

# Affiliate marketing: A retailer's solution to the digital marketing crisis

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A confluence of events last year shook up the digital marketing industry. Facebook Inc. and Google faced increased scrutiny around their lapses in judgment regarding their users' privacy—specifically an attack on Facebook's network exposed 50 million users' personal information and Google incurred a 50 million euro fine for its failure to comply with the EU's General Data Protection Regulation (GDPR)—thus causing anxiety among consumers about online privacy issues. 2018 also saw more individuals use ad-blocking technology and stringent data protection laws like the GDPR take effect. These elements introduced challenges marketers had to tackle and this year seems equally bleak.

"2019 will have a similar mix of obstacles—including more regulation and technological updates—as industry scrutiny intensifies," says Alexandra Forsch, president of Awin US, a global affiliate marketing company.

2018 was a defining year for the online ad industry because of the growing realization among regulating bodies and the public that the unparalleled impact and power of technology titans, like Facebook and Google, needs recalibrating, she says.

"2019 is the year digital giants can expect to be affected by the scrutiny this change in attitude brings," Forsch says. "As marketing platforms face

more attention from regulators and the public, they'll have to adapt. This year will also see all corners of the affiliate industry double down on their efforts to ensure tracking is of a necessary standard in light of browsers' moves to block third-party cookies."

**Affiliate marketing offers brands** a solution to overcome this crisis, Forsch says. It is data-light by nature, with only basic, non-personal information used to track activity. That's why the affiliate channel's inherent diversity of partners and transparent model could attract growing retailer investments compared to those digital advertising channels currently receiving intense scrutiny.

"Affiliate marketing requires minimal anonymized data to function, yet still provides the visibility required for retailers to measure the effectiveness of their advertising efforts, make informed strategic decisions and determine a clear return on investment," she says. "Furthermore, the affiliate model removes a huge amount of the usual ad tech mediation, allowing brands to connect directly with affiliates and, ultimately, their users online. In doing so, the channel demonstrates a clear value exchange between advertisers, publishers and consumers."

Consumers are increasingly protective of their personal data—including what information is collected, how it's used and how it's shared. But 79% of consumers are still willing to provide their data if there is a clear benefit to them, according to Deloitte.

That gives affiliates a natural advantage because they have built long-standing and trusted relationships with their users, Forsch says. Examples of this exchange include a user receiving a discount code, product review, reward or other service deemed of value that is offered at no cost by the affiliate in exchange for consumer data. "The affiliate model makes the justification for that exchange incredibly simple to understand."

With everything the digital advertising crisis has already affected and will affect in the future, Forsch says brands should find a reliable partner like Awin to help them successfully implement an affiliate marketing strategy.

A specialty footwear company, for example, recently explored options to partner with niche influencers on Instagram to reach into new audiences. But it soon encountered a common challenge because traditional affiliate links are ineffective on Instagram when hyperlinks are stripped, making the text unclickable. The ability to track clickable links is essential for the traditional affiliate model as it depicts a clear view of a customer's path to purchase and rewards the affiliates involved. Awin's coupon attribution technology resolved this challenge. Attributing sales associated with a unique coupon code in the absence of a click, this retailer effectively expanded its reach to 1.4 million consumers via 11 Instagram influencers and generated six-figure revenue from the program at higher than average order values.

"This example highlights how much brands can benefit from that trusted affiliate-customer relationship while leveraging comprehensive tracking methods available to them in the channel," Forsch says. ■