

How value attribution will shape the future of affiliate marketing

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By Matt Swan, Client Strategist, Affiliate Window

The latest white paper from Affiliate Window's Strategy and Business Intelligence teams focuses on the issues surrounding attribution both in and outside of the affiliate channel.

Drawing on the major issues advertisers are grappling with and supported by real case study data, it offers guidance on how they should be measuring value and apportioning credit.

Introduction

Attribution remains a contentious issue within digital marketing. It provokes a great deal of debate about the best solutions for attribution modelling and how it should be implemented. Attribution is a fashionable buzz word and was mentioned countless times at the recent [Performance Marketing Insights Conference](#).

There remains a great deal of confusion around the subject and contrasting views on the best attribution solution and, indeed, if it should even be considered at all.

In this white paper, we revisit some of the data we have been showcasing over the past four years as well as update on some of the latest modelling trends.

Additionally we investigate some of the misconceptions associated with attribution when looking at customer journeys – both in terms of within the affiliate channel specifically, as well as in more complex cross channel paths to conversion.

Finally we look at additional ways in which advertisers can tackle attribution, including metrics that go beyond the actual conversion and also reward the influence higher up the purchasing funnel.

Why Advertisers wish to attribute

Attribution modelling allows advertisers to understand each of the individual touch points that are involved within a customer's path to conversion and how they interact. The ultimate goal is to

ensure that marketing budgets are invested effectively to generate an increased ROI. An attribution model allows advertisers to gain insights into cross channel user journeys and presents opportunities for them to invest in key areas.

From an affiliate channel perspective, advertisers wish to gain an understanding of how different affiliate types are interacted with. They may also want to reward publishers that are involved within the customer journey who do not earn commission based on the standard 'last click wins' model.

It is important that advertisers look at an attribution strategy that covers all online channels rather than merely focussing on attribution within the affiliate channel.

What are the most common attribution models?

There are various attribution models that advertisers may look to implement.

Single Click – single click is the most common form of attribution used by advertisers. Traditionally and still most commonly this is the last click. With affiliate marketing being founded on a last click wins model, it is not surprising that affiliates are experts in converting sales. Single click attribution models could also be focused on rewarding the first click: the click that initiated the sale.

Multi attribution – multi attribution looks to attribute sales to the various touch points that are involved within a transaction. For example, if there are three affiliate touch points within a transaction, an advertiser may wish to split commission across all three. This could be split evenly or weighted in some way e.g. 30% to the first and middle touch points and 40% to the affiliate that converted the sale.

Value attribution – value attribution looks at additional elements beyond simply the click. With a click being an arbitrary measure, it is difficult to know the quality of the click and which one held the most influence over a transaction. Value attribution can look at what happens after the click (lifetime customer value, churn rates etc) as well as influence (the involvement in a customer journey prior to conversion). Value attribution is a model that we highly recommend and is covered in more detail within this document.

Confusion between attribution and de-duplication

When discussions around attribution arise, there seems to be a lot of confusion between attribution and de-duplication. It is important to point out that these are two completely different topics.

De-duplication is a process for attributing a sale to one online marketing channel on predefined conditions; these conditions will decide which tracking tag is shown at the confirmation of sale page. It is important to note that de-duplication is NOT an attribution solution, rather a way to have a

clearer idea on the channel that ultimately delivers a sale as well as ensure marketing costs are effectively utilised.

Some technology companies have pushed their business propositions as a route to attribution when in reality all they recommend is de-duplicating between channels. All advertisers should have de-duplication policies that are transparent and proportional.

As outlined previously, attribution modelling is a tool to understand each of the individual touch points within the customer's path to conversion. The aim is to provide insight into how to spend marketing budget most effectively rather than offer split commissions to each involvement within a transaction. Attribution modelling allows advertisers to understand the typical customer journey and presents opportunities for them to improve and invest in key areas.

You can read more about de-duplication within the channel [here](#).

Problems with Attribution

There are a number of issues that arise when discussing attribution modelling. Firstly it is important that an attribution strategy is considered across all digital channels. This in itself throws up complications as all channels are paid for in different ways, some just on outcome (affiliate channel) some regardless of outcomes (PPC, Display) so to compare all channels in the same way ignores the various commercial models that are in place.

In other words there is a significant 'free' element to affiliate marketing, unique to the channel that is often ignored when assessing influence.

It will always be necessary to assess influence and contribution, even if a channel is not credited with a sale on a last interaction basis. Clicks are an arbitrary measurement: what happens beyond the click is equally if not more important.

Additionally, within the affiliate channel, attribution can have its own complexities. Attribution models that involve multi-attribution can be difficult to roll out and require manual implementation. It is also problematic to implement for some promotional types. For example cash back, loyalty and reward sites need to know a commission amount they will earn for a sale in order to pass this on to their members. If there is a multi attribution model in place, it is impossible to be transparent with their members.

Furthermore, with consumer behaviour evolving and customer journeys becoming increasingly complex, we are now also faced with the challenge of the path to conversion taking place over multiple devices. Currently there is no cross-device tracking solution so if we are unable to see the full customer journey across multiple devices, how can we expect to attribute sales effectively?

With Affiliate Window currently tracking 35% of clicks at weekends through handset and tablet devices this demonstrates the shortcomings of any current digital customer journey data.

Better ways to look at attribution

While advertisers and agencies have placed a lot of emphasis on developing attribution models to understand the customer journey up to the point of conversion, one significant piece missing from this is what happens after the conversion? How valuable are the customers that are being driven by each online channel? An advertiser's own internal KPIs will determine the metrics that constitute value. For example this can be the generation of new customers, increased life time values and low churn rates.

Affiliate Window is a major advocate of value attribution. The process of understanding what has happened beyond the purchase and the channels that have been instrumental in driving valuable customers. By looking at the value driven beyond the last click, it is also possible to look at additional/alternative payment models to reward publishers for the customers they are driving.

Additionally, advertisers could be looking at the publishers that are adding value earlier in the customer journey. For example, content or comparison sites could be involved in a significantly higher proportion of sales than they are credited for on a last click basis.

To reflect the value they deliver earlier on in the path to conversion, they could be paid a higher CPA to recognise the sales they have contributed to, or there could be a tenancy agreement in place. Again this would reflect the value and the role the publisher plays higher up the conversion funnel. This will also negate the need to split commissions based on the publishers that were involved in the transaction.

We have analysed a significant volume of advertiser data involving millions of clicks, thousands of transactions and hundreds of affiliates to understand the value generated by the channel as a whole as well as the individual publishers that operate within the channel.

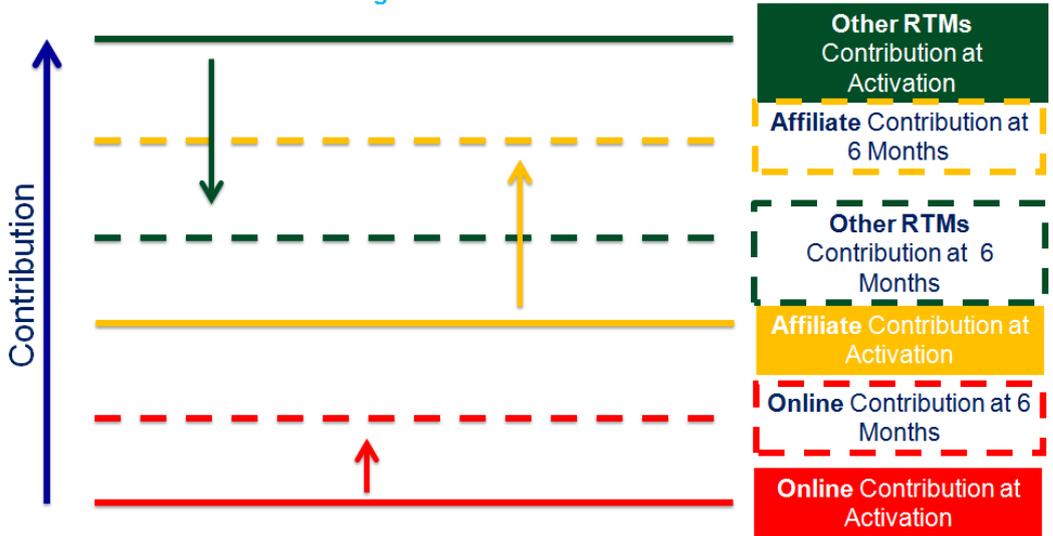
Our work with a leading telecoms provider, who remains at the forefront of the industry regarding the data they have published, has been well documented over the past couple of years.

They found that the affiliate channel outperformed their other routes to market in terms of the metrics they apply to determining a valuable customer.

For this advertiser, a valuable customer is one that remains loyal to the brand for a long time and takes out additional products that they offer. For example, the ideal customer will have TV, Talk and Broadband as well as taking out all additional channels as well as subscribing to their HD proposition.

Quality

Affiliate contribution is strongest over time vs. Online & other RTM's

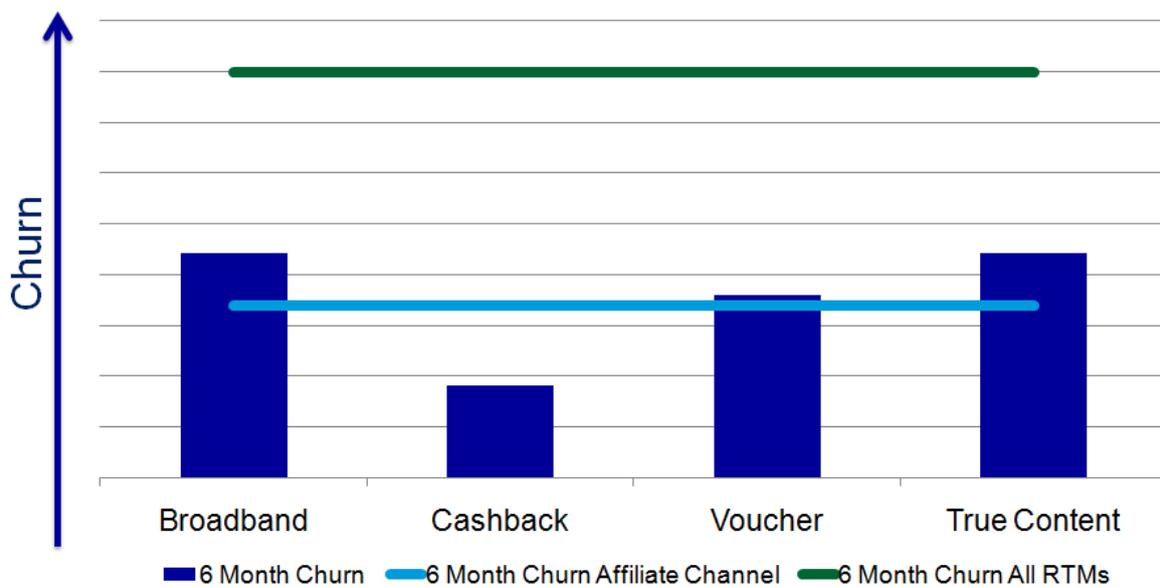


The chart above shows that over time, customers referred through the affiliate channel go on to spend more with this advertiser than their other routes to market both online and offline.

Additionally, the chart below shows that customers that came through the affiliate channel are less likely to churn, especially those that have transacted through a cashback site.

Value

How valuable are the sales that affiliates drive?



By understanding the publishers that are generating the most profitable customers, commission rates can be offered to reflect this value.

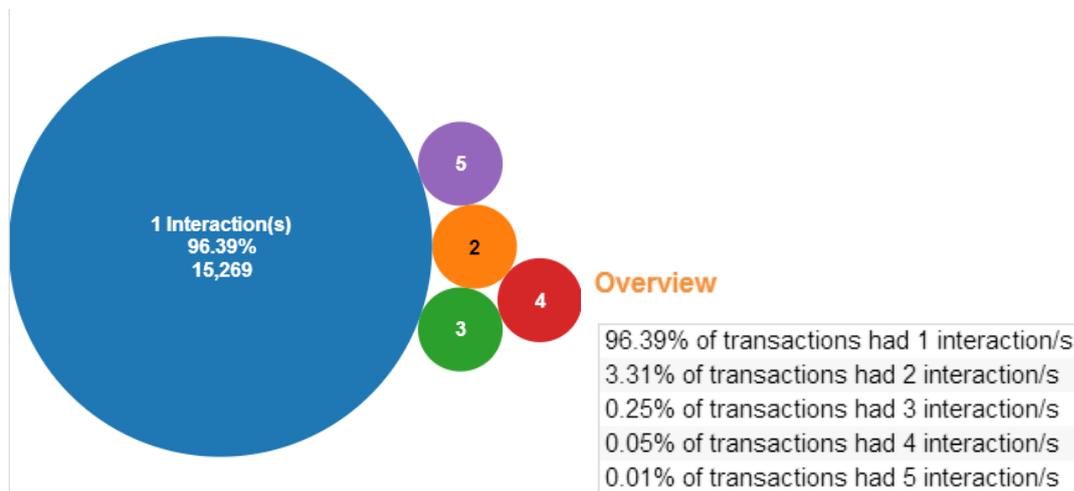
For further reading on the concept of value attribution, [here](#) is an excellent article on the topic by SMG's Owen Hewitson.

Dispelling the myths of cookie overwriting

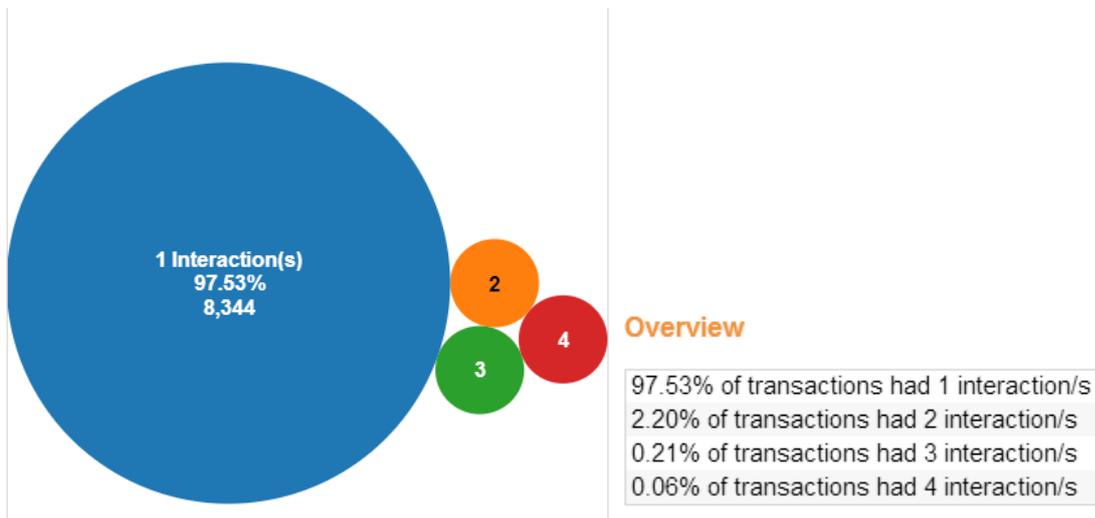
A lot of the discussions about attribution modelling within the affiliate channel have been borne from some common misconceptions, the most popular being that there are numerous affiliate touch points involved in each customer journey. Having analysed significant volumes of client data (both affiliate channel specific and across all online channels) this has proven to not be the case.

The following charts highlight advertisers across different sectors, showing the number of affiliate interactions involved in each sale. The vast majority of sales only have one affiliate interaction and typically the volume of multi interaction sales is minimal.

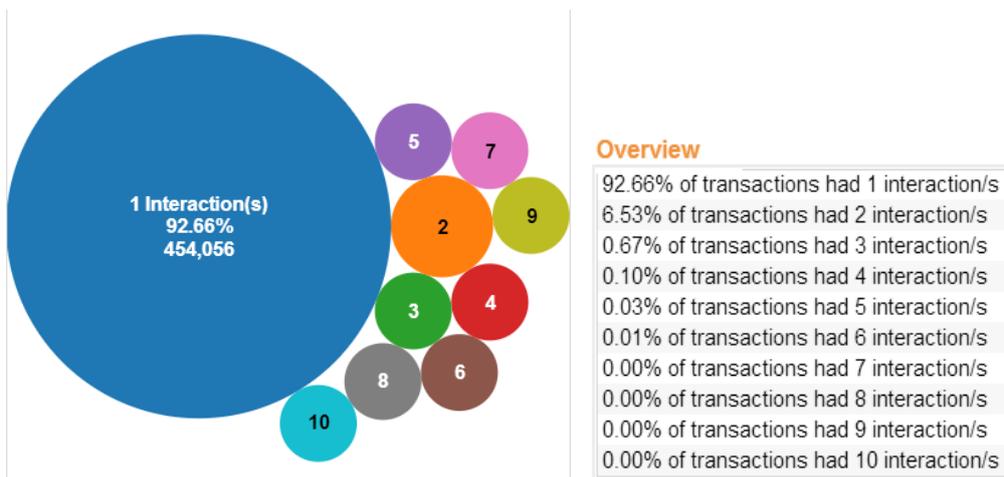
Travel – for an advertiser in the travel sector, 96.39% of transactions only had one affiliate referrer. The highest number of affiliate interactions in any one sale was five.



Telecoms – Similarly an advertiser within the telecoms sector saw 97.53% of transactions with only a single affiliate referrer and the maximum number of affiliate touch points was four.



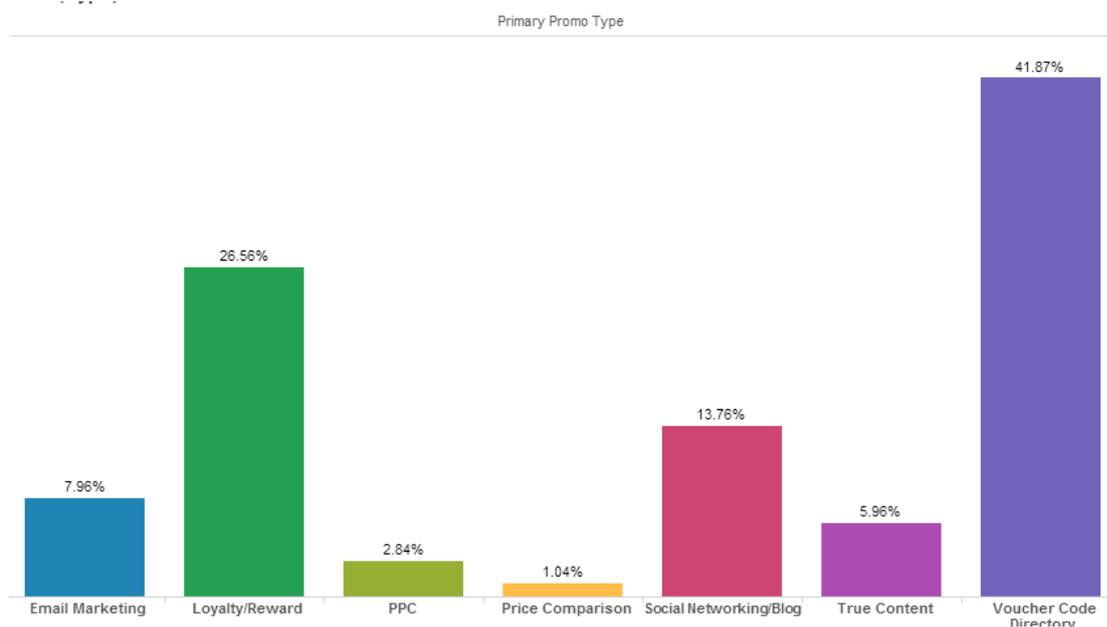
Retail – We typically see more affiliate interactions within the retail sector, however, the vast majority of transactions still only have one affiliate referrer. The retailer below saw that were sales with as many as 10 affiliate interactions yet these were minimal. The vast majority (92.66%) only had a single interaction.



We always caveat our click path data in the absence of cross-device tracking stating that it needs to be treated with caution and alongside additional insight. It is worth bearing in mind, however, that our click path data has consistently shown over the past four years very heavy weighting to single interaction affiliate sales, underlining that, within the channel, consumer journeys aren't as complex as many assume.

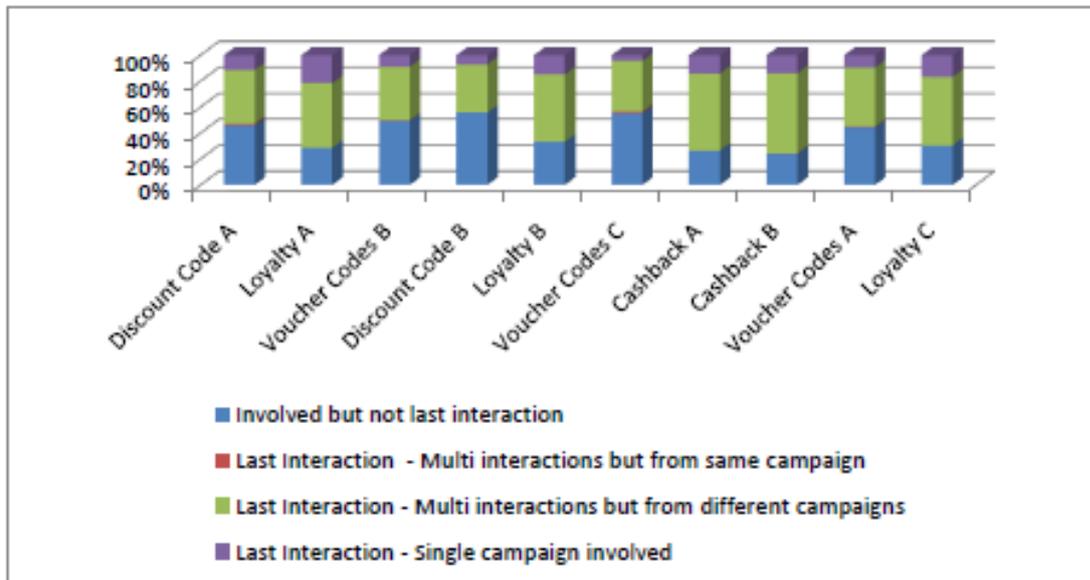
Another common misconception is that incentivised traffic typically overwrites other affiliates. Again, looking at the data this is minimal. Not only is there a relatively low proportion of sales that has more than one affiliate interaction, but when there is more than one affiliate involvement it tends to be the same promotional type that is being overwritten. For example it is likely to be a consumer that is comparing voucher code or cashback offerings across more than one site.

Looking at the data for the retail advertiser mentioned above, voucher code sites overwrite other voucher code sites 42% of the time and loyalty/reward sites a further 26.5% of the time.

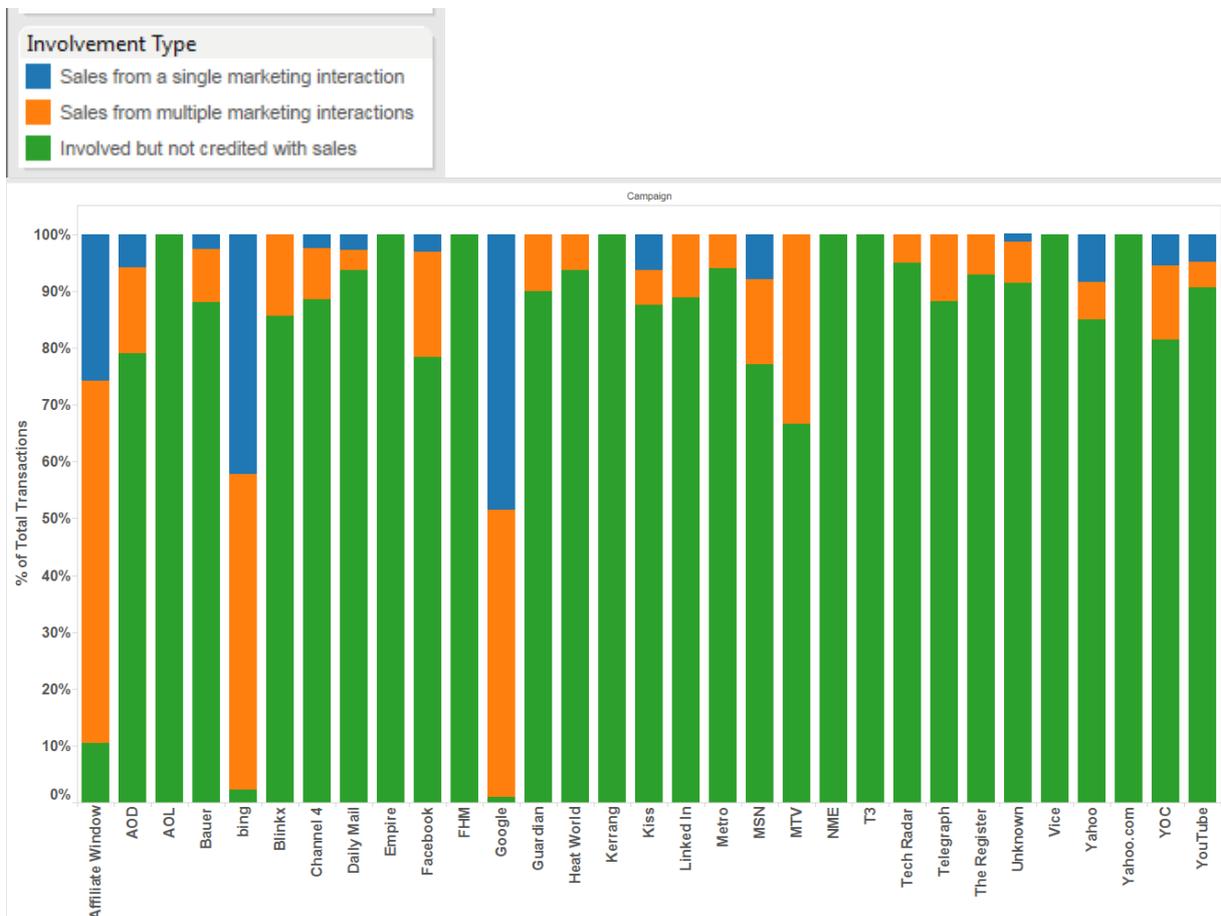


Extending this beyond just the affiliate channel to look at multichannel customer journeys it is again evident that incentivised sites are not just overwriting other publishers/channels and have high levels of single interaction sales. This goes a long way to prove their value in driving incremental sales – i.e. the conversion would not have taken place had it not been for the incentivised site.

The following chart looks at the incentivised affiliates across a fashion advertiser and there are a number of transactions where they are the only touch point within the customer journey. There are also a number of sales that these sites have been involved in but were not the final interaction – reiterating the point they are also influencing customers earlier on in the customer journey.



Additionally, the cross channel data from a telecoms advertiser also indicates that there are more single interaction sales from the affiliate channel other than those delivered by the two major search engines.



With limited overwriting of cookies within the affiliate channel/cross channel customer journeys, is the clamour for complex attribution models totally necessary?

Summary

Attribution modelling is a complex issue. While a number of advertisers are looking towards complicated multi-attribution models, these are not required.

The measurement and subsequent value placed on any one click is arbitrary and does not necessarily reflect value. There are a number of metrics that can be considered to ascertain the value provided for each online touch point. By looking beyond simply the path to conversion to what happens post conversion, advertisers are able to tweak their commission structures to reward the publishers that are driving valuable customers.

While there are a number of theories that would suggest complex attribution strategies are required, a number of them are proved to be misconceptions having analysed significant volumes of client data – both in terms of the affiliate channel specifically and wider cross channel data provided by our advertisers.

With the change in consumer behaviour and the switch to mobile devices, attribution is becoming increasingly challenging. Customers are no longer using a single device and are instead completing their customer journeys across multiple devices. We can't claim to attribute sales effectively on a pre conversion basis if we are unable to track these customers across devices. The post conversion data that is readily available and utilised within a value attribution model can be invaluable.

If you would like to speak to us in more detail about attribution or would like help in analysing cross channel data, please contact strategy@affiliatewindow.com

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About Affiliate Window

Affiliate Window is the UK's largest affiliate network, delivering performance marketing campaigns for half of the UK's largest brands. Consistently acknowledged as the affiliates' choice of network we seek to offer ethical, transparent and incremental sales for our clients.