

Affiliate Marketing as a Paradigm of the 21st Century: An Assessment of its Impact in the Developing World

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Abstract

Affiliate marketing concept as a new paradigm of the 21st century has captured the imagination of businesses world over, Thousands of businesses world wide have devoted a great amount of resources to this new invention in order to sign up as many affiliates as possible, and those with successful affiliate marketing programs boast about the successes so far made. Since the emergence of internet marketing in the second half of the 1990's, businesses have established hundreds –if not thousands of affiliate marketing websites that are continually feeding them with potential customers hour by hour, day by day. This concept has also given rise to a new brand of entrepreneur initiatives in form of business connections where referral websites have become extremely adept at attracting high quality commercial traffic with significant turnovers. While business has, and continues to boom in this case scenario, it appears to be greatly so in the developed western markets where as the developing world is yet to sense the light in this opportunity tunnel. How this business marketing concept is developed and adopted , and whether the developing south is yet to catch up and share its part of the cake is the issue this paper sets out to examine.

Introduction

Internet and indeed the ground breaking launch of E-commerce in the last two decades have revolutionised the way strategic marketing ideas are applied. Like Pearce & Robinson (2005) put it, “how we sell, where we make things, how we logistically coordinate what we do, all of these business functions have new perspectives and ways of being addressed because of the technological impact”. Similar views are expressed Henry & Mayle (2002); Goldschmidt, Junghagen, and Harris (2003), and Rayport and J Jaworski(2002). Because of the speed and accuracy associated with this information and communication technology, developing business ideas has also evolved as never before. Affiliate marketing occurs where a company - usually called a merchant - pays commissions to people (individuals or other companies) - known as affiliates - for sending customers to their website. Multi million companies like those in media business or retail and auction and such as eBay, as well as countless smaller speciality retailers, all have affiliate schemes which pay a commission on any buying customers you bring to their websites. To be an affiliate you have to have a website, or are planning to launch one so as to inter-connect with the affiliate networks, and establish relationship through

which you to send customers to your merchant's website. A structure of advert tracking codes has to be in place, identifying you to the merchant upon which if the visitors you send to a website converts to a customer earn a commission on that sale or a percentage of the total sale figures.

In affiliate marketing, the amount of money you make depends on how successful you are at affiliate marketing. At the same time, the revenue due to affiliates in this kind of business arrangement is dependent on the communication the marketers sets for the entire strategy. Bruner et al (2001) as cited in Goldschmidt, Junghagen, and Harris (2004) notes that this phenomenon has taken on a new twist where by millions of websites have had to be registered all on commercial basis. These ever increasing marketing initiatives have had and continue to have profound effect on business trends as they prove the most effect mode of instant interaction between business and customer.

Though the product composition of online marketing is changing with the dynamics of the entire supply chain, there has tended to be some characteristics to consider. For products which are intended for online sales, the following attributes have to be prevalent in order to make them attractive (Strauss and Frost, 1999 cited in Goldschmidt, Junghagen, and Harris):

- Non-perishable-items that can be shipped without spoiling, or can be transferred electronically.
- High relative value-the items are often relatively expensive and high-involvement.
- Information intensive-the items require research to be done before purchasing, and,
- High-tech-a high percentage of internet users are technology-interested, especially the heavy users most likely to purchase online.

History

It is a widely believed that affiliate marketing has its origins from Amazon.com's introduction of partnership- and commission-based marketing in July 1996. There is a popular urban myth about the origins of affiliate marketing, but the legend has it, Jeff Bezos, CEO and founder of Amazon.com, chatted with a woman at a cocktail party about how she wanted to sell books through referral to Amazon .com website with commission considerations from her own website. After that exchange, Bezos pondered the idea and thought about having the woman link her site to Amazon.com and receive a commission on the book sales. This was the impetus for creating the "first on the Web" Amazon.com Associates Program (Helmstetter and Metivier, 200; Kjaersdam, 2000 cited in Goldschmidt and others 2003). Though there were a number of sites that operated programs prior to July 1996 when before Amazon.com picked it up. It is estimated that by 2001, Amazon had registered approximately 400,000 affiliated websites, world wide online commerce estimated to grow to US\$7billions, with web users worldwide estimates of 152 million in 2000 from 23 million in 1996 (Rayport and J Jaworski (2002). The big secret of the Internet is that it offers a variety of cutting edge marketing concepts that are used in the mainstream. Cutting edge of streaming advertising techniques are applied in this context- video, pay-for-view content, coercive click conversion, community

publishing, etc. It the way modern industry has banded together to protect its business, push revenue across the industry, and innovate cutting-edge technologies."

Trends

Since the emergence of internet and online transaction idea, statistics that show the total growth of e-commerce to be generally on a stiff rise. According to OECD, the Japanese market size in form of e-commerce has risen from 824 to ¥13,336 billion (2000-2005). Total value of online sales in the US for the year 2000 was US\$ 25.8 billion, Canada- CAD 4.4 billion (mid-2000). Business-to-consumer trend projections to year 2005 in Canada was at 18%, Japan at ¥13.3 trillion estimate (2005), Denmark's internet-based transactions: DKK 12 billion (US\$ 1.5 billion) in 2000. Business trends trackers on the other hand estimated 2006 to produce a stifling £2.16 billion in the UK alone from affiliate marketing and the figures are expected to rise phenomenally in years to follow. The healthy trends in affiliated marketing and its popularity is the rise of ecommerce all over the net, with more and more people indulging in trading activities online. On the side of emerging economies, China's trade balance surplus in ICT with OECD had reached US\$46 billion (2004), US\$ 34 billion surplus with the USA (2004), and US\$ 27 billion with the EU. As times keep changing with the evolving face of Internet Marketing, more industries such as travel, finance telecom, mobile telephony have picked up momentum to match the beat of affiliate Internet marketing. With its share of past and present issues, affiliate marketing is growing and continues steadily.

Affiliate Marketing and Business Capacity Needs

The challenge (of affiliate marketing) is to build a tracking system using spreadsheets, then a full-blown system. The business needs to have a landscape of affiliate program directories to direct traffic in affiliate space with engine for affiliate programs with ratings and details:

- **Network** - a third party company that handles a merchants advertising account.
- **Merchant** - an ecommerce website that has goods or services to sell online.
- **Affiliate** - A website or groups of websites that advertises merchant's goods (such as your personal website)

Because of the way the system functions through networked business' links, as new visitors access the related site, the system automatically links to, and informs the parent site that a visitor has been sent. This again prompts the program software to avail the customer with the necessary company, product, and sales details.

**Table 1: Information and Communication Technology
SELECTED ICT COMPARATIVE STISTICS 2005**

	Personal Computers	Internet Users	Broadband Subscribers	International Internet Bandwidth	Internet Servers	Cost (\$) / per month	% of GDP
World	130	137	41.6	816	74	22.0	6.8
Low Income	11	44	0.9	15	0	30.1	5.9
Middle Income	58	115	22.6	92	5	17.0	5.4
Lower middle income	45	95	23.1	116	2	16.8	5.5
Upper middle income	113	196	21.0	218	17	17.0	5.2
Low & middle income	40	84	13.4	59	3	23.4	5.4
East Asia & Pacific	38	89	25.9	97	1	10.7	5.3
Europe & Central Asia	98	190	20.9	211	13	12.2	5.1
Latin America & Caribbean	88	156	16.4	161	12	25.8	5.9
Mid East & N. Africa	48	89	0.5	1	11.8	3.1
South Asia	16	49	1.0	18	1	8.1	5.7
Sub-Saharan Africa	15	29	2	45.3	7.4
High Income	579	527	163.2	4,530	443	19.9	7.2
E.U Monetary Union	421	439	134.7	5,784	184	20.4	5.4

Data source: International Telecommunications Union 2005

Note: Broadband subscribers, internet users, and Personal computers (figures determined at per 1000 people), international internet bandwidth (indicates bits per capita).

In essence this business strategy dimension requires that the business affiliate program must be able to handle all the management details including the following:

- Processing of the new affiliate sign-ups,
- Tracking all business traffic, including sales channelled to your website,
- Determining and calculating payments for each affiliate, and ,
- Affiliate(s) payments automation.

In the current global village affiliate Internet Marketing has become popular as a convenient and the easiest ways for someone new to Internet marketing to make money online. The basics of Affiliate Internet Marketing consists of finding and selling a product on your website (but can be done without one), picking the right keywords, and driving traffic to your affiliate link.

The advantages of marketing as an affiliate means that you do not need to store inventory, ship items or take payments. You get to be your own boss, while working in the fast paced Internet marketing world, and note that many people are successfully making a six-figure income online. But Affiliate Internet marketing requires more nerves and is a learning curve:

- Knowing how to build a good site that converts,
- Picking the right merchants and learning the best ways to promote them.
- Patience and commitment,
- By finding a good mentor,
- Good e-know how of affiliate Internet Marketing
- Knowing your visitors, and then being able to determine what affiliate programs you can offer that will meet their needs, as this if as well a very important element of the affiliate mix.
- Pre-sell context (the ability to put your visitors into the required open and receptive mind set required for them to click on your programs).
- An affiliate program (associate Program)

To have a successful site you need to find a good balance of the above.

Affiliate Marketing and Network Marketing

Affiliate marketing may in a way work on a similar principle as network marketing, but in actual sense is reverse process of the latter. Basically, these strategies differ by virtue of the strategies which marketers use to conduct their business. In this type of arrangement, marketers offer manufacturers a platform in form of their network through which they exchange goods for money. Despite both processes possessing the common denominator- commissions based on sales, the exchange flow is different. In network marketing, physical flows (goods and services) move from the manufacturer to teams of distributors, and on to the customers. The process also encompasses physical engagements between the flows. This is the aspect of market value analysis that takes into consideration; value gap analysis, and the internal value chain analysis. Elizabeth Daniel et al (2001) examine well this concept as well as how e-commerce can be adopted through design and measurement ability.

In affiliate marketing, however, the distributor creates a location where merchants and customers can meet directly in order to conduct financial transactions. The affiliate

marketer, in turn, charges the product vendor a fee for usage of their website, or other services provided. Affiliate Marketing can be described as a method of carrying out promotion or marketing of a particular service/website/product by joining hands with affiliates or associates. The associates or affiliates charge a commission for promoting the business of their merchants; hence this novel concept of web marketing might as well be likened to relationship marketing and associate marketing which convey the concept of this style of Internet marketing in very few words.

Is the Concept Applicable to Developing Economies?

Irrespective of business location, and considering the shrinking of the global geological distance between the different time zones, this notion is the most relevant. Affiliate marketing should be looked at as a way to market products and services without utilizing the reseller channels. This is due to the fact that the strategy is well placed in the following aspects. It fosters strong communication between your tech/production department and sales. Big sales scoreboards help, as well as close proximity between sales and tech.

It acts precisely as a way to visualize your customer-the people you're trying to reach, and know how well it is to get in touch virtually and timely through the power of the internet.

In the table below the comparable data aims at highlighting the extent to which E-commerce and indeed internet marketing reflects on different world economies;

Table 2: Information and Communication Technology.

SELECTED INDICATORS-ICT SECTOR PERFORMANCE (REGIONAL RATINGS 2005-2006)

	High Income	Upper-Medium Income	Low-Medium Income	Low Income	Sub-Saharan Africa	East Asia & Pacific.	Latin America & Caribbean	South Asia	Central Asia
E-Readiness	.77	.54	.38	.24	.24	.38	.48	.29	.51
ICT Prioritisation	4.8	4.1	4.0	---	4.4	4.9	3.7	4.9	4.2
Secure Internet Servers	444.4	16.9	2.3	.5	2.0	1.0	12.0	.6	13.1
Tel. Main Lines	503	230	205	37	17	24	177	39	273

Source: World Bank. ICT at a Glance

Secure internet servers-per 1m people; 2006, E-readiness refers to Government readiness (scale 0-1); Telephone main lines determined at per 1000 people.

Conclusions and Discussions

Small businesses through affiliate programs is one of the hardest audiences to reach, because these folks are short on time and generally not interested in receiving commercial messages in a business context. This is the typical picture of business in developing south. Affiliation works well where customers surf the Net at work, looking at sites, listen to

radio and watch and listen to their television sets. In the developing countries (as portrayed in table 2), the majority of the population besides the businesses, the capacity to access these medium channels remains limited. Finding these customers and building real small businesses, with an affiliate program is going to take more time.

Finding an audience, whether it's of small businesses or consumers, is still a game of measuring risk. The affiliate needs to be a true believer in taking risk, and the same takes place where the incomes and savings function is at a level that can support the idea. The new affiliate game is to weigh these risks to find the perfect formula of price, margin, and performance. On this measure the same application still seems a distant opportunity to many as per the statistics above.

Affiliate marketing strategies make sense where businesses have the capacity to partner or network with complacent Internet companies that figure the Net to enables them deal with their customers to generate sales. Access to use of both fixed line telephone network and internet capacity to support this strategy foundation in most developing countries still requires a lot of thought. Unless the IT infrastructure investment is prioritised by the economies, this idea will take time to be adopted. As it translates in direct marketing:

- The offer must be relevant and interesting to the users who in this aspect are still lacking.
- The strength and success of this strategy hinges on the prevalence of potential and interested recipients (small businesses). Unfortunately this description is beyond the reach of many of the businesses in these economies.

According to Renald L & Chaitali S (2004), monitoring site statistics with regard to visitors' interests, origin and occasions is an important aspect in e-commerce. Success in business is dependent on active participation for it is associated with decisions, actions, and interactions in order to keep risks minimal if not completely avoided. Affiliate marketing does not only require involvement but also the right skills, design, and platform knowledge. Due to its virtual nature getting it right in the global game as it has well become to be known, one needs building the ideal reseller channel. Performance works when the risks of both the advertiser and the publisher are not only minimised but evenly weighted. Like with the conventional business risks there is the need to offer best of talent and time to constantly address the likes of current affiliate issues:

- email spam
- Search engine spam- spamdexing,
- Ad ware
- Trademark bidding,
- Lack of self regulation and,
- Lack of industry standards

The demands of modern commerce mean that technology will allow you to success in affiliate marketing through promoting your products, but the key to success is finding a small number of partners who will drive results. Businesses need to create a system that generates performance for both the advertiser and the affiliate. The economic structure

in most of the developing economies does not support this form technology, leave alone the infrastructure base.

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