



# 10 AFFILIATE MARKETING TRENDS FOR 2017

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# Ten affiliate marketing trends for 2017

With the New Year upon us, what are the key affiliate marketing trends that will shape the network's development in 2017?

For the fourth year running Affiliate Window's Strategy Team has identified ten themes they believe will make a tangible difference to the way affiliate marketing programmes are run. Some are specific to the channel, factors that are within our control, we can react to and then shape programmes around.

Others are wider in focus, posing the challenge to every digital marketing company and ecommerce operator about how to capitalise on potentially unfavourable domestic economic conditions.

Affiliate marketing does not exist in a bubble and is moulded by a variety of factors, some of which we'll consider in this document. Most affiliate programmes are also organic beasts that grow and change in complexion as the digital landscape evolves. Sometimes programmes may even contract and occasionally the themes we identify in these trend documents may play a part in the reasons why all these things happen.

So where do affiliate marketers find themselves in 2017? There is no doubt the industry is in a period of flux with some networks' fortunes on the wane and Software as a Service companies making a bold play for their business. Agencies too continue to differentiate themselves, with specialists seemingly thriving.

But networks who are investing heavily in aligning themselves as truly consultative partners are well placed to consolidate their position in the market.

The world still lacks a truly global affiliate solution that marries technology with service, while offering transparency through enhanced standards. Efforts will continue in 2017 to take the best elements of local market expertise and combine them to raise the bar.

One area that offers both an obvious threat but potential opportunity is the increasing focus of external eyes on the industry. Regulators have for a number of years now occasionally crossed the path of the channel but more concerted and wholesale attempts to understand the affiliate model from a consumer point of view provides industry with the chance to engage with them and help shape a set of market-leading standards.

And additional external factors may come to bear if the economic fortunes of the UK in 2017 are considered. With price hikes and additional costs set to be incurred by Britain's retailers, they face a double threat to their fortunes this year. This could have a direct impact not only on what consumers buy but who they shop from and what money is available for the affiliate channel.

As a lean, cost effective mechanism, affiliate marketing has always been insulated to some degree by these factors, but there is no doubt 2017 poses unique threats to the UK economy as we get a glimpse of what Brexit Britain could look like in the future.

Looking inwardly, from the network point of view, 2016 was a strong year for Affiliate Window as with continued year-on-year expansion, market share growth and new brands joining the network, crowned by the Tesco programmes launches in the autumn.

What has been evident in bringing this retail giant onto the Affiliate Window platform is the importance of honesty and transparency in the planning and integration stages of an affiliate programme. It demonstrates how this truly lays the groundwork for a successful programme enabling account teams both network and client side to take their knowledge and affiliate management to the next level. These themes are further explored in this document when the changing role data has to play in optimising campaigns is explored.

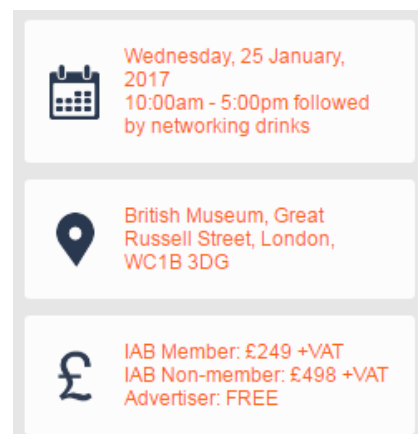
On January 25<sup>th</sup> the Internet Advertising Bureau will host the inaugural [Affiliate Performance Conference](#) at the British Museum in London. The IAB does not invest in such events lightly. They are big stage, high profile occasions, affording digital marketing companies a unique opportunity to showcase their wares.

This feels like a totemic moment in the industry's history and hopefully mirrors the esteem brands will hold the channel in this year. Many senior marketing stakeholders still misunderstand the affiliate industry or have scant understanding of it.

According to Clare O'Brien, the IAB's Head of Industry Programmes who has been involved in determining the content for the conference, affiliate marketing requires "totally new thinking to fully realise the enormous potential that bringing it into mainstream strategic planning will deliver".

Affiliate Window will continue to strive to inspire and inform that thinking.

*We are confident that 2017 has the opportunity to be a golden, transformative year for the affiliate channel.*



Wednesday, 25 January, 2017  
10:00am - 5:00pm followed by networking drinks

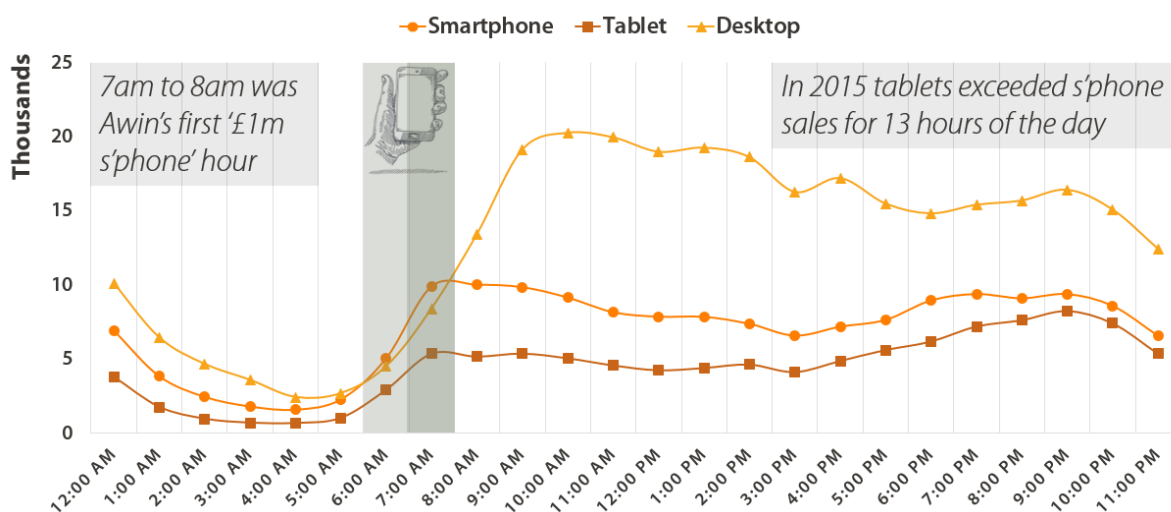
British Museum, Great Russell Street, London, WC1B 3DG

£ IAB Member: £249 +VAT  
IAB Non-member: £498 +VAT  
Advertiser: FREE

# 1. The role smartphones play will be better understood

It's an incontrovertible fact that mobile commerce has accelerated rapidly over the past few years. In recent months, across the network, we have seen in excess of 60% of traffic and 45% of sales originating from a mobile device (smartphones and tablets combined).

Black Friday is typically a day where mobile commerce plays a particularly significant role and on that day in 2016 the network experienced its first '£1m smartphone power hour' from 7am:



It also represented the first time that smartphones were the largest device tracking sales across the network. During the course of Black Friday **57% of all additional year-on-year activity tracked on the network took place on a smartphone.**

Fortunately we are now in an age where the possibility of sales going unrecorded because of smartphone tracking issues is minimal, but 2017 must be the line in the sand year when we both acknowledge that smartphone behaviour doesn't fit easily into the conventional affiliate model and we work collaboratively to implement an adequate payment solution for rewarding those affiliates who are increasingly dependent on handset traffic.

When we delve into our smartphone data to look at the specific sectors that are out-performing the average handset rates there are some underlying trends that hint at what is yet to come.

Take 'fast fashion'. With a young demographic and appealing to the 'mobile first' generation brands such as Boohoo, Missguided and Pretty Little Thing are all over-indexing for smartphone traffic and sales.

In December 2016 around 44% of sales were attributed to smartphones in this sector, compared to 28% for both tablets and desktops. Additionally clicks can often pull in disproportionately higher rates than this, illustrating the smartphone dichotomy: sales versus traffic.

By drilling down further into the types of affiliates pulling in above average levels of interest via smartphones we see it's invariably centred on bloggers and niche, rich content sites.

But this is more than a conversion problem. While we know handsets have always struggled to emulate the same click to conversion levels of other platforms, there is another factor at play; the early funnel, casual browsing that takes place on mobiles, amplified by those affiliates, consumers and advertisers who are more inclined to use handsets to explore products.

This is brought into sharp focus when we analyse how many cross-device sales smartphone orientated affiliates scoop up on one of the network's fast fashion programmes. That is those sales that start on one device but complete on another, whatever the combination may be.

In December 2016 the figure was in excess of one in three transactions and astonishingly represented the biggest proportion of sales. In other words being able to stitch the journey together has a transformational impact not just on the affiliate mix but on the viability for certain, smartphone first affiliates to earn income.

If we look at it from another perspective, 'linear' sales (those associated with a single device) through desktop, tablet and smartphone each accounted for a smaller proportion of sales than when a consumer switches from one device to another. And invariably it is also a consumer clicking through on an affiliate link on a handset that ultimately converts on another platform.

Contrast this to those affiliates with a very clear lever to convert a customer, most pertinently a cashback site.

Because a certain segment of consumers has been accustomed to ensuring they receive their cashback, the path to purchase is typically quite straightforward and as a consequence cashback and loyalty platforms drive single digit volumes of cross-device sales despite being the largest affiliate on a programme.

This can underplay the radical difference enabling cross-device tracking can have to smaller affiliates. It also underpins the age old affiliate adage about never making generalised conclusions about an affiliate programme.

This document can only briefly touch on this topic but it goes to the very heart of many fundamental affiliate issues: longtail viability, fit for purpose tracking and a recognition of the role smartphones play in our multi-device age.

The combination of each of these elements should be a central discussion point for every major affiliate programme in the UK. Given large brands' ability to shape the wider advertiser agenda they have a care of duty to do so.

## 2. Building a better case for influencer marketing

If over the past two years you had taken a sabbatical from affiliate marketing and then dipped back in again, the most pervasive theme you'd notice that has crept into most quarters of the industry is influence marketing.

From an affiliate point of view, its definition may differ to varying degrees depending on who you speak to, but it broadly aims to redefine the longtail of affiliate marketing, emphasising the wealth of content that is available. It also draws attention to the struggle many affiliates, who are categorised as such, have in converting their traffic.

The emergence elsewhere of the 'influencer', (typically a powerful or well-known blogger or social media personality) has enabled affiliate marketing to reassert its core credentials, the daily

performance metrics that have always been the bedrock of the channel. Critically it has also allowed affiliate practitioners to draw attention to the breadth of coverage received for very minimal advertiser expenditure.

With conversion rates often in the low double digits (compared to 25-35% for many voucher and cashback sites), influencer marketing crystallises how difficult it can be for longtail affiliates to supplement or indeed replace more conventional incomes.

Affiliate Window was the first affiliate network to highlight the disparity between earning potentials of different affiliates and attempted to offer what we initially termed 'assist' payments, that is a top up commission when longtail affiliates acted as an initiator but saw their cookie overwritten by another affiliate further down the funnel.

Assists then morphed into influencer payments as this seems more common parlance correlating with digital's general drift.

Other networks have subsequently launched similar schemes and in a sense this is to be welcomed. If there is a common currency and desire to boost content sites then this should raise the bar all round. Ask any network and they will stress the importance of diversifying the affiliate base of their networks.

It also addresses the often cited criticism that affiliate marketing is too top heavy in favouring a handful of incentive based affiliates.

While some progress has been made, the moulding of influencer marketing within the affiliate channel needs to step-change in 2017. At present it feels largely piecemeal, networks tinkering around the edges with small amounts of commission rather than fundamentally overhauling the commercial model we've been wedded to for 25 years.

This is not universal, a couple of affiliate programmes on the network have reassigned healthy budgets for reinvestment in content. This requires an honest, receptive and experimental approach that isn't always common among advertisers chasing targets.

The debate about the merits of influencer marketing feels like a conversation we're not fully in control of; it feels like we're playing catch up to an influencer industry that has already established itself independently of the performance sector. Perhaps this is because networks belatedly recognised affiliates should be associated as influencers but were slow to put an infrastructure for recruiting and identifying them, technically supporting them, offering compelling commercial models and finally offering appropriate reporting functionality alongside return on investment figures.

That is not to say it's too late to change this perception.

There is an opportunity to wrest the momentum and control its direction, primarily because we have a latent wealth of affiliates with content ripe for monetisation, but also because we have spent decades honing cold hard performance metrics that ultimately brands will expect to be shown, be it now, or in the future, in order to secure ongoing investment. It's feasible to believe that influencer will align itself increasingly with affiliate marketing as brands demand greater visibility on ROI.

But how can we secure wider buy in and investment now? Fundamentally for an acquisition channel we need to emphasise that in order to generate sales, affiliates are significantly investing in content creation. We will also need to acknowledge advertisers don't necessarily want to pay

more for the same volume of sales. Therefore a transparent and data led approach could help apportion commissions more fairly while maintaining return on investment targets. In other words, if we accept and promote longtail value we can apportion elements of the existing commission to recognise this **value** alongside the **volume**.

Underpinning everything is the data advertisers and publishers are willing to disclose. And this is where networks are uniquely placed to track and analyse additional qualitative metrics. We'll cover this later in greater depth in our fourth trend of the year.

### 3. Different aims and different goals: splitting content from conversion

Our next theme is one that has been bubbling under the surface for some time and is a concept we actually talked about last year but we feel the time is right, more than ever, for advertisers to enact it on their programmes, hence its inclusion here.

Undoubtedly one of the biggest affiliate success stories over the past decade or so is the rise of incentive sites, those affiliates who offer a direct benefit to consumers for transacting via their links. This can take the form of a discount code redeemed online or a cash benefit. It could translate into points or a money off gift card.

These sites both helped shape and react to changing consumer demands that have seen traditional brand loyalty erode online as an increasing number of shoppers hunt down a value add in return for their custom.

For many affiliates however this success is bittersweet at best. While the idea of a golden age of affiliate marketing is overplayed, (the idea that a content rich channel existed around the year 2000 which has all but disappeared because of incentive sites, is an often repeated fallacy), there is no doubt that it is probably harder than ever for content affiliates to cut through the affiliate noise.

And many affiliates still feel aggrieved at a perceived imbalance, feeling that large affiliates receive preferential treatment and rates.

It's worth pointing out that content sites have continued to develop in scale and revenue, but this has been consistently dwarfed over the years by the exponential growth of a handful of mega-brand cashback and voucher sites. Additionally some of these companies have exported their models overseas either by launching local versions of their portals or by acquiring competitors. Often content sites lack the ability to scale in such a way.

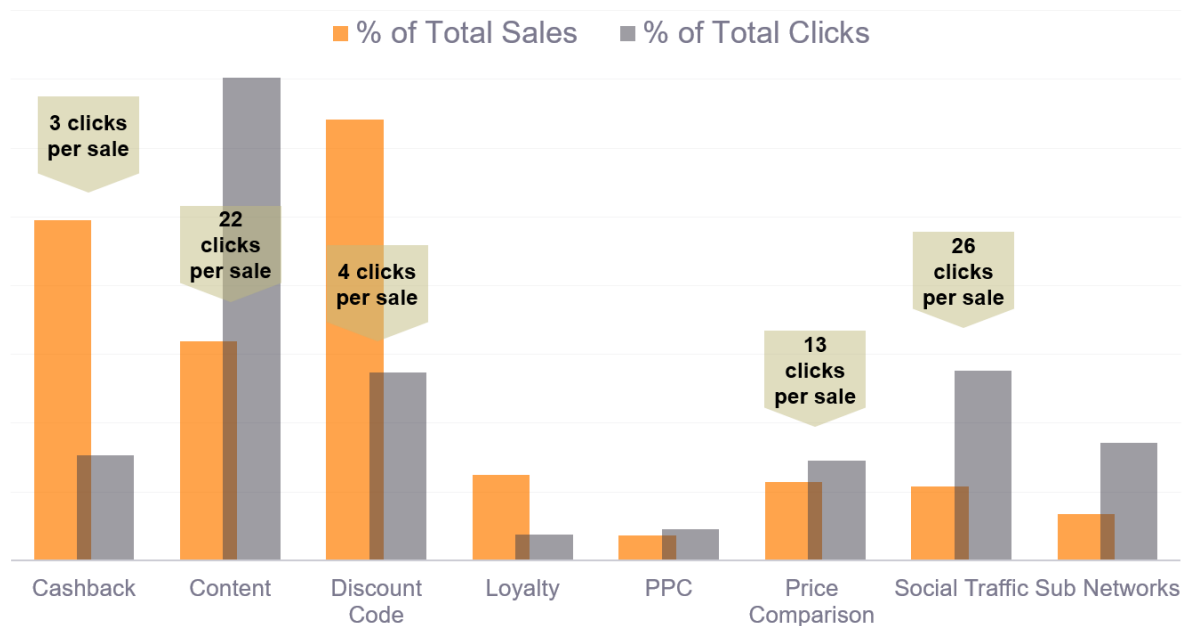
The imbalance is obvious.

Major affiliates are small in number but vast in revenue. While it can be argued preferential treatment for these sites receive is overstated (if an affiliate network didn't lift a hand to facilitate relationships with these affiliates and the advertisers they promote, they would still be able to secure most of the rates and deals they enjoy. Besides, they often have large account management teams who are freely available to meet advertisers in a way that single employee affiliates cannot), it is a concern networks have to tackle head on and demonstrate they are looking at other ways of helping smaller affiliates to succeed.

This is no mean feat. Scaling these efforts is complicated and time consuming, especially when many longtail affiliates are not working on their publisher businesses full time. Perhaps the only way the issue will be fully addressed is by radically separating out elements of the channel.

We need to consider that affiliate marketing is actually a diverse channel made up of bloggers, price comparators and social media content, peppered with voucher codes and reward programmes. Each perform a different function. If we accept this point then how does it make sense to approach them with a single, crude payment metric: last click, cost per acquisition?

To demonstrate how difficult it is for affiliate 'content' sites to make a living (and we have to be careful about labelling them as such as many incentive sites invest in content), as well as the challenges of monetising social media channels, let's take a look at the proportion of sales and traffic (clicks) the top eight affiliate types on the Affiliate Window network record:



The orange bar represents sales and shows that in 2016 discount codes, followed by cashback and then content, were the three largest affiliate types. Contrast that to the grey bars that represent clicks percentages.

Cashback drops to fifth place in terms of intent from consumers casually clicking or exploring products on advertisers' sites.

In fact social media channels are the second biggest driver of clicks despite only accounting for one in 20 sales across the Affiliate Window network in 2016.

Taking this a step further to the logical conclusion of the affiliate channel, the sale, we can see for five affiliate types, how many clicks are needed, on average, to drive a transaction (labelled in the graph). Contrasting the 'best' converting with the 'poorest', we can see that sites relying on social media traffic are typically having to generate **nine times** as many clicks as cashback suppliers to drive a single sale.

If we're wedded to the concept of the conversion dictating value then we must logically conclude that cashback interactions are nine times more valuable than social media ones.

This is a difficult argument to accept but the restrictive payment solution the channel has premised itself on has squeezed us so far down a narrowing funnel in terms of recognition that we have nowhere else to go and, without context, nothing else to measure it against.

If you're prepared to acknowledge that different affiliate models offer value beyond the conversion then you should be receptive to alternative payment mechanisms.

So in 2017 let's identify how better to reward 'content' and remove it from the expert conversion channels that affiliate programmes have become reliant on. Affiliate marketing is not a blunt instrument, it offers a deeply sophisticated and varied platform to engage with consumers at every stage of the purchase and therefore traditional payment on performance requires new thinking.

## 4. A positive attitude to commissions

The fragmenting nature of the UK affiliate industry can make it hard to keep abreast of the issues that practitioners are encountering.

However one definite trend that undoubtedly rankled with various quarters of the industry in 2016 was a perceived shift by retailers towards caveated commission payments. Most notably this manifested itself in some high profile advertisers refusing to pay for existing customers, presumably on the basis that they have already invested marketing spend either through the affiliate channel or another digital discipline in acquiring that customer.

Despite this feeling like it was a new, creeping practice, spreading more and more widely among affiliate programmes, the reality is variants of it have existed for many years. Lead generation tends to be premised on a single payment and many financial, telco and utility based programmes have typically only paid a cash bounty for the initial transaction. Supermarket programmes have also historically paid an introductory fee for a customer rather than attaching any lifetime value to them.

That these programmes have evolved like this indicates that the affiliate channel has created a perception that value only exists in the initial interaction.

However cookie periods are also associated with most campaigns and are designed – partially - to reward for repeat purchase. It is accepted within general retail programmes, more by inherited legacy than anything else, that affiliates receive a fair reward for every transaction they are credited for.

The refusal by advertisers to pay for existing customer sales driven through the channel has inevitably created a sour taste in the mouth for many.

To introduce a restriction, in this instance, on customers loyal to the affiliate site, seems punitive. More than that it takes one of the unique selling points of the affiliate channel that of controllable spend through adjustable commission rates, and twists it to punish an affiliate for a consumer's interaction with their content which very often they cannot control.

2017 must see a redoubling of efforts by affiliate companies to ensure this form of commission erosion doesn't gain an additional foothold. It is probably too idealistic to expect networks to refuse to work with companies who caveat their commission payments and setting minimum payout levels is fraught with legal issues, but a stronger message must be sent to the wider market. We're a professional, multi-billion pound industry and when we accept little to no payment for sales generated through the channel we're all diminished.

Much of the issue may stem from how we talk about the types of sales we want the channel to drive. For example it is now common to track the volume of new and existing customers

generated by the affiliates on individual programmes as an additional metric. This should be encouraged in the interests of transparency, but if we couch the language in an adversarial way, that of new **versus** existing customers, we imply that one is more valuable than the other and we should therefore differentiate the two through commission variants. We explored this theme in an earlier [whitepaper](#).

Actually what we need to acknowledge is both type of shoppers are important but we can approach them differently and we should be clear that a single metric isn't necessarily the defining factor that shapes value. In doing so we may also conclude that if we want to target new customers, an additional budget should be allocated to drive this performance metric.

We should also engage with affiliates more strategically, recognising that voucher code and cashback sites have a direct control mechanism to drive certain types of customer whereas more early funnel, content rich, exploratory traffic is generally concerned with product, as much as brand, exposure. The unique selling points of two affiliates could actually be diametrically opposed to each other and the resulting customers may also be quite different.

We should not be afraid to stand our ground on the commissions affiliates receive. But similarly we need to be more confident in defending our position. And this is when data becomes your key ally.

Empowering networks, advertisers and affiliates with insights from the transactions they track sits at the heart of this discussion. If a brand contacts you to say they want to slash commissions and you're not armed with any data ammunition then you're already on the back foot. The flow and facilitation of data in 2017 has to be a priority.

What will this look like? We need to fundamentally reappraise how we integrate, track and report on affiliate data given how much additional data is now readily available to us compared to just five years ago. Applying new third party reporting that assesses a consumer from end-to-end and layering this with multi-channel information and affiliate demographic data is the ultimate goal.

Collecting as many individual data points about the product, purchase and path enables us to then to break it back down again to create individual affiliate marketing plans. In theory this builds trust and confidence, which in turn drives further investment.

Expect to see this being a significant focus for Affiliate Window in 2017.

## 5. The reinvigoration of industry standards

Affiliate Marketing has a proud tradition of setting a high watershed for self-regulation. An industry small enough to make consensual discussion possible, combined with a handful of passionate individuals who were savvy enough to pre-empt external scrutiny, the seeds of a regulatory framework were first sown more than a decade ago.

In hindsight these discussions that formed the bedrock of the codes and conduct, best practice advice and charters were trailblazing. Which makes their neglect over the past few years a worrying sight for anyone still in the industry that had a hand in shaping them.

Take the [voucher code](#), [code of conduct](#) for example. While it has been modified on three occasions in order to maintain a degree of effectiveness, in the process it has been watered down to push the onus away from affiliate to advertiser self-regulation. That there wasn't greater

advertiser backlash at the time was probably due to a lack of awareness of changes that were happening as much as anything else.

And since then affiliate networks have shown themselves largely unable to moderate the voucher code space. With the fragmentation of the industry and growth of additional technology companies managing affiliate programmes, so the chances of the current code being universally enforced seem more distant than ever.

So far, so frustrating. However 2017 gives us cause for optimism. The voucher code, code of conduct is being reviewed in the first few months of the year and advertisers have the opportunity to share their experiences. Whatever transpires there is an additional reason for the code needing to be both enforceable and enforced.

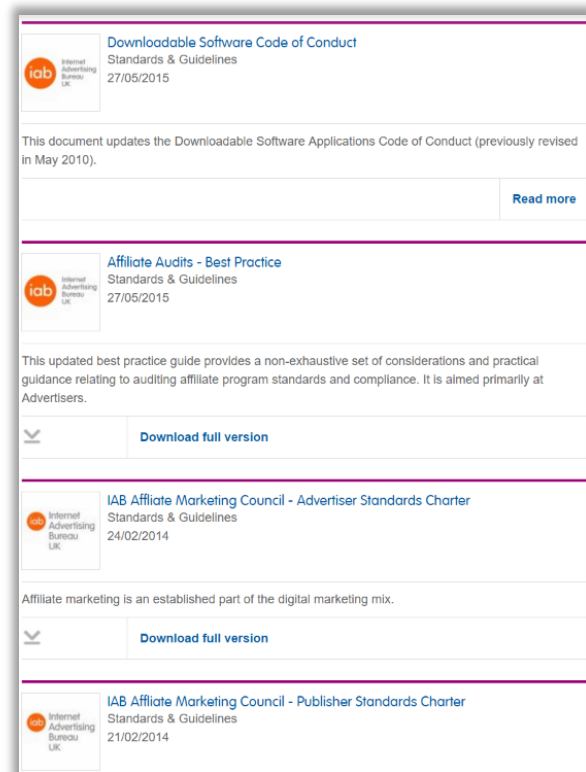
After a couple of years of bubbling beneath the surface there is a good chance that 2017 could see a general industry accreditation framework that would be available for any company looking to operate in the affiliate space. If the accreditation scheme is adopted, the plan is to incorporate all the codes of conduct and additional best practice documentation within it for existing members to subscribe to.

The accreditation would also be available for any companies to pay for. The accompanying badge that could be displayed on any website the company owns, would then send a clear signal to any advertiser or other interested party that the accredited company is a 'good industry' player.

There is no guarantee this system will come to pass. Previously attempts have been abandoned as they collapsed under the weight of unknown factors and associated problems. However the industry is closer than ever before to initiating such a scheme.

Does the affiliate industry need such a system? The success or otherwise of it will probably depend on how well it is positioned. There needs to be a clear benefit and it has to be sold as such. The importance of how it is perceived to an external audience is also important.

The conversation will continue and details thrashed out. 2017 could see the launch of the first such affiliate scheme in the UK.



## 6. The threat of external regulation

2017 will see many companies wake up to the reality that the General Data Protection Regulation (GDPR) is coming. In fact by the end of this year there will be fewer than six months until it passes into UK law.

What is the GDPR and why is it relevant to affiliate marketing? Well it's important to stress the Regulation relates to all data whether it is held online or offline. It is also not limited to marketing services, but it is so comprehensive that affiliate marketing, like all digital disciplines will be covered by it.

The most salient point is that it aims to update the existing EU data protection legal framework in light of the changing way people share information online. The Regulation will repeal the varying local data protection laws and set an EU-wide standard.

It is important to note that some companies who have never felt they needed to pay much attention to data protection laws will find themselves subject to the Regulation.



Preparing for the General  
Data Protection Regulation  
(GDPR) 12 steps to take now

Despite the UK's decision to leave the European Union, the Information Commissioner's Office (ICO) has stated it will apply in this country. The full implications of the GDPR are not yet known but both the ICO and IAB have issued guidance and will continue to do so throughout this year. For large organisations this will undoubtedly be passed to internal legal teams; one of the consequences of the Regulation is the necessity to appoint a data controller to coordinate efforts.

There is not time to cover the GDPR in any detail but it's worth making a note of the ICO's guidance by signing up to their regular newsletter. Networks and other third parties are likely to issue guidance and advice in due course.

On a more local level 2016 saw a number of external industry regulators carry out investigations and other projects that had some overlap with affiliate marketing practices. Again, while not directly aimed at our industry there has been a knock on effect.

Towards the end of 2016 the Competitions and Market Authority (CMA) launched an investigation into what they labelled 'digital comparison tools' (DCTs). The CMA recognises DCTs play an important role in a range of sectors including financial services, utilities and travel, assisting consumers to make more informed choices. In 2016 they stated they wanted to assess whether they still perform as valuable a service to consumers as they should and therefore an investigation was launched in September with a 12 month statutory requirement to deliver a report. An interim assessment will be provided after six months, in March 2017.

This is a critical time for affiliate businesses to stress the credentials of the channel. Being front of mind and working to educate regulators, while showcasing the best practice industry initiatives should provide a strong foundation. Previously mentioned affiliate disclosure requirements are gaining ground in the US and we should expect the same in the UK, whether it is this year or sometime beyond that.

## 7. Heightened macro-economic effects

Our annual trends piece tries to focus on both internal and external issues that may impact the affiliate channel. Those that can be controlled and those that primarily cannot. 2016 upped the uncertainty stakes economically with the UK's decision to exit the European Union in June.

2017 will be the year we get an idea of how it will bear down on the industry. Many retailers were clinging on to Christmas 2016 safe in the knowledge they were still insulated against the effects of a collapsing pound. But with peak trading passed and supplier agreements pre-Brexit coming to an end, the pound's devaluation will ultimately mean higher costs for retailers. These will inevitably be passed onto consumers (with a number of manufacturers and brands issuing pre-emptive warnings), which in turn is likely to drive up inflation, possibly from the spring. While the UK economy has thus far defied the economic woes initially predicted, the real test will be across the whole of this year.

How will consumer confidence hold up? What impact will that have on how much people spend in the shops and critically will that provide a positive bounce for online retailers as more and more shoppers switch from buying in store to online?

Will the complexion of the affiliate channel change as more and more consumers become more attuned to finding the best deal and biggest cost saving? Will actual and perceived discounts available from cashback, loyalty and reward as well as voucher code sites see them receive a traffic boost? What in turn will the impact be on other affiliate types?

How you voted in June 2016 will probably determine how optimistic you feel about the potential of 2017 to deliver continued online growth and development.

One of the consequences could be UK brands seeking to expand their reach beyond these shores to tap into the dual effect of the country's robust ecommerce infrastructure (that has ensured the UK maintains the largest online trade surplus of any nation), coupled with the weakening pound resulting in goods purchased here following the vote being up to 20% cheaper for overseas consumers.

If you'd like to read more about the immediate impact on the network following the referendum, we produced [this article last year](#).

## 8. The rise of China and the global consumer

Macroeconomic effects neatly feeds into our next trend that assesses the increasing importance of global consumers. And China seems to be leading the way, offering UK retailers access to a vast market comprised of shoppers who are switching to online in unprecedented numbers.

Though playing catch-up compared to other nations, almost half of global online retail sales originate from China. This is trend that is set to continue. The numbers vary considerably according to the source but if we take eMarketer's numbers, they estimate more than \$900bn was spent online in China in 2016 with growth predictions of around 20 to 30% year on year. Critically around 15% of all retail sales occur online (in line with the UK but the US trails with less than half this amount at seven per cent).

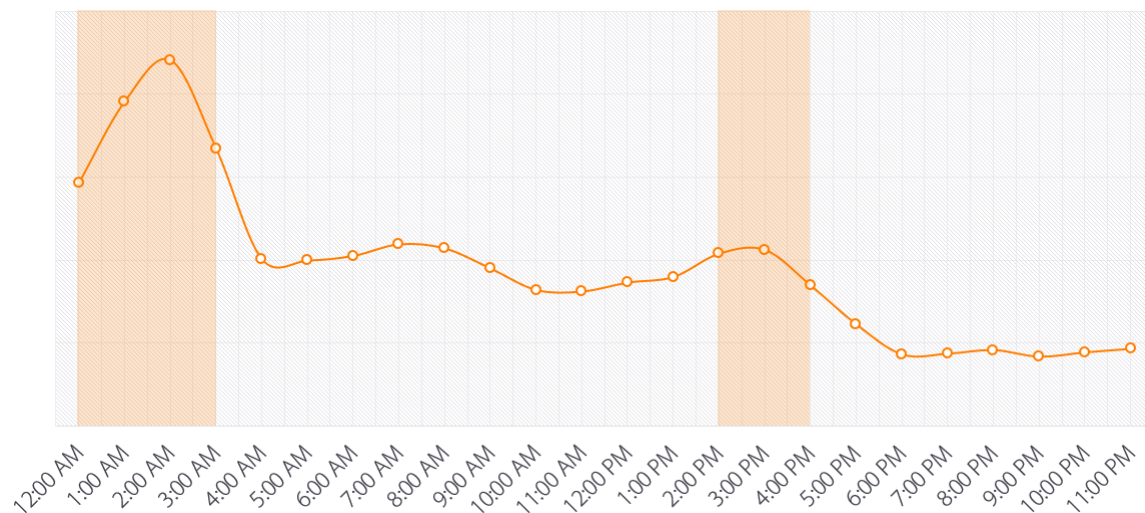
Chinese online sales have overtaken the US in absolute terms and with overwhelmingly educated, straight to mobile, young city-dwellers driving this growth, the potential for British retailers to tap

into this largely latent market is clear. While still a relatively minor event in the UK, Singles Day (11<sup>th</sup> November) proved that within certain sectors, such as health and beauty, there is an [insatiable appetite of Chinese consumers for UK based health and beauty advertisers](#).

Beyond this, a fascinating trend emerged on Black Friday 2016. Bearing in mind that Affiliate Window UK has British based retail programmes with an overwhelmingly locally based affiliate base there is not, generally, a natural groundswell of Chinese interest across the network.

Taking the health and beauty sector again, the following chart plots activity from a number of advertisers in this vertical. One thing that is immediately clear is that the trend does not follow the pattern of the ['Black Friday Elephant'](#) that we see across the network.

On further inspection the reason for this starts to emerge as we analyse where the traffic and sales were coming from. As Black Friday kicks in, the two hours between midnight and 2am corresponds with 8 to 10am in China while the later peak between 2 and 4pm represents the final hours of the day in China.



So if we consider the midnight peak we see in the UK is 8am in China, the impact from activity at these times is clearly evident. Across the entirety of Black Friday, 7% of sales for UK advertisers came from China. Peak morning trading in China, and at midnight in the UK, saw 15% of all transactions originate from there.

Therefore an important lesson for British retailers, especially those with unique products and/or goods that have a strong appeal to consumers outside of the UK, is to recognise that peak in the UK does not necessarily correspond with peak elsewhere and vice versa. It also points to how physical borders count for little in a digital age with the associated impact on running a true 24-hour operation, especially at critical points in the year, such as Black Friday.

It is important to recognise the impact of time zones as a greater proportion of trade begins to originate from far flung countries. There is no reason to prevent any British based retailer recruiting Chinese based or focused affiliates onto their programmes, or indeed those from other burgeoning online markets. Clearly the logistical details of delivery, returns and customer service have to be en pointe, but for those brands who know they have a natural appeal beyond these shores there is an opportunity to be realised.

Compounding this trend in 2016 has been the aforementioned depreciation of the pound against many foreign currencies since the EU referendum in June. With some retailers offering up to 30%

off on Black Friday, coupled with other currencies strengthening by as much as 20% against the pound, it's clear how attractive buying from UK retailers becomes at core promotional periods. Factor in low and fast delivery charges and the situation offers some light for those retailers fearing a domestic consumer spending slump in 2017.

This is a trend that is set to continue and one that more advertisers, uncertain of what next year holds, may have to capitalise on in the future.

## 9. The need for new affiliate blood

There is always a risk with annual trend reports, compelled as they are to replenish precisely every 12 months, that they fall back into relying on well-worn, regurgitated clichés. Year of the mobile or splitting commissions anyone? Affiliate Window has covered aspects of these, hopefully in an insightful way, but we'll leave these generic and tired topics to others to cover.

However one theme that we often reference in more hope that expectation is the need for new affiliate blood in the channel, specifically on the publisher side.

We've already looked at a couple of stumbling blocks to achieving this, one being the need for a more sophisticated approach to moulding the affiliate channel around the influencer model, the other being the exponential rise of incentive sites. But aside from these factors it feels like the channel is in need of an innovation boost.

If we plot some of the key affiliate developments over the past 15 years we have seen the rise and fall of the paid search affiliate, the growth of the points-based loyalty site, in turn overtaken by the partial cashback equivalent, then superseded by the 100% cashback model. At the same time the voucher space was exploding.

These latter two models have enjoyed spectacular growth ever since while others, such as remarketing and retargeting have shone brightly for short periods before waning or moving away from the incubating affiliate networks. Some have failed to materialise. We hoped mobile first companies would be able to use the low barrier to entry performance channel as a viable method of building new affiliate methods. But this didn't really happen, instead larger publishers became multi-channel in their approach, aping the advertisers they promote.

The affiliate industry is in the process of trying to 'reinvent' the blogger as influencer while also acknowledging that those sites with significant social media and smartphone presence are struggling to convert this traffic into meaningful revenue streams.

So has the channel stagnated? It's important to remember affiliate marketing does not exist in a vacuum and the reason many of these affiliate models boomed in the early days is because online was a smaller world, where early pioneers struck out and built disruptive and compelling propositions.

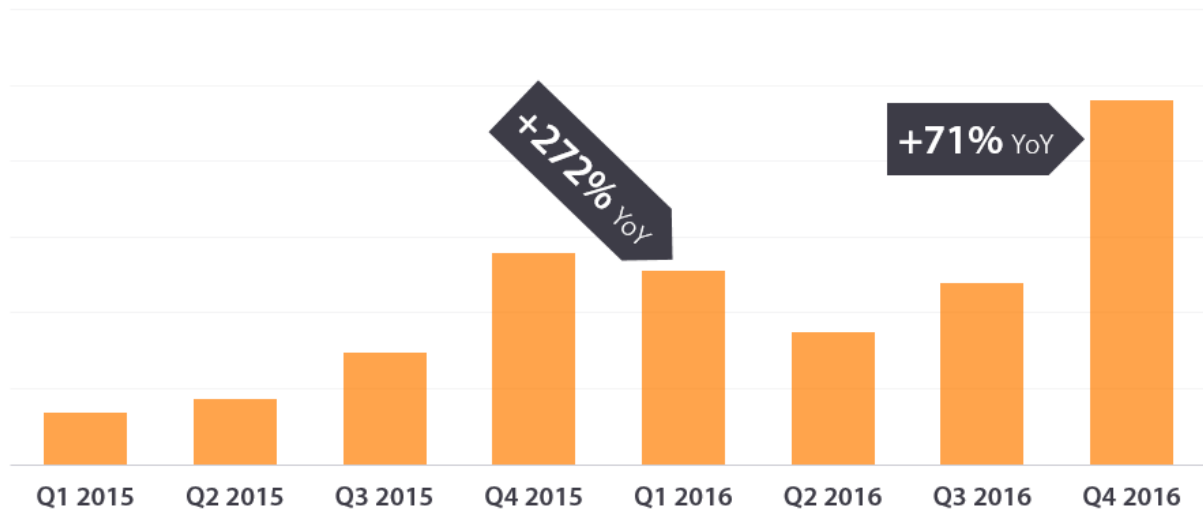
Digital is now far more crowded and brands have significantly refocused their energies on the scope it offers. There are, in a sense, fewer unexplored niches for affiliates to carve out unique propositions in. Plus the major affiliates who continue to thrive are successful as they are iteratively building out their businesses to incorporate multi-channel alongside the latest piece of tech.

So instead of new affiliate models, should we be taking a different tack and focusing on new publishers who could be monetising content on a performance basis; expanding our world based on existing, rather than new, technology?

These are early days but there are early signs this could be happening.

If we take a look at the growth in revenue over the past two years from so-called 'traditional' publishers such as The Telegraph, Independent, DMG as well as magazine houses such as Future and Dennis, we can see there was impressive growth between 2015 and 2016:

### Growth in sales revenue through traditional publishers



Each of these affiliates is not following the same tactic to drive revenue but the collective volumes are now starting to ramp up measurably. And when you consider teams within these companies are restructuring to focus more on commercial opportunities and driving revenue online, this sends a positive signal about future plans.

Obviously the channel and affiliate networks will continue to seek out new publisher opportunities and any positive new developments will always be embraced, supported and promoted. Until that time however, optimising the existing base will continue to be an ongoing focus.

## 10. Performance marketing as the new lingua franca?

Often trend pieces talk about the next year being the year when affiliate marketing enters the mainstream. While this final theme for 2017 does, by default, reference that, perhaps the situation this year will be bigger than that.

When writing this document there are always obvious trends we feel should be highlighted but external research helps us to contextualise what is happening within the channel. One such point of reference is [Econsultancy's Ashely Friedlein's marketing and digital trends for 2017](#).

About halfway through this year's piece is a section called 'Measurement scrutiny' which talks about [McDonald's Omnicom](#) deal that ruffled more than a few feathers in 2016 as it was based on the agency achieving brand objectives on a zero-margin basis.

What grabbed my attention when I saw this deal announced last summer was how radically a payment on performance for traditional media was perceived. Apparently the proposal from McDonald's led to WPP dropping out at the pitch stage and caused uproar among the wider agency community.

This is what Marketing Week columnist Mark Ritson had to say about the deal in August:

***"If Omnicom can't deliver the kind of communications that will grow brand equity, drive traffic into restaurants and increase sales, then McDonald's has a sophisticated hedge that will save it money. If Omnicom is successful, McDonald's will have no problem paying a small proportion of its profits to its agency partner for its hard work".***

Ritson went on to say the deal demonstrates the emerging 'digital first' era of advertising planning that is now underpinned by performance-based metrics.

This is significant for affiliate marketers. While we may have historically felt we are far removed from the bright lights, actually the wider industry isn't only starting to talk our language but – critically – is culturally starting to change traditional practices that align with what has always been our bread and butter.

This could be more than acquisition teams, already on board with affiliate marketing, taking us a bit more seriously or ensuring we have an equal bite of the cherry. This is about opening up the world of performance to traditional teams and departments who are still, generally clueless about what they would probably perceive as the 'dark arts' of the affiliate.

So we could be on the verge of something radical. This shouldn't come as a surprise as more and more marketers are forced to demonstrate outcomes which in a digital age are increasingly measurable. Perhaps it will take one or two more seismic shifts such as the McDonald's move, to fundamental change the way performance based marketing is thought of, but certainly it feels as though there's an intangibly positive mood in the air as more and more advertisers seek a bigger bang for their buck.

This whitepaper was brought to you by the Affiliate Window Strategy Team.

As the largest network in the UK with access to half of the top retail, travel and telecoms brands we bring you unrivalled insight into the affiliate and wider performance marketing space.

To keep up to date with the work of the Strategy Team you can [sign up to our monthly newsletter here](#).

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