

The Daily: Affiliate and partner marketing, YouTube and ad blocking, and programmatic is coming to a theater near you

Audio

On today's podcast episode, we discuss the current state of the affiliate space, bringing new light to influencer activity through "performance branding," the impact of programmatic ads coming to movies theaters, and how retail media aids affiliate marketing. "In Other News," we talk about the impact of programmatic ads coming to the movies and what YouTube's next anti-ad blocking measure will be. Tune in to the discussion with our analyst Max Willens and Alexandra Forsch, president of Awin Americas.

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Episode Transcript:

Marcus Johnson:

This episode is made possible by Awin. Two thirds of digital ad spend currently flows to the three big tech platforms, Google, Meta and Amazon. But their auction-based ad models favor

their own bottom line and inflate costs at a time when every single marketing dollar counts. Awin's affiliate partnerships platform offers a real alternative to big tech, and puts you back in control of your ad spend. Want to find out how? Visit awin.com/emarketer to learn more.

Alexandra Forsch:

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Marcus Johnson:

Hey gang, it's Thursday, August 24th. Listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Awin. I'm Marcus. Today's fact, most folks will know that Mount Everest in the Himalayas is the highest mountain in the world. It's about 5.5 miles high, or 29,000 feet. That's cruising altitude for planes. It's too high.

As of January 2023, 6,338 people, just over 6,000 different people have climbed it and reached the top. Kami Rita, sherpa of Nepal, has reached the summit the greatest number of times, 26. What? Oh, just climbed Everest 26 times. No big deal. No. Anyway, today's real topic is a conversation between Insider Intelligence's senior analyst Max Willens and Alexandra Forsch, President of the America's at Awin, about affiliates and partner marketing. Then I'll see you folks in the second half for in other news to discuss, programmatic ad buying at the movies and YouTube's next anti-ad blocking measure.

Max Willens:

Thanks so much for joining us, Alex, I'm glad to have you on the podcast today. We're here to talk about affiliate marketing in 2023 and I guess beyond. Why don't you situate our audience here and talk to me a little bit about what you sort of see being the state of play for affiliate marketing at the moment. You and I just got back from Affiliate Summit East, where we've probably had very different experiences, you having attended it many more times than I have. But what's the sort of state of the industry at the moment?

Alexandra Forsch:

Yeah, I think that's a pivotal time. I think we are on the virtue of something even better. And if I can back up a little bit, there is one industry study that gives us a little bit of insight in how big

the US affiliate marketing industry is. And it was assessed that \$71 billion in revenue, about \$10 billion, 9.1 in investment and an ROI of 12 to 1. And that's meaningful if you compare it to the research that was done three years prior, which actually shows the improvement. We almost doubled the investment in the channel over that time, and so our CAGR 14%. So I think it's definitely a rising industry, which it's important to point out.

But I do believe, and this is really painful to admit, in the 12.5 years that I've been with the industry, we are having the same questions. It's like, how do we attract more investment in the channel that started it 12.5 years ago, as I said, and it continues on. And so I think we just haven't won the hearts and minds of senior decision makers. It's considered a very tactical channel and not a strategic one, and as such it's not as attractive.

So when I say pivotal time, I think the current economic climate, along with the merging that is happening between brand performance and content commerce moving into affiliate gives us a new chance to show what the affiliate marketing channel really has to offer. The industry, it has evolved quite a bit, but we've not changed our reputation. So there's more that we can do and hopefully with directing more business into the channel because of tougher times right now and more challenging economic climate, we have the ability to show what it can do, what it can deliver, and basically prove that it's no longer a linear and very one dimensional channel that is supporting plastic click activity, which is not super attractive. So I'm kind of excited that we got to this moment. I believe there's a lot of opportunity for us.

Max Willens:

Yeah, I think that there's a lot of interesting kind of macro tailwinds behind it potentially, and we'll get into them. But I want to key in on something that you mentioned a moment ago, which is this kind of nagging perception of, this is a very tactical channel, ultra bottom funnel, possibly not even incremental. And there is some research that you see out in the wild, some of it quite recent that shows that for folks that are believers in the channel already, that's starting to happen a little bit. Where do you see that happening as far as making the case that affiliate can be strategic, that it can be full funnel? What do you sort of see there that looks encouraging to you?

Alexandra Forsch:

Yeah. I can certainly share the story that we're telling, and that's based on data that we're seeing on our network, and opportunities that we bring to the channel. So if you look at where

affiliates, it's traditionally in the marketing funnel you set, bottom-feeder, close to the action. But we are actually trying to explain the channel in a new way using Scott Galloway's clock model. I don't know if you're familiar with it, we've been speaking about it quite a bit. But it looks at it not in a lineal, but in a cyclical format.

It says that journeys of home were multidimensional, they're not as millennial... Consumers are influenced in different ways across different channels, et cetera. And affiliate can support outside just that pre-purchase phase. So in the clock middle, you have a pre-purchase phase that sits between midnight or 12:00 AM and 4 AM, right? And that's all the activity that you would find in the traditional marketing channel, so from driving awareness to action. And the feel the channel really invited a lot more partners.

So what we see is a lot of engagement, inspirations, consideration research that is happening with partners like mass media influencers, site review sites, especially in this climate where consumers want to make really assured decisions when it comes to higher product particular. And so we see a lot of touch points in the journey, and a lot more top funnel touchpoints within the affiliate channel already as that. So I do believe we've moved out from that bottom view with a much more diverse partner set. Mass media started working in the affiliate channel about seven years ago, I think, when display was no longer, and they looked for other income streams. They really offer that branding and point of inspiration for brands now that sits up a funnel, and we can offer that in the affiliate channel capacity. But in this clock model, we want to go further and say, we are no longer just driving traffic to a site, and then leave it up to the e-commerce store to convert it.

We now have partners, and again, that's included the diversity of partners that are tech focused, and essentially they're offering marketing innovations to advertisers. So anything from improving customer experiences, UX experiences, recommending products, couponing more intelligently, all these solutions that could actually turn a shopper into buyer, we can offer and make available through the channel now. And we can do this on a CPA basis without the upfront investment or any development time on the advertiser side. So that I think is super lucrative and really important to understand, especially in retail. There's fewer purchases made, so everybody's competing for the same shoppers, and once you have them on your site, you want to convert them. So there's technology that can support you with that, and it's brought to the advertisers through the affiliate channel.

And then we also don't stop there. So we can support advertisers post-purchase. And here the goal really is to again connect them with technology partners and parts to drive referrals out of existing customers. We know that a friend referral accounts for a lot, right? And that obviously lowers acquisition costs for clients, but also we can partner advertisers with other brands. And that's really impactful too, because post purchase, you can improve your own loyalty by offering something that is very exclusive, that promotes a brand with great affinity, that provides value to a customer. And also potentially earn a new income stream as a result, by promoting, becoming technically an affiliate in the space and promoting another brand, or being promoted in this fashion. So it is far more complex, and I think it can answer to far more strategic goals. And it's very customizable, and with that, I think it is more attractive, and it should be considered. So we can improve that in consumer journey touch points that we're recording.

But also we see this demand when we talk about technology partners, right? Last year it already made up \$36 million in revenues for our clients, and we see a run on these partners, especially in this climate. So there's a neatness and interest. And again, for instance, if your US domain converts really well, but you're looking to expand and UK domain doesn't convert in the same way, you can leverage these partners in the way that you find most suitable in certain domains, or in support of certain activities or product launches, et cetera. There's a lot of customization that sits with these partners, so we see that.

And then from a brand-to-brand partnership, I think that's also very exciting, because I mean that has accounted I think for \$60 million just last year. And we've grown the volume of partners that want to work in this capacity by 70%. We've over 1,200 brands that want to work in this capacity. So there's a lot of opportunity to do a lot more in the channel, and do it in a very controlled way. Margin control, you choose your partners, and you run the campaign that best fits your needs, or helps deliver against an objective.

Max Willens:

There's a ton in there to unpack.

Alexandra Forsch:

Just stop me.

Max Willens:

Message received, I'll butt in on the next one. But I guess I am curious about the sort of influencer dimension here. Because I feel like one of the things I see as a potential major tailwind is influencers, because there is so much conversation around the role that these creators play in different parts of the digital economy. How do you see their role evolving? Because one of the things that's historically been true of creators is that they like being paid on performance, but they really like getting paid just a flat fee for getting a name out there and throwing a hashtag on it. How do you see the relationship between affiliate and influencer evolving?

Alexandra Forsch:

Yeah, I think it's interesting because when we do brand acquisition on our side, we start a lot of conversations now around this influencer topic. And I think that's very encouraging and that supports that point on tailwind through the channel. A lot of brands are looking to just combine that upper funnel performance, and really look at the value that it drives in terms of roll outs, but also in terms of funnel activity. We use single view as an attribution measurement tool. So our belief is that, like in a soccer match, you need an entire team to score, not just a striker. So influencers have a role in this, and you want to assess that value, and you want to identify the influencers that can contribute to that end goal, which is a conversion. So we offer that visibility, and what that offers to brands then is then, work with these affiliates in a more focused way.

So as opposed to paying everybody a flat fee based on their claimed following, et cetera, and just assuming that this means value, you can actually work with the partners that you see supporting a transaction. And then compensate them on a CPA basis, but also then further invest in placements. So you have another way of basically taking what is a very large universe, and tailoring it and focusing on the activities that mean... Are most valuable to you. And I think that's what that merging off channels enables, and I think that's where I feel like there is that opportunity to tailwind. From a network perspective, our goal is to be integrated with all the social media platforms. So every advertisers essentially has that ability to combine that upper funnel view with the impact any and every partner has on performance.

Max Willens:

I think that makes a lot of sense. And thinking about how technology has sort of enabled that fuller picture of what's possible, I want to sort of turn the conversation toward the technology partners you alluded to. We did a report on this space last year, and when I spoke to people

for it, the thing that came up again and again as a sort of potential growth area were the technology partners who, as you say, enable lots of onsite optimization, and into this moment when everyone is so e-comm focused, I think that that's potentially a huge growth area. How do you keep abreast of what's possible there and even just educate clients on what's possible as well? It seems like there's a newcomer in this space every 15 minutes, so how do you sort of break that all down and show people what's possible?

Alexandra Forsch:

Yeah, I mean, we have a dedicated team to actually identifying the partners that seem to best sit in the channel and offer the greatest value, and then they help setting these up. But what we're trying to do is A, integrate them in a very simple way beyond mass [inaudible]. So integrate them deeply so merchants can activate them and run them on a trial basis, and get comfortable with the technology.

We have featured them in the A100 Power Report, really highlighting what some of these partners can do to... Obviously storytelling is really important. The successes that other companies have seen is quite relevant, especially if you're smaller and you don't know if it makes sense to run an activity that a large brand is running. But then also most recently we've just introduced a login discovery directory where you can actually identify these partners and self-activate these partners with a single click.

So we're trying to put these opportunities forward. We're doing a ton of education. I personally have to speak about this a lot of times with a slide, but I think it's quite impactful. It shows the common e-commerce problems, and how we have different options of solving these, and how there's so many partners behind these, and [inaudible] really have the choice of who they want to work with, and which capacity to overcome their issues. So it's a very strong message, and it's probably one of the most photographed slides that we're sharing at events.

Max Willens:

Makes a lot of sense. I want to, for the last question, I guess before we ask what you sort of see happening in the future, I want to return to the sort of brand partnership piece. Because I feel like one of the things that is a potential tailwind is this sort of rise of retail media, which has just captivated the digital ad conversation, and I think potentially augers really well for affiliate marketers, but potentially also complicates the picture. How do you sort of see retail media aiding affiliate marketing and aiding the story you guys tell about it?

Alexandra Forsch:

Yeah, I mean I think that you, particularly marketers and a lot of research around it, and I think that that third big wave as described really sits with these multi-category sites. Amazon and Walmart. It's not necessarily for the average affiliate program manager, because it's really hard to replicate that scale and success through ad spend.

So what we are offering is a different option. You're not promoting a different product or another brand product on site, but you're forming a partnership where it's all sale. In terms of, essentially it benefits partners because they can acquire new customers, drive customer loyalty because they can offer something as a set of value, which is really important, and then also have the ability to make an income stream from an income stream [inaudible].

So it's a little bit different than the traditional retail media space. And as we see where an advertiser just promotes multiple products on site, we take that wholesale, but offer it in a way where any advertiser can participate. And then also if it's too complicated because sometimes it requires CRM integration, et cetera, we may have tech partners for that brand swap that can actually facilitate that technology and make it super easy for two companies to engage. So yeah, I think there's a great opportunity, but just as a new partner set that can drive value and reach customers in areas where a brand may not reach it, but do it in a way where it is surrounded by user affinity.

Max Willens:

That makes a lot of sense. This is actually really and truly my last question. You mentioned that this is sort of a pivotal moment for affiliate as a channel, and I agree that there's been these sort of nagging questions that have dogged it, and I do think that this channel is sort of finally in a good position to answer them definitively for the decision makers. As you think about the near term future, what are you going to be watching most closely to see if this opportunity is seized upon?

Alexandra Forsch:

My personal intention is to bring down big tech. That's a mouthful, right? No, but I do believe that there's an absolute opportunity for affiliate networks to not compete with another, but actually promoting the value that we can offer. Delivering on choice of partners, there's millions of partners. There's an affiliate, like an app... There's an app for everything, right? The control the margins, and the ability to customize. And that does not exist with big tech.

If you're looking at where ad media spend is concentrating today, it's with Meta, Google and Amazon, right? And advertisers don't have that control by margins there, especially as the spaces become very competitive, and margins diminish. So I think now is the time for Epic users to ask, are they getting value for their money? And I hope they will find that they can get that in affiliate if they're not seeing it there. So I would like to see that percentage come down in favor, and not have \$2 out of \$3 go to those sites, and only a dollar split between the millions of partners that we can offer.

Max Willens:

Fantastic. Thank you so much for joining us, Alex, it was nice to talk to you.

Alexandra Forsch:

Absolutely. Thank you for having us.

Marcus Johnson:

All right folks, that's it for the lead, time for the second half of the show, and Max is going to stick around to help me out today. In other news, programmatic ad buying comes to movie theaters, and YouTube's next anti ad-blocking measure.

Story one, programmatic ad buying comes to movie theaters, writes Insider Intelligence's Senior Director of Briefings, Jeremy Goldman. He explains that National Cinema Media, and in-cinema ad company, plans to venture into programmatic ad buying for movie screens, starting in Q4. The company operates in 1,500 US theaters, reaching around 20,000 movie screens. But Max, the most interesting sentence in this article about programmatic ad buying coming to movie theaters is what, and why?

Max Willens:

So this felt like a move that was both smart and inevitable, Marcus. But an answer to your question, the sentence that I think is most telling here is from this description of what NCM brings to the table. So it says this data, meaning data that it has from online ticket sales and theater loyalty partnerships, is invaluable in driving in theater campaigns, and can be supplemented with online retargeting via partnerships with online publishers including YouTube and Yahoo.

So this is basically saying that add cinema screens to the vast pool of places you can buy and sell video inventory. And I think that there's a way in which this is going to, there might be some initial concerns about quality control or tapping into the premium nature of the environment, but I've seen some pretty wacky ads while waiting for my movies to start for years, and so I guess this is not going to buck that trend too much.

Marcus Johnson:

Yeah, I thought it was fascinating. So a recent study by Lumen, an ad research company that employs eye-tracking technology found 97% of moviegoers focused on the big screen when ads are playing. 97% everyone, versus just 35% of TV viewers. As the article notes, we expect US programmatic digital out-of-home advertising to nearly double by 2025, approaching \$1.2 billion.

Story two, YouTube's next anti ad-blocking measure is a countdown timer, writes Insider Intelligence Briefings analyst Daniel Constantino. He notes that YouTube's crusade against ad blockers is entering its next stage as the company starts testing an anti ad-blocking tool that displays a minute-long countdown timer that will block ad-blocker users out of content when it hits zero. Anti ad-blocking measures have existed for a while, but Daniel thinks YouTube's stand against blockers is a shift in the balance between consumer's desire to avoid ads, and the corporate need to advertise. But Max, the most interesting sentence in Danny's article on YouTube's next anti ad-blocking measure is what and why?

Max Willens:

I think in this case it's a piece of data from civic science, which found in 2022 that over 50% of adults use an ad-blocker, with adoption being even higher among younger users. And I like this because it sets up this sort of unstoppable force against unmovable object storyline. A big reason why ad-blocking, which has been a cat and mouse game for years, and so it's hard to say if this is going to be decisive in any way. But a big feature in this sort of story of ad blocking is that a lot of the content that's available online is available elsewhere online. And so if a publisher sets up a roadblock using Admiral or whatever and says, "It looks like you're using an ad-blocker." A lot of users will simply say, "Okay, fine, I'll read this new story from somewhere else." Or, "Okay, fine, I'll get this recipe from somebody else."

YouTube has lots and lots and lots and lots of content on there that is really just not available anywhere else. And so even though there are people who have an almost philosophical

resistance to viewing advertising anywhere, a lot of them also spend an awful lot of time looking at content on YouTube, and they're going to be hard-pressed to find that content anywhere else. So like I said, this is a cat and mouse game that's been going on for years, and it's hard to imagine any one thing being pivotal and turning the tide one way or the other, but this is potentially quite big.

Marcus Johnson:

And that is what we have time for this episode. Thank you so much, Max, for hanging out today.

Max Willens:

Thank you, Marcus.

Marcus Johnson:

Yes, yes. And of course, thank you to Alex who joined us in the first half, thanks to Victoria who edits the show, and James who copy edits it, and Stuart who runs the team. Thanks to everyone for listening in. We'll see you tomorrow hopefully for the Behind the Numbers Weekly Listen, an eMarketer podcast made possible by Awin.