

Affiliate Marketing: A case study of Ticket Express GesmbH – oeticket.com

Bachelor of Business Administration

Tourism and Hospitality Management

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Vienna, 15th of April 2011

Affidavit

I hereby affirm that this Bachelor's Thesis	represents my own written work and that I				
have used no sources and aids other than	those indicated. All passages quoted from				
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The thesis was not submitted in the sam	ne or in a substantially similar version, not				
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Abstract

The rapid development of affiliate marketing, a performance based internet marketing practice, in the recent years has created a very competitive market. Companies need to constantly improve their affiliate programs to maintain a successful program and to keep affiliates loyal. Oeticket.com has a functioning affiliate program, but it has not been reviewed or improved since its first development. Thus, the purpose of this study was to find ways to improve the program.

The thesis identifies the main factors of a successful affiliate program. Based on literature, the needs of affiliates and the different components of an affiliate program were described. The connection between the need and components served as a theoretical framework to answer the research questions.

The thesis depicts how oeticket.com uses affiliate marketing. A case study on three affiliate programs highlighted the main similarities and differences on different factors that are important to affiliates. Based on the observations made in the case studies, recommendations on how to improve the affiliate program of oeticket.com could be provided. Suggestions on topics for further research were also added to the work.



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1 Introduction

The internet technology has existed for more than 40 years now, yet it was the introduction of the World Wide Web (WWW) that caused its fast market penetration (Chaffey, 2003). In only four years, the internet reached an audience of 50 million users in the USA. It took the television over 13 years and the telephone over 75 years to reach this number (Angeli & Kundler, 2008). Considering that, the internet can said to be the fastest spreading information media in today's world.

The strength of the WWW was the power to provide easy access to information using a network of web sites (Chaffey, 2003). Of course, many people realized the huge possibilities of this media. Companies saw big marketing opportunities as internet user numbers increased (Zeff, 1999).

A few years ago the internet was mainly used only as an information and presentation platform. Nowadays, it includes almost all areas of business (Benediktova & Nevosad, 2008). Drucker (2002) argues that it was not the easy access to information that helped the internet to become so popular, but rather the possibility to use it as a worldwide distribution channel for all kinds of products and services.

1.1 eBusiness

Turban et al. (2010) defines electronic commerce (EC) as "the process of buying, selling, transferring, or exchanging products, services, and/or information via networks, mostly the Internet and intranets." The term eCommerce first emerged in 1995 and should be differentiated with electronic business. eCommerce is only a small area of eBusiness, which consists of a variety of additional business areas such as customer service, online banking and marketing (Angeli & Kundler, 2008). Thus, the term electronic business is more appropriate for this text, as it is a broader definition.

Chaffey (2003) notes, that the WWW brings many opportunities but also threats to competing companies. Firms can really increase their competitiveness with online technologies, but at the same they will need to face newcomers. Therefore it is essential that many firms, especially traditional brick and mortar companies, also



adjust their way of doing business to the new trends; otherwise they will not survive (Chaffey, 2003).

Rowley (2004) notes that creating a website is only the first step in establishing an online presence, as this will not guarantee visitors. Therefore, with the online presence of many companies, came the need to attract internet users to visit the website (Rowley, 2004). This was the birth of online marketing.

1.2 Online Advertising

Compared to traditional marketing, advertising on the web grew incredibly fast (Moriarty, 2009). In fact, online advertising is considered the fastest growing form of direct marketing (Kotler, 2008). There has been a debate whether the Internet is to be considered traditional marketing or is another form of direct marketing (Benediktova & Nevosad, 2008). According to Zeff (1999), "Internet advertising is the convergence of traditional advertising and direct response marketing."

According to Turban et al. (2010), advertising is defined as an effort to communicate information in order to improve sales. Traditional marketing was very impersonal, because it usually only consisted of one way mass communication. With direct marketing, marketers tried to personalize advertising and to make it more effective. Even though traditional direct marketing approaches worked really well, they were just too expensive and slow (Turban & et al., 2010). Direct mail campaigns had a response rate of only 1 to 3 percent. If the campaign cost would then be around \$1 per person, the cost per responding person would range from \$33 to \$100 (Swearingen, 2010). This would only justify for expensive products such as cars. Another problem was that advertisers knew very little about the recipients. Market segmentation helped but did not solve the problem.

Turban et al. (2010) argues that the Internet introduced interactive marketing. This is because it enabled advertisers to interact directly with customers as consumers could now obtain more information or send e-mails to ask questions.

There are major advantages of advertising on the web over traditional mass advertising. Traditional advertising media such as television, radio, newspapers, and magazines are widely used, however, the market is constantly changing and more



people are spending more time on the internet and using mobile phones (Turban & et al., 2010). "Worldwide, the number of Internet users surpassed 1 billion in 2005; the 2 billion Internet user milestone is expected in 2011" (Turban et al., 2010). Marketers and advertisers are very interested in reaching such a potential. Probably the biggest benefits that online marketing has to offer are low costs, efficiency and interactivity (Kotler & et al., 2008). This and many other reasons are why online advertising is growing so rapidly.

Considering the rapid growth in online advertising, Hoffman & Novak (2000) write that eBusinesses also need to make bigger marketing expenses in order to get an advantage over the competitors. They note that e-tailers spend in average over \$100 to acquire a new customer. This, however, contradicts with what was written above, that online marketing is low cost advertising. Still, compared to other media, online ads are usually cheaper and, in addition, they can be updated at any time with minimal cost (Turban, 2010).

On the other hand, when companies started to look into how many users attracted by banner ads actually turned into customers, they found out that for most of the time, the customer acquisition cost was higher than the average lifetime value of their customers (Hoffman & Novak, 2000). This made companies reconsider their online marketing practice. Other ways to gain traffic and customers had to be thought of. This was the beginning of the affiliate marketing concept.

1.3 Affiliate Marketing

Affiliate marketing is a very powerful and profitable online marketing tool. According to Prussakov (2007) affiliate programs are a type of marketing where the partners or affiliates advertise products of the merchant. He further states, that this type of marketing is based on performance, since compensation is usually calculated through the amount of clicks. Gallaugher et al. (2001) elaborates on that by writing that these programs usually provide a site operator (affiliate) with a commission of any products bought by customers on the partner site (merchant).

In figure 1, the basic process of an affiliate program is explained. The content provider, also referred to as the affiliate, usually places an advertisement creative



(for example a banner or text link) on his website. When a user clicks on the banner, he will be redirected to the merchant's site. If the user continues to make a purchase this is tracked and will result in a commission for the referring affiliate.



Figure 1 - Affiliate Program how does it work? **Source:** http://www.qualityunit.com/de/postaffiliatepro

Fiore & Collins (2001) state that in an affiliate program beneficial to both parties. The merchants receive traffic and make more sales, and the affiliates receive money for the users sent.

Affiliate marketing was first developed by CDNow.com and Amazon.com. The first affiliate marketing program was started in 1994 by CDNow's Buyweb Program. The whole idea started when Greffen Records wanted to offer the fans of its artists the possibility to easily buy music online. The problem was that Greffen had no intention to build an entire online shop for this purpose. Therefore, they contacted CDnow to see if they would provide the sales service for them. CDnow agreed, and Greffen then put links on its website which redirected its users to the CDnow's webstore. It was a win/win situation for both (Hoffman & Novak, 2000). This was soon followed by Amazon's Associates Programs which today has over 1 million partners (Prissakov, 2007). With these two affiliate programs came the boom of all the other affiliate programs that can be seen today.



As mentioned earlier, traditional online ads are sometimes not very effective. Fiore & Collins (2001) note that simple banner ads, for example, that just build and maintain a brand have become just too expensive and their effectiveness has decreased over the years as users got used to them. According to Forrester Research (Fiore & Collins, 2001) banner ads had a click-through rate of 40% in 1994. Today, banner ads return less than 0.5% CTR (Pick, 2008). There is absolutely no guarantee that banner ad will bring more sales.

Prussakov (2007) thinks that e-commerce benefits a lot from an affiliate program, if the main intention is to increase sales. The affiliate program enables an online business to not only sell products on its own website, but to provide links of products on other website and therefore have a much bigger chance of reaching customers.

Affiliate programs are given many names such as associate, revenue-sharing, or partnership programs. In this type of business agreement, the merchant approves to pay the affiliate a commission (Prissakov, 2007). One advantage of this form of marketing is that it is rather cheap for the business, as commission is only paid if the end costumers actually make a purchase. Prussakov (2007) claims that the merchant will always be in a winning situation as fraudulent or invalid sales do not count. This shows that affiliate marketing can be of interest to e-businesses of any size.

1.4 Problem Discussion

Recent years showed rapid development in affiliate marketing, and Osmeloski (2008) believes that there will be an even stronger growth in the future. Today, many companies have started their affiliate programs in order to gain new customers in an efficient way. The big online retailer Amazon has over one million affiliate partners, and it is claimed that over 1/4th of Amazon's revenue is generated by the affiliate program (Benediktova & Nevosad, 2008).

Starting an affiliate program enhances any online business, but competition is big and in order for an affiliate program to be successful and to keep affiliates loyal, it has to be constantly improved. There are various factors that need to be considered when developing the program.



Affiliate programs can be established on affiliate networks or may be managed inhouse (Prissakov, 2007). The development of affiliate networks, has given many companies the opportunity to start an affiliate program as they provide technical solutions to manage affiliate programs (Benediktova & Nevosad, 2008). Businesses that choose to create their own affiliate program, and don't outsource it, are faced with various challenges such as development and management of the program.

1.5 Research Purpose & Aims

The Ticket Express GmbH develops and manages an affiliate program in-house. The Ticket Express GmbH operates the online retail store, Österreich Ticket (oeticket.com). With over 4,000 active outlets, an average of 20,000 events available, and well over 7 million tickets sold yearly, oeticket.com is considered the leading retailer of tickets in Austria. With over 250 partners the affiliate program is rather small compared to most other programs. Yet, oeticket.com concentrates on big partners such as radio-, TV-stations, large newspapers, and banks (oeticket.com, 2011).

Since the affiliate program's launch, a few years ago, the system has not been updated or improved. The affiliate program industry is very competitive, and in order to maintain partners, companies have to ensure to keep their program up-to-date (Brown, 2009). Oeticket.com therefore wants to review its affiliate program and make improvements.

The company has to consider various factors to make a successful affiliate program. Thus, the first aim of the thesis is to outline all important factors that make up an affiliate program. Here it is significant to mention that when defining the factors, the views and needs of the affiliates have to be considered. Affiliates have thousands of affiliate programs to choose from, and only if the affiliate program fulfills their needs, will they join (Benediktova & Nevosad, 2008).

After researching the necessary factors and components of an affiliate program, it is possible to study the affiliate program and to compare these factors with other programs. The case study aims at finding similarities and differences and based on this recommendation on improvements for the affiliate program can be made.



In order to cover the research purpose and to provide recommendations to improve the affiliate program, it is necessary to discover, what factors are responsible for a successful affiliate program, based on the needs of affiliates. Moreover, how does oeticket.at stand in comparison to other affiliate programs? The research questions are therefore as follows:

First

What are the important factors that define an affiliate program, considering the needs of affiliates?

Second

How can oeticket's affiliate program be improved?

To answer these questions, a research method has to be selected. There exist different research methods that can be used in business area. According to Yin (1994) researched can be carried out by doing case studies, experiments, surveys, and history records. In this paper a case study was the most appropriate method. The choice of the research method depends a lot on the research problem and research questions. When research questions are formulated with "how" and "why" then a case study is the recommended research strategy (Yin, 1994).



2 Methodology

Case studies are about selected examples or cases that want to be studied or analyzed (Yin, 1994). The purpose of this is to provide better insights into the phenomenon of interest. When performing a case study, the investigator can look at existing records, observe the phenomenon as it occurs, conduct interviews, or use other methods to understand a given situation. To develop more insights into the case analysis, benchmarking can be used. Benchmarking is a method of identifying companies that have certain systems working and that can be used as a source of ideas for improvement (Churchill & Brown, 2006).

There exist two forms of case studies: single and multiple case studies. In this work a multiple case study will be carried out. A single case study should only be employed when the researcher is trying to study extreme or unique cases (Yin, 1994). Therefore a multiple case study was the better option, as it allows for contrasting the cases using a theoretical framework. This increases the research validity and the research will be more credible (Yin, 1994).

Yin (1994) provides a model for a case study research design. He thinks that in order to get a framework to answer the research questions, a researcher should first specify the research questions, collect theory, build the conceptual framework, select cases and then present the study results.

This paper is structured according to this model. The first step was to define research questions. The questions were mentioned in the previous chapter "Research Purpose & Aims" and the following chapters will provide a framework for answering them.

Chapter 3 consists of the literature review that tries to point out the available models and theories in affiliate marketing. When collecting data and evidence for a case study, different data sources and collection techniques should be used. Yin (1994) writes that there are six sources of evidence: documents, secondary data, interviews, surveys, observation and participant observation. Here it is important that the data collection should be linked to the research questions.



In this study, secondary data and direct observation were used to collect data. As all the data was collected in the same time period, the temporal consistency was considered as Veal (2006) recommends.

The next step in the case study research design is to establish a theoretical framework. As literature was collected in the previous chapter, the next important step was to discover the key factors of an affiliate program. The theoretical framework, which was included in chapter 4, helped outlining these factors. Miles and Huberman (1994) define these frameworks as follows: "A theoretical framework explains, either graphically or in narrative form, the main things to be studied – key factors, constructs or variables – and the presumed relationships among them. Frameworks can be rudimentary or elaborate, theory-driven or commonsensical, descriptive or causal." (Miles & Huberman, 1994) According to Veal (2006), a theoretical framework is essential to any research projectas it explained the involved concepts and the creates relationship between them.

With the framework created, the next important factor in the case study method is the selection of the cases. This was implemented in chapter 5. Veal (2006) states, that there are four ways of selecting cases: Purposive, Illustrative, Typical/Atypical, and Pragmatic. In this thesis, the purposive method will be considered, as this works well when multiple cases are involved. The cases will be chosen according to the similar or different factors (Veal, 2006). In order to achieve best results from the case study, companies were chosen that had experience and were knowledgeable about affiliate marketing.

Finally, when both the framework is created and the cases are chosen, a way to analyze and compare the characteristics has to be selected. Moreover, to answer the initial propositions of the thesis, a data analysis will have to be performed. According to Yin (1994) it is very hard to analyze case study evidence because the different strategies and techniques are not well defined. To analyze the data collected for the case study, three analytic strategies can be applied: relying on theoretical propositions, rival explanations, and case descriptions. Any of those strategies can then be used with one of the five techniques used to analyze the case study: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis (Yin, 1994).



As this thesis is based on the views of literature, the preferred strategy is to follow the theoretical propositions. This strategy guides the analysis and helps to focus on important data and ignore other data (Yin, 1994). The cross-case technique was used to analyze the data, as this technique is especially relevant for multiple-case studies.

First, each individual case study was considered as a separate study. All data was presented in a uniform manner. At this stage, similarities and differences between data from the case study and the literature review were discovered. Finally, all the cases were confronted and the findings were compared and discussed (Yin, 1994). The presentation and analysis of data were included in chapter 6.

Figure 2 is a graphical illustration of this research design, and outlines the chapters to come.

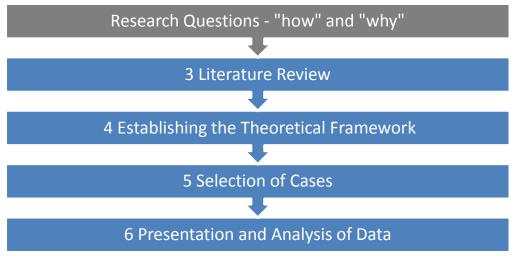


Figure 2 - Case study research design **Source**: adopted from Yin, 1994



3 Literature Review

The literature review will provide an overview of available theories and models that will help answering the research questions. First, a broader look into affiliate marketing will introduce the most common terms and explain the utilization of affiliate programs. Furthermore, the advantages of affiliate programs over traditional online marketing media are presented, and the key benefits are described.

Then, affiliate needs will be depicted, as they are necessary to highlight important components in an affiliate program. Followed by this is a presentation of available models and practices used in affiliate marketing.

Finally, a summary chapter will establish a connection between the needs of affiliates and components. The most important factors will be outlined. This will provide a theoretical basis for the first research question.

3.1 Affiliate Marketing

Affiliate marketing is an online marketing practice in which a business rewards their affiliates for each visitor, customer or sale which is brought about as a result of the affiliate's marketing efforts (Brown, 2009). Usually, these rewards are given in monetary form such as commission checks. The top affiliate programs that exist today are very intuitive, easy to setup and besides being free can offer an instant revenue flow (Brown, 2009).

Affiliate programs have become an important part in today's online marketing industry and somehow reshaped how business is conducted over the internet (Prussakov, 2007). The power of the affiliate programs to combine marketing, advertising and branding is irreplaceable for companies. Affiliate programs allow a firm or website to reach different target markets and extremely increase its online presence. This, in addition is rewarded with increased revenue and higher brand awareness. It offers a high return on investment and low operating costs (Fiore & Collins, 2001).



Affiliate marketing programs are considered a win/win situation for the stakeholders (Malta, 2006). Merchants are rewarded with traffic and sales, and affiliate gain money from redirecting the traffic. Also, affiliate programs are considered very scalable, and they allow controlling the marketing costs. This is because the merchant only pays a commission or fee for a resulting action (Fiore & Collins, 2001).

According to Brown (2009), there exist two affiliate marketing options. First, to host an affiliate program, offering the option for interested partners to join the program and to sell your products on their websites. In this case, they would earn a commission for each sale they bring through the affiliate program. The other option is to join an affiliate network and advertise or sell other products on your website. This is another option to generate revenue, but certainly it is rather limited compared to offering the affiliate program (Brown, 2009).

Having an affiliate program on your website, on its own, surely won't be a good business. Unless the system is managed properly and effectively organized, the program will not be a success (Fiore & Collins, 2001). Libai et al. (2003) states that there exist two ways of offering an affiliate programs — one-to-many affiliate marketing and one-to-one affiliate marketing. One-to-many affiliate programs are probably the most widely used form of affiliate marketing. In it, the merchant defines the terms, and the interested partners decide whether they will join the program or not. Amazon's famous Associates Program is an example of this program. This solution serves for companies or websites that want to have many affiliates (Libai & et al., 2003). Undoubtedly, it would be impossible to set terms with each individual partner, because it would be just too costly and time consuming. Another problem is that the numerous affiliates cannot be controlled and therefore there exists a possibility to misuse (Libai et al., 2003).

The second type of affiliate marketing programs is one-to-one. In this agreement, a merchant signs a contract with a chosen affiliate (Benediktova & Nevosad, 2008). One-to-one contracts are usually signed with partners that can promise a lot of traffic and a have a huge number of potential customers. This form of an affiliate program doesn't have the problem of misuse, as the partners are selected. Hoffman & Novak (2000) call this "strategic partnerships". When CDnow entered into a contract with AOL, which allowed CDnow to exclusively place banner ads and links



on certain pages of AOL, it proved to be much more efficient than the usual banner ad campaigns or mass media advertising. Unfortunately though, this type of affiliate program is only interesting for big companies, considering that only they will be able to offer a big traffic (Libai et al., 2003).

In Figure 3 the affiliate marketing model of one-to-one agreements is shown. In this case the affiliate has a considerable influence in negotiating the terms. Both parties first decide on an agreement, and then both parties will choose a commission model.

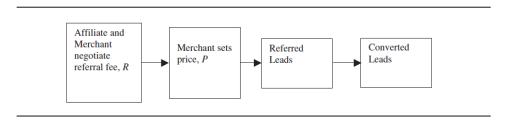


Figure 3 - Affiliation Marketing Model: one-to-one agreement **Source:** http://faculty.gsm.ucdavis.edu/~gerstner/pub25.pdf

Benediktova & Nevosad (2008) argue that affiliate marketing is very useful for small websites, as they would have no chance of reaching so many users with other advertising means.

There are only two prerequisites for establishing an affiliate marketing program: a website and a product to sell. A company can decide to join an affiliate network, or it can establish its own affiliate program (Brown, 2009). An own affiliate program can ensure full control over every aspect of the system and can guarantee savings on other marketing and advertising costs. Hoffman & Novak (2000), on the other hand, argue that joining a third party network can be very beneficial since they usually provide latest technological solutions and reporting tools.

3.2 The Benefits of Affiliate Marketing

Considering the sheer amount of websites that exist on the web, it has become more and more difficult for online businesses to get noticed without having to invest a lot in online marketing (Fiore & Collins, 2001). The excessively used banner ads have lost their effectiveness and are becoming so expensive that the customer acquisition cost is higher than the actual lifetime value (Hoffman & Novak, 2000).



This situation is increasingly forcing the online companies to find ways to reduce their marketing costs and to achieve a better return on investment (Fiore & Collins, 2001).

One way to achieve a better ROI is to use affiliate marketing, because, as already mentioned, it increases sales, brings more traffic and limits advertising expenses. If the right affiliate partners are chosen, an affiliate program will be very successful in bringing the right customers. If not, a merchant will still only pay for performance. This will really lower the customer acquisition cost (Fiore & Collins, 2001).

Banner ads, the most commonly form of online advertising, do not deliver the same click-through rates as some time ago (Turban & et al., 2010). Average click-through rates have dropped from over 10% to less than 1% today (Angeli & Kundler, 2008). Banner ads or the also common text links usually are pay-per-click, which means that every click will cost the advertiser something even if the visitor does not buy anything.

In figure 4 the huge advantage of affiliate marketing can be seen. As affiliate marketing is a commission based model, its costs will never be higher than the actual sales. Thus, affiliate marketing is much more cost effective than banner ads.

Banner Advertising	Affiliate Marketing (commission- based model)
If a company spends 20,000 for 2,000,000 banner ads (assume \$10	If a company gets \$7,000 in gross sales
CPM)	
And receives 15,000 clicks to its site	And pays \$700 paid to affiliates
(assume 0.75% click-through rate)	(assume 10% commission rate)
And gets 150 sales (assume 1% conversion rate) They receive \$7,000	And pays \$140 in service fees to an Affiliate Tracking Company. (assume
in gross sales. (assume \$50 average	2% service fee)
sale)	
Company Spends \$20,000	Company Spends \$840
Company Sells \$7,000	Company Sells \$7,000

Figure 4 - Banner Advertising vs. Affiliate Marketing Source: Fiore & Collins (2001)

Another important advantage of affiliate marketing compared to other advertising forms is that affiliate marketing is considered target marketing (Burns). If the right partners are chosen, online customers that are most likely to purchase can be



reached, as partners usually are some way linked to the products the merchant offers (Fiore & Collins, 2001).

Glenn Sobel, a top affiliate program consultant, thinks that affiliate marketing succeeds because unlike traditional online advertising where space on a webpage is acquired, a company has a relationship with an affiliate site. Therefore it is much easier to reach the target group and the links are much more effective. Also customer retention is enhanced by the relationship with the affiliate partner.

3.3 Affiliates Needs

The many affiliate programs out there create big competition. Potential affiliates are becoming more selective about the programs they choose, as every affiliate programs offers its advantages and disadvantages (Benediktova & Nevosad, 2008). Likewise, merchants are also choosing their affiliates. The best affiliate programs out there are so successful, because the companies think like their affiliates. The whole program is planned from the partners' point of view (Brown, 2009). Just like in any other business, if the company fails to focus on the customer, it will most likely be unsuccessful. Considering that, it is important to note that affiliates are not only business partners, but very much the customer as well. Planning the program to fit the customer will therefore only be beneficial (Fiore & Collins, 2001).

It is important to realize that most partners that sign up for the program will become inactive (Fiore & Collins, 2001). According to Forrester Research, an average affiliate program has around 10,000 affiliates. Only 10%-20% of those actually participate, and around 20% of those that participate, produce the majority of revenue for the program (Forrester Research, 2010).



Fiore and Collins (2001), argue that most affiliates do not participate in a merchant's program, because it doesn't give the affiliate what they want. In table 1, the most important needs of an affiliate are listed.

What Affiliates Want

Be treated as a true business partner

A long term relationship

Good commissions or revenue generating potential

Access to the life-time value of the customer with life-time commissions

Restrictions on the number of affiliates in the program

Adequate communication with the merchant

Adequate training on the product or service

Good graphic and text links that sell

Adequate marketing support

Be part of a community with other affiliates

A good reporting and tracking program available for reports 24 hours a day

An honest and credible program with a credible merchant

Clear and fair affiliate agreement with no hidden restrictions

Offers that are continuously updated and fresh

A wide selection of products to sell

Payment made on time

Good service for customer sent to the merchant

Table 1 - What Affiliates Want **Source:** Fiore & Collins (2001)

Affiliate sites do a lot of research before choosing an affiliate program. It is important for them to know that the program is of value to them. So they will search for affiliate programs that see them as real business partners (Brown, 2009). The big mistake that most merchants do is that they just see the affiliate program as a free advertising media instead of effectively managing it. So, instead of working on good business relationships they just attract poor affiliate partners (Brown, 2009). Affiliate programs are not to be seen as short-term advertising campaigns, but rather long-term relationships should be built in order for both parties to benefit from all the advantages a good relationship can bring (Fiore & Collins, 2001).

According to table 1, the first and probably most important element in building a good relationship is communication. Affiliates want to have news about the program and in case of any questions they want to be answered quickly like a real business partner (Brown, 2009). Training on how to sell the products and what the target market is, might help maximize the benefit for both parties. It's in the interest of the



merchant to help the affiliates succeed. All information that might help affiliates, in implementing successfully the program, should be available before sign up (Fiore & Collins, 2001).

When affiliates think about commission, it is not always important to them on how much they get for each referred customer, but for how long (Brown, 2009). This means that affiliates want to get paid the lifetime value of a customer they send to the merchant site. It would not be of benefit to them to send a long term customer to the merchant, and then only get paid for the first sale this customer makes. Affiliates, nowadays, want to get regular payments for the traffic they send (Brown, 2009).

How long an affiliate receives commission for a referred customer is usually determined by the cookie lifetime. A cookie is a small piece of code that stores specific information in a browser (Webopedia, 2011). The problem most affiliate face is that when a customer clicks a link but doesn't purchase anything at merchant's website, and later does come back the affiliate will not get paid. A cookie would save the affiliate id in the customer's browser and ensure that the affiliate will get the commission, even if the customer comes back days later. Therefore, the longer the cookie lasts, the better for the affiliate partners. According to Commission Junction, the standard duration of a cookie is 45 days (Commission Junction, 2011).

Figure 5 shows the duration of cookies, affiliate partners consider to be fair.

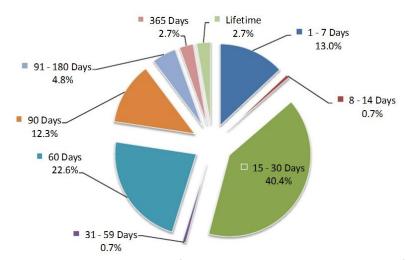


Figure 5 - How many return days for cookies would you consider to be fair? **Source:** Affiliate Summit AffStat Report 2010



A big benefit of affiliate marketing is that basically any type of products or service can be sold. An affiliate can really increase the success of the affiliate campaign by choosing products that have a high growth rate, or that are strong sellers (Fiore & Collins, 2001). In figure 6, the top selling products of 2010 can be seen. Products that are easily distributed and have a high number of return visitors surely lead in terms of market share (Thadani, 2010).

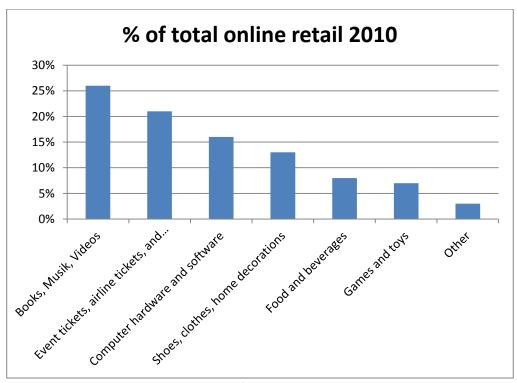


Figure 6 - percent of total online retail in 2010 **Source:** http://www.buzzle.com/articles/top-selling-products-online.html

Affiliates are looking for affiliate programs that have a great growth potential and constantly offer fresh and new content that attracts returning customers. Products and services that keep customers coming back are very motivating for affiliate partners (Thadani, 2010). It is not interesting to them to promote products which offer maximum one sale per customer. Merchant programs that offer a variety of products or services are preferred, but to affiliates, it is more important that they fit the target market (Fiore & Collins, 2001). Thus, merchants who know the needs of the affiliates will attract the right affiliate partners.



Revenue is what affiliate marketing is all about. Especially for an affiliate, as that is the reason why they signed up. Affiliates will look for programs that compensate them adequately for the traffic they send (Fiore & Collins, 2001). It is important to them that they receive a high commission on the first sale and then receive additional commission for returning customers (Brown, 2009). In addition, it is necessary that the merchant pays in a reliable and frequent way and programs that are free to join are preferred.

Another important aspect which needs to be considered, as an affiliate need, is the usability of the program (AffiliateTips.com, 2007). A complicated program will just frustrate the affiliates. It is essential that affiliate have easy access to any kind of code they will need to implement the affiliate program on their webs site (Brown, 2009). Also, reports on impressions, click-through rates, sales, and certainly, the revenue they earned should be available 24/7. Affiliates need to be able to quickly retrieve any information they may need. This will keep the affiliates satisfied, and in turn, keep them loyal (Brown, 2009). Affiliates are sacrificing a lot of time and resources, and therefore they expect a lot in return (Fiore & Collins, 2001).

Now that the basic needs of affiliates are known, the available affiliate marketing practices have to be explained. The following sections will introduce existing models and theories.

3.4 Affiliate Program Models

Since the first affiliate program from CDnow.com, affiliate program models have changed quite a lot (Fiore & Collins, 2001). New and innovative models were added to the existing one and now enable for affiliate programs to work effectively for many different types of websites. According to (Brown, 2009), models that are becoming more context-centric are showing to be a lot more successful than other advertising media. What this means is that the more closely the ad matches the content of the website, the more likely the visitors are to click on it.



Figure 7, shows the preferred creative of affiliates (Affiliate Summit, 2010).

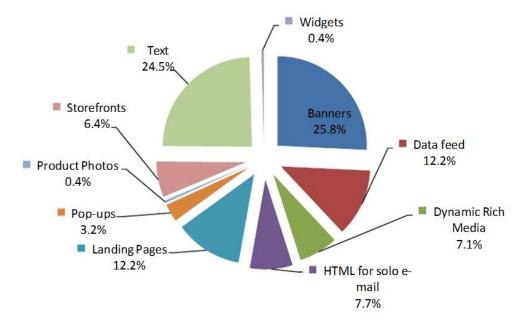


Figure 7 - What are your preferred link types? Source: Affiliate Summit AffStat Report 2010

Considering the needs of the affiliates, the basic models are as follows:

- Banners or Text links: The oldest and also most common used affiliate model is the banner and text links (Fiore & Collins, 2001). According to them, these creative are placed on the affiliate's web site, and when clicked, redirect the user to the merchant's site. Banners or text links usually feature the name of the company to create brand awareness. Studies have shown that when using both a banner and a text description, produces a much better click-through-rate (Pick, 2008). This is because the user will not only have an image but also has some text convincing him to click.
- Storefronts: The problem with banners or text links is that when a website's visitor clicks, he will leave the affiliate web site. Therefore the affiliate will lose traffic with only a small chance that he will actually get a commission. As a result of this, the storefront affiliate marketing model was created. With this model visitors don't leave the affiliate partner's website. In this model the merchants offers a complete online store that can be customized to look like the affiliate website. Affiliate partners with little technical knowhow and resources benefit from this model (Fiore & Collins, 2001).



- Pop-ups: This model is also commonly used to keep the affiliate partner's traffic on its website. When a banner or link is clicked, a small pop-up window appears with the offer inside. When the user has finished reading the offer, or even completed a transaction, he simply closes the window and will still be on the original page (Fiore & Collins, 2001).
- Widgets: A widget is an advertising creative that interacts with visitors on a
 website. Widgets can be games, quizzes, content sliders, or other modules.
 A big benefit of using widgets in the affiliate program is the possibility to
 create something unique and very original (aceaffiliates.com, 2011).
- Data feeds: Brown (2009) argues, that large affiliate programs should offer data feeds as an affiliate model. This feed provides affiliates with all information about products in a database, including description, pricing, reviews and more. Affiliates can then use all this information to import it onto their website. A more advance version of this model is dynamically generated data feeds, because they constantly update the content on the affiliate's website to ensure that data is always up to date (Brown, 2009). A big benefit of this model is that an affiliate can add thousands of products instantly instead of manually doing this.
- E-mail: Many affiliate programs only provide models that can only be implemented on websites. Yet, a more direct way of marketing could be using e-mails (Fiore & Collins, 2001). Instead of implementing banners and links on a webpage, the banners and links could be sent directly to the user in an e-mail. A big benefit of this could be that if the email is very creative, the e-mail could turn viral and reach many more potential customers.
- Two-tier programs: Brown (2009) states, that there exists a more complex model that can be applied in affiliate marketing. There are two basic affiliate structures:
 - Single-tier affiliate structure: This is the simplest and most commonly used structure. The merchant pays a commission for every sale that is brought by the affiliates. Only the affiliates promote the products (Brown, 2009).
 - Two-tier affiliate structure: This structure can be as complex as wished. The first tier are the normal affiliates that stand in direct



contact with the merchant. These affiliates can choose to sub-contract more affiliates. If a product is sold, everybody who contributed to the sale will get a part of the commission. A two-tier program can help to quickly grow an affiliate network, but there might be some problems with communicating with the second-tier affiliates (Brown, 2009).

3.5 Payment

According to the Affiliate Summit Report, 59% of the affiliates choose their partner programs based on the payment policies (Affiliate Summit, 2010). There are two important elements of an affiliate program that have to be considered when paying affiliates: how to pay them and when to pay them (Fiore & Collins, 2001). Affiliate payment plans vary a lot and depending on the program a business is running, a payment model can be chosen.

It is important to note that not every product or service will work with any affiliate payment model. A payment affiliate model should be chosen that best fits the products that are being sold (Fiore & Collins, 2001). For most of the products sold online, the gross profit margin is used to calculate the commission of the affiliates. As this margin is very low on products such as books, CDs, videos and other consumer items, so is the commission. On high margin products such as downloadable products and software, the compensation level is much higher (Fiore & Collins, 2001). According to them, affiliate marketing doesn't work very well when selling expensive items such as cars or homes. The sales would be just too few to support a pay-per-sale commission model. Pay-per-lead in this case would be much more efficient.

Affiliate programs can use different methods to determine the payment of affiliates. According to Brown (2009), the three most common ways to pay an affiliate are:

Pay-per-click: An affiliate is paid per visitor they send, for example 1 cent
per visitor it sends to your site. In this method, the visitor isn't required to
buy anything. Every time they visit the merchant's websites through the
affiliate link, the affiliate will get paid.



- Pay-per-lead: An affiliate is paid if a visitor it refers submits certain information, for example joins mailing list or requests further information. Once a visitor leaves contact information, it can be used as a lead for further communication and sales. The goal of this is to increase the user count in the database and the overall sales performance.
- Pay-per-sale: An affiliate is paid a percentage or flat rate for each sale it
 generates from visitors it directs to you. The total pay to the affiliate is then
 determined by the number of sales a merchant makes from the visitors sent
 from the affiliate's website.

After deciding on how much to pay an affiliate, it is just as important to know when to pay affiliate partners. Most of the affiliate programs on the web pay their affiliates once a month or once a quarter (Fiore & Collins, 2001). Most affiliate payment plans also include an initial delay before generating the first commission check. Fiore & Collins (2001) have two reasons for that. First, a 30- or 60-day delay will give a company time to analyze the affiliate and to see how well an affiliate will do in the futures. And second, paying the affiliate a bit later will give the company a chance to solve any problems that might arise after the sale of the product.

Once decided on the payment interval, it is also important to resolve what the minimum of each payment will be. It is certainly not in the company's interest to pay checks worth only few euros. Most programs have a minimum average of around €50 euros (see figure 8). Figure 8, shows the preferred payment threshold of affiliates (Affiliate Summit, 2010).

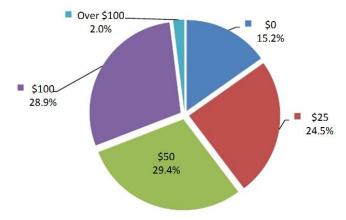


Figure 8 - What is your preferred payment threshold? **Source:** Affiliate Summit AffStat Report 2010



Smaller affiliate partners might not approve this minimum payment policy, yet is important to keep expenses and workload to a minimum. If under-performing affiliates are not able to reach the minimum after a certain time span, it is better to cut them from the program (Fiore & Collins, 2001).

Higher performing affiliates, on the other hand, should be rewarded and granted a larger commission (Brown, 2009). In this case, either a larger commission percentage or some bonus can be offered. This does not only help to create a better partnership with good performing affiliates, but also encourages other affiliates to work harder.

3.6 Marketing the Affiliate Program

After the more technical aspects of an affiliate program are decided, it is then very important to set up communication channels for the affiliates. According to Fiore and Collins (2001), constant communications with the affiliate partners are essential for the success of the program. It is very important that the merchant keeps ongoing contact with the affiliates, and it is vital that the affiliates have a way to contact the merchant. Communication with regular basis and feedback will keep the affiliates loyal, because they will feel as real business partners. Following the Affiliate Summit Report (2010), affiliates would like to hear monthly from the affiliate management team (see figure 9).

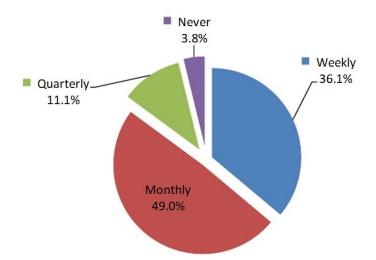


Figure 9 - How often would you like to hear from your affiliate managers? **Source:** Affiliate Summit AffStat Report 2010



Newsletter communications can be very useful to keep affiliates updated about changes in the program, new offers or even marketing tips (Fiore & Collins, 2001). An email address and a phone number should be also available for affiliate to report any problems. A contact person should then respond within 24 hours to ensure a high level of service (Brown, 2009).

Besides the more direct communication channels it is important to set up pages that explain the affiliate program. Once the program is running, if nobody knows about it, no one will join (Fiore & Collins, 2001). An easy way to provide information to potential affiliates, but also for search engine optimization is to add some pages that explain the affiliate program. Brown (2009) suggests that merchants include a few pages with content about the program. He points out that an affiliate program includes at least the following pages:

- Program overview
- Terms
- Rates
- Signup

All of these pages should be very informative, but they should also sell the program (Fiore & Collins, 2001). It is important to provide realistic examples and to educate the affiliate about the program and products. In this case, tutorials are great communication tool to help affiliates be successful in affiliate marketing.

3.7 Summary

Establishing an affiliate program will take time and good planning to make it successful. The sections before, showed the basic needs of the affiliates and explained available theory and models in affiliate marketing. Many things will have to be considered in order to guarantee a functioning program and to keep loyal affiliates. Figure 10 shows what affiliates consider as most important factors in an affiliate program.



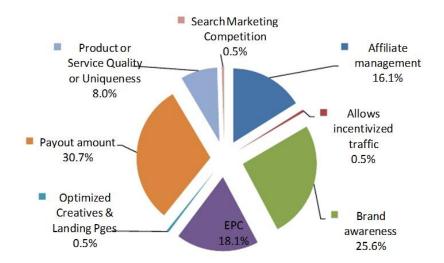


Figure 10 - What is the most important factor in choosing an affiliate program? **Source:** Affiliate Summit AffStat Report 2010

When planning an affiliate program, first the target market has to be defined. Especially the needs of the affiliates have to be considered. After knowing this essential information, the more technical part can be investigated. This step includes deciding on a model, how the tracking of the program will be done, how partners will be paid and what the terms will be. The affiliates are to be treated as real business partners, as they can help you increase sales. It is best to view the program in the way the affiliate views it (Fiore & Collins, 2001). Therefore it is best to plan the affiliate program strategically, rather than focusing just on the technology. At this stage an affiliate consultant could be considered. His expertise can help a company to think and focus on marketing and not just on technology (Fiore & Collins, 2001).

After having discovered all the needs of the prospective affiliates and defining a strategy, the first step would be to choose an affiliate model that fits the customers. Numerous models exist, but not all work for all affiliates. Then the design of all advertising creative can be produced, but most importantly a way to distribute all the graphics, links and other materials.

Up to now, the planning process did not include any technical issues. Although, when deciding on how reporting and tracking will be managed, some technicalities might arise. This planning step will deal with all questions regarding the backend software that enables affiliates to retrieve traffic and commission reports, and most significantly where to acquire the code snippets to implement the affiliate program



in their website. Here it is very important to decide on whether the programming will be done "in-house" or an affiliate solutions provider will be contracted.

Now, the next important step is to create an affiliate agreement, which should include all expectations of the affiliate and the responsibilities of the merchant (Fiore & Collins, 2001). These points should clearly define how compensation is handled and how payment is processed. With the payment plan defined, the next task is to develop a marketing plan to attract potential affiliates and to set criteria on how those affiliate will be chosen.

Finally, information for the affiliates will have to be complied in order for them to understand the purpose of the affiliate program. Here the support structure is of upmost importance. Documentation on the website that teach and educate affiliates can really help to gain more partners, because they will be informed about the system. In addition, support staff and FAQ should be set up to help affiliates with any technical problems that may come up (Fiore & Collins, 2001).

These major points have to be considered when creating an affiliate program. The system that is created shouldn't just benefit the merchant, but it definitely also offer value to the affiliates (Fiore & Collins, 2001). Successful programs focus on the customer's point of view.



4 Establishing the Theoretical Framework

Now that the available theory and models were depicted and the important components were highlighted, it is now necessary to identify the important factors in an affiliate program using a theoretical framework.

The first step in the development of the theoretical framework is to discover the influencing elements or factors in a process. This is then usually linked to the literature. In this paper, the literature review will be used to extract the most important factors in an affiliate program and to establish links between them (Veal, 2006).

Then, the factors will be identified and defined in order to enable a comparison among the different cases. In addition, identifying the important factors in an affiliate program will answer the first research question in this paper.

To discover the most important factors in an affiliate program, the best to do is to look at the needs of the affiliates. According to what was written earlier in the literature, affiliates want a good commission and want to be paid continuously and in a timely matter. The whole payment process can therefore be seen as an important factor.

Next, affiliates find it essential that the merchant treats them as real business partners and that adequate communication is therefore guaranteed. They want a good marketing support, training and constant updates about any changes. This can be defined as the communications/support factor.

Finally, it is essential to affiliates that they are provided with the proper tools to market the products effectively. Here it is necessary to consider the more technical aspect of the affiliate program, such as reporting, tracking and marketing creative. This factor will therefore be called program tools factor. Figure 11 is a graphical representation of this model.



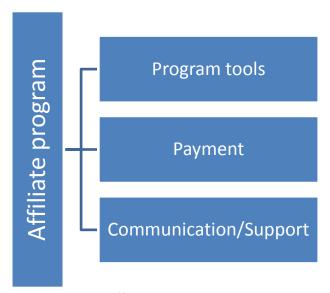


Figure 11 - Affiliate program concept map

To answer the first research question this concept has to be broken down further into sub factors. Using the literature collected, it is possible to define important components for each of the three factors. The result of this is the following concept map (see figure 12).

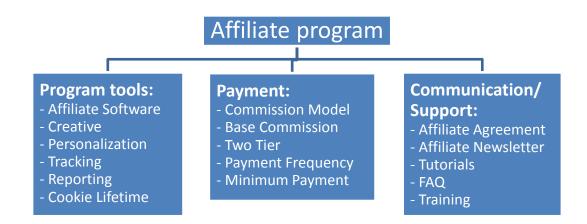


Figure 12 - Affiliate program factors

This model will serve as a framework for the following benchmark and case studies.



5 Selection of Cases

With the framework established, the next step is to select cases that can be used to compare and provide a benchmark. In order to select the cases, a probability method, which is based on random selection, was not appropriate to be applied, because it is not reasonable to include all different kinds of e-businesses (Veal, 2006).

For a proper benchmark, organizations should be selected that function as sources of ideas for improvement or highly successful companies to serve as best practice studies (Churchill & Brown, 2006). Instead of random selection, a purposive case selection method will be used, as this enables to select the cases according to similar factors (Veal, 2006).

In order to answer the research questions, affiliate programs that were selected for case studies have to, firstly, serve as best practice examples. It was essential that the companies provided valuable ideas for improvement. Companies that had most experience and knowledge in affiliate marketing were considered for that.

Second, it was important that the affiliate programs were comparable to oeticket's program, and thus, provided better results. Companies in similar or the same industry were chosen in this case.

5.1 Case 1 – Amazon.com

For years, Amazon does not only lead in online book sales, but also has one of the best affiliate programs on the WWW. Amazon was one of the first companies to create an affiliate marketing program. It is by far the most popular and efficient program that offers commission for each sale (Brown, 2009). The program was launched in 1996 and was called the amazon associates program. Today, the associates program has over one million partners (Amazon.com).

Amazon's experience and success in affiliate marketing make it a perfect candidate for the benchmark.



5.2 Case 2 – Ticketsnow.com

Ticketsnow.com was established in 1999 and is an event ticket retailer. Just like oeticket.com, it offers sports, concerts and theater tickets (TicketsNow). Ticketsnow.com launched its affiliate program in 1999 and today has over 15,000 partners (Gardyne, 2010). It is considered the biggest and best performing affiliate program in the ticket industry, and therefore could serve as an optimal source of ideas for improvement.

5.3 Case 3 – oeticket.com

To enable a comparison of the two cases with oeticket.com, its affiliate program had to be analyzed as well.



6 Data Presentation & Analysis

Now that the cases are selected, using the theoretical framework each case will be individually analyzed on their affiliate program.

6.1 Case no. 1

Amazon's affiliate program site can be easily accessed from the homepage. A link is visibly located on the bottom of every page with the description "Join Associates". Once clicked, the user will be redirected to the amazon associates overview page (see figure 13).



Figure 13 - Case 1: Amazon Associates Overview Page (larger image available in thesis appendix 1)

Source: https://affiliate-program.amazon.com/

The affiliate program homepage provides interested partners with comprehensive information on what the program is offering, and how it works. A big button to join the affiliate program is located on the right of the page. It communicates free access and tries to convince interested partners that an easy sign up process can get them started in a few minutes.

6.1.1 Program tools

A big focus was created on the tools that are offered to affiliates. A short tour will take interested partners through the setup process of the program. All creative available, such as links, banners, storefronts and widgets are presented and thoroughly explained. Figure 14 shows how simple and intuitive the tour is kept.





Figure 14 - Case 1: Amazon Associates Links and Banners (larger image available in thesis appendix 1)

Source: https://affiliate-program.amazon.com/

Amazon tries to communicate how each creative can be customized individually. An automated system allows partners to create links and widgets according to their needs. Next, the extensive reports are explained that help affiliates maximize the performance of the program. Information such as traffic, revenue, rates, and a list of creative are shown in the report. These reports can be accessed online and are updated daily. Figure 15 shows a sample report.



Figure 15 - Case 1: Amazon Associates Sample Report (larger image available in thesis appendix 1)

Source: https://affiliate-program.amazon.com/

A comprehensive help page includes more detailed information about payment and fees, commission model, and other financial information. A FAQ and glossary explain terms and provide answers to any questions the partners may have.



6.1.2 Payment

Amazon makes big efforts on explaining the compensation detail to interested partners. A compensation overview page explains how associates will get rewarded for their contributions. As Amazon offers various products, fees are structured according to the product category. Besides the fixed fees, the program also rewards good performing affiliates with higher rates (see figure 16).

Fixed Advertising Fee Rates for Specific Product Categories

US - Fixed Advertising Fee Rates for Specific Product Categories

Product Category	Fixed Advertising Fee Rates
Electronics Products	4.00%
Amazon MP3 Products	10.00%
Amazon Video On Demand Products	10.00%
Game Downloads Products	10.00%
Endless.com and smallparts.com Products	15.00%
Gift Cards Redeemable on the Amazon Site	6.00%

Volume-Based Advertising Fee Rates for General Products

Number of Products Shipped/Downloaded in a Given Month**	Volume-Based Advertising Fee Rates for General Products
1-6	4.00%
7–30	6.00%
31-110	6.50%
111-320	7.00%
321-630	7.50%
631-1570	8.00%
1571-3130	8.25%
3131+	8.50%

Figure 16 - Case 1: Amazon Associates Fee Rates (larger image available in thesis appendix 1)

Source: https://affiliate-program.amazon.com/

6.1.3 Communication & Support

Amazons offers a lot of customer support to its affiliates. Besides that FAQ and tutorials on the associate program homepage, forums and blogs help affiliates to stay up to date and to acquire further information about the program. A contact form allows partners to directly contact amazon's support team. Moreover, Amazon sends a newsletter to its affiliate, to educate them about news and changes in the



affiliate program. Further, Amazon provides an affiliate agreement online. This explains the program, sets policies and states all responsibilities of the affiliate.

Amazon does not offer training to its affiliates. Instead, they try to make the setup process as simple and intuitive as possible. The automatized process gives partners the power to implement creative on their webpage without the need to know coding and programming.

6.2 Case no. 2

The affiliate program of Ticketsnow.com can also be easily accessed by the websites homepage. A link at the bottom of the page, redirects users to the affiliate program page. Here, at once glance, a lot of information that is very interesting to the affiliates is presented.

A small introduction about the success of the affiliate program, provides interested partners with facts about the program. This is followed with an outline of how the program works. Ticketsnow.com tries to "sell" the affiliate program, with examples that provide real sales figures. Figure 17 displays how the program homepage is structured. Text information is presented on the left side of the page, and various links to other content pages are provided.

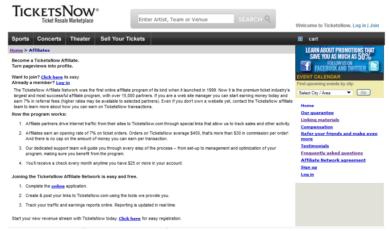


Figure 17 - Case 2: Ticketsnow.com Overview Page (larger image available in thesis appendix 2)

Source: http://www.ticketsnow.com/affiliates/Affiliates.aspx



6.2.1 Program tools

Ticketsnow.com shortly mentions on another page that they offer various advertising creative to their affiliates. They do not describe them, nor do they explain how to implement them. It is mentioned, however, that an administration tool will allow affiliates to quickly create links, banners and logos. Data feeds can be accessed if requested. Reports are also offered for free, and provide data about tracking and financials.

Tracking is handled with a unique identification code that is assigned to an online session. The cookie's lifetime is 30 days, meaning that an affiliate will still receive a commission even if a customer does not make a purchase right away.

6.2.2 Payment

Payment details are presented on the "compensation" page. Just like on the homepage, facts are listed and examples try to make the affiliate program interesting. Ticketsnow.com offers a 7% commission for every sale a visitor makes through the affiliate program. The commissions are paid every month with a minimum value of \$25.

Ticketsnow.com offers a two tiered affiliate model. They shortly explain the benefits and fees. Sub-affiliates receive 0,5% commission for every sale completed.

6.2.3 Communication & Support

A comprehensive FAQ provides basic information about the affiliate program and an affiliate agreement set policies and requirements for the affiliate.

Ticketsnow.com does not offer any tutorial or training, but a contact email is provided, in case the affiliates face any difficulties.

6.3 Case no. 3

Just like in the other two cases, oeticket.com offers a link on the bottom of the homepage that leads to the partner programs. As oeticket.com also promotes offline partner programs, interested affiliate partners need to select "internet-partners" to get to the affiliate program's content page.



As seen in figure 18, oeticket.com only provides a small descriptive text about the affiliate program. To receive further information about the program oeticket.com has to be contacted via email or telephone.

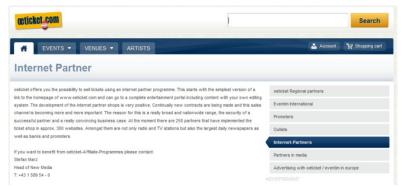


Figure 18 - Case 3: Oeticket.com Overview Page (larger image available in thesis appendix 3)

Source: http://www.oeticket.com/en/partners/internet_partners/

6.3.1 Program tools

Oeticket.com offers three types of advertising creative to its affiliates. The so called "module one" is simple text links. Module two and three are variations of a storefront. The key difference between the two modules is that module three is targeted for large affiliate partners; representing a complete ticketing-portal for the partner. A setup fee is required for module two and three, as technicians have to set up event data pools.

Oeticket.com provides presentation slides for each module, which describe the functionalities and provide a practical example of a customer making a purchase through them. Figure 19 shows the functionalities of module 1.





Prerequisities/ Functionalities

- ➤ Signing contract for Ticketshop MODUL 1
- > Getting access to the partner programme to create needed links
- > Putting above mentioned links on partners'site (links to first page/search string/detailed event site/detailed performance site
- > Gaining insight into sales statistics
- > Getting monthly settlements for achieved sales
- ➤No Setup fee

Figure 19 – Case 3: Oeticket.com Module 1 (larger image available in thesis appendix 3)

Source: http://www.oetdownloads.com/?c=info&id=5#quest5

Once an affiliate has been accepted, he is granted access to the program where he can retrieve code for the links which he wants to implement on his website. Moreover, affiliates can query reports on purchases with detailed information on numbers of tickets booked, event names, ticket values, and customer names.

Module two, as already mentioned above, is a storefront creative. Oeticket.com offers its affiliates to use this storefront with a customized pool of event data. The partners are also able to personalize the design of the storefront to match the affiliate's website. Figure 20 shows the module 2 on the Graz Tourism Website.



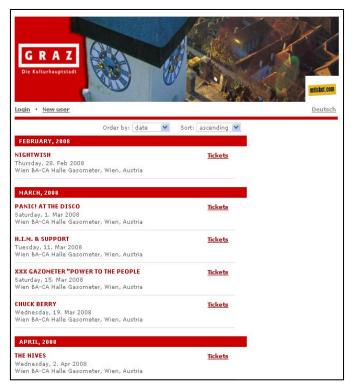


Figure 20 – Case 3: Graz Tourism Module 2 Partner (larger image available in thesis appendix 3)

Source: www.graztourismus.at

Figure 21 shows the module 3 of Erstebank. The ticketing portal also allows customization of many graphical elements.



Figure 21 – Case 3: Erstebank Module 3 Partner (larger image available in thesis appendix 3)

Source: www.sparkasse.at/sgruppe



6.3.2 Payment

Oeticket.com works with a pay per sale commission model, but unlike Amazon and Ticketsnow.com, base commission is not a percentage out of the total price, but is calculated as 20% of the presale fee of a ticket price. This represents roughly 10-12% of the ticket price.

Commission payments to the affiliates are made latest by the 15th of the following month. Oeticket.com doesn't require the affiliates to reach a minimum payment, but instead require affiliate to reach a minimum 25 referred ticket purchases.

6.3.3 Communication & Support

Oeticket.com has a different affiliate agreement for each of the modules. It includes expectations of the affiliate partner and sets some policies. A FAQ can be found online which answers basic questions, but emphasis is put more on personal contact than online information. Affiliates receive a news letters about program updates and can also request a daily news letter about events.



6.4 Cross-case analysis

Using the cross-case analysis, all three cases are compared to show similarities and differences between them. Based on the observations that were made in each case, a matrix was created for each factor. Finding common patterns, using the literature as a framework, will help answering the second research question.

6.4.1 Program tools

The "program tools" factors of each case were compared in the following table.

Program Tools	Case 1	Case 2	Case 3
Affiliate Software	In-house	In-house	In-house
Creative	Links, banners, widgets, data feed, storefronts	Links, banners, data feed	Links, data feed, storefronts
Personalization	yes	no	yes
Tracking	In-house	In-house	In-house
Reporting	Online reports	Online Reports	Online Reports
Cookie Lifetime	24 hours	30 days	-

Table 2 - Cross-case analysis: Program tools

All three cases analyzed, develop and manage their program in-house. This enables them to have great flexibility, control and administration over their program (Brown, 2009). However, some researchers argue that it is not worth the time and cost to develop an affiliate program from scratch, but it is recommended to join an affiliate network that provides the software that handles the program administration, tracking, commission payments, and reporting (Brown, 2009). Another way to effectively manage an affiliate program is to hire or consult an affiliate manager. His knowledge and experience can help a program to develop much quicker. It is, however, important to note that affiliate managers are expensive (Brown, 2009).

According to Fiore & Collins (2001), a successful program should, at the very minimum, offer text links, banners, and storefronts. Literature also shows that affiliates prefer banners and text links. Amazon certainly leads with an extensive creative resource, and covers more than basic needs of affiliates.

Personalization was considered beneficial in the literature, considering that if provided, affliates can optimize the creatives to their need. The closer the creatives



match the website of the affiliate, the better they perform. Both Amazon and oeticket.com offer personalization.

Online reports are extremly important to affiliates as they want to know how they are performing. All three companies offer reports to their affiliates. These reports, however, should not only to serve as tool to check wether the merchant is paying them the right amout of commission, but, as literature recommends, should also help them optimize their marketing. Amazon's and Ticketsnow's reporting tools offer data on click-through rates and conversion rates, which are very important to optimize the perfomance. In this aspect, oeticket's reports are rather simple.

Another factor to keep affiliates loyal is the utilization of cookies. As discussed in the literature review, a big problem in affiliate marketing is that if customers do not purchase immediatley, the affiliate will not receive a commission. Both Amazon and Ticketsnow.com use cookies to overcome this problem. Affiliates consider a cookie lifetime of 15 to 30 days to be fair. Thus, Ticketsnow.com can be considered to be very attractive to affiliates.

6.4.2 Payment

Payment policies are a critical factor for affiliates when choosing an affiliate program. Table 3 summarizes the observations on the three cases.

Payment	Case 1	Case 2	Case 3
Commission Model	Pay-per-sale	Pay-per-sale	Pay-per-sale
Base Commission	4-15% (volume based)	7%	20% on presale fee or 10-12% on ticket price
Two Tier	No	yes	No
Payment Frequency	Monthly	Monthly	Monthly
Minimum Payment	\$15	\$25	Min 25 referrals

Table 3 - Cross-case analysis: Payment

The pay-per-sale commission model is utilized by all three companies. Other models exist, but they only work with certain products. Pay-per-click is a viable option if traffic wants to be bought, but as this creates higher customer acquisition costs, it is not very attractive for affiliate programs.



According to Brown (2009), base commission is based on the profit of a product. The higher the profit margin, the higher the commission should be. As tickets have a low profit margin, the commission is relatively small. Electronic products sold by Amazon have an even lower profit margin, which explains the very low commission. Amazon, however, tries to incentivize its affiliates by offering higher commission to good performing partners.

As depicted in the literature review, a two tier affiliate structure can be applied in affiliate marketing. Ticketsnow.com offers this option to its affiliates. This structure, as Brown (2009) explained, can help an affiliate program to grow quickly. Yet it is complex to set up as the program will have to be automatized to avoid creating too much workload for the merchant.

Frequent and reliable payment was another important factor to affiliates. Literature shows that affiliates prefer to be paid once a month and all three cases also followed this. Some affiliates, however, implement a 30 to 60 day delay for paying new affiliates in order to analyze their performance and to avoid any abuse (Fiore & Collins, 2001).

The literature also showed that it is beneficial to set up a minimum payment policy to avoid creating unnecessary work. The most accepted payment threshold by affiliates is \$50, according to the Summit Report 2010. Amazon and Ticketsnow.com require a much lower minimum, and this is certainly welcome by smaller affiliate partners. Oeticket.com does not set the minimum in monetary terms, but instead requires affiliates to refer a minimum of 25 purchases.

6.4.3 Communication & Support

Affiliates look for programs that offer a value to them. A program that treats them as real business partners and works on good relationships are therefore highly appreciated (Fiore & Collins, 2001). Communication and support pays a big role in that. Table 4 summarizes the observations made in the case analysis.



Communication/Support	Case 1	Case 2	Case 3
Affiliate Agreement	Yes	Yes	Yes
Affiliate Newsletter	Yes	No	Yes
Tutorials	Yes	No	No
FAQ	Yes	Yes	Yes
Training	No	Yes	No

Table 4 - Cross-case analysis: Communication & Support

Two forms of affiliate marketing programs were discussed in the literature review. Both Amazon and Ticketsnow.com focus heavily on a one-to-many program. Their affiliate agreements are optimized to set terms with the numerous affiliates. Oeticket.com uses a one-to-one approach as they prefer to have bigger partners that create big traffic. The affiliate contracts vary slightly for each module.

Newsletter communications are an easy way to keep affiliates informed about any changes in the affiliate program and Amazon and oeticket.com make use of this. It was, however, shown in the literature review that affiliates would like to hear monthly from the merchant (Affiliate Summit, 2010). This means not only to send newsletters, but also to ask affiliates for feedback on their experiences and performance.

Tutorials are also a great communication tools. Amazon tries to make the set up process as simple and intuitive as possible for the partners. Well documented instructions and examples help affiliates with little programming knowledge. Training can also improve the business relationship. Ticketsnow.com offers training to its affiliates, and as argued by Fiore and Collins (2001), helping affiliates to sell products and only benefit both parties.

All three cases provide FAQs to their affiliates. Literature shows that FAQs are a great resource for any basic questions that affiliates may have. However, according to Brown (2009), affiliate programs should also include pages that describe the program and give an overview about the components and benefits of the program. Both Amazon and Ticketsnow.com offer a comprehensive overview about their program.



7 Conclusion & Recommendations

The work has identified the most important factors that are necessary in a successful affiliate program by analyzing the needs of the affiliates. It also highlighted the differences and similarities of three affiliate programs. Based on these findings, recommendation on how to improve the affiliate marketing program of oeticket.com can be provided.

Considering the high development costs that are involved when programming an affiliate program, it is suggested that oeticket.com joins an affiliate network. This would be extremely beneficial for module one, as the third party solution usually provides the latest technological solutions that automatize sign up processes and administer tracking, payments and reports. To further develop the affiliate program, consulting an affiliate manager might be considered.

With the automatized program it will be possible to offer advertising creative such as banners and widgets. Moreover, it will allow personalization of the advertising creative, which will help affiliates to perform better.

It is recommended to provide more detailed reports that include click-through rates and conversion rates, as this also helps partners to optimize their marketing efforts.

The utilization of cookies to save an affiliate id in sessions of 30 days or longer ensures that affiliates will get commission from customers, even if they don't purchase right away. This should make the affiliate program more attractive to interested partners.

A two tiered affiliate structure could be considered for module one, but this would require an automatized program. This structure would allow the program to grow more quickly.

Oeticket.com should consider setting the minimum payment threshold to monetary terms. This means changing the requirement for affiliates to refer a minimum of 25 tickets to a payment average in euros. This would make it more comparable to other affiliate programs.



Finally, it is recommended that oeticket.com adds more content pages to the affiliate directory. At minimum, a program overview describing the three modules, terms, and rates should be created. Moreover, tutorials and trainings could be offered, to help affiliates perform more efficiently and thus make the whole program succeed better.

Oeticket.com focuses on big partners that create a lot of traffic. On the other hand, the best affiliate programs have been successful due to the many partners they acquire. Further research should be performed on whether it is beneficial to attract smaller affiliates to the program. In addition, it was discussed that only an automatized program would allow administrating so many small affiliates. Thus, it should be studied whether it is worth investing in such an automatized program.



8 Limitations

Due to the fact that only a few cases have been taken into consideration, it is important to note that this small number cannot represent the numerous affiliate programs out there. Thus, generalizations cannot be made (Yin, 1994).

Moreover, as the content analysis is based on observations of the researcher, the interpretations are based on his opinions. Therefore the findings may also be found to have other conclusions. A case study can only describe a phenomenon, but it does not provide an explanation on why something is done in a given situation (Yin, 1994).



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Appendices

Appendix 1



Figure 13 - Case 1: Amazon Associates Overview Page



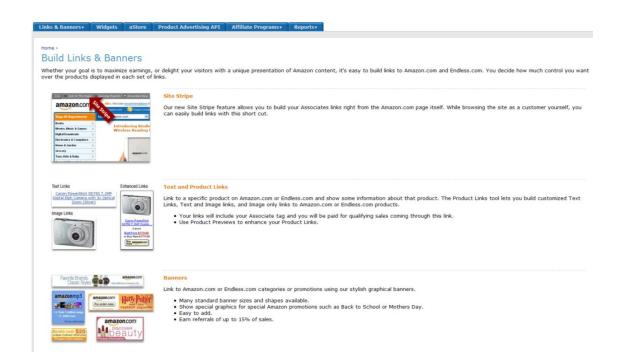


Figure 14 - Case 1: Amazon Associates Links and Banners



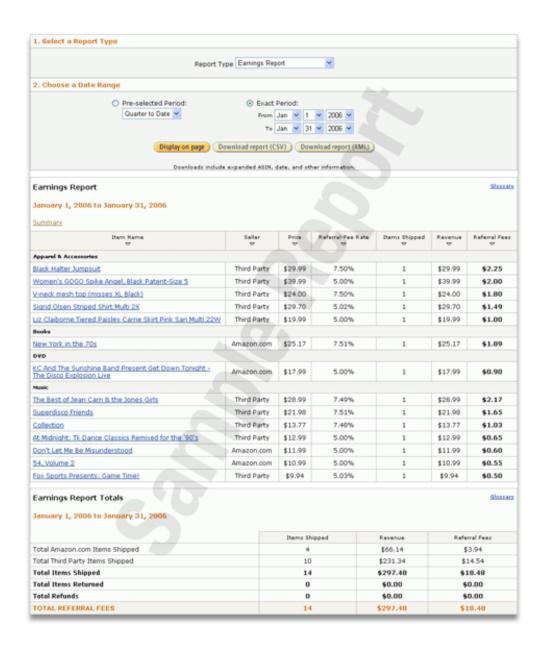


Figure 15 - Case 1: Amazon Associates Sample Report



Fixed Advertising Fee Rates for Specific Product Categories

US – Fixed Advertising Fee Rates for Specific Product Categories

Product Category	Fixed Advertising Fee Rates
Electronics Products	4.00%
Amazon MP3 Products	10.00%
Amazon Video On Demand Products	10.00%
Game Downloads Products	10.00%
Endless.com and smallparts.com Products	15.00%
Gift Cards Redeemable on the Amazon Site	6.00%

Volume-Based Advertising Fee Rates for General Products

Number of Products Shipped/Downloaded in a Given Month**	Volume-Based Advertising Fee Rates for General Products
1-6	4.00%
7–30	6.00%
31-110	6.50%
111-320	7.00%
321-630	7.50%
631-1570	8.00%
1571-3130	8.25%
3131+	8.50%

Figure 16 - Case 1: Amazon Associates Fee Rates



Appendix 2

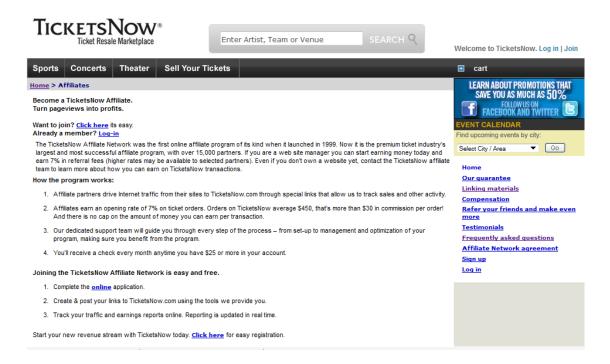


Figure 17 - Case 2: Ticketsnow.com Overview Page



Appendix 3

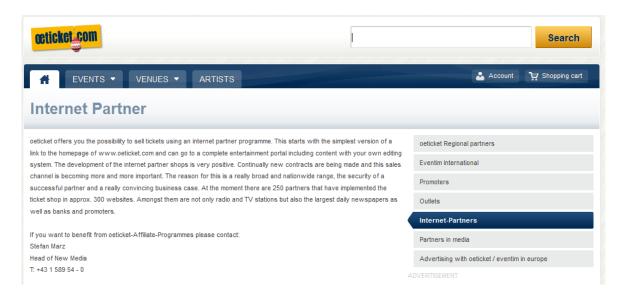


Figure 18 - Case 3: Oeticket.com Overview Page





Prerequisities/ Functionalities

- ➤ Signing contract for Ticketshop MODUL 1
- > Getting access to the partner programme to create needed links
- > Putting above mentioned links on partners'site (links to first page/search string/detailed event site/detailed performance site
- > Gaining insight into sales statistics
- > Getting monthly settlements for achieved sales
- ≻No Setup fee

Figure 19 – Case 3: Oeticket.com Module 1



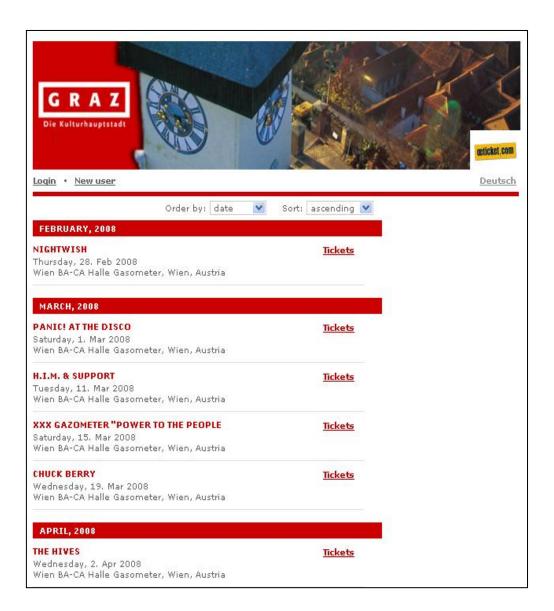


Figure 20 – Case 3: Graz Tourism Module 2 Partner





Figure 21 – Case 3: Erstebank Module 3 Partner