

# What's the global value of affiliate marketing?

The fragmented nature of affiliate marketing means there is no definitive 'big number' representing the size of the channel. Using available data, what could the worldwide value of affiliate marketing be?

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# What's the global value of affiliate marketing?

Affiliate marketing is a multi-billion pound business and advertisers are increasingly viewing it as a platform to grow internationally. Inevitably they will be challenged to demonstrate what the financial opportunity is outside of their own borders.

With the world split between emerging and established digital markets as well as consumers in those territories accessing retailers' websites through a variety of devices not to mention the difference in local publisher models, how easy is it to quantify the potential of affiliate marketing?

Here we'll take a look at the empirical information available and try to quantify the scope for affiliate marketers looking to explore the global scope of performance based channels.

## Surveyed data from established markets: what do we currently know?

### *The US*

The affiliate industry is continuing to experience strong growth in many markets that it is well established. According to a 2016 report by Forrester, the US affiliate industry is set to grow by around 10% on average per year until 2020 which would mean it could be responsible for almost \$7bn/€6.4bn/£5.4bn in fees and publisher commissions.

That means within the next three years the channel will have grown by around 27%. Typically affiliate marketing has grown in its most established markets of the US and the UK by around 8-12% for the past five years and therefore there's nothing to suggest this growth shows signs of abating.

The same Forrester report also found that around 80% of advertisers ran affiliate programs and the same number of those who run affiliate programs, dedicate about 10% of their marketing spend to the channel.

If we look at the whole digital marketing economy in the US (around \$67bn/€61bn/£52bn) and work out the percentage that affiliate accounts for, it falls a couple of percentage points short of 10% that is referenced in the Forrester study, but we should consider that those surveyed were questioned because they have embraced affiliate marketing. In fact they were primarily retailers and retail remains one of the most natural bedfellows for affiliate marketing.

*US Forrester Research  
2016*

*Forrester predicted affiliate  
marketing will influence  
14% of all ecommerce sales  
in the US in 2016*

## The UK

In the UK the affiliate industry comes together to produce an annual survey that assesses the size and scale of the affiliate and lead generation industries.

The Online Performance Marketing Study (OPM) is produced by the Internet Advertising Bureau (IAB) with PwC verifying and modelling the datasets. 2017's numbers showed a 12% year-on-year increase in spend, an acceleration on the previous 12 months.

### *The UK OPM Study 2017*

*5.6bn clicks converted into  
171m transactions and  
leads (73% affiliate)*

*£19.4bn in sales revenue  
generated for advertisers  
(representing a 16% year-  
on-year hike)*

The OPM Study is the most comprehensive local market report available. It is worth noting it captures traditional affiliate marketing as well as lead generation activity and publishers whose business models are both trackable and monitored on performance metrics.

The headlines from the Study show advertisers spent \$2.1bn/€1.9bn/£1.6bn on generating sales in the affiliate and lead generation sectors which delivered \$25.1bn/€23bn/£19.4bn in retailer revenue and a return on investment of £12.30 for every £ spent. This ROI figure (when 2016's numbers are readjusted, is slightly up on the previous year, indicating advertisers are getting more bang for their buck).

The money spent represents around 10% of total UK digital spend, so a little higher than the US, but it's important to consider the UK numbers include a

slightly wider scope of coverage within the Study through the inclusion of partners whose activity may not track through affiliate networks as standard (although it's probable some advertisers would do so), but is tracked on a performance basis nonetheless.

Undoubtedly one of the most impressive numbers from the OPM Study is that when everything is modelled and measured, the performance space, broadly encompassing affiliate and lead generation, equates to approximately one per cent of the UK's total GDP.

## The Netherlands

The Netherlands is another country that models the scale of the affiliate industry via the local Dutch IAB, this time in conjunction with Deloitte. 2016 saw accelerated growth that trumped that of the previous year.

While registering a more modest increase of 7%, this represents a more than doubling in the year-on-year growth rate to an absolute figure of \$162m/€149m/£126m.

The Netherlands may have embraced digital less than other developed digital nations (ranking ninth per capita), the spend being lower than the US and UK (Britain has the highest proportion of ad spend dedicated to digital in the world), but overall the proportions for affiliate marketing stack up and it still roughly equates to a 10% proportion of total online marketing spend.

How and indeed whether affiliate marketing is measured, varies from territory to territory. Some smaller European markets do not currently split out affiliate activity. It is quite common that affiliate marketing will find itself subsumed within one of the four or five broad digital budget buckets, typically Display, and often there is little breakdown of these numbers beyond the big headline grabbing statistic.

This historic and ongoing anomaly does affiliate marketing a disservice and should be something other markets pursue if they are members of their local IABs. It was because of this situation the networks and other members

of the UK IAB combined to fund a separate lead generation and affiliate report so that affiliate marketing wasn't swallowed within Display; an obvious misrepresentation of what the affiliate channel is. The project represents a major financial commitment which has to be supported if we are to build a more accurate picture of affiliate expenditure.

## France

France seems to be the only other market that makes an explicit notation about affiliate marketing, citing a fleeting reference to affiliate being one of a group of 'other levers' that advertisers can use as part of their digital marketing armoury.

In the French 2016 Digital Ad Spend Report developed by SRI, PwC and UDECAM; affiliate is listed as a subset alongside price comparison sites and direct mail. No explicit reference is made to affiliate marketing, instead it's listed under the categorisation 'referrals'. One of the additional 'levers' is labelled 'shopbots' but is in essence another classification for price comparison sites.

The French definition of a shopbot doesn't cover financial, energy and telecoms price comparison and therefore doesn't comprehensively allocate them to the performance space in the same way the UK OPM Study does, something that will hopefully be remedied in years to come but also potentially downplays their importance in the market.

Demarcating between traditional affiliate marketing activity and price comparison (some of which crosses over and would be captured by affiliate networks), shows how the boundaries aren't easy to define.

Some advertisers will ask for certain partners that potentially would not be categorised as traditional affiliates to be tracked through an affiliate network; others in the same sector may not.

**'Other levers':**  
**\$487m/€447m/£375m**

**Affiliate:**  
**\$246/€226m/£190m**

**Price comparison:**  
**\$93m/€85m/£71m**

**Direct email:**  
**\$148m/€136m/£114m**

So while affiliate marketing in its purest sense only accounts for 7% of digital spend in France (therefore a little lower than the other countries mentioned here), when factoring in other pots of spend that could be construed as directly performance related in nature, the figure is elevated to the 10% we see in the UK and from the retailers surveyed in the US.

## Other markets

As no definitive guide to the global opportunity that affiliate marketing represents, we must make a best guess; this in itself presents a number of considerations.

For mature markets (all those mentioned thus far would be considered thus), we can take our small sample and say the broad range of between seven and ten per cent is probably as close as we can get to an accurate figure.

This provides a yardstick but doesn't take account of the varying maturity and differences in affiliate markets. It's worth noting that in some channels (such as Search and Social), the overwhelming dominance of Google and Facebook will create global standards and homogeneity in technology and implementation. While affiliates at a local level may tap into these traffic sources, there are far greater variations which make it difficult to create affiliate blueprints for global success. The whole affiliate ecosystem can be quite individual to the specific country in which it operates.

What is useful about having empirical data from a handful of mature markets is that some of them account for a very significant proportion of global digital marketing spend. Taking the latest eMarketer data, the US (as largest) accounts for almost 37% of all money spent on digital in the world, the UK is third with a 7.4% share and France tenth with 1.5%.

The Netherlands sits at 12<sup>th</sup> in the list with just under 1%. Add these four together and affiliate data exists for almost half of the global ad spend.

The next logical step would be to separate mature from developing digital economies. Another 20% could be construed as having affiliate economies that would be broadly recognisable as such (countries such as Australia, Canada, the Nordics, Spain and Italy).

It's probably safe to assume that – using Awin knowledge of their individual markets – we can draw parallels with those mentioned and conclude affiliate marketing accounts for a high single-digit share of their local digital spend.

When these countries have been excluded from the equation we are left with about 30% of global digital advertising expenditure and that is dominated by one market; China.

At 22% of global digital ad spend, China is an enigmatic trading place for many affiliate marketers and it's impossible to scale the legitimate opportunity there because of the totally different ecommerce landscape that has developed.

Adopting a marketplace approach, as epitomised by Alibaba, it's uncommon for smaller retailers to have their own standalone proposition, instead relying on the Alibaba-owned monolith Tmall to push their products. With a 57% share of all ecommerce in 2016 it dominates the Chinese retail landscape. By contrast Amazon's Chinese arm drives less than one per cent of all transactions (0.8% share).

China also has a tradition of generating sales through consumer to consumer recommendations rather than traditional advertising. This too could impact the complexion of the affiliate model there as epitomised by some of the Chinese affiliates that do well on the Awin network; possibly with a stronger reliance on social media channels and Weibo.

And then there is [Singles' Day](#), by far the biggest online trading event in the retail calendar. Held on 11<sup>th</sup> November every year and originating as an anti-Valentine's Day gimmick, it now dwarfs every other retail event, including Black Friday.

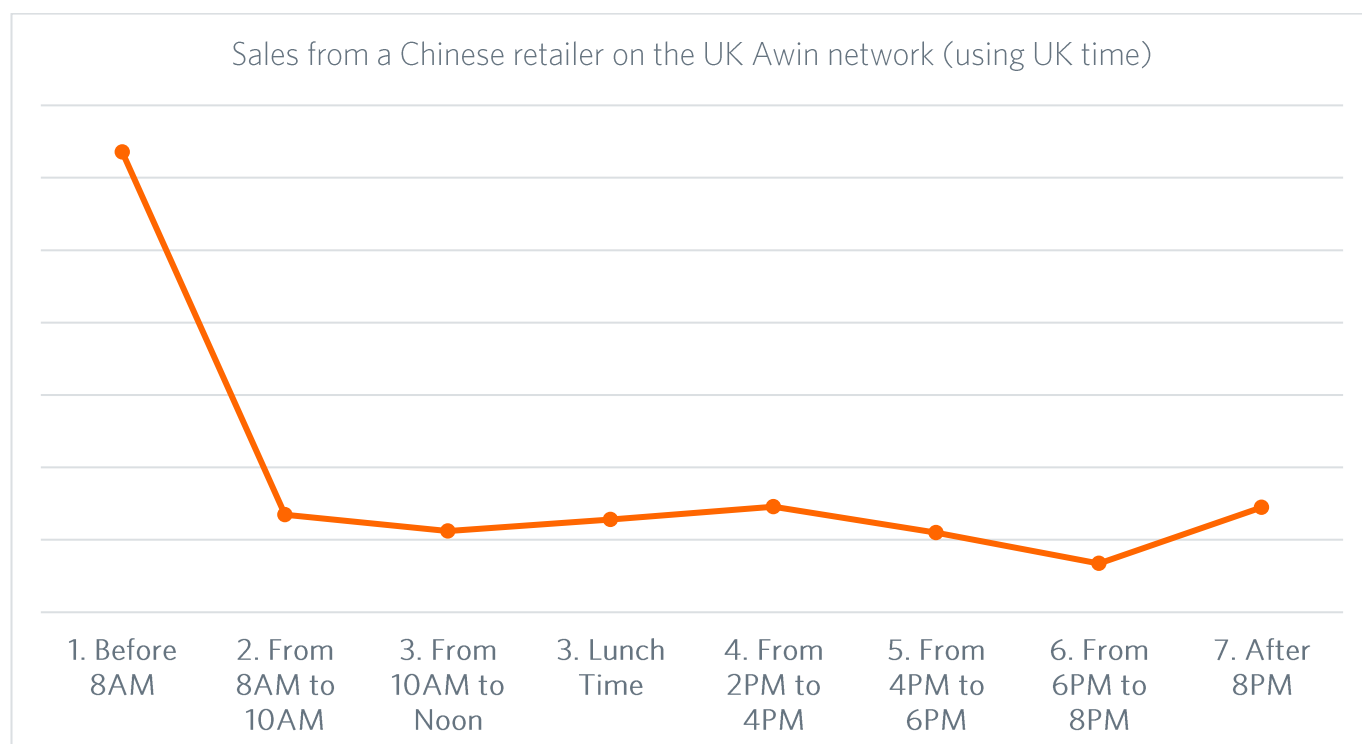
The numbers are staggering and both illustrate why it represents both a huge opportunity and daunting proposition for brands eager to tap into the burgeoning Chinese middle-class and their disposal incomes.

On Singles' Day 2016 Tmall processed 650m transactions. To put it another way, if Singles' Day was a country the revenue generated in that 24-hour period would put it as the 11<sup>th</sup> largest ecommerce economy, just ahead of Brazil's annual haul.

While paling compared to Alibaba's Singles' Day performance, Awin's data for Black Friday 2016 (the largest retail event for Western retailers, falling on the last Thursday in November), offers some context for retailers looking to expand overseas.

Firstly the time difference is important as the following chart shows. Taking the London time zone and then considering the eight hour difference between China and the UK, it's easy to see how important it is for advertisers based outside the country they're targeting to be aware of when consumers are likely to shop.

Also given Black Friday offers may only run for 24 hours this will have implications with pre-8am being the previous day in the UK:



Contextualising the size of the affiliate market in China is difficult and no empirical information exists, but it should be assumed the opportunity is significant in the realm of social media, factoring in Singles' Day is important and the rate of growth is probably much higher than more established markets (albeit from a lower base).

Elsewhere only Japan really registers as offering a significant affiliate market for those looking at the global picture. Even India, where one in six people in the world live, digital marketing accounts for just one in every 200 dollars, pounds and Euros spent globally.

### ***Pulling the numbers together***

Using the published numbers the known and modelled scope of the affiliate (and broadly affiliate based) market looks something like this:

Country	Modelled and submitted Affiliate Spend (2016)		
The US <sup>1</sup>	\$5.4bn	£4.2bn	€4.9bn
The UK <sup>2</sup>	\$2.1bn	£1.6bn	€1.9bn
France <sup>3</sup>	\$246m	£190m	€226m
The Netherlands <sup>4</sup>	\$162m	£126m	€149m



1. US numbers are drawn from the Rakuten sponsored Forrester report 'Networks Help Drive Affiliate Marketing into the Mainstream' and are based on modelled numbers based on feedback from 151 advertisers surveyed and a further ten in-depth interviews
2. UK numbers comprise both affiliate and lead generation activity and comprise both submitted data from affiliate networks, agencies, publishers and third parties, as well as modelled data from companies who engage in affiliate marketing but did not submit numbers.
3. French numbers are drawn from the 'Observatoire de l'e-pub' 2016 report from the SRI, PwC and UDECAM.
4. Dutch numbers are compiled from survey respondents, annual reports and analysis carried out by Deloitte for the annual IAB Ad spend Study from the Netherlands.

It's worth mentioning the methodology behind the compiling the data, as well as the scope of activity covered is likely to vary, therefore it would be misleading to say this is a like-for-like comparison.

Where this is most prominent is in the UK numbers. As previously mentioned, the scope is broader than just classic affiliate marketing and publisher relationships, so these numbers should be viewed as indicative of the *full potential* of the channel if advertisers are open to a wide range of promotional methods. Focusing on pure affiliate activity it would probably be more accurate to halve the headline number in the previous chart.

Looking at the other mature markets, let's consider the average for France, The Netherlands, UK and US which comes in around 7% of total spend (\$7.9bn/€7.2bn/£6.1bn). For countries such as Sweden, Ireland, Australia, Canada (and so on), we would expect 7% to add on another \$2.6bn/€2.4bn/£2bn.

Which leaves us with a question mark over how to contextualise China. It must be realistic to think 7% of digital spend (at least) flows through the affiliate channel, and if so this boosts our numbers by \$2.8bn/€2.6bn/£2.1bn.

Assuming there is little to be gained at this present time from the efforts of expanding to smaller, less developed markets it means we arrive at total figures of \$13.3bn/€12.2bn/£10.2bn. In which ever currency, affiliate marketing is an industry worth more than ten billion.

## *Other considerations*

Of course every affiliate program is different. And digital marketing spend will cover a great deal of business that affiliate marketing is not well suited to. As a primarily retail and service based, B2C channel, it can be useful to assess what percentage of retail sales affiliate marketing touches in respective countries.

This has been estimated, according to the US Forrester Study, at around 14% of sales being 'affected' by affiliate marketing. In the UK, the OPM Study states the surveyed numbers mean it is responsible for 10% of all ecommerce sales. So when we narrow the scope of affiliate to what it is primarily focused on we would expect it to hit double figures. Certainly it as a standard network sales' pitch that a well-run affiliate program should account for 15% of an advertiser's sales.

It is also important to factor in sector differences. Fast fashion is doing particularly well in many local affiliate markets, for example, buoyed by the vogue for engaging bloggers and content sites as well as the growth of sub-networks.

Affiliate marketing is a people industry based on investment in relationships and resource to mould and shape programs. They are organic entities that bend and shape to local markets and vagaries and ultimately any

attempt to provide a definitive headline statistic that quantifies the industry will invariably iron out the vast range of differences to the extent it becomes meaningless.

But what is critical is to understand the scope and regional variances, building knowledge with each local campaign launch. By having a sense of the opportunity and recognising how affiliate marketing is measured and considered it offers a good insight into its prominence.

What this report hopefully shows is that there is no universal measurement and too often affiliate marketing is assimilated with other media that eradicates what makes it special. Perhaps it's time for local markets to combine forces and produce this international standard that will elevate it to the position it deserves.

### ***Further reading:***

- [Networks Help Drive Affiliate Marketing Into The Mainstream, US](#), 2016
- [Full year 2016 digital ad spend results, IAB \(UK\)](#), 2017. OPM details from page 75
- [IAB Report on advertising spend \(Netherlands\) 2016](#), (2017)
- [Observatoire de l'e-pub 2016 \(France\)](#), 2017
- [IAB latest local market reports](#)
- [Awin Market Insights](#)