devices become increasingly accessible through reduced hardware costs, accelerated processor speeds, and access to a decent Wifi connection in abundance, it's more important now than ever to include mobile as part of your affiliate and affiliate strategy.

Despite this growth, tracking conversions and events on mobile devices has been a hindrance historically. Perhaps the biggest challenge in all of this is that the Apple and Google Play stores

are essentially walled gardens, making it nearly impossible to track past the app install by traditional tracking means.

Fortunately, we've seen Affiliate Networks and Network Automation Solutions develop SDK and API based mobile tracking solutions to combat this shift towards internet consumption via mobile devices. The biggest benefit of these two methods is their ability to deep link into the app and track the consumer journey on the path to conversion.

Both of these tools, whether SDK or API, will use a set of rules-based logic to either 1) deep link the user directly into the app if already pre-installed, 2) re-route the user into the Apple or Play stores to download the app, or 3) route the traffic source to the mobile web if an app is not available.

More advanced technology platforms also have the ability to leverage deferred deep linking. This takes the user directly onto the actual product page after the app has been installed, leading to a more seamless user experience and in turn, higher conversion rates.

Mobile tracking solutions available today:
- SDKs - A Software Development Kits (SDK) is a code package deployed and compiled as part of an app. These are typically a set of software development tools that allow the creation of applications for a certain software package, software framework, hardware platform, computer system, video game console, operating system, or similar development platform.
- APIs - An API (or "application-program interface") contains encoded rules that establish a connection between  the app and a third-party software program (which are usually executed server-side at the third-party provider's systems).

Additionally, if you're already integrated with a Mobile Measurement Partner (MMP), such as Branch or Appsflyer, this may be

an alternative method of tracking in-app events. Most of Australia's leading affiliate providers have native integrations with all of the leading MMPs.

## ATTRIBUTION MODELS

Moving away from a last click attribution model has been a topic of conversation for a number of years. Traditionally, the affiliate channel has been measured on a 'last click wins' attribution model. As the channel matures, a more sophisticated view of an affiliate's contribution and consumer journey analysis is necessary.

So do attribution models outside of last click work on a common affiliate program? If your program includes cashback and loyalty affiliates, it's going to be difficult to move away from last click without the affiliate being out of pocket. In this scenario, the cashback member made a purchase and expected a % of the sale back in the form of cashback. As another affiliate was involved in the click path, the commission is shared and the member does not receive what they expected. This can lead to confusion and distrust, which can hinder an advertiser's chances of creating loyalty with these audiences. Ultimately this won't work unless the

cashback / loyalty affiliate estimates the % payouts takes the risk.

Ultimately, there must be a winning click in most real-time affiliate attribution models. As a result we have started to see advertisers diversify into attribution models such as 'last to cart' and 'first touch'. However these still remain somewhat underutilised.
- First Touch – The first affiliate that engaged with the user in the click path that led to a conversion.
- Last to Cart – The affiliate that was the last touch point in the click path, before that user added an item to their basket.
- Last Click - The most common attribution model, whereby the last affiliate involved in the click path is awarded the sale.

For many advertisers, the most achievable option is to take a retroactive approach to applying commission adjustments based on their own predefined attribution level reporting suites. With the right technology affiliate, brands can implement multi-touch attribution reporting that shows the full customer journey. Different affiliates drive performance at different stages of the customer journey and marketers could be incentivising affiliates accordingly, considering cost per assist bonuses.

# AFFILIATES AND DATA USE

Today's consumer habits are complex, and affiliate marketing has evolved to match the multi-channel and cross-device nature of the shopper experience. As such, affiliate data is crucial in being able to effectively track, measure and optimise partnerships to drive profitable relationships that align to business goals.

## DATA COLLECTED

The tracking configuration and capabilities of each affiliate network or platform will vary, but below is a general breakdown of the standard, optional and in-app data fields collected via affiliate tracking:

| Standard | Optional | In-app / SDK |
|---|---|---|
| Order ID | Brand | Device |
| Time & Date | Product Category | Operating system |
| SKU / Product Identifier | Coupon Code | In-app purchases |
| Quantity | Customer Status (New, Existing) | App installs |
| Order Amount | Clearance or Sale Item | |
| Currency | | |
| Product Name | | |
| Device | | |

*NB: This table excludes basic performance metrics (impressions, clicks, order amount)*

For more robust reporting and analysis of results, optional data fields are becoming more commonly collected and weaved into commissioning rules and strategies. Mobile tracking capabilities are still evolving, but access to robust mobile and properly configured SDK tracking also allows for more strategic and cross-device partnerships between advertisers and publishers.

At the heart of the affiliate channel is transparency - all participants have access to performance metrics and data that can help guide optimisation strategies and build successful partnerships that benefit all parties.

As the affiliate channel matures, and more data points are collected, businesses are better able to align their business goals with their affiliate and partnership strategies. One particular area of growth is the online-to-offline space. In Australia, affiliate marketing has traditionally been restricted to the online space due to the difficulty of effectively gathering offline transaction information. However financial institutions have become more collaborative with 3rd party providers, allowing high level access to shoppers' transactional information. Publishers are now able to leverage this data to expand their reach in-store.

This creates a unique opportunity for advertisers to better understand how their online shoppers interact in store, provide more personalised offers to their consumers, and consolidate messaging line and in-store to profile a more holistic shopper experience.

## THE VALUE OF AFFILIATE DATA

The affiliate channel is unique in that consumer and purchase data points can also be used to determine the commission paid for a sale or action. There is no other channel in the performance or digital marketing mix that has the flexibility for consumer behaviour to influence payout.

In its early days, affiliate marketing had a 'one size fits all' approach, where a flat commission rate was applied to all purchases. As the channel and technology has matured, this approach is no longer sustainable, and affiliate data is actively informing partnership decisions.

The granular and detailed level of reporting that is available allows for performance results and data to be applied at a program and publisher level.

For example, driving new-to-file customers is a key KPI of many retailers, and by tracking and commissioning customer status, brands can reward and incentivise publishers to actively deliver new customer orders. By using performance data, publishers are also better able to understand, segment and target their audience with relevant messaging and content.

As affiliate innovation continues, networks and platforms are investing in tools and technology that makes it easier for advertisers and publishers to make data-backed decisions. Publisher and advertiser matchmaking, audience targeting and personalisation capabilities are now actively available and bringing efficiency and scale to the channel.

| Value of Affiliate Data for Advertisers | Value of Affiliate Data for Publishers |
|---|---|
| Granular reporting and insights | Audience segmentation and targeting |
| Customise publisher incentives | Granular reporting and insights |
| Reward full-funnel activity | |

## STORYTELLING AND OPTIMISING

Performance and purchase data tell a story, and both advertisers and publishers can use this information to better understand the consumer and optimise their affiliate partnerships.

Optimisation strategies should be aligned to business goals and will vary depending on KPIs - the strategies implemented to drive brand exposure will be different to driving conversions or increasing basket value, for example.  The granular, publisher level reporting that the affiliate channel provides allows advertisers to understand the contribution and customer profile that each publisher is referring, and then implement strategies accordingly. Optimisation strategies include, but are not limited to:
• Exclusive consumer offers
• Targeting specific audiences
• Commissioning strategies that incentivise publishers to drive certain consumer behaviour or customer types
• Site placements and exposure
• Content creation and branding

The level to which publishers can optimise or customise their on-site experience is varied, so one-to-one negotiation with publishers is still an important aspect of affiliate management. For example, Loyalty and Rewards publishers have access to rich data on the purchase preference and history of their members, which they can use to target and message specific audiences trying to drive certain actions. Comparatively, content publishers may focus on editorial pieces and driving brand awareness, and therefore be incentivised by flat fees and commission.

Whether you're a publisher or an advertiser, understanding your consumer is key to engagement and conversion. Performance and purchase data help paint the picture of who your audience or customer is and lays the foundation for ongoing optimisation and program strategy.

**Considerations:**
• Different advertisers will provide different levels of data, and there can be limitations on what's exposed via affiliate tracking. Generally speaking, the more data that can be revealed, the more targeted and effective your optimisation strategies will be.
• Is your data telling the whole story? Understanding affiliate as part of a multi-channel strategy is important. While content publishers may not be the final purchase driver, they could drive valuable upper funnel activity that deserves to be rewarded. This makes attribution and looking at affiliate through a multi-touch lens important.

# CHOOSING THE RIGHT AFFILIATE

There are thousands of active affiliates in Australia. So how can brands make sure they're choosing the right affiliate partners, and capitalising on the breadth of partnerships available? Different publisher models offer different opportunities for retailers, and advertisers can partner with publishers that both align with their target market and help tap into new audiences.

## CLEAR FOCUS & KPIS

Setting clear performance objectives and targets for your affiliate program will help identify the right partners. Program goals may be broad, such as driving revenue growth, improving ROI or delivering traffic to the site. They can also be short-term or strategic. For example, if you have a KPI of driving increased student sales over a back-to-school period, then partnering with specific student community groups or integrating with student identification technology partners will help you reach that target market.

While having a clear focus on what success looks like as an advertiser is important, it's also important to ensure that any KPIs or performance goals are communicated to publishers so that they can help advertisers work towards them – this can be via the affiliate platform or through direct communication and negotiation with your partners.

While driving performance in line with business goals is critical to the success of any affiliate program, it's important to note that applying strict partnership rules or performance criteria can be limiting to the growth and scale of a program. Advertiser should also be aware of competitor partnerships and placements, to ensure they're competing for market share.

## ENSURE IT IS A PARTNERSHIP

The relationship between advertisers and publishers in the affiliate channel is interdependent – one cannot succeed without the other. As such, collaboration and co-operation are still at the core of affiliate management. While there are ongoing advancements making campaign planning more automated, the process of booking in placements, tenancies and optimising publisher relationships is mostly the result of communication and negotiation between the parties involved.

Choosing affiliate partners that you can work with, in collaboration, is key. For advertisers, consideration must be given to fairly incentivising publishers to promote your business, while being transparent about business goals and the terms and conditions of the partnership.

Publishers need to ensure that the promotion of retailers they work with aligns with their brand messaging, and is within program guidelines and T&Cs. Ensuring campaign

delivery and providing post-campaign analysis is also essential in building strong, long-term relationships with retailers.

## COMMERCIAL AGREEMENTS

When a publisher applies to work with an advertiser (or vice-versa) and this partnership is accepted, the publisher agrees to the terms and conditions of the network or platform as well as the specific partnership terms of the advertiser.

The specific program T&Cs of an advertiser will generally stipulate the below:
- Baseline commission rate
- Cookie window
- Returns and cancellations Policy
- Restrictions and policy around search keyword bidding
- Any brand, product or service exclusions (items that are not commissionable)
- Partnership termination policies.

The initial commercial and partnership agreement between advertisers and will often be supplemented by insertion orders that stipulate specific campaign or placement details. Insertion orders will outline the campaign deliverables as well as the time frame of a campaign and the adjusted commission rate or payment details.

Payment of commission or fees from advertisers to publishers is generally facilitated by

the network or platform. It's important to note that while advertisers can stipulate the terms of their affiliate program, any changes to Changes to T&Cs should always be communicated in advance to publishers.

## TEST & ASSESS

As a performance channel, the success of partnerships is in the results, so affiliate relationships should be constantly reviewed to ensure that both parties continue to benefit from working together. A test-and-learn approach is advised to trial different affiliate models, new and innovative publishers, and different placements and collaborations with existing partners.

With access to detailed performance metrics and consumer data, advertisers and publishers are able to look at results outside of clicks and sales, and understand what kind of customers publishers are referring, what those customers are buying, and what the ongoing value of that partnership is for their business.

When reviewing the performance of campaigns and affiliates in general, it's important to use the available affiliate and consumer data to see the whole picture. Attribution tools can help identify how publishers are influencing the whole consumer journey, and whether a publisher is driving important upper-funnel activity which may not be recognised in traditional last-click analyses.

# AFFILIATE BEST PRACTICE & STRATEGY

The affiliate channel is a competitive and complex space, which is why setting yourself up for success from the get-go is essential. In this chapter we will look at the best practices and strategies to run a successful affiliate program, starting with the foundations of implementation, and moving into mid to long-term strategy.

An advertiser should consider their affiliates as an extension of their sales force. Therefore, to run an effective affiliate campaign, they need to motivate their affiliates appropriately and give them the tools that they need to promote their brand and products. A lot of this can be achieved during the integration of your affiliate program onto your chosen network or SaaS platform. Here are the key elements to consider before going live:

## COMMISSION STRUCTURE

One of the more important decisions that you will make is how much to pay your affiliate partners. Some believe that a simple flat commission is an easy and approachable way to reward partners. However, it's increasingly common to set-up more dynamic commissions. Most networks and SaaS platforms will provide lots of options around commissions allowing you to set-up rules for different purchase scenarios.

It's worth spending some time determining your goals and reflecting these through your commission structure. For example, are new customers more important than repeat customers? Do certain products offer higher margins? Do some types of affiliates offer more value than others?

Benchmarking against other brands in your vertical is another good way to help determine a fair commission rate. A good rule of thumb is to make your commission structure competitive, whilst ensuring you have enough flexibility to increase commission rates for short term affiliate campaigns.

It is also possible to create tiered commission structures and bonuses in order to incentivise partners to reach a certain goal. In more recent years, attribution models have been applied to commission structures, allowing advertisers to reward multiple affiliates involved in the customer journey. More on this in the next chapters.

The cookie length or cookie window is the amount of time that an affiliate can earn commissions after a user has clicked-through their website. The standard practice is for this to be between 30 and 90 days (note: this is often shorter for post-view partnerships).

## VALIDATIONS

Average payment times, commission cancellation rates and deduplication policies are important aspects of an affiliate program that your partners will pay close attention to. For this reason, validation rules should be fair and transparent. A validation period is the amount of time that an affiliate's commission can be canceled for a legitimate reason such as customer returns. This period should be in line with your returns policy and is usually around 30 days. Always include a reason as to why you are canceling commission as transparency is important.

If you are de-duplicating on last click against other marketing channels, it should be made clear in advance and should never include direct to website, organic search or paid search on brand terms — these customers are just trying to navigate back to your website after being introduced by the affiliate.

## ASSETS

Affiliates, once signed-up to the program, will look for collateral to help them promote your brand. These include:

- Text Links: these are basic tracking links that highlight an offer or product through text. They are quick and easy to set-up.
- Banners: Many affiliates will look to promote a brand by inserting banners onto their website. Make sure to provide industry standard sizes. Best formats are GIF or JPG to keep file sizes small. Best practice would be to provide a set of 6 or more animated banners that promote an offer and have a strong call to action. Since the network or SaaS platform hosts these banners, you can regularly update them, and this will reflect on the affiliate websites. It's also very useful to provide affiliates with your logo in a few sizes (including a version with a transparent background)
- Product feed: if you sell products, providing them through a feed will open you up to a lot more partnerships opportunities. Networks can fetch a product feed for updates from a URL or FTP account to ensure that affiliates always have your latest products listed.
- Most networks will accept other forms of creative such as images, HTML banners, and widgets, that can be used for more specific partnerships.

## COMMUNICATION

Communicating effectively with your affiliates is always going to be important and there's a lot that can be done when setting up and affiliate program.

- Profile/program description: this is the section where you present your affiliate program to affiliates through the network. Use this to highlight the benefits of signing-up to the program. A common structure for a program description includes a bit of information about the company, unique selling points, reasons to sign-up, as well as information relating to the commission structure, validation rules and relevant terms & conditions.
- Platform emails: most networks send out automated emails to affiliates when they apply, get approved, or get declined from joining an affiliate program. It's a great idea to customise these emails to include relevant information and instructions to get a partnership started.
- Affiliate sign-up page: to help partners find out about your program, it's helpful to create a page on your website dedicated to affiliate partnerships. This can be as simple as copying across your program description, along with a sign-up link to the program.

## TRACKING

The final element that needs attention is the integration of the network's tracking code. Networks offer a variety of tracking solutions, and the recommendation is to ensure that your tracking is ITP compliant and that affiliates are aware of this.

The variables that the tracking will pick up include the order reference and sales value. This value may include GST and/ or shipping costs and will be used to determine the amount of commission paid out to the affiliate. If you use coupon codes, it's recommended that you also pass this information back through the conversion tag, as this provides important insights and opens the door to more tracking options. If your website sells in multiple currencies, make sure that this variable is also picked up in the tracking. New/repeat customer and product information can also be passed back to the network through the conversion tag to provide you with valuable insights.

Once ready, the program can be launched on your chosen network and you will start to see affiliates apply to the program. Ensure you process affiliate applications on a regular basis to keep the momentum going. As always, communication is key – be proactive and reach out directly to affiliates that you are most interested in partnering with. Provide advanced notice of any offers, sales or product launches. All networks will include a messaging centre where you can send out communications. Be sure to upload offers and coupon codes to platforms too, as these are often distributed to affiliates via a network-wide feed or API.

Affiliate recruitment and discovery is something you should be focusing on consistently. The affiliate sign-up page will help

with this, but networks will also provide an in-platform directory where you can search and connect with affiliates in their database. Your network, SaaS platform or agency representative can also help with new partnership opportunities.

Another benefit of using affiliate networks is the selection of reports that they supply. These can be used to provide a multitude of insights such as performance across different time frames, affiliates, products, coupons, devices, links types, and customer types to name but a few common report types. It's also very important that you understand exactly who your affiliates are and how they are promoting your products. Transaction reports will often contain the source of traffic for any given affiliate sale. Very occasionally, an affiliate or customer may try to generate sales fraudulently. The most common type of illicit activity is when an affiliate partner breaches your Paid Search terms. If you work with reward partners such as cashback sites, there is the possibility of customers exploiting this incentive. It's always wise to sense check anything that looks odd with your agency or network. With tight program rules and vigilant monitoring, it should be easy to identify any fraudulent activity and to avoid paying commission for these sales.

Many top industry partners will provide additional exposure opportunities in exchange for increased commission rates, strong or exclusive offers, and/or tenancy fees (set placement fees, negotiated in advance). Examples of placement opportunities would include eDM inclusions and prominent placements on high traffic pages. These partners have media packs which lay out their different placement options and rates. Your affiliates should be used strategically in this way to push out various promotional campaigns.

The affiliate space is ever evolving. As such, a test and learn approach is recommended to understand the types of partnerships that will connect well with your business. Affiliate models are diverse, so consider each one individually and work with your affiliate agency or network to build an ongoing strategy for each. One movement that is gaining popularity is the idea that "Affiliate marketing" is transitioning to "Partnership marketing", where any person, website or company can become a potential partner. As such, there are many creative opportunities that are arising in this space such as working with other brands or organisations and connecting offline to online. Refer to previous chapters for more information on the types of affiliates and working with each.

It's important to remember that affiliate marketing is a long-term marketing strategy and a channel that cannot be started and stopped at a moment's notice. It takes time and resources for affiliates to build up their promotions, and so it's important to provide adequate notice for any changes to your affiliate program that will have an impact on their income. This also means having an unlimited budget. As a performance-based model, for every dollar you spend on affiliate marketing, you should be getting multiple dollars back in return, so it would never make sense to cap this spend. View your affiliate marketing budget as a sales cost rather than a traditional marketing budget.

A great affiliate program requires a team effort between the advertiser, the affiliate, the network and the agency, and like with any other marketing campaign, you can't set and forget it. Be responsive, communicate with your affiliates, try out new partnership models and analyse the results. Over time, as more partnerships are formed and optimised, your affiliate channel will grow to represent a significant revenue stream for your business.

# CONSUMER DATA, PRIVACY & REGULATION

Key to affiliate marketing is the tracking of the purchase journey and attribution of the sale. And this tracking often relies on the use of "cookies", which can be used to keep consumers logged into websites and to retain their information (such as partial transactions in shopping carts and user data) on the websites they visit. Cookies also can be used to track browsing activity across the web, for targeting purposes to serve personalised advertisements and content or for other, less wholesome, ends.
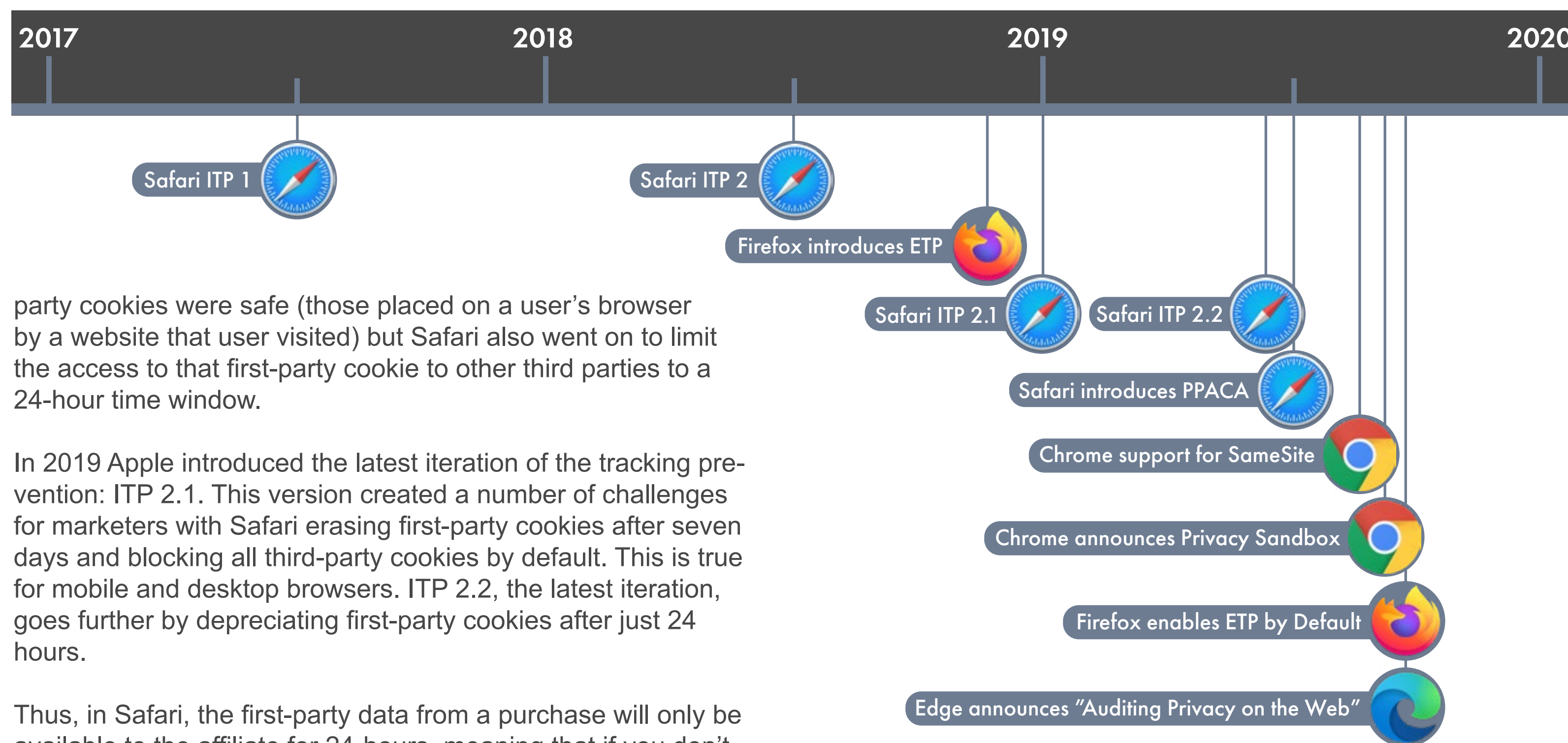
Affiliate Marketing businesses traditionally have relied heavily on the use of "cookies" to track the consumer journey to purchase, allowing affiliate networks to be able to determine with which affiliate a sale has originated.

When an affiliate registers with and is accepted by an affiliate network they are generally supplied with software that supports the entire process, often consisting of a conversion pixel that is placed on the affiliate's site and unique affiliate ID. When a consumer clicks on a link, tracking software places a unique identifier in the URL. These links set a cookie on the customer's browser, which allows for the tracking of the sale.

The bad news for affiliates is that all of the major browsers are implementing, or have already implemented, tracking prevention which takes aim at cookies, essentially preventing and limiting the use of third-party/tracking cookies on those browsers.

## BROWSERS BLOCKING AND DEGRADING COOKIES

Apple in 2017 introduced its Intelligent Tracking Protection (ITP) to its Safari browser, effectively reducing the tracking mechanisms available to advertisers, publishers and tech companies. The goal of ITP was to eliminate excessive tags causing slow page loads and to increase consumer privacy. Essentially, this blocked third-party cookies across Safari. First-

Timeline: 2017 — Safari ITP 1; 2018 — Safari ITP 2; Firefox introduces ETP; 2019 — Safari ITP 2.1; Safari ITP 2.2; Safari introduces PPACA; Chrome support for SameSite; Chrome announces Privacy Sandbox; Firefox enables ETP by Default; Edge announces "Auditing Privacy on the Web"; 2020

party cookies were safe (those placed on a user's browser by a website that user visited) but Safari also went on to limit the access to that first-party cookie to other third parties to a 24-hour time window.

In 2019 Apple introduced the latest iteration of the tracking prevention: ITP 2.1. This version created a number of challenges for marketers with Safari erasing first-party cookies after seven days and blocking all third-party cookies by default. This is true for mobile and desktop browsers. ITP 2.2, the latest iteration, goes further by depreciating first-party cookies after just 24 hours.

Thus, in Safari, the first-party data from a purchase will only be available to the affiliate for 24-hours, meaning that if you don't manage to collect that data or the sale occurs outside that 24-hour window, then the credited sale isn't recorded.

Firefox had already been blocking third-party cookies for some time, but unveiled its Enhanced Tracking Protection (ETP) measures which were implemented globally for all Firefox users in September 2019. (This also includes its Facebook Container: a web extension that isolates online activity and prevents Facebook tracking users' web habits, including from those sites that have embedded Facebook-specific capabilities, such as the ability to like or share articles directly from a site.)

But by far the most important updates in relation to affiliate

marketing are the proposed (and recent) updates to Google's Chrome Browser. Whilst estimates of browser usage worldwide vary, Chrome is estimated to account for half to over two-thirds of both the mobile and desktop market, making any changes to privacy and cookie degradation therein a major game changer for the affiliate industry – as well as the entire digital ecosystem in so far as it relies on cookies for tracking and attribution information.

Chrome already lets users manually control their cookies, but is introducing its SameSite attribute, which requires developers to distinguish between single-site cookies (such as those cookies that automatically log you into a website) and multi-site

cookies (such as cookies that are used to track a user). Users will apparently have the option to control which cookies they allow, potentially allowing them to clear all tracking cookies and retaining only those useful for logins and preferences.

Chrome and the other major browsers have also identified finger-printing as a privacy concern. Device fingerprinting is when data companies or advertisers identify and collect exclusive device characteristics (such as screen resolutions, installed browsers and the versions, plugins, font types, languages and IP address), and match those to recent devices with the same characteristics. Similar to a human fingerprint, devices contain enough individual characteristics to allow them to be identifiable to a certain degree of probability. Although called a fingerprint, it in essence is more like a barcode generated by each unique setting.

All major browsers are working to limit the ability of companies to establish device fingerprints: Mozilla has a list of specific companies engaging in fingerprinting in order to block them obtaining said information (which also operates to prevent crypto miners from installing scripts on the device) ; Apple obscures and disguises the data collected for a fingerprint; and Google has announced plans for a limit on how much finger-printing information a given company can access at any given time (and there are also Chrome-compatible browser add-ons that can combat fingerprinting).

It is clear that the same privacy protocols adopted by Apple and Firefox will inevitably be adopted by all browsers, due to consumer demands for such control and privacy and the onslaught of regulations that need to be adhered to. It would foolish for all publishers, advertisers and affiliate networks not to consider these coming changes – indeed, just examining the traffic and revenue Safari and Firefox are delivering would give you an indication of what the future will look like when all browsers are blocking third-party cookies and rapidly degrading first-party cookies.

## DIGITAL PRIVACY LAWS AND REGULATIONS

Laws that regulate and govern the collection of data from consumers have been passed in many countries and regions around the world. Whilst many countries have previously relied on a multitude of laws, specifically in relation to the collection of consumer health data, that predate the digital era and the internet, there have been ongoing updates to these laws and the introduction of new legislation more suited to protect consumers online.

In relation to the collection and dissemination of consumer data from digital marketing and online activities, many nations and regions have updated older or antiquated regulations recently to reflect the ongoing shift toward the digital domination of data collection and the myriad marketing uses of it.

Recent and impactful examples of these updates and changes include:
- Canada - Personal Information Protection and Electronic Documents Act (PIPEDA), Nov. 2018
- The European Union - General Data Protection Regulation (GDPR), introduced Apr. 2016 and enforceable as of May 2018
- The State of California - California Consumer Privacy Act (CCPA), introduced Sept. 2018 and enforceable as of Jan. 2020.
- China - Cybersecurity Law of China (Cybersecurity Law), Jun. 2017.

These above examples and many others regulate, among other things, the collection and protection of personal data with the aim of giving individuals control over how their data is collected and used. Importantly, many also address and regulate the processes to be followed by companies in the event of a cyber-security breach and legislate a mandatory public notification of such breaches.

Whilst the entire digital marketing ecosystem has been shaken by these privacy changes, specific changes slowly being implemented on a technological level by the major browsers are particularly affecting the Affiliate marketing space. These changes have to do with the way "cookies" are used to track consumers, and whilst they have been in the works for a while, are particularly being ramped up in response to the GDPR and related regulations.

## PRIVACY REGULATIONS AND COOKIES

Currently considered the gold standard in privacy regulation, the GDPR encompasses most, if not more, of what other regional regulations encompass and therefore is a useful global standard by which to examine and explain changes to regulations and legislation. It is widely considered the most comprehensive data protection legislation anywhere in the world to date.

The ePrivacy Directive (ePD) supplements the GDPR (overriding it in some cases). It addresses many of the crucial factors in the tracking of Internet users. It has come to be known as the "cookie law" due to the resultant proliferation of cookie consent pop-ups after it was passed.

The ePD is set to be replaced by the ePrivacy Regulation (ePR), which will build upon and expand the definitions and regulations of the current document. The ePR was intended to come into effect alongside the GDPR (as a supplement offering further clarification of that regulation) but has been held up in the legislative process. However, when it does come into effect it will become legally binding throughout the EU and will have ramifications for any business that is based in the EU, does business in the EU or collects any consumer data from persons residing in the EU. Exactly what the final document will look like is undecided, but there exists amendments to the proposal that can be reviewed online.

## A QUICK PRIMER ON COOKIES

An HTTP cookie (also known as an Internet or browser cookie) was a term coined by its inventor, Netscape program Lou Montulli, in 1994. Montulli and colleague John Giannandrea wrote the initial specification as a solution to store a user's partial transaction state on the user's own computer in order to create a virtual shopping cart. The specification for the cookie was based on the "magic cookie", which refers to data packets sent and received by programs in Unix operating systems. The cookie installed on the browser negated the need for online retailers to create and store a massive data base pertaining to every user's shopping cart and behaviour.

A cookie is nothing more than a small piece of data (most often a text file) sent by a website and stored on the user's web browser (or sometimes in the computer's sub-directory). Cookies basically remember information like items added in the shopping cart on a previous visit or record browsing activity, but also can be used to remember information from form fields such as names, addresses, passwords, and credit card numbers.

The GDPR and the ePD are good benchmarks to explain cookies in relation to privacy and these regulations pertain to the classification of cookies in three different ways depending on their purpose, their lifespan (duration) and their origin or provenance.

**Purpose**
- Strictly Necessary cookies: Essential for browsing websites and exploiting related features, such as cookies designed to hold items in a digital shopping cart. These are mostly first-party cookies.
- Preferences/Functionality cookies: Allow a website to remember past choices on the given site, such as what language preferences, geographic locations or your user name and password to facilitate logging in.
- Statistics/ Performance cookies: Collect information about how you use a particular website, such as the pages you visit and links clicked on. These cookies are aggregated and anonymised and cannot be used to identify you. This type of cookies includes those from third-party analytics providers and services, provided they are exclusively for the use of the owner of that website.
- Marketing cookies: Track your online activity to help advertisers deliver more relevant advertising and to help to limit the frequency of particular ad. These cookies can share that information with other organizations or advertisers. These are persistent cookies (see below) and generally originate with a third-party.

**Duration**
- Session cookies: Temporary files that expire once you close your browser or your session on a website ends.
- Persistent cookies: Cookies that remain on your hard drive until you erase them, or until they expire and are automatically erased by your browser. The duration of persistent cookies can vary depending on the expiration date written into their code. (The ePrivacy Directive states they must not last longer than 12 months.)

**Provenance**
- First-party cookies: Cookies put on your device directly by the website you are visiting.
- Third-party cookies: Cookies placed on your device by a third party like an advertiser or an analytic system (not by the website you are visiting).

Complaints about the privacy risk presented by cookies are almost invariably directed to third-party, persistent, marketing cookies, as these can contain significant amounts of information about your online activity, preferences, and location. It is also worth noting that it is not always clear who can access this data, nor is the chain of chain of responsibility or custody always made clear. For these reasons, since the role out of the GDPR and similar legislation and changes to how browsers deal with third-party cookies, the use of third-party cookies has been on the decline.

## COOKIES AND CONSENT

In July 2019 the [United Kingdom's Information Privacy Office (ICO)](#) updated its guidance regarding cookies and other similar technology. While the guidance is only intended to apply to the U.K., it can be viewed as an overall shift in thinking that could soon apply to many international markets.

Summation of the current U.K. ICO stance on Cookies is as follows (the following is taken from "[ACCC, opt-out opt-in and future directions for regulation of ad tech and programmatic" by Peter Leonard](#)):
- Collection of personal data relating to data subjects in the EU through use of non-essential cookies require unambiguous express consent. Enabling a non-essential cookie without the user taking a positive action before it is set on their device does not represent valid consent.
- Advertising and analytics cookies are not 'strictly necessary' and so do not fall outside the cookie consent rules.
- Cookies must not be set on landing pages before consent is obtained (thus, there is no implied consent).
- Statements such as 'by continuing to use this website you are agreeing to cookies' do not meet the requirements for valid consent required by the GDPR.
- Pre-ticked boxes or any equivalents (such as sliders defaulted to 'on') cannot be used for nonessential cookies.
- Users must have control over any non-essential cookies.
- Using a banner, pop-up or splash page may highlight prospective use of cookies, but cannot be used to justify setting of non-essential cookies: a user is not by clear and positive action consenting to cookies (as is required to be GDPR 'unambiguous express consent').

## SOLUTIONS AS THE COOKIE CRUMBLES

Affiliate networks and SaaS platforms are actively working on solutions to these current and pending cookie issues.

The affiliate industry is necessarily being pressed toward first-party cookie solutions as a way to track activities. But first-party solutions aren't exactly a standalone solution. Many ad tech vendors are already working on complex solutions to negate the end of cookies and device fingerprinting – and the solutions are complex not only because of the need to operate free of cookies, but also track users across multiple devices, in order to provide proper attribution.

Primary amongst these solutions are server-to-server solutions that provide for direct interactions between the client and network. Server-to-server means that data from any conversion (such as a sale) is passed from the advertiser back to the vendor (via API or FTP), meaning that the advertiser's server is directly communicating with the vendor's server.

Another common alternative is custom domain tracking. This essentially redirects referral traffic through a sub directory such that the cookie stored on a user's computer is considered a first-party cookie. (For more information on custom domain and server-to-server solutions, see page 12.)

## AUSTRALIA-SPECIFIC PRIVACY REGULATION

At present, the main statute regulating the collection, storage and use of personal information in Australia is the Federal Privacy Act 1988, administered by the Office of the Australian Information Commissioner (OAIC). This act includes 13 Australian Privacy Principles (APP) that relate specifically to the use, collection and storage of personal information.

There is also specific data privacy legislation relating to the health care industry and the telecommunications industry, as well as specific laws at the federal, state and territory level

### RECOMMENDATION 16: STRENGTHEN PROTECTIONS IN THE PRIVACY ACT

**16(a)** Update 'personal information' definition: Update the definition of 'personal information' in the Privacy Act to clarify that it captures technical data such as IP addresses, device identifiers, location data, and any other online identifiers that may be used identify an individual. Digital Platforms Inquiry – Final Report 35

**16(b)** Strengthen notification requirements: Require all collection of personal information to be accompanied by a notice from the APP entity collecting the personal information (whether directly from the consumer or indirectly as a third party), unless the consumer already has this information or there is an overriding legal or public interest reason. The notice must be concise, transparent, intelligible and easily accessible, written in clear and plain language, provided free of charge, and must clearly set out how the APP entity will collect, use and disclose the consumer's personal information. Where the personal information of children is collected, the notice should be written at a level that can be readily understood by the minimum age of the permitted digital platform user. To provide consumers with a readily understood and meaningful overview of an APP entity's data practices and as a means of reducing their information burden, it may also be appropriate for these requirements to be implemented along with measures such as the use of multi-layered notifications or the use of standardised icons or phrases.

**16(c)** Strengthen consent requirements and pro-consumer defaults: Require consent to be obtained whenever a consumer's personal information is collected, used or disclosed by an APP entity, unless the personal information is necessary for the performance of a contract to which the consumer is a party, is required under law, or is otherwise necessary for an overriding public interest reason. Valid consent should require a clear affirmative act that is freely given, specific, unambiguous and informed (including about the consequences of providing or withholding consent). This means that any settings for data practices relying on consent must be pre-selected to 'off' and that different purposes of data collection, use or disclosure must not be bundled. Where the personal information of children is collected, consents to collect the personal information of children must be obtained from the child's guardian. It may also be appropriate for the consent requirements to be implemented along with measures to minimise consent fatigue, such as not requiring consent when personal information is processed in accordance with a contract to which the consumer is a party, or using standardised icons or phrases to refer to certain categories of consents to facilitate consumers' comprehension and decision-making.

**16(d)** Enable the erasure of personal information: Require APP entities to erase the personal information of a consumer without undue delay on receiving a request for erasure from the consumer, unless the retention of information is necessary for the performance of a contract to which the consumer is a party, is required under law, or is otherwise necessary for an overriding public interest reason.

**16(e)** Introduce direct rights of action for individuals: Give individuals a direct right to bring actions and class actions against APP entities in court to seek compensation for an interference with their privacy under the Privacy Act.

**16(f)** Higher penalties for breach of the Privacy Act: Increase the penalties for an interference with privacy under the Privacy Act to mirror the increased penalties for breaches of the Australian Consumer Law.

relating varied other methods of collecting and using data, such as the Commonwealth Spam Act 2003 and the Do Not Call Register Act 2006, amongst others.

While the Privacy Act makes no specific mention of cookies and digital marketing activities, it is considered that the APPs apply to such activities through a broad interpretation of the concept of the collection of personal information. There was, however, a notifiable data-breach scheme (NBD) introduced into the Privacy Act in 2018, which mandates the notification of individuals who are likely to be at harm in the event of a data breach. (For more information on Australian privacy and data protection laws, see this primer by data law expert Peter Leonard.)

The Australian Competition and Consumer Commission's (ACCC) Digital Platforms Inquiry released in July 2019, whilst not a legislative document, makes many recommendations that experts assume will eventually become legislation. It is recommended that advertising technology businesses – and any business operating in the digital economy - start paying attention and anticipating the coming changes. What is certain is that, like is happening in other markets, there are considerable challenges ahead. And the Australian changes intend to

go beyond what the GDPR currently does.

In a July 2019 a[rticle on the ACCC website](#) titled "Holistic, dynamic reforms needed to address dominance of digital platforms", ACCC Chair Rod Sims states that "consumers are not adequately informed about how their data is collected and used and have little control over the huge range of data collected" and proposes that the tech industry should provide a high level of transparency and explanation as to uses of consumer data. There is the proposal of a general prohibition on unfair commercial practices in the digital space and it recommends "a mandatory standard to bolster a digital platforms' internal dispute resolution processes and that an ombudsman scheme be established, to assist with resolving disputes and complaints between consumers and digital platform providers.'"

The report found that many platforms' privacy policies are long, complex and difficult to navigate, adding that they don't provide consumers with any meaningful control over the collection, use and disclosure of their personal data. Thus, the report recommends:
- Strengthening protections in the Privacy Act (See Recommendation 16)
- A broader reform of the Australian privacy law framework (See Recommendation 17)
- The introduction of a privacy code of practice designed specifically for digital platforms (See Recommendation 18)
- The introduction of a statutory tort for serious invasions of privacy.
- The establishment of a specialist digital platforms branch (within the ACCC) with information-gathering powers, to monitor and investigate conduct by digital platforms that could potentially be anti-competitive and that may breach Australian consumer laws.

All of these changes mean a considerable change for digital businesses in Australia, and in so far as they relate to cookies and data collection, a considerable challenge for the affiliate marketing industry.

## RECOMMENDATION 17: BROADER REFORM OF AUSTRALIAN PRIVACY LAW

Broader reform of Australian privacy regime to ensure it continues to effectively protect consumers' personal information in light of the increasing volume and scope of data collection in the digital economy. This reform should have regard to the following issues:
- Objectives: whether the objectives of the Privacy Act should place greater emphasis on privacy protections for consumers including protection against misuse of data and empowering consumers to make informed choices.
- Scope: whether the Privacy Act should apply to some of the entities which are currently exempt (for example small businesses, employers, registered political parties, etc.).
- Higher standard of protections: whether the Privacy Act should set a higher standard of privacy protection, such as by requiring all use and disclosure of personal information to be by fair and lawful means.
- Inferred information: whether the Privacy Act should offer protections for inferred information, particularly where inferred information includes sensitive information about an individual's health, religious beliefs, political affiliations.
- De-identified information: whether there should be protections or standards for de-identification, anonymisation and pseudonymisation of personal information to address the growing risks of re-identification as datasets are combined and data analytics technologies become more advanced.
- Overseas data flows: whether the Privacy Act should be revised such that it could be considered by the European Commission to offer 'an adequate level of data protection' to facilitate the flow of information to and from overseas jurisdictions such as the EU.
- Third-party certification: whether an independent certification scheme should be introduced.

## RECOMMENDATION 18: OAIC PRIVACY CODE FOR DIGITAL PLATFORMS

An enforceable code of practice developed by the OAIC, in consultation with industry stakeholders, to enable proactive and targeted regulation of digital platforms' data practices (DP Privacy Code). The code should apply to all digital platforms supplying online search, social media, and content aggregation services to Australian consumers and which meet an objective threshold regarding the collection of Australian consumers' personal information.
The DP Privacy Code should be enforced by the OAIC and accompanied by the same penalties as are applicable to an interference with privacy under the Privacy Act. The ACCC should also be involved in developing the DP Privacy Code in its role as the competition and consumer regulator.
The DP Privacy Code should contain provisions targeting particular issues arising from data practices of digital platforms, such as:
- Information requirements: requirements to provide and maintain multi-layered notices regarding key areas of concern and interest for consumers. The first layer of this notice should contain a concise overview followed by more detailed information in subsequent layers. The final layer of the notice should contain all relevant information that details how a consumer's data may be collected, used, disclosed and shared by the digital platform, as well as the name and contact details for each third party to whom personal information may be disclosed.
- Consent requirements: requirements to provide consumers with specific, opt-in controls for any data collection that is for a purpose other than the purpose of supplying the core consumer-facing service and, where consents relate to the collection of children's personal information, additional requirements to verify that consent is given or authorised by the child's guardian.
- Opt-out controls: requirements to give consumers the ability to select global opt-outs or opt- ins, such as collecting personal information for online profiling purposes or sharing of personal information with third parties for targeted advertising purposes.
- Children's data: additional restrictions on the collection, use or disclosure of children's personal information for targeted advertising or online profiling purposes and requirements to minimise the collection, use and disclosure of children's personal information.
- Information security: requirements to maintain adequate information security management systems in accordance with accepted international standards.
- Retention period: requirements to establish a time period for the retention of any personal information collected or obtained that is not required for providing the core consumer-facing service.
- Complaints-handling: requirements to establish effective and timely mechanisms to address consumer complaints. Digital Platforms Inquiry – Final Report 37 The ACCC considers that this recommendation could align with the Government's March 2019 announcement to create a legislated code applying to social media and online platforms which trade in personal information.

# THE FUTURE & OPPORTUNITIES

For many years affiliate marketing in Australia has been viewed as a channel yet to reach maturity. However, as we look back through the chapters in this handbook, it's clear that the channel is vibrant and more diverse than ever. One of the biggest evolutions we have seen over the past few years is the diversification of publisher types. As affiliate marketing grows up and new types of business relationships are formed, what was once limited to a specific set of publishers, is now a varied and thriving ecosystem.

## DIVERSIFICATION OF PUBLISHER TYPES

There is no shortage of ways to work collaboratively with other online publishers, offline entities, content creators and influencers. When we talk about the diversification of publisher types, we are referring to a broad spectrum of business relationships and alliances – including strategic Brand to Brand partnerships, native software integrations, social influencers, app-to-app integrations, corporate responsibility/charity, premium publishers, and ambassadors.

Sophisticated marketing teams are finally realising that there is a wealth of options for reaching people and acquiring new customers. Organisations can choose the models that best align with their business and acquisition strategy. By diversifying and adding new types of publishers to their programs, advertisers are creating sustainable growth opportunities from this proven, but often underutilised, channel.

## EMBRACING THE NEW COMMUNITY-BASED CONSUMER ECOSYSTEM

Affiliate Marketing presents a huge growth opportunity due to its ability to reach consumers across the many touchpoints that make up the purchase journey. People ultimately trust their peers more than they trust companies. To overcome this new reality, brands are creating authentic partnerships with micro influencers, content creators and other trusted publishers to drive business outcomes, not just vanity metrics.

Good is the new cool. Consumers are much more conscious with their purchases today than ever before and seek out socially responsible brands that align with their personal values. In the same vein, when brands look to work with publishers, they are looking for those that align with their brand purpose and value. With this recent shift in consumer behavior, advertisers can be more focused on a value proposition over a pure price call to action, protecting their margin and increasing customer loyalty.

## GROWTH THROUGH AUTOMATION

To efficiently turn the affiliate channel into a serious source of revenue growth, the automation of manual campaign management processes becomes a vastly greater component. By automating these tasks, affiliate managers have the ability to move away from ad hoc, manual tools such as spreadsheets and emails. This in turn allows teams to design processes that scale (see image below). In his recent 2020 predictions post, Jay McBain, Principal Analyst, Channel Partnerships & Alliances at Forrester Consulting reinforces the need for automation technology because "ecosystems don't run on spreadsheets".

Whilst publisher types, technology and consumer behavior continue to evolve and move forward, the need to build interpersonal relationships always has, and remains a key driving force to the success of your program. By automating each stage in the management lifecycle, this frees up a lot of time to focus on developing meaningful and productive relationships.
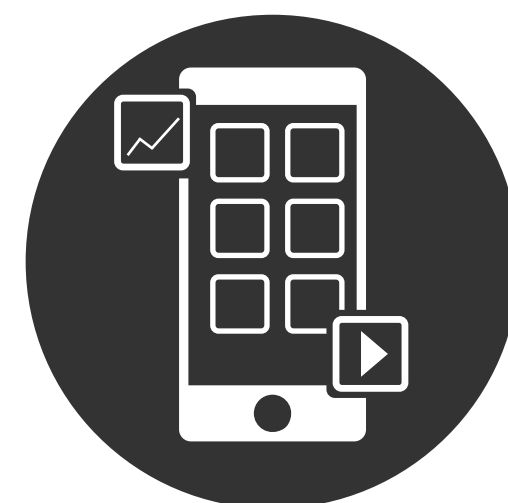
## SMARTER TRACKING AND USE OF DATA

As media budgets continue to come under scrutiny, advertisers require a deeper set of metrics than clicks and sales to justify channel investment. We are seeing increased focus on a more sophisticated set of measurement KPIs such as incrementality, margin and customer lifetime value.



Strategic B2B Partnership

CSR / Charity

Mobile App Partnership

Affiliates

Influencers

Publishers, News & Content

Ambassadors

Sponsorships

With the diversity of publishers now in abundance, a one size fits all commission structure isn't cutting it anymore. Evolving technology and wider range to trackable data points has brought many innovative ways to leverage newly available data sets and commission affiliates accordingly. From upper funnel engagements to post conversion events, advertisers are now able to measure their campaigns more accurately and attribute value across the entire consumer journey.

A large number of Australian advertisers adopted new vs returning customers, category and SKU level commissions some time ago. In more recent years, brands have taken a more scientific approach in determining publisher value and include contribution level data, order location, payment type, % discounts and repurchase behaviors into account.

Furthermore, being smart(er) with your data is important too. Forrester Consulting actually found that the effective use of real-time partnership data improves speed-to-market, provides actionable insights for making in-flight adjustments, develops a new level of location intelligence to better understand customers, opens up data accessibility to reduce payment errors, and helps quantify the return on invested capital (ROIC) in the channel.

Ultimately, as objectives shift & mature and new publisher types emerge, ensuring you have the right metrics in place becomes crucial to accurately measuring the success of your program.

## ADVERTISERS SEEK ALTERNATIVES TO COOKIE-BASED TRACKING

With cookies hanging in the balance for some time now, Apple's ITP and most recently Google's proposed Samesite updates have caused major disruption to how advertisers

**AFFILIATE LIFE CYCLE**

Discover & Recruit

Contract & Pay

Track

Engage

Protect & Monitor

Optimise

leverage 3rd party cookies to accurately measure online advertising. Advertisers must remain relevant as traditional tracking methods become increasingly unreliable.

Mobile tracking has seen major advancements over the past few years with many different options available to track in-app sales through API-based post backs. 2019 saw increased levels of interest in alternatives to cookie-based tracking with many advertisers demanding more accuracy in their programs during a time of change and uncertainty. Over the next few

years we will see advertisers look for solutions that remove the need for cookies entirely.

To ensure our industry is futureproofed, it's imperative for all advertisers to understand how best to leverage the tools available. To ensure that publishers are fairly remunerated for their marketing efforts, the only truly stable method is a server to server-based solution.

## CONCLUSION

The face of the affiliate marketing industry in Australia has seen continual innovation and evolution over the past 5 years. Brands are experimenting and pushing the envelope with what defines an affiliate in ways we have not seen before. The tools available for affiliate marketers are more sophisticated today than they have ever been, inspiring the next generation of leaders in this space to incorporate science and creativity into how they manage their publishers.

Things are also getting easier, with a lot of the manual tasks now being automated, allowing for more time to create meaningful relationships and partnerships. Australia now stands shoulder to shoulder with some of the more mature markets such as the U.S. and Europe, with some of the world's leading affiliate examples coming out of this market.

Whilst the future of the channel is looking bright, the changes to the tracking landscapes creates a new set of challenges. Affiliate Marketers in Australia require the SaaAS platforms and affiliate networks to continually adapt their capabilities to support this shift. Perhaps most importantly, brands need to be willing to invest in their programs integration to ensure the channel continues to grow.

# GLOSSARY

The terms below serve as an explanation of some of the more commonly used terminology in the Affiliate Marketing space.

**1st Party Cookie**
A small amount of text stored in a user's browser that is created by the site the user is visiting. By default, first-party cookies are allowed in every browser.

**1st party data**
A "first party" is an entity that collects information from or about users and is the owner or controller of the website or service with which the user interacts directly.

**2nd party data**
A first party that sells or shares data to a non-affiliated website or service. Most rules around data ownership, use and control are governed only in relation to first and third-party definitions.

**3rd party data**
Is an entity that collects information from or about users from a non-affiliate's website or service. Third-parties, such as data aggregators and ad networks, often create data products that span collection from websites and stores not owned or controlled by a single entity.

**Advertiser**
This is the standard term for a company who has an Affiliate Program. Also known as 'merchant' and 'brand'.

**Affiliate**
The Affiliate (also called the publisher) is an individual or a company that promotes products or services owned by other parties for commissions. They do not own the products and services, and they are not in charge of payments, logistics or customer service. Affiliates promote products and services by sharing their affiliate links.

**Affiliate Link**
This is also known as a text link or tracking link. This directs users from an affiliate site to a an Advertiser site.

**Affiliate marketing**
Affiliate marketing is a performance-based marketing involving an affiliate/publisher, a merchant/vendor and the customer. It can also include an affiliate network. Each affiliate receives a unique affiliate link. When an online visitor clicks the affiliate link, the visitor is redirected to the advertiser's website. When a visitor makes a desired action a merchant pays the affiliate a fee or commission.

**Affiliate Network**
Affiliate Networks aggregate affiliates and merchants into one place. They also handle tracking and the payment of commissions.

**Agency**
Agencies provide the management of an Affiliate Program where the Advertiser wishes to outsource it to an objective 3rd party.

**App Download**
The act of downloading an application to a mobile or tablet device from a relevant app store without necessarily launching or opening the app.

**Attribution**
A merchant can attribute credit to the customer's first click, last click, or a combination of multiple clicks. Attribution models models vary greatly and the particular model decides which link (and which affiliate) will be rewarded for this action or sale.

**Banner**
This are display media banners that some Publishers choose to add to their sites.

**Biometric data**
Personal data resulting from specific technical processing relating to the physical, physiological or behavioural characteristics of a natural person, which allow or confirm the unique identification of that natural person, such as facial images or dactyloscopic data.

**Caching**
Memory used to temporarily store the most frequently requested content, files or pages in order to speed its delivery to the user. Caches can be local (i.e. on a browser) or on a network.

**Cashback**
Cashback sites return much of the commission they earn for driving a sale back to their users as a reward for using the site. Cashback sites are often significant parts of Affiliate Programs.

**Chargeback**
The reversal of a sales transaction on a credit card. Chargebacks occur after disputed charges have been investigated.

**Client-based Tracking**
A tracking method in which information is stored on the user's computer. A cookie is saved in the user's browser when they click on an ad and links back to the affiliate that directed the user through the link.

**Co-registration**
A type of lead generation method. After customers have provided their details, they are asked to tick boxes next to a series of other services or products they may be interested in.

**Commission**
This is the incentive provided to affiliates for driving sales to a given Advertiser. The commission can be in the form of a percentage of sale, cost per click a flat amount or bounty for reaching targets. See CPA, CPC and CPL for more detail.

**Consent**
In relation to tracking and privacy, any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.

**Content site**
Also known as a blog. These sites contain unique content around a given subject and often command a loyal following.

**Conversion**
An event generated by a user that an advertiser is willing to pay for.

**Cookie**
A cookie is a small text file and associated alphanumeric identifier generated by a website or a website partner (advertisers, data management platforms, etc.). Cookies are stored on a visitor's browser upon arrival at a particular destination, and Cookie IDs are passed along within ad requests. They are most frequently used to determine desktop or laptop associations. Cookies can generally be read only by the assigning service.

**Cookies lifetime**
When a visitor clicks an affiliate link and visits a merchant's website, information about the affiliate link is stored in a cookie in a visitor's browser. Cookies lifetime describes how long relationship between a visitor and an affiliate will be valid. If a visitor clicks on an affiliate link, an affiliate will be credited with the referral as long as the visitor returns to a merchant's website and performs a necessary action within a provided timeframe.

**Coupon**
This is a discount which is made available to shoppers and are typically a series of letters of numbers.

**Coupon Site**
Coupon sites (also known as Voucher Code sites) drive value by incentivising users with coupons. They can be an effective means of driving revenue.

**CPA (Cost Per Action/Acquisition)**
A pricing model, where the advertiser pays for a specified action. The actions, after initial impression and click include an install, form submit, double opt-in or in-app sale. Within affiliate marketing this usually is in reference to the cost per sale payment model as either a percentage of the basket value or a set bounty per order. CPA = Cost/Number of Actions.

**CPC (Cost per call)**
This is usually based on a pre-determined length of call.

**CPC (Cost per Click)**
Cost/performance calculation based on the number of ads actually clicked ($X per click, or CPC = CPM / (1000 × CTR). This is usually referenced for price comparison publishers who can charge for clicks sent to advertiser websites.

**CPD (Cost per download)**
Also known as CPI (cost per install) payment is made to the publisher when they drive a customer to download or install a mobile app.

**CPL (Cost per Lead)**

Cost calculation based on the number of leads generated through a campaign. E.g., the goal of the campaign could be to collect email addresses, so the CPL is based on the number of email addresses collected as a result of the ad ($X per lead, or Total program cost / # of Total leads).

**CPM (Cost per 1000 Impressions)**
This means cost per thousand impressions. This is usually referenced to display activity or email sends.

**CPP (Cost per point)**
The cost of buying one rating point or one percent of the target population.

**CR (Conversion rate)**
The percentage of clicks to an advertiser site that convert into the desired action.

**CTR (Click Through Rate)**
A performance measure based on the percentage of ads clicked on divided by the total number of impressions served (Ad Clicks/Ads Served).

**Data Feeds**
A file giving information on products sold by a retailer. Key fields include price, deeplink, image, description, product title, product ID and category. Used by publishers (especially price comparison) to promote a client's products.

**Direct linking**
It is the process of linking directly to an affiliate offer (e.g., product page) without the use of landing pages. Direct linking gives them the ability to promote offers without having a website.

**DSP (Demand-side platform)**
Software or technology platform that enables brands and agencies — the buyers — to identify available digital advertising inventory and buy it through the use of automation. DSPs allow buyers to transact in the open exchange or private marketplaces (PMP), and generally are integrated with third-party data providers and verification partners for targeting and reporting purposes.

**EPC (Earnings per click)**
A metric used by publishers to judge the commercial viability of working with advertisers.

**FMCG**
Fast moving consumer goods.

**Geo-targeting**
A method of determining the physical location of a customer and offering different content based on their location.

**Hybrid payment models**
Paying publishers through different mechanisms for the same activity. This usually involves a tenancy or CPC payment alongside CPA.

**iBeacons**
Bluetooth devices that can send out communication to specific locations and is considered more precise than GPS.

**In-app**
Actions within a mobile application. These can be sales, games played, store locators etc. The various publisher payment models can be applied to in-app actions.

**In-house affiliate program**
An affiliate program created and managed by a merchant. A vendor is responsible for recruiting and managing affiliates, tracking their results and paying them. A merchant can implement their own tracking or a ready affiliate software.

**Influencer**
Refers to a publisher (or more broadly a channel) that is deemed to have had a positive impact on the customer in their path to purchase.

**Landing page**
It is a page where visitors land after clicking an ad or text link. Landing pages are designed to convince a visitor to perform the desired action. Landing page is in the middle of an ad (with an affiliate link) and merchant's website.

**LTV (Life time value)**
The total spend of the customer from aquisition through to the end of the period they are a customer.

**Merchant**
A merchant is a business that increases sales, traffic and brand awareness through online advertising via a network of affiliate websites. The merchant is responsible for implementing a sales tracking system, providing appropriate linking methods, attracting affiliates, monitoring results and paying affiliates. These functions might be outsourced by the affiliate merchant."

**Mobile app**
Short for mobile application. A piece of software designed to run on smartphones, tablet computers and other mobile devices. Can be used by both clients and publishers to drive traffic or convert customers.

**Mobile wallets**
An electronic payment service on mobile handsets that can be used to make transactions in both virtual and physical worlds.

**Multichannel**
Using a variety of marketing techniques to make it easy for the customer to purchase in whatever way is most appropriate.

**Native advertising**
An online marketing technique that provides content in the context of the user's experience. Examples include advertorials, search engine marketing and promoted tweets.

**Override**
This is the tracking fee charged by Affiliate Networks for providing tracking. It is usually based on a percentage of the commission amount.

**Personal data**
Any information relating to a person is one who can be identified directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

**PPC (Pay-Per-Click)**
The model by which the merchant pays the publisher for valid clicks generated by the ads they run.

**Price Comparison**
These affiliates comparing the prices of thousands of products, from Insurance to food stuffs.

**Product feed**
Also known as Merchandiser feed. Some affiliates import the products which Advertisers sell compare pricing.

**ROAS (Return on Advertising Spending)**
The amount of revenue generated for every dollar spent on advertising. For instance, a ROAS of $5 means you're generating $5 in sales for every $1 in advertising spend.

**ROI (Return on Investment)**
A performance measure used to evaluate the efficiency of an investment, expressed as a percentage or a ratio. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment.

**RTB (Real-time bidding)**
This is a real-time auction that occurs between a DSP and SSP, where multiple traders bid on an impression offer via an SSP through their DSP of choice. The trader who is willing to pay the highest price wins the auction and their brands ad is served.

**SSP (Supply-side platform)**
Software or technology platform that allows publishers and inventory owners — the sellers — to sell their digital advertising inventory in an automated fashion. SSPs allow sellers to set floor prices in the open exchange, and/or package inventory into more exclusive bundles called PMPs.

**Tenancy**
The fee required to buy a piece of media on an affiliate site or in an email newsletter. These can vary considerably.

**Tracking Code**
A hidden 1X1 pixel tracking code that is placed on the confirmation page of a store for tracking sales conversions.

**Validation Period**
The length of time from a transaction tracking place until the advertiser approves its validity.

# MORE RESOURCES FROM IAB AUSTRALIA

**AD EFFECTIVENESS PLAYBOOK**

Digital Audience Targeting for Success



This guide sets out to identify and examine summarise the opportunities and challenges involved with digital audience targeting, providing guidance to help marketers develop effective digital audience targeting strategies and provide some proof of the improved campaign effectiveness when these practices are applied.

**AFFILIATE MARKETING AUSTRALIAN INDUSTRY REVIEW**

Download the most recent IAB Affiliate Marketing Survey here



The IAB's Affiliate Marketing Working Group worked together to produce the 2019 survey of the Affiliate Marketing industry in Australia. This survey was completed by 72 respondents (78% advertisers and 22% agencies) and gives a snapshot into this channel's position in digital marketing in Australia.

**DATA, PRIVACY AND THE ACCC REPORT**

Get more data and privacy information from expert Peter Leaonard



The IAB hosted a slew of data experts at our State of Data – Opportunities & Responsibilities. Amongst them was Peter Leonard, Principal at Data Synergies and Professor of Practice at UNSW Business School, who gave a brief talk on the history, results and future implications of the recent ACCC Digital Platforms Inquiry Final Report.

Stay up-to-date with IAB Australia and the work we do to simplify and inspire the digital advertising industry by following us on LinkedIn, Twitter and Facebook, and subscribing to our monthly newsletter.