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# Affiliate Marketing: An Overview and Analysis of Emerging Literature

## **Yogesh K. Dwivedi (Corresponding Author)**

Swansea University Bay Campus  
School of Management  
Fabian Way, Crymlyn Burrows  
SWANSEA, SA1 8EN, Wales, UK  
Phone: 0044 1792602340  
Email: ykdwivedi@gmail.com

## **Nripendra P. Rana**

Swansea University Bay Campus  
School of Management  
Fabian Way, Crymlyn Burrows  
SWANSEA, SA1 8EN, Wales, UK  
Email: n.p.rana@swansea.ac.uk

## **Mohammad Abdallah Ali Alryalat**

Faculty of Business  
Al-Balqa' Applied University  
Salt, Jordan  
Email: mohammad.alryalat@hotmail.com

### **Authors Bio**

**Yogesh K Dwivedi** is a Professor of Digital and Social Media and Head of Management and Systems Section in the School of Management at Swansea University, Wales, UK. He obtained his PhD and MSc in Information Systems from Brunel University, UK. He has co-authored several papers which have appeared in international refereed journals such as CACM, DATA BASE, EJIS, IJPR, ISJ, ISF, JCIS, JIT, JORS, TMR and IMDS. He is Associate Editor of *European Journal of Marketing* and *European Journal of Information Systems*, Assistant Editor of JEIM and TGPPP, Senior Editor of JECR and member of the editorial board/review board of several journals. He is a life member of the IFIP WG8.6 and 8.5.

**Nripendra P. Rana** is a Lecturer at the School of Management of Swansea University in the UK. He holds a BSc, an MCA, an MTech, and an MPhil degrees from Indian universities. He also obtained his MBA (distinction) and PhD from Swansea University, UK. His current area of research is in information systems/technology adoption. He has co-authored articles, which have appeared in international refereed journals such as ISF, GIQ, ISM, JEIM, and JME. He has varied work experience of teaching in the area of computer engineering and applications at undergraduate and postgraduate levels. He also possesses a good experience in the field of software development.

**Mohammad Abdallah Ali Alryalat** is an Assistant Professor at the faculty of business in Al-Balqa' Applied University at Salt in Jordan. He obtained his undergraduate degree in business administration from Al-Ahliyya Amman University in Jordan. He also holds his master's degree in public administration from University of Jordan in Amman, Jordan. He then did his PhD from Swansea University in the UK. He has published his research in the peer-reviewed journals such as IJICBM, IJEGR, and EGIJ. His current research interests are in the area of management science in general and e-government adoption in particular.

## Abstract

*Affiliate marketing is a prominent, contemporary type of performance-based Internet marketing whereby a firm reimburses affiliates for each customer referred through the affiliate's marketing effort. This paper aims to review all existing studies on affiliate marketing (i.e., web-based affiliate marketing) to understand the overall development in this area of research. The search results on affiliate marketing and related terminologies found a total of seventeen studies on this topic. The review clearly indicates the lack of research effort in this area. In addition to explore the key findings of eighteen studies on affiliate marketing, this research reviewed these studies to analyse their keywords, benefits, methodologies, limitations and future research directions, critical success factors, and recommendations. The findings clearly indicate that there has not been any literature review undertaken on this topic. The study also provides its research contribution and limitations and future research directions based on this review.*

*Keywords: Affiliate Marketing, Affiliate, Marketing, Advertising, Literature Review*

## 1 Introduction

Advances in information technology (IT) enable firms to engage in innovative and productive strategies. Although IT may provide new opportunities and choices for customers, firms may also obtain important benefit when they can associate their firm's objective with other competing firms' objectives. Affiliate marketing programs facilitate firms to enhance their extent and obtain other firms' customers when the other firms decide to refer their customers to the third parties (Akcura, 2010). Affiliate Marketing Programs are one of the most dominant tools for online marketing as the person presenting the product or a service decides on the commissioning model and the commission is granted only if the anticipated outcomes have been reached (Iva, 2008). They have emerged as one of the fastest growing methods to acquire customers and enhance sales on the web (Fox and Wareham, 2010; Gregori et al., 2013; Mariussen et al., 2010).

The literature suggests that the academic research on affiliate marketing has been conducted across different industry sectors, largely adopting the merchant's perspective (e.g., Fox and Wareham, 2010; Libai et al., 2003) and some on affiliate perspectives have also been undertaken (Benedictova and Nevesad, 2008). A very few studies (e.g., Janssen and van Heck, 2007) have also undertaken some empirical research on this topic. However, despite affiliate marketing having been in existence for quite some time, a very few research papers have been undertaken a literature review on this topic until now. In addition, to the best of our knowledge, there has not been any literature review undertaken on this topic yet. This hinders researchers' ability to understand the overall development of this research to date. Realising this research gap in the area of such an interesting topic, the current research will undertake the literature review on this topic.

## 2 What is Affiliate Marketing?

Affiliate marketing is a type of online marketing, whereby a firm (an advertiser or a merchant) signs an agreement with another firm (a publisher or an affiliate) to feature a link from its websites on affiliated sites. The key objectives of affiliate marketing are to promote and sell products or services through additional distribution outlets, drive web traffic to advertisers, and generate transactions from online users in return for a commission (Del Franco & Miller, 2003; Goff, 2006; Goldschmidt et al., 2003; Haig, 2001; Mariussen et al., 2010; Tweney, 1999). Hoffman and Novak (2000, p. 44) defined affiliate marketing as "the online act of promoting someone else's goods and services to earn commissions from sales leads provided". It is one of the most common techniques used to promote websites, products and services, and affiliates are rewarded for every visitor or customer who come

due to their marketing efforts (Ivkovic and Milanov, 2010). According to Stokes (2008) affiliates are sometimes considered to be an extended sales force for a website. Since, they are paid for performance; affiliate marketing is often called “performance” marketing (Ivkovic and Milanov, 2010). Hence, the essence of affiliate marketing can be summed up as follows: First, an affiliate attempts to send visitors (i.e., potential customers) to a merchant’s website through ad links. Second, a number of those visitors carry out an action necessary to complete the sale. Finally, the merchant rewards the affiliate for each action demanded to finalise the sale of a specific product or service, which is traced back to an affiliate (Stokes, 2008).

The performed actions and the types of commissions can be grouped as cost per sale (CPS) or pay per sale (PPS), cost per action (CPA), cost per lead (CPL) or pay per lead (PPL), and cost per click (CPC) or pay per click (PPC). CPS or PPS is a model where the affiliate is paid on the basis of the number of sales that are directly generated by an advertisement. It is a variant of the CPA model, where the merchant pays the affiliate in proportion to the specific action (e.g., downloading certain software, signing to a newsletter etc.) committed by the customers to the website (Cudmore et al., 2009; Ivkovic and Milanov, 2010). CPL or PPL is another commonly used method whereby affiliates are paid for referrals regardless of whether their referrals are converted to buyers (Libai et al., 2003). PPC is an online advertising payment model where payment is based completely on qualifying click-throughs. In this agreement, the advertiser only pays for the qualifying clicks to the publisher based on a prearranged per click rate (Hossan and Ahammad, 2013).

### 3 Literature Search

The studies on affiliate marketing were searched on the specific keywords including “affiliate”, with “marketing”, “advertising”, “online”, “Internet”, “Website”, “e-commerce”, “e-business”, “electronic commerce”, “electronic business”, “EBusiness”, and “Ecommerce” in the ISI Web of Knowledge database and also with the keyword “affiliate marketing” in Google Scholar. In total, we found 32 articles in the ISI Web of Knowledge database and 13 articles from Google Scholar search engine. The further review of the downloaded literature indicated that only seven out of 32 from the database search and 11 out of 13 from Google Scholar were related to the affiliate marketing concept in the one form or the other. The other 28 rejected articles either had affiliate or other independent keywords used separately in the articles and were not connected to the overall concept of affiliate marketing. Hence, the 18 articles searched from these two sources provided the basis of the literature review on this topic.

### 4 Literature Review

Bhatnagar and Papapla (2001) examined the issue of how to identify models of paid advertising, banner exchange, or affiliate partner locations, and recommends a model based on consumer search behaviour. Regulated with data obtained from searches of information in 18 various groups, the model permit heterogeneity by allowing consumers to belong to different segments that have distinctive search points and thresholds. It also incorporates a segment-membership function, quantified in the form of consumer demographics, which can be used to measure the demographics linked with the different focal groups. The model is also adjusted with two- and three-dimensional search scales. The additional research in this area would explore the question of whether the search points of segments and perceptions of the locations of different categories becomes a more mature medium. Such an analysis would tell how advertising campaign can be better targeted over a period of time. Kwok et al. (2003) proposed the multichannel identifier for the even and fair distribution of the sales commission to all the marketing channels by using adjustable weighting factors that are inversely proportional to

the time lapses between customer purchases and their cookie setting times. The multichannel identifier allows the business to systematically monitor sales and leads from diverse marketing programs within a multichannel environment. As an outcome, the merchants can optimise their investment on different marketing programs and concentrate more on those top performing marketing programs that maximises his sales.

Duffy (2005) explored the inner workings of affiliate marketing. The findings of this research indicated that the key to successful affiliate marketing lies in making a win-win relationship between the advertiser and affiliate. The author argued that affiliate marketing is likely to become the major conventional marketing strategy for e-commerce businesses in the future. Mican (2008) challenges the issue of advertising content distribution in affiliate networks. The author modelled the affiliate network as a new business-to-business (B2B) relationship in which a master site attempts to enhance its profits by properly targeting the advertising information. The author correlated the display of advertising information on affiliate sites with the aim of tangible improvements in sales as a direct method to attain the user rating. Edelman (2009) explored the ways in which online advertising fraud can be prevented through optimal payment in arrears. The author also suggested that the advertisers can extend the delay to improve the detection of improper partner practices and punish partners who breach the mutually agreed rules. It was estimated that optimal payment delay could lead to the elimination of 71% of fraud without decreasing profits.

Akcura (2010) analysed the strategies used by a firm that provided choice for the customers and where they get the opportunity to buy items from the firm's affiliates. However, when the customers purchase from the other firm's websites, the firm might lose its own customers. The author explored the optimality of such strategies using an analytical framework. The findings indicated that although the firm might increase its profit when its own customers buy from the other firm websites, customers and society in general may not benefit from this strategy. The analysis of customer surplus and total welfare demonstrates that such approaches may have opposing impacts and they might reduce as a result of affiliations. Ivkovic and Milanov (2010) discussed some of the principles regarding affiliate program. They include a good technical support and marketing strategy in addition to the tracking software used for affiliate marketing, the acceptable price set by the merchant, and the feasible commission demanded by the affiliates. The authors argued targeted campaigns as one of the most important benefits that affiliate marketing brings to advertising. Edelman and Brandi (2014) examined online affiliate marketing programs in which the businesses manage thousands of affiliates they never met. They argue that affiliate marketing allows a business to more confidently advertise and little-known publishers to accept greater risk to prove their efficacy. They found that external experts are most effective at eliminating the irresponsible affiliates, however in-house members are most successful at finding and excluding affiliates whose practices are considered as "borderline". Fox and Wareham (2007) reviewed the stated guidelines in one-to-many affiliate programs in the three key affiliate networks in Spain as a first step toward comprehending how online retailers control the business models and promotional tools used by their affiliates. The study concluded that there is a significant shortage of transparency regarding guidance and constraints conveyed to affiliates, which enhances the risk of unfitting behaviour or wrongdoing. The authors also believe that affiliate monitoring by online retailers becomes increasingly significant. Iva (2008) presented the basics of the online affiliate programs, their benefits, and steps for their further implementation. The author found the pay per sale (PPS) as the most widely spread commissioning model. Exploring the affiliate programs in Croatia, the author found that only five hotels (i.e., about 7%) out of 73 that have their online booking facilities in Croatia have affiliate programs. The results indicated that most hoteliers (including 38 that are without websites, six with site under construction, five with sites not in its own

domain, and another five that have error in their websites) in Croatia were not familiar with affiliate programs or did not perceive their advantages.

Gregori et al. (2013) aim to measure the major variables influencing consumer trust in tourism-based affiliate websites. The key findings of the research suggest that there is a difference between essential factors of trust and trust-enhancing factors. It recommends that affiliates need to expose their competence and integrity to consumers. The findings also suggest that affiliates should alleviate consumer's uncertainty by structural assurances and by providing background information on their websites. From the consumer's perspective, affiliate websites were found as an acceptable and trusted distribution channel. The core determinants were found to be consumers' view of the competence and integrity of the affiliates, their reputation, and consumer's perception on the web-interface design. From an affiliate marketing point of view, the affiliate marketing practitioners have shown a high sensitivity toward demonstrating benevolence (i.e., the probability that trustee places the interests of the trusting party ahead of its own (Chen and Dhillon, 2003)) beliefs. Consumers, however, are mainly concerned with tangible indications of an affiliate's competence and integrity, as they perceive affiliate exclusively as an intermediary. Libai et al. (2003) explored affiliates' referral fees in return for directing potential customers into a merchant's website in two different ways namely pay-per-conversion and pay-per-lead. Pay-per-conversion is a process where the merchant pays the affiliate only if a sale is made whereas pay-per-lead is based on the number of leads referred to the merchant. The authors found that the pay-per-lead is more profitable when the merchant discusses a separate deal with an affiliate. In this case, pay-per-conversion is not optimal for the affiliation alliance because it leads to suboptimal pricing by the merchant. On the contrary, pay-per-lead is less profitable than pay-per-conversion for a merchant where the merchant deals with a large number of affiliates all under the same terms as it is liable to create bogus referrals, which cannot be converted into customers.

Janssen and van Heck (2007) examined the potential influence of online affiliate marketing networks on the ranking of advertiser's websites in search results. This article empirically investigates how seven different affiliate marketing networks influence the rankings of advertising websites within web search engines. The results indicate that more recently established affiliate networks essentially increase the rankings of advertising websites in the search engine results. It was also found that the impacts of affiliate marketing networks on search engine ranking were less for advertising websites functioning in highly competitive markets. Realising the lack of research on the aspects of complexity theory like unintended consequences, Mariussen et al. (2010) examined it in the evolution of affiliate marketing networks within tourism distribution. The results suggest that unintended consequences are an important factor in shaping the growth of affiliate practice and should not be underrated by practitioners. The study also suggested that unintended consequences can be a tool for indicating areas for improvements and can help explain the nature of emergent affiliate marketing challenges. This might potentially help marketing managers in the successful formation of affiliate marketing networks. Samosseiko et al. (2009) discussed the role of well-organised affiliate networks (known as 'partnerka' in Russian) in context of scareware, 'Canadian pharmacy' spam, adult sites, and comment spam on forums and blogs. Thousands of such affiliates (each called a 'webmaster') work hard to drive as much user traffic to their partners' stores as possible. The stores sell fake watches, fake anti-virus software, and fake pills where webmasters get their commissions making thousands of dollars per day. The authors argue that affiliate web marketing has become the key driving force behind the recent explosion in malware, website infections, email spam, and general web pollution.

Papatla and Bhatnagar (2002) argued that affiliate partnership should be established between businesses, which sell products that are linked to each other. They revealed four types of relationships

among products including strict substitutes, strict complements, episodic substitutes, or episodic complements. Based on their research, the authors expect managers to select affiliate partners in couple of steps. First, they should narrow down the choice to a few products, and in the second step, they choose particular firm(s) within chosen categories. The authors warn the managers not to do everything in one step otherwise there will be thousands of retailers and the decision-making would be unmanageable. In case of multiple products across a number of categories in the product mix and given that different products have strict and episodic substitute, the findings suggest selecting at least two types of affiliates for each of the product. Hossain and Ahammad (2013) explore the knowledge of affiliate marketing and examine the assessments of content providers towards it in context of Bangladesh. The results indicate that affiliate marketing is an influential way to sell advertising space to advertisers, easy and precise to measure the advertising responses, much more flexible, used to generate revenue, and a much easier way to reach customers. Prabhu and Satpathy (2015) explored the affiliate marketing future in India and concluded that customer acquisition programmes like affiliate marketing shall be growing comprehensively in coming years. They recommended that organisations should look beyond their present business models based on affiliate network. Such innovative business models will create an opportunity for small businesses and individuals in creating earnings. Considering pace of technology, changes and innovations may come up but the conceptual base of the model will remain similar. For accomplishing the objective of this research to analyse the adoptability of affiliate marketing in Indian businesses and its future potential, the authors believe that Indian businesses and individuals can benefit from affiliate marketing in future.

## 5 Result

### 5.1 Keyword Analysis

Table 1 presents some leading keywords used across the studies on affiliate marketing. The analysis indicates that some keywords including various analogous terms of online or Internet marketing, affiliate marketing, various terms related to search, advertising, affiliate(s) and affiliate website, e-commerce, Internet, marketing strategy, networks, and trust were found to be certain repeating keywords across various studies. Although not included in the Table, the keywords such as collaborative filtering, complexity theory, content delivery, contracts, cookie, Croatia, customer acquisition, customer referrals, fraud, hotels, hyperlinks, market segmentation, merchant, Nash equilibrium, pay-per-performance, pay-per-conversion, pay-per-lead, qualitative research, recommender systems, search behavior, search engine rankings, search patterns, signalling, social welfare, tracking, unintended consequences, and Web appeared only once and considered as relatively underrepresented terminologies as far as affiliate marketing is concerned.

<b>Keyword(s)</b>	<b>Freq</b>
Marketing   Internet Marketing   Interactive Marketing   Online Marketing	6
Affiliate Marketing	5
Information Search   Search   Screening   Online Search	4
Advertising   Online Advertising   Targeted Advertising	4
Affiliate   Affiliates   Affiliate Website	4
E-Commerce	3
Internet	2
Marketing Strategy	2
Networks   Online Affiliate Marketing Networks	2
Consumer Trust   Online Trust	2

*Table 1. Keyword analysis*



## 5.2 Methodological Analysis

Table 2 presents the methodologies used across all different studies on affiliate marketing. The analysis suggests that the majority of studies have used the secondary data analysis (e.g., articles retrieved from various sources, published documents, search engines, journals, affiliate network websites etc.) to undertake the research on this topic, followed by some other methodologies including case study, conceptual paper, different surveys (e.g., web-based survey, questionnaire survey etc.), interviews, and conceptual papers to name a few. The methodological analysis of the literature on affiliate marketing clearly indicates that no literature review, as far as the authors are aware, has been undertaken on this topic.

Source	Methodology
Bhatnagar and Papapla (2001)	Online Survey
Kwok et al. (2003)	Conceptual
Duffy (2005)	Case Study
Mican (2008)	Case Study
Edelman (2009)	Data received from an advertising network
Akcura (2010)	Conceptual
Ivkovic and Milanov (2010)	Conceptual
Edelman and Brandi (2014)	Secondary data: US Affiliate Networks (Websites)
Fox and Wareham (2007)	Using three Affiliate Networks in Spain
Gregori et al. (2013)	Focus Group Interview, Web-based survey
Iva (2008)	Statistic, historic, descriptive, comparison, interview, analysis and synthesis, induction and deduction
Janssen and van Heck (2007)	Multiple case study of seven advertising web sites
Libai et al. (2003)	Conceptual
Mariussen et al. (2010)	Secondary data: Articles retrieved from three source; Primary data source: Semi-structured Interviews
Papatla and Bhatnagar (2002)	Secondary data collected from the Internet
Samosseiko et al. (2009)	Secondary data source: Log file of purchases
Hossan and Ahammad (2013)	Primary Source: Interviews, Questionnaire Survey; Secondary Source: Observation of websites, published documents, internet search engines and various journals of affiliate marketing
Prabhu and Satpathy (2015)	Secondary data: Online retailing company websites, matrimonial websites, tours and travel industry, online job sites etc.

*Table 2. Methodological analysis*

## 5.3 Affiliate Marketing: Advantages/Benefits

Some studies (e.g., Akcura, 2010; Diffy, 2005; Fox and Wareham, 2007; Gregori et al., 2013; Iva, 2008; Ivkovic and Milanov, 2010; Janssen and van Heck, 2007) have discussed advantages or benefits, the affiliate marketing program provides to its stakeholders. Some of the key benefits provided by the affiliate marketing and its program include revenue created by affiliates without investments in inventory and infrastructure (Duffy, 2005), to help firms enhance their prices and profits (Akcura, 2010), targeted campaigns with a low cost of advertising (Ivkovic and Milanov, 2010), a relatively low cost for both affiliates and merchants (Fox and Wareham, 2007; Gregori et al., 2013; Iva, 2008), the ability to accurately track the website visits and purchases (Fox and Wareham, 2007), with no offices needed, the whole world is their market (Iva, 2008), with costs and benefits of affiliate marketing programs are measured on a constant basis and therefore they are well known (Janssen and van Heck, 2007).

For example, Duffy (2005) suggests that all that is required is the ability to create websites with adequate appeal to attract sufficient customers that are interested in the products and services, which

are sold by the affiliate’s advertisers. Akcura (2010) found that the firms, which offer affiliate programs benefit from additional sales. The findings suggest that differentiated firms that offer different offerings might particularly benefit from affiliated marketing programs. Such programs might facilitate the firms to enhance traffic to their sites. Although firms might end up sharing their customers with other firms, resulting increase in traffic and prices provide higher profit opportunities for the firms. Ivkovic and Milanov (2010) argued targeted campaign as one of the most important benefits that affiliate marketing brings to the advertising. In other words, products are offered to the users who are most likely to become customers. Their findings suggested that such marketing effort allowed companies to reach far better results and return on investment, with low costs of advertising. Chatterjee et al. (2002) also found affiliates as highly efficient in reaching specific target segments, as they have a strong understanding of their average visitor profile and an interest in successfully promoting relevant products to maximise revenues from customer referral (Gregori et al., 2013).

Similarly, a few studies (e.g., Fox and Wareham, 2007; Gregori et al., 2013; Iva, 2008) advocated that affiliate marketing is a low cost marketing initiatives for both merchants and affiliates. Fox and Wareham (2007) also emphasised the affiliate marketing’s ability to accurately track the actions of website visitors and their responses to targeted promotional activities. The authors also suggested e-mail as popular tools for affiliates as it allows them to send targeted advertising to customers at a low cost. Gregori et al. (2013) determined that affiliate marketing is associated with low administrative costs regarding the purchase of advertising (Gallaughner et al., 2001). In addition to advocate affiliate marketing as the low cost marketing initiative, Iva (2008) categorised benefits of affiliate programs for merchants including promotion, choice, possibility of “performance based” payment, sale or some other transaction, and linking and SEO (search engine optimisation) value. Also, the benefits of affiliate marketing programs for affiliate partners include flexibility, money, minimum initial capital, no employees, no offices, and the whole world as the potential market for the given products and/or services. Janssen and van Heck (2007) argued that the total benefits related to affiliate marketing consist of all website visitors coming directly from affiliates and indirectly through the increase in visitors coming from web search engines. Table 3 presents a brief account of benefits/advantages presented by different studies.

<b>Benefit/Advantage</b>	<b>Source(s)</b>
Target campaign	Chatterjee et al. (2002), Gregori et al. (2013), Ivkovic and Milanov (2010), Janssen and van Heck (2007)
Low cost marketing initiative for both merchants and affiliates/Low administrative cost	Fox and Wareham (2007), Gallaughner et al. (2001), Gregori et al. (2013), Iva (2008), Ivkovic and Milanov (2010)
Ability to accurately track the actions of website visitors and their responses to targeted promotional activities	Fox and Wareham (2007)
Benefits for merchants including promotion, choice, possibility of “performance based” payment, sale or some other transaction, and linking & SEO value	Iva (2008)
Revenue generation by affiliates without investment in inventory and infrastructure	Duffy (2005)
Differentiated firms that offer different offerings redirect the traffic to other firm(s) for such products/services that they don’t offer	Akcura (2010)

Help firms to increase profits and prices	Akcura (2010)
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*Table 3. Benefits/advantages of affiliate marketing*

#### **5.4 Affiliate Marketing: Limitations/Future Research**

A handful of studies (e.g., Fox and Wareham, 2007; Gregori et al., 2013; Hossan and Ahammad, 2013; Janssen and van Heck, 2007; Mariussen et al., 2010; Papatla and Bhatnagar, 2002) that explored affiliate marketing have discussed their limitations and/or future research explicitly. The limitations including lack of external validity and hence generalisation (Fox and Wareham, 2007; Gregori et al., 2013), preliminary study (Fox and Wareham, 2007; Hossan and Ahammad, 2013; Mican, 2008), lack of awareness, relatively a recent phenomenon, and small sample size (Hossan and Ahammad, 2013) were explicitly mentioned by some studies. Moreover, studies have also suggested future research directions in this field. For example, Fox and Wareham (2007) suggested the comparison of the results obtained for Spain with some more mature markets like the UK and the USA. They also suggested collecting some primary data from sponsors and affiliate networks in both Spain and abroad to validate the results. Mariussen et al. (2010) also gave the similar future research direction where the tourism marketing affiliation and complexity theory were suggested for testing in the other countries' perspective as well. Janssen and van Heck (2007) suggested understanding the impact of affiliate marketing on search engine ranking as a part of future research directions. Papatla and Bhatnagar (2002) provided couple of suggestions for future research including collecting data on the depth of information and whether affiliate partnerships on the basis of product relationships can lead to purchase. Bhatnagar and Papatla (2001) recommended how advertising campaigns can be better targeted over time as a part of future research avenue. Table 4 presents the limitations and future research directions of a handful of studies that have explicitly presented them. Janssen and van Heck (2007) recommended an additional research to further define the concept of search engine rankings and to develop methodologies to measure it. They also suggested determining the effects of affiliate marketing on search engine rankings by extending the amount of data or the length of the research period. Table 4 presents a brief summary of limitations and future research directions for the studies on affiliate marketing.

<b>Limitation/Future Research Direction</b>	<b>Source(s)</b>
Lack of external validity/generalisation	Fox and Wareham (2007), Gregori et al. (2013), Mariussen et al. (2010)
Preliminary/Exploratory study	Fox and Wareham (2007), Hossan and Ahammad (2013), Mican (2008)
Comparison of results to some more mature markets	Fox and Wareham (2007), Mariussen et al. (2010)
Lack of awareness	Hossan and Ahammad (2013)
Small sample size	Hossan and Ahammad (2013)
Comparatively a recent phenomenon	Hossan and Ahammad (2013)
Understanding the impact of affiliate marketing on search engine ranking	Janssen and van Heck (2007)
To collect data on the depth of information	Papatla and Bhatnagar (2002)
A further research on how advertising campaign can be better targeted	Bhatnagar and Papatla (2001)
Additional research to further define the concept of search engine rankings and to develop sound research methodologies to measure search engine rankings	Janssen and van Heck (2007)
To determine the effects of affiliate marketing on search engine rankings	Janssen and van Heck (2007)

*Table 4. Limitations and future research directions*

## **5.5 Affiliate Marketing: Critical Success Factors**

Some studies (e.g., Duffy, 2005; Ivkovic and Milanov, 2010; Mariussen et al., 2010; Papatla and Bhatnagar, 2002) have discussed the critical success factors of the affiliate marketing initiatives. For example, Papatla and Bhatnagar (2002) argued that the success of affiliate advertising depends not only on whether the products are substitutes or complements, but also on the matching of brand perceptions, counter-guarantees, and issues of inter-organisational trust and customer loyalty. Duffy (2005) suggested the affiliate's ability to create websites with adequate appeal to attract sufficient customers who are interested in products and services (that are sold by affiliate's advertisers) as the critical factor for success for their marketing initiative. The key to successful affiliate marketing lies in the construction of a win-win relationship between the advertiser and the affiliate (Duffy, 2005). Ivkovic and Milanov (2010) believed that affiliate program can be successfully applied on various types of products and services, but one of the best choices to consider is perhaps a product that is used very frequently, on a daily basis and it is possible to sell it over the Internet. It is also desirable to select the biggest possible market for a certain product for its successful marketing. To successfully evolve in the dynamic marketing environment, Mariussen et al. (2010) suggested that complexity principles recommended by Meyer and Davis (2003) such as timely sensing, active learning, quick responding, adapting and systematic experimentation should be largely exploited by the affiliate marketing industry. Gregori et al. (2013) advocated the concept of trust as a key ingredient in the context of affiliate marketing, as it is largely under-researched.

### **Affiliate Marketing: Recommendations**

A few studies (e.g., Fox and Wareham, 2007; Gregori et al., 2013; Hossan and Ahammad, 2013; Libai et al., 2003; White, 2009) have also outlined the recommendations for the affiliate marketing initiatives. For example, Hossan and Ahammad (2013) suggested that content providers (i.e., affiliates who promote merchant's products or services at their websites against payment) should recommend high quality product or service when it comes to reputation and beginning of service that is available online. They also recommended that affiliates should make their sites free for information. They should not charge the visitors to join. It was also recommended that content providers should affiliate the link straight to individual products in place of diverting them to the home page otherwise visitors might not go to the next step. The authors also recommended the prospective customers to consider the frequently asked question (FAQ) page as such page provides facts about the products and services and how the influence customer's level of satisfaction. White (2009) recommended that merchants, using online affiliate marketing programs, should warn affiliates against solicitation in their affiliate contract on the merchant website.

Libai et al. (2003) recommended the merchant and the affiliate regarding the use of a specific referral fee method. The authors suggested that when a merchant deals with each affiliate separately to determine the referral fee, pay-per-conversion (i.e., number of leads converted by the merchant into customers) leads to suboptimal pricing, and so pay-per-lead (i.e., the number of leads referred to the merchant) is more profitable and efficient than pay-per-conversion. On the contrary, when the merchant works with a large number of affiliates and determines the referral fee collectively for all, pay-per-lead is no longer profitable in comparison to pay-per-conversion. Fox and Wareham (2007) recommended sponsors to provide more explicit guidelines concerning the types of businesses that are acceptable as affiliates. They also recommended sponsors to provide more explicit guidelines relating to the types of businesses, which are acceptable as affiliates. They were also suggested to conduct regular reviews of affiliate websites, particularly the placement and content of sponsor-related information. They were recommended to regularly search keywords for their brand to identify the best possible set of keywords to represent their brand. They also suggested affiliate to send a copy of any

promotional emails containing sponsor-related content to the affiliate manager. Gregori et al. (2013) recommended that affiliate marketers carefully consider whether an affiliate program fits into the targeted segment of consumers. It was suggested that the quality of the promoted products should be the decisive factor and not the quantity or potential sales commissions. The authors also recommended affiliate marketers to find ways to incentivize and reward the repeat visitors to their website through promotions and/or loyalty schemes. Papatla and Bhatnagar (2002) recommended identifying both strict and episodic substitutes as affiliate partners. The authors further described products as strict substitutes if they are very similar and perform the same functions. For example, a site such as [www.gateway.com](http://www.gateway.com), which carries computers and related products, would be the ideal affiliate for [www.dell.com](http://www.dell.com). Episodic substitutes are those that can substitute for another product only during certain consumption episodes. For example, computers and televisions might be episodic substitutes if they are used in entertainment consumption episodes but not if the television is used to watch news and the computer to perform analyses.

## 6 Discussion

This research provides a review of literature on the topic of affiliate marketing gathered from some studies published in the course of the last 15 years. The review of literature on affiliate marketing clearly indicates that despite being such an important concept in the online marketing, very little research has been conducted on this topic. The analysis of keywords indicates some very frequently used and obvious terminologies including different forms of online and Internet marketing, affiliate marketing, advertising, and different search or screening methods. However, certain other keywords including customer acquisition, customer referrals, market segmentation, tracking etc., which hold such a significant position in explaining the overall understating of the concept of affiliate marketing, have been used only once across all different studies on this topic. Hence, these keywords need further exploration as far as further research on affiliate marketing is concerned.

Methodological analysis of studies indicated that majority of methods are either based on secondary source of data or conceptual in nature. Some other studies were based on the cases or empirical research centred on primary data gathered through interviews or surveys. Such analyse indicates that there is a lack of any literature review undertaken in this area of research. This could be mainly due to the fact that the number of studies published on affiliate marketing is less and so there would not be much scope for literature reviews. However, there is a need for more empirical research to be undertaken in this area as well. As far as the advantages of affiliate marketing is concerned, studies have emphasised more on the optimal cost and profits related benefits for both advertisers and affiliates, targeted campaign, ease of tracking etc. However, none of the studies have explored the benefits from the customer perspective. The proper commentary on benefits and drawbacks on different types of commissioning (i.e., CPC or PPC, CPL or PPL, and CPS or PPS) would also allow researchers and practitioners to understand the pros and cons of affiliate marketing programmes.

The analysis of limitations indicates that only a handful of studies (i.e., Fox and Wareham, 2007; Gregori et al., 2013; Hossan and Ahammad, 2013) have explicitly expressed their shortcomings. As a part of future research, the authors have largely suggested extending current research beyond the specific boundary of geographical locations (Fox and Wareham, 2007; Mariussen et al., 2010), with more primary research data used (Fox and Wareham, 2007), exploring search engine rankings (Janssen and van Heck, 2007), and whether affiliate partnerships formed on the basis of our product relationships actually lead to purchases (Papatla and Bhatnagar, 2002). We believe that there is a need to fully establish this research, as there has not been much research published on this topic. For this,

more theoretical and empirical research covering all different facets (i.e., advertiser, affiliate, and customer or visitor) of affiliate marketing is needed.

The analysis of critical success factors in the context of affiliate marketing includes factors such as the quality of the website to attract customers (Duffy, 2005), issue of inter-organisational trust and loyalty (Papatla and Bhatnagar, 2002), win-win relationship between advertiser and the affiliate (Duffy, 2005), promoting a product or service that is used very frequently for selling through Internet, selecting the biggest possible market for the successful marketing of the product (Ivkovic and Milanov, 2010), timely sensing, active learning, quick responding, adapting and systematic experimentation (Mariussen et al., 2010). In addition to the above critical success factors advocated by prior research, we believe that improving the website ranking through search engine optimisation, collaborating to some market leaders with complementary products and services and advertising through their websites to attract more customers, and establishing strong mutual relationships with each affiliate are some of the key factors that would play a strong role in determining the future success of the affiliate marketing initiatives.

In addition, studies on affiliate marketing have also provided some useful recommendations for merchants, affiliates, and consumers at large. For example, affiliates were recommended to promote the high quality product or service, not to charge any money for providing information through their websites, to link the customer straightaway to individual products/services rather than diverting them to home page (Hossain and Ahammad, 2013), to carefully find out the substitute and episodic substitutes of the products and services that affiliates are dealing in (Papatla and Bhatnagar, 2002), and to be clear about the use of a particular referral fee method before starting the affiliate partnership (Libai et al., 2003). Similarly, merchants were recommended to warn affiliates against solicitation in their affiliate contract on the merchant website (White, 2009), to provide more categorical guidelines regarding the types of businesses that are acceptable as affiliates, to conduct regular reviews of affiliate websites for the merchant-related information using keywords (Fox and Wareham, 2007), to carefully consider whether the affiliate program fits into the targeted segment of consumers, and to reward (through promotions and/or loyalty scheme) the repeat visitors to their websites (Gregori et al., 2013). The consumers were recommended to consider the FAQ page to know more about the products and services being provided to them and the level to which it impacts their satisfaction. We also believe that there is a need for strong and trustful relationship between the affiliates and merchants for the success of the affiliate program. The contract should be very clearly understood and agreed upon by both parties right in the beginning. The consumers are recommended to know everything about the products and services they intend to go for and also the benefit they receive if they choose one website over other for their purchases.

## **6.1 Research Contributions**

To the best of our knowledge, this is the first research on the review of the affiliate marketing literature. This study provides a detailed review of all existing studies on affiliate marketing and some of the key outcomes emerging from the literature such as keywords analysis, methodological analysis, its benefits/advantages, exploration of limitations and future research, and critical success factors analysis. Such reviews enable researchers to draw an appropriate future course of research in this field. Moreover, the critical success factors analysis would also allow the practitioners and affiliates to think positively toward collaborating with merchants and reap optimal benefits maintaining business ethics.

## 6.2 Limitations and Future Research

Like any other research this study is also not without some limitations. First, while searching the research on affiliate marketing, we came across with couple of studies, which unfortunately could not be accessed and hence were not included in the current review. Second, the current research has not conducted demographic analyses of the concerned literature including authors' analysis, country analysis, years of publications of the existing studies etc. Such analyses would provide some more detailed picture of the affiliate marketing research. The future research might undertake a more comprehensive review of literature considering all the above aspects. Third, as this is a literature review paper, the findings of this research are based on the secondary data gathered from 18 research articles on the topic of affiliate marketing. The future research might supplement the review of secondary data with some primary data collected through interviews from both merchants and affiliates to see the convergence or divergence of the findings emerging from both aspects.

## 7 Conclusion

The study has reviewed eighteen articles on affiliate marketing searched and downloaded from ISI Web of Knowledge database and Google Scholar search engine. The review of studies indicates that there has not been any literature review undertaken on this topic yet. The research in this area is mainly case studies, conceptual studies, and studies based on secondary data sources. However, only a handful of research is based on primary data sources. In addition there has not been any effort made toward theoretical development in this area of research. The study has analysed some of the advantages/benefits, limitations and future research, critical success factors, and recommendations reported in the extant research on affiliate marketing as well. The analysis of this research will help the researchers to shape future directions of studies in affiliate marketing.

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