

Affiliate Marketing's Future in India

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Abstract

What exactly is affiliated marketing? It is a type of online marketing technique where an affiliate/publisher promotes a business through an advertisement on their web site and in return that business rewards the affiliate with commission each time a visitor, customer generates sales. Affiliate marketing is also referred as performance marketing and associate marketing. Affiliate marketing core consists of 3 parties:-Advertiser, Publisher, and Consumer. Advertiser can be any company selling products like electronics, books, clothing, and air tickets online or could be insurance company selling policies etc. Publisher is the one who promotes advertiser's products or services through its website or blog. Consumer is the final and very important part of this cycle who see the advertisement and then makes an action (click) which takes him from publisher's website to advertiser's website and after making a purchase it is called conversion. In context to Indian online market, according to IAMAI, the digital commerce market has seen a growth by 33% to Rs 62,967 crore last year as against Rs 47,349 crore. And it is predicted that this online market will touch \$50-\$70 billion by 2020 for the increasing popularity of online shopping and increase in internet penetration. Online retailers like Flipkart, Amazon, and Yatra.com have already started affiliate marketing in India and the technique is gaining popularity in digital market. The objective of this research paper is to analyze adoptability of affiliate marketing in Indian businesses and the future potential of it.

Keywords: Affiliate Marketing, E-commerce, India, Online Marketing

1. Introduction

In business world the success depends upon the partnering organizations and their ability to generate and support business process. Even in digital world success of e-commerce business depends upon partnering organizations like affiliates whose help firms in bringing customers.

Affiliate marketing is one of the online marketing tactic in which online firms partner with online content providers who bring traffic to the firm's website. The firm in turn pays commission to the content providers over the converted sales from given customers.

Online firms in western countries like US have been adopting the tactic. Businesses through affiliate marketing in US are expected to rise from \$1.6 billion in 2007 to \$4.1 billion in 2014¹. For major brands, affiliate network is working with over 50% of UK's retailers⁸.

The trend is likely to continue in coming years across the globe including Indian subcontinent. The trend is seen in both B2C and B2B businesses.

2. Literature Review

The digital world has seen tremendous changes in technologies, networking, advertisers and publishers; all have advanced at such a high pace that traditional and digital channels have converged⁹.

Digital marketing is a new challenging world for businesses, and old tactics used in brick and mortar businesses are not useful. The bursting of dotcom bubble in 2000 and subsequent fall of e-commerce companies across the globe has bought loss of faith in technology companies¹⁰.

Success at digital marketing is no easy, the internet marketing strategies to handle digital marketing business are; generating and qualifying leads through internet, using internet event for promoting product and services, executing e-fulfillment, building customer relationship using internet, using or establishing communities and exchanges on internet, using internet to create and manage partner programme, and selling with internet³. Major

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theme of these seven strategies is; managing the partners to the business or lead generation.

Affiliate marketing, can be understood as a business partnership in which an agent called an affiliate through its website/blog attract a customer, who in turn, either directly purchase the products, or registers to the sellers newsletter, or just browses the site as per the terms decided⁴. Affiliates are mainly aggregated in networks and acts as the middle-men between a customer and the firm².

Better said than done, managing affiliate programme and measuring its effectiveness is a challenge. Affiliate programme can be useful to businesses as it saves on Cost Per Action (CPA). For an effective affiliate programme businesses should bring in transparency in the activity and measurement, keep checks on ROI's of the activity, and ascertain true value of each participant in the programme. Affiliate networks are helping brands to use cost-per-action programme effectively⁷.

Affiliate networked marketing has its own challenges as it involves many parties with different objectives of its own. Affiliate marketing can be viewed as an extra shop on the internet rather than a new tactic; and there could be difficulty in positioning of brands and sub-brands⁶.

Performance measurement techniques used of offline businesses may not fit in the context of online businesses, different performance measurement techniques are required of measuring online marketing tactics like affiliate marketing⁵.

3. What is Affiliate Marketing and How does it Work?

Affiliate marketing or associate marketing is an arrangement by which advertiser pay commission to affiliate for generating sales or traffic on its website. Affiliate website may posts ads, banners, and links of products or services from merchant's website. Affiliate marketing is relationship between three parties:

- Advertiser or Merchant.
- Affiliate.
- Customer.

3.1 Advertiser

Advertiser or Merchant is a firm selling any products or services online. Products could be consumer or business products, airline tickets or services like insurance, tourism etc.

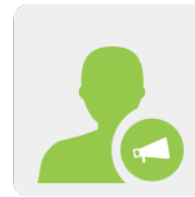


Figure 1. Advertiser.

Some of the users of affiliate marketing network in India are online businesses like Flipkart, Amazon, MakemyTrip, and Yatra.com. The important attribute of advertiser is it should be willing to pay partner websites when it generates business. Merchants are required to open an affiliate or associate program on its website where affiliates can register. Through this portal a merchant shall provide affiliate with all the necessary technology support like codes and links for the products and services.

3.2 Affiliate

Affiliate also called as publisher could be a company or a person who promotes the products or services of merchant website through their own website by publishing ads and providing links. Affiliate are required to register itself to affiliate program of the advertiser. Once registered, affiliate provides links, ads, or banners from the advertiser and incorporates it in own website.

3.3 Customer

Customer is the third entity in the service chain. Customer visits the affiliate's website; if he/she likes the ads or links and hence clicks it, he is redirected to merchant website.

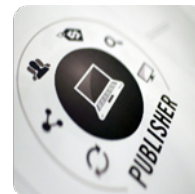


Figure 2. Affiliate.



Figure 3. Customer.

On visiting merchant website, if customer purchases the product or services from advertiser's website, then sales is considered as generated with the help of the affiliate. Then advertiser is supposed to pay commission to affiliate as decided in the agreement.

4. The Value Chain

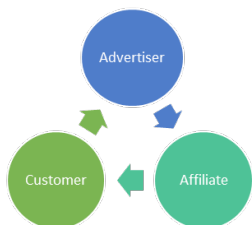


Figure 4. Schematic Representation of Affiliate Marketing concept.

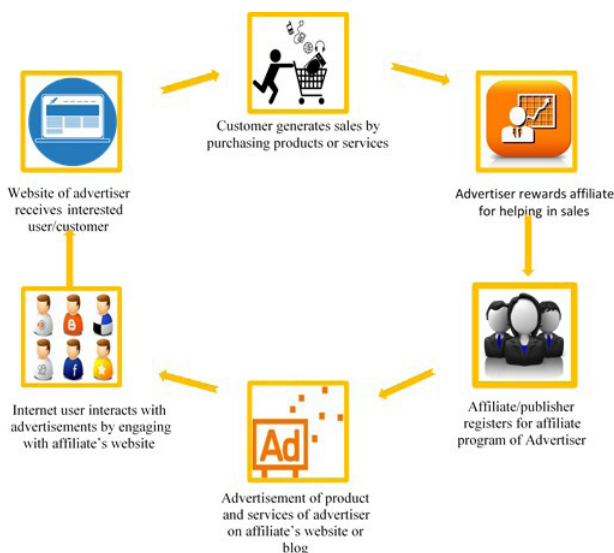


Figure 5. Pictorial Representation of Affiliate Marketing concept.

5. Affiliate Marketing in India

Affiliate marketing has been introduced in India by many online companies. India being a big and diverse market place with growing online business has a potential for innovative and effective business models. Another favorable situation for affiliate marketing is its lower customer acquisition cost, and marketing expenses. Affiliates will get business opportunity through their websites or blogs. Most of these affiliate programs aligning with Indian

bloggers, social media platforms, and small business owners through their website to advertise their product and services. In order to attract affiliates to join affiliate programmes various Indian and multinational companies have started their affiliate programs in India offering different types of incentives models.

These days, affiliates marketing are one of the important way to generate revenue for bloggers and other website owners. The companies are improving on the transparency in the business deals. Earlier Google Ad sense was the only option for bloggers for revenue and getting AdSense license was harder to come by. Even if one somehow get the license Google had complete authority to cancel the due amount sighting minor issues.

In countries like India and China considering possibilities of frauds and bureaucratic setup of rules and regulations getting Ad sense license is difficult and takes around 6 to 12 months to get the license.

Following is the list of various industries currently offering Affiliate Program in India:

- Online shopping Companies
- Matrimonial Sites
- Tours and Travel Websites
- Online Job
- And some other miscellaneous industries

6. Top Affiliate Programs by Online Retailing Companies

Online retailing, one of the popular business models in India is growing leaps and bounds for last few years. Considering business potential and competition of Indian market many big giants have launched their affiliate program to promote their business.

6.1 Flipkart.com

Affiliate can earn by inserting product banners or links on their website and redirect customers to Flipkart website. Affiliate can earn up to 15% whenever a sales is generated.

6.2 SnapDeal.com

Affiliates are eligible to get 10% of sales amount on successful generation of sale, based on clicks on promoted links or banners from affiliate's website.

6.3 Amazon.in

Amazon has also started affiliate program in India to promote sales.

6.4 Tradus.com

Affiliate team helps affiliates to earn healthy revenue.

6.5 Yepme.com

Any sales generated gives affiliate standard commission rate of 5%.

7. Affiliate Platforms by Matrimonial Websites:

Research carried out by Associated Chamber of Commerce and Industry of India (ASSOCHAM) says in next two years online matrimony will see a growth at a compound annual growth rate (CAGR) of over 65% and the industry is estimated to hit Rs. 1,500 crore by 2017 from present level of Rs.520 crore in FY 2012-13. Some of these websites who have started this program are:

7.1 Shaadi.com

Give an opportunity to earn up to handsome revenue and a bonus.

7.2 BharatMatrimony.com

Affiliate gets paid for every paid membership generated through affiliate's site.

7.3 JeevanSathi.com

If one clicks on the banners on affiliate website and registers free or paid membership, affiliate gets commission.

7.4 VivahaBandhan.com

One can earn a referral fee each time a user joins for free. And affiliate can also get some percentage of fees if any user takes paid registration.

8. Top Affiliate Programs by Tours and Travel Industry

Tours and travel sector is also one of the fastest growing sectors on digital world. Growth in India's travel and

tour industry is the second fastest world. According to a Deutsche Bank report, the industry growth rate is CAGR of 10% and it may reach to US\$111 billion by 2020. Online tickets booking comprises of almost 90% of online travel and tour market. Following are some affiliate programs launched by some famous travel companies:

8.1 MakeMyTrip.com

Most popular tour and travel site in India, provides affiliate programs for air ticket, Hotel Booking, Holiday packages and other booking as well.

8.2 TripAdvisor.com

Affiliate can earn up to 50% Commission.

8.3 Yatra.com

Provides nice commissions that are paid upon booking, easy online reporting and tracking, Easy implementation that allows affiliate to earn commissions within a few minutes of acceptance.

8.4 Expedia.in

8.5 Ixigo.com

Affiliates can earn on every click their website send to the airline or hotel site. Affiliate takes no risk of conversion or a booking.

9. Affiliate Program by Online Job Sites

Searching job online is becoming very popular and profitable in India. There has been a 25% (CAGR) hike in online job posting in 2014. Therefore many online job portals want to increase their market through affiliate marketing. Some of them are:

9.1 Monster.com

Pays the affiliate for qualified leads generated.

9.2 CareerBuilder.co.in

By adding this job search tool and links on site, affiliate can earn commissions for the traffic that is being driven to this site.

9.3 Indeed.com

Affiliate Program offers opportunity to earn commission by adding job search tools on blogs or websites of the publisher/affiliate. Publisher will have to add valuable content to his site to generate revenue.

9.4 GulfNaukri.com

Commission is earned by an affiliate for every paying customer he refers from his blogs, FB pages, websites, or other social media pages the affiliate is using. This program pays monthly commission to the affiliate.

10. Some other Important Affiliate Marketers

Here are some miscellaneous affiliate program providers from different online categories:

- Apple.com (Online Apps and music store).
- Radisson.com (Hotel chain).
- Reebok.com (Sports shoes, apparels maker).
- Hostgator.in (web hosting provider).
- QuickHeal.co.in (IT security provider).
- Fropper.com (Online Dating and social media site).
- Zapak.com (Online gaming portal).
- GaneshSpeaks.com (Online Astrology website).
- iforex.com (provides Financial affiliate program for foreign exchange business).
- Indiamart.com (Online B2B marketplace).
- Bigrock.com (Web hosting).
- GoDaddy.com (Website hosting).

11. Conclusion

Innovative customer acquisition programmes like affiliate marketing shall be growing extensively in coming years. Organisations should look beyond their present business models and adopt to cost effective models based on

affiliate network. These innovative business models will create an opportunity for small businesses and individuals in generating earnings. Considering pace of technology, changes and innovations may come up but the conceptual base of the model will remain similar. Indian businesses, and individuals can benefit from affiliate marketing in future.

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