

## **AFFILIATE MARKETING – BUILDING STRATEGIES AND TECHNIQUES A STUDY IN DELHI – NCR REGION**

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### **ABSTRACT**

This paper examines the determinants of affiliate marketing in India with emphasis on the factors which could lead to extensive and versatile methods of online advertising. Affiliate marketing is the oldest channel of positive ROI activity online and yet in India it is surprisingly underutilized. Many of the world's leading companies, including eBay, Amazon, and Dell have utilized this cost effective, saleable and most importantly sustainable medium. Affiliate marketing emerges as a win –win situation for both the affiliate and the website owner. It is a convenience offered to the merchant who can concentrate on the management of goods and services without having to take care of its special advertising needs. At the same time, it becomes enormously profitable to the marketer who gets reliable and easy money by displaying the advertisements on their websites.

**Keywords:** Electronic Marketing , Affiliate, Website popularity , Customer Engagement , Social Network , Pay- Per –Click

## **INTRODUCTION:**

The business world is changing and it is really changing at a very quick pace. After having a sheer look at the current scenario today with the outburst of information on the World Wide Web the concept like electronic marketing has originated and gradually gaining its popularity. As a result of this, internet evolved and with this evolution, the importance of targeting internet audiences also developed. This is where "Affiliate Marketing" comes into existence and plays an important role. Affiliate Marketing is actually a web-based marketing procedure where one site who acts as affiliate accepts to feature an ad developed to push traffic to another website and finally gets some percentage of sales developed by traffic it sends towards this site.

## **UNIQUENESS OF AFFILIATE MARKETING:**

- These marketing programs are completely driven for customers. They are managed by the experts who have the requisite knowledge and know the art of optimum resource utilization.
- Affiliate marketing promotes the webmaster site. In return they get some compensation for this. Due to this everyone puts in their effort to promote business and earn the extra money.
- Associate marketing is a well-planned process for selling the products and services. This helps in making any changes in the marketing campaign at any point of time with ease. It is less expensive in comparison to other methods.
- Performance of the site is measured on different parameters like clicks, registration, sales, etc. So the web masters pays all the people involved in affiliate marketing depending on the performance of the site.
- There are no overhead expenses. All the affiliate payments are made by the network.
- Easy brand building.

## **INDIAN MARKETING SCENARIO: NEED FOR AFFILIATE MARKETING:**

Indian marketplace and economy is witnessing a paradigm shift in the marketing practices and a number of reasons can be attributed to this changing scenario. Some of them are :

- Globalization, which has accelerate the growth of international trade and the level of competition around the globe.
- Technological change. Leadership in technology has emerged as an imperative factor for success. Ability to adopt to the changing environmental conditions and deliver beyond the expectations of the consumers is the new market mantra. Indian companies are fast emerging as the answer to such strategic changes.
- Buyers' Market : The Indian market is fast shifting from a sellers market to that of a buyers market. . Growing market size and demand has made India a centre of rising investments and interest of the multinational corporations.
- India has been the hub of ITES sector for more than 2 decades. India is considered as one of the reliable IT partners. On the other hand, there is another major trend that is becoming popular in India, which is to work as independent IT consultants, freelance data entry operators, freelance writers and other forms of online jobs.

## **GAP ANALYSIS:**

The response from affiliate networks in India has been halfhearted. There are scores of networks that have entered into this domain and started providing their services. However, a large number of business entities still are unaware of the purpose that affiliate marketing serves. In India alone, there are 60 million Internet users. However, the spending on Internet advertising or affiliate marketing is significantly poor. The projected growth rate is 13 % increases through 2012, which makes the \$6 billion industry one of online advertising industry as the fastest growing segments.

## **LITERATURE REVIEW:**

We have understood that the success of affiliate marketing lies in bringing about structural changes in the operationalization of the affiliate programme with greater understanding of choosing affiliates and a sharper focus on affiliate quality. This article goes beyond mere understanding of acquiring and retaining affiliates. It has tried to reinforce the necessity of measuring and rewarding individual quality and performance of affiliates. Will Martin-Gill, Steve Hartman, Jarro, Umesh Lalchand ,Shwarz and Chad Wehrmaker in 'The coming Evolution in Affiliate Marketing : A Focus on Quality ' has opined that compensation in affiliate channel needs to continually evolve to reward the best affiliate models and create a win –win situation for both advertisers and affiliates. Jupiter Research US Online Affiliate Marketing Forecast, 2007 predicts that the more the internet marketing groups raise the bar and prove the instrumentality of affiliate in their organizations, the larger would

be investments in tools, commissions and people who can help realize their full potential. This article also proposes to assess the value of customers engagement with a firm. This paper has tried to highlight factors which can prove to be crucial for the effectiveness of affiliate marketing. They are viz: customer's purchase behavior, secondly customer's referral value and finally the customer's influencer value and the customer's knowledge value. V.Kumar, Ierzan Akoy, Rajkumar Vekatesh in "Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value: believe that a comprehensive framework can ultimately lead to more efficient marketing strategies that enable higher long term contribution from customers.

Other researchers have also pointed out engagement as a non transactional behavior. Van Doorn (2010) proposes that "customer engagement goes beyond transactions, resulting from motivational drivers". One of the important ways through which a firm can create value for its customers is through their participation in the new development process, co creation, and their willingness to provide feedback for innovations. The internet can provide this platform for such collaboration with customers providing opportunities to offer suggestions and input to the firm (Sawhney, Verona, and Prandelli, 2005). With such participation, manufacturers have the potential to enhance value by innovation, and speed, both of which are key to lowering cost and increase market acceptance (Athaide, Meyers, Wilemon, 1996)

Human interactions, (eg, referrals, observation, etc) play an important role in the diffusion of the product. Rise of online marketing offers unique opportunity for personalized and interactive avenues to customers to share their views, preferences and experiences with others and firms gain through word-of-mouth marketing (Godes and Mayzlin 2004). This paper corroborates the importance given to WOM by researchers and believes the strategic value accorded to it by Kumar and Bhaskaran (2010) who have designed a metric to capture "the potential referral behavior of customers and users in a social network"

#### **OBJECTIVE OF RESEARCH:**

- To determine the efficacy of affiliate marketing as a tool of online business and suggest ways to make it strategic alternative for competitive advantage.
- Perception of the consumers towards affiliate marketing.
- Sources of information in affiliate marketing and techniques to attract affiliates.
- Reasons behind success or failure of affiliate marketing
- Factors to strengthen and build affiliate marketing.

#### **HYPOTHESIS:**

- H-1 There is a significant relation between Age, Income and the adoption of the concept of affiliate marketing. Benefits of affiliate marketing are more attractive to segments falling in a certain income group.
- H-2 There is a significant relationship between awareness of affiliate marketing and certain impeding factors in adopting it in a significant way.
- H-3 There is a significant relationship between strategic implementation of affiliate marketing and consumer engagement. A right and judicious approach in providing value to the customer in terms of payment, incentives and opportunity to participate can go a long way in popularizing the methodology amongst Indian customers and internet users.

#### **SCOPE OF THE STUDY:**

The research has been done purely for academic purpose and the study is limited in its geographical area of operation. Study has been done on professionals in the Delhi-NCR region. The sample size is 250 respondents.

#### **RESEARCH DESIGN AND METHODOLOGY:**

##### **NATURE OF THE STUDY:**

On the basis of the fundamental objectives of the research the present study qualifies as descriptive research. This study on the basis of consumer feedback, generalizes the effect of affiliate marketing in purchasing decisions.

##### **METHODOLOGY:**

The universe of the study is the professionals belonging to various industries via—services, IT, tourism and hospitality. The sample size of the study is 250. The non-probability convenience sampling technique was used for selecting the sample. The data have been collected through Direct Personal Interview method with the help of a structured questionnaire. Attributes selected are awareness, convenience, interest, technical competence,

low investment, income generation, motivation, marketing strategies, involvement, customer engagement, loyalty and participation.

Likert’s scale was employed to determine factors, where respondents were asked to rate each attribute on a 5-point scale ranging from most important to least important. Other statistical tools such as mean, percentages, tabulations, cluster analysis and factor analysis methods have been used to convert complex multi-dimensional problems encountered by respondents into smaller set of composite factors with a minimum loss of factors for analysis.

**DATA COLLECTION:**

**PRIMARY SOURCES:**

Survey method was used to collect primary data. A questionnaire with specific enquiries pertaining to the objective of the research was administered to the respondent through personal interviewing. Qualitative techniques of focus group studies and in-depth interviewing were used to understand attitude, perception, motivation and learning behavior.

**SECONDARY SOURCES:**

Data collected from publications, journals, magazines, textbooks, websites etc. served as the ready source.

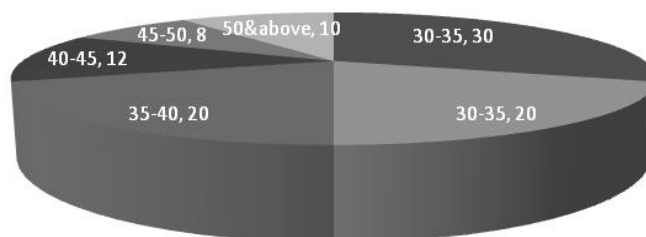
**DATA ANALYSIS AND INTERPRETATION:**

**AGE WISE CLASSIFICATION OF RESPONDENTS:**

**TABLE-1**

AGE	No. of Respondents	Percentage
25-30 yrs	75	30
30-35 yrs	50	20
35-40yrs	50	20
40-45yrs	30	12
45-50yrs	20	8
50&above	25	10
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH 1:**

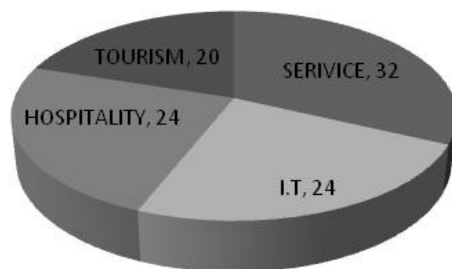


From the above table, we find that amongst professionals, 30 % are in the age group of 25-30 years, 20% in 30-35 years, 20% in 35-40 years, 12% in 40-45 years, and 8% in 45-50 years, and 10% in 50 and above.

**TABLE-2: CLASSIFICATION ON THE BASIS OF OCCUPATION**

Occupation	No. of Respondents	Percentage
Service industry	80	32
Information Technology Industry	60	24
Hospitality	60	24
Tourism	50	20
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH 2:**



From the above table, it is apparent that most respondents belonged to the services sector 32%, followed by the IT 24%, Hospitality 24%, and tourism 20 %.

**TABLE-3: AWARENESS REGARDING AFFILIATE MARKETING**

Awareness Criteria	Number of Respondents	Percentage (%)
YES	90	36 %
NO	100	40%
YES(NOT REMEMBER )	40	16%
NO (DON'T BOTHER )	20	8%
<b>TOTAL</b>	<b>250</b>	<b>100</b>

**GRAPH-3:**

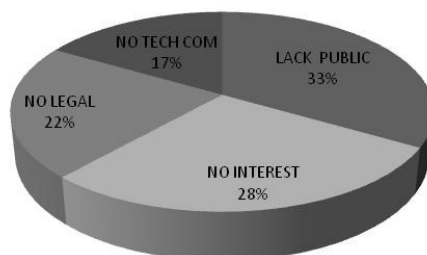


The above table indicates that around 36 % of respondents are aware about affiliate marketing but 40 % were unaware about the concept. 16 % respondents said that they were aware but did not remember the finer aspects and details and the rest 8% had never bothered to know about affiliate marketing.

**TABLE-4: REASON- WISE CLASSIFICATION FOR LACK OF AWARENESS**

Reasons	Number of Respondents	Percentage %
	10	4
Lack of Publicity	80	32
Lack of Interest	68	27.2
No Legal Framework	52	20.8
Lack Of Technical Competence	40	16
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH-4:**

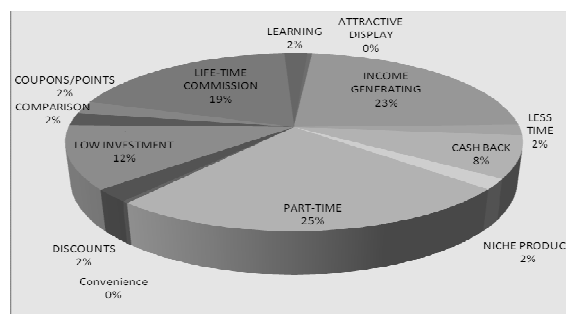


From the above table, we can see that that one of the prime reasons attributed to lack of awareness about affiliate marketing has been lack of publicity -32%, followed by lack of interest 27.2%, no legal framework 20.8% and lack of technical competence has been rated by 16% and lastly non availability of internet by 8%.

**TABLE-5: RELATIONSHIP BETWEEN INCOME AND ATTRACTIVE FACTORS FOR ADOPTING AFFILIATE MARKETING: CLUSTER ANALYSIS**

Favorable Reasons	Number of respondents	Percentage %
Convenience	1	0.4
Discounts	6	2.4
Low Investment	30	12
Comparison Shopping	6	2.4
Coupons/Points	6	2.4
Life-Time Commission	50	18
Learning Experience	5	2
Attractive Display	1	0.4
Income Generating	60	24
Less Time Consuming	5	2
Cash Back	20	6
Niche Product	5	2
Part-Time Business	65	26
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH-5:**



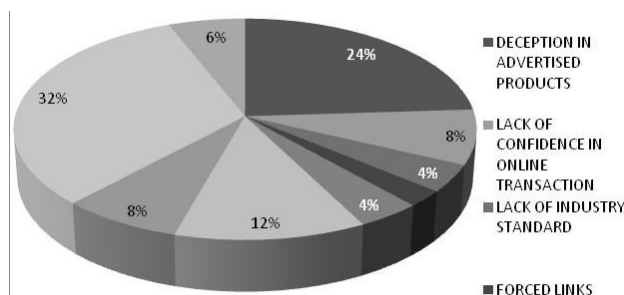
**H1:** There is a significant relationship between income and adoption of affiliate marketing.

The hypothesis stands proved as the results show that a major cluster of respondents i.e. 29.2 % have attributed the factor – Part-Time Business , Income Generation , and Life –Time-Commission as a prime reason to join affiliate marketing .The respondents of the bigger cluster fall in the age category of 25-30 years with a monthly income of Rs 25,000—30,000.

**TABLE-6: RELATIONSHIP BETWEEN AWARENESS AND PREVENTIVE FACTORS IN ADOPTING AFFILIATE MARKETING**

Unattractive Factors	Number of Respondents	Percentage %
Deception In Advertised Products	60	24
Lack Of Confidence In Online Transaction	20	8
Lack Of Industry Standard	10	4
Forced Links	6	2.4
Slow Profit	10	4
Spam Mail	30	12
Stuff For Others	19	7.6
Fraud	80	32
Negative Reputation	15	6
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH-6:**



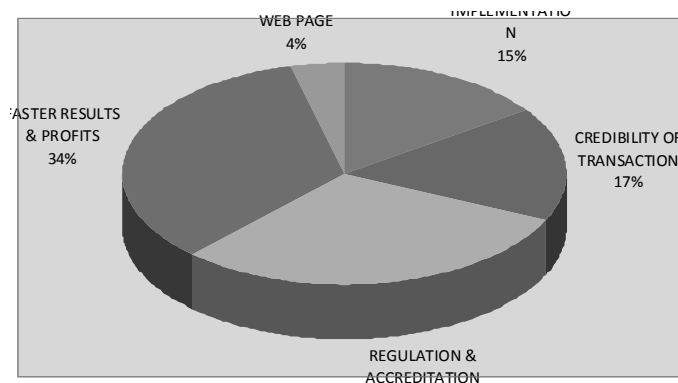
H-2: There is a significant relationship between awareness of affiliate marketing and lack of adoption due to certain impeding factors.

The hypothesis has been validated through cluster analysis which shows that 44 % of the respondents have attributed their unwillingness to join affiliate programme due to factors like- Fraudulent practices in affiliate marketing, Deception in advertised products and services, and above all Spam in mail remains a major concern area for affiliates.

**TABLE-7: MEASURES TO STRENGTHEN AFFILIATE**

Unattractive Factors	Number of Respondents	Percentage %
Ease of Implementation	38	15.2
Credibility of Transaction	42	16.8
Regulation & Accreditation	75	30
Faster Results & Profits	85	34
Removal of Clutter From Web Page	10	4
<b>Total</b>	<b>250</b>	<b>100</b>

**GRAPH-7:**



From the above table, it is evident that 34% respondents agree that faster results and profit generation are the prime measures to strengthen affiliate marketing, followed by 30% who require a framework of legal regulation and accreditation.

**CONCLUSION:**

This research has tried to unearth the effectiveness of affiliate marketing as a tool in modern online environment. The study shows that as far as perception amongst professionals are concerned, it is considered as a fairly good business proposition and marketers find it attractive to penetrate into the market with an extremely attractive Return On Investment. Most of the respondents are willing to join the affiliate programs for its risk free nature and faster income generation. Moreover, the cost competitiveness makes it an interesting option for small businesses to gain potential customer acceptance.

The study also reveals some of the most serious problems faced by affiliates and throws light on measures which can be adopted to appeal to a wider audience since only an upstream approach can ensure acceptance by professionals. Some of the major reasons identified by this research are ( 1 ) Lack of information ( 2 ) Lack of transparency in their dealings of payments (3 ) Spam in mail and (4 ) Low customer engagement.

## **RECOMMENDATIONS:**

### • **ENSURE A PROFITABLE MARKET :**

It is absolutely imperative that marketers should choose a market which has the propensity to attract a constant stream of people who are willing to spend money on products. It is important to understand the kind of information people are looking for and be provided with the same.

### • **DESIGN AN ALL- ENCOMPASSING MARKETING STRATEGY :**

A well crafted marketing strategy comprising effective mix of advertising , search marketing and social marketing can prove to effective in attracting attention of the customers and building a positive response

### • **HIGH CUSTOMER ENGAGEMENT :**

Another important recommended strategy is that customers have to be engaged at all levels to be effective. A page with an affiliate offer that ranks well with searchers in buying mode definitely translates into high customer engagement. The requirement is a trusted, authoritative site that offers strong content and plenty of links. Endorsements, referrals, a is a strong way to resell an affiliate offer, provided the audience values it and considers it as an important opinion.

### • **CHANGING THE NOMENCLATURE:**

A stronger recommendation has been that since there exists a common perception about affiliate marketing about its slow generation of profits and results , the word carries a lot of yucky baggage and hence it is better to rename it as “ Performance M marketing ”, in order to translate it into a partnership and garner much more media attention.

### • **SEARCH ENGINE OPTIMIZATION:**

Search engine traffic is a necessary requirement of affiliate marketing. It is therefore; require that marketers should perform SEO on their affiliates to get them ranked in the engines. Naturally, it will need to have good back links for the site to get high ranking in the Search Engine Ratings.

### • **SCREENING AFFILIATES CAREFULLY:**

Affiliates have to be well screened and chosen as it has a great impact in terms of word-of-mouth marketing. Testimonials, Experiences tend to create a trust factor which makes the future visitors to the site more comfortable in either joining the affiliate or buying the product. The products and services that a marketer chooses to promote can make or break the success of affiliate marketing.

## **CERTIFICATION & TRAINING:**

Affiliate marketing currently lacks industry standards for training & certification. Education occurs most often in “real life ” involvements, so companies must combine formal and informal training and brain storming sessions.

### • **START A NEWSLETTER FOR YOUR BUSINESS:**

After establishing a website, with great offers and content, it is also required to establish customer loyalty. A newsletter is one of the ways to remain in the recall mindset of your customers, informing them about the new products, innovation in services, R& D and business updates.

### • **LEGAL FRAMEWORK AND ACCREDITATION:**

One of the major apprehensions in the minds of the customers , as studied by this research, in joining an affiliate programme is absence of legal regulation ad guarantee of redressed. Lack of accreditation by any regulatory body and authority renders the exercise worthless and arises scientism in the minds of the consumers. Hence, a legal framework needs to be device to promote confidence and participatory motivation amongst online users.

Thus, we can conclude that affiliate marketing is a unique mechanism that offers unique opportunities to both affiliates and merchants. However, in order to succeed in this competitive scenario it requires skill, effort and creativity. An understanding of the target audience and designing strategies to win their confidence by innovative offers can go a long way in ensuring success.



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