

proving and measuring incrementality for affiliate marketing activity

introduction

Across this knowledge series, we've explained how and why the affiliate partnerships channel should be an integral part of any marketing strategy. In this chapter, we explore the incrementality of affiliate partnerships for advertisers.

Incrementality is something that has long been discussed within an industry that prides itself on using data to make decisions. However, as marketing budgets become more scrutinised, being able to understand exactly how much value is being added by a partner is an essential, and often complicated question to answer.



what is incrementality?

Firstly, it's important to consider what exactly incrementality means to you and your business. Generally speaking, incrementality refers to the additional value or revenue generated by a specific marketing activity that wouldn't have occurred otherwise. For the purpose of this chapter, we can define incrementality as the revenue delivered by affiliate marketing that would not have happened if it weren't for the channel or affiliate partner's contribution.

how to measure incrementality

Traditional KPIs used to measure incremental value include Return on Investment (ROI), Cost of Sale (COS), new customer sales and Customer Lifetime Value (CLV):

- Incremental Sales: Quantifying the additional sales generated by affiliate partnerships beyond organic or existing channels.
- Incremental Revenue: Measuring the incremental revenue generated from affiliate-driven conversions compared to other marketing channels.
- Customer Lifetime Value (CLV): Assessing the long-term value of customers acquired through affiliate channels to determine their incremental contribution over time.

These metrics provide a basic overview of performance that is easily measurable through typical affiliate reports.

using data to prove incrementality

Affiliate networks or platforms are essential when measuring the incrementality of affiliate marketing campaigns. Partnership platforms equipped with features like end-to-end tracking and cross-channel measurement address the challenge of proving incrementality. These tools offer brands access to essential insights necessary for clarifying the effectiveness of the channel and partners, validating their contribution.

Cross-channel tracking, in particular, plays a pivotal role by deduplicating redundant spending across various channels. Real-time tracking ensures that only one channel receives credit for each conversion event, averting double payments and eliminating redundant costs. This deduplication process optimises investment allocation, enabling brands to redirect resources towards affiliates that yield higher returns.

Reporting features complement tracking tools by providing a precise picture of campaign performance and channel interactions. Comprehensive tracking lays the foundation for accurate reporting, allowing brands to make informed decisions based on complete data sets. Aggregate cross-channel reporting offers brands a holistic view of partner and channel performance, facilitating optimisation strategies for success.

Contribution Reports offer valuable insights into how different channels or partners contribute to the conversion process, highlighting their role in the funnel. By identifying when a partner or channel is the sole contributor in the conversion path, brands can recognize their incremental value, affirming that conversions wouldn't have occurred without their involvement.

conclusion

True incrementality can only be defined with a holistic view. It's important to remember that affiliates provide a significant amount of value in influencing a sale, even if they are not the sole reason that the sale took place. Proving and measuring incrementality in affiliate marketing is essential for optimising partnerships, maximising ROI, and driving sustainable growth. By leveraging advanced attribution models, relevant KPIs, and data-driven insights, businesses can gain a deeper understanding of the incremental value generated by their affiliate programs. As the affiliate marketing landscape continues to evolve, a nuanced understanding of incrementality will be instrumental in staying competitive and driving meaningful business outcomes.

recommendations for agencies & advertisers

- Use multi-channel attribution services or Google Analytics (GA) to measure true incrementality
- Consider de-duplicating sales against other channels where appropriate
- Adopt a commission structure that rewards incrementality
- Combine with CRM data and internal reports to truly understand the value of that your affiliate channel brings
- Run A/B testing across different channels by running similar campaigns

recommendations for affiliates & publishers

- Make use of network reports to measure the true incrementality of your activity
- Review the attribution policies for your advertisers you work with, making sure you are being rewarded fairly

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



affiliate & partnership marketing knowledge series