2017 IAB / PwC Affiliate Marketing Study

Measuring the value of the UK affiliate market

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1. Introduction
Affiliate marketing is a form of online advertising that differs from traditional online display advertising, as payment is triggered by an outcome (e.g. a user initiated action such as a purchase).

In the affiliate model, users will typically click an advertisement and be re-directed to the advertiser’s website to complete the transaction, following which a fee is paid to the content owners once the transaction is completed.

This is the sole focus of this year’s study.
Study background

• In previous years the study was called the Online Performance Marketing study (OPM)

• The focus of the 2017 study is on affiliate marketing only

• This year, we have re-scoped the study to focus on areas of the market where there is greater visibility and availability of accurate data. Other sectors within online performance marketing are more heavily reliant upon modelling and qualitative estimations. These have now been excluded from our deep-dive study.

• Although not directly comparable with the headline figures from previous years, our new study will show how the core affiliate market has performed year on year. We hope this more focused report will be of greater benefit overall.

• Please see methodology section for further information
Key differences between Adspend study and Affiliate Marketing Study:

- Additional participants are included from the wider affiliate marketing industry in this market sizing exercise
- We are capturing total spend, not just media space “ad spend”, i.e. including commission on sales generated, technology spend, set-up fees, consultancy fees, data cleansing.
- This survey gathers more granular data to better understand underlying trends and dynamics of the affiliate marketing industry
2. Methodology
There has been a change in methodology. The full year 2017 study focuses on the affiliate networks, SaaS platforms and major in-house affiliate programmes only.
How the data is collected

Survey Data

• Survey includes UK revenues through submissions and interviews by 12 participants

• The figures are drawn up on the basis of submitter declaration and have not been verified or audited

Modelled Data

• Some revenues included in total figures are based on publically available ad revenues

• PwC collects information from a range of publically available sources (in addition to market interviews) to model some of the larger in-house programmes. This includes the affiliate programmes run by Amazon, eBay, Booking.com and Expedia
A big thank you to all participants!

PwC received 12 detailed survey submissions and/or interviews from:
This time last year:

Spend on affiliate marketing in 2016:
£482 million

**NB** Figures from previous waves of OPM are restated, where needed, to offer the most accurate data possible. Restatements happen when new data points are available to help refine modelling, or when submitters provide more accurate historical data.
3. Headline Results
Spend on affiliate marketing in 2017: £554 million
15.1% increase y-o-y
“Over 15% growth YoY demonstrates what we’ve all been feeling, that the affiliate model is in great health. As the market matures, we are seeing more innovation, transparency, broader reach and brands increasing their spend in the sector whilst maintaining ROI. Affiliate Marketing is still the one true performance model and I expect this growth to continue into 2018 and beyond”

Helen Southgate, IAB UK’s Performance Marketing Advisory Group Chair 2017 and Managing Director of Acceleration Partners
Generating £8.9 billion Sales
Up from £8.1 billion in 2016 (9.2% increase)

Note: the difference in growth rates between marketing spend and sales generated reflects some small increases to average commission rates, as well as changes in the mix effect between different sectors.
Affiliate marketing is returning on the advertiser investment

£1 spend ➔ £16 ROI*

*Given the different scope of the study, this shouldn’t be directly compared to the £12.30 in last year’s report
3.1 Detailed Analysis
Retail & Telecoms are key sectors in affiliate marketing

Share of affiliate revenue, by sector:

<table>
<thead>
<tr>
<th>Sector</th>
<th>2016 Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>41%</td>
</tr>
<tr>
<td>Telecoms &amp; media</td>
<td>24%</td>
</tr>
<tr>
<td>Travel &amp; leisure</td>
<td>16%</td>
</tr>
<tr>
<td>Finance</td>
<td>11%</td>
</tr>
<tr>
<td>B2B</td>
<td>3%</td>
</tr>
<tr>
<td>Auto</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

IAB / PwC Affiliate Marketing Study 2017
Affiliate spend on smartphone grew 49% y-o-y

% of affiliate spend on a smartphone:

- 2013: 8%
- 2014: 9%
- 2015: 14%
- 2016: 17%
- 2017: 23%

Absolute growth
Just over half of all 2017 affiliate spend went on coupon and cashback websites

% spend by publisher type:

- Coupon and rebate websites: 27%
- Cashback websites: 25%
- Comparison shopping websites: 12%
- Loyalty and reward websites: 7%
- Email and newsletter lists: 3%
- Content websites & other: 25%

NB: based on network data only
4. Supporting YouGov Data
Using a price comparison site was the most common affiliate activity in the past 6 months

Activities in the last 6 months:

70% did any of these in the last 6 months (i.e. since Oct 2017)
5. Summary
Affiliate Marketing Study Summary

- Advertisers spent £554 million on online affiliate marketing in 2017.
- This generated £8.9 billion sales, up from £8.1 billion in 2016.
- The market grew 15.1% y-o-y.
- Affiliate spend on smartphone grew 49% y-o-y.
A Big Thank You to All Contributors and Submitters
The IAB retained PricewaterhouseCoopers LLP (the UK firm) (‘PwC’) to compile the Affiliate Marketing figures collected by the IAB from its members in 2017 and to deliver to the IAB the topline figures collated from this review; PwC has not verified the information which it received from the IAB, and provides no opinion or other form of assurance with respect to such information.

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Thank You

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