

Commission Structures / Affiliate Marketing

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The key to setting a commission structure that is going to keep affiliates happy is flexibility. A 'one commission rate for all' structure is not an effective strategy to drive additional sales volume.

Benchmarking against your competitors is one vital component of drawing up a commission structure. If it is not competitive affiliates will either:

- A. Opt against promoting you over your competition
- B. Promote you but less than they promote your competitors.

Let's say for example that your company sells mens watches. Firstly, you need to see what your competition is doing. This information is in the public domain and very easy to obtain.

One company we looked at has set up a commission structure to entice additional sales whereby they get 4% as standard but 8% if they bring in sales of 5k or more in a 30 day period. Here affiliates will work hard to gain more sales so they receive a higher commission.

Another watch company have a technique of giving 8% for new customer sales but repeat business sales only gain 1%. This is good for generating business growth and expanding your customer base.

Another implemented a structure where sales generated from cashback, voucher and loyalty affiliates only get 3% where other affiliates get 5%. This is because a voucher code affiliate is likely to already be giving a percentage discount to customers to make a sale so it is a good idea to lower their commission percentage so your margin is not largely effected.

New commission structure

If you have a select group of affiliates who you have close relations with and are clearly bringing in strong sales you could work closely with the individual affiliates on bespoke rates and targets.

Tiers do not necessarily motivate the top affiliates to hit the highest commission rates and affiliates might actually be already achieving the top tier, essentially meaning that you would be paying more without generating additional sales. Similarly, unachievable tiers are likely to demotivate some affiliates who do not think they can reach them.



PPC affiliates

It is important that no affiliates are bidding on your brand name because it will push up bid prices. Also only one website ad can be shown at a time in search results so the number of your impressions would significantly drop. This is because if a number of affiliates were bidding on your brand name with your website being the landing page you would be competing with them and all ads couldn't be shown at the same time.

Affiliate window have a free service where you can ask them to run their Snoopy Software each month which checks to see if any affiliates are bidding on your brand name. If they find any who are they will ask them to stop with immediate effect.