

## **Affiliate Marketing in a Digital Environment:**

### **A Review**

Sonika Suman  
Birla Global University, India  
[sonika.dorado@gmail.com](mailto:sonika.dorado@gmail.com)

Basheer Ahmed Khan  
Formerly Dean School of Management, Pondicherry University, India  
[drmbakhan@gmail.com](mailto:drmbakhan@gmail.com)

### **Abstract**

*The current marketing environment is predominantly influenced and controlled by digital marketing what with the extent and depth of digital devices and digital enabled contents. It is in this environment, affiliate marketing has entered with considerable opportunities for entrepreneurs to participate, enhance marketing, improve profits and earn handsome return for the efforts. In the whole process, affiliate marketing focusses on the marketing efforts through deep performances of the affiliate marketer to earn highest possible commissions by driving traffic and generating revenue for a company. The ubiquitous nature of affiliate marketing emerged after the impacting digital solutions although the practice of affiliate marketing has been in vogue ever since the introduction of internet. During the early days of affiliate marketing, companies of products allowed claim for commissions every time the output of the company was seen by a click or an impression. However, tricksters tried to use software to generate unauthentic clicks or impressions to claim the commissions. Now, however, the systems have been changed by the companies to focus on the sales enhancement or the leads that can be obtained. As affiliate marketing has become an all-pervading practice, an effort is made here to understand the way affiliate marketing functions in the present days and also to explore the direction to which it heads.*

Keywords: Digital, entrepreneur, marketing, sales,

### **Introduction**

With the speed and quantum of expansion of digital marketing, a very profound support

system can be noted in the large number of affiliates working for the companies to market their products. The ubiquity of the affiliates is such that, companies are carefree in handing over the

responsibility of marketing to the affiliates by making appropriate arrangements to get things done through various parameters such as sales, leads and pay-per-clicks. These are indicators of the work done by the affiliates and commissions are paid to the affiliate for the services rendered. By entrusting the marketing function to the affiliates, the companies are able to achieve several benefits such as increase the reach of the company, boost the reputation, increase the website traffic faster, generate valuable leads, increase the sales, improve the turn over and enhance the profits. A brief statistical picture will show that Affiliate marketing is a \$13 billion industry. In 2022, it's expected to grow to \$21.8 billion. 75% of merchants use affiliate marketing as a form of marketing. 95% of affiliate marketers say that affiliate marketing is profitable. In 2022, it's expected that affiliate marketing will account for 10% of all eCommerce sales.

### **Objectives of the Study**

This study attempts to aim at the following objectives:

- i. To understand the nature and significance of affiliate marketing.
- ii. To understand the previous studies on affiliate marketing.
- iii. To draw inferences from the analysis of the issues relating to affiliate marketing.

### **Methodology**

For the purpose of the study, a descriptive analysis is used. Secondary data as available in journals, books and web sources are accessed and analysed.

### **Modus Operandi of Affiliate Marketing**

In the marketing environment of the present days, affiliate marketing is predominant and the affiliates are able to survive by generating their own revenue through helping the companies to sell while the affiliates do not sell products or services directly. What is important in the actions of the affiliates is the main contract between the companies which market directly and the affiliates which promote marketing indirectly based on the contracts. The terms and conditions of the contract will decide how the affiliates will be able to play it out and earn their revenue. The affiliates are expected to help the consumers to click and reach the producer or direct marketer and earn a return for the effort as also the lead the affiliate will give to the final consumers which will be converted to business. As affiliate marketing is a very interesting and impacting phenomenon of recent origin, many researchers have attempted to study different

aspects of affiliate marketing. Therefore, the literature on affiliate marketing is reviewed briefly hereunder:

### **Brief Reviews on the Affiliate Marketing Literature**

The inner workings of affiliate marketing and its impact on e-commerce in terms of the strategy for the ultimate representation in genuine pay for performance marketing was discussed (Duffy, 2005). All existing studies on affiliate marketing were reviewed (Dwivedi, YK; Rana, NP; Alryalat, MAA; 2017). A study on affiliate marketing abuse was carried out and it is pointed out that of the two approaches of marketing, affiliate marketing is frequently the more profitable option with fraudsters making quick money (Chachra,N; Savage,S, Voelker,GM; 2015). By using the internet, a seller can organize a network of affiliate organizations that refer to its website and thus become an important source of customer acquisition (Libai, B, Biyalogorsky, E.;2003). A participant in affiliate marketing network can have strategic considerations (Goldschmidt, S, Junghagen, S, and Harris, U;2003). Affiliate marketing is the next logical topic to tackle and needs to understand how to use and profit from the affiliate marketing programs (Brown, BC; 2009). Affiliate marketing is a prominent, contemporary type of performance-based internet marketing. It has a role to play in tourism industry as well and it determines the trust of the consumer (Gregori, N, Daniele,R, Altinay,L. 2014). Affiliate marketing, as it turns out is not easy with all the problems that are raised, but it is being considered in a general sense only while it has deeper implications. There are risks, information and incentives in online affiliate marketing (Edelman, B, Brandi, W, 2015). It is stated that all that glitters is not real affiliation. It has to be handled in a meticulous manner in an era of falsity. From BuzzFeed to You Tube and Twitch affiliate marketing programs have flooded Web 2.0 (Mangiò, F, Di Domenico, G, 2022). It is observed that affiliate marketing is a "performance based marketing, that is sent to the merchant", for an affiliate marketing program being the indirect mode to pay another party (the affiliate or publisher) a referral fee or a commission. (AV Salcu, AV, Acatrinei, C, 2013). A study on the perspectives of content providers was conducted and it was depicted how content providers like publishers and affiliates use the concept of affiliate marketing which is a performance oriented internet marketing. (Benediktova, B, Nevosad, L, 2008 ). It is observed that affiliate marketing fraud occurs relative to valid affiliate marketingactivities. It also provides an analysis of the costs and benefits of affiliate marketing (Snyder, P, Kanich, C, 2015). As social media activities of affiliates affect the results of the affiliate marketing, the social media data presents a more detailed picture of affiliate activities and performances(R Olbrich, CD Schultz of

Internet Marketing an, 2019 - inderscienceonline.com). A study of the potential of affiliate marketing was studied in the e-market of Poland. It provided the perspectives of affiliate activities on to the Polish e-market ( Mazurek,G, M Kucia, M, 2011). Travel and Tourism industry is one where influencers and indirect agencies play an important role. In the area of affiliate marketing, particularly as it relates specifically to the travel and tourism industry, a study provides the overview of affiliate marketing ( R Daniele, AJ Frew, K Varini,2009). An Affiliate Marketing model of Network simulation and testing environment was formulated where an "Advertiser" who sells products or services, which is usually an e-commerce site is treated as an "Affiliate" (Amarasekara BR, Mathrani,A, 2016). Network and revenue analysis of an affiliate marketing program in the travel industry was studied. Novel marketing strategies were noted (Rolim,LL, Simoes, JE, DR Figueiredo, DR, 2020) available affiliate programs, and showcasing affiliate marketers on how to start and design their own websites. There are steps that need to be taken to start affiliate marketing (TKH Pham, 2022). A critical look at Affiliate marketing was conducted throughout the semi-structured interviews as well as the data analysis to assist readers and Vietnamese Gen Z affiliate marketing agencies(N Luu - 2022). Social presence of an affiliate marketer in an online product photo, consumer's click through and sales was studied and the sales of the promoted offer in the affiliate marketing context. (M Michalik, R Kłeczek - Prace Naukowe Uniwersytetu, 2019) Affiliate Marketing for Entrepreneurs: The Mechanics of Driving Traffic to Enhance Business Performance was another study. It offered an affiliate marketing program say X affiliate marketing a link or a banner advertisement to an affiliate who became the indirect agency(S Dixit, H Kesarwani,2018). A study researched whether it was possible to see a positive significant effect in user activity with a change of the homepage of a website for the affiliate marketing company (JJ Hooman - 2022)

Marketing Performance Measurement: Justification and Operationalisation of an Alternative Approach to Affiliate Marketing was conducted(A Mariussen - E-review of tourism research, 2011) Affiliate internet marketing: Concept and application analysis was another study (M Ivkovic, D Milanov – 2010). An empirical study of affiliate marketing disclosures on YouTube and Pinterest was carried out. The investigation was on the growth of affiliate marketing over the years on these platforms. (A Mathur, A Narayanan, M Chetty, 2018).

Similar studies have identified several aspects of affiliate marketing from its utility to the marketing efforts to the challenges posed as a result of the fraudsters and tricksters who misuse

an available channel. Most affiliate marketing programs revolve around the sale of a product or service. That means affiliate marketers won't be compensated until a consumer makes a purchase. Further, in the case of a click system, the pay – per-click when the affiliate marketers earn based on web traffic. The affiliate marketers should present with engaging content that will redirect prospective buyers to a company's e-commerce store. Every time a prospective buyer clicks an advertisement or link, the affiliate marketing agency will be eligible for an remuneration. Providing lead itself is a great phenomenon of umpteen service providers and producers whose products are competing just based on product differentiation. The lead providers are influencers for the producers and sellers.

### **The Role Players in Affiliate Marketing**

Broadly, there are four groups in the process of enabling business. The producers of goods and services, the retail merchants or sellers, the consumers and the affiliate agencies. Thus, there are B2B, B2C, B2B, C2C. If the affiliates are treated as a separate group, then they are B2A, A2B, A2C, A2B and even C2A, where A is Affiliate, B is Business, C is consumers or Customers.

It can be observed that businesses of all nature and sizes can utilize affiliate marketing where the concern is to recruit as many clients as possible. Goods and services can run affiliate marketing. Solo entrepreneurs can also make use of this affiliate approach. To ensure business safety and elimination of fraud and trickery, there should be clear and strict contractual conditions and nothing should be left to exploitation by any one by anybody. Technology laws should be stringent to deal with such dealers of adware and spyware and the internet traffic should be safe and reliable. The parties should be ensured a reasonable incentive of commission depending on the deals and prices of products.

It is a matter of fact that the affiliates own several websites, social media channels, or email lists. They can be companies or influencers. Usually, they select products or services from companies they are affiliated with. Thereafter, they will run promotional material through banner ads, text ads, or links. They may also send these promotions to their network via email. By sending engaging promotional content such as videos or graphics, affiliates can encourage prospects to click on the advertisements. This will redirect them to the company's website. Depending on the agreed-upon terms, affiliates could earn from every click,

impression, or sale. The extent to which they are able to earn is based on the enterprises and enthusiasm of the affiliates through various methodologies used.

Consumers are mostly unaware of the fact that they are also part of an affiliate marketing program. The affiliates have to make their deal transparent to make the consumers know about it. The legal situation varies from country to country in this case.

The Federal Trade Commission mandates it in the USA for the full disclosure of affiliate links, which is inclusive of the links to Amazon product pages and other brand deals that may result in commissions. No Regardless of the value of the compensation, affiliate marketers are required to tell their audience that they may receive a commission from any sales deal.

### **Whither Affiliate Marketing- some insights on the future of affiliate marketing**

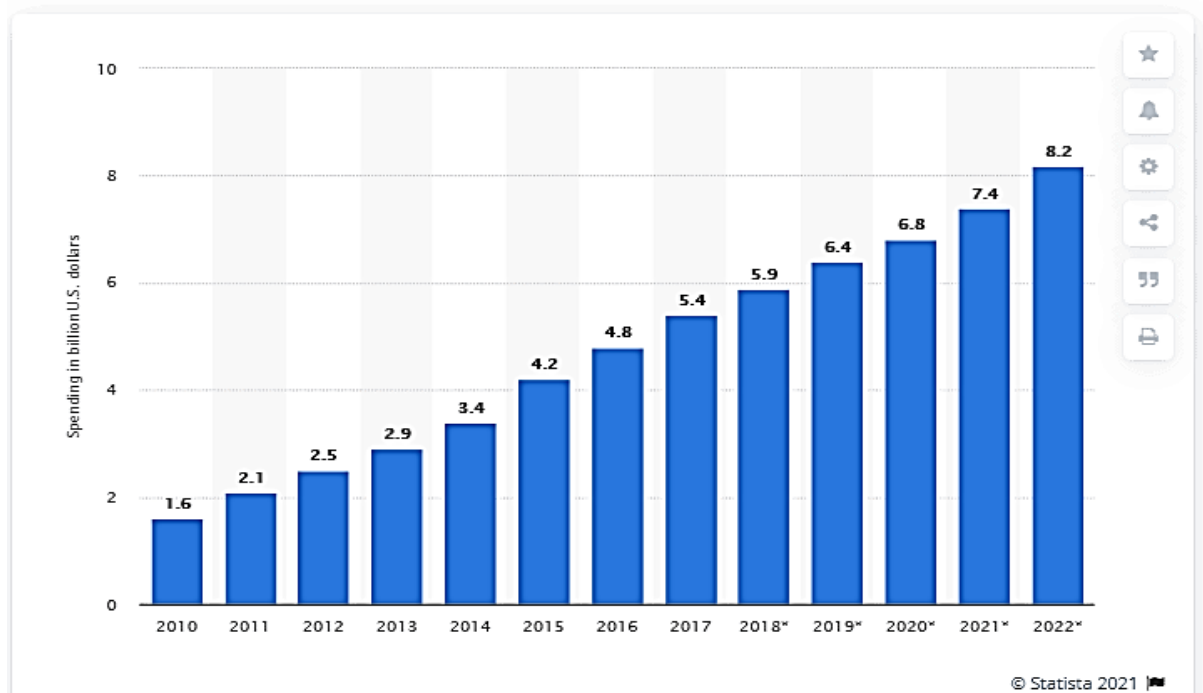
#### **Some insights for the future of affiliate marketing can be noted as follows :-**

With the information explosion, the consumers are at a loss to find out the next best products and services are available that can be within reach. Consumers are always on the look out for information on the internet. The digital world makes it possible to access content on the web about any topic one could think about. All one has to do is to ask the question to Google or YouTube by typing or even by oral question to Alexa. When question is googled, an answer appears and the content creator gets a commission for bringing a customer, one will get the right tools and parts, and the merchant can make a sale. That is Affiliate Marketing. Affiliate Marketing will always be there as this is the business model that connects the buyer, content creator, and merchant.

Online platforms like YouTube are full of helpful information on any topic one wants to know more about. And all that content in the form of blogs and videos is made by people who want to be occupied in the job. It is very interesting that affiliate marketing is one of the best and speedily growing business models in all the countries around the globe.

The graph given hereunder shows Affiliate Marketing spending in the United States from 2010 to 2022 in billions of U.S. dollars. It can be seen that from 2010, affiliate marketing has grown increasingly to an estimated 8.2 billion U.S. dollars in 2022.

## Affiliate marketing spending in the United States from 2010 to 2022\* (in billion U.S. dollars)



Source: Statista, 2021.

This graph clearly shows an increasing trend. Every year, more and more companies invest their money in Affiliate marketing, making it one of the fastest-growing industries worldwide. Further, the statistics shows that 16% of all orders made online are generated by Affiliate marketing. This is for all orders across the internet for food, clothing, services, products, etc. This is because of the business model that connects customers with the seller through the internet. A huge amount is paid out to the content creators and advertisers who receive a percentage of money from those online transactions every day. Regardless of the time, if a purchase is made through the affiliate link, a commission is rewarded and sky is the limit. It is so tempting and alluring, there are many who have made this a self-employment for themselves. Comparative risk is also less. Today, it is estimated that 81% of all brands worldwide are adopting Affiliate Marketing. Google Trends reports that searches for Affiliate Marketing grew by 44% in one year alone. Searches for Affiliate Marketing on Google from 2017 to 2018 grew almost by 50 percent. Further, Content created by Affiliate Marketers has grown by 175%.

## Conclusion

The use of internet in its varied forms is going to rule the world and the lives of all consumers and producers. So long as consumers and producers are two sets of parties separated and need to be brought together for mutual benefits, marketing agencies will rule the roost and, in such circumstances, affiliate marketing agencies will have their legitimate and very impacting roles to play. The future of affiliate marketing is going to be not only bright, but also throw up opportunities to everyone who can handle the digital technology and find out innovative ways to bring together the producers, merchants and the consumers through appropriate mechanisms. Affiliate marketing has not only come to stay, but also to surge ahead meeting the producer-consumer chasm through effective methods. However, as every system needs regulations in the best interest of groups and society, the technology laws should also find ways to address the various concerns of the individual consumers, merchants, producers and the affiliate agencies, which act as one unit or several sub units. The technology laws will address the concerns arising out of fraudsters and tricksters and provide confidence and stability of the affiliate marketing system.

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