

Affiliate Marketing: The Case of Online Content Providers in Bangladesh

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The purpose of this study is to explore the knowledge of affiliate marketing and investigate the views of content providers toward it in Bangladesh. Both primary and secondary data are used in this paper. This paper is exploratory in nature. Affiliate marketing is an agreement between a merchant and content providers to promote merchant's products or services at their websites against payment. Here the task of content providers is not only to deliver the advertisement but also to persuade viewers to convert into customers. Findings from the study indicate that affiliate marketing is the most effective way to sell the advertising space to advertisers, incomparable to traditional media, easy and precise to measure of advertising responses, much more flexible, used to generate revenue and much easier to reach a variety of customers. One-to-one is the best affiliate program in our country. Several recommendations are explored in this paper for the development of affiliate marketing in Bangladesh and for further research. Rapid growth of online marketing indicates better possibilities of affiliate marketing that will contribute a lot in business sector.

Field of Study: Marketing.

Keywords: Affiliate Marketing, Content provider, Online Advertisement, Affiliate.

1. Introduction

The internet existed since the end of 1960s that was the introduction of World Wide Web (WWW). It was a new medium for publishing information which started its rapid growth. Since then, the internet became the fastest spreading medium in human history. It took long 38 and 13 years for radio and television respectively to reach 50 million users. But the internet reached the same in just five years. In Bangladesh, internet becomes familiarized in 1990s. Since then its growth in every sector is boosted up. The power of WWW is in the ability to bring easy-to-use medium, which allows consumers find information using a network of websites. However, company's website needs to attract internet users to visit the website. It did not take long since the World Wide Web was introduced before the companies realized the marketing possibilities of the internet. Many scholars note that, from the merchants' point of view, the internet brings many opportunities and also threats. Companies can take advantage of new technologies and improve their competitiveness, but on the other hand, they also need to face new start-up companies, some of them with purely virtual operations. Affiliate marketing is a traffic

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building campaign, a method to increase the audience of a website. It is a form of promotion that uses the internet and World Wide Web (WWW) to deliver their marketing messages to attract customers. Here advertising is mean of attracting customers to that website. Online advertising is an important revenue stream for the content providers. They can sell the advertising space to merchants to promote their products and services. Affiliate marketing is an agreement between merchant and content providers to promote merchant's products and services at their website. In affiliate marketing three types of compensation models are used to pay commission to the content providers: Pay Per Sale (PPS), Pay Per Lead (PPL) and Pay Per Click (PPC). Affiliate program can be divided into two groups – one to one and one to many. It has some advantages over traditional advertising (marketing). It is more flexible, offers content providers to generate more revenues from their website, less advertising cost, cooperate with large number of merchants, more effective, easy and precise for reaching a variety of customers in a short time. Our research questions are: what are online advertising and affiliate marketing? What are the different advantages, disadvantages and compensation models of affiliate marketing? What are the responses of content providers by various characteristics of affiliate marketing in Bangladesh?

In the context of Bangladesh, online advertising and affiliate marketing practice is new and it is developing. It offers various opportunities for the content providers and the merchants in our country. In near future, it is expected to gain more acceptability and popularity. Already some companies have started using affiliate marketing in Bangladesh. So, this is the time to conduct the research on such issue to understand affiliate marketing and to disseminate the knowledge gained from findings. The research findings are different from previous studies from the sense of uniqueness of this paper in Bangladesh. This study is conducted to (i) investigate the knowledge of affiliate marketing and (ii) find out the views of content providers toward it.

The remainder of the paper is designed in eleven sections. Section 2 presents the literature review leads to spell out the objectives of the study in section 3. Section 4 discusses the methodology. Section 5 and 6 highlight online advertising and affiliate marketing, and advantages-disadvantages of affiliate marketing. Authors put compensation model in affiliate marketing in section 7 and survey summary and data analysis in section 8. Findings are discussed in section 9. Recommendations are appear in section 10 with concluding remarks. At last, limitation and future directions are put in section 11.

2. Literature Review

The literature overview represents available theories and models help to understand affiliate marketing as well as the activities of content providers. Among the different scholars on affiliate marketing Hoffman and Novak (2000), Fiore (2000), Gallagher et al (2001), Chaffey (2003), Libai et al. (2003), Duffy (2005), Donna McCarthy (2009) are famous who have the theoretical contributions on such type of marketing. Hoffman and Novak (2000) claim that by employing affiliate marketing, merchants can let thousands of independent websites, called also content providers, to display ads for its products

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and only pay them when the ad would actually lead to a sale. In affiliate marketing advertising costs move from fixed to variable costs, which can facilitate allocating money to advertising. Fiore (2000, p. 300) remarks that specific employment of affiliate marketing are storefronts where content providers can sell other company's products or services at their own branded website using technological solution provided by the advertiser. He adds that in affiliate marketing particularly, advertisers can choose any one from three compensation models in order to pay commissions to the content providers such as Pay per sale (PPS), Pay per lead (PPL) and Pay per click (PPC). According to Gallagher and Auger (2001), affiliate marketing is classified as a type of online advertising where merchants share percentage of sales revenue generated by each customer, who arrived to the company's website via a content provider. Content provider also referred to as affiliate, usually place an online ad (for example a banner or a text link) at its website. When visitors click at the ad, they are redirected to merchant's website and affiliation is tracked by a cookie stored on visitors' computers. They further say that using affiliate marketing is more cost-effective to the merchants than other forms of online advertising, because it diminishes the administrative costs connected with buying advertising. According to Chaffey (2003, p. 484), affiliate marketing is particularly beneficial to small websites, as they would not have the chance of selling to major advertisers otherwise. Libai, Biyalogorsky & Gerstner (2003) divide affiliate marketing into two groups – one-to-one and one-to-many affiliate marketing. Duffy (2005) points out that affiliate take the whole risk connected with marketing merchant's products. The concept is simple. If affiliate's marketing efforts work, affiliate makes money. If they don't, affiliate does not make money and pays opportunity costs. There are no limitations for an affiliate how much money it can spend or earn. Employing affiliate marketing is advantageous for merchants from many perspectives. It is stated that affiliate marketing is an online marketing advertising channel that puts merchants in charge of an online marketing sales force. Merchants look to earn revenue from sale of their products or services, pay affiliates (publishers) who want to earn revenue from placement of product banners or text links on their site. Merchants only pay affiliate partners for results, such as a lead or purchase "pay-for-performance" (Donna McCarthy 2009).

There are a number of studies published in past decades that investigated the issue of affiliate marketing in different countries. But there is no academic research paper which could be a proper substitute of this study in Bangladesh.

3. Objectives of the Study

The overall objective of the study is to find out the knowledge of affiliate marketing and views of online content providers in Bangladesh. The specific objectives are as follows:

- i. Having the concept of online advertising and affiliate marketing;
- ii. Finding out the advantages of affiliate marketing;
- iii. Briefing the compensation model of affiliate marketing;
- iv. Analyzing the field survey;
- v. Providing recommendations for the future development of affiliate marketing in Bangladesh.

4. Methodology

In order to complete this study, the researchers have proceeded through a work plan. They physically have visited and discussed with website owners and content providers working with online advertisement and merchants who are promoting their products and services through online. Both primary and secondary data are used in this paper. Primary data are collected by interviews with websites owners responsible for choosing, implementing and evaluation of affiliate marketing. A multiple choice (MCQ) questionnaire is constructed to conduct the survey. In the study, interviews are carried out by telephone and during personal meeting. Interview is made among the content providers from July 2011 to June 2012. Secondary source includes observation of websites, published documents, internet search engines and various journals of affiliate marketing. The population for this study is content providers of Bangladesh. The sample size here is 25 content providers who are selected randomly.

5. Online Advertising and Affiliate Marketing

The term 'online advertising' has several definitions. A discussion may be held whether the Internet is another form of advertising or its nature lies more in direct marketing. Chaffey says (2003, pp.484), advertising takes place when advertiser pays to place advertising content on another websites. Internet advertising is a traffic building campaigns – a method to increase the audience of a website. Online advertising is a form of promotion that uses the Internet and World Wide Web (WWW) to deliver marketing messages to attract customers. Simply having a company website on the Internet is not considered as online advertising any more. Instead, advertising is the mean of attracting customers to that website. For content providers, online advertising is an important revenue stream. They can sell advertising space to the merchants to promote their products and services. Content providers have four options to sell the advertising space: direct selling, site representation firm, ad network and auctions. Furthermore, many scholars added another option named **affiliate marketing**. Affiliate marketing is an agreement between a merchant and content providers to promote merchants' products or services at their websites. Merchants are called advertisers in online marketing and they pay for the content providers' services only when visitor coming from their website executes a specified action. Such action can be a purchase of a product, filling in a form with personal data, subscription to a newsletter etc.

6. Advantages and Disadvantages of Affiliate Marketing

In an article about affiliate marketing it is written that it is a popular method to earn profits from the websites and also helps the merchants to increase their sales. Affiliate marketing is very beneficial both for merchants and affiliate marketers (Thomas Ludwig 2012). By employing affiliate marketing merchants can enjoy some advantages. They can hire various independent websites to advertise their products and services, Advertiser of merchant can only pay the content providers if the ad actually leads to a sale and advertising costs move from fixed to variable costs on ad in affiliate marketing. It can facilitate allocating money to advertising. Not only merchants but also content providers can enjoy various advantages from affiliate marketing such as affiliate

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marketing offers content providers new chances to generate revenues from their websites and it provides content providers with the opportunity to cooperate with large number of merchants to which they would not have access otherwise.

Some disadvantages are observed in affiliate marketing. Accounts of false and misleading types of advertising that lead to unjust claim and also complaints people. The shady and illegal practices involved in this kind of business include false advertising, unlawful use of trade names, logos, or other branding, spamming and hijacking. Merchants sometimes intentionally close down programs without informing the affiliates and paying commissions. Sometimes affiliates engage in false advertising and misleading the customer in order to get commission. This means that some affiliates sometimes make claims and promises regarding the product and services which are completely wrong or they extremely exaggerate it. When this happens, the merchant usually suffers complaints and they definitely lose potential customer. As affiliate ads pay out on results, content providers do not have any guarantees that they will make money. They may have to try a number of different affiliates to find those that their visitors respond to. Content providers should have a good idea of the profile of people that visit their site to ensure their target customers appropriately. The time from placing the ad up to getting payment can be several months depending on the affiliate schemes or network content provider register with.

7. Compensation Models in Affiliate Marketing

In affiliate marketing, advertisers can choose from three below described compensation models in order to pay commissions to the content providers:

- Pay per sale (PPS)
- Pay per lead (PPL)
- Pay per click (PPC)

Pay Per Sale (PPS): A type of affiliate marketing program where the advertiser pays the affiliate based on conversion of sales. If a customer follows an affiliate-link to the advertiser's site and makes a purchase in accordance with the affiliate agreement, the affiliate is paid.

Pay Per Lead (PPL): PPL is an online advertising payment model where payment is based solely on qualifying leads. In a PPL agreement, the advertiser only pays for leads generated at their destination site. No payment is made for visitors who don't sign up. Libai, Bialogorsky & Gerstner (2003) explain that under pay-per-lead, the merchant pays for the leads and then tries to convert them to customers (e.g., by setting attractive prices). Because the attempt to convert occurs after the merchant has already paid for the leads and the pay is nonrefundable, the referral fees are a sunk cost.

Pay Per Click (PPC): Online advertising payment model in which payment is based solely on qualifying click-through. In a PPC agreement, the advertiser only pays for qualifying clicks to the destination site based on a prearranged per-click rate. Pay per click is perhaps the best advertising medium available for Internet-based businesses

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and for small businesses in general. It allows them to carefully cut the advertising fat by choosing exactly what they will pay for and what they won't (2012, p. 28).

8. Survey Summary and Data Analysis

In the survey questionnaire, there are questions for the content providers to measure the degree of their knowledge, response, attraction, attention and awareness for the affiliate marketing. Website owners/content providers are selected as sample randomly from the different types of content providers such as corporate websites, personal websites and blog owners.

Table 1: Distribution of responses by various characteristics of affiliate marketing

Characteristics Variables	Effective way to sell the Advertising space		Incomparable to the traditional Media		Easy & precise to measure advertising response		More flexible than traditional advertising		Greater opportunity to generate Revenue		Easier to reach to a variety of customers	
	Responses		Responses		Responses		Responses		Responses		Responses	
	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
Very much Agree	18	72	15	60	21	84	23	92	20	80	20	80
Agree	5	20	4	16	3	12	1	4	4	16	2	8
Not so much, Confused	2	8	4	16	1	4	1	4	1	4	2	8
Do not agree	0	0	2	8	0	0	0	0	0	0	1	4

8.1 Effective Way

Deidra Leigh writes that selling ad space is a key factor in supporting your website.....You can sell ad space on your website using the do-it-yourself method: setting pricing, locating potential clients, and auctioning your ad space on sites. Content providers are approached about the way of effective selling of advertising space. First column of table 1 shows the result about the number and percent of the responses based on four variables – very much agree, agree, confused and don't agree. 72 percent of total surveyed content providers answer 'very much agree' that means they think that affiliate marketing is the most effective way to sell the advertising space to the advertisers. 20 percent of them find that there might be alternative ways to sell the advertising space online. 8 percent are confused because they are not very much attentive or interested about the selling of space for advertisement through affiliate marketing.

8.2 Incomparability

Affiliate marketing has the incomparable ability of precise targeting in online advertising compared to the traditional media. 60 percent of the surveyed content providers positively answer about the ability of precise targeting through online advertises in online other than traditional media. 16 percent content providers are not positive enough. Another 16 percent are confused about the ability of precise targeting in online advertising of affiliate marketing. 8 percent respondents directly refuse precise targeting using affiliate marketing.

8.3 Easy and Precise Measure

Measuring advertising responses is significant for the advertisers. Content providers are asked about how easy and precise to measure advertising response at affiliate marketing. 84 percent of the interviewed content providers agree that it is relatively easy and precise to measure advertising responses at affiliate marketing where 12 percent give importance and 4 percent are not sure i.e. they are not giving importance because they think measurement of advertising response is not so easy at affiliate marketing.

8.4 Flexibility

Affiliate marketing is relatively less complex than other internet marketing methods. Usually, affiliate marketing programs are completely free to join. That way, the merchant can ensure plenty of affiliates working for the business, whereas the affiliates don't have any financial risk involved (Jeremy A Barker 2012). From fifth column of table 1 it is evident that 92 percent of the respondents strongly agree that affiliate marketing is much flexible in terms of employing more than one affiliate by merchants and is financially less risky for the affiliates. But 4 percent do not strongly go for it and remaining number of respondents is confused about the flexibility.

8.5 Generating Revenue

Affiliate marketing is most likely one of the quickest and cheapest means to start making money online. Basically, affiliate marketing gives a business a virtual sales force of online salesman, while giving affiliates a way to make money online without producing their own products or services. In return for promoting an advertiser's products, affiliates receive a commission based on sales (BlueGlobal Media 2012). A question about generating revenue to the content providers is interviewed (Table 1) where 80 percent strongly support affiliate marketing for generating more revenue. But 16 percent are not strong enough at this point and 4 percent are confused where content providers think that it is not always possible to generate enough revenue through affiliate marketing.

8.6 Reaching a Variety of Customers

Only 8 percent of the respondents agree and are satisfied about the easiness to reach a variety of customers through affiliate marketing. 8 percent of the content providers are confused whereas 80 percent are very much agreeing in this point. 4 percent opine that it is very much challenging to reach a variety of customers through affiliate marketing. So, it is evident that most of the content providers are satisfied because of reaching a variety of customers through such type of marketing.

8.7 Best Affiliate Programs

Affiliate marketing can be divided into two groups –one-to-many and one-to-one. When using one-to-many affiliate programs, the merchant sets the same conditions for all affiliates, who can decide whether they join the program. One-to-many programs are usually used when the merchant cooperates with many affiliates and it would be too

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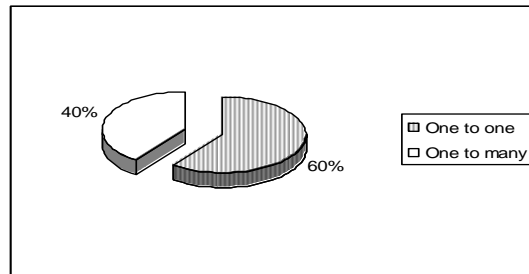
costly to negotiate contract terms with all of them. A second type of affiliate marketing programs is *one-to-one* arrangements. In these types of programs, the merchant and the affiliate negotiate a specific contract that governs the referral of customers from the affiliate site to the merchant site (Libai, Bialogorsky & Gerstner 2003).

Table 2: Distribution of responses by the choice of best affiliate marketing program in Bangladesh

Affiliate program	Number	Percent
One to one	15	60
One to many	10	40
Total	25	100

The respondents are approached about which type of affiliate program is preferred one-to-one or one-to-many. Among the respondents 60 percent are agreed that one-to-one is the best affiliate program for Bangladesh and remaining 40 percent opine on one-to-many. From the responses it is vivid that majority of the affiliates agree that one-to-one program is best suitable for Bangladesh.

Figure 1: Best affiliate marketing program for Bangladesh



8.8 Preferred Compensation Model

Three compensation models for affiliate marketing varying from each other are available. Distinct advantages are seen for each.

Table 3: Distribution of responses by preferences of compensation model in affiliate marketing in Bangladesh.

Compensation Model	Number	Percent
PPC (Pay per click)	2	8
PPL (Pay per lead)	5	20
PPS (Pay per sale)	18	72
Total	25	100

In Bangladesh, 72 percent content providers prefer Pay Per Sale (PPS) to Pay Per Lead (PPL) and Pay Per Click (PPC). Among 25 content providers 5 numbers favor PPL and 8 percent or 2 numbers like PPC. Majority of the content providers prefer PPS plan because of containing win-win situation by it. Affiliates can earn a higher commission through pay-per-sale affiliate programs. This is good for both merchant and

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affiliate. The affiliate has an incentive to make referrals because he gets more money, and the merchant benefits by getting more traffic. It is another win-win situation (The Internet Marketing Academy & Ventus Publishing ApS 2011).

9. Findings

From the questionnaire survey the answers regarding the various variables of content providers are received. After analyzing the responses, various strong phenomenon are found and several weak points are discovered as follows:

Strong Sides

- Affiliate marketing is the effective way to sell the ad space and it is incomparable for precise targeting in online ad compared to the traditional media which is an important source of revenue for content providers in Bangladesh.
- Affiliate marketing is relatively less complex than other internet marketing.
- Rapid growth of online marketing indicates the better possibilities of affiliate marketing in the field of online advertising which is satisfying online visitors and merchants.
- Online advertisement is increasing and ultimately content providers are increasing. Gradually online transactions are increasing in Bangladesh.
- Like other countries, content providers of Bangladesh today have wide variety of options how to use online advertising on their websites and towards their users.
- Content providers of Bangladesh have several options how to sell advertising and a variety of compensation models to set the price for affiliate marketing.
- Though affiliate marketing is the nascent stage in Bangladesh, the content providers have a greater opportunity to do well in the near future with rapid growth of online marketing.

Weak Phenomenon

- There is lack of coordination among the content providers and merchants or suppliers.
- Sometimes content providers have to depend on the other networks due to inability to access into the web system of the country.
- Many ad networks have to bear a heavier load than other units. Sometime this condition creates grievance among employees on respective unit.
- Most of the content providers don't maintain regularity of the advertisement or right sequence of order of affiliate marketing. As a result, merchants get fraud.
- Lack of information for relevant products or service is found. As a result, it becomes very difficult for the visitors to take purchase decision.

10. Conclusion and Recommendations

Affiliate marketing is a new concept in Bangladesh. With the development and improvement of internet/online advertisement is increasing day by day. In affiliate marketing, content providers provide online marketing and advertising facilities for advertisers where they (advertisers) pay for their advertisements. Rapid development of

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online marketing indicates better possibilities and opportunities of affiliate marketing in online advertisement. In Bangladesh, content providers should offer a variety of options available for online advertising on the website for their users. By providing quality service, affiliate marketing can become a greater source of revenue. In near future, it will gain more popularity and users will be able to buy their products sitting at home by placing orders just watching the advertisement. For selling advertising space of the website, affiliate marketing is very much significant to the content providers. To accelerate and conduct the affiliate marketing effectively, researchers have tried at best to make several recommendations as:

- Content providers should recommend high quality product or service when it's about reputation and beginning of the service that is on the line (online). Content providers should not recommend products which are under-deliver.
- To sell merchant's products, affiliates have to be more aggressive or they might lose part of the advertisement obtained in future because merchant has a good site that sells effectively.
- Content providers should affiliate to link straight to individual products, rather than just to the home page otherwise visitors might not go for the next step.
- "Pay-per-sale" and "Pay-per-lead" are good payment models for content providers of Bangladesh. So, they should focus on that particular payment policy because this is true "performance marketing". If content providers refer visitors deliver the desired response, they get paid a lot.
- Affiliates have to make their sites free for information. They should not charge the visitors to join.
- Content providers should give his prospective customer content surrounding the niche the products relate to. For example, if you are an affiliate marketer about e-book on affiliate marketing, you may write articles about the benefits of affiliate marketing and then tell readers that they can find more information by purchasing the book.
- A FAQ (Frequently Asked Question) page is another feature content providers should consider. A FAQ page entails facts about the products and services and how they impact the customer's level of satisfaction.
- Content providers should build a process that allows them to consistently choose products that sell easily and consistently not to choose products subjectively.
- Content providers need to build a community for themselves for common discussions about problems and who have solved these problems already and want to help.
- For serious affiliate marketing, an affiliate should try to find tools that will help him be more efficient. There are various helpful tools. For example, if an affiliate uses a WordPress Powered site then he should consider getting a Plugin similar to the [Affiliate Link Manager](#).

11. Limitation and Future Directions

Despite its contributions to the existing knowledge regarding online advertisement and affiliate marketing, the study has several limitations that must be acknowledged. The

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sample size is considerably low because of the limited size of population in Bangladesh. Besides, affiliate marketing is comparatively a recent phenomenon and still in nascent stage in our country. Many of the respondents using affiliate marketing are not aware of it; few of them are not familiar with the word 'affiliate marketing'. Here lack of awareness is a limitation of the term though they are using it. A broader research is needed to verify the results of this study.

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