affiliate & partnership marketing

budgeting best practice

introduction

Effective affiliate and partnership budgeting involves setting clear objectives, prioritising high-value partners, and continuously monitoring and optimising performance.

It's vital for advertisers to allocate resources wisely, maintain transparency and stay informed about industry trends to maximise the impact of this performance-driven marketing channel.

a payment structure that's right for you

Choosing the right payment structure in affiliate marketing is crucial for brands. This decision ensures advertisers align their budget with their business objectives, effectively maximising the value they receive from their publisher partners.

1. Cost Per Acquisition (CPA) is the most commonly used affiliate marketing metric that measures the cost incurred by a business to meet certain objectives. This structure provides clear insights into the performance and profitability of the channel.

2. Flat Fee is when publisher partners receive a fixed, predetermined commission for each desired action or sale generated through their referral, regardless of the sale amount or product value.

Unlike other performance-based payment structures, Flat Fees enable advertisers to limit their spend regardless of the amount of sale generated from the marketing activity.

3. Cost per click (CPC) allows publisher partners to earn a commission each time a customer clicks on their referral link and visits the advertiser's website. Advertisers pay affiliates a predetermined amount for each click generated.

4. Hybrid (CPA + Flat Fee) combines performance-based payment structure (CPA) with a fixed fee (Flat Fee). Publisher partners receive a predetermined flat fee as a baseline income, along with additional commissions based on specific actions or conversions they generate for the advertiser's products or services.

budget allocation methods

For advertisers, it's important to carefully consider your budget allocation method. Two distinct approaches are often employed:

1. **Cost-of-sale approach:** Opting for an approach without a fixed budget allocation offers the advantage of limitless revenue potential. This method does not impede the growth of your program, providing ample room for expansion. However, to effectively control spend without a fixed budget, advertisers should prepare robust and dynamic commissioning strategies. It is also recommended to frequently analyse spends and forecasts to ensure budgets are still effectively optimised.
2. **Set marketing budget:** By assigning a predetermined budget to your affiliate channel on a per-calendar basis, you gain control over your expenses. However, it's important to note that this approach may limit your revenue potential. To maximise this approach, advertisers should regularly communicate with their affiliate partners and set aside more budget during peak shopping seasons.

The choice between an allocated marketing budget and a cost-of-sale approach depends on your business's unique needs and goals. To make the best decision, you must define clear objectives for your affiliate program. Whether your aim is to boost brand exposure, generate leads or drive sales, establishing specific, measurable goals will guide you toward the most effective budget allocation strategy for your business.

optimising for success

When allocating a budget for an affiliate program, it's essential to prioritise partners that align with your goals and track performance metrics closely to optimise spending. Balancing investment in high-performing affiliates while allowing room for experimentation can lead to a more effective and efficient affiliate marketing strategy.

1. **Prioritise high-value partners:** Find publisher partners who align with your business values, are driven to meet your goals and have a track record of delivering strong return on investment.
2. **Monitor and analyse performance:** Use tracking and analysis tools to keep an eye on how your affiliate and partnership programs are performing. Regularly check commonly used metrics such as conversion rates, click-through rates and ROI to make data-driven decisions. If a partnership isn't working out, consider reallocating your budget to a different affiliate partner.

By implementing these strategies, you can maximise the impact of your partnerships and ensure your marketing efforts yield the best results. Remember, quality partnerships and data-driven decisions are key to success in this field.

the power of experimentation

Whether it's testing new strategies, publisher partners or budget allocation methods, experimenting is essential for finding what works best for your business. It helps you refine your goals, discover new opportunities and improve your affiliate and partnership program.

1. **Test and learn:** Don't be afraid to test various strategies, offers and publisher partners. Set aside part of your budget for experimentation to uncover new opportunities for your program.
2. **Invest in technology:** Consider using affiliate marketing software or platforms that can help simplify program management, tracking and reporting. This will help you make smarter, more informed budgeting decisions.

There's a world of new opportunities waiting to be discovered in affiliate and partnership marketing. Advertisers can continue to test, learn and embrace technology to further drive performance for their business.

top tips for budgeting

1. **Negotiate fair terms:** When establishing partnerships, negotiate fair terms for commissions or payouts. Ensure that both you and your partners have a clear understanding of how compensation will work and how it ties into performance metrics.

2. **Optimise for performance:** Regularly review and optimise your budget allocation based on performance. Shift resources toward publisher partners that deliver the best results and adjust or eliminate underperforming ones.

3. **Build relationships and trust:** Maintain open communication with your publisher partners. Building strong relationships can lead to better collaboration and more effective budget allocation, which leads to more successful partnerships.

4. **Plan for contingencies:** Have contingency plans in place for unexpected events that could impact your budget, such as changes in partner performance or market shifts.

5. **Stay Informed:** Stay up-to-date with industry trends and changes in the affiliate and partnership marketing landscape. Being informed will help you make proactive budgeting decisions.

Remember that affiliate and partnership marketing is an ongoing process. By following these best practices and adapting your budgeting strategies as needed, you can optimise your investments and achieve better results over time.

This series has been developed by the IAB Australia Affiliate and Partnership Marketing Working Group:
https://iabaustralia.com.au/our-councils/affiliate-working-group/