



affiliatewindow
part of the zanox group

CONNECT

2016

A WHITEPAPER FROM
AFFILIATE WINDOW

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INTRODUCTION

The telecoms industry has a proud heritage for driving the greatest innovation in the affiliate channel.

With big budgets to spend, sophisticated customer insights and accounting for a significant slice of online revenue, telecoms affiliate programmes drive best practice that inform and educate the wider industry.

It's a sector that Affiliate Window has a longstanding and deep understanding of. Having had the privilege of working with some of the largest telecoms companies for over a decade, the network has witnessed the growing sophistication of affiliate strategies and best in class application. In turn network clients O2, BT and Vodafone have all been recognised over the years for their best in class approach with industry awards and plaudits.

The insights gleaned from these individual programmes now shape the general tactics employed by account managers in driving the sector forwards. Connecting consumer journeys together, both before and after the transaction remains the goal. Understanding which affiliates can drive which type of customer in order to both create individual marketing plans and optimise spend, requires joining datasets from the network, advertiser and affiliate. It's something the sector has always led the way at and continues to expose new and interesting insights that are shaping future campaign strategy.

In this whitepaper we want to explore some of these insights and touch on some of the latest tactics and trends that brands are tapping into to drive their campaigns onwards and upwards.

NETWORK TRENDS

Broadband

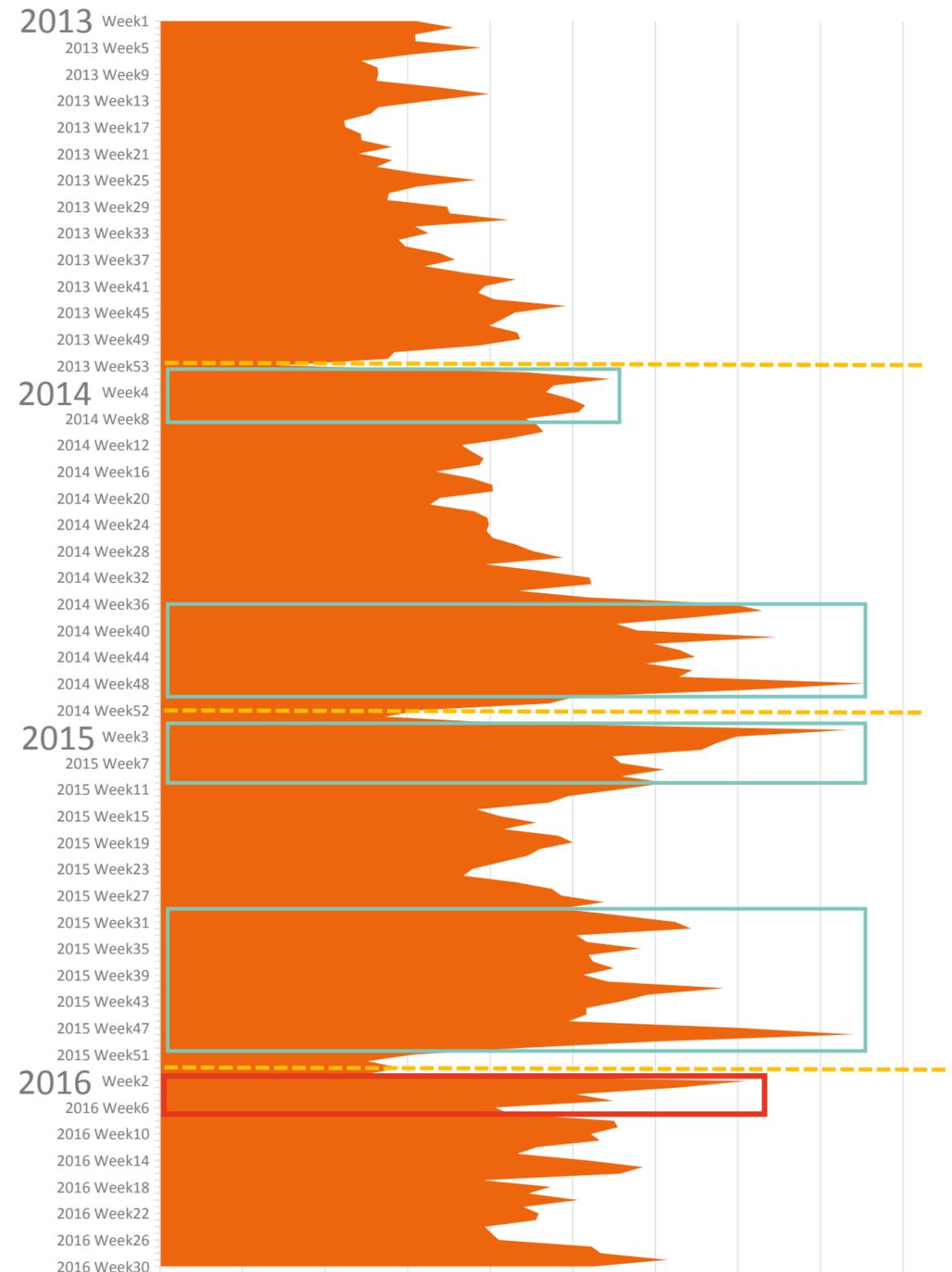
The following chart considers the growth in broadband sales across the network from 2013 to date. While we have seen strong growth within the sector, seasonal peaks have become more pronounced.

Traditionally we have seen peaks in Q1 and Q4 as highlighted. With more advertisers in the sector looking to benefit from Black Friday and offering exceptionally strong deals, Q4 peak was further pronounced in 2014 and 2015.

2015 saw a particularly strong Black Friday (more on this later) and this has had a knock on impact, creating artificial seasonality. While we saw strong performance continue in Q1 2015 following a strong Q4 in 2014, there is a clear drop off in the equivalent period a year later. The activity that would have previously occurred in Q1 has been shifted back to the pre-Christmas period with consumers taking advantage of the deals that are offer on Black Friday.

Advertisers have the opportunity to alter this seasonality further. By offering customers renewal deals before Black Friday, the shift in trade could be moved further forward. An effective retention strategy would mean less switchers and a less pronounced seasonal trend in Q4.

Broadband Trends Artificial Seasonality



Mobile Trends

As we see with broadband, there is also artificial seasonality associated with mobile handsets. Again we typically see strong performance in Q1 and Q4 but there are additional peaks associated with new handset launches – most typically when the new iPhone is launched each year.

Additionally, consumer behaviour has been responsible for changing trends. While at one time consumers would typically be tied into long contracts to get the best deals on handsets, they are moving to contract sim only (SIMO) deals. This has enabled consumers the option to mix handsets with tariffs as they see fit and the flexibility to upgrade when they like.

Two new entrants into the SIMO market in Q3 2015 saw the switch to SIMO accelerate further and they now account for over 40% of market share between them.

These new entrants have helped to grow the market overall, seeing a 190% year on year uplift for the first half of the year vs 16% for the same comparison for Contract Handsets.

CONTRACT HANDSET MARKET HAS

GROWN
+16%

(H1 2015 VS H1 2016)

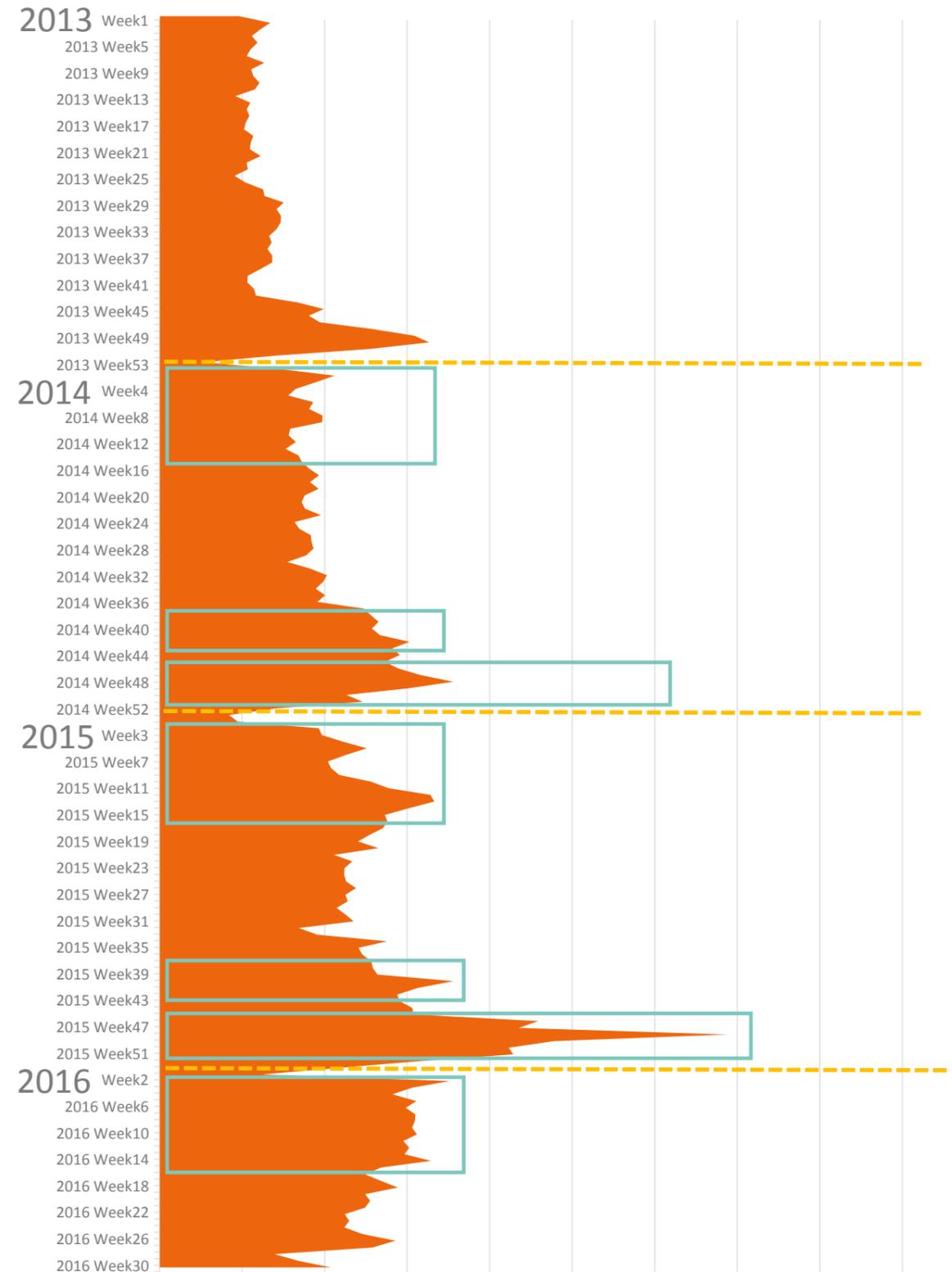
CONTRACT SIMO MARKET HAS

GROWN
+190%

(H1 2015 VS H1 2016)



Handset Trends Artificial Seasonality



If you're an advertiser

- Look to remove customers from the market early. Try and retain them before the Black Friday peak sees customers switching for the best deals
- Or try and upsell to customers to tie them in until later in the year

If you're a publisher

- Segment customers by renewal date to run some custom retention activity. Request bespoke offers for these customers and test the incrementality of this activity by having a control group. Ask the advertiser for the churn rates of each group to see how successful the offer has been

THE ROLE OF MOBILE AS AN INFLUENCER

The mobile handset trends lead us to consider the role mobile commerce has played within the sector. With over 50% of traffic across the network now originating from a mobile device, it is evident that consumer behaviour has evolved and there is a need to move away from a single device view.

According to Google as many as two in every three sales involve consumers switching between different devices and platforms to research and then make their purchase. We only need to think about how we shop to appreciate how we often use a mobile device when first researching a service or product, possibly on the move or with a view to finding out more later on in the day, or completing the purchase in a more relaxing, considered setting later on. Technology may have made this process seamless, but from a marketing point of view, tracking these interactions presents an obvious headache.

The desire to understand how these journeys have developed within the affiliate channel was a key motivation for Affiliate Window's big release of 2015: cross device tracking.

We felt that if advertisers could understand increasingly complex consumer journeys and how affiliates contribute at different stages, across different platforms, this would shape how we work with affiliates. If for example the data shows an influential blogger is able to generate initial interest in a product range to certain consumers on a smartphone that ultimately drives them to purchase on a desktop later at work or tablet at home, then we can work more intelligently with that affiliate.

When a consumer logs in on a device we create a digital footprint that identifies the consumer based on their encrypted email address. We store that and then match that footprint when the same consumer logs in elsewhere. Over time we build up a picture of the user through completely anonymised data. That information allows us to stitch their journeys together from initial interest to purchase.

One of the benefits of Affiliate Window's position in the market is that by working with so many advertisers large and small, we can build a significant database of anonymised profiles. Since cross-device launched the network has tracked over **40m** users in the UK.

Unlike Display companies who will use this information to retarget and remarket consumers, Affiliate Window is able to offer more informed commission attribution not to mention greater sophistication in assessing the wider contribution affiliates make beyond last click. We are also able to see some other interesting trends:

Customer journeys are longer than first anticipated

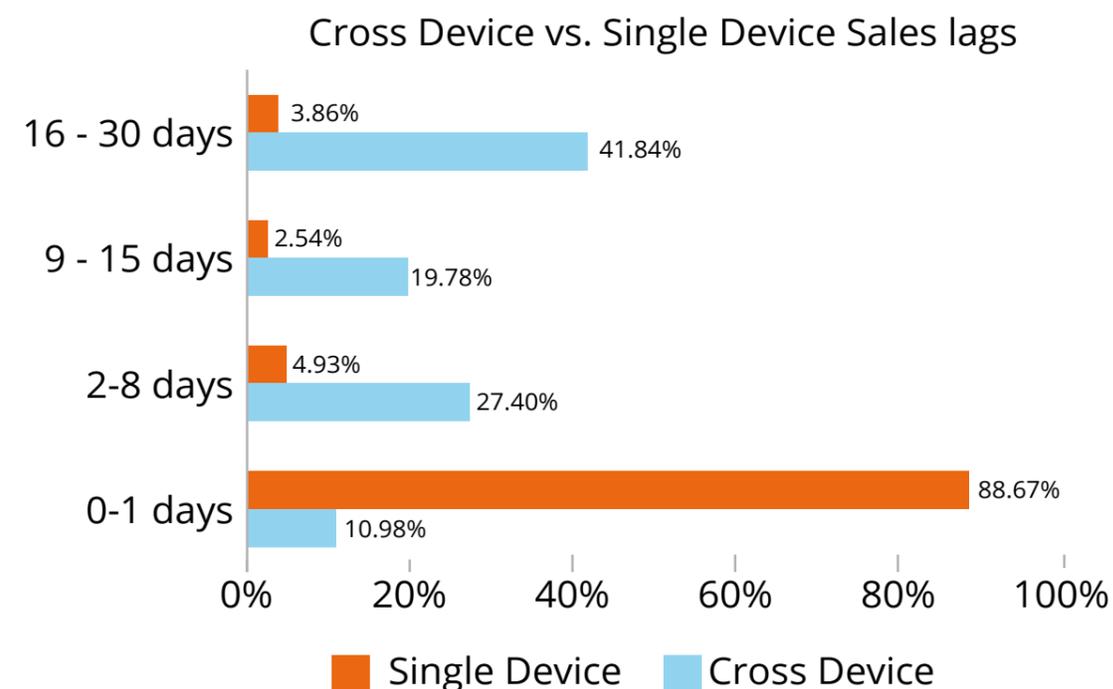
Affiliate cookies are typically set at 30 days (meaning a click recorded at the start of the month could still trigger a sale at the end of it) but when we look at the data we're used to seeing for affiliate programmes across one device, we see more than three-quarters of sales occurring within a few hours of the click being recorded. This information has been used to cut cookie periods in the past.

42%
OF CROSS DEVICE
TRANSACTIONS CONVERT IN
**THE FINAL
TWO WEEKS**
OF A 30 DAY COOKIE WINDOW 

The following chart below considers what the data looks like for a telecoms client when we consider transactions that occurred on a single device, versus those that were cross device. Almost 90% of single device transactions were converted within a 24 hour window. If we look at those transactions that occurred across more than one device, just 11% of all cross device sales converted in the same timeframe.

Almost 42% of cross device transactions converted in the final two weeks of a typical cookie window compared to just 4% of single device transactions.

With cross device tracking indicating that customer journeys are significantly longer than previously thought, should we be considering increasing cookie lengths across the channel?



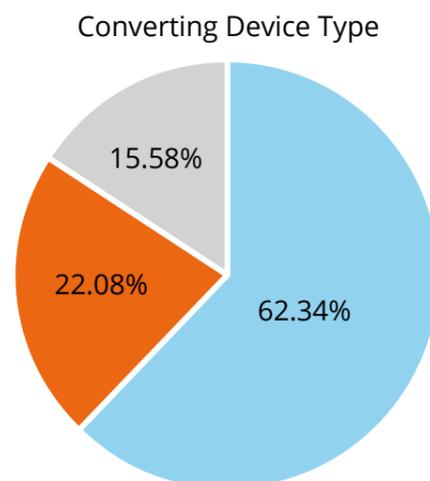
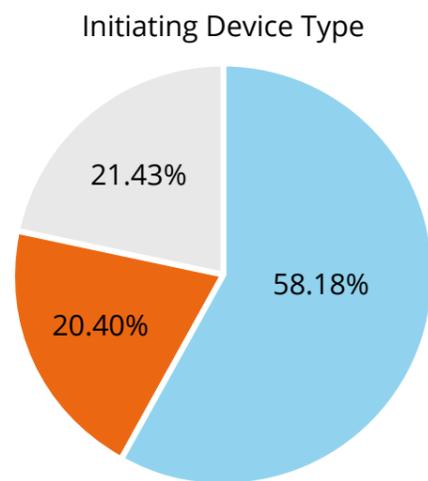
Mobile plays a key role in initiating sales but desktop is still the preferred converting device

Cross device tracking has also enabled us to understand the device types that are initiating and converting multi device sales. The next charts consider the initiating and converting device of cross device sales within the telecoms sector. 42% of sales start on a mobile device while 38% of conversions are on a mobile device.

42%
OF SALES START ON A MOBILE DEVICE
WHILE
38%
CONVERT ON A MOBILE DEVICE

Perhaps surprisingly it is tablet devices that are more of an initiating than a converting device - 21% of transactions started on a tablet compared to 16% converting on a tablet device.

Desktop is the biggest winner in multi device sales – converting 62% of sales while initiating 58%.

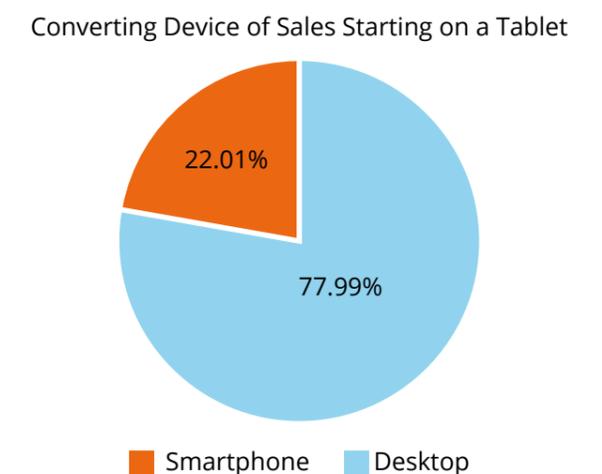
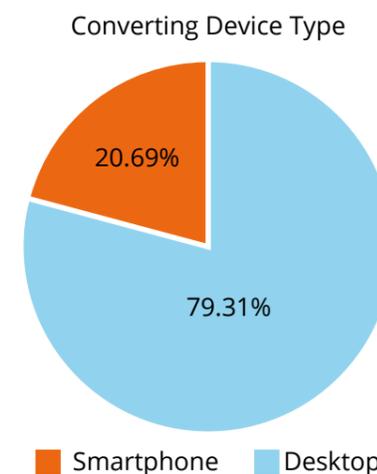


Smartphone Desktop Tablet Smartphone Desktop Tablet

It has also been possible to see the device types that are typically converters in journeys that began on a mobile device.

Again we can see the role that desktop has as a converter of customer journeys that began on a mobile device. 79% of customer journeys that started on a smartphone converted on a desktop while this was 78% for tablet.

This data set excludes cross channel transactions that are initiated and convert on the same device.



ALMOST 80% OF CUSTOMER JOURNEYS THAT START ON A SMARTPHONE CONVERT ON A DESKTOP

By enabling cross-device tracking, not only are we beginning to get a better understanding of the influence of mobile devices, but we are also seeing how mobile first companies can make an impact on the affiliate channel; something that hasn't particularly happened before now.

If you're an advertiser:

- Speak to us about cross-device. Affiliate Window plans on rolling out the technology to more than half of the network's advertisers in 2016
- Understanding which affiliates will see a boost in cross-device sales will help show who is helping to influence sales earlier in the sale journey
- Ask your account contact which affiliates are over-indexing for cross-device sales
- Remember to think about a sensible de-duplication policy

THE ROLE OF INFLUENCE

One of the reasons affiliate marketing remains so popular is because it drives conversions. Think about how the best known affiliates, the cashback, loyalty and reward as well as the voucher sites have done so well at pushing customers to claim an incentive in return for buying from them.

This has helped boost their conversion rates, often well into double figures.

Clearly affiliate marketers have to be expert converters; if they're not they can't build sustainable businesses. But what has become apparent in recent years is the affiliates that advertisers crave the most often record poor click to sales rates with an obvious impact on their earning potential.

One way you can measure this is to compare the amount of sales an affiliate 'influences' but doesn't convert. This information, available for all affiliate programmes, is found in the Affiliate Window dashboard. It typically shows what is happening within just the affiliate channel (in other words how affiliate traffic influences other affiliate traffic), but some advertisers are also tracking other channels they use (such as Email, Display or Paid Search) and this information can be seen in the 'Assisted Other Channels' column of the dashboard.

By tracking this additional data Affiliate Window is able to provide further insights and build a wider understanding of how affiliates influence outside of the affiliate channel.

The following chart considers a major advertiser within the telecoms sector who is tracking other channels. In this we assess how effective affiliates are at converting their own traffic and how this compares by affiliate type. Essentially, if the figure was 100%, the affiliate would have converted every transaction they were involved in and would earn commission on each sale as a result. A figure of 50% would mean half of all sales they registered a click for didn't lead to a conversion pay-out as another affiliate, or indeed channel, claimed it.

This chart considers the affiliates that have the highest share of 'influence' (transactions they were involved in as influencers + the number of sales they converted) across various promotional types. It also looks at this within the affiliate channel and how it compares when we look at the data set across all channels.

Cashback sites are typically expert converters. With their business model incentivising consumers to convert, it is not surprising to see that they typically convert a high percentage of sales they are involved in. This is especially true when considered just in the context of the affiliate channel. However, when we look outside of the channel, both sites are also converting around 80% of the sales they are involved in. This is significantly higher than the other promotional types and shows the strength of cashback sites as converters. Additionally, the vast majority of the sales that cashback sites are involved in, they are the sole interaction. This is a clear indication that cashback sites are the first port of call rather than merely an afterthought.

Content site A shows that while it is effective at converting traffic when just interactions within the affiliate channel are considered, in a multichannel view, they are often influencing sales that are converted by another channel. The share of sales they are involved in that they have converted drops from 90% to 35%.

————— WHEN EXTERNAL CHANNEL DATA WAS CONSIDERED —————

A CONTENT SITE SAW THE SHARE OF SALES THEY WERE INVOLVED IN THAT THEY CONVERTED DROP FROM

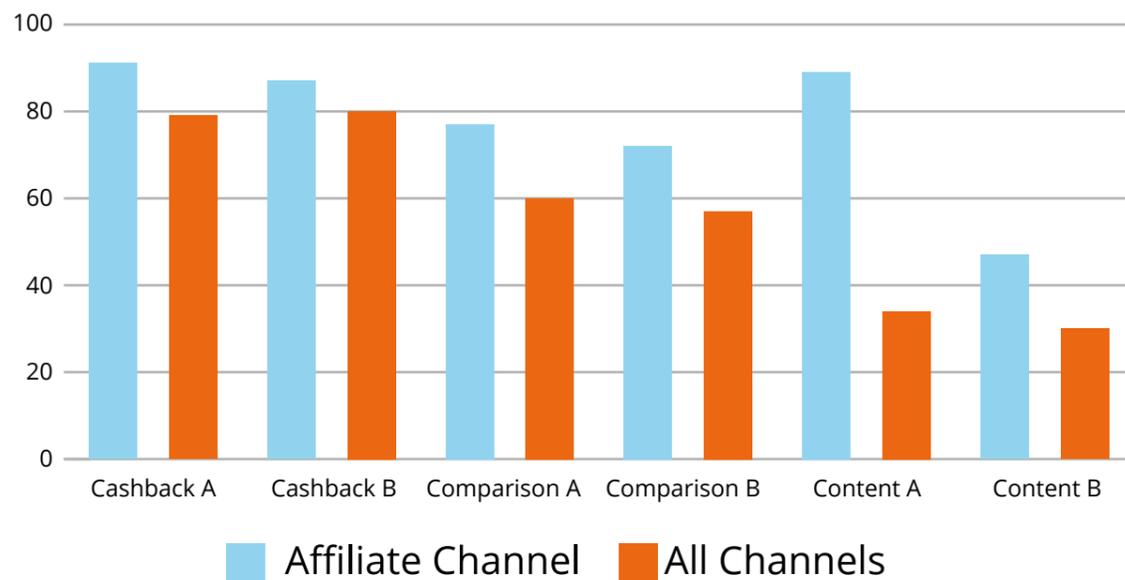


90%
— TO —
35%

What is important to consider is an affiliate's position in the purchase funnel. Typically we see many poor converting affiliates are influencers with exploratory traffic, much of it driven by mobile handsets. Therefore we need to be clear that while the traffic may convert poorly, it is not poor quality, simply it does a different job in providing consumers with information earlier in the purchase cycle.

While a number of advertisers will have tenancy payments in place for their key affiliates, payments for influence is another tool available in order to reward affiliates for their contribution with the customer journey.

Share of Sales Involved in Converted

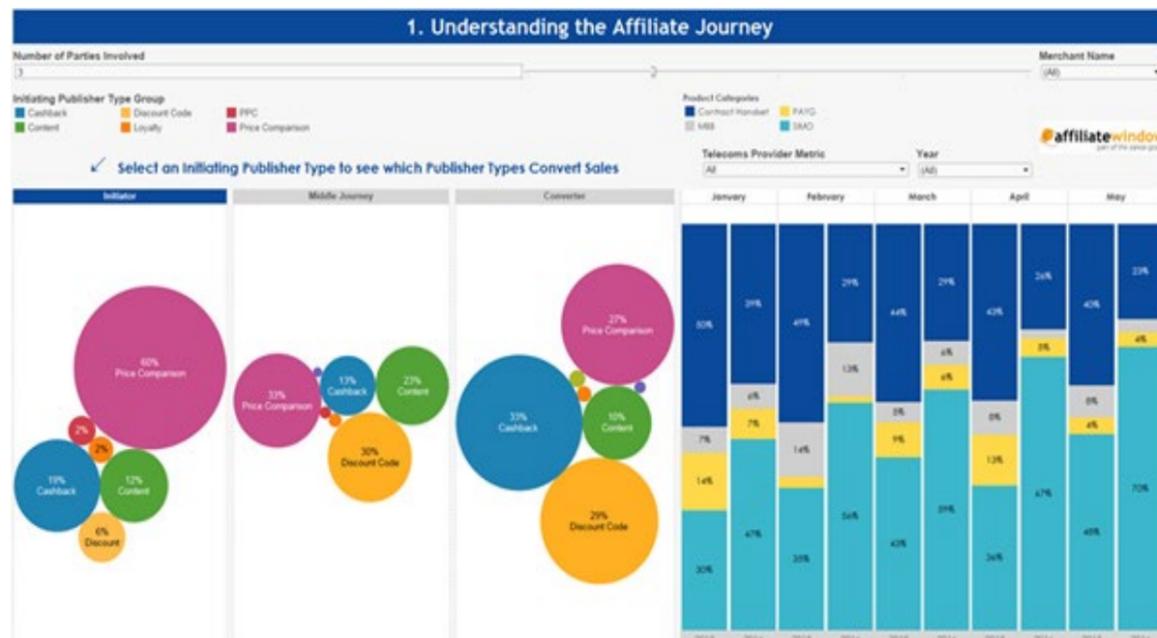


FURTHER EXPLORING IN CHANNEL INFLUENCE

We've taken a further look at customer journeys within the affiliate channel. This considers a range of mobile advertisers and looks at the promotional types of publishers involved in each stage of the customer journey. This takes a look at the transactions that had three affiliates involved in a transaction so we can identify the initiator, middle touch point and the converter. The data set also includes product categories to see if the type of journey has an impact on the products purchased.

Typical journey - mobile

Customer journeys typically start on a price comparison site (60% of all transactions). The middle touch point is made up of varying affiliate types and in 33% of transactions this is also another price comparison site. The converting promotional type in a typical journey is also fairly mixed. Incentivised traffic sources that are primed to convert (cashback, discount code) drive the most conversions, with 33% and 29% respectively. Price comparison sites also play a key role as converters with 27% of sales converted by a price comparison site. While Q1 2015 saw contract handsets being the dominant product, this has since switched to SIMO deals, with 70% of all transactions for SIMO in May 2016.

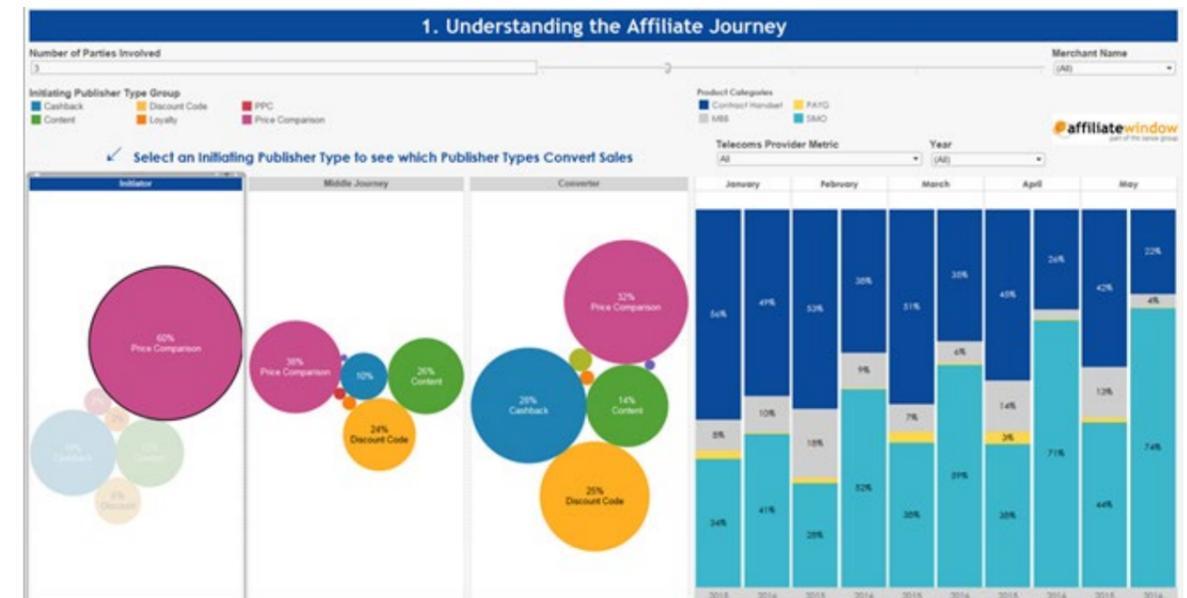


Journey Initiated by Price Comparison

By focusing just on the 60% of sales that began on a comparison site we can see how the customer journey changes. The middle click is more likely to be another price comparison site or a content site, showing the consumer is very much in the research phase of their journey.

There is a slight drop in the share of middle interactions for both discount code and cashback sites. Additionally, the propensity for a price comparison site (either the initiating site, or a third price comparison site) increases.

The product split we see is similar in terms of contract handsets and SIMO but there is a drop off in PAYG.



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Customer journeys starting from a cashback site also have a significantly higher proportion of PAYG sales than we see when a price comparison site is the starting point of a customer journey.



WHEN AN INCENTIVISED SITE IS AT THE START OF A CUSTOMER JOURNEY, IT IS MORE LIKELY ANOTHER INCENTIVISED SITE WILL CONVERT

Again, this data reiterates the importance of understanding the role of publishers as influencers, rather than merely converters.

If you're an advertiser:

- Ask your account contact for your programme's key influencers
- Ask your account contact about other influencers who may not be on your programme
- Consider what you want an influencer payment campaign to achieve. New customers, reach, clicks, impressions, product focus or just branding?
- Set a payment top-up that sits within your ROI target. Consider reallocating budgets from elsewhere if you don't have additional marketing spend. Remember daily payment caps can be set to control budgets
- Approach the affiliates you want to work with and be clear about what you want to achieve
- Digest the results, measure and use this to feed into future campaigns. Alternatively run influencer payments as a standard part of your affiliate campaign. Remember targeting these affiliates should be a central part of your longtail strategy

IMPORTANCE OF LIFETIME VALUE

Customer lifetime value has been playing an increasingly important role within analysis across the channel. While once it was 'volume over value', advertisers within the telecoms sector have been keen to understand the quality of the customers referred through the channel. Customer churn rates, packages added over time and a customer's value at regular intervals will all feed into the profitability of the customers each affiliate is referring.

Data across the sector is becoming more readily available and passing back custom parameters can significantly enhance the level of reporting across programmes and determine the value being generated across each partner. You can find out more about custom parameters within the sector [here](#).

It is important to understand that customer value will vary considerably by affiliate. Even if they appear similar on the surface (two voucher code sites for example), the quality of their traffic can vary greatly.

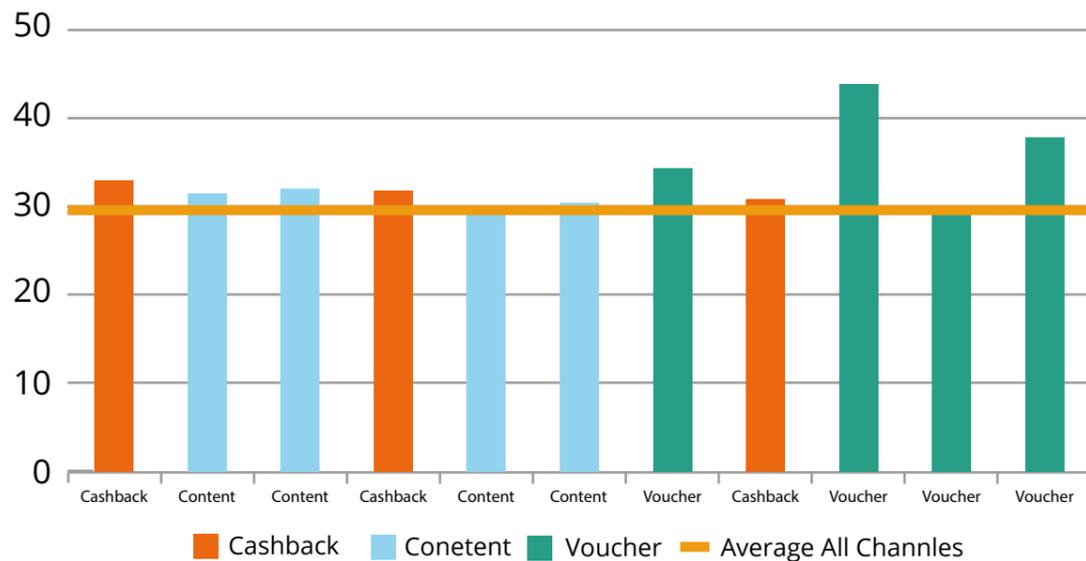
By tying this customer lifetime value back to individual affiliates, it is possible to work more strategically with the partners driving the most valuable customers.

If you're an advertiser:

- Consider your KPIs when looking at the lifetime value of customers referred through each affiliate
- Speak to your account contact about the possibility of passing us back custom parameters for enhanced reporting and benchmarking

Customer Value Varies by Affiliate

Can not treat two affiliates in the same sector the same



BLACK FRIDAY – MORE THAN JUST A RETAIL EVENT

Traditionally viewed as a retail event, Black Friday offers advertisers in other sectors the opportunity to capitalise on the surge in online traffic. The big day is not one that should be narrowly defined by shoppers stocking up on their Christmas presents. Affiliate Window commissioned [pre-Black Friday research](#) that showed half of consumers were planning to take advantage of the deals on offer by purchasing gifts for themselves. Why then should Black Friday be just about buying for others?

This manifested itself in some of the advertisers who triumphed on Black Friday, with six of the top twenty being drawn from the telecoms sector, all going to market with strong deals and scooping up consumers who were hungry for the best offers out there, be it for friends, family members or indeed themselves.

6 OF THE **TOP 20**
ADVERTISERS
ON BLACK FRIDAY 2015
WERE FROM THE TELECOMS SECTOR

Black Friday has proven to be a significant opportunity for telecom brands – as seen by the spike in activity seen during the November peak. Black Friday falls on 25th November this year and there are likely to be strong offers in the market, aimed at targeting those prepared to switch for the best deals.

While this is a great opportunity to focus on new customer acquisition, that could lead to a 'race to the bottom'. As the section on lifetime value has demonstrated – customer retention is equally important. Advertisers that had a strong Black Friday last year should be looking to tie these customers into a further contract ahead of Black Friday with exclusive offers. This will see the peak fall earlier in the month and reduce the likelihood of this being a key time for switching providers.

If you're an advertiser:

- Read the [ten trends](#) we saw on Black Friday and Cyber Monday in 2015
- Consider what has happened in the past. Speak to your account contact to understand what advertisers have run via the affiliate channel
- If you had a strong Black Friday last year, consider deals for these customers who may be vulnerable to switching this year
- Be aware that many affiliates plan Black Friday and Cyber Monday activity well in advance. Don't be afraid of sharing sensitive plans; consider an NDA if necessary

If you'd like to read more insights from Affiliate Window then why not take a look at our [Strategy Hub](#). Or you can sign up to our monthly [Strategy Newsletter](#) for the latest news and research.



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