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A TECHNICAL PRACTICE OF AFFILIATE MARKETING

Case study: coLanguage and OptimalNachhilfe

Lahti University of Applied Sciences
Degree Programme in Business Information Technology

ABSTRACT

This study aims to introduce a new marketing method: Affiliate marketing. In addition, this study explains and explores many types of affiliate marketing. The study focuses on defining affiliate marketing methods and the technologies used to develop it.

To clarify and study this new business and marketing model, the study introduces two case studies: coLanguage and OptimalNachhilfe. In addition, various online businesses such as Amazon, Udemy, and Google are discussed to give a broader view of affiliate marketing.

The study provides comprehensive information about affiliate marketing both in its theoretical and practical parts, which include methods of implantation on the websites. Furthermore, the study explains the affiliate programs of companies: what they are and how companies started applying these programs in their businesses.

Key words: Affiliate marketing, Performance Marketing, Referral Marketing, SEM, SEO, CPC, PPC.

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1   INTRODUCTION

Thanks to the development of the World Wide Web, innovations and ideas that help publishing and business have become more efficient, more creative and more customized. The internet opens many ways to run a business both physically and virtually.

Nowadays, E-business is no longer a new business model. Many people choose to run a business based entirely on the internet, which naturally leads to the innovations of technology in the long run. There are many reasons why they choose Internet-based models to establish their business: low costs, hi-tech, simplicity, expandable network and so on. Due to the nature of E-business, online marketing has become a fundamental and prior tool when planning a strategy.

In addition, marketing and especially online marketing is key leading to the success of any business. However, although online marketing is constantly developing and bringing benefits to business, many people still find the concept confusing.

1.1   Aim of research

This study is based on two related mainly cases of two companies, OptimalNachhilfe and coLanguage, and other case companies: Amazon, Google, Finnair, Udemy, Microsoft, and Apple iTunes. The author works for OptimalNacchilfe and coLanguage. Studying the case companies provides an understanding of affiliate marketing methods. The data for the study was received qualitatively through small interviews with the author's supervisor in the company.

1.2   OptimalNachhilfe and coLanguage

In 2013, Thomas Koller and Michiel De Meulenaere introduced the online platform OptimalNachhilfe (www.optimalnachhilfe.de) that offers private

lessons and tutoring for students in Math, Physics, Statistics, Bookkeeping, Law and almost every existing subject in schools or universities.

In 2015, they launched coLanguage (www.colanguage.com) - an online platform that offers language courses for foreigners: English, French, Spanish, Italian, German and so on. The number of courses is increasing day by day. After registering, students can pick a course that they want to buy. Moreover, students can choose their courses with native tutors by choosing the course based on teachers' profiles. Once students have purchased the course, they have a lifetime access to all the lessons and exercises. Also, students can communicate with each other or book live classes with a professional teacher.

OptimalNachhilfe and coLanguage are companies that operate entirely online. Due to the position offered during the internship, the author had an opportunity to experience firsthand the methods of operation of the companies and an insight understanding of their affiliate marketing strategy. This study introduces OptimalNachhilfe's and coLanguage's vision in utilizing affiliate marketing, as well as its application.

1.3 Other case studies: Amazon, Google, Finnair, Udemy, Microsoft, Apple iTunes

In this thesis, several well-known companies' affiliate marketing programs are discussed to clarify their implementation and development. These companies are Amazon, Google, Finnair, Udemy, Microsoft and Apple. They are popular in different markets and products, and this variety in range helps this study to have a varied view of online marketing and an understanding of the companies' affiliate programs.

a. Amazon

Amazon (Amazon.com) is an e-business which was established in May, 1996. The company provides various products, from cotton buds to housing services, and these product can all be ordered through websites

of the company. It plays a role as a third party to complete an exchange between sellers and buyers. Amazon is also considered as an online market where people can offer their goods, set the price, make a bid, compare the prices and even "sell-buy" regulations. Amazon invested in PayPal, a widely-used e-payment method to help buyers complete a transaction faster and more safely. The company also manufactures many products including electronic devices such as Kindle e-readers, Fire tablets, Fire TVs, and Echo and Fire phones. Amazon has two main market regions which are the North American market and international markets. (Reuters, 2015)

b. Google

In August, 2015 Google Inc. announced a reorganization plan and changed its name to Alphabet Inc. Alphabet is a collection of companies including Calico, Nest, Fiber and Google. Google keeps hold of search, ads, maps, apps, YouTube, Android and cloud infrastructure. (Reuters, 2015). The company was founded in 1996 by Larry Page and Sergey Brin. Their first product was a search engine based on web content – the Google search engine, which has been of the best search engines in the world. As a result of rapid growth during the 2000s, Google introduced many new technologies as well as software such as an email platform (Gmail), a cloud platform (Google Drive), a social networking site (Google+), and a photo website that allows storing and editing pictures (Google Photo) and so on. Furthermore, Google introduced two operating systems (OS): Android (for mobile devices) and Chrome OS (for PC). In addition to these, Google also manufactures devices such as Nexus smartphones, tablets, and Chromebook laptops.

c. Finnair

Finnair airlines is a subsidiary of Finnair Oyj and is one of the oldest airlines in the world. It was founded in November 1923. Finnair's

headquarters is in Helsinki. Finnair has been evaluated as one of the world's safest airlines with over 70 routes through Finland, Europe, Asia and North-America. The company has a staff of about 4800 professionals, and it earned 2.3 billion euros in 2014. (Finnair, 2015)

d. Udemy

Udemy is an online platform for online learning founded in 2010 by Eren Bali. It is one of the leading platforms of online education. The company offers a marketplace with more than 32,000 courses from programming to yoga for more than 8 million students. (Udemy, 2015). Udemy claimed it raised 65 million dollars for international expansion (Kokalitcheva, 2015). The company also provides one of the largest affiliate marketing programs.

e. Microsoft

Microsoft Corporation is known for developing, licensing and supporting many software products and services. The company was incorporated in September 1993. One of the company's most well-known products is Windows OS that is widely used by PC owners. Microsoft provides many popular software such as Microsoft Office (office suite), Skype, SQL server, Microsoft Azure and cloud services such as OneDrive and Xbox Live to help users in using software for personal or commercial use. Microsoft produces a wide range of devices as well, for instance mobile devices (smartphones and tablets), and game consoles (Xbox). (Reuters, 2015). The company is developing fast, and the number of its products and services is constantly growing.

f. Apple iTunes

Apple was founded in January 1977, and it is now one of the biggest companies in the world. The company concentrates on desining, manufacturing and marketing mobile communication devices and services. Its line of hardware products include iPod, iPhone, iPad, Mac, Apple TV, and iOS, and its services are itunes (a music network/application that allows users to listen to and buy licensed music) and iCould (a cloud storage system for iOS users). Apple also has many application developers creating applications, thus making the Apple App store is the biggest application store s compared to other mobile operating systems. (Reuters, 2015)

2   RESEARCH METHOD

a. Research question

This thesis is an answer of research question: "What is technique behind Affiliate Marketing application in a developer's view?". Thus, the type of question is explorative.

b. Research approach

In order to provide readers a clearer view of affiliate marketing, this study focuses more on clarifying the terms of affiliate marketing and its utility in reality. Therefore, the author chooses deductive approach and qualiative reseach method as the research method of this study. General information is introduced firstly, then specific issue is discussed.

The information provided is gathered based on practical experience of the author while performing the tasks given during the internship, as well as through interviews with a supervisor.

3   LITERATURE REVIEW

In order to provide an in-depth understanding of affiliate marketing, more specifically, the concept, this chapter defines the terms online marketing and affiliate marketing.

3.1   Online marketing

Online marketing, internet marketing and digital marketing are the terms used to describe the act of using the Internet and related digital information and communication technologies for marketing achievements (Gay, Charlesworth, and Esen, 2007, 5), whilst Mohammed et al (2001) define Internet marketing as "the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services that satisfy the goals of both parties" (Mohammed et al 2001, according to Gay, Charlesworth, and Esen, 2007, 5). Online marketing plays an important role in:

- Transforming marketing strategies to create more customer value
- Planning and executing
- Creating exchanges that satisfy both individual customers and business customers' objectives

Whittaker, in his book "An introduction to Internet marketing and planning" (2009), classified Internet marketing in three sections:

- Search Engine Marketing (SEM)
- E-mail marketing, and
- Social media marketing

3.1.1   Search Engine Marketing

Search Engine Marketing is described as an umbrella which covers Search Engine Optimization (SEO) and Paid Search. While SEO is considered a methodology that helps a website increase its ranking on the search engine

results list. This way the possibility that potential customers can find the business increases as well; Paid Search is known as Paid search advertising, Pay-Per-Click (PPC), Cost-Per-Click (CPC), and so on, on which the advertisers pay only when users click on the advertisement. (Boughton, 2005, 29 - 33). The terms of SEO and Paid Search, are discussed in detail in the following part of this thesis.

3.1.2   E-mail marketing

Emailing is the most popular internet activity, and more than 90 percent of internet users use e-mail and about 50 percent of online population use e-mail on an average day (Phelps, Lewis, Mobilio, Perry, and Raman, 2004, 333 - 348).   Therefore, marketing through e-mail is a golden land for businesses to discover. Email marketing is one of the most successful and efficient marketing tools (Niall 2000, according to Rettie, 2015), and it brought to US 5 billion US dollars profit in 2004.

E-mail marketing is a regular marketing method. Customers receive e-mails from businesses that include information, offers and advertisements. To receive these emails, customers give a permission in which they agree to receive emails from companies, and companies can have access to the customers' data for commercial use. Customers' emails are added in the contact list of a marketing department that sends advertisement emails to customers automatically.

3.1.3   Social Media Marketing

Social Media Marketing is a useful way for a company to advertise its services and products to customers. By creating and maintaining a social media web page, customers can find a company profile, and read or leave reviews and comments about the company. This method provides a way for companies and their customers to communicate with each other. Due to the increasing development of social media networks, marketing via these sites

is a smart and trendy method to expand the coverage of the brand and potentially create good reputation for the company.

According to Pew Research Centre, in the Social Networking Fact Sheet in January 2014, 74 percent of adults use social networking sites.

Who uses social networking sites

% of internet users within each group who use social networking sites

	All internet users	74%
a	Men	72
b	Women	76
a	18-29	89[cd]
b	30-49	82[cd]
c	50-64	65[d]
d	65+	49
a	High school grad or less	72
b	Some college	78
c	College+	73
a	Less than $30,000/yr	79
b	$30,000-$49,999	73
c	$50,000-$74,999	70
d	$75,000+	78

Pew Research Center's Internet Project January Omnibus Survey, January 23-26, 2014.
Note: Percentages marked with a superscript letter (e.g., [a]) indicate a statistically significant difference between that row and the row designated by that superscript letter, among categories of each demographic characteristic (e.g., age).

PEW RESEARCH CENTER

Figure 1. Who uses social networking sites (Pew Research Centre, 2014)

Michael A. Stelzner also created a record in his report in 2011 to present the number of users of the most common Social Media sites:

Commonly Used Social Media Marketing Tools

Facebook **92%**   Twitter **84%**   LinkedIn **71%**
Blogs **68%**   YouTube **56%**   Forums **24%**
Foursquare **17%**   MySpace: **6%**   Social Bookmarking **26%**

Figure 2. Commonly Used Social Media Marketing Tools (Stelzner, 2011)

This reveals social media users are numerous, and they are potential customers. By taking advantage of social media, businesses can attract customers efficiently and easily. On the other hand, social media provides a forum where customers express their opinions and businesses get an opportunity to approach potential customers. As shown in Figure 2, 93 percent of companies report that they use social media as a marketing tool.

3.2   Affiliate marketing

There are millions of commercial sites operating on the Web, and the number is increasing day by day. Therefore, using Internet marketing is essential for marketers. Most people only understand that in affiliate marketing, the money is only paid for a successful marketed order (Duffy, 2005, 161 - 163). However, affiliate marketing is more complicated than that. Affiliate marketing is evaluated as the lowest risk marketing because of its direct payment to performance marketing and low profile.

Affiliate marketing (or Performance marketing) is a kind of Internet marketing. It consists of many methods such as SEO, Paid Search Engine Marketing, E-mail Marketing and even Content Marketing. Affiliate marketing is sometimes confused with Referral Marketing but they are two type different. Affiliate marketing depends on solely financial motivations to drive sales while Referral marketing counts on trust and personal relationships to drive sales.

In detail, a business remunerates for one or more affiliates for each visitor or customer brought product through the affiliates' own marketing campaign, this is affiliate marketing. In other words, Affiliate marketing has three core parties: advertisers, publishers and consumers.

On CommissionConjunction website, they have an informative picture to describe these three roles of affiliate marketing:

Figure 3. What is affiliate marketing? (CommisionJunction)

In this network, an advertisers is a company or an individual that provides goods or services to potential customers. A publisher promotes these goods or services in exchange for the commission for every purchased product. An advertiser can work with an unlimited number of publishers. A consumer is a potential buyer who would like to buy or use products from advertiser. The consumer is the final component of affiliating process. By clicking on a link or a banner of the publisher (which generates to advertiser's product), the consumer is able to pay for the goods and the publisher can receive payment from the action. The publisher's network is used by the advertiser to market its products.

The question presented is how the advertiser know by which publisher is the customer referred to. Each link or banner provided by the publisher has a unique ID back-end and it helps the advertiser recognize which affiliate to pay for. The advertiser pays the publisher once when the customer clicks on the link or successfully buys the product or service. The commission rate which is determined by the customer's action, will be discussed more thoroughly in section 4.3 – Compensation Method.

3.3 Development of affiliate marketing

Thanks to the birth of World Wide Web in 1991 by the founder Tim Berners-Lee and its free basis in April 1993, a global wave of collaboration, creativity and innovation was inspired. It brings us to a new century of technology – Internet century. According to the "worldwidewebsize" website (2015), a

web application that records the number of index web, there are at least 4.79 billion pages. People can now share information to the rest of the world just by one click. It is visible and advisable that businessmen see the profit E-business could bring to them. Thus, online marketing has been a hot trend so far.

The first affiliate marketing program is known as PC Flowers & Gifts on Prodigy network in 1989, which was founded by William J. Tobin. Tobin conceived idea of internet affiliate marketing and implemented it on his own company website. This program remained until 1996.

The second first well-known affiliate marketing program is WebBuy of CDnow in 1994. With the foundation idea of a website which provides music buyers with reviews of the artists and albums. Jason Olim and his twin brother Matthew, created CDnow. In the first month, it made a profit of $14. In autumn 1994, Geffen Records contacted CDnow to make a contract that CDnow allowed Geffen to put links on WebBuy to attract fans to Geffen's artists and albums. Visitors or members interested in the album could click on the link which accessed directly to Geffen's website, CDnow could receive a revenue of 3% from the sales. This win-win arrangement made WebBuy the fourth most-visited shopping site with 700,000 visitors and 5 million page views per day (Donna and Thomas, 2000). It remained as a big success in terms of affiliate marketing.

Amazon launched its affiliate program in July 1996, and has now become the most famous associate program on a global scale (Hourigan, 2013). The Amazon's affiliates place banner or link on their personal sites or individual books that connect directly to the Amazon website. When visitors are directed to Amazon webpage from associates' links, the associates receive commissions. In February 2000, Amazon announced it had been granted a patent (6,029,141) on components of an affiliate program (Collins, 2000).

In 1998, people saw the establishment of two affiliate networks: Commission Junction by five students at University of California Santa Barbara and Clickbank Network by Tim and Eileen Barber. These websites

provide much access to small vendors and offer various exchange between sellers and associates. Nowadays, Commission Junction has established itself as the largest affiliate marketing network in the world.

Two years later, in May 2000, the United States' Federal Trade Commission announced a guidance "Dot Com Disclosures: Information about Online Advertising" to direct the regulations of admission in the internet-based advertising world.

In addition to the development of affiliate marketing, it is impossible to not mention the renovation from Web 1.0 to Web 2.0, which created a huge change in the online world in the early 2000s. The Web 2.0 platform allows personal websites and bloggers to utilize the application of affiliate marketing on their own sites. As a result, there were many affiliate channels on the Internet with creative and interesting appearance that turn the online market into an even more compelling one. Moreover, most well-known affiliate programs such as eBay, Amazon and Google allow internet users of all levels to place commercials on their own blog posts.

E-commerce is a developing area that becomes more and more profitable to the economy. For example, in 2012, Andy Hoar from Forrester Research revealed the worth of sales impacted by online commerce was $1.1 trillion (Bishop, 2012). In the UK, the online economy was valued at £814m. A report by the Internet Advertising Bureau UK (IAB) stated that 100 million direct transactions done by UK buyers, which brought in £8 billion revenue, were generated by affiliate marketing. As a result, British Affiliate Marketing consisted of 6% of UK Internet Economy (Prussakov, 2013).

The value of affiliate marketing is growing day by day due to the development of the internet and businesses. In addition to tangible financial advantage, affiliate marketing also has many intangible benefits such as the establishment of reputation and market control for companies.

3.4   Concept of affiliate marketing

In order to be adaptble to each different business, affiliate marketing comprises many versions. A business selects suitable one affiliate marketing method depending on the purpose of the advertisers and the targeted customers, to apply to their marketing campaign.

3.4.1   Affiliate marketing methods

There are many affiliate marketing methods including mixed versions of which. This study focuses on the following most successful and most popolar methods, which are Pay Per Click, Search Engine Optimization, Email, Social Media, and Website/content (Heitzman, 2011). According to Heitzmans, the theoretical nature of affiliate marketing theory is simple but practically speaking, it is not easy to market affiliate products. Therefore, a publisher should carefully select the most suitable, at the same time most effective method apply to the marketing campaign.

   a. Pay per click (PPC)

Pay per click is the most popular technique in the paid search method. The publisher bids on some relevant keywords that connect to the products he or she is promoting. However, this method is not simple because the publisher cannot choose whatever keywords he or she likes to describe their products. This method requires a fairly good knowledge of AdWords and the pubisher must be able to track if the words are relevant to the transformation (Heitzman, 2011).
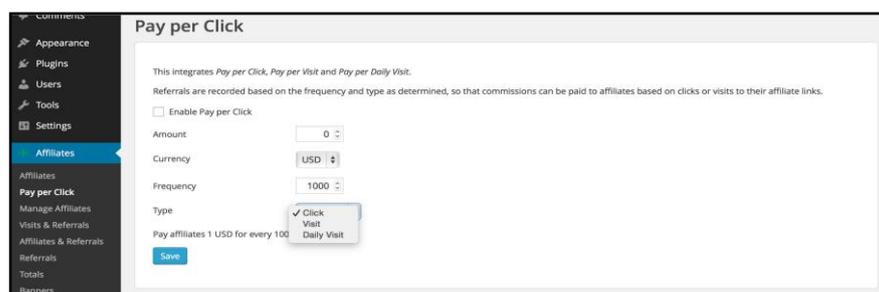

Figure 4. Pay per Click (2015)

b. Search Engine Optimization (SEO)

SEO is a trendy promoting method nowadays. By using SEO, a website will be more discoverable on the search result list, which basically means it will be put at the first result pages. The appearance of the website through customized search engine will boost the possibility of users clicking on its URL. Using proper keywords to describe the website enables it to be at a higher rank on the result list.
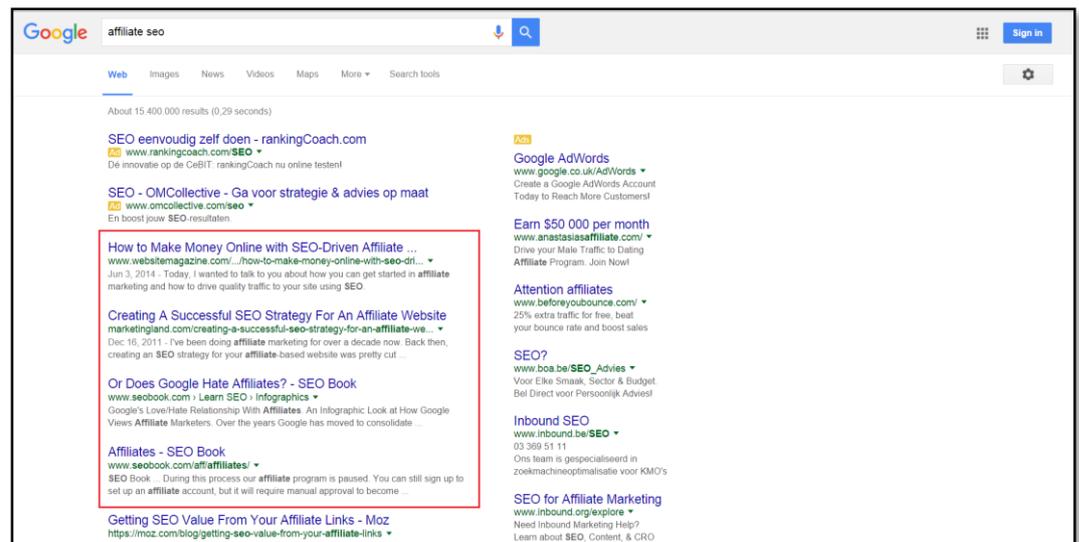

Figure 5. Search Engine Optimization

c. E-mail marketing

This is a simple and easy method to keep in touch with customers. When an internet user accepts to receive newsletters from a website, his or her e-mail address will be added into a subscribed list, which frequently delivers promotions via e-mails.
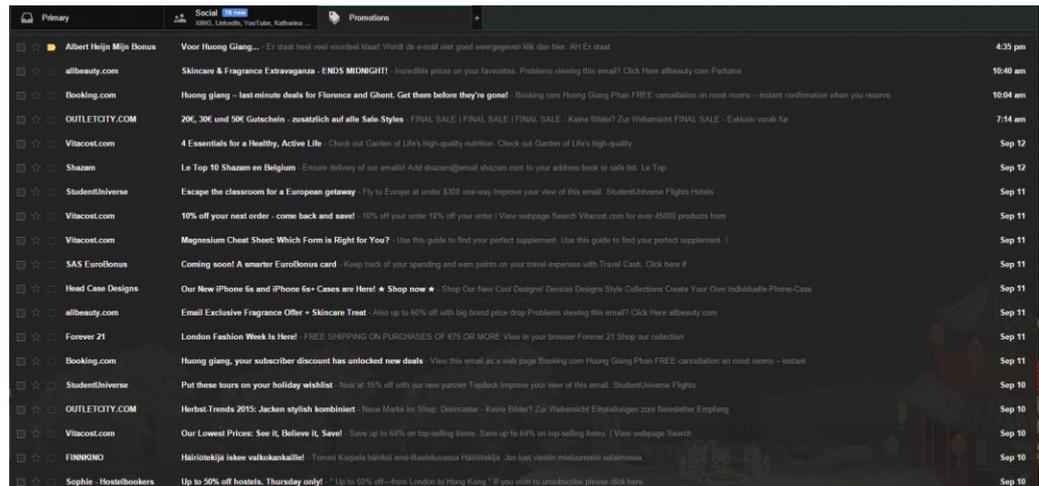
Figure 6. Promotion e-mails

d. Social Media

Different information is shared on social media networks everyday and very quickly. The wide range and distributing speed of social media benefit both publishers and customers. Moreover, this is an efective multipurpose method because promotes products, communicates to customers, receives reviews, sells products all together. Posting a link on social networks also allows advertisers to track their affiliates using the sharing management function.
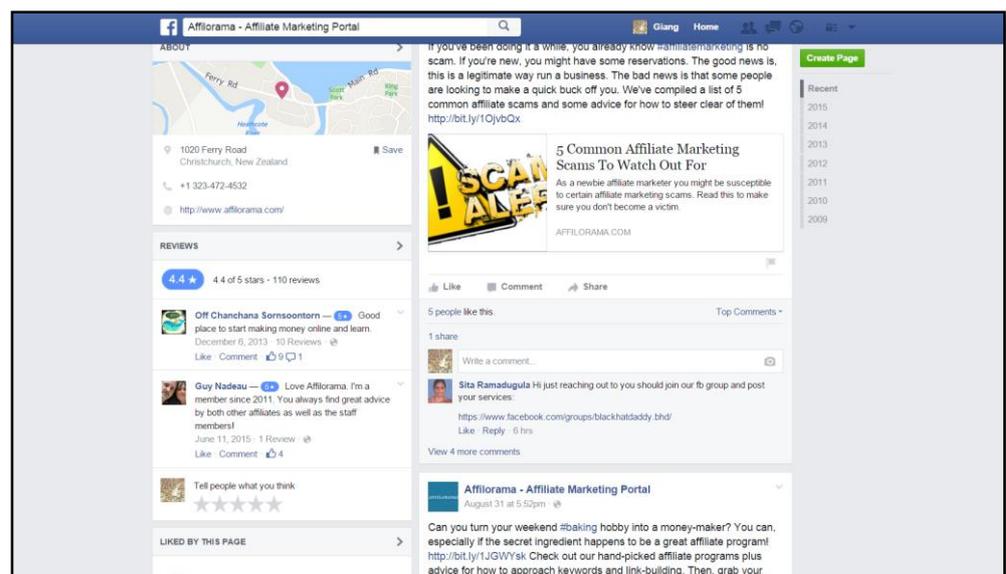

Figure 7. Affilorama - Affiliate Marketing Portal (Facebook)

e. Website/content

There is, in fact, a slight similarity between Website/content method and Social media method. With both methods, affiliates can post links or write feedbacks to advertise the products. For example, they can place links or banners at the footer or header, sidebar or even create a separate page for them. Publishers can also write a post which includes the links/banners to promote their products.

The difference between Website/content and Social Media lies in the form of appearance of the posts. When a link is shared on social media, what viewers see is a title, a short description and probably an image of the post. The complete content of the post itself is not shown. In order to learn more about the content, viewers have to actually click on the link, which leads to full description of the product. This in turns generate a possibility of customers purchasing the product. Regarding Website/content method, viewers can see full content of the post without needing multiple clicks.

Another difference is that a website can be easily found using search engines, whereas a post of social media cannot. Regarding the fact that affilate mareting depends relatively much on SEO, not being able to find a post on social media naturally reduces marketing effect.

The image below shows one of the most popular affiliate blogs. Adam Riemer's marketing blog publishes posts about affiliate marketing related topics: affiliate management services, how-to guides and reviews. He adds affiliate links into his content to promote products which naturally gives bloggers helpful information about affiliate marketing.
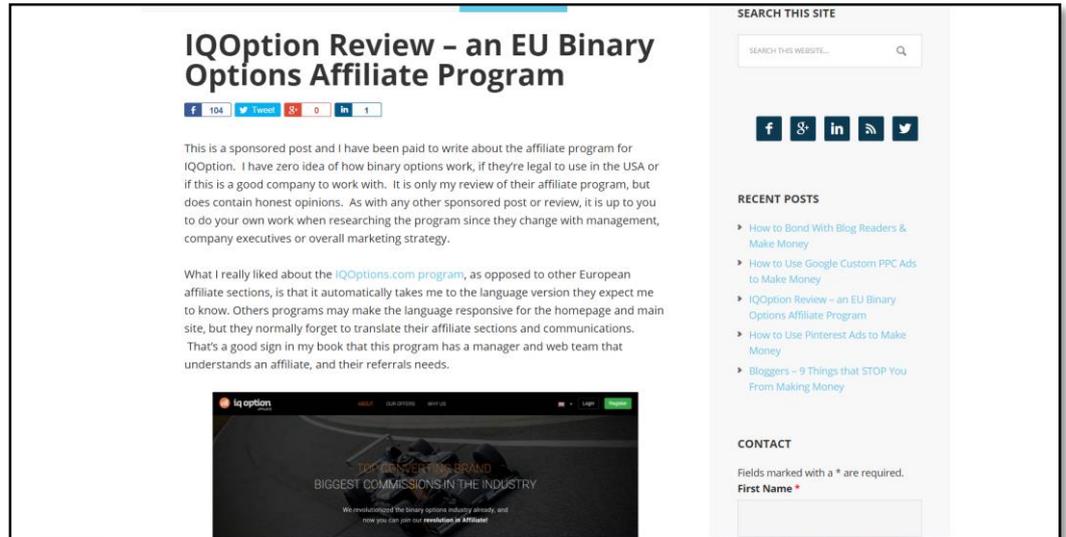
Figure 8. Affiliate marketing blog (Riemer, 2015)

3.4.2 Affiliate marketing models

The key factors of a successful affiliate marketing plan are made up of not only which methods are used but also which model it is. There are many affiliate marketing models for publishers to choose. Therefore, they have various options to apply a suitable sponsor model for their products. Some of the most popular models are: Coupons, Product Reviews, Ad banner, Incentive/Loyalty, Offline Affiliate.

a. Coupons

Coupons model is evaluated as one of the most attractive methods of affiliate marketing. Customers click on the coupon banners to get access to the website and buy products. The banner displayed is an affiliate link.

Figure 9. CouponMom (CouponMom, 2015)

The image above is from www.couponmom.com, a professional website that provides its members information about discounts in its grocery stores and outlets. It's clear that not only members but also non-members are attracted by the good deals, which intrigue them to seek the offers. The website contains numerous affiliate links that make it an interesting advertising site.

b. Product reviews

The amount of positive reviews drives the decision of customers. Nowadays, customers often do research for the goods they would like to buy before spending money. Therefore, product reviews, especially positive feedbacks, play an important role in marketing. There are numerous of review websites that focus on using products (sample products sent to these websites by the company or websites buy these products themselves). Then after trial usage, they give the reviews based on real experience.

Figure 10. Reviews Blog (Grundig, 2015)

Another version of the review model is comparison websites. These websites produce tables comparing products' functions, prices, and dimensions with direct links to buy them.

Figure 11. Comparison website (NexTag, 2015)

The image above is an example of a comparison website – NexTag. Users can search using keywords then the website will analyse the price of the searched product on all available sources with relevant information.

c. Ad banner

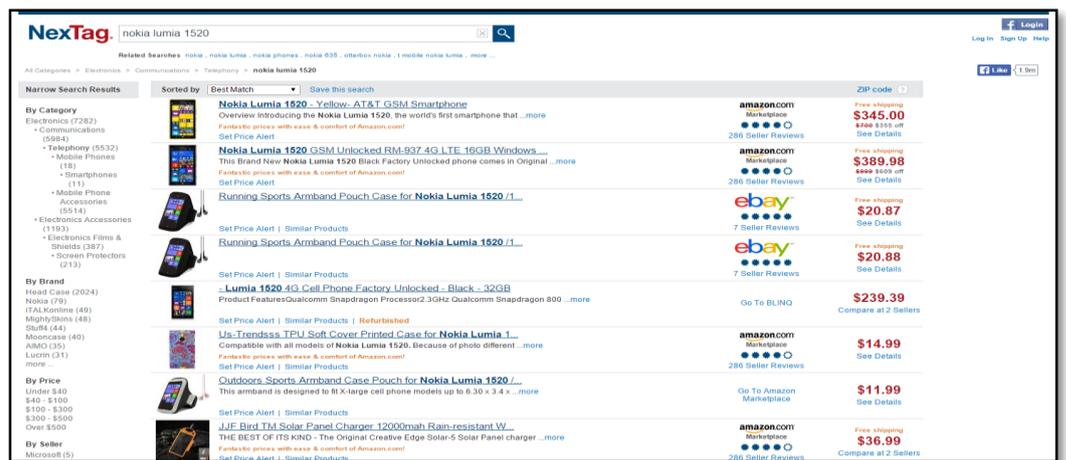Banners are pictures or content blocks of a product. They have a back-link which directs users to the website of the product. The back-link including affiliate's ID helps the advertisers track his/her affiliates. Banners can be placed on publisher's personal sites, websites or forums where customers are attracted to the most.
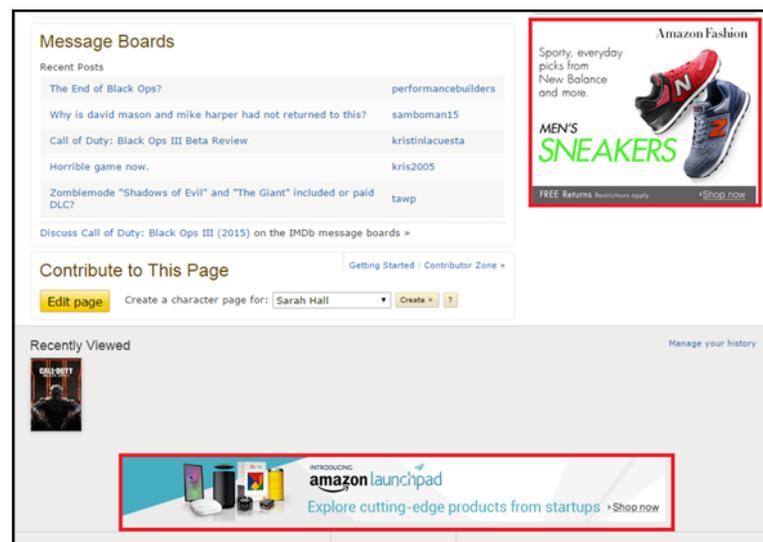

Figure 12. Amazon Ads banners on IMDb website (IMDb, 2015)

d. Incentive/ Loyalty

This method is used mostly by airlines or shopping sites. These websites often display an offer to members who can only be rewarded such as bonus miles, points, discount codes or vouchers if they follow the link.

Figure 13. Exclusive offers (BestBuy) (2015)

e. Offline Affiliate

Offline affiliate is a special method that is spread by word-of-mouth. A presenter - an affiliate promotes the products by recommending the audience to click on the targeted link to purchase them. This model is usually broadcast on radios or TV shows. Audiences are fascinated by the information given in the advertisement, then they develop curiosity and finally get access to the link.

Here is an example of Amazon offline affiliate, this website belongs to Adam Carolla – a famous American comedian:

Figure 14. Adam Carolla advertisements (Carolla, 2015)

3.4.3 Compensation methods

Affiliate marketing is customized online with many methods and models, which allow sellers to choose the most suitable payment method. The agreed commissions and performed actions can be sorted out by groups: Pay per Sale, Cost per Action, Cost per Lead, and Cost per Click (Dusanka, 2010).

a. Revenue sharing or Pay Per Sale (PSP)

Comparing to other remunerations, PPS or revenue sharing is the safest method for advertisers because they only pay successful orders.

b. Cost Per Action

The publisher has different commissions based on users' actions which are usually their registration and signing up for newsletters. The publisher is paid after the visitor has completed registration and successfully paid for a sale via credit card. This type of marketing is sale driven and the links can be placed anywhere the publisher wants without giving notice to the advertiser.

c. Pay Per Lead (PPL)

PPL is a compensation type of an affiliate marketing where the publisher is paid based on the leads. For example: downloading a software or a file, finishing a subscribe newsletter form, watching an advertising or other actions. All these leads are directed to a targeted website or content that advertisers control so that they can track the performance of the publishers. Once the visitor follows the construction of what the affiliate link offers, the publisher is paid. In general, people often confuse between PPA and PPL or believe that they are the same. However, there are differences between them, and the biggest difference is that Pay per Lead is non-financially required for a lead.

d. Cost Per Click (CPC), Cost Per Mile (CPM)

While CPC allows marketers to receive payment every time a client clicks on the advertisement, CPM means the cost is estimated by 1000 views. Although CPC was very popular in the past and it is the most common use for search paid, it is rarely used now due to fraud clicks and the unproductivity of the action.

3.4.4 Technical requirements

Being based totally online requires affiliate marketing new techniques and softwares, which mostly contain web platform and code generation. There are two main affiliate marketing methods for a company to apply: doing it themselves or from a partnership with an affiliate network. However, it is the same concept as using cookies. Cookie is a technology which works on web browsers to store user data such as account ID and passwords, preferences, shopping cart contents, filling information and so on. Thanks to cookies, affiliate marketing was born. Cookie manages a lot of data including actions of visitors (clicks on, registeration, etc.) by memorizing the links which have been clicked. Especially, it can also record the exact date

and time at which an action is made (CommisionJunction). By tracking the address of the link or advertisement, the advertiser can detect affiliates' growth via a unique ID code which is contained in the affiliate link or the backlink of the advertisement.

This is a sample link from Commission Conjunction website:

 webservices.cj.com

In which:

- 5377085 is Publisher website ID (PID), which is used to recognize publisher's website.
- 10590299 is ad ID (AID), this is a unique link comprised with each link. It helps Commission Junction to track the performance of the publishers and credit their account along to the commission contract. It also allows Commission Junction to find the proper advertiser.
- 012-123 shopper ID (SID), which addresses where the action comes from. Therefore, Commission Junction can focus on distinctive customers and the transaction when customer complete an invoice is recorded in the systems.

3.5   Issues

It is undeniable that affiliate marketing helps both merchants and publishers to earn profit effectively. Conversely, this marketing method also causes several disadvantages such as email spamming, search engine spamming, clicks forcing, false advertising and malware.

3.5.1   Spam

The majority of users have negative opinions such as they receive spams from affiliates of the programs they subscribed. There are many types of

spamming which they receive not only every day but even hourly which causes much annoyance.

The most common form of spam is email spamming. Internet users are usually never aware of how much and how often information they could receive by subscribing for the newsletter or registering an account for a new program/ website. Therefore, receiving too many advertising emails daily makes them very uncomfortable. Moreover, even if they unsubscribe to receiving newsletters, their emails are still added to another list, then they keep receiving commercial emails frequently from suppliers they do not even know.

3.5.2 Black SEO

Web spam or Search engine spam is the practice of driving users' traffic to targeted webpages which are designed to attract Google search results by using black SEO to pass Google publisher regulation.

Web spam pages enclose content and keywords that help rank the website on search results. A lot of web spam contains nothing but key words and a sign in log, some of which mislead users to other websites (targeted websites). Therefore, the only purpose of the web page is competing with the rivals to get as high ranking as possible.

In order to support this performance, a good knowledge of SEO is required. At the same time, this purpose of black SEO is illegal. Black SEO often uses "spamdexing" to manipulate search engine techniques by creating pages with favorable keywords or spamming messages, posts on forums, websites to promote their search result ranking position.

The common black SEO workflow involves:

1. Mining of *Google Trends* data for most popular search topics, whether it's 'britney spears' or 'death of david carradine'.

2. Generating content related to popular search phrases and linking it to a promotional site.

3. Uploading content as a blog or forum post, *Wikipedia* article or as a site on a 'throwaway' domain.

Most of the steps in this process can be automated by various SEO software tools.

Figure 15. Black SEO workflow involves (The Partnerka - What is it, and why should you care? 2009)

According to Dmitry Samosseiko in his research about Partnerka – association of hundreds of well-organized affiliate networks in Russia, there are numerous types of this tool. They can work automatically on building sites with meaningful content and spam various other websites at a surprisingly fast speed. These sites are disguised so well that it is difficult for users to to recognize their false content.

3.5.3 Malware

Malwares includes adware and spyware. Firstly, malware is DNS Changer Trojans, which is able to place the targeted website on the top of web results. It works by redirecting DNS records of search engines to a site which is controlled by affiliates (Samosseiko, 2009, 115 - 120). Secondly, malware permanently changes user's search engine to its search engine. This search engines only display selective results that are led to promoted sites.

On the other hand, spyware runs secretly on users' devices to follow and snoop users' reference information. Spyware can infuse into users' devices by fraud clicks or forced clicks. These clicks get the tracking cookies which are set on users' devices in purpose. By getting this information, the spyware modifies affiliate website content and generates directions to these websites from search results based on users' habits.

Figure 16. An example of adware

Adware is classified differently from spyware but it uses the same techniques. Adware often displays popup windows or banners containing advertisement automatically and uncontrollably. However, using adware is a bad method that destroys business reputation the most. Therefore both advertisers and marketers are now trying to avoid it.

Furthermore, another question is how these malwares can pervade user's computer without the forced or fraud click? It brings to mind one of the compensation methods which is Pay per Lead or Pay per Action. By clicking on a pointed link, downloading a software, registering for unwell-known sites, users can get these malware. For non-professional users, they carelessly follow the direction without noticing that they are tricked. Moreover, with an increasing number of fake anti-viruses, anti-malwares, spywares, adware softwares, it becomes more and more difficult to recognize the risks.

4   DATA ANALYSIS

4.1   Case studies: Amazon, Google, Finnair, Udemy, Microsoft, Apple iTunes

4.1.1   Research data

	Amazon	Google	Finnair	udemy	Microsoft	iTunes
Affiliate programme official website	https://affiliate-program.amazon.com	https://www.google.com/adsense/start	http://www.finnair.com/be/gb/affiliate-program	https://www.udemy.com/affiliate	http://www.microsoftaffiliates.com	http://www.apple.com/itunes/affiliates
Affiliate programmes	Amazon Associates	Google AdSense	Finnair Affiliate Program	Udemy Affiliate Program	Microsoft Affiliate Program	iTunes® Affiliate Program
Founded year	Jul-96	Mar-03	Feb-13	Oct-14	Dec-08	Sep-04
Affiliate model	Ad banner, Offline affiliate	Ad banner	Ad banner	Ad banner	Ad banner	Ad banner
Network provider	None	None	Zanox	LinkShare	Various by local public network	Performance Horizon Group (PHG)
Compensation method	Pay Per Sale	Various	Pay Per Sale	Pay Per Sale/ Pay Per Lead	Pay Per Sale	Pay Per Sale
Commission	Up to 10%	Various by AdSense Products	5.00 Euro + 2%	40.00%	Up to 10%	7%

Table 1. Comparision companies' affiliate programs

All six companies are successfully running their affiliate programs at the moment of this research. They provide different products, from virtual to physical, and offer a variation of price range, from a few euros per song (iTunes) to thousands of euros worth of a luxury jewelry (amazon). They are all aware of the benefit of online marketing and have clear strategies for their marketing campaigns.

4.1.2   Comparision and Analysis

a. Founded year

Amazon has provided one of the first affiliate programs in the world since 1996. Followed by Google and Apple iTunes which started their affiliate programs in 2003 and 2004. For unknown reasons, Microsoft ended

their affiliate network in 2000s and started a new affiliate program in 2008. During these years, the world has seen an extreme innovation of internet regarding its range and impacts on people in every age group. They heard about online marketing in general and especially affiliate marketing in almost business conferences, it's become more and more popular.

Therefore, it is not strange that Finnair started its affiliate program in 2013 and Udemy – a young business launched affiliate program since 2014. There is no doubt that Amazon Associates has a best reputation due to its long time running and clear commissions for advertising fees. Amazon is always on a top position on Best affiliate program ranking list.

Google AdSense is also one of the best affiliate programs due to its easy implementation and its supply of many excellent analytic tools such as AdRank or tools for calculating the number of visitors. In addition, Udemy affiliate marketing has been receiving good reviews from users and has been mentioned often in affiliate marketing topics. It proves that not only the life-span of programs that makes them more trust-worthy but also positive comments that drive the marketing campaigns toward success.

b. Affiliate models

The most commonly used model is advertisement banners. All these affiliate programs give publishers several banners in various size to fit in publishers' websites. They also give publishers affiliate link to post on publishers' sites, these links can be general affiliate links or deep links (which direct visitors to specific pages of advertiser's site than only the home page).

Moreover, the guide of these programs are very clear and detailed, presenting all needed information for starters to understand the basic concept of the program, the commission and payment methods. Additionally, support contacts are shown in every single page to help

users communicate with supporters easily. The supporters are very helpful and are quick to reply.

Amazon is the most special because it has an offline model which is mentioned earlier in part 4.2 Affiliate models. Those celebrities use their sites as a gate to attract users to visit and to lead them to the Amazon webpage. Google Adsense has one more type of affiliate advisement, which is publishing videos for promoting purpose. Thus publishers have more possibilities to choose which type of affiliate attractions to use.

c. Affiliate Metworks

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d. Compensation methods, Commission rate and Payment methods

Most of these companies use Pay per Sale as compensation method, only Google AdSense Udemy have Pay per Lead as an additional opportunity. In general, the companies do not want to disclose their commissions because of their business strategies or competitions whereas some companies decide to reveal them officially on their websites. For example, Amazon and Microsoft show a detail table of commission rate for each type of products.

1. Standard Advertising Fees

The Program's standard advertising fee structure, applicable to Qualifying Purchases made through Special Links, is described in Tables 1 and 2 below.

TABLE 1 – Fixed Advertising Fee Rates for Specific Product Categories

Product Category	Fixed Advertising Fee Rates
Electronics Products	4.00%
Television Products	2.00%
PC Component Products	2.50%
Kindle tablets, Kindle e-readers, and Fire Phone	4.00%
Amazon Echo and Fire TV	7.00%
Amazon MP3 Products	5.00%
Amazon Video Products	5.00%
Game Downloads Products	10.00%
Gift Cards Redeemable on amazon.com	6.00%
Gift Cards Not Redeemable on amazon.com	4.00%
Amazon Coins	10.00%
Grocery Products (including Prime Pantry)	4.00%
Video Game Console Products	1.00%
Headphones Products	6.00%
DVD Products	4.00%
Industrial Products	8.00%
Products available on Myhabit.com	8.00%
Products available on AmazonLocal (local.amazon.com)	6.00%
Handmade Products	4.00%

TABLE 2 – Volume-Based Advertising Fee Rates for General Products*

Number of Products Shipped/Downloaded in a Given Month**	Volume–Based Advertising Fee Rates for General Products
1–6	4.00%
7–30	6.00%
31–110	6.50%
111–320	7.00%
321–630	7.50%
631–1570	8.00%
1571–3130	8.25%
3131+	8.50%

* For the purposes of Table 2, "**General Products**" are any Products other than those for which we pay a fixed advertising fee rate as described in Table 1.

Figure 17. Amazon Advertising Fees (Amazon, 2015)

Category	Commission	Attribution Window
Apps and Games in-app purchases	7%	14 days
Apps and Games purchases	7%	24 hours
Band	5%	14 days
Developer/Visual Studio	10%	14 days
Gaming: Xbox Console and Xbox Console Games	2%	14 days
Groove Music Pass (Annual Subscription)	See below. Bounty rates vary by currency	14 days
Groove Music Pass (Monthly Subscription)	See below. Bounty rates vary by currency	14 days
Movie	7%	24 hours
Music download	7%	24 hours
Office (Non-subscription)	10%	14 days
Office 365 (Monthly Subscription)	See below. Bounty rates vary by currency	14 days
Office 365 (Yearly Subscription)	See below. Bounty rates vary by currency	14 days
Other Software	10%	14 days
PC Hardware	1%	14 days
Phones	5%	14 days
Services and Accessories	5%	14 days
Surface	5%	14 days
TV shows	7%	24 hours
Windows	10%	14 days

Commission rates are subject to change at any time and may vary by country.

Figure 18. Microsoft affiliate program commission rate (Microsoft, 2015)

Udemy, Finnair and iTunes' programs expect visitors to join their programs on affiliate network website to see the commission rate, and only Finnair has different commission rate for short period publishers and long term publishers. Google Adsense only expose the revenue share for AdSense content (68%) and AdSense Search (51%). Regarding other products, they do not disclose the information (Google, 2015).

There are numerous payment methods for publishers to choose. The most common is payment via provided bank account or PayPal account, clearly the payment includes VAT or other taxes. Amazon offers payment with checks or electronic Amazon.com gift card as well. In short, publishers can discover the commission rate and choose their preferred payment methods on the dashboard of the program.

4.2   OptimalNachhilfe and coLanguage's Affiliate program

Both coLanguage and OptimalNachhilfe have their own affiliate programs. Although they are different companies, the affiliate program concepts are the same. All members of those companies have permission to take part in their affiliate programs and receive the commission. In each company, there

are two different programs contributing to associates: one for students and one for others.

4.2.1 Interview

Q: When did the company start use affiliate marketing to market company website?

A: Since 2013, we started to run affiliate marketing program for website Optimalnachhilfe and got good results. Therefore, since the launch of coLanguage website, we decided to also use this program for the website, but at a different commission rate.

Q: Why do you specifically use affiliate marketing but not other methods of marketing?

A: First, it is well known that Internet is faster and more accesible than other traditional forms of media. Our business is run entirely online so online marketing is a suitable approach to customers. Second, affiliate marketing is cheaper and more attractive than other types of online marketing because we only pay for successful deals which increase members for us.

Q: What is required in order to become an affiliate of the company?

A: Free registration allows everyone to join in.All they need is creating an affiliate account.

Q: How did you create this program?

A: It is the result of our work during the last three years. This version is for OptimalNachhlife website. I and my colleagues created it 3 years ago but now we no longer use this program. We only use the new version that our interns created in September, 2015 and corporation with other Affiliate Networks.

Q: The company has been operating without outsourcing. So why do you decide to get partnership with ADCELL now? What makes ADCELL a suitable partner?

A: In fact, they chose us first and we have partnership with not only with ADCELL but also with other affiliate networks. We met in a business conference and after the event, they sent us an email saying they would like to work with us. This to us is an opportunity to cooperate and co-develope, there is no risks in sight. They need an advertiser while we need a publisher. In short, it's a win-win relationship. In addition, we have two commission options: Student and Others. Now we pay ADCELL as Others' commission rate and ADCELL takes responsibility to manage and pay for publishers in their network. coLanguage is only responsible for the case of students.

4.2.2 Research data in reality

a. Lay out

On the homepage, there is a navigation to an affiliate page for members to join the affiliate programs. To obtain access to this field, members can click on button "Join our affiliate program" at the footer of the page (coLanguage website) or access through member dashboard.
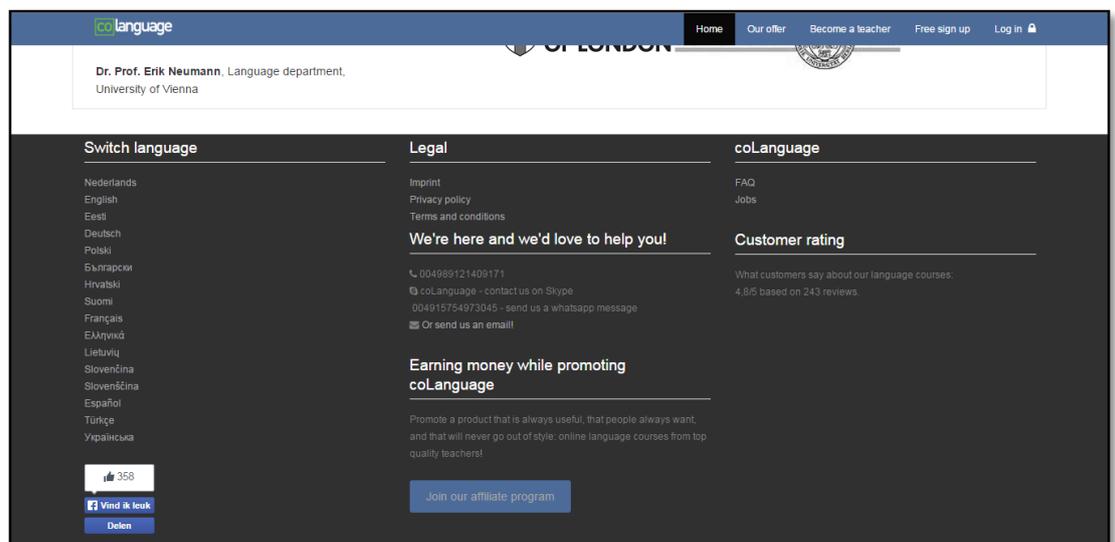

Figure 19. Affiliate program (coLanguage, 2015)

This button addresses to the affiliate page, in which all information about affiliate is provided including the tracking link.
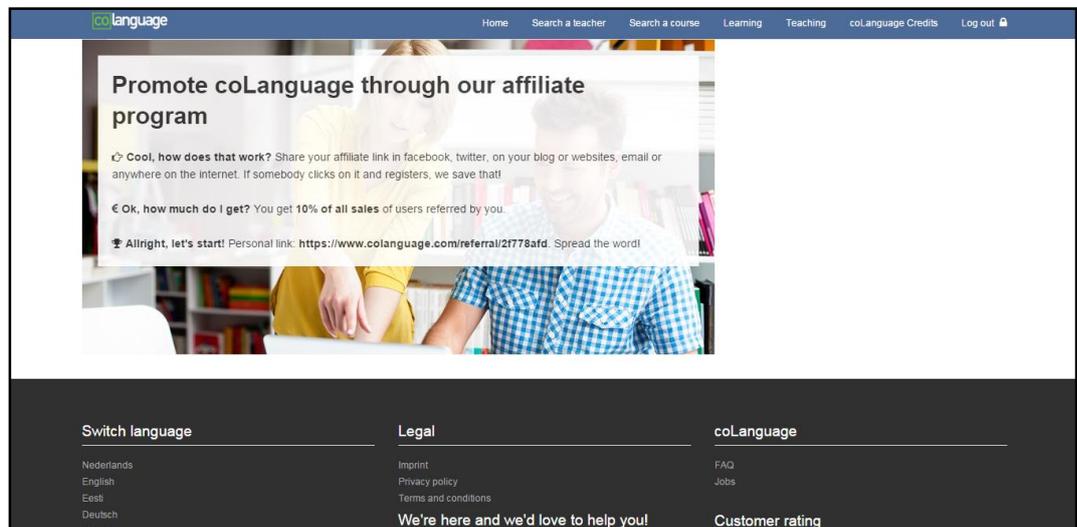

Figure 20. Description of affiliate program (coLanguage, 2015)

i.   Track link

To track affiliates performance, each affiliate has his/her own track link with his/her user ID. There is a code to create these links automatically as might be expected. As specified by the picture above, the track link is:

https://www.colanguage.com/referral/2f778afd

OptimalNachhilfe website uses PHP programming language in their website, here are the codes:

```php
<?php
global $user;
global $base_url;
echo $base_url . "/referral/" . _referral_uid2ref($user->uid);
?>
```

The link is created by the syntax: home URL combines with user ID.

ii.   Affiliate code

OptimalNachhilfe also provides other affiliate tools but tracking link is the affiliate code. New students can fill the affiliate code in special fields when he/she signs up, after that he/she receive a benefit and the affiliate is referred. It means the affiliate code works independently. The affiliate code is affiliate user ID that is the last code of the tracking link. The affiliates can also get the user ID through profile page. The affiliate code is defined by the syntax:

```php
<?php
global $user;
echo _referral_uid2ref($user->uid);
?>
```

b. Event

OptimalNachhilfe's affiliate program has two main functions which are counting the number of visits or clicks, registration, and activation credit of bonus or discount. Counting events is implemented by codes:

```php
<?php
$current_user = user_load($user->uid);
$visits      = 0;
if ($current_user->field_affiliate_count['und'][0]['value'] > 0) {
    $visits = $current_user->field_affiliate_count['und'][0]['value'];
}
echo "Anzahl der Klicks auf deinen Link: " . (string) $visits;
?>
```

Each time user ID is loaded, the variable "$current_user" will increase by one and return to the variable "$visits" as a counting number. On account of user ID, total number of clicks/ visits is true and exact with each user.

c. Display

All affiliates have their own dashboard to see information of their running.

Figure 21. Dashboard (OptimalNachhilfe, 2015)

For each block, information is displayed in detail. The first block is the recommended link. It shows how to use the link: to post on personal webpage, Facebook or send an email to student councils, job boards. It also explains how to count the number of visitors: once a person clicks on the link, a cookie is automatically created and further actions are displayed. The current number of click is shown in the bold sentence.

In addition, second block is Successful Registration. As mentioned above, affiliate code is used to refer inviting person. When a new account is created, there is a field to fill the affiliate code so in the invitee's profile, an affiliate's name is put on view. Detailed speaking, in a new member's profile, there is a field to see "Referred by" with the name of the inviter. Moreover, in affiliate dashboard, the number of referral people is presented as the number of successful registration like in figure... This block also guides to use track links and provides information of remuneration.

d. Use cases

The company gives different compensations for each contributor. Depends on the role of user, the compensation is a discount coupon or revenue sharing.

i. Student

In this case, it is referral marketing than affiliate marketing.

- Role: student
- Commission: A discount coupon is worth 10 euros for friend and 10 euros for his/her own.
- Method:
  + For students: students can refer students with a discount coupon code (affiliate code or user ID). If they refer a friend, the friend gets 10€ credit. When that referred user pays a bill, the original user (student) also gets 10€ of credit.
  + For a referred person: When the friend signs up for a new account on OptimalNachhilfe website, he/she fills the code at the bottom field (pic) so his/ her account is generated automatically as "referred by <affiliate's name>", 10 euros is showed up in his/her account.
- Payment method: Teacher can choose between two options of payment methods: by website credits or pay through PayPal transfer.

ii. Other users

- Role: Teacher, Region responsible, Ambassador
- Commission: 10% of a sale
- Method: User can use both the affiliate code and the referral link to refer students. They get 10% when an invoice is paid. They have their own dashboard, to track all the important metrics.
  - Number of visits
  - Number of registrations

        o   Number of matched students with a teacher

        o   Number of students who paid their bill

- Payment method: The company will pay directly to users via Paypal.

e. ADCELL

OptimalNachhilfe has a new partnership with ADCELL – the affiliate network. Therefore, OptimalNachhilfe only takes responsibility for students, the other users become ADCELL's duty from now.

- About ADCELL: In origin, ADCELL belongs to First Lead GmbH, which was founded in 2003. ADCELL GmbH founded by Oliver and Marcus Seidel brothers to help webmasters to make money on the Internet easily.

  At the beginning, ADCELL focused on German, Austrian and Swiss markets (all of OptimalNachhilfe's markets) and now they rely on more than 110,000 affiliates as SEO, content management, blogs, search engine marketers and mailers newsletter. With up to 250,000 transactions per month and 975 partner programs, ADECELL becomes the leading affiliate networks in Germany. (https://www.adcell.de/unternehmen)

  Current network number

Number of Affiliates	>110.000
Number of Partner programs	975
Number of promotional material	119.223
Number of transactions per month	about 250.000

- Commission: Total is 10% of a sale, in which 30% is for ADCELL and 70% for affiliates.
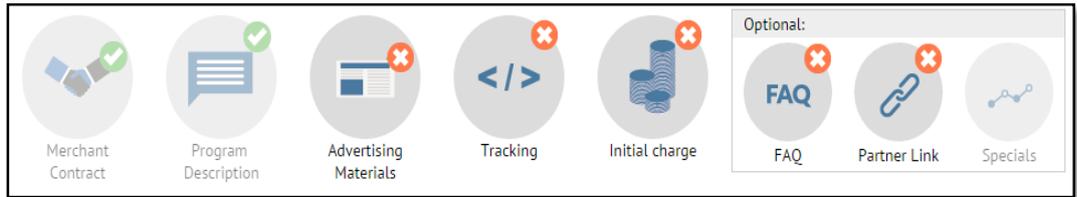- Method: ADCELL runs the program following the process:

Figure 22. Todo process (ADCELL, 2015)

First, OptimalNachhilfe and ADCELL signed the contract. Next, OptimalNachhilfe sent a program description to ADCELL, they also had a discussion on this matter. OptimalNachhilfe needs to send them Advertising materials which are banners, text links, deep links, vouchers and so on.
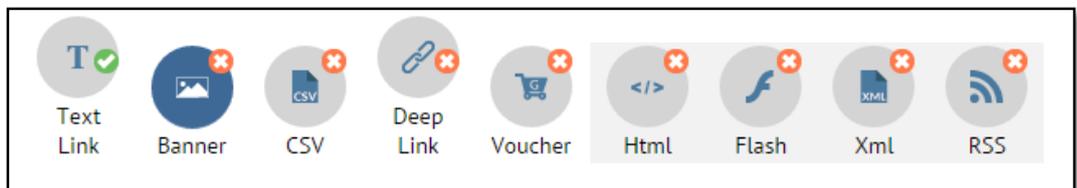

Figure 23. Advertising materials (ADCELL, 2015)

The more advertising material OptimalNachhilfe provides, the more possible advertising service ADCELL can achieve. The next step is when ADCELL gives OptimalNachhilfe tracking codes that the company can use to track the progress of the affiliate program whenever they need.
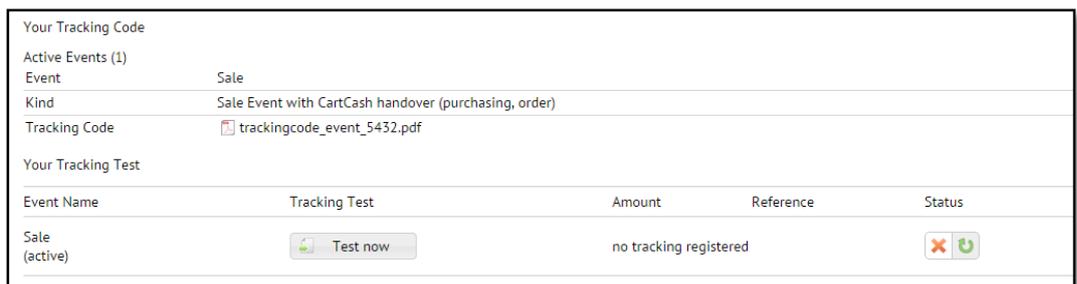

Figure 24. Tracking code (ADCELL, 2015)

Lastly, money will be charged from credit accounts because ADCELL works following to prepaid method so when the program starts OptimalNachhilfe can manage all on the website via their account.

Figure 25. Charging (ADCELL, 2015)

By accessing "My campaign", all information is displayed.

Figure 26. Statistic (ADCELL, 2015)

By this way OptimalNachhilfe can control and track the progress of the program.

5   DISCUSSION

Affiliate marketing now is a current trend of online business. It is expected to become an efficient way to market a business. Affiliate marketing is now customized very differently from its original format. Publishers are not limited to post the advertisement, but they can post on business websites, privates websites, social media websites, forums etc. Therefore, so as to make the content and layout suitable for each page s, affiliate content has to be modified. It leads to a new creation of banners for marketing, which are now not simple pictures with text, they require modern techniques like deep links, flash player and even security content to authorize the publisher affiliate link.

On the other hand, the rise of cybercrime affects online marketing. As mentioned above, there are many fraud sites of affiliate marketing which direct visitors to access to insecure sites or even hacked sites. These sites can provide fake products or steal personal information of users. It becomes more harmful if users save their bank information on cookie because it can be copied by malwares.

Affiliate marketing will maintain its position as a highly demanded marketing method in the future as the internet is more and more expandable by range of coverage and all business activities are displayed and operated on digital servers. Besides, the development of affiliate networks help businesses to launch their marketing programs more easily. In addition, the growth of sharing economy with sharing revenue also lends a hand to make affiliate programs attractive. However, the security problems needs to be solved as soon as possible before they cause any severe damage.

6   CONCLUSION

The theoretical parts of this thesis provide a basic understanding of online marketing and one of its forms – affiliate marketing. There are many affiliate marketing models: Coupons, Product Reviews, Ad banner, Incentive/Loyalty, Offline Affiliate with different compensation methods: Pay Per Sale, Pay Per Click, Pay Per Lead, Pay Per Action. The purpose of these parts is to help readers who have no experience in this field to have a view of affiliate marketing and understand its basic concept.

To run an affiliate program, advertisers need to have a good IT system. Simple affiliate program techniques require: an affiliate link with an ID number – to identify publisher, a website – to post affiliate links (or content included affiliate link), cookies – to remember visitor's behaviors, analyze tools – to track the performance of publishers, optional SEO to rank the content of the advertisement. Advertisers should create the requirements themselves, or they can start a partnership with an affiliate network and let the network take responsibility.

Many issues of affiliate marketing have yet to be solved completely such as spamming, Black SEO and Malware. Even though both the advertisers and the publishers have a regulation to prevent usage of harmful software or cheat actions, these issues are still increasing in many ways with intelligent techniques.

This study presents many case studies: Amazon, Google, Finnair, Udemy, Microsoft, Apple iTunes, OptimalNachhilfe and coLanguage. These give readers a diverse view of affiliate programs in many online markets. More emphasis is given to OptimalNachhilfe and coLanguage in order to display a development of affiliate program in a small company, from the beginning when everything was done by themselves till when they shift this task onto ADCELL affiliate network.

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