

Erno Mikkilä

## **Affiliate Marketing from Affiliates' Perspective**

Case Adtraction Marketing Oy

Thesis

Fall 2019

School of Business and Culture

Bachelor of Business Administration

SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

## **Thesis abstract**

Faculty: Business and Culture

Degree Programme: Bachelor of Business Administration, BBA

Author: Erno Matias Mikkilä

Title of thesis: Affiliate Marketing from Affiliates' Perspective

Supervisor: Cory Isaacs

Year: 2019      Number of pages: 54      Number of appendices: 1

---

The purpose of this thesis is to research digital marketing methods and affiliate marketing from affiliates' perspective. The commissioner for the thesis is Adtraction Marketing Oy.

The thesis consists of a theoretical framework and an empirical part. The theoretical part of the research was written by researching digital marketing methods and affiliate marketing. The empirical part of the study was implemented as qualitative research with semi-structured interviews. Two affiliates with experience in affiliate marketing were interviewed.

The results of the study showed that the commissioner should provide more resources and guidance for the affiliates with the different digital marketing methods and affiliate marketing. However, originally, the researcher had planned to interview at least three different interviewees, but due to the lack of interviewees, he only had the opportunity to interview two. This affected the findings of this study, and further research should be conducted to make definitive conclusions.

Keywords: Digital marketing, Affiliate marketing, Affiliate network, Adtraction

SEINÄJOEN AMMATTIKORKEAKOULU

## Opinnäytetyön tiivistelmä

Koulutusyksikkö: Liiketoiminta ja Kulttuuri

Tutkinto-ohjelma: Bachelor of Business Administration, BBA

Tekijä: Erno Mikkilä

Työn nimi: Affiliate Marketing from Affiliates' Perspective

Ohjaaja: Cory Isaacs

Vuosi: 2019 Sivumäärä: 54 Liitteiden lukumäärä: 1

---

Opinnäytetyön tarkoituksena on tutkia digitaalisen markkinoinnin menetelmiä ja kumppanuusmarkkinointia julkaisijan näkökulmasta. Tämän opinnäytetyön toimeksiantaja on Adtraction Marketing Oy.

Opinnäytetyö koostuu teoreettisesta viitekehuksesta ja empiirisestä osasta. Teoreettinen viitekehys koostuu digitaalisen markkinoinnin menetelmien ja kumppanuusmarkkinoinnin tutkimuksesta. Tutkimuksen empiirinen osa toteutettiin kvalitatiivisena tutkimuksena, teemahaastatteluina. Haastateltavina oli kaksi julkaisijaa, joilla oli kokemusta kumppanuusmarkkinoinnista.

Opinnäytetyön tutkimuksen tulokset osoittivat, että toimeksiantajan tulisi tarjota enemmän resursseja ja opastusta julkaisijoille digitaalisen markkinoinnin menetelmien ja kumppanuusmarkkinoinnin osalta. Alun perin tutkijalla oli tarkoitus haastatella kolmea eri henkilöä, mutta haastateltavien löytäminen oli haastavaa, ja tutkija päätyi haastattelemaan vain kahta henkilöä. Tämä vaikutti tämän tutkimustyön tuloksiin, ja varmojen johtopäätösten tekemiseksi tulisi tehdä lisätutkimuksia.

Asiasanat: digitaalinen markkinointi, kumppanuusmarkkinointi,  
kumppanuusverkosto, Adtraction

## TABLE OF CONTENTS

Thesis abstract.....	2
Opinnäytetyön tiivistelmä.....	3
TABLE OF CONTENTS .....	4
Tables, Figures and Pictures.....	6
Terms and Abbreviations.....	7
1 INTRODUCTION .....	9
2 Purpose and structure.....	10
2.1 Previous studies.....	10
2.2 Case company: Adtraction Marketing Oy.....	11
3 DIGITAL MARKETING METHODS .....	12
3.1 Display advertising.....	12
3.1.1 Adblocking .....	14
3.1.2 Banner blindness .....	15
3.2 Email marketing .....	16
3.3 Content marketing.....	18
3.4 Social media marketing.....	19
3.5 Search Engine Marketing.....	21
3.5.1 Search engine optimization.....	22
4 AFFILIATE MARKETING .....	24
4.1 History of affiliate marketing.....	25
4.2 The process of affiliate marketing .....	26
4.3 Affiliate networks.....	27
4.4 Compensation models .....	28
4.4.1 Pay Per Sale (PPS) .....	28
4.4.2 Pay Per Action (PPA).....	29
4.4.3 Pay Per Click (PPC).....	29
4.4.4 Pay Per Mille (PPM).....	29
4.5 Trends in affiliate marketing .....	30
4.6 Disclosure in affiliate marketing.....	31
4.7 Risks in affiliate marketing .....	32

5	RESEARCH METHOD AND IMPLEMENTATION.....	33
5.1	Qualitative research .....	33
5.2	Reliability and validity.....	34
6	INTERVIEWS.....	36
6.1	First interview .....	36
6.1.1	Research question 1: How does the interviewee promote their website and affiliate campaigns? .....	37
6.1.2	Research question 2: How does the interviewee perceive affiliate marketing? .....	38
6.2	Second interview.....	39
6.2.1	Research question 1: How does the interviewee promote their website and affiliate campaigns? .....	39
6.2.2	Research question 2: How does the interviewee perceive affiliate marketing? .....	40
7	RESEARCH RESULTS.....	43
8	CONCLUSIONS.....	46
8.1	Recommendations for the commissioner .....	46
8.2	Further research.....	47
	BIBLIOGRAPHY.....	48
	APPENDICES .....	54

## Tables, Figures and Pictures

Table 1. Cross-case analysis: How does the interviewee promote their website and affiliate campaigns? .....	44
Table 2. Cross-case analysis: How does the interviewee perceive affiliate marketing? .....	45
Figure 1. How retargeting works. (Vizury, 2017) .....	14
Figure 2. Why do people use an ad blocker? (HubSpot Adblock Plus Research Study, Q2 2016).....	15
Figure 3. Median ROI of different channels (Hanna, 2015).....	17
Figure 4. Illustration of the four steps of buying cycle .....	19
Figure 5. Example of a clean link and original affiliate link that both lead to the same website.....	20
Figure 6. Organic and paid search results in Google using the search term "Search engine optimization" .....	23
Figure 7. Illustration of the process of affiliate marketing .....	27
Picture 1. Example of a static banner image (300x250px) on a website. (si-joitussuomi.fi, 2019) .....	13

## Terms and Abbreviations

<b>BBS</b>	Dedicated application to share messages or files on a network
<b>FCCA</b>	Finnish Competition and Consumer Authority is tasked with ensuring good market performance.
<b>FTC</b>	Federal Trade Commission is an agency of the United States government. FTC is tasked with consumer protection.
<b>GIF</b>	The Graphics Interchange Format (is a bitmap image format
<b>JPEG</b>	Commonly used method of compression for digital images
<b>PPA</b>	Pay Per Action is an online advertisement cost model that is based on actions.
<b>PPC</b>	Pay Per Click is an online advertisement cost model that is based on clicks.
<b>PPM</b>	Pay Per Mille is an internet advertising cost model that is based on impressions.
<b>PPS</b>	Pay Per Sale is an online advertisement cost model that is based on sales.
<b>Px</b>	Px is an abbreviation of pixel and it's a physical point in a raster image.
<b>ROI</b>	Return on Investment is a performance used to measure the efficiency of an investment.
<b>SEM</b>	A digital marketing method to increase visibility to search engines through paid advertising.

**SEO** A process to increase website traffic by increasing the visibility of a website to a search engine.

**WWW** WWW is an information system where documents or web resources are identified and accessible over the internet.



## 1 INTRODUCTION

When the World Wide Web (WWW) was introduced, it quickly became the fastest spreading media in history. While it took 37 years for radio and 13 years for television to reach 50 million users, the Internet reached that milestone in just 4 years. (Aepfel, 2015) What made WWW so powerful, was the ability for people to easily find information through various websites.

Additionally, companies quickly realized the marketing potential of the Internet and according to Létang (2017), digital advertising sales surpassed television in 2017, reaching a 41% market share. Digital consumer spending has also more than tripled over the past five years and this has fuelled digital marketing to become a critical element of any marketing portfolio. (McKinsey, 2017)

While affiliate marketing is one of the oldest digital marketing methods, the industry keeps developing and changing over time. With new technology, new possibilities and problems arise in the industry. With all the digital marketing methods changing and developing over time, figuring out how the affiliates are performing, and perceiving affiliate marketing can be vital for the future of the industry.

## **2 Purpose and structure**

The purpose of the thesis is twofold: First, research is conducted on what different digital marketing methods affiliates are using while performing affiliate marketing. After that, research is conducted to find out how affiliates are perceiving affiliate marketing.

The theoretical part of the research can be divided into two parts. First, research is conducted on different digital marketing methods and traffic acquisition methods. After that, research is conducted on affiliate marketing and the different challenges and changes happening in the industry. As the affiliates can be using various digital marketing methods, understanding how they are using digital marketing methods is important for this research.

The empirical part of the research is completed using qualitative research to inquire what different digital marketing methods affiliates performing affiliate marketing are using and how are the affiliates perceiving affiliate marketing? The interviews are carried out as semi-structured interviews.

The research questions are:

- What different digital marketing methods affiliates are using to perform affiliate marketing and to acquire traffic to their website?
- How are the affiliates perceiving affiliate marketing?

After theoretical and empirical parts of the research are done, the research results are then analyzed. With the analyzed results, recommendations are given to the case company and the thesis will be concluded.

### **2.1 Previous studies**

While previous theses about affiliate marketing have been conducted, theses focusing on affiliate marketing from affiliates' perspective were not found. Theses found

about affiliate marketing were made about the technical practice of affiliate marketing, affiliate marketing plans for companies and guides for affiliate marketing. A research gap was found when trying to find a thesis that would focus on the affiliate marketing from affiliates' perspective.

To look for similar theses, Theseus.fi was used. Theseus.fi is an open repository of theses and publications of the universities of applied sciences on the internet. (Theseus.fi, 2019) When looking for similar theses, keywords "affiliate marketing" and "kumppanuusmarkkinointi" were used. 233 theses that contained the keyword "affiliate marketing" and 192 theses that contained the keyword "kumppanuusmarkkinointi" were found.

## **2.2 Case company: Adtraction Marketing Oy**

The commissioner for the thesis is Adtraction Marketing Oy, which was founded in 2008. Currently, Adtraction can be found in several different countries including Sweden, Finland, Norway, Denmark, Poland and Spain.

The idea behind Adtraction is to connect companies who want to promote their products or services, with affiliates who want to earn money on advertising. The advertisers will always get to choose who to accept as their affiliates and track where the traffic to their website is coming from. (Adtraction, 2018a)

In Adtraction, affiliates get access to tools to promote advertisers' products and services. The technology used by Adtraction gives the possibility for full transparency, which makes it possible to measure and monitor. (Adtraction, 2018b) The advertisers in Adtraction can contact the affiliates and both the advertisers and affiliates receive personal customer service via email, phone or live chat.

### **3 DIGITAL MARKETING METHODS**

Digital marketing has developed ever since AT&T purchased their first banner advertisement in 1994. The banner advertisement could be found from HotWired, part of the Wired Magazine. Soon after the banner advertisement was launched, HotWired had more employees than the magazine and was bringing in \$20 million a year in revenue. (Wired, 2010) That banner advertisement was powering the web's first big explosion as start-ups poured millions of venture capital to secure the early mover advantage.

Banner advertisements also revolutionized advertising as for the first time in history, a marketer had a chance to see how many people saw an advertisement and more importantly, how many people interacted with the banner advertisement. While the banner advertisements were simple in the beginning, technology has made it possible for digital marketers to target and even re-target specific people with specific banner advertisements. Pesce (2018), states that digital marketing is an umbrella term for all the marketing objectives that are achieved through applying digital technologies and media.

The theoretical part of the thesis will begin by researching the different digital marketing methods. First, research is made on display advertising, then research is made on email marketing. After that, research is made on email marketing, content marketing, and social media marketing. Finally, research is made on search engine marketing and search engine optimization.

#### **3.1 Display advertising**

Display advertising (or banner advertising) is the oldest and the most common digital advertisement method that exists today. (Järvilehto 2012, 97.) Banner advertisements are embedded onto a webpage to send traffic to the target website. (Web Ascender, 2016) The most common banner advertisements are either static in JPEG-format (as seen in Picture 1.) or in animated GIF-format that displays different images in succession to create motion. (Järvilehto 2012, 98.)



Picture 1. Example of a static banner image (300x250px) on a website. (si-joitussuomi.fi, 2019)

When a website visitor clicks a banner, the visitor is then sent directly to the target website. The target website does not have to be the home page of the website as it can lead directly to the product page that is advertised or to the landing page created specifically to introduce new visitors to the page.

Banner advertisements can also be used in different sizes. According to Google (2019), wider banner sizes tend to do better than their taller counterparts. This is because readers receive information several words at a time. Wider sized banners let the readers comfortably read more text at a glance as they would have to with a narrower banner advertisement. The most effective banner advertisements are the 336x280px rectangle, the 300x250px medium rectangle, the 728x90px leaderboard, the 300x600px half page, and on mobile the 320x100px large mobile banner. (Google, 2019b)

While the first banner advertisement launched in 1994 reached 44% click-through rate, the average click-through rate of a display advertisement today is only 0.1%. (Marketing Insider Group, 2018) Click-through rate is a metric used to measure the percentage of impressions that will result in a click. (Mackey, 2019) However, measuring the success of a banner advertisement cannot be achieved through click-through rate alone as according to Arnold (2015), the banner for Google's Android Wear campaign increased brand recall and intent by 15.8% and 9.4% respectively.

Retargeting is another form of display advertising that can help convert bounced traffic after they leave the target website. When retargeting, display advertisements only appear if the website visitor has previously visited on the target website. As only around 2% of the web traffic converts on the first visit, retargeting can be one of the most effective ways to bring back bounced traffic. (ReTargeter, 2019)



Figure 1. How retargeting works. (Vizury, 2017)

### 3.1.1 Adblocking

Adblocking is a technology that prevents advertisements before they are loaded by the browser. (Simple Adblock, 2019a) The adblocking software can be installed on both desktop and mobile devices. The advertisements that adblocking can block exist in a variety of different forms including image, animation, text, JavaScript layer and Flash advertisements.

According to PageFair (2019), a total of 615 million consumers of digital media worldwide block ads and 380 million of these consumers are blocking advertisements on mobile devices alone. According to a research study made by HubSpot Adblock Plus in 2016, people use an ad blocker for a variety of different reasons. 64% of the ad blocker users stated that they use an ad blocker because the ads are annoying/intrusive. (HubSpot Adblock Plus Research Study, Q2 2016)

People use ad blockers because ads are annoying and disruptive

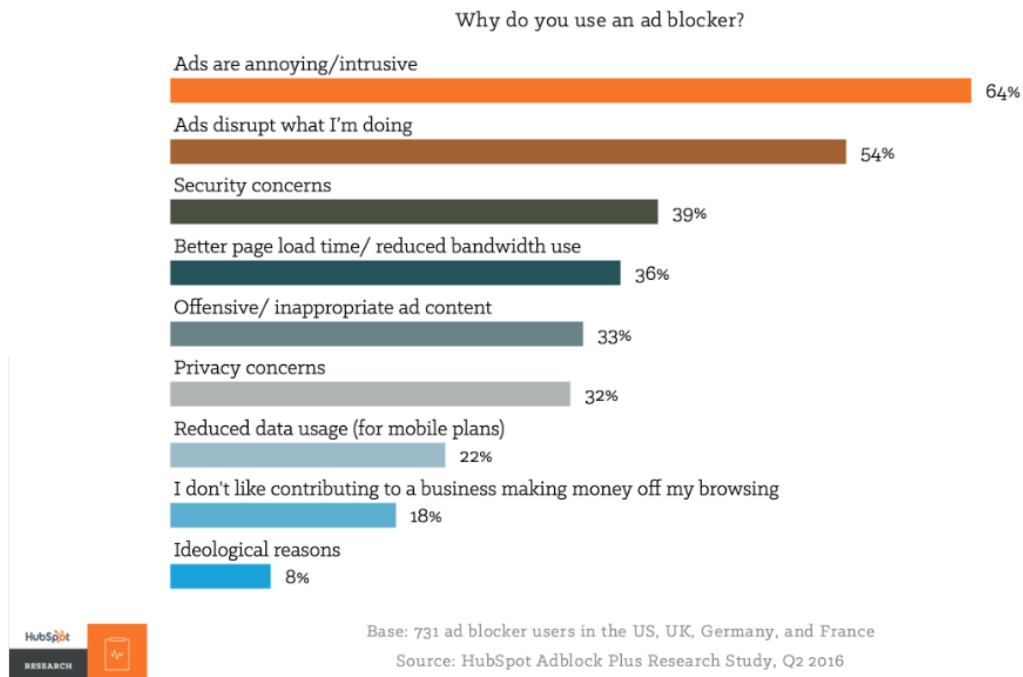


Figure 2. Why do people use an ad blocker? (HubSpot Adblock Plus Research Study, Q2 2016)

However, adblocking is also affecting the revenue of digital publishers since it affects the pay per mille (PPM) of the advertisements (see chapter 4.4.4). Luz (2018), states that if digital publishers fail to find a strategy to counter ad blocking, it is estimated that the publishers stand to lose over \$27B by 2020. These figures are making the digital publishers think about the quality of their advertisements which would then lead to a better user experience overall.

### 3.1.2 Banner blindness

Banner blindness is a phenomenon where consumers are consciously or unconsciously ignoring banner advertisements. It can also be described as an instance of selective attention where consumers focus their attention only on certain stimuli on websites. (Pernice, 2018)

According to a study by Infolinks (2013), 86% of consumers are affected by banner blindness. Banner blindness was first researched by Benway and Lane as they conducted website usability tests in 1998. Benway and Lane found out that in some cases, banner advertisements will be almost entirely missed by nearly all consumers. (Benway & Lane, 1998)

In 2018, Pernice revisited the research on banner blindness and by using eye-tracking study, she found out that the users did not look at all at the sponsored advertisements of Google search engine results page. (Pernice, 2018a) Pernice also found out that the advertisements can appear anywhere on the page and still be ignored. (Pernice, 2018b)

While the mobile advertisements were not researched originally in the 1998 study, they were later researched by Pernice. Pernice found out that desktop users avoid advertisements as much as mobile users. She also noted that avoiding inline advertisements is difficult as there is not as much information visible at the same time.

### **3.2 Email marketing**

While it has been predicted that email marketing would demise, it remains as one of the most important tools in digital marketing as other communication tools simply cannot duplicate the capabilities of email marketing. (Hanna, 2015a) Email marketing allows direct and targeted one-to-one communication between the business and the target individual. In contrast, social media marketing is like dropping a stack of advertisements over a town and hoping people pass the advertisements to their friends.

One of the main advantages of email marketing is that it delivers a high return on investment (ROI). According to Hanna (2015b), the median ROI for email marketing is 21 to 23%, while for example, the median ROI of social media marketing is 15 to 17%. Email marketing and the data of emails are also easily measurable, as there are established metrics like the amount of email opens and clicks the email receives.



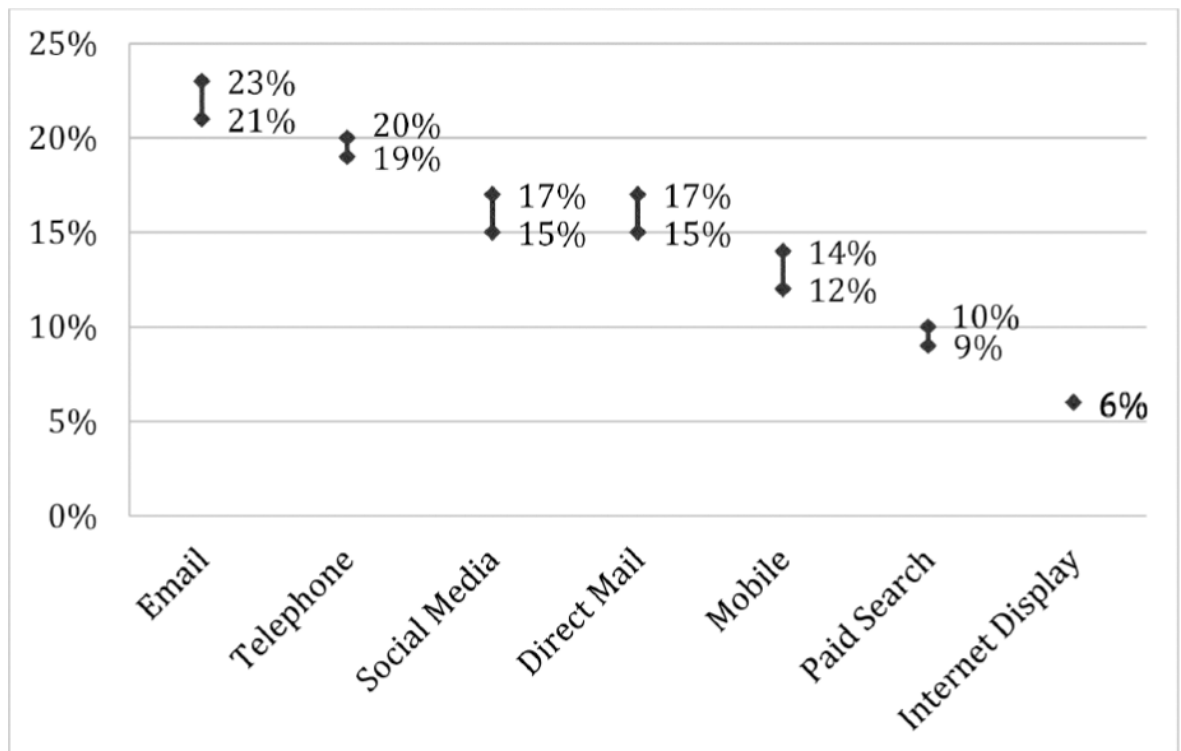


Figure 3. Median ROI of different channels (Hanna, 2015)

When performing email marketing, the advertiser must provide consumers value in order to get subscribers to the email list. According to Neil Patel (2018), consumers are careful with their contact information and unless provided with value, consumers will not subscribe to the email list. Patel states that the proper way of building email lists is to offer a fantastic experience that guides them to subscribe.

Jenkins (2009, 22-24) states, that as email has the highest ROI of all direct marketing channels, it should have its own resources and strategy. This requires a set of skills from a team of experts or from a single person that includes creative design, copywriting, content management, coding and database management. (Jenkins 2009, 32). Additionally, the email campaigns must be relevant to the person receiving the mail and the campaigns need to have a value proposition. The value proposition can be a link to a discount page or other special promotions. According to Capterra (2018), the most popular email marketing services in 2018 by total customers are Vertical Response and Constant Contact.

### 3.3 Content marketing

There are several different definitions for content marketing but according to Ruffolo (2017), content marketing is the marketing of a brand or business through the sharing of insightful, educational or entertaining information that will benefit readers' lives. The purpose of content marketing is to retain and attract customers by regularly curating and creating informative content with the intent of adjusting consumer behaviour. (ContentMarketingInstitute, 2018)

Influencing buyers through traditional advertising is getting harder because customers are often in charge when and what kind of content they are consuming. (ContentMarketingInstitute, 2018a) When consumers get to choose when and whose content they are consuming, content marketing comes in to play because the whole foundation of content marketing lies in high-quality content and storytelling. (Patel, 2018) While often confused with blogging, content marketing campaigns are larger in scale than just blogging. According to ContentMarketingInstitute (2018b), the focus of content marketing should be on different stages of the buying cycle, from brand awareness to brand evangelism.

Steimle (2014), states that in order to understand content marketing, one must first understand the four steps of the buying cycle. (Figure 4.) The buying cycle, sometimes also known as the marketing cycle can be explained as a patterned process that the consumers go through when thinking about making a purchase. (Kokemuller, 2019) Traditional advertising works for consideration and buy steps of the cycle but content marketing taps into the awareness and research part of the cycle by increasing awareness about a service or a product they have not thought about earlier. (Steimle, 2014)

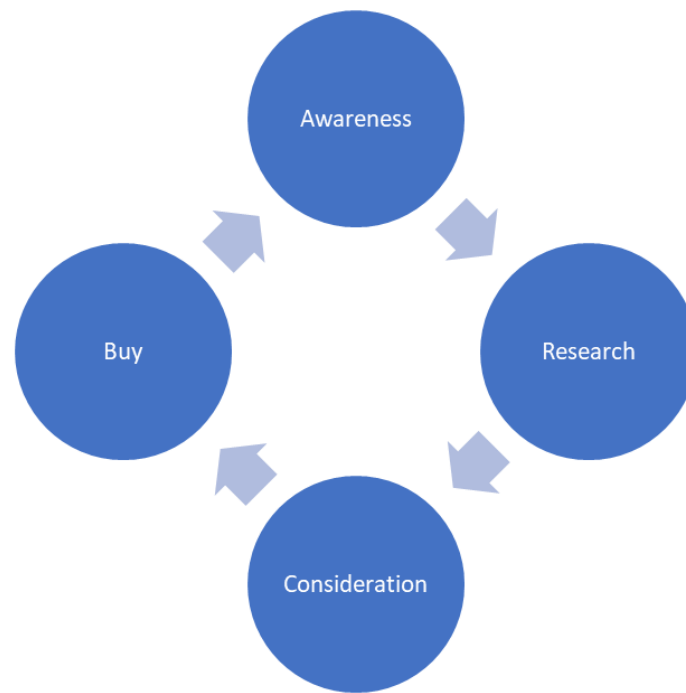


Figure 4. Illustration of the four steps of buying cycle

### 3.4 Social media marketing

According to WordStream (2019a), social media marketing is a form of digital marketing that involves creating and sharing content on different social media channels to achieve branding and marketing goals. Social media marketing activities like posting text, images, videos and other audience engaging content on different social media platforms can be used to achieve these goals.

The history of social media can be traced back to the Bulletin Board System (BBS). BBS became popular in the 1980s as it made instant messaging possible via public bulletin boards. (Edwards, 2016) BBS is a precursor to the modern form of WWW and other aspects of the Internet. However, it became irrelevant in 1994 as the introduction of inexpensive dial-up internet offered ease of use to services and online systems BBS could not provide. One of these services was online discussion forums and they represented the second phase of social media history. While forums are still used today, the technological advancements and the new social media channels have made them irrelevant. (Blackham, 2012)

Social media marketing can be achieved through different social media channels with the most used channels in Finland being Facebook, YouTube, Instagram, Snapchat and Twitter. (Statista, 2019) Coles (2014), states that these social media platforms make it possible to engage with followers in real-time and find out their needs, thoughts, and feelings at any given time, which makes social media a great tool for any affiliate to utilize.

While social media is a great way to generate sales and build brand awareness, the content should be planned. This can be achieved by proper keyword research and by brainstorming content ideas that will interest the target audience. (WordStream 2019b) The brand image should also be consistent and while each platform has its own unique environment, the core identity should be consistent. Tracking the competitors can also provide valuable data and should be taken into consideration when creating a social media strategy. Looking at the different channels and content strategies the competitors are using can be valuable when planning the social media strategy.

When performing affiliate marketing through social media, posting affiliate links can turn off potential traffic by the links feeling sketchy. (AffiliateMarketerTraining.com, 2019) Creating a redirect link that looks simple and clean is a link that will be more enticing to click as seen in Figure 5.

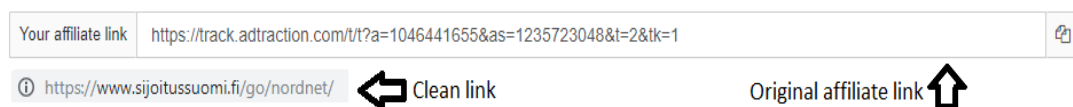


Figure 5. Example of a clean link and original affiliate link that both lead to the same website.

However, using social media channels for affiliate marketing is not just about posting affiliate links. The goal should be to create and deliver quality content that the audience will enjoy and only post affiliate links when it fits with the quality content. (Plumb, 2016)

### 3.5 Search Engine Marketing

Search Engine Marketing (SEM) is a digital marketing strategy used to gain website traffic by buying ads on search engines like Google, Bing, and Yahoo. (Optimizely, 2019a) With SEM, the advertiser is only paying for the results, which makes it a cost-efficient way to reach the target consumers. Since consumers are typing the search queries to find commercial information anyway, they are in an excellent position to receive marketing messages and unlike the other digital marketing methods, search engine marketing is non-intrusive, which makes it a great and fast way to drive traffic to a website. (Optimizely 2019b)

With SEM, advertisers can reach the relevant and important people as they are making a purchase decision, either locally or abroad. It can also achieve instant brand awareness in search engines. In contrast, SEM positions the website to the bottom or at the bottom of the first page, which means that a business that has currently no visibility can instantly achieve brand recognition and attention. (Standberry, 2019a) SEM can also be used to get focused on the target market cost-effectively as the ads do not cost anything until someone clicks it. Therefore, an advertiser can create multiple ads to see which ads work for the specific target market. SEM can also be less expensive as traditional advertising; this is because the advertiser is in control. If an advertisement has a low conversion rate, the advertiser can take it off or fix it quickly. Usually, a traditional advertisement keeps running for the length of the contract and might need approval to change it.

According to Standberry (2019b), over 93% of online experiences start with a search engine as people using the search engines are using them because they are looking for something. It also helps the advertiser to build trust with that person, even if it does not result in an immediate sale. While it is important to optimize according to best SEO practices for organic traffic, SEM can speed up the process of building a brand and a client base.

The most popular and well-known search engine advertising platform is Google AdWords but for example, Bing Ads and Yahoo Search Ads are also platforms that the advertiser can use. (Baadsgaard, 2017) The advertising platforms work in a bidding environment where the advertisers bid for the search keywords. As a result, proper

keyword research to find the keywords that have high volume and low competition is essential to run successful and cost-efficient SEM campaigns.

### **3.5.1 Search engine optimization**

SEO (Search Engine Optimization) is a method to gain traffic to a website by gaining ranking in different search engines. The term ranking in this context means how high up in the search results the target website appears (See figure 6). From a digital marketing point of view, good SEO practices allow the target website to gain traffic in an organic way and without spending any of the marketing budget for SEM.

The goal of search engine optimization, as the name implies, is to optimize the target website so the search engines would rank it higher in the search engine and therefore increase the organic traffic of the website. The term organic traffic means getting traffic from search engine results that are earned by optimizing the website and not by using SEM for search engine visibility. (Kemmis, 2016) According to Statcounter (2019), Google had 97.09% of the search engine market share in Finland in January of 2019. Therefore, the rest of the research will be focused on the Google search engine.

The Google ranking system is a series of algorithms that analyze the websites that are used. (Google, 2019a) The algorithm used is a secret and only Google employees know for sure how it ranks webpages for the search results. (Google, 2019b) However, there are factors that are known to affect search engine ranking. First, the speed of a website is known to affect the ranking as Google knows that web users are impatient and therefore liable to leave the target website if it does not load fast enough. Second, authority is also a factor that affects the rating. The authority of the website is determined by how long the website has been relevant and do other websites use the website as a source. Finally, keywords can be used to help Google to understand your website better and therefore rank the website higher. However, Google is programmed to understand when the website is creating keywords just for the sake of trying to rank higher in keywords. That is why websites should be optimized first for the people. Creating quality content that brings value to a person

searching for information usually ranks higher in Google search results. (SearchEngineLand, 2017) According to Lee (2013), the first ranking in a Google result page gains an average traffic share of 33%.

The image shows a screenshot of Google search results for the query "Search engine optimization". The results are divided into two sections: paid search results and organic search results.

**Paid Search Results (SEM):** The first result is an advertisement for SEMrush, titled "SEMrush SEO Optimization Tool | Reach All Your SEO Goals". It includes a link to www.semrush.com/ and a description: "Make your site friendly to search engines and people! Sign up for a free trial. > 150 Geo Databases. > 3 million Users. Best SEO Tool 2017 Winner. > 8 billion Keywords. > 491 million Domains." Below this are two columns of text: "Keyword research" (Get High-Volume, Long-Tail Keywords, 16 languages, 140 geo databases) and "Plans and Prices" (Choose a Subscription That Fits Your Needs). The second result is an advertisement for Fonecta, titled "Lisää näkyvyyttä SEO:n avulla | Paranna sivujesi laatua | Fonecta", with a link to www.fonecta.fi/ and a description: "Jos yrityksesi palveluita etsitään verkossa, oletko ensimmäisten hakutulosten joukossa? Hakukoneoptimoinnin avulla parannat pysyvästi yrityksesi nettisivujen näkyvyyttä verkossa."

**Organic Search Results (SEO):** The first organic result is "Search engine optimization - Wikipedia" with the URL https://en.wikipedia.org/wiki/Search\_engine\_optimization. The snippet reads: "Search engine optimization (SEO) is the process of affecting the online visibility of a website or a web page in a web search engine's unpaid results—often ...". The second organic result is "Beginner's Guide to SEO (Search Engine Optimization) - Moz" with the URL https://moz.com/beginners-guide-to-seo. The snippet reads: "Dec 18, 2015 - The Beginner's Guide to SEO has been read over 3 million times and provides comprehensive information you need to get on the road to professional quality Search Engine Optimization, or SEO. ... SEO is a marketing discipline focused on growing visibility in organic (non-paid) search ...".

Arrows on the right side of the image point to the respective result sections: one arrow points to the SEMrush advertisement, and another arrow points to the Wikipedia and Moz organic search results.

Figure 6. Organic and paid search results in Google using the search term "Search engine optimization"

## 4 AFFILIATE MARKETING

Affiliate marketing is a performance-based digital marketing method. It can also be described as a process, by which an affiliate earns a commission for marketing advertiser's products. (Enfroy, 2019) Affiliate marketing spreads the responsibilities of marketing to affiliates for a more effective marketing strategy and it is a cost-effective digital marketing solution, as the affiliate only gets paid from successful sales or desired actions taken by the consumer. (SuccessHarbor, 2018)

Affiliate marketing can also be considered as a microcosm of the digital marketing universe. This digital microcosm consists of different digital marketing channels that were covered in chapter 3. As affiliate marketing is completely performance based, affiliates would like to use all the different digital marketing possibilities to maximize the likelihood of conversions. As such, the affiliates provide a diverse reach at different touchpoints across all the different stages of the purchase funnel. (Affiliate-MarketingHandbook, 2016)

According to Libai et al. (2004), affiliates can usually be divided into two groups. The first group are the affiliates that sign a contract directly with the merchant. This usually happens with the bigger affiliates as it would otherwise be too time-consuming for the merchants to create separate contracts with all the smaller affiliates. In the second group, the merchant sets the same conditions for all affiliates, who can then apply for the affiliate program. This is more common with the affiliate networks who can have hundreds, even thousands, of affiliates in the network.

While often confused with display advertising, affiliate marketing is not just display advertising with banner advertisements. In fact, most affiliates get less than 10% of their sales from display advertising. (Lee, 2016) As stated in chapter 3.1.2, consumers have learned to ignore these display advertisements and successful affiliates need to work with the merchants and use engaging tactics to generate sales or actions.

While most affiliates generate sales and actions for merchants through their own website or blog, there are multiple different channels and possibilities for affiliates



to perform affiliate marketing using the different digital marketing methods that were covered in chapter 3.

#### **4.1 History of affiliate marketing**

According to Yeschek (2018), the history of affiliate marketing dates back to 1989 to a man named William J. Tobin, who holds the title of the world's first digital marketer. Tobin started his own affiliate program for his company called PC Flowers & Gifts. By 1993, it was already making more than \$6 million dollars yearly, and this success encouraged Tobin to patent the idea in 1996.

In 1994, CDNow launched their BuyWeb program and was credited as being the first affiliate program. (Johnson, 2015a) CDNow was an online store for buying physical music CDs and videotapes. The concept of the program was that websites could join their program, link to their content and earn a percentage commission from any purchases made from the website. These commissions were then paid out via check or as compensation to purchase CDs and tapes from the webstore.

The most known pioneer of affiliate marketing is Amazon, which launched their own Amazon Associates program in 1996. The model Amazon used involved paying a percentage commission for every product sold. Affiliates could join the Amazon Associates program and earn anywhere from 5% - 15% commission on sales they generated. Later, this would become the model that many affiliate networks use today. (jebcommerce, 2019)

Commission Junction and Clickbank were the first affiliate networks. They were both launched in 1998 and they remain amongst the most popular affiliate networks today. (AffiliateMarketerTraining, 2019) The birth of these networks allowed smaller companies to get into affiliate marketing as well. Later, Commission Junction was acquired by ValueClick for \$58 million dollars and is still one of the largest and most successful affiliate networks today. (Johnson, 2015b)

Today, a lot of things have changed, but the main concept and principle have remained the same. In the future, most of the consumers want to gather information

and do research before purchasing a product. That is one of the main reasons why affiliate marketing is going stronger than ever.

## **4.2 The process of affiliate marketing**

At its very core, affiliate marketing is about relationships between four different parties that are involved: the merchant, the affiliate, the affiliate network, and the consumer. (Patel, 2019) The merchant is the party that creates the product or service. The merchant can be from a single individual to a big company. The only requirement to be a merchant is that you must have a product or service to sell. The affiliate, like merchants, can also range from single individuals to big companies. The affiliate promotes the merchant's products or services in exchange for a commission for every successful sale, lead or a click.

The affiliate networks, on the other hand, work as an intermediary between the merchants and the affiliates. They provide a platform to track the performance of the affiliates and allows the affiliates to find and participate in affiliate programs that are suitable for their website. The affiliate networks also allow merchants to reach a bigger affiliate audience. Finally, the consumer is the last party involved in affiliate marketing. Consumer buys the product or service by first getting tracked by the affiliate links provided by the affiliate.

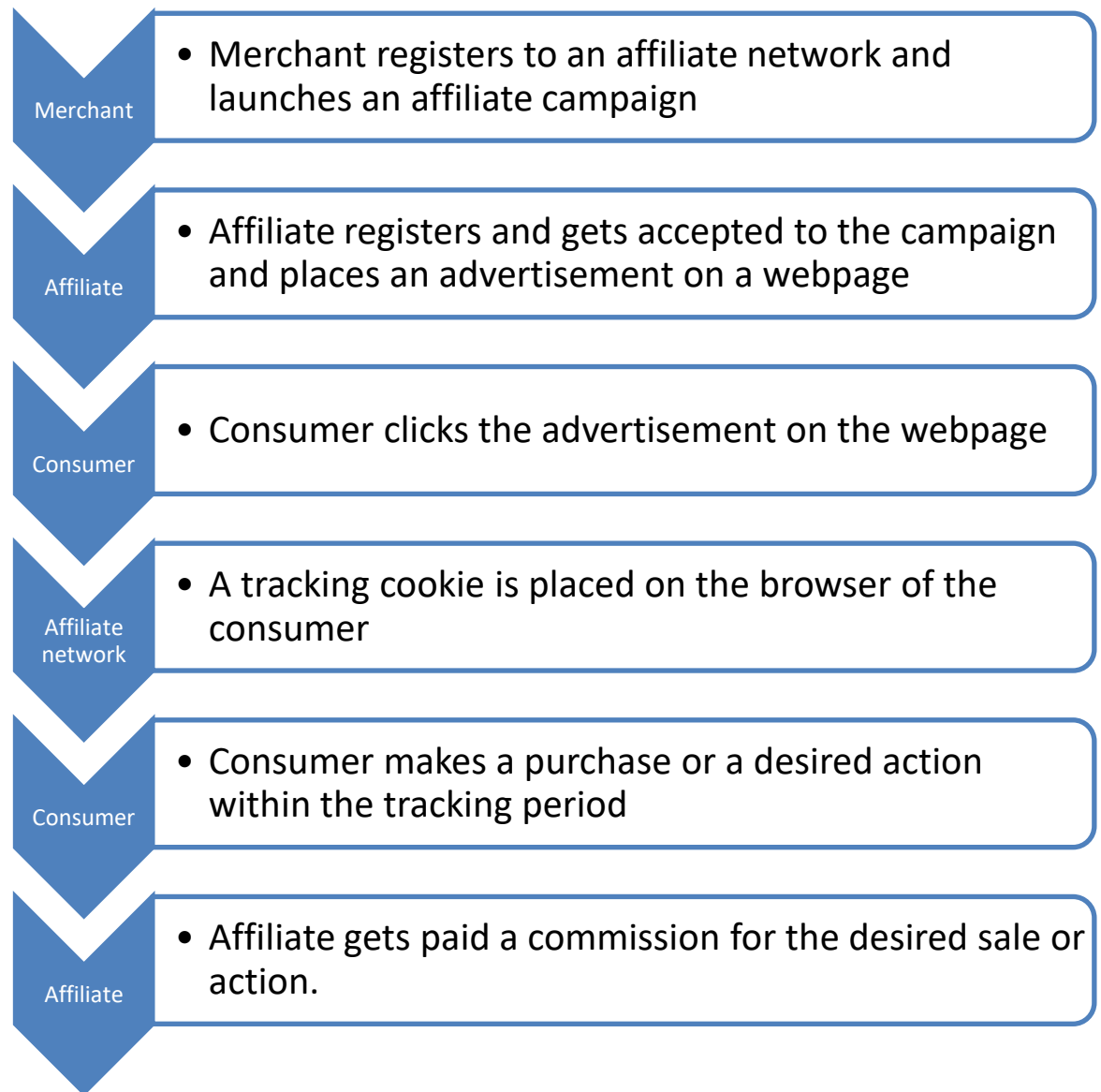


Figure 7. Illustration of the process of affiliate marketing

### 4.3 Affiliate networks

Affiliate networks work as an intermediary between the affiliates and the merchants. As setting up an affiliate program can be a daunting task for the merchant, they can instead take advantage of an affiliate network who provides that service for them. Affiliate networks can also track the sales, pay-out the commissions and offer consultancy to both affiliates and merchants if any problems or questions arise. (Schneider 2011, 232.)

There are few bigger companies, such as Amazon, that have their own affiliate programs. However, it is more common to take advantage of affiliate networks as maintaining one requires a lot of knowledge and resources to set up. (Fogelholm 2012, 108)

Affiliate networks also allow the companies to reach a larger audience as the networks usually have hundreds, even thousands, of affiliates registered to the network. However, affiliates usually decide themselves in which affiliate programs they want to apply to. The merchant's task is to then decide which affiliates are accepted to become an affiliate partner. (Fogelholm 2012, 107.) Unlike standard online advertisements, merchants participating in the affiliate networks are not responsible for producing the content. However, the merchants are obliged to make their affiliate programs as attractive as possible.

For the affiliates, affiliate networks simplify the process of registering to the different affiliate programs, give access to the reporting tools and pay out the commission. As affiliates often want to participate in multiple affiliate programs, the affiliate networks make the management of these programs easier.

#### **4.4 Compensation models**

Compensation models are present in almost all different areas of digital marketing, including affiliate marketing. However, affiliate marketing differs from other digital marketing methods as the compensation methods are completely performance-based, which means that certain action must be completed by the consumer for the compensation to be issued. (eMarketingInstitute, 2019)

##### **4.4.1 Pay Per Sale (PPS)**

Pay Per Sale (PPS) is the most commonly used compensation model used in affiliate marketing. According to EMarketingInstitute (2019), over 80% of the affiliate programs are using the PPS compensation model.

This compensation model is a form of revenue-sharing with the merchant and the affiliate. Using this model, the merchants have no extra costs but instead, the revenue that is generated through sales is shared with the affiliates. Additionally, the reason for the popularity of this model comes from the fact that there are no additional costs before the sales are complete.

#### **4.4.2 Pay Per Action (PPA)**

With Pay Per Action (PPA), the merchants give compensation to the affiliate for every consumer that completes a desired action. This action can be anything that can be tracked such as creating an account, signing up to a newsletter, downloading an e-book or filling out a form. (EMarketingInstitute, 2019b)

Unlike with the previous method, PPA is likely to have additional costs for the merchant as there are no direct revenue sources to the merchant through the action that is completed.

#### **4.4.3 Pay Per Click (PPC)**

Pay Per Click (PPC) is a typical compensation model for SEM, but it can also be used in affiliate marketing. The idea of PPC is to reward the affiliate for every click generated through affiliate links and/or banner advertisements.

Like with PPA, additional costs are likely, as there are no direct revenue channels for the merchant using this model. After the consumer has clicked the link, it is irrelevant what the consumer does afterward. This means that the merchants undertake the risk of converting the consumer once the click has been generated.

#### **4.4.4 Pay Per Mille (PPM)**

Pay Per Mille (PPM) is a compensation method that is rarely used in affiliate marketing, but some merchants do offer this option through affiliate networks as well.

The idea behind PPM is that the compensation is paid when a thousand views are generated to the advertisements.

Like with PPC, this compensation method is another typical compensation model for SEM and is also not often used in affiliate marketing as the risk of converting the consumer is on the merchant.

#### **4.5 Trends in affiliate marketing**

As stated in chapter 4.1, affiliate marketing has a long history. However, affiliate marketing as an industry keeps changing and developing over time. For example, some of the affiliate networks today use the last-click attribution model, where the affiliate getting the last click before the sale or a lead gets the conversion. (Enfroy, 2019) The other attribution model is called multi-click attribution model and this means that even the affiliates that appear first in the purchase funnel can get a percentage of the commission, even if their link or banner was not the last click before the sale. The affiliate networks are also planning to provide new features to reporting that will enable the affiliate to see how individual marketing tactics are working together.

The affiliate niches are also becoming hyper-targeted. Consumers today are using longer search terms when using the search engine to find a specific product or a service. Influencers can take advantage of this with their niche to have higher conversation rates. (Enfroy, 2019b)

The General Data Protection Regulation (GDPR) that governs the use of personal data across the European Union and which took effect on May 25, 2018, has also affected affiliate marketing. GDPR is often forcing the affiliates to obtain user data through opt-in consent which means updating privacy policies and cookie notices. (Enfroy, 2019c) Affiliates can comply with the GDPR by giving the visitors the chance to opt-in or out of data collection, displaying a clear privacy policy, making sure they are storing the affiliate data securely and creating a plan to handle breaches. This is important for the affiliates as violating the GDPR can carry a fine

up to 4% of the affiliate's annual turnover or 20 million euros, whichever is higher. (Hughes, 2019)

#### **4.6 Disclosure in affiliate marketing**

Disclosing affiliate links is a Federal Trade Commission (FTC) mandated practice in the United States. Disclosing affiliate links means that whenever a link is used that results in a commission, the affiliate must disclose this information to the site visitors. (Hughes, 2019) While the FTC governs this practice in the United States, the Finnish Competition and Consumer Authority (the FCCA) governs this practice in Finland.

The purpose of the FCCA is to ensure good market performance and protect consumers' interests. (kkv.fi, 2019a) The competition division aims to remove barriers competition and that the consumers are offered competitive alternatives, while the consumer division ensures that the consumers have access to truthful, sufficient and accurate information for making choices.

The Consumer Protection Act of the FCCA states that affiliate marketing must be recognizable as advertising at first glance without closer examination. If an affiliate is performing affiliate marketing through a blog, a cooperation agreement needs to be disclosed on the front page of the blog.

If the affiliate performs affiliate marketing as a hobby and not as a means of livelihood, the activity cannot be evaluated based on the Consumer Protection Act. However, the affiliate should take the rules on the recognizability of advertising into consideration as the consumer cannot otherwise avoid hidden advertising. (kkv.fi, 2019b)

#### 4.7 Risks in affiliate marketing

While affiliate marketing is completely performance-based, there are still some risks involved for the merchants that could lead to affiliates claiming commissions that they have not fairly earned. (Edelman & Brandi, 2014a)

Affiliate marketing is distinctive in that most merchants are partnered up with affiliates they have never met. However, merchants usually feel like they are safe as the user needs to make a purchase or perform an action for the affiliate to receive the compensation. (Edelman & Brandi, 2014b) However, there are still significant risks that need to be taken into consideration.

Adware can be considered as one of the biggest problems of affiliate marketing. When a consumer visits a website on a computer that has adware, the browser will then redirect the consumer through an affiliate link. If the consumer then makes a purchase or performs an action, the affiliate will be wrongfully credited. Another common way for affiliate fraud is typosquatting. Typosquatting is an affiliate scheme where the affiliate registers domains that are misspelled incorrectly from the merchants' domain names. If the domain name is misspelled, the consumer will be immediately redirected through an affiliates' affiliate link and be unfairly credited.

In general, most affiliates condone adware and the affiliate networks do not allow the use of adware. In contrast, affiliates can have varying evaluations of typosquatting as typosquatting be helpful to users that would otherwise type the website wrong and therefore lead into a situation where purchase or an action is not made. (Edelman & Brandi, 2014c)

When understanding the risks of affiliate marketing, a merchant could question whether affiliate marketing is worth it. However, Edelman & Brandi (2014d) state that affiliate marketing fills an actual need as it allows a merchant to more confidently co-operate with smaller affiliates. Additionally, affiliate marketing allows smaller affiliates to take bigger risks as bigger publishers tend to prefer larger commissions.



## 5 RESEARCH METHOD AND IMPLEMENTATION

In this chapter, two topics are covered: First, research is made on qualitative research. After that, the reliability and validity of this thesis are covered.

### 5.1 Qualitative research

Unlike quantitative research, qualitative research collects data that is non-numerical and tries to find a meaning from that data. (Crossman, 2019a) Qualitative research is designed to find the conclusions that can be measured by quantitative research. Therefore, qualitative research is often framed as the opposite of quantitative research as quantitative research uses numerical data to find trends and correlations between variables.

Instead of numerical data, qualitative researchers use their own senses and intelligence to collect descriptions and perceptions of the target group. The results are then processed through different methods that the researcher will use to carry out a qualitative study. These methods include observation, immersion, interviews, open-ended surveys, focus groups, oral history and content analysis of visual and textual materials. (Crossman, 2019b)

McLeod (2019), states that the strengths of qualitative research are to gain an insider's view of the field. This allows the researcher to find issues that are often missed. It can also be used to gain new insight and knowledge that might otherwise be unavailable. However, the limitations and drawbacks of qualitative research are that it is a time-consuming process and for that reason, qualitative research does not generate samples from big data sets. Additionally, the analysis of qualitative data is a difficult task and knowledge from the field is required to understand the data.

The qualitative research in this thesis was researched by using a deductive approach. The deductive approach means that existing theory has been used in the theoretical framework to help organize and direct the data analysis. (Saunders et al.

2009, 489) The deductive approach is often disfavoured, because of the possibility to introduce a premature closure of the theoretical framework.

The empirical part of the thesis is conducted using qualitative research with semi-structured interviews. The researcher will have made questions beforehand to be covered. However, the questions and their order may change from interview to interview. Additional questions can also be used to further explore the research question and objectives. (Saunders et al. 2009, 320) Semi-structured interviews were chosen because unlike quantitative research, it allows new issues to emerge for exploration. It also works well when exploring attitudes, values, beliefs, and motives of the respondents.

## **5.2 Reliability and validity**

Reliability is often considered as an approach to evaluate quantitative research. However, the approach can be used in all kinds of research, including qualitative research. (Golafshani, 2003) Golafshani states, that a researcher should design a study in a way that takes validity and reliability into consideration as those are the most important factors.

Unlike quantitative research that uses statistics for validating the study, qualitative research aims to create strategies that ensure the reliability and validity of the findings. One of these strategies is taking personal bias into consideration that could have influenced the research. (Noble & Smith 2015) According to Noble & Smith, it is important that the qualitative researchers use these strategies while designing and implementing the study. However, Noble & Smith agree that there are no universally accepted terminology and criteria that can be used to evaluate the reliability and validity of qualitative research.

To ensure the validity and reliability in this thesis, the researcher will be objective, unbiased and critical towards the data that is collected. When looking for people to interview, the researcher interviewed interviewees that had at least 1 year of experience from affiliate marketing to ensure validity and reliability of the research. How-

ever, originally the researcher had plans to interview at least three different interviewees but due to the lack of interviewees, only had the possibility to interview two. This affected the findings of this research and further research should be done to make definitive conclusions. Additionally, as the interviews were conducted online with only voice, the reliability of the research may have suffered a bit as the researcher couldn't make any findings through different facial expressions or physical gestures the interviewee could have had. Furthermore, originally the researcher tried to find 3 different types of affiliates and not only resort to bloggers as it could affect the findings of the research. However, due to the lack of interviewees and the difficulty of finding them, both interviewees are bloggers.

## 6 INTERVIEWS

The research was implemented through two different semi-structured interviews. The data was collected in October of 2019 and was conducted online in Finnish through one-to-one Skype-interviews as the distance between the interviewer and interviewee was too long to arrange a face-to-face interview. To find the people to interview, a post was made in two different Facebook groups that had the possibility of having interested affiliates in them. These Facebook groups were “Bloggaajat” and “Bloggaajat (heart emoji)”. The only requirement was to have at least 1 year of experience as an affiliate. However, it was difficult to find interviewees through that method and the researcher had to resort to his own personal connections and direct private messages through Facebook. Through these efforts, two interviewees were found.

Approximately, the interviews took from 30 minutes to 45 minutes each. The total time it took to carry out the interviews varied because of the semi-structured nature of the interviews. The interviews were recorded using Skype and only the researcher had access to these recordings on his home computer. After the researcher had used the recordings for his research, the recordings were appropriately deleted from the computer to ensure the anonymity of the interviewees. However, the second interviewee did not mind that her name gets published in the thesis.

An interview guide was created beforehand to help the researcher carrying out the interviews. The interview guide was set up to answer the two research questions of the thesis and that was handled with a series of sub-questions belonging to the category of these two research questions. This interview guide can be found in Appendix 1.

### 6.1 First interview

The first interviewee is writing a blog about investing and has approximately 1,5 years of experience from affiliate marketing. The interviewee stated that starting affiliate marketing was slow for him as he had no previous experience from it. The interviewee has applied and been accepted to multiple different affiliate programs in

affiliate networks but has not been actively participating in all the programs he has applied to. The interviewee focuses mainly on 3 different affiliate programs.

### **6.1.1 Research question 1: How does the interviewee promote their website and affiliate campaigns?**

The interviewee stated that most of his website traffic comes through search engines. Additionally, he has created a Facebook page for his blog where he publishes his blog posts. The interviewee also publishes some of his blog posts to investing communities on Facebook. Additionally, the interviewee stated that he is not sharing affiliate links directly through Facebook and that Facebook is working the best for him as the people who follow him are interested in his content.

The interviewee stated that he has both display and text advertisements on his blog. The interviewee claims that the text-links are working better for his blog as those cannot be ad blocked. He has also received feedback from his readers that the text-links are not as disturbing for the viewers as the display advertisements. Additionally, the display advertisements do not always fit his blog, especially when browsing with mobile devices. The interviewee does not use clean links in his blog.

The interviewee does not have an email list for his blog as he has not figured out how to utilize email marketing in his blog. However, the interviewee claims that he has plans to start email marketing in the future but does not see it as a big priority right now.

The interviewee stated that he has plans to migrate his blog to WordPress Content Management System and start optimizing his blog for search engines as he feels like his current platform Blogger does not provide the necessary tools to do SEO. The interviewee optimizes the blog titles, link structure, image texts and compresses all the images he uploads to the webpage to get the website working faster. Additionally, the interviewee uses keyword tools to see what people are searching for through the search engines.

The interviewee does not use any money to advertise his blog, but he has thought about using Facebook to boost his posts as he has received some free credit from

Facebook. However, he has had some problems creating the advertisements, so he has not gone through with it yet. Additionally, the interviewee claims that he is not familiar with SEM and has not thought about it at all.

The interviewee has used Google AdSense to advertise in his blog, but he is not using it anymore as he has had some technical difficulties to get it working when he switched his domain earlier this year. Additionally, the interviewee claims that he has received feedback from some of his readers that they get display advertisements that have nothing to do with the investing.

### **6.1.2 Research question 2: How does the interviewee perceive affiliate marketing?**

The interviewee states that the affiliate campaigns he applies to need to somehow be related to investing or help the agenda of an investor. Additionally, he does not apply to affiliate campaigns that are not related at all to the topics he is writing about as he feels like his readers are not interested in them. He also feels that it would not be good for him to choose campaigns that are not related to the topics he is writing about as it would give a silly impression to the readers if he did so. Additionally, the interviewee uses all the products or services from the affiliate campaigns himself.

The interviewee claims that the compensation models do not guide his selection of the affiliate programs. If he sees an affiliate campaign and a company, he would like to do cooperation with, he does it but does not let the compensation model affect the decision at all.

The interviewee states that it would be fairer if the compensation would be divided through all the touchpoints of the purchase funnel rather than the last click model where only the last click receives the compensation. The interviewee claims that as some of his readers are first reading his blog post and then searching for other blog posts and making the purchase decision through their posts, it would be fairer if he also received some of the compensation.

The GDPR has not affected the interviewee as he started his blog and affiliate marketing at the same time the GDPR was enforced. He also stated that the whole

GDPR thing is still confusing and that even a lot of the top lawyers have different opinions on how the whole thing works so he has not thought about it that much at all.

At first, the interviewee disclosed all the affiliate links using the asterisk symbol but when he noticed that a lot of his peers are not using them, he decided to stop using them as well. However, the interviewee is disclosing the affiliate links at the bottom of his blog posts and stated that it would be good if everyone disclosed the affiliate links properly. Additionally, the interviewee stated that he has not researched how the affiliate links should be properly disclosed.

## **6.2 Second interview**

The second interviewee has started researching about affiliate marketing in 2007 but officially started performing affiliate marketing seriously in June of 2016. The interviewee uses affiliate networks, but she also has one-to-one contracts with different companies from the United States and Finland. Additionally, the interviewee stated that she feels like there are not many available programs for her in the affiliate networks as the subject of her website is so niche.

### **6.2.1 Research question 1: How does the interviewee promote their website and affiliate campaigns?**

The interviewee states that most of her traffic comes from search engine optimization and content marketing. The interviewee also added that some of her visitors have claimed that they have found their way to her blog through Google. Additionally, the interviewee performs social media marketing through Facebook and boosts some of her posts with money. Moreover, the interviewee added that she mainly boosts posts through Facebook which boosts her visibility and her own products. The interviewee also added that she does not use SEM to promote her blog posts. Additionally, she shares her blog posts to various communities in Facebook. However, the interviewee does not use social media marketing to directly promote her affiliate campaigns. She just shares her blog posts that might have the affiliate links.

The interviewee claims that Facebook works the best for her and LinkedIn and Instagram come as a good second.

The interviewee does not use display advertising in her blog. The interviewee added that it is a principle and that she often receives requests from companies to add their display advertisements to her blog, but she always declines. Additionally, the interviewee claims that the display advertisements affect the general feeling of her blog. She also added that most of her readers are using adblockers anyway so they would not be effective anyway.

The interviewee uses text-links to perform affiliate marketing and she uses Pretty Link to create clean links. The interviewee claims that she uses clean links to track clicks and conversions more effectively and she also added that she uses them because when readers place their mouse cursor on top of the link, they will see the clean link and not the original affiliate link.

The interviewee is gathering an email list with ActiveCampaign and it performs well for her. Additionally, the interviewee does not use email marketing that much to perform affiliate marketing. However, she did add that she would like to try to do a few email marketing campaigns that would have an affiliate campaign in it. She also added that it is difficult to find a suitable affiliate campaign to do that.

The interviewee is optimizing her website for search engines and she is performing it by mainly optimizing her blog posts. The interviewee uses the Yoast SEO plugin for WordPress to do search engine optimization. Additionally, the interviewee has a post structure for her blog posts to optimize her website.

### **6.2.2 Research question 2: How does the interviewee perceive affiliate marketing?**

The interviewee claims that affiliate marketing is a good method as she feels like she has control over the advertising. However, she did add that the disadvantage is the small commissions. She feels like a lot of work needs to be done to get a good income through affiliate marketing. Additionally, the interviewee stated that she does



not know if it would be possible to negotiate better commissions with the company in affiliate networks.

The interviewee states that the criteria that need to be fulfilled is that it needs to be a product or service that she needs herself. The other criteria is the amount of commission offered from the campaign. The interviewee added that if she uses 5 hours of her time to promote the affiliate campaign, she would deserve a decent commission for her generated leads and/or sales. Additionally, the interviewee stated that the product or service needs to be of good quality, her readers need to have use for it and that it relates to her blog and brand.

The interviewee stated that the compensation models do not guide the selection of the affiliate campaigns that she chooses. Almost all the compensation models that she has are PPS. Additionally, the interviewee added that she has used time in the past to find some campaigns with PPC, but she soon found out that they do not fit her blog at all. The interviewee feels like as the PPS model brings a customer to the company, it is the best compensation model available.

The interviewee stated that the last-click contribution model is better in her opinion as it will bring more commission to the affiliate. She added that of course it irritates if there are multiple affiliates that have contributed to the sale or lead but she does not feel like there is any sense to split the small commission as there is not enough commission to share between all the affiliates.

The interviewee has taken GDPR into consideration in her blog and especially in email marketing. The interviewee has not seen any issues with GDPR, rather it has affected positively as it is clearer for the readers that it is collecting cookies and there are advertisements in the blog. The interviewee also has the notice that pops up whenever a new visitor comes to the blog.

The interviewee stated that she follows the FCCA guidelines on disclosing the affiliate links as all her blog posts have the disclaimer on top of the blog posts and she uses the asterisk symbol on her affiliate links. Additionally, the interviewee claimed that she went through all her blog posts and made sure that they are properly disclaimed as that is stated in the guidelines. However, the interviewee did state that according to FCCA guidelines, the disclaimer of the affiliate link does not need to

appear at the top of the blog post as it only states that it just needs to be seen through a glance. Moreover, she did add that according to Finnish blog ethics, it needs to be on top of the blog post and that is why she disclaims the affiliate links on top of her blog posts.

## 7 RESEARCH RESULTS

The qualitative research conducted has identified that most of the traffic for the affiliates come through the search engines with proper SEO. Additionally, social media channels like Facebook has proven to be effective when it comes to acquiring traffic to the website. The research also supports that using the affiliate links directly in social media posts is not a good way to promote the affiliate campaigns.

Display advertising was something that does not work in promoting the affiliate campaigns as they were not used. Both interviewees were aware of the adblockers and the increased use of them had an impact on the decisions of both interviewees for not using display advertising to promote their affiliate campaigns. Additionally, the display advertisements were stated as an annoyance by both interviewees.

The research has also identified that text-links are often used by the affiliates and they seem to work best when embedded into the blog posts. Both interviewees used text-links to promote their affiliate campaigns and it was also stated that they do not get blocked by the adblockers and that is why they feel like text-links are so effective.

Email marketing was not used by both interviewees. However, it is to be noted that even the interviewee that did not use email marketing was interested in building an email list. It can be said that email marketing is something that interests the affiliates but the difficulty of performing it can affect the likelihood of building the email list.

The research supports the importance of proper SEO as both interviewees did optimize their websites for search engines. Additionally, both interviewees stated that they used most of their time to optimize the blog posts and both felt like that was the most important part of proper SEO for their websites.

Paid advertising was not used a lot for affiliate marketing by neither of the interviewees, however it can be said that if the affiliates had more experience of using paid advertising methods in social media or through SEM, they would be much more likely to use paid advertising to generate more leads and sales through their affiliate campaigns.

The research has identified that the affiliate campaigns need to match the values and the brand of the affiliates and that they need to be related to the website of the affiliate for affiliates to choose the campaign. Additionally, it was important that the affiliates are using the products or services themselves before they apply for the said affiliate campaign.

The research has also identified that the compensation models do not affect the affiliates, but it can be said that PPS or PPA are both equally good options for the affiliates. PPC and PPM were deemed as not so enticing options for the affiliates as the PPS and PPA.

The research supports that the last-click and multi-click attribution models divide the affiliates into two camps. Therefore, it is not clear which attribution model would be better for the affiliates and more research must be done in order to find out which model would be more suitable for the affiliates in general. However, it can be said that both models would be suitable.

The research did not find suitable evidence of GDPR affecting affiliates and the disclosure of affiliate links was also two-sided. However, it can be concluded that the more experienced affiliate takes GDPR and disclosure of affiliate links more seriously than the less experienced affiliate.

Table 1. Cross-case analysis: How does the interviewee promote their website and affiliate campaigns?

How does the interviewee promote their website and affiliate campaigns?	Case 1	Case 2
Display advertising	-, -	-, -
Text links	+, +	+, +
Email marketing	-, -	+, -
Social media marketing	+, -	+, -
Content marketing	+, +	+, +
SEO	+, +	+, +

SEM	-, -	-, -
-----	------	------

Table legend:

- +,+ uses for both promoting the website and affiliate marketing
- , - uses for neither promoting the website and affiliate marketing
- +,- uses for promoting the website but not for affiliate marketing
- ,+ does not use for promoting the website but uses for affiliate marketing

Table 2. Cross-case analysis: How does the interviewee perceive affiliate marketing?

How does the interviewee perceive affiliate marketing?	Case 1	Case 2
Criteria when choosing affiliate programs: related to the website	+	+
Criteria when choosing affiliate programs: the amount of compensation received for each lead/sale	-	+
Compensation model guides the selection of affiliate programs	-	-
Last click vs Multi-click attribution model	Multi-click	Last click
GDPR affecting the affiliate	-	-
Taking disclosure into consideration when performing affiliate marketing	-	+

Table legend:

- + yes
- no
- text self-explanatory

## 8 CONCLUSIONS

The goal of this thesis was to find out how the affiliates are promoting their website, performing affiliate marketing and how are the affiliates perceiving affiliate marketing. To reach the goals of this thesis two research questions were presented to guide both the theoretical and empirical part of the research:

- What different digital marketing methods affiliates are using to perform affiliate marketing and acquire traffic to their website?
- How are the affiliates perceiving affiliate marketing?

The theoretical framework consisted of research on the different digital marketing methods available and affiliate marketing in general. This framework was then used to create supporting questions for the empirical part of the thesis.

The empirical part of the thesis was conducted by using qualitative research with two semi-structured interviews via Skype to gain a better understanding of how the affiliates are acquiring traffic to their website and how are they performing affiliate marketing. However, originally the researcher had plans to interview at least three different interviewees but due to the lack of interviewees, only had the possibility to interview two interviewees. This affected the findings of this research and further research should be done to make definitive conclusions.

### 8.1 Recommendations for the commissioner

Adtraction should provide more resources and guidance for the affiliates with different digital marketing methods. Especially SEO is something that the research identified to be an important funnel of traffic for the affiliates. This can be done by guiding the affiliates to resources that help the affiliates with the SEO of their website or by providing their own resources.

Display advertisements were deemed as irrelevant, so focusing more on providing quality text-link ideas and making the creation of clean links easier for the affiliates should be something that the commissioner focuses on. Focusing to provide quality

affiliate campaigns that fit the values and the brand of the affiliates themselves is also important and it can be said that more campaigns that fit the niches of the affiliates are also needed for the affiliates.

## **8.2 Further research**

As the empirical part of the research was conducted using qualitative research with only two semi-structured interviews, more empirical research should be done to make definitive conclusions. This study can be used as a good starting point, but quantitative research can be used to make findings that this study was not able to find. More in-depth research should also be done to all the digital marketing methods and especially the attitudes towards GDPR, first-click vs multi-click attribution model, affiliate link disclosure and risks in affiliate marketing.

## BIBLIOGRAPHY

3 Ways Amazon Changed the Affiliate Marketing Industry [Online publication] [Ref. 5 September 2019] Available at: <https://jebcommerce.com/3-ways-amazon-changed-the-affiliate-marketing-industry/>

Aeppel T. 2015. 50 Million Users: The Making of an ‘Angry Birds’ Internet Meme [Online publication] [Ref. 12 September 2019] Available at: <https://blogs.wsj.com/economics/2015/03/20/50-million-users-the-making-of-an-angry-birds-internet-meme/>

About Ad Units. [Web page] [Ref. 16 September 2019]. Available at: [https://support.google.com/adsense/answer/9183549?hl=en&visit\\_id=637044231518432581-669223302&rd=1](https://support.google.com/adsense/answer/9183549?hl=en&visit_id=637044231518432581-669223302&rd=1)

Adtraction – About us. [Web page] [Ref. 17 September 2019]. Available at: <https://adtraction.com/about-us>

Affiliate Marketing Compensation Models [Online publication] [Ref. 1 September 2019] Available at: <https://www.emarketinginstitute.org/free-ebooks/affiliate-marketing-for-beginners/chapter-6-affiliate-marketing-compensation-models/>

Affiliate Marketing Handbook [Online publication] [Ref. 14 September 2019] Available at: [https://www.iab.com/wp-content/uploads/2016/11/IAB-Affiliate-Marketing-Handbook\\_2016.pdf](https://www.iab.com/wp-content/uploads/2016/11/IAB-Affiliate-Marketing-Handbook_2016.pdf)

Affiliate Marketing Made Simple: A Step-by-Step Guide. [Online publication] [Ref. 12 September 2019] Available at: <https://neilpatel.com/what-is-affiliate-marketing/>

Arnold B. 2015. Inside Google Marketing: Banner Ads Can Be Creative and Effective [Online publication] [Ref. 11 September 2019]. Available at: <https://www.think-withgoogle.com/marketing-resources/inside-google-marketing-creative-effective-banner-ads/>

Baadsgaard J. 2017. What is SEM? Search Engine Marketing Explained. [Online publication] [Ref. 11 September 2019] Available at: <https://www.disruptiveadvertising.com/adwords/search-engine-marketing/>

Benway J. 1998. Banner Blindness: Web Searchers Often Miss “Obvious” Links [Online publication] [Ref. 12 September 2019]. Available at: [http://www.ruf.rice.edu/~lane/papers/banner\\_blindness.pdf](http://www.ruf.rice.edu/~lane/papers/banner_blindness.pdf)

Blackham M. 2012. Everything is Social so “Social Media” is Irrelevant [Online publication] [Ref. 10 November 2019]. Available at: <https://www.socialmediatoday.com/content/everything-social-so-social-media-irrelevant>



- Brenner M. 2018. Banner Ads Have 99 Problems and A Click Ain't One [Online publication] [Ref. 25 September 2019]. Available at: <https://marketinginsider-group.com/content-marketing/banners-99-problems/>
- Coles L. Marketing With Social Media: 10 Easy Steps to Success for Business. Australia: John Wiley & Sons Limited.
- Content Marketing Made Simple: A Step-by-Step Guide [Online publication] [Ref. 28 September 2019]. Available at: <https://neilpatel.com/what-is-content-marketing/>
- Crossman A. 2019. An Overview of Qualitative Research Methods [Online publication] [Ref. 15 September 2019] Available at: <https://www.thoughtco.com/qualitative-research-methods-3026555>
- Dame N. 2017. The complete guide to optimizing content for SEO [Online publication] [Ref. 18 September 2019] Available at: <https://searchengineland.com/complete-guide-optimizing-content-seo-checklist-269884>
- Edelman B. & Brandi W. 2014. Risk, Information and Incentives in Online Affiliate Marketing [Online publication] [Ref. 1 November 2019] Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2358110](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2358110)
- Edwards B. 2016. The Lost Civilization of Dial-Up Bulletin Board Systems [Online publication] [Ref. 10 November 2019] Available at: <https://www.theatlantic.com/technology/archive/2016/11/the-lost-civilization-of-dial-up-bulletin-board-systems/506465/>
- Email Marketing Software [Web page] [Ref. 18 September 2019]. Available at: <https://www.capterra.com/email-marketing-software/#infographic>
- Enfroy A. 2019. Affiliate Marketing in 2019: What it Is and How You Can Get Started [Online publication] [Ref. 16 September 2019] Available at: <https://www.bigcommerce.com/blog/affiliate-marketing/#what-is-affiliate-marketing>
- Golafshani N. 2003. Understanding Reliability and Validity in Qualitative Research [Journal]
- Global Media Report 2016. [Online publication] [Ref. 1 September] Available at: [https://www.mckinsey.com/~/media/McKinsey/Industries/Media and Entertainment/Our Insights/Global Media Report 2016/GMO Report\\_2016\\_Industry overview\\_v3.ashx](https://www.mckinsey.com/~/media/McKinsey/Industries/Media%20and%20Entertainment/Our%20Insights/Global%20Media%20Report%202016/GMO%20Report_2016_Industry%20overview_v3.ashx)
- Hanna R. & Swain S. & Smith J. 2015. Email Marketing in A Digital World. Business Expert Press.

How Effective is Affiliate Marketing? [Online publication] [Ref. 2 September 2019] Available at: <https://www.successharbor.com/how-effective-is-affiliate-marketing/>

How Search Algorithms Work. [Online publication] [Ref. 4 September 2019] Available at: <https://www.google.com/search/howsearchworks/algorithms/>

How To Use Social Media For Affiliate Marketing [Online publication] [Ref. 18 September 2019]. Available at: <https://www.affiliatemarketertraining.com/how-to-use-social-media-for-affiliate-marketing/>

Hughes J. 2017. Affiliate Link Disclosures: An Introduction and Best Practices [Online publication] [Ref. 4 October 2019] Available at: <https://prettylinks.com/2017/05/affiliate-link-disclosures-best-practices/>

Infolinks Consumer Survey Shows Banner Blindness Major Concern [Online publication] [Ref. 5 September 2019]. Available at: <https://www.infolinks.com/press/infolinks-consumer-survey-shows-banner-blindness-major-concern/>

Intel. [Web page] [Ref. 18 September 2019]. Available at: <https://pagefair.com/intel/>

Jenkins, S. 2009. The Truth About Email Marketing. USA: Pearson Education.

Johnson, Z. 2015. A Brief History of Affiliate Marketing [Online publication] [Ref. 8 September 2019] Available at: <https://moreniche.com/blog/a-brief-history-of-affiliate-marketing/>

Järvilehto, T. & Fogelholm, N. 2012. Klikkaa tästä. Internetmarkkinoinnin käsikirja. Helsinki: Mainostajien Liitto.

Kemmis A. 2016. The Difference Between Direct and Organic Website Traffic Sources [Ref. 6 September 2019]. Available at: <https://www.smartbugmedia.com/blog/what-is-the-difference-between-direct-and-organic-search-traffic-sources>

Kilpailu- ja kuluttajavirasto. [Web page] [Ref 27 October 2019] Available at: <https://www.kkv.fi/>

Kokemuller N. 2019. Buying Cycle Stages. [Online publication] [Ref. 15 September 2019] Available at: <https://smallbusiness.chron.com/buying-cycle-stages-60966.html>

Konttinen T. 2019. Blogivalmentaja Tiia Konttinen. [Web page] [Ref. 28 October 2019] Available at: <https://www.tiiakonttinen.fi/blogi/>

Lee J. 2013. No. 1 Position in Google Gets 33% of Search Traffic [Online publication] [Ref. 2 September 2019] Available at: <https://www.searchenginewatch.com/2013/06/20/no-1-position-in-google-gets-33-of-search-traffic-study/>

Létang O. 2017. MAGNA Global Forecast Winter Update [Online publication] [Ref. 1 September 2019] Available at: [https://www.magnaglobal.com/wp-content/uploads/2017/12/MAGNA-Global-Forecast\\_Winter-Update\\_Final.pdf](https://www.magnaglobal.com/wp-content/uploads/2017/12/MAGNA-Global-Forecast_Winter-Update_Final.pdf)

Libai B. & Biyalogorsky E. & Gerstner E. 2003. Setting Referral Fees in Affiliate Marketing. [Journal]

Mackey M. 2019. What Is Click-Through Rate & Why CTR Is Important [Online publication] [Ref. 16 September 2019] Available at: <https://www.searchenginejournal.com/ppc-guide/click-through-rate-ctr/>

Magna Advertising Forecasts Winter Update. [Online publication] [Ref. 18 September 2019]. Available at: [https://www.magnaglobal.com/wp-content/uploads/2017/12/MAGNA-Global-Forecast\\_Winter-Update\\_Final.pdf](https://www.magnaglobal.com/wp-content/uploads/2017/12/MAGNA-Global-Forecast_Winter-Update_Final.pdf)

McLeod S. 2019. What's the difference between qualitative and quantitative research? [Online publication] [Ref. 13 September 2019] Available at: <https://www.simplypsychology.org/qualitative-quantitative.html>

Mimi. A. 2016. Why People Block Ads (And what It Means for Marketers and Advertisers) [Ref. 21 September 2019]. Available at: <https://blog.hubspot.com/news-trends/why-people-block-ads-and-what-it-means-for-marketers-and-advertisers>

Moriuchi, E. 2016. Social Media Marketing: Strategies in Utilizing Consumer Generated Content. Business Expert Press.

Noble H. & Smith J. Issues of validity and reliability in qualitative research. [Journal]

Pernice. K. 2018. Banner Blindness Revisited: Users Dodge Ads on Mobile and Desktop [Online publication] [Ref. 25 September 2019]. Available at: <https://www.nngroup.com/articles/banner-blindness-old-and-new-findings/>

Pesce R. 2018. What is Digital Marketing and why is it important to your strategy [Online publication] [Ref. 26 September 2019]. Available at: <https://medium.com/@robertopesce/what-is-digital-marketing-and-why-is-it-important-to-your-strategy-bb9b02aef1dd>

Plumb J. 2016. A Brief Guide to Using Social Media with Affiliate Marketing [Online publication] [Ref. 28 September 2019]. Available at: <https://moreniche.com/blog/a-brief-guide-to-using-social-media-with-affiliate-marketing/>

- Ruffolo B. 2017. What is Content Marketing and Why is it so important? [Online publication] [Ref. 25 September 2019]. Available at: <https://www.im-pactbnd.com/blog/what-is-content-marketing>
- Saunders M., Lewis P., & Thornhill A. 2012. Research Methods for Business Students 6<sup>th</sup> ed. Pearson Education Limited.
- Schneider G. 2011. E-Business. 9th edition. Course Technology, Cengage Learning.
- Search Engine Marketing [Web page] [Ref. 22 September 2019]. Available at: <https://www.optimizely.com/optimization-glossary/search-engine-marketing/>
- SijotusSuomi.fi – Aloittelevan Sijoittajan Tietopankki [Web page] [Ref. 29 October 2019] Available at: <https://www.sijotussuomi.fi/>
- Singel, R. 2010. Web Gives Birth to Banner Ads [Online publication] [Ref. 23 October 2019]. Available at: <https://www.wired.com/2010/10/1027hotwired-banner-ads/>
- Social Media Marketing for Businesses [Online publication] [Ref. 4 September 2019]. Available at: <https://www.wordstream.com/social-media-marketing>
- Standberry S. 2019. What is SEM? And How it Benefits Your Business Marketing [Online publication] [Ref. 10 November 2019] Available at: <https://www.lyfemarketing.com/blog/what-is-sem/>
- StatCounter Global Stats [Web page] [Ref 23. October 2019]. Available at: <https://gs.statcounter.com/>
- Steimle J. 2014. What is Content Marketing? [Ref. 21 September 2019]. Available at: <https://www.forbes.com/sites/joshsteimle/2014/09/19/what-is-content-marketing/#7a88361510b9>
- Study: 86% of Consumers Suffer From Banner Blindness [Online publication] [Ref. 18 September 2019]. Available at: <http://www.adotas.com/2013/03/study-86-of-consumers-suffer-from-banner-blindness/>
- Sundheimer S. 2016. Do Banner Ads Work? 6 Ways to Improve the Effectiveness of Banner Ads [Online publication] [Ref. 5 September 2019] Available at: <https://www.webascender.com/blog/banner-ads-work-6-ways-improve-effectiveness-banner-ads/>

Survey on most used social media in Finland [Web page] [Ref. 29 October 2019]  
Available at: <https://www.statista.com/statistics/762591/survey-on-top-social-media-in-finland/>

Tuten T. & Solomon M. 2014. Social Media Marketing, 1st Ed, Harlow, Essex, Pearson Education Limited

What Is Content Marketing? [Online publication] [Ref. 5 September 2019]. Available at: <https://contentmarketinginstitute.com/what-is-content-marketing/>

What is ReTargeting and How Does it Work? [Online publication] [Ref. 1 September 2019]. Available at: <https://retargeter.com/what-is-retargeting-and-how-does-it-work>

Yeschek W. A Brief History of Affiliate Marketing [Online publication] [Ref. 4 September 2019]. Available at: <https://medium.com/@thinklearnnow/a-brief-history-of-affiliate-marketing-910a4c44c5cb>

## **APPENDICES**

APPENDIX 1. Interview guide for the interviews

## **Introduction**

- Introducing myself and thanking the participant for participating in the interview
- Explaining the purpose and aim of the thesis and interview
- Explaining how the data is recorded and handled after the research has been carried out
- **Background information**
  - What kind of website(s) does the participant use for affiliate marketing?
  - How long the participant has been an affiliate marketer?
  - How many advertisers does the participant actively promote?
- **Research question 1: How does the interviewee promote their website and affiliate campaigns?**
  - What methods do you use in promoting your website and where does the traffic mostly come from?
  - Do you use display advertisements in your website and has the increased use of technologies that hide ads discouraged you from using display advertisements?
  - Do you use text-links to perform affiliate marketing? If so, are you using the original affiliate links or are you using clean links?
  - Do you have an email list for email marketing? If not, are you planning to build one?
  - Are you using social media channels for affiliate marketing? Which ones are you using and which ones are performing the best?

- Have you optimized your website for search engines? Have you achieved good results and how are you optimizing your website? *Hints: SEO (Search Engine Optimization)*
- Do you use any marketing methods that cost money to advertise your affiliate campaigns and website? *Hints: SEM (Search Engine Marketing), Social media marketing, display advertising*
- **Research question 2: How does the interviewee perceive affiliate marketing?**
  - What criteria(s) needs to be met before you choose the affiliate campaigns to participate in? Why these?
  - Do you research on the advertiser's products or services before deciding to promote their products or services?
  - Does the compensation guide your selection of advertisers to promote and which compensation model do you like the most? *Hints: PPC (Pay Per Click), PPA (Pay Per Action), PPS (Pay Per Sale), PPM (Pay Per Mille)*
  - How do you feel about the last-click vs multi-click attribution models? Which one would you prefer and why?
  - Has the GDPR affected your website? Are you giving the website visitors a chance to opt in or out of data collection and are you displaying a clear privacy policy?
  - Have you disclosed your affiliate links in your website? How are you disclosing them, and do you understand the FTCA rules on this?