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A Grounded Theory of Affiliate Marketing Performance  
Measurement in the Tourism and Hospitality Context

**Anastasia Mariussen**

**A thesis submitted in partial fulfilment of the requirements of the award of  
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Business School  
Oxford Brookes University

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## **Abstract**

Although the measurement of offline and online marketing is extensively researched, the area of online performance measurement, still presents a number of unaddressed gaps, such as fragmented research and predominance of practitioner-driven measurement approaches. With a focus on affiliate marketing in tourism and hospitality, this thesis addressed these gaps and evaluates the effectiveness of practitioner-led online performance assessment. More precisely, the study explores a potential shift in affiliate marketing measurement practices, and develops a theory of affiliate marketing performance measurement in tourism and hospitality. Relying on a grounded theory research strategy, the work undertakes qualitative analysis of 72 online forum discussions, 37 interviews and 40 questionnaires with the major affiliate marketing stakeholder groups from the tourism and hospitality industry – merchants, affiliates, affiliate networks and affiliate agencies.

The findings of the thesis add value to both theory and practice. The theoretical contribution of the research is twofold. First, the work furthers the broader marketing theory and in particular the distribution and promotion literature by exploring an under-researched online marketing channel - affiliate marketing – that can be employed for both promotion and distribution purposes. The study provides a detailed description of an affiliate marketing ecosystem and defines the key affiliate marketing constructs. Second, the work contributes to the performance measurement research by developing a substantive theory of affiliate marketing performance measurement in tourism and hospitality. From the practitioner perspective, the work brings value by proposing a change in existing performance measurement practices and offering a process-oriented model of performance measurement in affiliate marketing, which details the phases and steps that managers can undertake in assessing performance.

To further the findings, future research can explore the applicability of the proposed model to other industry sectors and online channels, and can develop the proposed substantive theory to a formal theory by employing other research methods, for example case studies and action research.

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## List of Abbreviations

AIDA	Attention Interest Desire Action
CPA	Cost-per-action
CPM	Cost-per-thousand impressions
CRS	Computer Reservation System
GDS	Global Distribution System
DAGMAR	Defining Advertising Goals for Measured Advertising Results
EVA	Economic Value Added
GDS	Global Distribution System
ICT	Information and Communication Technologies
IMC	Integrated Marketing Communications
IT	Information Technology
PPA	Pay-per-action
PPC	Pay-per-click
PPL	Pay-per-lead
PPP	Per-per-performance
PPS	Pay-per-sale
SEM	Search Engine Marketing
SEO	Search Engine Optimisation

# Chapter 1: Introduction

## 1.0. Introduction

The measurement of both offline and online marketing is the topic of numerous research papers (Ambler *et al.*, 2004; Barwise & Farley, 2004; Clark *et al.*, 2006; O'Sullivan & Abela, 2007; Ryan & Jones, 2009; Sterne, 1999) and an important concern of marketing executives (Webster, 2004). In spite of the popularity of the topic, however, the area of marketing performance measurement still exhibits a number of unaddressed gaps (Ambler *et al.*, 2004; Calero *et al.*, 2005; Gao, 2010). For example, it remains largely unclear which marketing metrics an individual organisation should employ to report marketing accountability to senior management in a meaningful way (Eusebio *et al.*, 2006; Osland & Yaprak, 1995), how it can measure the performance of online marketing, and how it can assess the collective effectiveness of all the organisation's Internet marketing activities (Good & Schultz, 2004; Petersen *et al.*, 2009).

Although the research on the measurement of marketing performance in the offline domain demonstrates a number of notable achievements (Demma, 2004; Kahn & Myers, 2005; Kotler, 1977; O'Sullivan & Abela, 2007; Wu & Hung, 2007), it has been hoped that the Internet and the emerging information and communication technologies (ICT) would further resolve the existing measurement issues and would turn 'slippery' marketing practice into a measurable organisational function (Dreze & Zufryden, 1998; Ryan & Jones, 2009). Indeed, the Internet and advanced online tracking have enabled marketers to quantify previously unaccountable areas of marketing activities (Chen, 2001). However, the Internet has not solved many of the existing measurement issues. On the contrary, it has added new complexities to the measurement of marketing performance. For example, it has switched marketers' focus from the actual measurement process to the available tracking and analytics solutions, and has forced technology-related questions to the forefront of the marketers' agendas (Calero *et al.*, 2005; Seggie *et al.*, 2007).

From a theoretical point of view, these developments raise some new research questions and highlight existing theoretical gaps. For example, these changes show that the extant theoretical frameworks, developed for measuring traditional (offline) marketing performance, are out-dated and inapplicable online (Katrandjiev, 2000; Norborn *et al.*, 1990; Nwokah & Ahiauzu, 2008). At the same time, these developments also illustrate that the frameworks, specifically designed for Internet marketing performance assessment, still remain relatively unexplored, scarce and

fragmented. Even though the Internet marketing literature has constantly been adding to performance measurement research, the extant works have so far only focused on the measurement of performance of a few selected online marketing activities and channels (Ewing, 2009; Michopoulou & Buhalis, 2008). Due to such a narrow focus, the field of Internet marketing performance measurement is still considered as evolving and requiring further investigation, as the measurement of many online marketing channels continues to be under-researched.

Since scholars in the field refer to performance measurement as a non-generalisable, context-specific construct (Llonch *et al.*, 2002; Miller & Cioffi, 2004; Webster, 2004; Wyner, 2003), this study investigates the measurement of a specific Internet marketing channel which is extensively exploited in practice, but is still unaddressed in the literature. It focuses on affiliate marketing and explores its performance measurement in the context of the tourism and hospitality industries, where its application is particularly widely evidenced (Daniele *et al.*, 2009). Affiliate marketing is defined in the literature as a commission-based online network, whereby its stakeholders promote and sell featured products and/or services through additional distribution outlets (Duffy, 2005; Goldschmidt *et al.*, 2003). In tourism and hospitality, affiliations and strategic partnerships can be built between hotels, airlines, car rental companies, online tour operators and agents, as well as between non-tourism organisations, such as insurance companies and special interest bloggers, capable of driving targeted traffic to the primary service providers (Mariussen *et al.*, 2010). The management of these affiliations can be undertaken in-house or outsourced to third parties – affiliate networks (Fox & Wareham, 2007; Goldschmidt *et al.*, 2003; Quinton & Khan, 2009). For example, Booking.com run their affiliate programmes internally (Booking.com, 2012), whereas Best Western Hotels invite their affiliates to join their affiliate programme and to sign up through an affiliate network Commission Junction (Best Western, 2012).

The remainder of this chapter provides further background and rationale for the study and sets the context for the present research. The background section briefly introduces the current state of research on generic, Internet and affiliate marketing performance measurement. The rationale section summarises the key arguments, underpinning the topic choice, whilst the following sections present the research aim and objectives, reflect upon the study's original contribution, justify the chosen research context and describe the structure of the thesis.

## **1.1. Background of the Study**

As already stated, marketing performance is not an under-researched area. Much attention has already been paid to marketing performance first in the offline (Appiah-Adu *et al.*, 2001; Connor & Tynan, 1999; Kotler, 1977) and later in the online domains (Bandyopadhyay *et al.*, 2009; Daniele *et al.*, 2009; Kumar & Kohli, 2007; Ryan & Jones, 2009; Sterne, 1999). The responsibility for furthering the approaches to marketing performance measurement, however, seems to have gradually shifted from theorists to industry practitioners. While generic literature on traditional marketing performance is rich in both communities, subsequent work on Internet marketing performance, and later on affiliate marketing performance, is more fragmented, practitioner-oriented and nearly always initiated by the industry (Borelli & Holden, 2007; Collins & Fiore, 2001).

### **1.1.1. Traditional Marketing Performance**

Generic marketing performance literature is voluminous. In this literature, approaches to marketing performance measurement evolve from production-oriented assessments, which measure marketing performance quantitatively, for example in terms of market share and income (Mehrotra, 1984; Parasuraman, 1982), to more complicated qualitative evaluations of integrated marketing communications, where the overall marketing performance is comprised of the collective impact of several marketing activities (Katrandjiev, 2000).

Approaches to marketing performance measurement, offered by the generic marketing literature, are numerous and varied. One of the factors that has contributed to such variation is the poor theoretical conceptualisation of the key marketing performance construct, which is frequently used interchangeably with the dissimilar constructs of marketing effectiveness and efficiency (Clark, 2000; Gao, 2010; Kahn & Myers, 2005). The literature that differentiates between these constructs defines marketing performance as a multidimensional construct, which overall is comprised of effectiveness, efficiency and adaptability (Morgan *et al.*, 2002; Vorhies & Morgan, 2003). Effectiveness is explained as an organisation's ability to implement its goals within given environmental conditions, which may include competition, market demands and organisational capabilities (Kerin & Peterson, 1998). Efficiency is depicted as the relationship between inputs and outputs (Anderson *et al.*, 1997), and adaptability is described as an organisation's ability to adapt to the fluctuations in the environment (Morgan *et al.*, 2002).

The diversity in the interpretations of the marketing performance construct has resulted in a variety of performance measurement approaches, many of which, following different lines of thought, have little in common. Among some of the most cited approaches, there is a marketing effectiveness model by Kotler (1977), a model assessing the performance of direct-to-consumer advertising (Menon *et al.*, 2004), a marketing audit framework (Kotler *et al.*, 1984), a performance model for service industries by Yoon and Kang (2005), a conceptual framework for measuring return on marketing investment by Seggie *et al.* (2007), a revised marketing performance model by Connor and Tynan (1999) and the Unisys Marketing Dashboard for measuring marketing performance and value (Miller & Cioffi, 2004). These models operate various measurement standards and include different financial and non-financial metrics. Examples of the financial metrics they employ are turnover, contribution margin, sales, profit, marketing budget, return on investment, return on capital employed and inventory turnover (Ambler & Xiucun, 2003; Connor & Tynan, 1999; Eusebio *et al.*, 2006; Llonch *et al.*, 2002; Parasuraman, 1982; Phillips & Moutinho, 1998). The intangible metrics include loyalty, relative perceived quality, consumer satisfaction, number of complaints, awareness, brand equity, brand recognition, purchase intention, word-of-mouth and customer lifetime value (Ambler, 2000; Ambler & Xiucun, 2003; Barwise & Farley, 2004). Regardless of the dissimilar measurement standards and various meaning that these measurement approaches attribute to the construct of marketing performance, all of the listed approaches have a relatively solid theoretical origin and base, something that cannot be claimed by several practitioner-driven approaches to measuring Internet marketing performance.

### **1.1.2. Internet Marketing Performance**

The area of Internet marketing performance measurement is largely practitioner-led. Although a few notable academic works on the topic are identifiable, these works are still limited and diverse in their approach to performance measurement. Continuing the tradition of integrated marketing communications (Jensen & Jepsen, 2006), these earlier works propose an assessment of online marketing activities on a medium-by-medium and channel-by-channel basis and put forward a variety of ways to measure performance (Ewing, 2009). For example, they develop independent and dissimilar performance measurement frameworks for websites (Chaffey, 2000; Ryan & Jones, 2009; Sterne, 1999), online advertising (Kumar & Kohli, 2007; Novak & Hoffman, 1996) and banner advertising (Pharr, 2004; Shen, 2002) to name a few.

Besides the fact that different online media require distinct measurement approaches, one more reason for the differences in the measurement approaches in Internet marketing research is the differing academic conceptualisations of Internet marketing. Two streams of literature are identifiable in this context. One treats Internet marketing as an additional element within traditional integrated marketing communications (IMC) mix and refers to the Internet as e-communications (Duncan, 2002; Pickton & Broderick, 2004). The other views Internet marketing as an independent discipline, separate from the traditional IMC (Jensen & Jepsen, 2006; Katrandjiev, 2000; Kitchen, 1999; Kitchen & De Pelsmacker, 2004). Different interpretations of Internet marketing and its place within the marketing theory result in dissimilar approaches to the measurement of its performance. In the opinion of some scholars (e.g., Ewing, 2009; Jensen & Jepsen, 2006; Katrandjiev, 2000), the first stream of literature, which treats Internet marketing as an extension of the traditional marketing communications mix, is bound to face challenges, as new electronic channels are not the incremental improvements of traditional marketing and cannot, therefore, be measured in the same terms. Emergent Internet channels require new, either improved or totally different, measurement approaches, capable of accessing complex online marketing activities (Ewing, 2009). Improved approaches are necessary, because companies can simultaneously utilise numerous online marketing channels. For example, companies can market through a company's own website, advertise on partners' websites, employ search engine marketing (SEM) via portals like Google and Yahoo, and promote through online communities, social media, email, microsites and similar (Chaffey *et al.*, 2006). New measurement approaches for Internet marketing are also necessary, because the Internet does not only enable companies to use multiple media to access global markets and to interact with customers inexpensively and in real time, but also because the Internet equips online marketing managers with new tracking and measurement tools. The reliance on these tools by the organisations is unavoidable; therefore, an integration of these tracking solutions into theoretical frameworks is necessitated (Ewing, 2009; Rowley, 2004; Viswanathan, 2005).

Adopting a medium-by-medium approach to measurement and recognising the context-specific and differing nature of each online marketing channel (Connor & Tynan, 1999; Wyner, 2003), this research seeks to explore methods for the measurement of affiliate marketing in the particular context of tourism and hospitality.

### 1.1.3. Affiliate Marketing Performance

A review of the literature on affiliate marketing performance shows that few scholars have so far engaged in the topic (Brear & Barnes, 2008; Duffy, 2004; Fox & Wareham, 2007; Martin-Gill *et al.*, 2009), and that the majority of publications on affiliate marketing originate from practitioner literature (Brown, 2009; Damani *et al.*, 2006; Gardner, 2007; Harte, 2008; Kunitzky, 2011). While practitioners, with tourism and hospitality being the heaviest users, skilfully operate affiliate marketing online, theorists still struggle to agree upon the meaning of the concept. For example, many scholars broadly define affiliate marketing as an online tool, a type of Internet marketing, an online alliance and cross-linking (Ellsworth & Ellsworth, 1997; Fox & Wareham, 2007; Ibeh *et al.*, 2005; Janssen & Heck, 2007; Rajgopal *et al.*, 2003)

More specific definitions of affiliate marketing portray it as a distribution channel, whereby affiliates make merchants' offerings accessible to customers, a 'financially incentivised word-of-mouth', or a part of the online marketing mix (Fill, 2006a; Gallagher *et al.*, 2001; Hughes, 2007; Ibeh *et al.*, 2005; Oetting, 2006: 234). For the distribution of merchants' offerings, two transaction models are available: 1) the transaction can either take place directly on the affiliate's website (e.g., Expedia) without further necessity for customers to visit a merchant's website, or 2) the transaction can occur on the merchant's website (e.g., Hilton hotels), in which case affiliates are not responsible for sales but for generating and diverting potential customers, who are likely to enter a transaction, to the merchant's website.

Additionally, affiliate marketing is explained as an online tool for promotion or as a visibility builder. For example, the literature discusses whether online advertising and affiliate marketing are related to each other's constructs (Laudon & Traver, 2003; Rowley, 2004). Some academics place affiliate marketing under the umbrella of online advertising or even treat advertising and affiliate marketing as one construct, referring to it as affiliate advertising (Papatla & Bhatnagar, 2002; Rowley, 2004), whereas other theorists highlight the fundamental differences in advertising and affiliate marketing and view them as different constructs, in spite of the fact that similar methods, for example banner ads, may be used by both practices (Hardaker & Graham, 2001; Laudon & Traver, 2003).

The construct of affiliate marketing performance, not to mention affiliate marketing measurement in tourism and hospitality, has not been conceptualised and explored in-depth in previous literature (Duffy, 2004). The evolving affiliate marketing research has so far only mentioned the concept of performance in the context of benefits that affiliate marketing can bring and the enabling conditions that need to



be created for successful affiliate programme implementation. The extant research has listed the benefits of the practice, its enabling conditions, and metrics and commissions employed in affiliate marketing, but has not yet proposed any explicit and theoretically grounded approaches to affiliate marketing performance measurement (Fox & Wareham, 2007; Fill, 2006b; Oetting, 2006; Quinton & Khan, 2009; Wilson & Pettijohn, 2008).

## **1.2. Rationale for the Study**

The theoretical gaps together with the few managerial issues described in the previous sections have motivated the launch of the present study and make a broader field of Internet marketing and the particular practice of affiliate marketing an interesting research area. In summary, the rationale that underpins this research can be explained as follows:

### *1. Poor conceptualisation of performance measurement constructs*

Broadly, the area of generic and later Internet marketing performance measurement is interesting because there is still much room for improvement with regard to the conceptualisation of the key performance measurement constructs in marketing. Specifically, there are two major conceptual confusions that lead to the emergence of multiple performance measurement interpretations and approaches. These confusions are concerned with: 1) the interchangeable use of such constructs as marketing performance, marketing effectiveness and marketing efficiency (Anderson *et al.*, 1997; Morgan *et al.*, 2002); and 2) the multiple definitions of Internet and affiliate marketing and their vague relation to the broader marketing literature (Jensen & Jepsen, 2006; Pickton & Broderick, 2004).

### *2. A variety of performance measurement approaches*

The topic of Internet marketing performance measurement comprises an exciting area for investigation because it can address several critical and unresolved marketing measurement issues. For example, one of the most significant issues in measuring Internet marketing performance is concerned with the fact that marketing managers are faced with a variety of theoretical and practical performance measurement opportunities, but are not equipped with any recommendations as to how an appropriate measurement approach should be selected and implemented (Ambler & Xiucun, 2003; Eusebio *et al.*, 2006; Michopoulou & Buhalis, 2008).



### 3. *Fragmented research on Internet marketing performance measurement*

Internet marketing performance measurement is also worth exploring because the nature of research within the area is still fragmented. Several new approaches to measuring separate elements of Internet marketing, such as website effectiveness or online advertising effectiveness, are developed (Belanger *et al.*, 2006; Chaffey, 2000). These approaches, however, only concern selected online marketing activities (Barwise & Farley, 2004), leaving the measurement of the other marketing channels, such as affiliate marketing, unaddressed.

### 4. *Lack of affiliate marketing research*

Further, affiliate marketing constitutes a suitable channel for this research because it represents one of the most widely exploited (Mariussen *et al.*, 2010), yet most poorly researched marketing channels (Duffy, 2004; Martin-Gill *et al.*, 2009). The literature on this channel is still at the nascent stages; and the constructs of affiliate marketing, affiliate marketing performance and its measurement are yet to be fully defined and explained in depth.

### 5. *Gap between theory and practice*

Finally, the most significant motivation for the selection of Internet and in particular affiliate marketing performance measurement as the topic for this study is the fact that the gap between theoretical and practical measurement approaches in online marketing is large and increasing. With the advent of new technology-enabled monitoring solutions, practitioners rarely adopt theoretical frameworks for measurement, but continuously search and readily accept new IT-driven tracking possibilities (Borelli & Holden, 2007; Goldschmidt *et al.*, 2003; Seggie *et al.*, 2007). Consequently, marketers do not determine which metrics they wish to monitor, as this decision resides in the hands of technology developers. Theorists, in turn, have made only insignificant progress in this field (Gallaughier *et al.*, 2001). In developing frameworks for the measurement of Internet marketing performance, the majority of scholars, with a few exceptions (Constantinides, 2002; Murdough, 2010; Triebelmaier & Pinterits, 2010), primarily build upon the generic marketing literature which is argued to be inapplicable online (Cheong *et al.*, 2010; Chiang, 2003). In a quantitative fashion, these scholars add and test the different variables derived from the extant literature, and slowly further the understanding of Internet measurement practices (Michaelidou *et al.*, 2011; Shen, 2002). Such a slow pace of theory development inhibits the advancement of theoretical approaches to Internet marketing

measurement. As a result, scientifically developed measurement approaches fall behind the evolution of online marketing monitoring and become unable to compete with practitioner-generated online tracking services.

Although the acceptance of new tracking opportunities by practitioners is understandable, as the online environment is becoming more competitive and the pressure to prove marketing accountability increases (Hogan *et al.*, 2004); such unquestionable adoption of technology-driven monitoring is fraught with consequences. In the short-term, such adoption may indeed provide a more 'tangible' description of current performance (Ryan & Jones, 2009). In the long-term, however, such 'blind' acceptance of practitioner-led measurement may raise issues. On one hand, standardised IT-driven metrics may prompt unintended firm behaviour, as the firm may find itself striving to improve the 'tangible' IT-pushed indicators, which do not necessarily promote the marketing thinking within the organisation (Ewing, 2009). On the other hand, if employed alone, these IT-developed metrics, meant to capture quantifiable volumes (e.g., clicks, traffic, visits) and not 'soft' marketing-related outcomes (e.g., customer satisfaction, loyalty, brand awareness), may hinder the firm from optimising its Internet marketing initiatives (Constantinides, 2002): "Having a good tracking software doesn't mean a good affiliate programme as well" (Ivkovic & Milanov, 2010: 321). Besides, these continuously evolving Internet-enabled metrics may continue to increase the gap between the marketing performance measurement theory and the way performance measurement is conducted in practice.

### **1.3. Research Aim and Objectives**

As the extant practitioner approaches to measurement are progressively moving away from the theoretical measurement principles of traditional marketing theory, two main questions arise. The first question is whether online marketing practitioners need to reconsider their 'unthoughtful' adoption of largely IT-led approaches to measurement. The second question is whether they can benefit from incorporating principles from the scientifically developed marketing measurements. Several academic works discussing online tracking seem to unquestionably support advanced practitioner-driven measurement (Ryan & Jones, 2009; Wilson, 2004). This study sets out to assess the effectiveness of this measurement and seeks to explore a need for change in online marketing measurement practices. With the specific focus on affiliate marketing in tourism and hospitality, the study intends to evaluate the existing and, if necessary, to propose a new approach to performance measurement in affiliate marketing, and aims to make a theoretical contribution to

the under-researched affiliate marketing body of knowledge. More precisely, the study aims:

*To explore a potential shift in affiliate marketing measurement practices, and to develop a theory of affiliate marketing performance measurement in tourism and hospitality.*

To accomplish the aim of this exploratory research, the following objectives are identified:

1. To critically analyse literature on generic business performance measurement, and traditional marketing, Internet marketing and affiliate marketing performance measurement to clarify the constructs of affiliate marketing performance.
2. To develop a broad sensitising conceptual framework for the study of affiliate marketing performance, informed by a critical review of the literature.
3. To conduct primary research to explore the process of affiliate marketing performance measurement in the context of tourism and hospitality.
4. To explore a potential shift in affiliate marketing measurement practices in tourism and hospitality.
5. To develop a theory, based upon the collected data, for the measurement of affiliate marketing performance in tourism and hospitality.

The gap between the theoretical and practical understandings of Internet marketing performance measurement is considerable. At the same time, the theoretical accounts of performance measurement in affiliate marketing, not to mention its application and monitoring in tourism and hospitality, are limited, if not absent. Given that the previous literature is unable to supply sufficient reference frameworks for the investigation, this research relies on a grounded theory research strategy and intends to build its theory inductively from the empirical data (Corbin & Strauss, 2008). However, to develop some theoretical sensitivity to the subject of performance measurement, the study, nevertheless, starts with the critical analysis of the extant performance literature, presented in the following chapters (Charmaz, 2006; Walls *et al.*, 2010). The review of the literature is not intended to determine the directions for the research, but is meant to provide the researcher with the cues for formulating the initial questions for primary research (Corbin & Strauss, 2008; McGhee *et al.*, 2007).

Recognising the complexity of the affiliate marketing channel, where its users simultaneously engage in several affiliate marketing programmes, the study focuses on mapping the process of affiliate marketing performance measurement at the level of a single programme, because different programmes can be used for different purposes and can, therefore, require dissimilar measurement approaches.

As a result of the investigation, this research makes an original and dual contribution to theory and practice. The core theoretical contribution of the study is the development of a grounded theory of affiliate marketing performance measurement, which adds knowledge to the broader marketing theory, and in particular to distribution and promotion literature, as well as to the performance measurement literature. More specifically, the study explores an under-researched online marketing channel - affiliate marketing and enhances the nascent field of affiliate marketing channel in tourism and hospitality. The developed theory offers a “thick” description of the affiliate marketing business environment, puts forward definitions of such constructs as affiliate marketing and affiliate marketing performance measurement, proposes typologies of affiliate marketing stakeholders and offers a detailed explanation of a performance measurement process in tourism and hospitality affiliate marketing. From a practical point of view, the work proposes a change in existing affiliate marketing measurement practices and offers practical recommendations for the implementation of the alternative measurement process.

#### **1.4. Research Context**

Apart from the researcher’s personal interest and background in the tourism and hospitality research (Mariussen *et al.*, 2010), the context of tourism and hospitality in this study is chosen for three main reasons. Firstly, compared with other industries, the application of affiliate marketing in tourism and hospitality is particularly evident (Daniele *et al.*, 2009), but is nevertheless under-researched. Limited earlier research on this topic indicates that tourism and hospitality are among the heaviest users of affiliate marketing (Mariussen *et al.*, 2010). However, the employment of affiliate marketing in these industries is almost ignored in the literature. Given the industries’ long experience and extensive expertise in running affiliate programmes, studying performance measurement of affiliate marketing in the context of tourism and hospitality can be both interesting and insightful from the point of view of theoretical and practical knowledge. Experienced tourism and hospitality affiliate marketers are likely to demonstrate an in-depth knowledge of the measurement practices used in the affiliate channel, and as a result, the research is expected to

generate new performance measurement-related insights which can add value to both theory and practice.

Further, as previous research suggests (Mariussen *et al.*, 2010), performance measurement in tourism and hospitality demonstrates some issues. In particular, measurement practices in tourism and hospitality are largely determined by available technologies, namely by the capabilities of affiliate marketing tracking. This has two major implications. It makes measurement procedures vulnerable to changes in tracking and over-reliant on technologies; and it leaves no guarantee that what is being measured represents a holistic picture of the affiliate marketing impact achieved. In some instances, the indicators that the tracking software generates may even be of no interest to the company, as they may be outside the scope of the current affiliate marketing strategy. If the wrong indicators are measured, affiliate partners may seem to bring little measurable value, yet they may still be contributing in the form of, for example, improving the organisation's search engine rankings or brand image (Janssen & Heck, 2007).

Finally, studying the measurement of affiliate marketing performance in tourism and hospitality is attractive because of the dynamic nature of these industries and the increasingly complex online tourist behaviour (Buhalis & Licata, 2002; Lee *et al.*, 2007; Wee-Kheng & Tong-He, 2012). To give an example, online users searching for holidays may first find a preferred holiday package through an affiliate, and then return to buy it in four weeks' time, when most tracking systems will have finished following this individual's path. To further complicate tracking, online users may additionally choose to purchase via a different device, for example, a mobile phone with a different IP address, where tracking is nearly impossible.

Given the above justification, a study of affiliate marketing performance measurement in the context of tourism and hospitality can be valuable from both a theoretical and practical point of view. Practising tourism and hospitality affiliate marketers can provide this study with useful industry insights and experience, enriching a theoretical understanding of affiliate marketing, and can in turn benefit from the study's outcomes and recommendations for measurement improvement.

## **1.5. Research Structure**

In order to deliver the formulated research aim in a systematic way, the present thesis is organised into eight chapters.

Chapter 1 introduces the background for the study and discusses the rationale for the selected topic. It briefly reviews the gaps in the marketing performance measurement literature and practice that have contributed to the formation of the present study. Following the discussion of the rationale, the chapter presents the study's main aim and objectives, defines and justifies the boundaries of the research, and provides an overview of the thesis.

Chapter 2 presents a review of the affiliate marketing literature with a particular focus on its application in tourism and hospitality, and discusses the existing scholarly conversations related to its performance measurement. It reviews the definitions and mechanisms of affiliate marketing, indicates affiliate marketing place in the marketing theory, and summarises affiliate marketing objectives, stakeholders and commissions. Further, the chapter explains affiliate marketing benefits, costs, enabling conditions and metrics, currently employed in the industry. On the basis of the critical analysis of the literature, the chapter justifies the rationale for further research in the field and pinpoints additional streams of literature to be investigated.

Chapter 3 offers a further review of literature on such research strands as business, generic marketing and Internet marketing performance measurement. The first part of this chapter discusses business performance measurement. In this part, the study further clarifies and expands the construct of performance measurement, reviews its historical evolution and highlights its constituent elements (i.e. performance enabling conditions, objectives, criteria and metrics, and processes) which later become a part of the study's sensitising conceptual framework. In the second part of the chapter, the study narrows its focus down to marketing performance measurement, where it identifies additional marketing-specific enabling conditions, marketing objectives, performance criteria, metrics and measurement approaches. Finally, in the last part of this chapter, the research concentrates on Internet marketing performance measurement and further adds to the list of enabling conditions, objectives, metrics and measurement approaches. Based on the reviewed literature, the chapter formulates and presents a broad sensitising conceptual framework to inform the initial questions for primary data collection at later stages of the research.

Chapter 4 addresses the philosophical underpinnings of the study, the study's research approach, research strategy, sampling, data collection methods and analysis, ethical considerations and the criteria for quality evaluation of the study. A particular emphasis in this chapter is placed on the justification for the adoption of the pragmatist philosophical position and for the launch of grounded theory.

Chapter 5 presents the findings from the primary data collection and offers a comprehensive overview of the affiliate marketing business environment. It provides a detailed account of the affiliate marketing stakeholders and analyses their interrelationships.

Chapter 6 further presents the empirical findings and depicts an affiliate marketing performance measurement process. It divides this process into four phases – Research, Planning, Implementation and Evaluation, and explains in detail the steps that each phase consists of.

Chapter 7 discusses the findings in light of the literature reviewed. Based on the identified limitations in measurement, it explores and proposes a potential shift in affiliate marketing measurement practices, discusses the main drivers of change, and puts forward an alternative measurement approach incorporated in a grounded theory of affiliate marketing performance measurement in tourism and hospitality.

The final chapter, Chapter 8, draws the conclusions. It outlines the study's theoretical and methodological contributions, proposes recommendations to tourism and hospitality academic and practitioner communities and notes the limitations of the study.

The present research was undertaken in the time period 2009-2012 and was conducted from the UK. The UK-based research participants were interviewed in person or via telephone, while the respondents based outside the UK were contacted by means of the Internet or telephone. The work primarily focused on studying the opinions and experiences of the representatives from the tourism and hospitality industries. However, interviews and questionnaires with the non-tourism and hospitality affiliate agencies and affiliate networks were also conducted.



## **Chapter 2: Affiliate Marketing Performance**

### **2.0. Introduction**

This chapter addresses the first research objective of this study. It critically analyses the affiliate marketing literature, particularly focuses on its application in tourism and hospitality, and discusses the existing research related to its measurement (Appendix 2.1). As discussed in the introductory chapter, the existing theoretical frameworks for Internet marketing performance measurement are scarce, fragmented and largely technology-determined (Seggie *et al.*, 2007). While offering valuable recommendations for the measurement of some selected online marketing channels (Kumar & Kohli, 2007; Ryan & Jones, 2009), they leave the measurement of other channels unexplored (Brear & Barnes, 2008; Martin-Gill *et al.*, 2009). Besides, they adopt IT-driven measurements and, to a large extent, depart from the traditional marketing theory. In order to add to the Internet marketing literature and to assess the effectiveness of practitioner-led measurement approaches, this study focuses on under-researched tourism and hospitality affiliate marketing, evaluates existing approaches to its measurement, and develops a theory of affiliate marketing performance measurement in tourism and hospitality.

As a first step towards this exploration and theory development, this chapter aims to clarify the constructs of affiliate marketing performance. The first two sections of the chapter define affiliate marketing and explore its application in tourism and hospitality. The next section reviews the extant literature on affiliate marketing performance measurement; while the remaining section highlights the rationale for further research and identifies additional streams of literature to be investigated in order to shed more light on the performance measurement constructs.

### **2.1. Affiliate Marketing History**

Affiliate marketing is neither a new nor a web-based-only practice (Koepfler, 1993; Ryan & Jones, 2009). Whilst affiliate marketing became increasingly visible and more widely accepted only after the Internet was made available to the public (Daniele *et al.*, 2009; Mariussen *et al.*, 2010), offline affiliations existed prior to the Internet (Benham, 2000; Daniele *et al.*, 2009) and still continue to exist. In the pre-Internet times, the idea of affiliates was built around the concept of win-win partnerships, whereby companies referred customers to one another in return for a reward (Benham, 2000). Today, offline affiliate marketing can take several forms. For example, affiliates (individuals or firms) can be used for physical offline



distribution of promotional materials (e.g., flyers, business cards with trackable Quick Response codes) and can be rewarded for their work upfront or on the achievement of pre-agreed results (e.g., registration, visit to a website, sale). Additionally, organisations with no online presence can employ online affiliates, who in return for a commission will promote and distribute their offerings through the Internet, or will refer customers to merchants' physical outlets. With the advent of the Internet, an opportunity to apply affiliate marketing online and extend it to the mass market emerged (Brear & Barnes, 2008). Gradually, affiliate marketing evolved to become a widespread form of Internet marketing and an industry, based on the premise of cooperation between a business and its affiliates, where a commission was paid to affiliates each time they achieved predefined actions. The actions could range from an overall increase in the number of web site visitors to quality referrals of customers, who eventually conducted a purchase (Brear & Barnes, 2008; Daniele *et al.*, 2009; Mariussen *et al.*, 2010).

Some of the pioneers of online affiliate marketing were PC Flowers and Gifts.com (1994), CDNow (1994), Cyberotica (1994), Autoweb.com (1995), kbKids.com/Brainplay.com (1996) and Amazon (1996) (Brear & Barnes, 2008; Hoffman & Novak, 2000). The idea to affiliate was typically triggered by companies' needs to help each other to further develop online business by building on each other's strengths. To illustrate, in 1994 CDNow, a music website with a strong commerce platform, started its first informal affiliate programme with Gefen Records, a website promoting artists and their recordings. The partnership was formed following Gefen's request to CDNow to perform a sales function on their behalf, as Gefen had no intention to develop its own fulfilment operation (Hoffman & Novak, 2000). Prompted by this request, CDNow launched its BuyWeb affiliate programme and invited major and minor music-oriented websites, which reviewed and recommended music to the wider online audience, to place links to the CDNow website, which further enabled online visitors to purchase recommended albums (Hoffman & Novak, 2000). A similar and more well known example of how affiliate marketing could be initiated is Amazon, an online sales company, which is believed to have started its first affiliate programme after a cookery website suggested Amazon to refer potential customers to Amazon.com via its own website in return for a commission (Fiore & Collins, 2001; Goldschmidt *et al.*, 2003; Haig, 2001; Helmstetter & Metivier, 2000). Although the debates about the earliest adopter of the affiliate marketing practice are on-going, the role that Amazon played in the evolutionary development of affiliate marketing is critical. Not only did Amazon popularise the concept of revenue-sharing commission and partnership- and commission-based marketing, but also it introduced the idea to the mass market

(Hoffman & Novak, 2000) and gradually facilitated the acceptance of affiliate marketing concept by the academia (Goldschmidt *et al.*, 2003; Haig, 2001; Helmstetter & Metivier, 2000). Today, Amazon affiliate programmes are considered to be some of the best affiliate marketing examples, as Amazon successfully invites thousands of affiliates to promote and sell Amazon's offerings, equips affiliates with linking tools (e.g., texts, images, banners, shopping carts) which can be integrated on affiliates' websites, and pays affiliates up to 10% of every purchase they generate (Amazon, 2013). Another example of successful affiliate marketing is affiliate programmes offered by eBay, a large online retailer. Similar to Amazon affiliate network, eBay Partner Network encourages affiliates to drive traffic to eBay website and rewards its affiliates for both referrals and sales (eBay, 2013).

At present, affiliate marketing is one of the fastest growing industries, projected to face further growth (Duffy, 2005; Fox & Wareham, 2007; Gallagher *et al.*, 2001). Although exact affiliate marketing estimates are difficult to find due to the lack of clarity in the affiliate marketing definition and increasing numbers of intermediaries involved (Forrester Research, 2009; Fox & Wareham, 2007; Jupiter Research Corporation, 2008), existing statistics suggest that in 2004 the value of affiliate marketing on a global scale was estimated to \$661 million. In 2009 this figure increased to 1.1 billion; while in 2014 this estimate is projected to reach \$1.7 billion (Parker, 2009).

## **2.2. Defining Affiliate Marketing**

While the amount of practitioner literature on affiliate marketing is large (e.g., Borelli & Holden, 2007; Chia, 2008; Ostrofsky, 2011), empirical studies on the subject are fragmented, very few in number and are somewhat outdated (Fox & Wareham, 2007; Martin-Gill *et al.*, 2009). The majority of previous research in the field focuses on how to choose (Papatla & Bhatnagar, 2002), attract and retain appropriate affiliates (Martin-Gill *et al.*, 2009). Whereas such areas, as the place of affiliate marketing in the marketing theory, affiliate marketing monitoring and application in various industries and sectors, such as tourism and hospitality, are yet to be investigated (Daniele *et al.*, 2009; Fox & Wareham, 2007; Mariussen *et al.*, 2010). So far, existing empirical evidence proves affiliate marketing to be an ill-defined concept (Fox & Wareham, 2007). For example, while in some studies the explanations of affiliate marketing vary, in other instances the constructs of merchants and affiliates are still confused (Hughes, 2007). The following three sections explain the workings of affiliate marketing, summarise its generic definitions and indicate the place of affiliate marketing in the marketing theory.

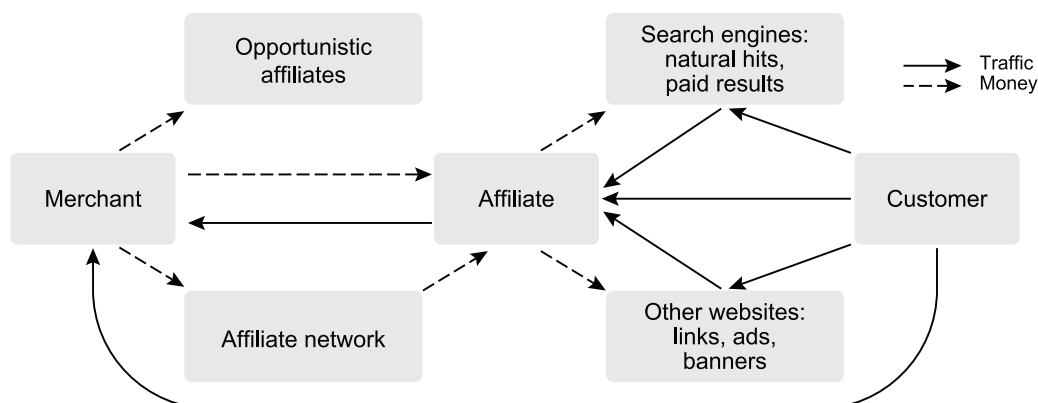
### 2.2.1. Affiliate Marketing Practice

Affiliate marketing is broadly defined in literature as an online partnership (Chaffey *et al.*, 2006), an online referral programme (Oetting, 2006) or an online act (Brear & Barnes, 2008), in which two independent parties (merchants and affiliates) form a mutual agreement, whereby affiliates are financially incentivised to refer customers to the merchant (Bandyopadhyay *et al.*, 2009), to communicate a merchant's message (Goldschmidt *et al.*, 2003) and to promote merchant's goods through additional distribution outlets (Brear & Barnes, 2008; Duffy, 2005). For example, the airline company EasyJet is in an online partnership with the insurance company Allianz Global Assistance. In this partnership EasyJet distributes and promotes Allianz' products under the Allianz' brand on its website in return for a financial compensation for each purchased insurance." (EasyJet, 2013).

The workings of affiliate partnerships are examined by several scholars (Brear & Barnes, 2008; Daniele *et al.*, 2009; Gallaughier *et al.*, 2001; Libai *et al.*, 2003; Fox & Wareham, 2007; Vafopoulos, 2011). These scholars explain that customers, searching the web for a given product or service, can take several routes to eventually arrive at a merchant's website, which sells what they seek to buy (Figure 2.1). For example, if online users know exactly what merchant brand they are looking for, they can go directly to the merchant's website. Alternatively, if these customers do not look for a particular brand, they can turn to search engines. Based on the customers' inquiry, search engines provide these customers with some matching natural hits (or websites that due to their popularity and usefulness rank high among search engine results) and paid results or sponsored links (or websites that have paid search engines to appear high in the listings). The merchant's website may or may not be among those results, as its appearance on search engines depends on the merchant's website search engines optimisation and paid search activity. Affiliates, however, many of which treat search engine marketing as the core of their business, are likely to be listed among the first results on search engines, and are likely to convey the exact keywords that customers search for. The websites of those affiliates feature a link to the merchant. The links can take a form of banner ads, plain hypertext links, html texts, email or coupons, to mention a few (Fox & Wareham, 2007). When online visitors click on the link, it redirects them to the merchant's website. If these visitors then conduct an action, specified in the affiliate-merchant agreement, for example buy, register or sign up for email newsletters (Bandyopadhyay *et al.*, 2009; Benedictova & Nevosad, 2008; Daniele *et al.*, 2009; Duffy, 2005), affiliates receive their financial compensation (Figure 2.1).

Affiliates can either divert all their traffic to the merchant, in which case the purchase takes place on the merchant's website, or can sell and distribute directly on their own websites by integrating search boxes, which make merchant's products available for purchase through affiliates.

**Figure 2.1. Affiliate Marketing Model**



Adapted from: Benedictova and Nevasad, 2008; Brear and Barnes, 2008; Brettel and Spilker-Attig, 2010; Duffy, 2004; Fox and Wareham, 2007; Libai et al., 2003.

There are several types of predefined actions that merchants can ask their affiliates to complete. These actions can range from a simple click to a subscription or a purchase. Depending on the sought action type, the commission models in affiliate marketing can vary from pay-per-click to pay-per-lead, pay-per-sale or simply pay-per-action agreements (Bandyopadhyay *et al.*, 2009).

### 2.2.2. Generic Definitions of Affiliate Marketing

Critical review and analysis of affiliate marketing literature shows that definitions of affiliate marketing range from some very generic to more marketing specific. One of the most common generic definitions depicts affiliate marketing as an online partnership, “which involves partners being paid commission for each sale or lead” (Quinton & Khan, 2009: 111). Affiliate marketing is also described as a “working relationship” (Internet Advertising Bureau, 2010a; Koepfler, 1993) or an agreement (Del Franco & Miller, 2003; Goldschmidt *et al.*, 2003), “where one firm (the marketer) compensates another firm (the affiliate) for generating transactions from its users” (Goldschmidt *et al.*, 2003: 43). Additionally, Hardaker and Graham (2001) and Vafopoulos (2011) treat affiliate marketing as an internet-based business model, which “provides purchasing opportunities wherever people may be surfing by offering financial incentives (in the form of the percentage of revenue) to affiliate partner sites” (Hardaker & Graham, 2001: 26). Creating networks of affiliate organisations (Libai *et al.*, 2003), affiliate marketing is also understood as an online

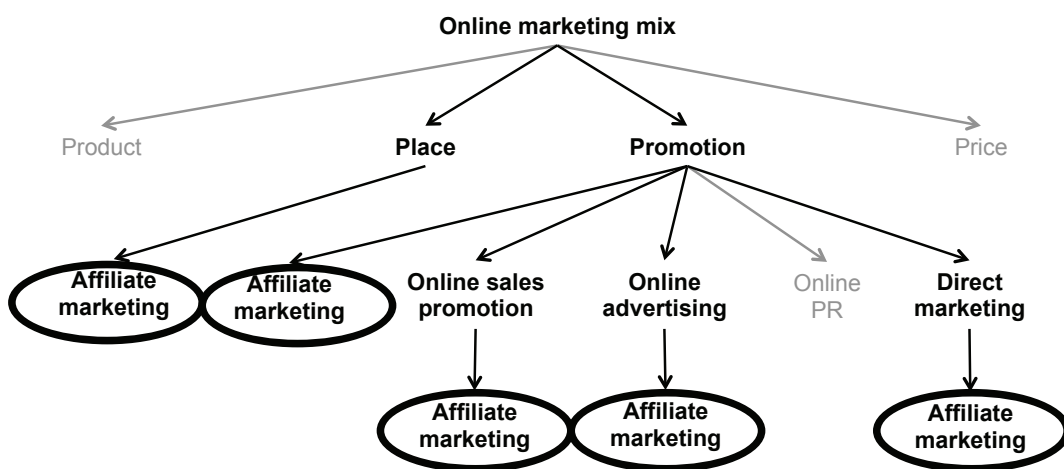
alliance, which “encourages participants to provide links to their website, by offering a percentage of any sales generated through affiliate traffic” (Ibeh *et al.*, 2005: 365). Finally, some generic definitions portray affiliate marketing as a “financially incentivised word-of-mouth technique” (Oetting, 2006: 234) and as “an important source of customer acquisition” (Libai *et al.*, 2003: 303).

While affiliate marketing can be explained as partnership marketing as it requires a partnership between a merchant and an affiliate; it should also be differentiated from one, because it does not involve *any* type of collaboration for marketing purposes (Gibbs & Humphries, 2009). Affiliate marketing relies on a well-defined business model, where each stakeholder carries specific responsibilities and performs specific tasks. Merchants make their products or services available for promotion and/or distribution by affiliates and pay affiliates based on completed pre-agreed actions. Affiliates promote and/or distribute merchants’ offers or generate traffic to the merchants’ websites, while affiliate networks (in indirect affiliate partnerships) provide the tracking technology and facilitate the relationship between merchants and affiliates (Ibeh *et al.*, 2005; Ivkovic & Milanov, 2010; Jensen, 2006).

### 2.2.3. Affiliate Marketing Place in the Marketing Theory

When it comes to a more marketing specific understanding of affiliate marketing, many definitions in this category originate from the Internet marketing literature. In this literature, affiliate marketing is presented either as an online distribution channel (Gallaughier *et al.*, 2001; Ibeh *et al.*, 2005) or as a way of promoting online (Constantinides, 2002; Ivkovic & Milanov, 2010; Jensen, 2006) (Figure 2.2).

**Figure 2.2. Affiliate Marketing Place in the Online Marketing Mix**



Sources: Gallaughier *et al.*, 2001; Ibeh *et al.*, 2005; Katrandjiev, 2000; Kitchen, 1999.

Affiliate marketing is a distribution channel because it involves practices or activities typical of distribution, where affiliates move a product from the merchant to the end-user and make it available for consumption on their websites; and where affiliate agencies or merchants manage the issues of ownership, control and flows of communication between the parties (Fill, 2006a; Gallagher *et al.*, 2001). The most common way of distributing in affiliate marketing is through integrated booking engines or search boxes, which allow affiliates to distribute merchant's products on their websites without further referral of customers to the merchant's website (e.g., Expedia.co.uk, 2012).

Besides, affiliate marketing may be explained as "an aspect of online marketing communication and ecommerce" (Fill, 2006b: 153; Jensen, 2006). More specifically, affiliate marketing is assigned the characteristics of online promotion or sales promotion, whereby "promoting someone else's goods or services to earn commission" takes place (Brear & Barnes, 2008; Constantinides, 2002; Hoffman & Novak, 1996). An example of affiliate marketing bearing the function of sales promotion may be online coupons or discounts, which following customers' click transfer them to the merchant, who pays affiliates on the basis of provided traffic or other pre-defined actions.

More often, affiliate marketing is pronounced as affiliate advertising and is located under the umbrella of online advertising as one of its types or as an advertising model (Benedictova & Nevosad, 2008; Green 2000; Papatla & Bhatnagar, 2002). The reason behind this is the similar functions that paid-for non-personal affiliate marketing and online advertising encounter, namely presenting products, services and ideas by an identified sponsor, moving potential customers closer to the point of consumption and increasing store traffic (Adcock *et al.*, 2001; Anderson & Dobson, 1994; Baker, 2006; Blythe, 2008; Evans & Berman, 2007; Green, 2000).

Finally, when using email as a major technique, affiliate marketing may be regarded as a type of direct marketing online, which establishes direct contact with the customer (Fox & Wareham, 2007).

#### **2.2.4. Affiliate Marketing Objectives**

Affiliate marketing can be employed for various purposes; therefore, affiliate marketing objectives can be varied. They range from very generic objectives to very specific predefined actions. For example, some merchants set somewhat generic objectives and aim to generate more revenue by means of sales increase, or seek to enhance brand exposure and recognition in general (Brettel & Spilker-Attig, 2010).

In other instances, merchants set more narrow affiliate marketing objectives, and hope to reach a certain number of software downloads or a certain number of particular product requests and customer registrations (Goldschmidt *et al.*, 2003).

Summarily, affiliate marketing objectives can be divided into three main groups (Table 2.1): exposure-based, interactivity-based and outcome-based objectives (Bandyopadhyay *et al.*, 2009; Goldschmidt *et al.*, 2003; Novak & Hoffman, 1996; Shen, 2002).

**Table 2.1. Affiliate Marketing Objectives**

Group of objectives	Examples of objectives
Exposure-based	<ul style="list-style-type: none"> <li>• Exposure</li> <li>• Brand awareness</li> <li>• Brand recognition</li> <li>• Brand attitude</li> </ul>
Interactivity-based	<ul style="list-style-type: none"> <li>• Engagement</li> <li>• Interaction</li> </ul>
Outcome-based	<ul style="list-style-type: none"> <li>• Exchange</li> <li>• Sales</li> <li>• Revenue</li> </ul>

Sources: Bandyopadhyay *et al.*, 2009; Goldschmidt *et al.*, 2003; Novak and Hoffman, 1996; Shen, 2002.

Exposure-based objectives aim to increase exposure and visibility of a merchant's brand and offerings, to improve the merchant's brand awareness, and brand recognition and attitude. Interactivity-based objectives focus on encouraging customer engagement and interactivity with the merchant, while outcome-based objectives seek to facilitate exchange and transactions between a merchant and his/her customers in order to increase sales and revenue (Bandyopadhyay *et al.*, 2009; Goldschmidt *et al.*, 2003; Novak & Hoffman, 1996; Shen, 2002).

### **2.2.5. Affiliate Marketing Stakeholders**

The review of literature identifies four major stakeholders involved in the affiliate process chain: customers, merchants, affiliates and affiliate networks (Figure 2.1). Customers represent end-users, looking to purchase products or services online (Brear & Barnes, 2008).

Merchants (also advertisers or marketers) consist of primary product producers or service providers that seek to reach their existing and potential target audiences online, and to promote and sell their offerings through affiliates' websites (Goldschmidt *et al.*, 2003; Ivkovic & Milanov, 2010). In tourism and hospitality, any organisation can be a merchant. For example, British Airways engage in affiliate marketing and attempt to reach their customers by inviting media or site owners to "display British Airways affiliate advertisements that link directly to [ba.com](http://ba.com)" (British



Airways, 2012). Similarly, Avis, an international car rental company, encourages its affiliates to “promote globally recognized Avis on affiliates’ own e-commerce Web sites” (Avis, 2012).

Affiliates (also content providers or publishers) are firms or private individuals with a website, who form an agreement with a merchant and in return for a commission send dedicated traffic to the merchants’ websites or perform other pre-agreed actions, leading to conversion (Duffy, 2004; Goldschmidt *et al.*, 2003; Marketing Sherpa, 2008; Ivcovic & Milanov, 2010). The examples of tourism and hospitality affiliates are a hotel price comparison site Trivago.co.uk (2012); a travel infomediary Dealchecker.co.uk (2012) that provides discount-related information but does not sell any products/services; and a large price comparison and travel deals website Kelkoo Travel (2012).

Affiliate marketing networks, or affiliate marketing providers or brokers, are intermediary companies that maintain affiliate programmes and carry the responsibility for the organisation and facilitation of exchanges between merchants and affiliates by providing enabling tracking, invoicing and commission-payment technologies (Duffy, 2004; Goldschmidt *et al.*, 2003). Some examples of affiliate marketing networks in the UK are TradeDoubler, Affiliate Window and Commission Junction (Quinton & Khan, 2009). TradeDoubler (2012) provides tracking and targeting technology that “enables merchants to run performance campaigns across merchant’s own private networks whilst integrating these seamlessly with the extended reach of the TradeDoubler affiliate network”. Affiliate Window offers tracking solutions, technical support, partial and full programme management and “data-driven” strategy advice (2012), whilst Commission Junction (2012) provides merchants and affiliates with “the access, infrastructure and expertise they need to engage consumers with compelling and relevant performance-based offers”.

### **2.2.6. Affiliate Typologies**

For an individual or a firm to become an affiliate, there should be formed an agreement between that individual or firm and a primary service provider – a merchant – with the specification of the objectives that the merchant seeks to achieve, the detailing of the commission on the basis of which the affiliate will be paid and the agreement on the content and type of promotional materials to be used by the affiliate (Marketing Sherpa, 2008; Ivcovic & Milanov, 2010).

The review of affiliate marketing literature does not identify any one universal affiliate typology. Instead, various categorisations are put forward (Duffy, 2005;



Goldschmidt *et al.*, 2003; Internet Advertising Bureau, 2010a; Ryan & Jones, 2009). Those categorisations of affiliates are established on different bases (Table 2.2).

For example, Goldschmidt *et al.* (2003) differentiate between affiliates based on their traffic capacity and commercialism. In their affiliates' typology, they propose four types of affiliates: hobby websites with relatively low traffic; vertical websites with medium traffic, specialising on a certain topic and focused audience; super affiliates or unfocused mass media websites with large amounts of traffic; and affiliate marketing networks, responsible for affiliate management and technical support (Goldschmidt *et al.*, 2003).

Other scholars, for example Duffy (2005), employ size and utilised tactics in the classification of affiliates and suggest that the differentiation should be made between first-tier or large affiliates, second-tier or small affiliates and affiliate networks. First-tier affiliates are comprised of large-scale affiliates with established brand names and wide customer bases, both of which are utilised to generate traffic to merchants. These affiliates remain popular among consumers for their ability to add value to their purchases. Smaller entrepreneurial affiliates fall under the second-tier category. These companies rely on paid and natural search engine optimisation in conjunction with creative content to attract consumers, who may thereafter be sent to merchants. Largest in size are affiliate networks, known in literature as affiliate marketing brokers. Their role is to manage affiliate-merchant relationships by providing tracking technology and support in commission calculation (Duffy, 2005).

A similar typology, based on size, is put forward by Ryan and Jones (2009). According to these scholars, affiliates may be classified into basic affiliates, super affiliates and affiliate networks. While the explanation of affiliate networks is similar to that by Duffy (2005), basic affiliates are defined as individuals or small/large companies, who by means of their web expertise, aggregate web traffic and divert it further to merchants to earn a commission. Super affiliates differ from basic affiliates in that they operate on a larger scale (Ryan & Jones, 2009).

A more recent, detailed and practitioner-oriented categorisation of affiliates is presented by the Internet Advertising Bureau (2010a), which proposes six types of affiliates: niche content and personal interest websites; loyalty and reward websites; pay-per-click (PPC) and search affiliates; email marketers; co-registration affiliates; and affiliate networks. Niche and personal interest websites represent affiliates, who tailor website content to niche target audiences and provide very targeted quality traffic.

**Table 2.2. Affiliate Typology**

<b>Classification parameters</b>	<b>Affiliate types</b>	<b>Explanation</b>	<b>Examples</b>
Traffic capacity and commercialism	1. hobby websites	Websites with low traffic	Attitudetravel.com
	2. vertical websites	Websites with low traffic specialising on a certain topic and focused audience	Mydeco.com
	3. super affiliates	Mass websites with large amounts of traffic	Shopping.com
	4. affiliate network	Companies responsible for affiliate management and technical support	TradeDoublor
Size and tactics	1. first-tier	Large-scale affiliates with established brand names and wide customer bases	uPromise, My Points, iGive, NetFlip, eBates
	2. second-tier	Smaller entrepreneurial affiliates	Alex's coupons
	3. affiliate networks	Companies responsible for affiliate management and technical support	LinkShare, Commission Junction, Performics
Size	1. basic affiliates	Individuals or small/large companies, who by means of their web expertise, aggregate web traffic and divert it further to merchants	The longest way home travel blog
	2. super affiliates	Affiliates that operate on a large scale	Moneysupermarket.com, pricerunner.com
	3. affiliate networks	Companies responsible for affiliate management and technical support	TradeDoublor, Commission Junction
Methods	1. niche content and personal interest websites	Affiliates, who tailor website content to niche target audiences and provide very targeted quality traffic	PurseBlog
	2. loyalty and reward websites	Affiliates, who build a loyal customer base by sharing profits with them through direct cash-backs, discounts or prizes	VoucherCodes.com
	3. pay-per-click (PPC) and search affiliates	Affiliates that acquire their traffic by mean of keyword bidding on search engines	Bookatable.com
	4. email marketers	Affiliates that specialise in creating targeted email campaigns on behalf of merchants	Groupon
	5. co-registration affiliates	Affiliates, which offer customers to register for offers from third-party merchants via their websites and with the permission of the customer send registration and user details to merchants	World Travel Market wtmlondon.com
	6. affiliate networks	Companies responsible for affiliate management and technical support	LinkShare, ClickBank, Affiliate Window

Sources: Duffy, 2005; Goldschmidt et al., 2003;  
Internet Advertising Bureau, 2010b; Ryan and Jones, 2009.

Loyalty and reward websites include affiliates, who build a loyal customer base by sharing profits with them through direct cash-backs, discounts or prizes. PPC and search affiliates rely on keyword bidding on search engines, by means of which they optimise their position on search engines and refer large amounts of traffic to merchants. Email affiliates with comprehensive customer lists at their disposal specialise in creating targeted email campaigns on behalf of merchants. Co-registration affiliates are companies which offer customers to register for offers from third-party merchants via their websites and with the permission of the customer

send registration and user details to merchants (Internet Advertising Bureau, 2010b). The definition of affiliate networks is in line with those by Goldschmidt et al. (2003), Duffy (2005) and Ryan and Jones (2009).

To summarise, affiliates are divided in literature into various affiliate types, depending on their size (small-scale, large-scale, affiliate networks), tactics (customer database management, SEO), traffic capacity (small, medium, large), focus or commercialism (focused, unfocused) and methods employed to reach affiliates' objectives (niche marketing, loyalty schemes, PPC, email, registrations) (Duffy, 2005; Goldschmidt *et al.*, 2003; Internet Advertising Bureau, 2010b; Ryan & Jones, 2009).

### **2.2.7. Affiliate Marketing Relationship Types**

With regard to the types of affiliate-merchant relationships, two forms of affiliate marketing are known: in-house and outsourced or brokered (Fox & Wareham, 2007; Ivkovic & Milano, 2010; Libai *et al.*, 2003).

In-house (also called one-to-one) affiliate marketing programmes are the simplest form of affiliate marketing. These programmes imply that affiliates sign a contract directly with a merchant, who bears all the administrative and technical responsibility in their relationships. As Libai et al. (2003) state, in one-to-one affiliate marketing, the contract terms are negotiable and may vary from one affiliate to another, leaving the merchant in control (Benedictova & Nevosad, 2008; Libai *et al.*, 2003). Although many firms, with Amazon being the largest, have found one-to-one affiliate arrangement advantageous, the amount of time required for administration, support, segmentation, payments and technology can complicate the management of such programmes in-house and solely by the firm's marketers (Fox & Wareham, 2007; Libai *et al.*, 2003).

Alternatively, firms may either offer affiliates to engage in one-to-many affiliate programmes, where terms are the same and non-negotiable for all affiliates; or they may outsource affiliate marketing to affiliate marketing networks or brokers, who will perform all the administrative arrangements and work on behalf of merchants for commission (Goldschmidt *et al.*, 2003).

### **2.2.8. Affiliate Marketing Commissions**

There are several common commission types in affiliate marketing. In one of the earliest payment models, a flat-rate fee model, affiliates receive a fixed fee regardless of the number of sales or visitors they send to the merchant's website

(Barrett, 1997). In pay-per-click (PPC), or click-through models, merchants pay affiliates each time they generate a click on the ad by online users (Bandyopadhyay *et al.*, 2009; Barrett, 1997; Goldschmidt *et al.*, 2003; Helmstetter & Metivier, 2000). In cost-per-thousand impressions structures (CPM), also called cost-per-exposure or cost-per-view, merchants incentivise affiliates for every 1000 times (impressions) online users view advertising (Barrett, 1997; Benedictova & Nevosad, 2008; Goldschmidt *et al.*, 2003; Strauss *et al.*, 2006). In pay-per-lead (PPL), or new customer referral models, a reward to affiliates is based on sign-ups or new customers acquired (Goldschmidt *et al.*, 2003, Strauss *et al.*, 1998). Where outcome-based models are adopted, commissions are dispatched to affiliates, when a specified action, usually a sale, is achieved. In literature, these models are referred to as pay-per-sale (PPS) (Goldschmidt *et al.*, 2003), pay-per-action (PPA) (Del Franco & Miller, 2003), pay-per-performance (PPP) (Mariussen *et al.*, 2010) or cost-per-activity (CPA) (Bandyopadhyay *et al.*, 2009). In a time-per-period compensation model, merchants reward affiliates on a time basis (Benedictova & Nevosad, 2008). Rewards can also be organised on a percentage-of-sales basis where a percentage of revenue generated from each transaction is offered to affiliates, responsible for the transaction (Bandyopadhyay *et al.*, 2009). Finally, merchants can reimburse affiliates for each customer sign-up for merchant's periodic emails or newsletters (Bandyopadhyay *et al.*, 2009).

**Table 2.3. Affiliate Marketing Commission Models**

Payment categories	Commission models
Exposure-based models	<ul style="list-style-type: none"> <li>• Cost-per-thousand impressions (CPM)/cost-per-exposure/cost-per-view</li> <li>• Pay-per-email</li> </ul>
Interactivity-based models	<ul style="list-style-type: none"> <li>• Pay-per-click (PPC)/click-through</li> </ul>
Outcome-based models	<ul style="list-style-type: none"> <li>• Pay-per-lead (PPL)</li> <li>• Pay-per-sale (PPS)/pay-per-action (PPA)/pay-per-performance (PPP)/cost-per-activity (CPA)</li> <li>• Time-per-period</li> <li>• Percentage-of-sales</li> <li>• Flat referral fee</li> </ul>

Adapted from: Bandyopadhyay *et al.* (2009); Benedictova and Nevosad, 2008; Del Franco and Miller, 2003; Goldschmidt *et al.*, 2003; Helmstetter and Metivier, 2000; Strauss *et al.*, 2006.

Bandyopadhyay *et al.* (2009) and Hoffman and Novak (1996) suggest that affiliate payments may be grouped into three main categories: 1) exposure-based models, where compensation is provided based upon customer exposure to merchant's products/services; 2) interactivity-based models, which imply payment for facilitating customer engagement; and 3) outcome-based models, where affiliates are paid a fixed fee or a percentage of sales (Table 2.3).

### 2.3. Affiliate Marketing in Tourism and Hospitality

As previously stated, the gap between the theoretical understanding of affiliate marketing and its practical application is considerable. While affiliate marketing, as an independent academic concept, is yet to be clearly defined and established in theory (Fox & Wareham, 2007), it is extensively applied in practice (Brown, 2009; Chia, 2008; Fox, 2009). Its wide use and practical advantages are particularly evident in the tourism and hospitality industries, which are its second biggest users after the financial sector (Daniele *et al.*, 2009). The amount of academic publications, specifically dedicated to affiliate marketing in tourism and hospitality, in the meanwhile, may be counted by a handful (Daniele *et al.*, 2009; Mariussen *et al.*, 2010).

The explanation of this lack of specific tourism and hospitality affiliate marketing research may lie in the fact that affiliate marketing has been viewed and referred to differently by different disciplines. While marketing studies used the concept's current name from the outset (Duffy, 2005; Martin-Gill *et al.*, 2009), tourism and hospitality studies referred to the same idea as collaborative distribution or cooperative marketing (Buhalis & Law, 2008; Jefferson & Lickorish, 1988). Following this logic and the discussion from the previous section, which defines affiliate marketing as a strategic partnership and an Internet-enabled distribution channel (Quinton & Khan, 2009; Ibeh *et al.*, 2005), it may be argued that the traces of the affiliate marketing topic may be found in some of the existing streams of the tourism and hospitality literature, namely in those on tourism networks (Morrison *et al.*, 2004), distribution and Information and Communication technologies (ICT) (Axinte, 2009; Buhalis & Licata, 2002; Buhalis & Law, 2008). Although all the three research streams are distinct, they seem to share one common idea: they suggest that, to effectively distribute products or services in tourism and hospitality, organisations can form online networks or strategic alliances with each other and can employ ICT (e.g., in the form of affiliate marketing). Strategic alliances, in this context, are defined as "purposive arrangements between two or more independent organisations" in order to achieve mutually beneficial strategic objectives (Pansiri, 2009: 144).

During the last decade, online strategic networks, distribution and ICT in tourism and hospitality have received considerable academic attention (Buhalis & Law, 2008), which resulted in a substantial number of scholarly publications on the topic (Leung & Law, 2007). In the rest of this section, some of the most prominent studies

on tourism and hospitality affiliations are critically analysed and presented from a chronological viewpoint.

The concept of affiliations for the purpose of collaborative distribution is not new in tourism and hospitality. Preliminary literature review indicates that the first travel and tourism business-to-business partnerships, also known in the literature as cooperative marketing, predate the Internet (Jefferson & Lickorish, 1988). Ever since 1841 when Thomas Cook, presently one of the largest travel groups in the UK, successfully packaged his first tour, the idea of affiliations became popularised (Crotts *et al.*, 2000). Various scholars argued in favour of offline affiliations. For example, Laws (1991:40) highlighted their ability to “overcome the gaps of distance and knowledge”, which were the common obstacles in the recruitment of potential customers, who could by definition come from overseas or remote national markets. Leiper (1995) and other scholars (Gunn, 2002; Laws, 1991) provided another strong rationale in support of tourism affiliations and built on the view that hotels, attractions and other touristic activities were only the elements of a larger tourism system. These scholars postulated that to satisfy the demands of tourists, entering this system, tourism and hospitality suppliers should “trade with each other to provide a complete travel service for their clients to purchase” (Laws, 1991: 41). Several researchers consistently argued that affiliate relationships between tourism service providers in the pre-Internet era normally evolved around two major areas: distribution and marketing communications (Buhalis, 2001). In the distribution system of the 1980s, as textbooks suggest (e.g., Laws, 1991), the collaboration was possible between three key stakeholders: principals or primary services providers (e.g., hotels, car hire rentals, airlines and attractions), end-users or tourists, and travel intermediaries (e.g., tour operators, travel retailers/agents and media companies, responsible for paid advertising of travel and tourist products). In this system, tour operators cooperated with principals to bundle their services into packaged holidays; travel agents engaged in the information exchange and reservations on behalf of principals (Lewis & Talalaevsky, 1998); whereas principals provided their specialised services (Buhalis, 2001). To communicate touristic marketing messages to potential target audiences, principles in the pre-Internet times were equipped with two options: they could advertise directly through public media, for example TV, radio or magazines; or they could promote their offerings to tour operators and travel agents through a variety of initiatives, including PR campaigns, educational visits and trade seminars (Laws, 1991; Roberts, 1993).

Consistent evidence from the pre-Internet literature suggests that the idea of cooperative affiliate marketing in tourism and hospitality has a long tradition, dating

back over 100 years. Provided that the purpose of offline affiliate marketing (e.g., increasing sales through additional distribution outlets) and the incentives (e.g., rewards for the sales achieved by tour operators or travel agents) resemble those of contemporary online affiliate marketing, it may, therefore, be argued that affiliate marketing was not only practiced before the Internet, but was also covered in the tourism and hospitality literature, although its explanations were generic and the construct of affiliate marketing was not explicitly mentioned.

As technological developments, especially those in the area of computer technologies accelerated, offline partnerships evolved. Initially, Computer Reservation Systems (CRS), also referred to in the literature as the first application of IT in tourism, developed. They emerged in 1960s to replace slow and inflexible manual reservation systems. Initiated by airlines, CRS stored and retrieved global airline inventories, so as to surpass expensive travel agent services and reach customers at a more reasonable cost. Initially driven by cost reductions, airlines did not only increase global B-to-B connectivity and improved distribution by means of available ICT, but also facilitated extensive formation of many strategic alliances and cooperative partnerships (Kozak, 2006; Middleton & Clarke, 2001; O'Connor, 2004).

In the 1970s, CRS turned into Global Distribution Systems (GDS). Large scale online CRS aimed to connect principals with intermediaries for search, reservation and confirmation purposes. To further reduce GDS's operating costs, hotels and similar complimentary sectors were also invited to join in (Bowie & Buttle, 2004; Buhalis & Licata, 2002). This evolutionary improvement had two significant impacts for tourism and hospitality affiliations. First, it facilitated the establishment of numerous global links and partnerships, both nationally and internationally. Second, it created the conditions for a number of new intermediaries to emerge. As a result, tourism and hospitality suppliers received increasing opportunities to be represented in multiple markets by a range of intermediaries, including travel agents, tour wholesalers, tour brokers, motivational houses, hotel representatives, as well as national, state and local state agencies (Kotler *et al.*, 2003; Roberts, 1993).

The pace of development, at which new affiliations and new distribution opportunities were formed, changed considerably in the 1990s after the Internet emerged. The advent of the Internet is by many scholars claimed to have transformed or even revolutionised the whole travel distribution system (Buhalis & Law, 2008; Kozak, 2006). This transformation was reflected in several academic works. For example, in a comprehensive review of the key themes in ICT in tourism,



Buhalis and Law (2008) identified that three themes dominated the research enquiry after 1990. These themes were concerned with the impact and value of ICT for consumers, suppliers and technology providers. From the consumer perspective, the Internet provided an easier, faster and more convenient access to rich and accurate travel information and a greater product choice at an increased speed and minimal costs (Anckar, 2003; Kozak, 2006; Nakra, 2003; Pease & Rowe, 2005). The Internet with its transparency also enabled consumers to search for travel information, book, reserve and purchase holidays themselves, without having to turn to conventional travel agencies or tour operators. Empowered by the Internet, consumers became more knowledgeable, price-conscious, more linguistically and technically skilled and more spontaneous (Buhalis & Law, 2008; Pease & Rowe, 2005). From the supplier perspective, the Internet allowed global visibility, more sophisticated consumer research, cheaper and easier access to markets, as well as enhanced opportunities for collaborations and networking between tourism and hospitality firms (Bowie & Buttle, 2004; Pease & Rowe; Werthner & Klein, 1999). Many previously loosely-connected businesses became linked by means of the Internet, and were provided with equal opportunities to promote and distribute their products worldwide (Pansiri, 2009). Through the Internet, the industry could better deal with the issues of distressed inventory and seasonality, as well as being able to learn from each other, exchange experiences and build upon each others' strengths (Morrison *et al.*, 2004). It was no longer important to have strong transactional platforms in place in order to enter tourism e-commerce, as this function, among others, could be outsourced to other intermediary businesses. The new electronic intermediaries, known in the literature as e-mediaries, formed as a result of emerging opportunities and demand from both consumers and suppliers. The examples of these e-mediaries, providing travel related content, were online travel agents (Expedia, Travelocity), tour operators (Cosmos, Globus), auction sites (Lastminute, eBay travel), travel comparison sites (Travelsupermarket, Kelkoo), supplier alliances (Opodo, Orbitz), destinations (VisitBritain), search engines and meta search engines (Google) and social networking sites and web 2.0 portals (Tripadvisor) (Buhalis & Licata, 2002; Buhalis & Law, 2008; O'Connor, 2004; Werthner & Klein, 1999).

Collectively, the research on tourism and hospitality networks, distribution and ICT in tourism is considerable. However, a closer study of these research streams shows that the number of investigations on distribution and ICT in tourism, as compared to studies on tourism and hospitality networks and alliances, is more extensive. In fact, Leung and Law (2007) estimate that as many as 4140 refereed articles in the area of ICT and distribution were published between 1986-2005. The



present research builds on the view that the themes of tourism and hospitality networks, distribution and later ICT in tourism are not mutually exclusive. Three arguments are put forward to support this view. First, the Internet by definition involves connectivity and building of networks, such as networks between tourism and hospitality businesses (Jensen & Jepsen, 2006). Next, early literature documents that the first tourism and hospitality networks were formed for distribution purposes (Buhalis, 2001; Crotts *et al.*, 2000). Finally, literature also demonstrates a vast number of examples, wherein tourism and hospitality enterprises make use of ICT for the purpose of distribution through online partnerships (e.g., through airline alliances or collaboration with online tour operators) (Buhalis & Licata, 2002; Buhalis & Law, 2008). It is therefore argued in this study that tourism and hospitality networking has not been neglected in the literature, but rather the perspective, from which the subject of networking has been approached, has largely leaned itself towards distribution- and ICT-related research.

One of the areas within online tourism and hospitality networking, lacking detailed investigation, is affiliate marketing. While it may be claimed that the subject of affiliations is indirectly embedded in the aforementioned literature, it is evident that little empirical research has explored affiliate marketing in the context of tourism and hospitality. In particular, only two empirical papers directly related to affiliate marketing in tourism and hospitality are so far identified. One of the papers (Mariussen *et al.*, 2010) depicts the evolutionary development of affiliate marketing in tourism. Referring back to the first offline affiliations in the form of CRS and GDS, the authors demonstrate the enhancement of the affiliate marketing practice, as the affiliate marketing industry evolves. Restoring historical developments, the authors identify several unintended consequences of affiliate marketing and their subsequent improvements, which eventually turn affiliate marketing into one of the preferred distribution channels in tourism.

Another paper (Daniele *et al.*, 2009), motivated by a similar rationale, namely the lack of research on affiliate marketing in tourism and hospitality, summarises the main principles of affiliate marketing and emphasises its potential for the tourism industry. Daniele *et al.* (2009) view the advantages as well as disadvantages of affiliate marketing from the perspectives of affiliates and merchants. The authors argue that for merchants (e.g., hotels, airlines, attractions, restaurants), affiliate marketing is advantageous as it represents an opportunity to generate more revenue, involves very little risk due to its pay-for-performance commissions, increases brand awareness, exposes merchant to new markets and improves website rankings in search engines at no direct cost. For affiliates, the benefits of

affiliate marketing are in its ability to generate revenues without developing their own products or holding inventory. For many affiliates, affiliate marketing is a part-time or second job, which they may start with little capital, as joining affiliate programmes does not require any costs and allows flexible working patterns. The empirical evidence, provided in this study, indicates that in the UK the revenue from affiliates as percentage of all online revenues may be as high as 25%, whereas the number of affiliates may reach up to 7500 (Daniele *et al.*, 2009).

## **2.4. Affiliate Marketing Performance Measurement Research**

Due to the evolving nature of affiliate marketing literature in general (Mariussen *et al.*, 2010; Martin-Gill *et al.*, 2009), the research on affiliate marketing performance and its measurement is also at a nascent stage. A review of the extant literature does not identify any clear definitions of performance and performance measurement in affiliate marketing (Appendix 2.1). Neither does the analysis of this literature find any specific and detailed accounts of scientifically developed approaches to performance measurement of affiliate marketing programmes. The research within this field is just starting to introduce the construct of affiliate marketing to academia (Daniele *et al.*, 2007; Fox & Wareham, 2007). To date, this research hosts only some fragmented discussions that are implicitly related to affiliate marketing performance and its assessment. These discussions are about: 1) performance-associated benefits and costs of affiliate marketing; 2) enabling conditions for the successful fulfilment of affiliate marketing programmes; and 3) affiliate marketing metrics. The following sections critically analyse each of the performance-related discussions outlined above.

### **2.4.1. Affiliate Marketing Benefits and Costs**

As mentioned above, some scholars discuss affiliate marketing performance in terms of the benefits that affiliate marketing offers (Duffy, 2004; Wilson & Pettijohn, 2008). These scholars characterise affiliate marketing as a win-win type of marketing, which entails benefits for both merchants and affiliates (Table 2.4).

For merchants, the benefits of affiliate marketing lie in its potential for revenue generation, increase in overall sales profit and favourable return on investment (Benedictova & Nevosad, 2008; Daniele *et al.*, 2009; Figg, 2005). From a merchant perspective, affiliate marketing stands for a low-cost sales force with the rewards on result-only basis (Brettel & Spilker-Attig, 2010; Duffy, 2005; Fill, 2006b; Fox & Wareham, 2007). Paying purely for sales and performance, businesses that initiate affiliate programmes receive cost-free sales and marketing services, as well as an instant access to established affiliates' user-bases (Figg, 2005; Laudon & Traver,

2003). Start-ups of affiliate programmes require little additional time and cost (Daniele *et al.*, 2009; Figg, 2005). By means of affiliate marketing, companies, trading offline, may sell online without having to build and manage their own website (Figg, 2005), whereas merchants with already established online presence may promote their offerings through additional channel on thousands of other websites (Figg, 2005; Oetting, 2006). To summarise, affiliate marketing enables merchants to enhance their reach, as well as to create broader brand exposure to new markets (Benedictova & Nevosad, 2008; Daniele *et al.*, 2009). With the help of sophisticated tracking software, it accurately tracks the behaviour of online visitors and increases brand awareness at predictable marketing costs (Duffy, 2005; Figg, 2005; Fox & Wareham, 2007). Through affiliates' expertise in search engine marketing in combination with numerous back-links, affiliate marketing also helps merchants to increase their natural website rankings in search engines at no direct cost (Janssen & Heck, 2007; Oetting, 2006). This, in turn, induces more traffic to the merchant's website and engenders desired results.

For affiliates, affiliate marketing is a "steady" income and an opportunity to generate revenue. It permits flexible working hours and exhibits an opportunity to have a risk-free part-time or second job (Daniele *et al.*, 2009). Besides, it does not demand investments in inventory or infrastructure (Duffy, 2005; Laudon & Traver, 2003). When affiliates sign up for affiliate programmes, no initial capital to join in is required. Similarly, there is no need to create any products or services (Daniele *et al.*, 2009; Wilson & Pettijohn, 2008), or to ship orders and possess inventory. Affiliates' only and major responsibility is confined to driving traffic to the merchants' websites and to facilitating predefined actions.

**Table 2.4. Affiliate Marketing Benefits**

<b>Benefits from a merchant perspective</b>	<b>Benefits from an affiliate perspective</b>
Low-cost sales and marketing services	Stable income
Performance-based commissions	Flexible working hours
Instant access to extensive user bases	Opportunity to have a risk-free part-time or second job
Little additional time investment	No initial capital investment
No need for a website	No need to produce products, ship orders or possess inventory
Promotion through additional online outlets	
Enhanced reach	
Exposure to new markets	
Opportunity to increase brand awareness	
Accurate tracking	
Predictable costs	
Search engine visibility	

Sources: Ashworth *et al.*, 2006; Benedictova and Nevosad, 2008; Daniele *et al.*, 2009; Duffy, 2005; Figg, 2005; Fill, 2006b; Fox and Wareham, 2007; Ivkovic and Milanov, 2010; Laudon and Traver, 2003; Oetting, 2006; Wilson and Pettijohn, 2008.

Besides benefits, affiliate marketing can also entail some disadvantages and costs. From the point of view of merchants, affiliate marketing can be costly as it requires extra human, time and financial resources. For example, most affiliate marketing programmes need affiliate managers (in-house or outsourced) who carry the responsibility for affiliate management, tracking and pay-outs. These programmes also require investment in developing merchant's own tracking technology or in sourcing this technology from affiliate networks. When the programme is set up, it needs continuous maintenance, which involves administration, training, communication and other costs. Without required maintenance investment and ongoing affiliate management, the programme might face fraudulent affiliate actions, brand confusion and affiliate dissatisfaction. Affiliates, in turn, can find affiliate marketing a costly and risky endeavour from the point of view of the required time and financial resources. To generate traffic to one or several merchants, affiliates, who are typically commissioned based on the results, might need to invest in expensive promotional activities upfront (e.g., through PPC or display advertising). Besides, their financial situation may also be threatened by low commissions, irregular pay-outs and inaccurate tracking (Table 2.5).

**Table 2.5. Affiliate Marketing Costs**

<b>Costs from a merchant perspective</b>	<b>Costs from an affiliate perspective</b>
Extra resource requirements	Irregular pay-outs
High commissions	Low commissions
Cost of starting a programme (e.g., technology investment, affiliate networks costs)	Difficulties and cost of generating traffic
Costs of keeping track with all affiliates, identifying and crediting affiliates responsible for sales	Resource-demanding management of multiple affiliate programmes across several merchants
Affiliate training costs	Inaccurate tracking
Increased level of administration	
Increased communication costs	
Unfocused affiliates who might dilute the brand	
Affiliate's fraudulent activities, e.g. collecting customer information for further sale, spamming, unsolicited emails, PPC fraud, false advertising, typosquatting (the process whereby affiliates intentionally register misspellings of the merchants' domain names to capture users that mistype those domains)	

Sources: Daniele et al., 2009; Hughes, 2007; Moore and Edelman, 2010; Oetting, 2006; Paptla & Bhatnagar, 2002; Quinton and Khan, 2009

In order for affiliate marketing not to turn into a costly exercise, certain enabling conditions should be adhered to. The next section addresses the enabling conditions for success discussed in literature.

### **2.4.2. Enabling Conditions for Successful Affiliate Marketing**

Conditions that are critical for successful implementation of an affiliate programme are widely discussed in the literature and approached from a variety of perspectives (Table 2.6). Broadly, it is argued that affiliate marketing can be a success if it entails mutual benefits for all the parties participating in the affiliate process. Mutual benefits further imply that the terms and conditions, regulating the relationship between merchants and affiliates, are profitable and beneficial for all partners; and that the return on investment can be calculated in a relatively predictable manner (Daniele *et al.*, 2009; Duffy, 2005).

Several scholars (e.g., Bandyopadhyay *et al.*, 2009; Ryan & Jones, 2009) view critical success factors in affiliate marketing from the point of view of what various affiliate stakeholders can do to ensure and increase affiliate marketing performance. For example, Ryan and Jones (2009) focus on the role that merchants play in the affiliate marketing process and advise how they should act to succeed. In particular, they suggest that merchants should start with a thorough competitor and situational analysis to identify whether their products and/or services are suited for affiliate marketing. They recommend that merchants should investigate affiliate strategies of the competitor brands and to screen the web for appropriate affiliates. They further advise merchants to consider whether affiliate activities will be managed in-house or outsourced to affiliate agencies. Besides these recommendations, Ryan and Jones (2009) highlight the importance of testing, experimentation and subsequent monitoring of affiliate marketing performance. They suggest that robust assessment mechanisms should be developed to examine the effect of affiliate messages and channels on their target audiences. In order to avoid unwanted misunderstandings with affiliates, they also insist that merchants formulate some clear rules, controls and limits. Finally, they encourage advertisers to nurture their relationships with affiliates and to treat them as a part of their marketing team, because marketing process is indeed what they execute.

Bandyopadhyay *et al.* (2009) provide a similar combination of success factors, influencing affiliate marketing performance, and propose a detailed guidance, which merchants are advised to follow in setting up affiliate programmes. This guidance emphasises five areas that require merchants' attention. The areas are comprised of choosing the correct affiliate, choosing the most profitable affiliate programme, designing an easy-to-use affiliate marketing plan, continuous tracking of referrals and constant monitoring of affiliates' performance. In this guidance, "appropriate" affiliates are defined as affiliates, who sell products related or complimentary to

merchants' offerings, demonstrate high levels of security and represent a good "fit" for the merchants' company. These affiliates are important because they are believed to be capable of referring "quality" traffic and providing added value to online customers, visiting their website. The choice of the appropriate affiliate programme is also critical. In undertaking this choice, available affiliate programmes should be evaluated from the point of view of their ability to maximise profit, while remaining intuitive and easy-to-use. This is because a complicated programme with non-transparent tracking or sophisticated payment systems may pose obstacles that few affiliates may be willing to overcome. On the contrary, easy-to-use transparent programmes, that allow affiliates to track their referrals, may attract new affiliates. Finally, constant tracking and monitoring is key, as it does not only allow merchants to evaluate the performance of affiliate marketing activities, but also enables them to adjust affiliate programmes in a timely manner. Such monitoring can be facilitated by means of cookies and other tracking tools. Cookies represent a short segment of text, which besides being used for authentication and for storing preferred websites, also tracks online user's browsing behaviour (Barrett, 1997).

One more notable view on the role of merchants and affiliates in maximising affiliate marketing performance is provided by Barrett (1997). The researcher postulates that advertisers impact affiliate marketing performance by deciding on the appearance, wording and destination of affiliate marketing messages. Affiliates, in turn, carry further responsibility for making their website appealing, relevant and available 24 hours a day. They manage and maintain their website, as much as they control the audience, visiting first their own and subsequently the merchants' websites.

The role that all the three stakeholder groups (merchants, affiliates and affiliate networks) play in the affiliate marketing success, is documented in Goldschmidt et al.'s work (2003). This work views enabling conditions as being different for each stakeholder and argues that for affiliate marketing to be effective, each of these groups should play a distinct and important role in the affiliate marketing process. Specifically, Goldschmidt et al. (2003) note that merchants' role in affiliate marketing is to provide affiliates with appropriate and current content about their offers, to create an easy-to-navigate website with a straightforward and secure payment platform, and to formulate clear performance criteria, on the basis of which affiliates are rewarded. Merchants ensure that the materials sent to affiliates, for example banners, ads or pop-ups, are linked to the relevant web-pages on their website and that the overall website feel is appealing to their target audience. Equally important is that in calculating the affiliates' commissions, merchants stay flexible and adjust

their rewards to affiliates according to their performance and contribution, so as to maintain the affiliates' motivation and develop long-term relationships.

Affiliates' responsibilities in affiliate-merchant partnerships, according to Goldschmidt et al. (2003), are concerned with choosing a merchant, whose products and/or services match the needs of the affiliates' user-bases, maintaining targeted and specialised content, and placing it correctly on the website. By matching affiliates' communities with merchants' target audiences, affiliates become better positioned to divert more "quality" traffic to the merchants' website, something that results in purchases or other predefined actions and consequently increases affiliate marketing performance.

Affiliate networks' duty in affiliate-merchant collaboration is to expand affiliate networks by recruiting new affiliates and merchants, to organise and facilitate affiliate-merchant interactions, and to maintain information infrastructure through the provision and update of tracking and pay-out software, necessary for billing merchants and calculating affiliate payments to affiliates. Affiliate networks create the conditions for effective practice by training and educating affiliate marketing stakeholders and by acting as a mediator, which aids affiliate-merchant cooperation.

The conditions enabling successful affiliate marketing performance are, however, not limited to the roles that affiliate marketing stakeholders play in the affiliate marketing process. Other conditions are argued to impact performance too. For example, Goldschmidt et al. (2003) mention that in addition to the duties that affiliate marketing players are expected to perform to maximise performance, the existence of a definitive set of resources in affiliate marketing relationships is believed to have a significant impact on affiliate marketing success too. These resources include a distinct brand or brand management, performance-based payment, appropriate technology platform, brokerage, positive consumer-network relations or customer loyalty and a good fit between affiliates' audiences and merchants' target markets.

Similar to Goldschmidt et al. (2003), Brear and Barnes (2008) argue that potential performance of affiliate marketing is dependent on the attributes of products and services that merchants seek to sell. In their research, Brear and Barnes (2008) find that some products seem to be more suitable for affiliate marketing than others. The authors outline four major indicators for identifying whether a product is fit for affiliate marketing. These indicators include: online process simplicity (i.e. how easy it is to purchase a product online), product homogeneity (i.e. how standardised a product is), product visualisation (i.e. how easy it is to visualise a product) and product commitment level (i.e. how expensive a product is). The success of affiliate



marketing is claimed to be highest in the situations where the complexity of online processes is kept to a minimum, where products can be visualised and are homogeneous, and where purchases require low levels of commitment from potential buyers (Inkovic & Milanov, 2010).

**Table 2.6. Affiliate Marketing Enabling Conditions**

<b>Enabling conditions merchants are responsible for</b>	<b>Enabling conditions affiliates are responsible for</b>	<b>Enabling conditions affiliate networks are responsible for</b>
Research and situational analysis	Creation of an appealing, relevant and available 24-hour website	Affiliate and merchant recruitment
Selection of the type of affiliate relationship (in-house vs. outsourced)	Choice of merchants with matching products/services	Organisation and facilitation of merchant-affiliate interactions
Recruitment of “appropriate” affiliates	Targeted and specialised content	Maintenance of information infrastructure
Testing and experimentation		Update of tracking and payout software
Continuous monitoring of affiliate performance		Training and educating of affiliate marketing stakeholders
Adoption of “robust” tracking technologies		
Formulation of clear rules, controls and limits		
Relationship building with affiliates		
Design of an easy-to-use affiliate marketing plan		
Appearance and wording of affiliate marketing messages		
Appropriate and current content about offers		
Appealing and easy-to-navigate website		
Secure payment platform		
Setting flexible performance-based commissions		
Product/service attributes		

Sources: Bandyopadhyay et al., 2009; Barrett, 1997; Brear and Barnes, 2008; Goldschmidt et al., 2003; Ivkovic and Milanov, 2010; Papatla and Bhatnagar, 2002; Ryan and Jones, 2009.

Further research by Papatla and Bhatnagar (2002) suggests that performance of affiliate marketing depends on the selection of the correct affiliates. According to the researchers, this selection is key to performance and should, therefore, be approached with great care. For best results, affiliates should be chosen from publishers, who offer substitutes or compliments to the merchants’ products (Li & Yang, 2011). Substitutes include products that serve the same purpose, for example flight tickets to the same destination from two different airline companies, while complements are goods that are typically used in combination with the other products in order to meet a particular need, for example a hotel reservation and flight tickets. In their discussion, Papatla and Bhatnagar (2002) postulate that marketing through an infinite number of affiliates is not only proven costly and difficult to maintain, but is also damaging for the brand. They conclude that the



selection of affiliates requires special attention, and propose that the best way to approach this selection is to choose affiliates from the above mentioned product categories of substitutes or compliments.

Some scholarly conversations about affiliate marketing enabling conditions take an opposite approach and, instead of stating what affiliate marketing stakeholders should do to improve performance, discuss what they should attempt to prevent. For instance, Papatla and Bhatnagar (2002) propose the restrictions to be imposed on affiliates. Some of these restrictions include limits with regard to the usage of nudity, sexual materials and illegal activity, as well as the restrictions against affiliates' usage of merchants' trademarks in the affiliates' URL for the purpose of promoting affiliates' websites. Papatla and Bhatnagar (2002) also warn merchants to check whether affiliates' privacy policies are made clear to visitors and whether the content and quality of promotional materials used by affiliates on behalf of advertisers are of acceptable quality. Hughes (2007) develops these arguments further and illustrates why merchants and affiliate agencies should ensure having systematic affiliate screening processes and constant monitoring of their activities. As the researcher shows (Hughes, 2007), agreeing on terms and conditions is not enough, as affiliates may unintentionally misinterpret merchants' needs and with merchants' promotional materials at hand may employ them in undesired promotional activities, including mass emails, which have a tendency to quickly turn into unwanted email spam.

### **2.4.3. Affiliate Marketing Metrics**

Affiliate marketing performance is highly contextual. What constitutes high affiliate marketing performance varies depending on the objectives that organisations pursue, when engaging in affiliate marketing. By setting affiliate marketing objectives, marketers create a certain expectation to the performance they aim to reach by means of affiliate marketing. To measure whether the expectations are achieved, they later employ the set objectives as benchmarks and weight affiliate-related outcomes and accomplishments against those. For example, when merchants aim to generate revenue by means of sales increase; or seek to enhance brand exposure and recognition in general (Brettel & Spilker-Attig, 2010), affiliate marketing is regarded as effective, if additional revenues and sales are generated and the merchant's brand is more widely recognised. If merchants hope to reach a certain number of software downloads or a particular amount of product requests and customer registrations (Goldschmidt *et al.*, 2003), affiliate activities are considered effective only if the predefined number of downloads and product-requests has taken place. As per examples, the meaning of performance in these

situations differs greatly from one instance to another. However, in both cases it links back to objectives and depends on whether the set objectives are reached.

Objectives do not only frame what affiliate marketing aims to achieve, but also suggest which affiliate marketing metrics should be selected for the measurement of performance. As mentioned earlier, the literature differentiates between three major types of affiliate marketing objectives: exposure-based objectives (e.g., increase exposure, improve brand recognition, enhance brand attitude), interactivity-based objectives (e.g., encourage engagement and interactivity) and outcome-based objectives (e.g., increase sales, increase revenue). The literature further argues that metrics that can be attached to those objectives can be divided into similar types: exposure-, interactivity- and outcome-based metrics.

To illustrate, the performance of exposure-oriented affiliate activities can be estimated on the basis of such exposure based metrics as views/impressions, clicks, leads and emails. Impressions imply a number of times an ad is viewed (Laudon & Traver, 2003). Clicks are defined as the number of times potential customers click on the affiliate ad. Leads are the number of accomplished specified actions, be it a new customer registration or a purchase (Goldschmidt *et al.*, 2003). Emails correspond to the number of sign-ups that affiliates generate by sending periodic emails to potential target audiences. To measure whether the revenue-related objectives are reached, Bandyopadhyay *et al.* (2009) suggest that the amount of revenue, sales and other financial indicators, generated by referring sites, should be calculated. In hybrid models, several of the discussed objectives may be combined and metrics should be selected accordingly (Bandyopadhyay *et al.*, 2009).

Although objectives are considered in the literature to be the main determinants of metrics, the selection of appropriate affiliate metrics may also be determined by the type of promotional materials that affiliates and merchants employ in order to achieve the set affiliate marketing objectives (Table 2.7). Affiliate marketing stakeholders can promote merchants' products by means of banners, pop-ups, data feeds, micro-sites and similar tools. The most discussed tool in affiliate literature is banners or banner ads. Banners serve various purposes in affiliate marketing, including maximising exposure, encouraging interaction and generating outcomes. Exposure is expressed in impressions; interaction – in clicks or click-throughs; and outcomes – in leads, enquiries, registrations, orders, sales or other specified actions (Shen, 2002). Click-throughs are the number of clicks on links, ads or other promotional material divided by the number of times those links or ads are viewed (Barrett, 1997; Marketing Sherpa, 2008; Rowley, 2004). Apart from exposure,

interactions and outcome, Bandyopadhyay et al. (2009) also argue that banners are capable of increasing brand awareness and ad awareness, changing brand attitude and influencing purchase intention (Shen, 2002). Yet, Bandyopadhyay et al. (2009) do not specify, how banners could be evaluated. Presumably, the authors do not elaborate on the details, as these are covered elsewhere in the marketing literature.

**Table 2.7. Metric Selection in Affiliate Marketing**

Determinants of metric selection	Examples of determinants	Examples of metrics
Objectives	Exposure-based	Views/impressions, clicks, emails
	Interactivity-based	Clicks, click-throughs
	Outcome-based	Sales, revenue, leads
Promotional materials	Banners	Impressions, clicks, click-throughs, leads, enquiries, registrations, orders, sales, completed specified actions
	Emails	Number of sent emails, number of delivered emails
Media	Social media (e.g., Twitter, Facebook)	Views, click-throughs, revenue, tweets, retweets, replies, followers, comments, group members
Commissions	Exposure- and interactivity-based	Clicks, impressions, views, emails
	Outcome-based	Sales, revenue, leads,

Sources: Bandyopadhyay et al., 2009; Barrett, 1997; Comm, 2009; Gallaughier et al., 2001; Goldschmidt et al., 2003; Rowley, 2004; Shen, 2002; Smith and Llinares, 2009.

The metrics that can be used in the measurement of affiliate marketing performance also depend on the media affiliate marketers promote through. For example, affiliate players employing social media (e.g., Twitter) to drive traffic to merchant's website assess affiliate marketing performance in terms of views, click-throughs and revenue that links on social sites generate, as much as in terms of tweets, retweets, replies, followers, comments, sign-ups and group members (Comm, 2009; Smith & Llinares, 2009).

## **2.5. Limitations of Affiliate Marketing Performance Measurement Research**

In spite of its wide practical application (Fox, 2009; Kunitzky, 2011; Ostrofsky, 2011), affiliate marketing, as an independent academic concept, is yet to be clearly defined and established in theory (Duffy, 2004; Fox & Wareham, 2007). To date, the number of generic and tourism- and hospitality-related academic publications, specifically dedicated to affiliate marketing, is scant (Daniele *et al.*, 2009; Mariussen *et al.*, 2010). Equally, the topic of the measurement of affiliate marketing performance has not been central to the evolving affiliate marketing research. As discussed above,

the few contributions of the authors, who implicitly engage in the subject of performance or performance measurement in affiliate marketing, may be grouped into three small clusters. The first cluster explains performance-related benefits and costs of affiliate marketing (Fox & Wareham, 2007; Ivkovic & Milanov, 2010; Wilson & Pettijohn, 2008). This group of discussions provides a relatively comprehensive list of the benefits and costs of affiliate marketing from the point of view of merchants and affiliates, but nevertheless, does not offer a concise theoretical definition of affiliate marketing performance, something that could be further explored in this study.

The second cluster of performance-related conversations concentrates on the conditions that enable successful implementation of affiliate marketing programmes (Bandyopadhyay *et al.*, 2009; Brear & Barnes, 2008; Ryan & Jones, 2009). While listing the critical factors that all the three stakeholder groups should take into consideration in running their programmes, these discussions only briefly describe the actual process of affiliate programme management and measurement. For example, Brear and Barnes (2008) suggest that there are five major tasks that merchants should perform. These tasks involve choosing affiliates, choosing an affiliate marketing programme, designing an affiliate marketing plan, tracking of referrals and monitoring of affiliates. Such explanation of the process highlights the indicative directions for some actions that stakeholders need to undertake, but does not propose detailed recommendations for how this process can be put into practice or how the actual measurement of affiliate marketing outcomes can be conducted.

The third and the last cluster of discussions related to affiliate marketing performance focus on affiliate marketing metrics and metric selection (Comm, 2009; Smith & Llinares, 2009). Although a few valuable contributions within these discussions are identifiable, they are few in number. They encounter a helpful but insufficient overview of some affiliate marketing objectives and illustrate that metric choice depends on objectives, promotional materials, media and commissions selected for the programme. Further investigation of affiliate marketing objectives, metrics and factors influencing metric selection is, therefore, necessary. The relationship between commissions and affiliate performance could also be further explored.

The above literature deficiencies generate two major insights that are of importance for the evolution of this study. The first insight suggests that due to nascent and fragmented affiliate marketing research and its inability to supply sufficient reference frameworks for the outlined investigation, the study might require a different

methodological approach, which would focus not on testing and incremental furthering of the limited existing theory, but on the development of a theory from the data. The second insight indicates that to clarify the constructs of affiliate marketing performance and performance measurement further and to fully achieve the first research objective, the study might need to conduct a review of additional literature streams. Since affiliate marketing is broadly defined in the literature as both a business model and a type of online marketing, in the upcoming chapter, the study therefore undertakes a further critical analysis of business, generic marketing and Internet marketing performance measurement research.

## **2.6. Summary**

The aim of this chapter has been to critically analyse the literature on affiliate marketing in order to clarify the main constructs of affiliate marketing performance. To deliver this aim, the chapter first reviews the diverse explanations of affiliate marketing and, based on the existing research, defines the construct as an online marketing channel, which can carry the functions of distribution and promotion. The chapter also examines the workings of affiliate marketing, describes its three main stakeholders (i.e. merchants, affiliates, affiliate networks) and explains the difference between direct and indirect affiliate-merchant relationship types. Through the systematic analysis of affiliate marketing literature, the chapter finds that, in contrast to its wide application, the research on affiliate marketing in general and in tourism and hospitality in particular is still emerging. The literature review fails to identify any specific discussions on performance measurement. Instead, the analysis of extant studies finds that only some aspects, implicitly related to performance measurement, are covered in literature. These aspects concern affiliate marketing costs and benefits, enabling conditions and metrics. Following the discussion of these aspects, the chapter emphasises the limitations of affiliate marketing research such as a poor definition of affiliate marketing, a lack of definition of affiliate marketing performance, and a general absence of research on measuring affiliate marketing performance. On the basis on these limitations, the chapter proposes that an additional literature review to further clarify the constructs of performance and performance measurement needs to be conducted. Given that affiliate marketing is broadly regarded in literature as both a business model and an online marketing type, it is suggested that business, generic and Internet marketing literature should additionally be reviewed. The review of this literature is the subject of the next chapter.

## **Chapter 3: A Review of Performance Measurement Literature**

### **3.0. Introduction**

This chapter continues to address the first research objective of the study and further defines the basic constructs of affiliate marketing performance. Given the limited affiliate marketing and affiliate marketing performance measurement literature, the chapter explores more mainstream performance measurement research. First, it undertakes a critical analysis of the literature on general business performance measurement, and then focuses on performance measurement in the context of generic (offline) and Internet marketing. Following this critical analysis of the literature, the chapter presents a sensitising conceptual framework for the study.

### **3.1. Business Performance Measurement**

Research in the field of performance measurement is extensive and diverse (Franco-Santos *et al.*, 2007; Gomes & Gomes, 2011). Scholars from a variety of disciplines, including strategy management, accounting, operations management, human resource management, organizational behaviour and marketing, express their interest in and contribute to performance measurement investigations (Franco-Santos *et al.*, 2007; Neely, 1999). However, in spite of the increased attention to the subject, some researchers (e.g., Franco-Santos *et al.*, 2007; Neely *et al.*, 2002) argue that performance measurement lacks a cohesive body of knowledge, given that the approaches to the subject exhibit too few commonalities. For example, with a variety of discipline-specific interpretations of performance measurement, the consensus on the main characteristics of the construct seems to be difficult to reach.

A comprehensive review of the literature across disciplines and primarily across business management studies identifies four themes that seem to be particularly important in performance measurement research: 1) business performance enabling conditions, 2) business objectives, 3) performance criteria and metrics, and 4) recommendations for processes and approaches to performance measurement. The investigations on these themes are varied and typically context-specific. The majority of researchers operate within well-defined settings and study the enabling conditions and performance measurement within particular contexts, for example focusing on performance enabling conditions in small and medium-sized organisations or on measurement of customer satisfaction, innovation or productivity (Neely, 1999; Soosay & Chapman, 2006; Westlund *et al.*, 2008).

### **3.1.1. Defining Performance Measurement and Performance Measurement Systems**

Regardless of the extensive amount of performance literature, the definitions of the core constructs in the area, including performance measurement, remain the subject of debates (Franco-Santos *et al.*, 2007; Santos & Brito, 2012; Venkatraman & Ramanujam, 1986). As some of the key authors of performance measurement research put it, “performance measurement is a topic, which is often discussed, but rarely defined” (Neely *et al.*, 2005: 1228). In a broad sense, performance measurement is understood as an important element of the decision-making process (Haktanir, 2006). It assists companies in developing their organisational goals, monitors company’s progress against the set goals and consequently facilitates the refinement of those goals or sets the new ones (Simmons, 2000). Putting it differently, performance measurement constitutes a formal set of procedures, the purpose of which is to continuously assess the effectiveness of organisational activities and, where appropriate, to alter their direction in order to achieve increased or pre-set value outcomes (Buhovac & Groff, 2011; Kellen, 2003). One of the most cited definitions of performance measurement views it as the process that quantifies action, “where measurement is the process of quantification and action leads to performance” (Neely *et al.*, 2005: 1228). Another common definition portrays business performance as the underpinning element of organisational effectiveness that consists of financial and operational performance (Venkatraman & Ramanujam, 1986). Overall, there seems to be general consensus, shared by scholars across different research disciplines, that performance measurement is a process of monitoring outcomes against the pre-defined goals.

Performance measurement activities and processes are typically documented in so-called performance measurement systems. These systems enable communication between various organisational units, as well as collect and process performance-related information (Buhovac & Groff, 2011). A unified definition of a performance measurement system is yet to be developed (Franco-Santos *et al.*, 2007). In the discussions on the topic, scholars rarely explicitly specify what they mean by the construct of performance measurement systems (Franco-Santos *et al.*, 2007). As a result, this meaning varies considerably, depending on the disciplinary background of the researcher and the subject of investigation (Franco-Santos *et al.*, 2012; Neely, 1999).

Some commonalities in performance measurement system explanations can, nevertheless, be observed. The elements that frequently receive attention in performance measurement system definitions include: individual metrics (Neely *et*



*al.*, 1995; Neely *et al.*, 2005), information management with systematic collection, processing and delivery of performance-related data (Bititci *et al.*, 1997; Forza & Salvador, 2000), alignment of various management processes with the organisation's strategic orientation (Atkinson *et al.*, 1997; Franco-Santos *et al.*, 2012; Ittner *et al.*, 2003) and timely monitoring of efficiency and effectiveness of actions undertaken by the organisation (Lynch & Cross, 1991). To illustrate, Neely *et al.* (2005) state that all performance measurement systems are comprised of individual performance metrics. According to Neely *et al.* (1995: 81), a performance measurement system is "a set of metrics used to quantify both the efficiency and effectiveness of actions". A performance measurement system is also "the information system, which enables the performance management process to function effectively and efficiently" (Bititci *et al.*, 1997: 524), and the communication system that articulates the strategic vision within the organisation (Lynch & Cross, 1991). Through the acquisition, analysis and dissemination of performance information (Forza & Salvador, 2000), performance measurement systems monitor the output of the strategic planning (Atkinson *et al.*, 1997), identify the strategies with the highest potential to achieve organisational objectives and align management processes with the organisational strategic direction (Ittner *et al.*, 2003).

Two more noteworthy contributions explaining the construct are provided by Franco-Santos *et al.* (2007) and Ferreira and Otley (2009). In an attempt to define a business performance measurement system, the researchers systematically review the existing definitions of and approaches to a business performance measurement system. The conclusion that they arrive at is that the existing definitions include one or more of the following aspects:

- Features or properties and elements that performance measurement systems consist of (e.g., metrics, methods for data collection, analysis, interpretation and dissemination, vision, key success factors);
- Roles or purposes and functions that performance measurement systems perform (e.g., measuring performance, managing strategy, communication, influencing behaviour, and learning and improvement through feedback, generated by performance monitoring); and
- Processes or actions necessary for functioning of performance measurement systems (e.g., selection and design of metrics, collection and manipulation of data, information management, performance evaluation and rewards; and system review).



An alternative approach to defining a performance measurement system is presented by Folan and Browne (2005). Although content-wise similar to the definition by Franco-Santos et al. (2007) and Ferreira and Otley (2009), this approach is distinct in that it describes performance measurement systems as consisting of three constituting elements: 1) performance measurement recommendations or advice related to metrics and performance measurement system design; 2) performance measurement frameworks, specifying how identified sets of recommendations can be employed (structural frameworks) and explaining step-by-step how metrics can be developed from strategy (procedural); and 3) performance measurement systems, including of all of the above, namely recommendations and both structural and procedural frameworks. In Folan and Browne's words (2005: 665), "a framework provides us with more information about performance measurement than a recommendation, but less about the actual performance measurement process than a system".

### **3.1.2. History of Performance Measurement**

The concept of business performance measurement is argued to be existent since 1910, when the majority of basic management methods were already operating (Neely, 1999). Until 1980s, performance measurement appears to be largely reliant on accounting-based principles, whereby business performance is measured solely in financial terms (Buhovac & Groff, 2011). Profitability represents the most widespread metric of success during this time. Other financial metrics include earnings per share, equity, asset return, return on investment, cost, revenue, liability and sales turnover – all deriving from the accounting information. The major advantage of this measurement approach manifests itself in the establishment of clear cost and effect relationships between a particular business operation and its precise financial result (Haktanir, 2006; Neely, 1999). Financial metrics are recognised to generate objective results and supply decision-makers with reliable historical data. However, as becomes evident around 1980s, the performance that financial metrics are capable to capture appears to be limited. Consequently, financial metrics become a subject of public criticism. The disadvantages of traditional accounting-based performance measurement systems are summarised in literature as follows:

- Financial metrics promote short-termism, as measuring profitability, for example, with its short-term focus is easier than measuring the long-term marketing-related outcomes (Banks & Wheelwright, 1979; Bourne *et al.*,

2000; Haktanir, 2006; Hayes & Abernathy, 1980; Hayes & Garvin, 1982; Hiromoto, 1988; Neely, 1999);

- Financial measurement is also backward-looking and historically focused. It is typically based on the past information and provides little predictive insights into the future (Bourne *et al.*, 2000; Dixon *et al.*, 1990; Eccles, 1991; Haktanir, 2006; Kennerly & Neely, 2002; Neely, 1999);
- Financial measurement encourages businesses to focus on results rather than on the process (Buhovac & Groff, 2011; Haktanir, 2006; Miller & Vollmann, 1985);
- Financial metrics fail to maintain strategic focus, provide little data on quality and are not responsive and flexible enough (Neely, 1999; Skinner, 1974);
- Financial metrics support only local optimisation (Fry & Cox, 1989; Goldratt & Cox, 1986; Hall, 1983; Neely, 1999);
- Financial figures motivate employees to act within the given boundaries and encourage elimination of inconsistencies with the set standards, leaving little or no room for continuous employee-driven improvement and creativity (Johnson & Kaplan, 1987; Lynch & Cross, 1991; Schmenner, 1988; Turney & Andersen, 1989);
- Finally, financial metrics are viewed as inward-looking and internally-generated; whereas, as evidence shows, more externally-oriented metrics, including various customer- and competition-related metrics, prove to play a critical role in overall business performance (Camp, 1989; Haktanir, 2006; Kaplan & Norton, 1992; Neely, 1999).

The criticisms, outlined above, seem to be particularly evident in the literature of the 1980s, when the quality movement becomes widespread. Increasing numbers of companies succeed in establishing a clear link between quality of their offerings and performance and realise that the existent performance measurement prove incapable of providing the quality-related information that they seek. Consequently, business performance measurement faces its first shift towards becoming more balanced, future looking and multidimensional. Performance measurement broadens to include quality metrics and starts treating financial figures as one among a bigger set of metrics rather than as the only foremost indicator of performance (Eccles, 1991; Kennerly & Neely, 2002).

In the 1990s, this shift gains its momentum by firmly introducing the second round of non-financial metrics into performance measurement (Gimzauskiene & Klovienė, 2011; Radnor & Barnes, 2007). This time, the external metrics are related to customer satisfaction. In addition to internally generated quality and financial metrics,

businesses of this time find themselves collecting external data on customer retention rates, market share, perceived value of products and services and other customer-focused figures. In parallel, the concept of externally oriented benchmarking is introduced. Eccles (1991:133) defines benchmarking as “identifying competitors and/or companies in other industries that exemplify best practices in some activity, function, or process and then comparing one’s own performance to theirs”.

Business performance measurement has always generated much academic and practitioner interest. Yet, the attention that performance measurement receives today seems to increase, and the changes faced by performance measurement in the past decade seem to accelerate (Kennerley & Neely, 2002). Neely (1999) calls this increased interest in the subject a “revolution” (Radnor & Barnes, 2007). Among the main facilitators of this “revolution”, Neely (1999) mentions:

- the changing nature of work, as processes become more automated and direct labour costs are no longer appropriate measurement techniques;
- increasing competition on the basis on non-financial factors;
- specific improvement initiatives, such as total quality management (TQM);
- national and international awards for substantial improvements in business performance;
- changing organisational roles, where accountants are expected to provide the information for running the business not for mere external reporting;
- changing external demands (e.g., from regulators);
- and the power of information technology that allows to capture, review, analyse and disseminate data in more effective way (Eccles, 1991; Neely, 1999; Bremser & Chung, 2005).

### **3.1.3. Performance Enabling Conditions**

As stated earlier, one of the main research themes within performance measurement literature is concerned with performance enabling conditions. Enabling conditions or key success factors, are defined in literature as “those activities, attributes, competencies, and capabilities that are seen as critical prerequisites for the success of an organisation in its industry at a certain period of time” (Ferreira & Otley, 2009: 268). The conditions that enable the achievement of high business performance have been subject to various interpretations, because “whether the critical success factors of companies operating in one country or one industry can apply to those operating in other countries is rarely confirmed” (Trkman, 2010).

**Table 3.1. Performance Enabling Conditions**

<b>Performance enabling condition</b>	<b>Source</b>
Environment, strategy, organisation structure, technology	Lenz (1981)
Commitment to one of the three generic strategies (differentiation, low cost and focus)	Dess and Davis (1984)
Customer service, inventory control, administrative efficiency, resource planning, product quality, costs, R&D innovation, strong marketing and sales function	Jenster (1986-87)
Strategic and environmental factors, structure of the organisation, its processes, functions, relationships. Soft factors: culture, behaviour and attitudes. Hard factors: reporting structures, responsibilities, the use of IT	Bititci et al. (1997)
Markets in which firms operate, owner's objectives, managerial practices, owner's characteristics	Gadenne (1998)
People, policy, strategy, partnerships, resources	Neely et al. (2000)
Market orientation, learning orientation, entrepreneurial management style, organisational flexibility	Barrett et al. (2005)
Sales, R&D and distribution, information technology, human resources	Gursoy and Swanger (2007)
Champion, management of resistance, management support, sufficient resources, team skills: process skills, technical skills, user support, effective communication, clear link to business strategy, state of existing data management infrastructure: data, technology, evolutionary development methodology	Ariyachandra and Frolick (2008)
Business environment, strategy, organisational culture, control system	Fauzi (2009)
Strategy communication throughout organisation	Aranda and Arellano (2010)
Dynamism of performance measurement systems	Henri (2010)
Top management support, project management, communication, inter-departmental cooperation, training and empowerment, leadership, investment, linkage between competitive strategy and operations functions, correspondence and compatibility of IT and business strategy, IT investment, performance measurement, level of employee's specialisation, organisational changes, appointment of process owners, implementation of proposed changes, continuous improvement systems, standardisation of processes, automation	Trkman (2010)
Entrepreneurial orientation (entrepreneurial culture, growth orientation, management orientation, strategic orientation), industry factors, environmental conditions	Mukherji et al. (2011)
Multidimensional measurement, strategic focus, alignment between performance measurement systems and compensation, cascading (ensuring all stakeholders work in the same direction)	Buhovac and Groff (2011)
Employee participation in defining targets	Zuriekat et al. (2011)
Approach to marketing mix practice (approach to advertising, new product planning and development, price, distribution of goods and services), market share, sales volume	Ayanda and Adefemi (2012)

Among the most frequently cited enabling conditions, the scholars mention environmental conditions, strategic orientation, organisation structure, technology, market orientation, entrepreneurial management style, management infrastructure and clear links between a business strategy and other organisational functions and activities (Table 3.1).

### **3.1.4. Business Objectives**

The second theme that is of importance to business performance measurement is business objectives. The role of business objectives in the measurement of performance is critical as objectives set the basis for performance, form criteria for

making decisions, including measurement decisions, and serve as a basis for performance evaluation (Agarwal, 1982; Samson & Daff, 2012).

The views on the most important business objectives are multiple and various. Combining the different accounts, however, allows classifying business objectives into the following general categories:

- Profitability objectives (e.g. of metrics: survival, growth and profit)
- Shareholder value objectives (e.g. of metrics: financial returns)
- Market standing objectives (e.g. of metrics: market share, quality, competitiveness)
- Efficiency and productivity objectives (e.g. of metrics: resource utilisation)
- Innovation objectives (e.g. of metrics: organisational learning)
- Employee development objectives (e.g. of metrics: management and worker development)
- And social responsibility objectives (e.g. of metrics: responsibility and contribution to community and society) (Agarwal, 1982; Drucker, 1954; Samson & Daff, 2012).

### **3.1.5. Performance Criteria and Metrics**

One more considerable research theme of the business performance measurement literature is performance criteria and metrics. In the evaluation of business performance, the results are typically determined through the comparison of the outcomes with the outlined strategy, the formulated business goals and objectives, the vision and the expectations with regard to the other performance-related aspects, upfront documentation in a strategic business plan (e.g., planned actions and activities) (Bititci *et al.*, 1997; Bourne *et al.*, 2000). Business performance can also be judged from the point of view of the business' success in relation to the customer-focused figures, such as market share and customer loyalty. In addition, businesses can assess their performance by comparing the results against those of the competitors' (Eccles, 1991).

The review of business performance literature identifies numerous performance metrics. One of the commonly used definitions of a metric is: "A measure (or metric) is a quantitative value that can be used for purposes of comparison. A specific measure can be compared to itself over time, compared with a present target or evaluated along with other measures" (Kellen, 2003: 2; Simmons, 2000). Another definition depicts a metric as the quantification of an attribute or value for the purpose of its comparison against the set standards and as a quantitative, precise,

necessary and sufficient standard for performance measurement, which may be expressed in both financial and non-financial terms (Ambler, 2000; Barwise & Farley, 2004; Ferreira & Otley, 2009).

In the literature, the categorizations of metrics are varied. Every performance measurement approach proposes its own way of grouping metrics (Neely *et al.*, 2005). For example, the Tableau de Bord, one of the first performance measurement approaches, broadly clusters metrics into “physical” (non-financial) and financial or, more specifically, into accounting, social (e.g., the absenteeism, climate indices), customer-oriented (e.g., customer satisfaction, retention) and process-oriented (e.g., production times). Keegan *et al.* (1989) classify metrics into financial, non-financial, internal and external. Fitzgerald *et al.* (1991) differentiate between six types of metrics related to competitiveness, financial performance, flexibility, quality of service, resource utilization and innovation. While Kaplan and Norton (1992) recommend that metrics can be linked to each of the four dimensions of their performance measurement system – the Balanced Scorecard, namely to financial performance, customer progress, internal business and learning and innovation.

In spite of such a variety of metric categorisations, a generalisable classification may, nevertheless, be composed. Through a comprehensive study of literature, the following common categories of metrics may be identified:

- Financial vs. non-financial;
- Objective vs. subjective;
- Leading vs. lagging;
- External vs. internal;
- Input, process and output; and
- Tangible vs. intangible (Table 3.2).

Financial metrics “monitor the aspects of performance in monetary terms” (Guilding, 2009) and derive quantitative data from account charts, profit and loss statements or balance sheets (Kellen, 2003). The examples of such metrics include return on investment, revenue growth, cash on hand and various cost controls. Non-financial metrics, in turn, “monitor performance in non-monetary terms” (Guilding, 2009: 227). These metrics are not registered in the chart of accounts, but are rather regarded as operational metrics. The examples are customer satisfaction, new customer acquisition, market share and service quality (Guilding, 2009; Haktanir, 2006).

Objective metrics provide accurate and verifiable figures; whereas subjective metrics cannot be independently verified. For example, seat turnover and revenue per room are objective and verifiable, while customer satisfaction and quality of information systems are a subject to individual interpretation that maybe questioned (Guilding, 2009).

Leading metrics aim to assess future performance, including financial progress; whilst lagging metrics evaluate past performance and the outcomes of the actions, taken in the past. Leading metrics may, therefore, seek to monitor perceived quality of service, customer loyalty and the number of complaints; and lagging may account for average duration of customer stay, sales per customer segment and return on equity (Guilding, 2009; McAdam & Bannister, 2001).

**Table 3.2. Classification of Performance Metrics**

Measure type	Example
Financial	ROI, cost, sales, gross profit, net profit, inventory levels, cash on hand, earning per share, return on shareholder funds, revenue, asset, liability accounts, asset return, bottom profit, liquidity, order intake, invoiced sales, economic value added
Non-financial	Occupancy levels, customer satisfaction levels, staff turnover rates, product quality measures, quality, just-in-time delivery, increase in product ranges, reliability of quality of service, responsiveness of quality of service, perceived value of goods and services
Objective	Number of staff holding a degree, proportion of guests dining in-house, seat turnover, revenue per available room, new customer enquires, order conversion rate
Subjective	Customer satisfaction, accessibility of senior management, quality of information systems, aesthetics/appearance, friendliness, courtesy, customer complaints
Leading	Customer loyalty, hours spent on training staff, customer defection rate, consumer confidence, consistency in delivery, time, flexibility to dealing with varying demands
Lagging	Visits, staff injuries, last month's profit
External	Market share, brand perception, customer loyalty, share price, prices relative to competition, relative market share and position, sales growth, stakeholder satisfaction, public responsibility, creditworthiness, contribution to community affairs, obedience to laws and regulations
Internal	Revenue per employee, average duration of customer stay, sales per customer segment, return on equity, employee attitudes, order quality, size of supplier base, warranty returns, employee job satisfaction, pay, supervision
Input	Supervision, hours of training
Process	Appraisals on-time, employee communication survey, time spent on research
Output	Productivity, efficiency
Tangible	Inventory levels, employee headcount
Intangible	Level of skills or knowledge, performance of the innovation process, performance of individual innovators

Sources: Bourne et al., 2000; Bremser and Chung, 2005; Eccles, 1991; Fitzgerald et al. (1991); Gomes and Gomes, 2011; Guilding, 2009; Haktanir, 2006; Kellen, 2003; Kennerley and Neely (2002); McAdam and Bannister, 2001; Santos and Brito, 2012; Zuriekat et al., 2011.

External metrics concentrate on measuring the progress with regard to individuals and factors, external to the organisation, for example, results related to customers, competitors and wide group of stakeholders. Internal metrics focus on the internal to the organisation factors and people, such as the effectiveness of internal processes, and employee satisfaction and training (Guilding, 2009).



Input, process and output metrics represent quantifiable values that capture the requirements for (inputs), the state of (process) and the outcomes of (outputs) a process (Kellen, 2003).

Finally, tangible metrics correspond to easily observable measures that “refer to tangible things, such as inventory levels”; while intangible metrics (e.g., creativity and innovation) are more difficult to capture and evaluate (Kellen, 2003).

A study of the recommendations to be considered during metrics selection offers several important principles. For example, Stalk and Hout (1990) suggest that the process of developing performance metrics should be a collaborative and inclusive practice, inviting employees from all levels of the organisation to participate. Such approach to performance metrics formulation, according to the researchers, is beneficial for several reasons. From the top management perspective, it communicates organisational strategic orientation and strategy to all members of the organisation at once. From the employee point of view, it identifies metrics, most relevant to the members of staff, and links metrics to appraisals in a most meaningful to them way (Dossi *et al.*, 2010; Raith, 2008; Zuriekat *et al.*, 2011).

Some other aspects to keep in mind in the development of performance metrics entail their alignment with business objectives, the balanced usage of non-financial alongside financial measurements, possible variations in metrics between locations, likely change in metrics over time, and focus on improvement of performance, rather than sole control of deficiencies from the pre-determined standards (Kaplan & Norton, 1993; Maskell, 1992).

**Table 3.3. A Framework for Performance Measurement System Design**

Level	Questions
The level of the individual measure	<ul style="list-style-type: none"> <li>• What performance measures are used?</li> <li>• What are they used for?</li> <li>• How much do they cost?</li> <li>• What benefit do they provide?</li> </ul>
The next higher level	<ul style="list-style-type: none"> <li>• Have all the appropriate elements (internal, external, financial non-financial) been covered?</li> <li>• Have measures that relate to the rate of improvement been introduced?</li> <li>• Have measures that relate to both long-term and short-term objectives of the business been introduced?</li> <li>• Have the measures been integrated, both vertically and horizontally?</li> <li>• Do any of the measures conflict with one another?</li> </ul>
The highest level	<ul style="list-style-type: none"> <li>• Do the measures reinforce the firm's strategies?</li> <li>• Do measures match the organisational culture?</li> <li>• Are measures consistent with the existing recognition and reward structure?</li> <li>• Do measures focus on customer satisfaction?</li> <li>• Do measures focus on what the competition is doing?</li> </ul>

Source: Kaplan, 1990



Whether the metrics one develops are appropriate is a subjective matter. To overcome this subjectivity, Kaplan (1990) goes beyond recommendations and produces a comprehensive list of questions to assist managers in the development of performance metrics. He divides this list into three levels: the level of individual metrics, that ensures the appropriateness of chosen metrics and their correspondence to business objectives; the next higher level of the performance measurement system, that checks the inclusion of all the relevant metrics (e.g., internal, external, financial and non-financial metrics); and the highest level of the performance measurement system, that examines the metrics' fit with the company's strategy and organisational culture (Table 3.3).

### **3.1.6. Performance Measurement Processes**

The fourth research theme in the performance measurement literature focuses on performance measurement processes, which can generally be divided into: design and development of performance measurement systems, and the actual approaches to measurement.

Two types of recommendations on how to design a performance measurement system exist in literature. One offers relatively prescriptive processes for the development of performance measurement systems. Another puts forward collections of divergent recommendations for the improved design and development of performance measurement systems. The process-oriented recommendations vary in their degree of detail from simple a few-step models (Medori & Steeple, 2000; Van Aker & Coleman, 2002) to more comprehensive multiphase descriptions of how to design a performance measurement system (Bititci et al., 1997; Wisenr & Fawcett, 1991). Collectively, the plentiful recommendations, provided by different authors, may be grouped into a number of distinct guidelines for the design and development of performance measurement systems. Summarised, these recommendations include:

- *Alignment of metrics with strategy and strategic objectives.* To be relevant, metrics should be directly related to the company's strategy, mission and vision (Bititci et al., 2002; Buhovac & Groff, 2011; Eccles, 1991; Globerson, 1985; Kellen, 2003; Maskell, 1991);
- *Identification of clear goals attached to each performance criterion.* Every metric should be tied to the achievement of some goal, activity or task (Globerson, 1985; Malina et al., 2007);

- *Definition of methods and frequency of data collection.* Performance measurement systems should not only be audited, but also maintained and refined to ensure its internal consistency and validity (Eccles, 1991; Globerson, 1985);
- *Involvement of employees into the process of performance measurement system's design and development.* To create the perception of ownership, a performance measurement system should be relevant and locally meaningful to all employees, regardless rank or position (Bititci *et al.*, 2002; Dossi *et al.*, 2010; Globerson, 1985; Guilding, 2009; Kellen, 2003; Raith, 2008; Zuriekat *et al.*, 2011);
- *Adoption of a balanced approach to performance measurement system.* Balanced approach necessitates inclusion of financial and non-financial, lag and leading, internal and external and objective and subjective metrics (Bourne *et al.*, 2000; Bremser & Chung, 2005; Eccles, 1991; Guilding, 2009; Kennerley & Neely, 2002; Maskell, 1991);
- *Recognition of the performance measurement system's dynamics.* The system needs to be easily changed in response to perturbations in internal and external environment (Bititci *et al.*, 2002; Bremser & Chung, 2005; Henri, 2010; Kellen, 2003; Kennerley & Neely, 2002; Maskell, 1991);
- *Development of simple and easy-to-use metrics.* A performance measurement system should be understandable, and feedback – easily accessible (Bititci *et al.*, 2002; Guilding, 2009; Kellen, 2003; Maskell, 1991);
- *Focus on improvement, rather than control or pure reporting.* There should be made a clear difference between improvement metrics and control indicators (Guilding, 2009; Maskell, 1991);
- *Avoidance of information overload and lengthy reports* (Guilding, 2009; Kennerley & Neely, 2002);
- *Reporting in a timely manner* (Guilding, 2009);
- *Linkage of rewards and appraisal system to metrics* (Dossi *et al.*, 2010; Eccles, 1991; Guilding, 2009; Raith, 2008);
- *Usage of metrics at the appropriate levels.* Employees should only be made responsible for the areas they influence (Bititci *et al.*, 2002; Guilding, 2009).

Various approaches to the process of performance measurement are identifiable in literature (Bessire & Baker, 2005; Black & Groombridge, 2010; Bourguignon *et al.*, 2004; Fitzgerald *et al.*, 1991; Kaplan & Norton, 1992; Keegan *et al.*, 1989; Kennerley & Neely, 2000; Lynch & Cross, 1991; Marr & Schiuma, 2003; Pezet, 2009). For example, one of the earliest approaches, the Tableau de Bord developed around

1920s, suggests that the measurement process should consist of three main phases: formulation of missions, identification of key success factors and definition of metrics related to the set objectives (Bourguignon *et al.*, 2004; Marr & Schiuma, 2003; Pezet, 2009).

Another a more financial and quantitative approach to measurement, the Performance Measurement Matrix, argues that the phases in the measurement process consist of strategy definition, metrics selection and linking of the developed metrics to the measurement process (Keegan *et al.*, 1989). Since the selection of relevant metrics is frequently perceived as difficult, Keegan *et al.* (1989) suggest that managers should begin by looking at five generic metrics: quality, customer satisfaction, speed, product/service cost reduction and cash flow from operations.

The Performance Pyramid, put forward by Lynch and Cross in 1991, provides a more detailed approach to measuring performance. The authors propose to start with the vision formulation and the development of market and financial objectives, and then proceed to the translation of those into departmental objectives and internal (e.g., productivity, cycle time and waste) and external metrics (e.g., customer satisfaction, quality and delivery).

Another comprehensive approach to measurement is proposed by Fitzgerald *et al.* (1991). In their Results and Determinants model, the scholars divide all the metrics into two categories: those related to the determinants of performance (e.g., quality of service, flexibility, productivity, efficiency) and those related to the results (e.g., market share, sales growth, profitability, liquidity), and argue that both sets of metrics should be monitored (Fitzgerald *et al.*, 1991).

Kaplan and Norton (1992) further view an organisation from four distinct perspectives (i.e. customer, financial, internal and innovation perspectives) and claim that each business needs to align its business objectives with those four perspectives and select metrics that reflect the objectives formulated (Aranda & Arellano, 2010; Kaplan & Norton, 1992; Niven, 2006; Radnor & Barnes, 2007; Tyagi & Gupta, 2008).

Although performance measurement research encounters numerous and diverse approaches to measurement, the majority of these approaches are criticised for having poor theoretical grounding (Bourguignon *et al.*, 2004), inability to explicitly demonstrate links between desired performance (i.e. objectives) and metrics (Bourne *et al.*, 2000), exclusive focus on manufacturing sector and tangible,

financial and productivity metrics (Atkinson, 2006), overwhelming comprehensiveness and incomparability.

The following sections critically review marketing performance measurement literature in hope to further clarify the meaning and importance of such performance measurement constructs as enabling conditions, objectives driving performance, metrics and measurement processes.

### **3.2. Marketing Performance Measurement**

The research on marketing performance measurement is regarded as evolving, although a considerable number of valuable contributions are identifiable (Clark *et al.*, 2006; Grønholt & Martensen, 2006; Lamberti & Noci, 2010; Solcansky *et al.*, 2011). To date, the research may be divided into three major streams: 1) measurement of marketing productivity, efficiency, accountability and later performance (Clark, 2000; Connor & Tynan, 1999; Kotler, 1977; Mehrotra 1984; Morgan *et al.*, 2002; O'Sullivan & Abela, 2007); 2) identification and selection of metrics (Ambler *et al.*, 2004; Barwise & Farley, 2004); and 3) measurement of individual metrics (e.g., brand equity, customer satisfaction, customer loyalty, customer lifetime value) (O'Sullivan *et al.*, 2009; Seggie *et al.*, 2007). In order to facilitate the comparability of this research stream with business performance measurement and Internet performance measurement literature, the literature review in this section is organised into the following sub-sections: the conceptualisation of the marketing performance construct, marketing performance enabling conditions, history, marketing objectives, marketing performance criteria and metrics, performance measurement processes.

#### **3.2.1. Defining Marketing Performance Measurement**

In spite of the long history of marketing performance research, clear definitions of marketing performance are scarce (Gao, 2010). Through the literature review on the topic, only few explicit definitions are identified. According to one of the definitions, marketing performance is understood as “the effectiveness and efficiency of an organisation’s marketing activities with regard to marketing related goals, such as revenues, growth and market share” (Homburg *et al.*, 2007: 21). Whilst according to two other definitions, marketing performance is “a multidimensional process that includes the three dimensions of effectiveness, efficiency and adaptability” (Gao, 2010: 30), and “the relationship between marketing activities and business performance” (Clarke & Ambler 2001: 231). Although the marketing performance construct has in some instances been confused with (or even employed

interchangeably with) such concepts as effectiveness, efficiency and adaptiveness (Connor & Tynan, 1999), the key scholars in the field highlight that these constructs are dissimilar (Clarke, 2000; Gao, 2010; Kahn & Myers, 2005).

Marketing effectiveness is defined in the literature as a fundamental dimension of the marketing performance (Clarke, 2000; Kahn & Myers, 2005), an ability to achieve intended marketing goals given certain internal and external environmental conditions (Kahn & Myers, 2005), and a comparison of the processes and outcomes to the formulated goals (Gao, 2010). It is also explained as an evaluation of whether an organisation is “doing the right things” in order to achieve valuable results, long-term development, competitive advantage and strong marketing organisation (Mirzaei *et al.*, 2012; Webster, 1995).

Marketing efficiency, in turn, is concerned with the comparison between the marketing-related inputs of marketing (e.g., marketing activities, efforts, assets, resources, expenses) and the marketing outputs or performance results (e.g., sales, profit) (Clark, 2000; Kahn & Myers, 2005; Mirzaei *et al.*, 2012; Morgan *et al.*, 2002). The aim of efficiency is to maximise the results with the employment of minimum inputs (Clark, 2000).

Finally, marketing adaptiveness, or adaptability, is an organisation’s ability to respond and adapt to the fluctuations in the external environment. It is concerned with the evaluation of the response and support of the external environment with regard to the particular marketing programmes (Clark, 2000; Morgan *et al.*, 2002).

### **3.2.2. History of Marketing Performance Measurement**

Historically, the evolution of marketing performance measurement approaches is argued to consist of three major stages (Mirzaei *et al.*, 2011). In the first stage (approximately 1960-1970), marketing performance is understood in productivity terms, and marketing-accounting interface receives considerable attention (Clarke, 2000; Sampaio *et al.*, 2011). In their search for opportunities to improve efficiency through the review of costs and automation and reduction possibilities, industrial marketers of this stage improve performance using engineering optimisation techniques and measure marketing performance in production terms (e.g., output per man-hour, units produced per employee) (Christian, 1959; Clarke, 2000; Corstjens & Doyle, 1979; Graham & Ariza, 2001; Parasuraman, 1982; Stapleton *et al.*, 2003). In the second stage (starting around 1980), accounting metrics start to receive increasing criticism, and the marketers’ focus gradually moves from financial to non-financial metrics, such as market share, income and consumer good-will

(Gao, 2010; Mehrotra, 1984). In the final stage (starting around 1990), non-financial metrics become firmly established indicators of marketing performance, and marketing performance measurement practices face a reorientation from products to customers. Consequently, customer-related metrics (e.g., customer satisfaction, customer loyalty, customer retention) are introduced (Clark, 2000; Lamberti & Noci, 2010; Ling-Yee, 2011). The last decade, the field has witnessed an increasing interest in measuring both marketing inputs and outputs, and employing multidimensional metrics in performance assessments (Gao, 2010).

### **3.2.3. Marketing Performance Enabling Conditions**

Since some scholars have used the constructs of marketing performance and effectiveness interchangeably, the enabling conditions or antecedents of both constructs are reviewed in this section.

Few scholarly publications explicitly discuss the enabling conditions of marketing performance and even fewer agree on those conditions (Yoon & Kang, 2005). For example, Osland and Yaprak (1995), who investigate the processes and factors that enhance marketing performance, identify environment, organisational culture, strategy, innovation and organisational learning as the factors, affecting marketing performance. Other researchers (e.g., Ambler & Xiucun, 2003; Appiah-Adu *et al.*, 2001; Eusebio *et al.*, 2006; Llonch *et al.*, 2002) postulate that an organisation's business orientation should be regarded as an important determinant of marketing performance. Two business orientations are documented in literature: customer orientation, which focuses on customers to achieve business objectives, and competitor orientation, which concentrates on winning over competitors (Eusebio *et al.*, 2006). As the research shows, both orientations positively impact overall marketing performance.

While agreeing that one of the main antecedents of marketing performance is customer orientation, Yoon and Kahn (2005) provide a more detailed overview of the marketing performance enabling conditions. In particular, they add marketing organisation, marketing personnel, marketing information and marketing strategy to the list of the enablers of marketing performance.

Another noteworthy work on the enabling conditions of marketing performance is written by O'Sullivan and Abela (2007), who confirm that the ability to measure marketing performance and marketing activities can also be regarded as determinants of marketing performance (Table 3.4).

Finally, some scholars argue that marketing effectiveness, as a dimension of marketing performance, has a strong impact on the performance of marketing (Yoon & Kang, 2005). This, in turn, allows the researcher to argue that the enabling conditions of marketing effectiveness also have their impact on marketing performance.

**Table 3.4. Marketing Performance Enabling Conditions**

<b>Marketing performance enabling conditions</b>	<b>Source</b>
Environment; Organisational culture; Organisational structure; Strategy; Innovation; Organisational learning	Osland and Yaprak (1995)
Marketing effectiveness; Market orientation	Appiah-Adu et al. (2001)
Marketing personnel: marketing experience, marketing mind, education and training; Marketing information: info utilisation, inter-departmental sharing; Customer-orientation; Marketing strategy	Yoon and Kahn (2005)
Business orientation (customer vs. competitor orientation)	Ambler and Xiucun (2003); Eusebio et al. (2006)
Marketing performance measurement ability; Marketing activities.	O'Sullivan and Abela (2007)

One of the most frequently cited works on the enabling conditions of marketing effectiveness is Kotler's (1977). Kotler (1977: 72) posits that "the marketing effectiveness of a company, division, or product line depends largely on a combination of five activities: customer philosophy, integrated marketing organisation, adequate marketing information, strategic orientation and operational efficiency". Customer philosophy requires organisations to fully understand and prioritise customer needs and wants. Integrated marketing organisation involves effective recruitment of staff, which is capable to perform marketing analysis, plan, implement and control. Adequate marketing information presupposes timely collection of quality information to market effectively. Strategic orientation is concerned with innovative long-term strategies; and operational efficiency focuses on the implementation of plans in the cost-effective manner (Kotler, 1977).

Although some variances in the marketing effectiveness enabling conditions by different researchers exist, the majority build on Kotler's framework (1977) or implicitly confirm its appropriateness and applicability. To illustrate, scholars identify the following enablers of marketing effectiveness:

- ability to design profitable strategies, managerial competences, being close to customer, and external market orientation (Webster, 1995);



- planning activity (Yukselen, 1997);
- marketing culture and organisational responsiveness (Connor & Tynan, 1999);
- ability to implement marketing plans, studying the market, suitable staff, recognising opportunities, ability to implement marketing plans at various levels of the organisation, studying the market, suitable staff, selecting appropriate segments, sufficient information, adaptiveness of managers, external orientation, being in a close relationship with customers (Appiah-Adu *et al.*, 2001);
- external marketing environment, overall company organisation and marketing organisation (Kahn & Myers, 2005) (Table 3.5).

**Table 3.5. Marketing Effectiveness Enabling Conditions**

<b>Marketing effectiveness enabling conditions</b>	<b>Source</b>
Ability to implement marketing plans at various levels of the organisation; Studying the market; Suitable staff; Recognising opportunities; Selecting appropriate segments; Sufficient information; Adaptiveness of managers; External orientation; Close relationship with customers	Appiah-Adu <i>et al.</i> (2001)
Customer philosophy: acknowledgement of the primacy of the market place and of customer needs and wants; Integrated marketing organisation: staff, ability to perform marketing analysis, planning, implementation and control; Adequate marketing information; Strategic orientation: generation of innovative strategies and long-term plans for growth and profitability; Operational efficiency: cost-effective implementation	Kotler (1977)
Marketing personnel: HR planning, education, training; Marketing organisation: cooperation between departments, synergy among marketing units; Marketing information system; Marketing strategy: top management's commitment; Marketing operations: product development, planning, research, sales activities	Yoon and Kim (1999)
Marketing strategy: correct positioning, proper executing of programmes; Marketing creative: creativity; Marketing execution; Marketing infrastructure: budgeting, motivation, coordination of activities; Corporate: company's size, budget, ability to make organisational change; Competitive: competitive marketing information; Customers: understanding how customers are making a purchase; Exogenous factors: weather, interest rates, government regulations	Nwokah and Ahiauzu (2008)
Managerial competencies; Ability to design profitable strategies; Being close to customer; External market orientation	Webster (1995)
Marketing culture; Organisational responsiveness	Connor and Tynan (1999)
External marketing environment; Overall company organisation; Marketing organisation: marketing management, personnel diversity	Kahn and Myers (2005)
Company size; Planning activity	Yukselen (1997)

### **3.2.4. Marketing Objectives**

The important factor, influencing the choice of marketing metrics, is the type of marketing objectives that businesses set. In marketing research, it is differentiated between two broad types of marketing objectives: marketing objectives and communication objectives. Marketing objectives are concerned with influencing sales, market share, customer satisfaction, distribution penetration, number of new products and profitability. Corresponding to Ansoff's matrix of growth strategies, marketing objectives can further be divided into:

- Increasing sales in existing markets (e.g. of metrics: sales, ROI)
- Expanding to new markets (e.g. of metrics: market share, new customers)
- Developing a new product (e.g. of metrics: % of sales from new products)
- Diversifying, i.e. launching a new product in a new market (e.g. of metrics: customer base growth, new products) (McDonald & Wilson, 2011; Smith, 2003).

Communication objectives are, in turn, summarised in such models as DAGMAR (Defining Advertising Goals for Measured Advertising Results) and AIDA (Attention, Interest, Desire and Action). According to DAGMAR, marketers can choose between four types of communication objectives:

- Awareness (e.g. of metrics: changes in awareness)
- Comprehension (e.g. of metrics: satisfaction relative to competitors)
- Conviction (e.g. of metrics: consumer preference, switchability)
- Action (e.g. of metrics: purchases) (Tyagi & Kumar, 2004).

The AIDA model similarly suggests that communications objectives can range between:

- Awareness (e.g. of metrics: brand awareness, perceived quality)
- Interest (e.g. of metrics: liking, brand attitude)
- Desire (e.g. of metrics: commitment, retention rate)
- Action (e.g. of metrics: frequency of purchases, profit) (Egan, 2007).

### **3.2.5. Marketing Performance Criteria and Metrics**

A search for the performance criteria utilised in traditional marketing reveals that marketers willing to review their marketing performance can employ the following frames of reference. First and foremost, the performance of marketing can be evaluated by means of comparison of achieved results against specific internal

goals and plans (O'Sullivan & Abela, 2007). Depending on the strategic orientation of the organisation (customer vs. competitor), marketing performance can be also assessed against customer and/or competitor frames of reference (Clark *et al.*, 2006; O'Sullivan & Abela, 2007). Additionally, marketers can utilise such points of reference in their assessments as innovation, involved resources, processes, products/services and financial outcomes (Clark *et al.*, 2006; Woodburn, 2004). Which performance criteria should be selected depends on the particular marketing strategy, strategic orientation of the organisation and specific marketing goals and objectives (Clark *et al.*, 2006; Wu & Hung, 2007).

Marketing literature is rich with varied classifications of marketing metrics (Good & Schultz, 2004; Ling-Yee, 2011; Petersen *et al.*, 2009; Solcansky *et al.*, 2011). For example, metrics can be classified on the basis of the marketing objectives. According to the objectives, metrics can be marketing-related (e.g., sales, market share, profitability) and communication-related (e.g., awareness, knowledge, interest, action). Additionally, metrics can be classified into different types as follows:

- Financial vs. non-financial;
- Internal vs. external;
- Subjective vs. objective;
- Qualitative vs. quantitative;
- Input, process and output;
- Activity-related;
- Time-related;
- Resources-related;
- Backward-looking vs. forward-looking;
- Tactical vs. strategic;
- Competitor-related;
- Consumer-related;
- Product/service-related;
- Innovativeness;
- Brand-related (Table 3.6).

The division of metrics into financial and non-financial is one of the most common classifications of marketing metrics in literature (Llonch *et al.*, 2002). The financial metrics category “reduces numerous inputs and outputs to the same currency, i.e. money” and provides objective performance evaluations, expressed in monetary terms (Sampaio *et al.*, 2011; Solcansky *et al.*, 2011; Woodburn, 2004: 69). When

employed alone, financial metrics, however, are regarded as poor indicators (Woodburn, 2004). They should, therefore, be balanced with non-financial metrics, which provide more comprehensive information to enable future decision-making. Non-financial metrics can be expressed as market standing, innovativeness, awareness, customer satisfaction, and loyalty and market share (Clark, 2000; Llonch *et al.*, 2002; O'Sullivan & Abela, 2007; Phillips & Moutinho, 2010; Solcansky *et al.*, 2011).

**Table 3.6. Classification of Marketing Performance Metrics**

<b>Metric type</b>	<b>Example</b>
Financial	Profit, turn-over, return on investment, return on capital employed, inventory turnover, contribution margin, revenue change, return on assets, sales, cash flows
Non-financial	Innovativeness, market standing, changes in awareness, market share, customer satisfaction, customer loyalty
Internal	Awareness of goals, commitment to goals, active innovation support, resource adequacy, appetite for learning, freedom to fail, relative employee satisfaction,
External	Word-of-mouth, loyalty, retention, relative perceived quality, consumer satisfaction, number of complaints, total number of customers, relative price, market share, awareness
Subjective	Customer satisfaction, changes in awareness
Objective	Profit, turn-over, return on investment, revenue
Qualitative	Perceived product quality
Quantitative	% of sales from new products, total number of customers, market share, customer segment profitability, sales to new customers
Input	Time required on marketing activities, cost of the resources required for the demand generation activities
Process	Number of initiatives in process
Output	Number of initiatives in process, number of innovations launched
Activity-related	Revenue per conducted marketing activity
Time-related	Time required on marketing activities, briefing time in numerous departments, time required to move customers from one stage of engagement to another
Resources-related	Cost of the resources involved in the demand generation activities, costs in R&D, additional capacity and briefing time in numerous departments
Backward-looking	Customer satisfaction relating to past service exposure, service quality of past service experience
Forward-looking	Customer lifetime value, customer referral value, customer base growth, brand equity, customer equity
Tactical	Sales and profit performance, return on net assets, shareholder value, marketing budget, customer satisfaction
Strategic	Market share, satisfaction relative to competitors
Competitor-related	Market share, advertising and promotional share
Consumer-related	Consumer penetration, loyalty, customers gained, brand recognition, purchase intent, lifetime customer value, relevance to consumer, preference
Product-service-related	Customer perceptions of product/service performance, perceived product quality, performance, features, conformance with specifications, reliability, durability, serviceability, fit and finish
Innovativeness	Products launched and their revenue, % of sales coming from new products
Brand-related	Index of switchability, consumer preference, satisfaction relative to competitors, market share value, size, growth, profitability, retention rate, frequency, recency, amount and type of purchases, liking, commitment

Sources: Ambler, 2000; Clarke, 2000; Connor and Tynan, 1999; Demma, 2004; Grønholdt and Martensen, 2006; Lamberti and Noci, 2010; Llonch *et al.*, 2002; O'Sullivan and Abela, 2007; Phillips and Moutinho, 2010; Sampaio *et al.*, 2011; Smith, 2011; Srinivasan and Hanssens, 2009; Valos and Vocino, 2006; Woodburn, 2004.

Further, internal metrics assess the current marketing stand inside the organisation (Ambler, 2000); while external metrics concentrate on marketing performance relative to external stakeholders.

As in the business performance literature, marketing metrics can also be characterised as subjective and objective. Subjective metrics are typically associated with qualitative metrics, such as customer satisfaction and perceived quality (Valos & Vocino, 2006; Valos, 2008); whilst objective metrics frequently include quantitative metrics, for example number of customers served, return on assets, customers gained and products launched (Clarke, 2000; Eusebio *et al.*, 2006).

Input, process and output metrics are closely associated with the efficiency dimension of marketing performance. A further analysis of input metrics also indicates that resource-related metrics (e.g., cost of the resources involved in the demand generation activities, costs in R&D, briefing time in numerous departments), activity-related indicators (e.g., programmes, activities, investments, media buys, sales initiatives) and time-related metrics (e.g., time required on various activities) can be regarded as sub-categories of input metrics, as all aim to evaluate the amount of inputs required. Whereas process- and outcome metrics deal with the assessment of the actual processes (e.g., cost of managerial support, training, education) and outputs of those processes (e.g., money or time spent on marketing efforts) (Demma, 2004; Lamberti & Noci, 2010; Woodburn, 2004).

Metrics of marketing performance can also be backward- and forward-looking. In other words, they may seek to estimate marketing performance relating to past experiences and services (e.g., customer satisfaction relating to past service experiences), or they may attempt to evaluate future marketing performance (e.g., customer lifetime value).

Marketing metrics can be developed at the tactical and strategic levels. For example, metrics at the tactical level include sales and profit performance, return on assets and shareholder value (Connor & Tynan, 1999), while the examples of strategic metrics can be brand recognition and market share (Eusebio *et al.*, 2006).

Competitor-related metrics focus on performance relative to competitors (e.g., market share, advertising and promotional share), while consumer-related metrics estimate performance from the point of view of consumer behaviour, penetration and loyalty (Sampaio *et al.*, 2011; Zahay & Griffin, 2010).

Finally, product/service-related metrics measure perceptions of products and services performance; innovativeness metrics track the level of learning and growth (e.g., employee innovative capability, number of new products launched) and brand-related indicators assess the perceived quality, awareness, associations and differentiation of the brand (Petersen *et al.*, 2009; Seggie *et al.*, 2007; Sampaio *et al.*, 2011; Wu & Hung, 2007).

### **3.2.6. Marketing Performance Measurement Processes**

As mentioned earlier, the research on marketing performance measurement is evolving. To date, it demonstrates a considerable amount of work that identifies a variety of metrics to be adopted by marketers. However, how these metrics should be selected, and how marketing performance measurement should be approached is yet an area to be investigated. The few measurement recommendations, discussed in literature, include:

- *Selection of metrics on the basis of adopted marketing strategy.* For example, Valos and Vocino (2006) suggest that prospectors (innovative enterprises, market leaders) should choose subjective, non-financial, frequent, behavioural, qualitative, external, strategic and long-term metrics; while defenders (less innovative, but more efficient enterprises) should rely on objective, financial, infrequent, output-related, quantitative, internal, tactical and short-term metrics;
- *Measurement of marketing performance from the point of view of three perspectives: efficiency, effectiveness and adaptability.* Clark (2000) argues that multidimensional measurement enables a more holistic understanding of overall marketing performance;
- *Balanced approach to the selection of marketing metrics.* The measurement of marketing performance should be both non-financial and financial, backward-looking and forward-looking, short-term and long-term, macro and micro, independent and causal, absolute and relative, and subjective and objective (Seggie *et al.*, 2007);
- *Alignment of adopted benchmarking (e.g., relative to strategy, competitors, customers, performance over time) with an organisation's strategic orientation* (Ambler & Xiucun, 2003; Clarke, 2000; Eusebio *et al.*, 2006);
- *Recognition of the importance to evaluate marketing effects across customer segments, geographical locations and channels* (Wyner, 2003);
- *Evaluation of marketing performance at various levels, including programme level, task level and overall marketing policy level* (Clarke, 2000).

Compared to the business performance measurement literature, the number of performance measurement approaches discussed in the marketing research is modest. Apart from the generic measurement frameworks, such as the financially-oriented Economic Value Added (EVA) and the Balanced Scorecard (Seggie *et al.*, 2007), the literature exhibits only a few marketing-specific performance measurement models. The most cited measurement framework is the marketing audit. The authors of the audit, Kotler *et al.* (1977: 4), define marketing audit as “a comprehensive, systematic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance”. Among other marketing-specific measurement approaches, there can be mentioned the marketing performance framework based on customer engagement cycle (Demma, 2004) and Unisys Marketing Dashboard (Miller & Cioffi, 2004). The former suggests to measure the contribution to marketing performance segment by segment and stage by stage, since customer needs and requirements change as the customers move through the customer engagement cycle. The latter proposes that performance measurement involves outlining of corporate goals and linking of marketing goals, objectives, tactics and metrics to those goals in a hierarchical manner (Miller & Cioffi, 2004). Most of the scarce existing measurement approaches are criticised in literature either for being vague and for lacking clear implementation guidelines, or for being too short-term oriented (Seggie *et al.*, 2007).

In the remainder of the chapter, Internet marketing performance measurement research is considered and reviewed to shed more light on the performance measurement constructs and practices, and to enhance researcher's sensitivity to the subject of investigation.

### **3.3. Internet Marketing Performance Measurement**

Internet marketing performance measurement research is diverse, but fragmented. It takes its roots from various disciplines, including marketing management and Management Information Systems (Michopoulou & Buhalis, 2008), but more frequently it derives directly from Internet marketing industry practices (Calero *et al.*, 2005; Wilson, 2004). The review of the Internet marketing performance literature reveals that within this research there can be made a distinction between generic Internet marketing performance measurement studies and works focusing on the measurement of specific medium or tools (e.g., social media, email marketing, websites, banners). Like in the previous section, to achieve increased comparability, the review of the measurement approaches in Internet marketing is offered under



the headings of Internet marketing performance definition, history, enabling conditions, objectives, performance criteria and metrics, and measurement approaches.

### **3.3.1. Defining Internet Marketing Performance**

Unlike previously reviewed business performance and marketing performance research, the literature on Internet marketing measurement does not identify a clear definition of performance. The lack of a unified definition in this research area can be explained by the multiplicity and contextual nature of the existing performance measurement approaches, which due to their application in different Internet media and contexts are largely dissimilar. Depending on the context of application (e.g., depending on the type of online media, activities and tools employed), performance can have various meanings. For example, in banner advertising, Internet marketing performance is associated with potentially enhanced reach and increased visibility (Pharr, 2004; Shen, 2002), while in social media, performance is concerned with improved image and positive word-of-mouth (Michaelidou *et al.*, 2011; Murdough, 2010). Several attempts have been made to develop Internet marketing performance measurement standards; however because of the differing contexts and applications of Internet marketing no standardised definitions or frameworks for Internet marketing performance measurement yet exist (Novak & Hoffman, 1996).

### **3.3.2. History of Internet Marketing Performance Measurement**

Broadly, the evolution of Internet marketing is claimed to consist of three stages: the dot.com stage (1994-2000), the dot-bomb stage (2000-2001/2), and the post dot.bomb stage (2002 to present) (Shabazz, 2004), which can further be divided into web 1.0 (one-way information transfer), web 2.0 (user-centered two-way information sharing) and web 3.0 (personalised web) (Anderson, 2012). The first stage is marked by the accelerating businesses' excitement about the emerging Internet opportunities and ambitious investments into website developments (Wilson, 2004). As Ioakimidis (2007) depicts it, marketing initiatives of this time largely resemble magazine style advertising, consisting of simple texts and pictures, and the main benefit of this marketing is in the collection of customer subscriptions (Coffey, 2010). The performance measurement of the Internet marketing activities is not yet on the agendas of the marketing managers. It is calculated on the basis of the amount of subscriptions and a few internal and accounting metrics. The information about customers and online visitors is neither requested nor available (Coffey, 2010).

The second stage, during which the unthoughtful online investments of many businesses turn into numerous bankruptcies, is associated with the reassessment of Internet marketing activities and their measurement. Following mass failures, companies start to realise that online marketing success is expressed not only in quantifiable terms. Consequently, there arises interest in new measurement approaches, which are able to monitor both the quantitative (e.g., ROI) and qualitative (e.g., exposure) contributions of online marketing (Ephron, 1997).

The last and the present stage in the Internet marketing evolution is characterised by further improvements in measurement and the development of multiple tracking and analytics solutions (Ryan & Jones, 2009). There comes a realisation of the importance to link online marketing activities to measureable goals and objectives (Benoy *et al.*, 2001), although even today there are examples of businesses which set no objectives for their Internet marketing. The measurement of online marketing remains prevalently accounting-based; however the demand for behaviour-related measurement of customer audiences is increasing (Jaillet, 2002; Ryan & Jones, 2009). The main peculiarity of Internet marketing performance measurement field is its high commercial relevance and resulting from this prevalence of the practitioner rather than academic literature, something that leaves empirical and theoretical validations yet to be undertaken (Calero *et al.*, 2005).

### 3.3.3. Internet Marketing Performance Enabling Conditions

As illustrated in the introduction to this section, Internet marketing performance measurement research can be divided into generic and medium-specific. This also applies to the discussions on enabling conditions, where it is possible to distinguish between generic conditions enabling overall Internet marketing success and conditions that should be created for maximising the success of Internet marketing in various contexts. Two most well developed discussions on enabling conditions concern generic enablers of Internet marketing success and enabling conditions for websites; whilst the conversations on the conditions to be created in, for example, email marketing or social media are limited and still emerging. An overview of various enabling conditions is summarised in Table 3.7.

**Table 3.7. Internet Marketing Performance Enabling Conditions**

Channel	Enabling conditions	Source
Internet marketing	Attract users; engage users' interest and participation; retain users; learn about their preferences; relate back to users to provide customised interactions	Kierzkowski et al. (1996); Teo (2005)
	Use multiple advertising approaches; develop effective creative; measure; build a customer base, combine Internet marketing with traditional marketing, all industries are different	Krishna-murphy (2000)
	Tangible assets (fixed and current assets of a business); intangible assets (intellectual property, brand equity, formal and informal	Elliott and Boshoff (2009)

Channel	Enabling conditions	Source
	networks); capabilities (skills of individuals, organisational culture)	
	Easy to find, clear, up-to-date, accurate, informative, well designed, speed site; top management commitment; customer acceptance; integrating internet marketing with marketing strategy; setting strategic goals for using the internet; effective offline marketing of the site; successful relationship with customers and suppliers; security; effective online marketing of the site; segmentation; collaboration with strategic partners; technology infrastructure; internal culture; multilanguage website; training programmes for sales force; collaboration with strategic suppliers, technology provider, strategic distributors, real time online interactive elements	Eid et al. (2006)
	A clear e-marketing plan (goals, actors, spaces, actions, outcomes)	Krishnamurphy (2006)
Websites	Information modalities (e.g., attractive informative text, images, online purchasing capabilities, video, sound, live chat, instantly updated information); cohesive cyberspace strategy; specific purposes that the website is intended to fulfil; segmentation; interactivity; search engine optimisation (SEO)	Ioakimidis (2007)
	Strategy and objectives (market analysis, potential customers analysis, internal analysis, strategic role of the web activities); web experience (customer oriented content); integration of marketing strategy and activities; integration of the web site with organisation processes, legacy systems and data bases; third party integration; technology, technical requirements and web site administration	Constanti-nides (2002)
	Navigation, content, presentation; effort, reuse, development, maintenance; maintainability, portability, efficiency, usability, functionality, reliability	Calero et al. (2005)
	Good user interface good structure of content, reasonable information quantity, good products/service combination possibilities, good availability/performance of the system, cost benefits passed on to the clients; adjustable customer profile, guided ordering according to profile, possibility of customised products, transparent interactive integration of business rules, good implementation of security issues, good contact possibilities with vendor; easy selection of generic services, good integration of generic services, effective use of customer profile, good tracing and tracking, good IT integration, convenient after sales support	Schubert and Selz (2002)
	Customer service; quality of the networks (waiting time, speed connection); payment mechanism; company core ability (scale of properties); company frame (advertising activities); information content (completedness, reliability); product purchasing (variety of goods, less time consuming of purchase)	Shin and Hu (2008)
	Support for customer preferred channel of communication in response to enquiries; clearly indicated contact point for enquires; site availability and performance; site usability, efficiency of links; appropriate graphic and structural site design, ease of use, relevant content, visual appeal; personalisation option for customers; specific tools to help customers answer specific queries	Chaffey (2000)
	Testing, refinement, reinvestment; knowing target market; strategy and objectives	Ryan and Jones (2009)
	Site quality (user interface, ease of use, navigability, searching capabilities, customisation features); information quality (accuracy, understandability, informativeness, relevance of information); net benefits; system quality (security, responsiveness, reliability); image (organisation's overall reputation)	Belanger et al. (2006)
	Technical enablers (browser compatibility, HTML design, bad links, load time, readiness); marketing enablers (tangibilising of products, market segmentation, marketing research, partnerships, relationship marketing, positioning approach, marketing evaluation); internal enablers (ease of site maintenance, updating, skills to maintain site); customer enablers (contact information, searchable database, booking service, privacy declaration, user friendliness, easy URL)	Kim and Njite (2009)
Email marketing	Defined response times; use of auto responders to confirm query is processed; personalised emails; accurate responses; opt-in and opt-out options in relation to provision of customer information; clear layout, privacy statements in email	Chaffey (2000)
Social media	Support by means of traditional marketing activities (e.g., advertising, event marketing, media appearances); word-of-mouth	Trusov et al. (2010)

### **3.3.4. Internet Marketing Objectives**

The explicit discussions about the types of marketing objectives on the Internet are scarce. Bandyopadhyah *et al.* (2009) suggest that the objectives for online marketing can be exposure-related (e.g., to increase visibility, exposure and awareness), revenue-related (e.g., to increase sales and to receive new customers) or, alternatively, these objectives can be combined into so-called hybrid objectives. Hoffman and Novak (1996) set forth a more detailed classification of objectives into: exposure- (e.g., to increase reach), interactivity- (e.g., to improve click-through rate) and outcome-oriented objectives (e.g., to increase the number of orders and sales). Both authors clearly demonstrate the link between the objective type and the type of metrics adopted. Further information about Internet marketing metrics is offered in the next section.

### **3.3.5. Internet Marketing Performance Criteria and Metrics**

To determine the performance of Internet marketing activities, the recorded results are typically evaluated against the specific goals and objectives, past performance figures (Ioakimidis, 2007) or tactical, operational and strategic plans (Michopoulou & Buhalis, 2008). The metrics employed in the evaluation of this performance include some of the traditional marketing metrics (e.g., market share, sales, retention), but also involve a large number of new Internet-enabled indicators (Table 3.8). While there can be a difference in the types of metrics used in various media, the most frequently mentioned metrics can be identified. Among some of the most widely employed metrics there are:

- Hits – the number of page or files required by visitors;
- Clicks – the number of times a user “clicks” on an advert or banner;
- Views/exposures/impressions – the number of times an advert is viewed/delivered;
- Visits – a series of requests by a user;
- Click-throughs – the precise number of instances when a user successfully arrives from an intermediary website to a merchant’s website;
- Reach – the number of unique visitors (different individuals visiting a website within a particular time period) exposed to a banner/website/advert;
- Conversion – the number of visitors to a website who perform a pre-defined action (e.g., a purchase, a registration);
- Leads – the number of sign-ups or registrations that intermediaries generate by sending users to the merchant’s website;
- Frequency – the distribution of the number of times unique visitors were exposed to an ad/banner/webpage in a time period;

- Traffic – the number of users arriving to a webpage/website (Michopoulou & Buhalis, 2008; Novak & Hoffman, 1997; Ryan & Jones, 2009).

**Table 3.8. Internet Marketing Performance Metrics by Channel**

Channel	Metrics	Source
Internet marketing	Hits, requests, clicks, visitors, unique visitors, sessions, views, exposures, impressions, visits, click rate, click-through rates, inquiries, average time on page, duration time, frequency, depth, leads, traffic	Novak and Hoffman (1996)
	Net profit, ROI, customer life cycle, hits, visitors, page views, traffic, reach, acquisition, conversion, retention, loyalty, abandonment, attrition, churn, velocity, recency, frequency, monetary value, duration, stickiness, slipperiness, focus, optimal site path, cost per acquisition, cost per conversion, yield, net yield, personalisation index, freshness factor, connect rate	Michopoulou and Buhalis (2008)
	Number of times a site is accessed, number of inquires	Benoy et al. (2001)
	Visits, leads, conversion, cost per lead	Wilson (2004)
	Hits, sessions, leads, sales cycle, revenue, sales, feedback	Sterne (1999)
	Revenue from advertising impressions	Trusov et al. (2010)
Social media	Number of users joining the group, number of discussions, number of comments, number of positive comments, number of negative comments, number of customers attracted via social media, number of friend requests	Michaelidou et al. (2011)
	Number of fans, followers, authors, number of comments posted, advocates influence profile, rank of topics discussed, positive vs. negative sentiment, leads to ecommerce partners, retail locator results activity, product brochure downloads, reach, quality of mentions, quality of authors, where on social media discussions take place, chatter topics, tone, sentiment, purchases, leads.	Murdough (2010)
	Interactions, word-of-mouth episodes, relationship types of people who interacted (strangers, acquaintances, best friends, friends, romantic partners, spouses, relatives, co-workers)	Walter (2006)
	Visitors' opinions, interactions, viewed webpages	Ioakimidis (2007)
Websites	Navigation/organisation, ease of use, usability, information, web content, usefulness of the site, fun, enjoyment, entertainment, delight, layout, presentation, web appearance, convenience	Triebelmaier and Pinterits (2009)
	Direct visits, referring site visits, search engine visits	Plaza (2011)
	ROI, traffic, browser, operating system the customer came from, keywords, search engines they use, referring site, visit duration, pages they visit, returning customers, unique IP address of the user's computer, date and time of the request, conversion rate, page views, bounce rate, abandonment rate, cost per conversion	Ryan and Jones (2009)
	Site traffic, profitability, exposure, usability, accessibility, navigation, ease of use, price, trustworthiness, image, credibility, searchability, accuracy, information quality	Belanger et al. (2006)
	Visits, page views	Welling and White (2006)
	Time per session, number of page views, duration of page views, impressions, webpages by type (home page, purchase page)	Bucklin and Sismeiro (2009)
	Views, click-through rate, visits, ad impressions	Rowley (2004)
Banners	Impressions, click-throughs, outcomes (e.g., inquires, purchases), exposure, unique visitors, brand awareness, brand attitude change, purchase intention, banner ad duration time	Shen (2002)
	Click-through rate, interactivity, brand attitude, purchase intention, attitude towards the ad, clicks	Pharr (2004)
	Hits, page views, impressions	Krishnamurphy (2000)
	Clicks, clickthroughs, exposure, reach, frequency	Bucklin and Sismeiro, 2009
	Advertisement cost, clicks, cost per impression, visits, purchases	Kumar and Kohli (2007)
Search Engine Advertising		

Channel	Metrics	Source
Online advertising	Reach, impressions, total schedule cost, frequency distribution, effective reach, continuity, media type budget allocation, online purchase rate, click-throughs, unique visitors, visitor duration, hits, page views, cost per action/outcome	Cheong et al. (2010)
	Page views, click-through, reach, frequency, impressions, number of visitors, number of visits, number of pages, time spent, number of repeat visits	Dreze and Zufryden (1998)
Email	Click-throughs	Bucklin and Sismeiro (2009)

As shown in Table 3.8., Internet marketing metrics are typically classified according to the channel, where they are employed. Alternatively, metrics are selected on the basis of the marketing objectives they seek to accomplish (Table 3.9).

**Table 3.9. Internet Marketing Performance Metrics by Objective**

Objective	Examples of metrics
Exposure-oriented	Ad views, page, views, site reach, page frequency, exposure, weekly visits, banner ad reach duplication, unique visitors, brand awareness, brand attitude change, banner ad duration time, hits, impressions, time per session
Interactivity-oriented	Direct orders, lead generation (i.e. all direct response), traffic generation), click-throughs, purchase intention, number of repeat visits, visitor opinions, number of users joining the group on social media, number of friend requests, number of positive/negative comments, interactions, word-of-mouth episodes, relationship types of people who interacted (strangers, acquaintances, best friends, friends, romantic partners, spouses, relatives, co-workers)
Outcome-oriented	Sales, referrals, leads, inquiries, purchases, total schedule cost, online purchase rate, cost per action, search engine visits, webpages by type, revenue from advertising impressions

Sources: Bucklin and Sismeiro (2009); Bandyopadhyah et al. (2009); Cheong et al. (2010); Dreze and Zufryden (1998); Krishnamurthy (2000); Novak and Hoffman (1996); Pharr (2004); Plaza (2011); Rowley (2004); Shen (2002); Walter (2006).

### 3.3.6. Internet Marketing Performance Measurement Processes

In their review of web metrics Calero et al. (2005) find that the literature hosts several hundreds of metrics; however, the guidelines as to how these metrics can be selected or how performance measurement systems can be designed are non-existent. A few identifiable and scarce recommendations read:

- *Metrics need to be linked to strategy, specific objectives and tasks at hand.* For example, for exposure-oriented goals marketers can select such metrics as exposures, reach and frequency. For outcome-oriented goals, they can rely on number of orders, sales and leads (Chaffey, 2000; Michaelidou et al., 2011; Novak & Hoffman, 1996; Wilson, 2004);
- *Metrics should be a part of the measurement process* (Kandrandjiev, 2001);
- *Metrics should be balanced* (financial and non-financial) (Ewing, 2009);



- *Only the most relevant metrics, or key performance indicators (KPIs) should be selected and monitored to avoid information overload* (Ryan & Jones, 2009);
- *Metrics should be continuously refined* (Kandrandjiev, 2001).

Although practitioners celebrate the fact that they can measure “everything” (Ryan & Jones, 2009), both the practice and theory of Internet marketing performance measurement remain challenging. Practitioners are faced with an overwhelming amount of raw data, but are unable to synthesise this data to generate meaningful insights (Chen, 2001; Michopoulou & Buhalis, 2008), while academics are still searching for appropriate approaches to Internet marketing performance measurement (Michopoulou & Buhalis, 2008). So far, the studies have applied measurement frameworks from business performance measurement (e.g., Balanced Scorecard), marketing management and management information systems literature (Bremser & Chung, 2005; Dhyani *et al.*, 2002; Kim & Njite, 2009; Novak & Hoffman, 1997). Few academics have engaged in developing performance measurement frameworks specifically for the online domain (Chaffey, 2000; Michopoulou & Buhalis, 2008; Murdough, 2010). As a result, the approaches to measurement are various, and no dominating framework(s) is yet available. Besides, the academic focus appears to be not on developing frameworks, but on examining the analytics available through tracking providers (Kumar & Kohli, 2007; Plaza, 2011).

### **3.4. Sensitising Conceptual Framework**

The outcomes of the literature review (Chapter 2 and 3) and the directions for further exploration are summarised in the study’s sensitising conceptual framework (Figure 3.1). Generally, a conceptual framework is defined as a technique that enables the researcher to visualise the relationships between ideas and concepts in the form of pictures, schemes and diagrams (Berg, 2009). The relationships in these diagrams are typically derived from literature and represent the specific links between the ideas and activities that the researcher plans to undertake. In the use of concepts, however, there exist two traditions: an operationalising tradition and a sensitising tradition (Berg, 2009).

This study follows the sensitising tradition. Unlike the definitive and precise operationalising tradition, the sensitising tradition offers a few very general and vaguely defined concepts that are required to provide an approximate orientation for the research. In sensitising tradition, the concepts are not viewed as absolute points of reference, but as initial points of departure, which are continuously refined to



become more relevant to the purpose of the study. These initial concepts may derive from the literature review, prior researcher's experience or from the data.

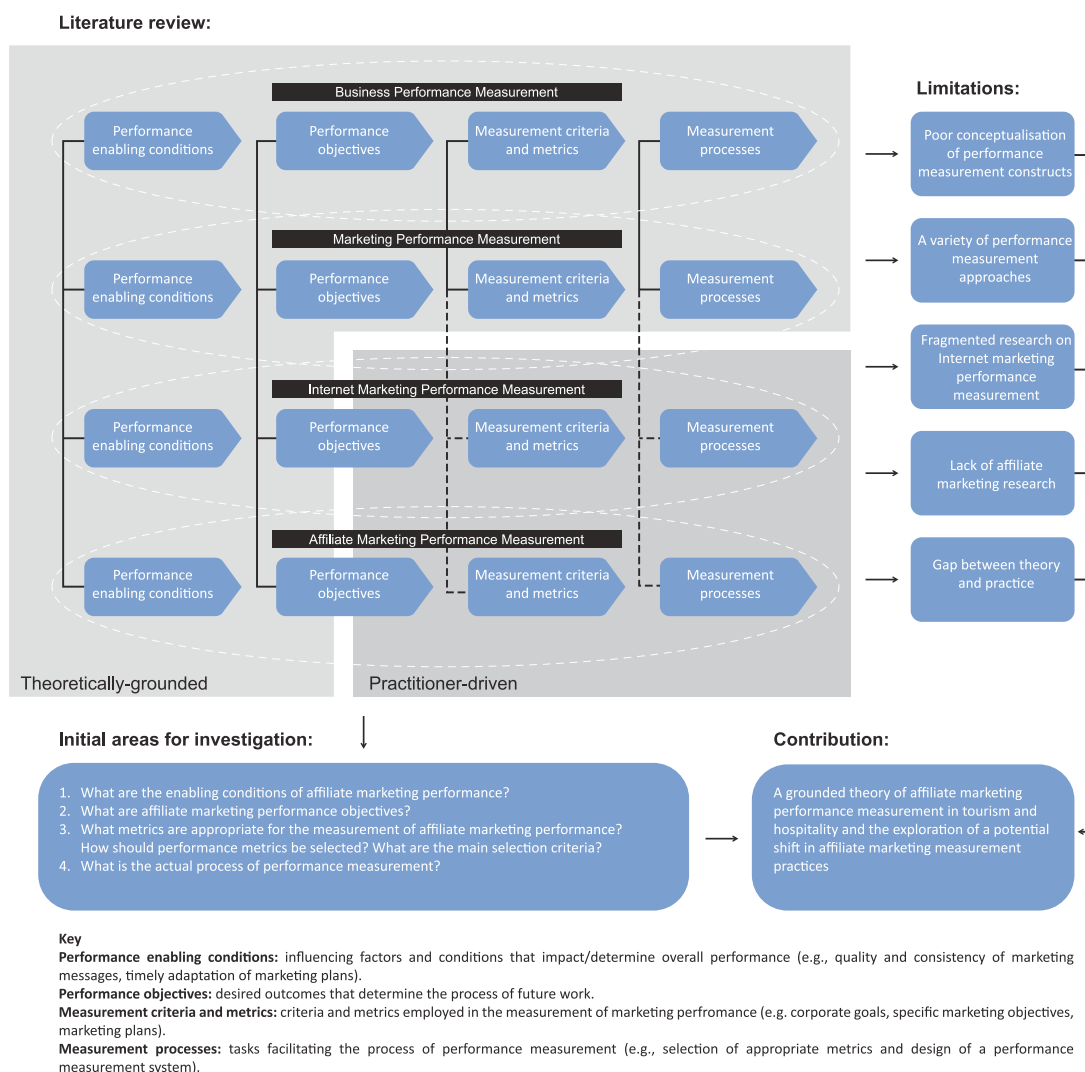
The reason for adopting a sensitising (rather than operationalising) tradition in conceptual development is the reliance on grounded theory. The research builds on the assumption that it is impossible to enter the field without any prior knowledge of the subject, because the formulation of the problem as such requires some familiarity of the researcher with the subject of investigation (Backman & Kyngas, 1999; Charmaz, 2007). Similarly, given the university procedures (e.g., ethical approval), the research cannot proceed unless the review of literature is conducted, and the initial research instruments informed by the previous research are constructed (Corbin & Strauss, 2008; Walls *et al.*, 2010). The literature review provides the initial focus for the study and aids in the construction of the research questions, while the conceptual framework offers the rationale for the study and the justification for the launch of grounded theory (McGhee *et al.*, 2007; Walls *et al.*, 2010). The sensitising conceptual map of this study is kept very general, only providing the rationale for the study, formulating the main research questions and highlighting potential contributions of the research (Figure 3.1).

The sensitising conceptual framework builds upon the review of four literature streams, including more generic literature on business performance measurement and traditional marketing performance measurement and more specific literature on Internet marketing and affiliate marketing performance measurement. According to the literature review, the first two literature streams are voluminous and diverse. They include numerous performance measurement approaches with a solid theoretical base and empirically generated measurement principles. In contrast, Internet marketing and affiliate marketing performance measurement literature is only to an extent theoretically grounded (Eusebio *et al.*, 2006). With an exception of a few fragmented theoretical discussions on enabling conditions and metrics, these research strands are largely practitioner-driven and still evolving.

Collectively, performance measurement literature exhibits five major limitations. First, the literature demonstrates a generally poor conceptualisation of the key performance measurement constructs (e.g., performance, performance measurement, effectiveness, efficiency) and shows that there is still much confusion with regard to their definition and use (Ambler *et al.*, 2004; Gao, 2010; Hooley *et al.*, 2003). Also, business performance measurement and marketing performance measurement literature puts forward multiple and very different ways of measuring performance, giving rise to a variety of performance measurement approaches, but offering no specific recommendations as to how a relevant approach can be

selected (Bremser & Chung, 2005; Good & Schultz, 2004). Further, Internet marketing and affiliate marketing performance measurement studies that encounter a few emerging discussions on performance enabling conditions and metrics lack cohesive and theoretically grounded performance measurement recommendations and processes. Finally, given the practitioner-driven nature of Internet marketing and affiliate marketing studies, the literature review finds a considerable and increasing gap between performance measurement theory and practice, particularly as it is applied online.

**Figure 3.1. Sensitising Conceptual Framework**



On the basis of these limitations and themes covered in the existing research, the study identifies four initial and broad areas for investigation: 1) performance enabling conditions, 2) performance objectives, 3) performance criteria and metrics, and 4) performance processes. By exploring these areas, the study anticipates to develop a grounded theory of affiliate marketing performance measurement in

tourism and hospitality, and to explore a potential shift in affiliate marketing measurement practices through the evaluation of the effectiveness of the currently adopted practitioner-led performance measurement approaches.

### **3.5. Summary**

Due to the limited literature on affiliate marketing, this chapter reviews additional research streams in order to fully address the first objective of the study concerned with the clarification of the affiliate marketing performance measurement constructs. The chapter critically analyses previous studies from generic business, traditional (offline) marketing and Internet marketing performance measurement studies and reflects on the current state of research within these fields. The chapter particularly focuses on such concepts as performance measurement definition, performance enabling conditions, performance objectives, performance criteria and metrics, and performance recommendations and processes. As a result of the comprehensive review of the existing studies, the chapter also accomplishes the second research objective, whereby it proposes a sensitising and broad conceptual framework for the study. The conceptual framework highlights the rationale for the launch of grounded theory, lists the limitations of current performance measurement research and indicates the broad areas for further investigation.

The next chapter presents the methodological approach adopted in this study and explains the methods for data collection and analysis employed.

## **Chapter 4: Research Methodology**

### **4.0. Introduction**

This chapter discusses the research methodology adopted in this study. It starts with description of the methodological evolution of the study, followed by the systematic explanation of the philosophical position of the researcher and the rationale, underpinning this position. Then, the chapter discusses the adopted research approach. In the discussion of the research strategy, the chapter justifies the choice of grounded theory. In the subsequent sections, it focuses on the data collection process and explains the rationale behind the selection of each of the methods employed. The methods are elucidated from the point of view of sample selection and recruitment, data gathering and limitations. Following the explanation of the data collection process, the chapter describes its approach to data analysis, considers relevant ethical issues and reflects upon the research quality criteria that the study aims to meet.

### **4.1. Methodological Evolution of the Study**

Before the researcher arrived at the methodology to be presented in this chapter, various methodological options had been considered and, as a result, the research approach, strategy and methods evolved and changed several times (Table 4.1).

At the outset of the study, the choice leaned towards a mixed research approach, combining qualitative and quantitative data collection techniques and analysis procedures, and multiple case study research strategy (Table 4.1). The intention was to first critically analyse the literature in order to develop a preliminary conceptual framework for measurement of affiliate marketing performance, and then to recruit three to nine case study organisations from the three major affiliate marketing stakeholder groups in tourism and hospitality, where the conceptual framework could be tested and further refined. Multiple case studies with mixed-methods, consisting of questionnaires, document analysis and interviews, were considered to allow data and methodological triangulation. It was thought that questionnaires would seek to collect the descriptive quantitative data on the different variables of the conceptual framework (e.g., performance criteria and metrics); analysis of documents from the marketing, accounting and IT departments would further support the existing and add new variables to the framework; whereas interviews with various representatives from the respective departments would qualitatively describe the relationships between the variables of the framework. The

comparative analysis of the data from multiple case studies was expected to allow the development of a unified measurement model of affiliate marketing performance.

**Table 4.1. Methodological Evolution of the Study**

Research stage	Research approach	Research strategy	Methods of data collection		Methods of analysis
Registration stage	Mixed (deductive-inductive)	Multiple case studies with the representatives of the three major affiliate marketing stakeholder groups (merchants, affiliates, affiliate networks)	Questionnaires		Quantitative
			Document analysis		Quantitative and qualitative
			Interviews		Qualitative
Beginning of MPhil stage	Mixed (deductive-inductive)	Grounded theory	Stage 1	Online forum discussions	Qualitative
				Preliminary interviews	Qualitative
			Stage 2	3 mixed-method case studies with the representatives of the three major affiliate marketing stakeholder groups (merchants, affiliates, affiliate networks)	Quantitative and qualitative
Mid-MPhil and PhD stage	Inductive	Grounded theory	Stage 1	Online forum discussions	Qualitative based on grounded theory
				Interviews with the representatives of the three major affiliate marketing stakeholder groups (merchants, affiliates, affiliate networks)	
			Stage 2	Questionnaires with the representatives of the three major affiliate marketing stakeholder groups (merchants, affiliates, affiliate networks)	

However, during the design of the study's conceptual framework and subsequent development of the research instruments, only a limited amount of affiliate marketing literature to inform the framework was identified. At the same time, the relevance of the generic marketing literature seemed to be problematic, given the different nature of online marketing practice. Therefore, to enter the field "open-minded, but not empty-headed", operating appropriate terminology, and to ensure that the anticipated affiliate marketing measurement model would be seen as valuable by the affiliate professionals (Corbin & Strauss, 2008), the research strategy was modified to grounded theory with the combination of the online forum discussions, preliminary interviews with industry professionals, and three mixed-

method case studies (Table 4.1). The main objective of the online discussions and preliminary interviews was to gain the initial understanding of the existing measurement approaches in affiliate marketing, and to inform the potential refinement of the developed mixed-method research instruments to be used in case studies. Preliminary interviews with industry professionals were planned to improve researcher's sensitivity to the subject, equip the researcher with the necessary terminology and to recruit potential case study organisations. Finally, mixed-method case studies would enable the construction of the affiliate marketing measurement model. At this stage both independent case studies and case studies involved in the same affiliate marketing relationship were considered for recruitment.

Eventually, on the completion of data collection from online forum discussions, it was decided to move away from a case study method and instead collect the data from as many independent representatives from major stakeholder groups as necessary for the construction of the affiliate marketing performance measurement theory. The decision was based on several arguments. First, it was considered risky to base the whole investigation on a selection of certain case study organisations, the access to which could at any time be limited. Second, the reliance on grounded theory required flexibility in terms of where and from whom the data would be collected; as such decisions are influenced by the emerging findings and cannot be entirely determined upfront. With this in mind, limiting research to three case studies implied restricted access and limited flexibility, which could influence the richness of the data and compromise the quality of the theory being developed. Third, the collection of data from multiple stakeholders and a large number of organisations would allow more generalisation and would allow the construction of the theory close to practice. Based on the above arguments, the decision was made to adopt a qualitative research approach and a grounded research strategy with the combination of multiple methods, including online forum discussions, interviews and questionnaires (Table 4.1). The following sections provide a detailed justification for each of the choices taken and describe the process of the choice implementation.

## **4.2. Research Philosophy**

Understanding research philosophy is an important step in undertaking research (Denzin & Lincoln, 1994; Saunders *et al.*, 2009). Whilst it is arguable whether every research should be philosophically justified (Boisvert, 1998), taking an informed philosophical position makes researchers aware of the available philosophical alternatives and different assumptions about how the world works. Such philosophical awareness helps researchers reflect upon, challenge and reassess their taken-for-granted assumptions. Besides, the clarification of philosophical

assumptions enables researchers determine a relevant research strategy and methods for their investigations and, in the majority of situations, pinpoints toward a certain research philosophy to adopt (Denzin & Lincoln, 1994; Saunders *et al.*, 2009).

One way to understand research philosophy is through studying the research ontology and epistemology. Ontology is concerned with how the nature of reality is viewed, whereas epistemology focuses on what constitutes acceptable knowledge and on the relationships between the research and the subject of research (Crowther & Lancaster, 2005). Ontology and epistemology further underpin the chosen methodology (Saunders *et al.*, 2009).

This study starts its quest for the most suitable way to accomplish and deliver the research aim from the bottom-up, i.e. from the identification of the appropriate methodology, rather than philosophy. Since the study's research aim is concerned with the development of a theory of affiliate marketing performance measurement in tourism and hospitality, the main criteria for methodology choice are a methodology's ability to capture the different aspects of affiliate marketing performance measurement processes from various stakeholder perspectives, to validate the emerging findings, and, thus, to deliver the aim in a credible and rigorous manner. After reviewing the benefits and limitations of available methodologies, it is decided to utilise a multi-method approach with a combination of online forum discussions, semi-structured interviews and semi-structured questionnaires. Online discussions on selected affiliate marketing forums are chosen to generate an initial and overall understanding of the performance measurement processes in affiliate marketing, to identify the potential sample for the research, and to inform the refinement of the research instrument. Interviews with the representatives of the major stakeholder groups (i.e. tourism and hospitality merchants, affiliates, affiliate networks and agencies – a stakeholder identified through online discussions) are selected to gain a “thick” and a more in-depth knowledge of the measurement processes, and to obtain the perspectives of the different affiliate marketing stakeholder groups on measurement practices (Corbin & Strauss, 2008). In turn, as in earlier marketing performance research (Barwise & Farley, 2004; Michaelidou *et al.*, 2011; Teo, 2005), questionnaires are adopted to generate more data and triangulate the findings, collected by the first two methods. It is believed that multiple methods can enable the researcher to draw upon a variety of perspectives, and can allow a holistic understanding of the measurement processes attained in a reliable and valid way.



From the philosophical point of view, the chosen methodology points in different epistemological directions. On one hand, questionnaires meant to produce highly objective credible data reflect a positivistic research philosophy (Cunningham & Fitzgerald, 1996; Saunders *et al.*, 2009). On the other hand, critical multiplism in the form of additional online discussions and qualitative interviews aimed at data triangulation resembles post-positivistic arguments (Denzin & Lincoln, 1994; Saunders *et al.*, 2009). From the ontological perspective, it implies that the researcher's view on the nature of reality is highly objective and realistic. Yet, the nature of reality in this research is also multiple and socially constructed, because the knowledge (i.e. a theory of affiliate marketing performance measurement in tourism and hospitality) is comprised of the subjective meanings of affiliate marketing stakeholders, and is also collected through qualitative in-depth investigations on smaller samples, all of which is reflective of interpretative inquiry paradigm (Saunders *et al.*, 2009). Finally, the philosophical position of this research can also be argued to be similar to that of pragmatism, as pragmatism suggests that ontology, epistemology and methodology should be dependent on the research aim to be accomplished (Saunders *et al.*, 2009). In this study, the research aim has indeed been in focus from the outset of this work and has largely guided the process of method selection, whereas deeper philosophical considerations have not been thought of until the later stages of the research.

One more important consideration that can shed light on the philosophical position of the current study is the employment of grounded theory as a research strategy. Grounded theory is a systematic strategy for the development of an empirically grounded theory or theoretical constructs and descriptions directly linked to data collected (Corbin & Strauss, 2008; Glaser, 1992). The development of grounded theory, initially proposed by Glaser and Strauss, dates back to 1967 (Glaser & Strauss, 1967). Today, several grounded theory approaches exist. In particular, the literature differentiates between the classical Glaserian and Straussian grounded theory (1967), Glaserian grounded theory (1992), Straussian grounded theory (Strauss & Corbin, 1990; 1998), Corbin and Straussian grounded theory (2008) and Charmaz's grounded theory approach (2003; 2006).

Although all grounded theory approaches are derived from one text "The Development of Grounded Theory" (Glaser & Strauss, 1967), each version of grounded theory is underpinned by its own philosophical position. For example, the original text largely builds on the pragmatist philosophy of knowledge inherited from Dewey and Mead (Heath & Cowley, 2003), though other scholars argue that the text demonstrates positivistic assumptions (Cooney, 2010; McGhee *et al.*, 2007), as it

requires empirical checks of the emerging knowledge, seeks consistency, reproducibility and generalisability, and claims emergent theory to be useful for practice and practice improvement (Cooney, 2010; Corbin & Strauss, 2008; Haig, 1995; McGhee *et al.*, 2007). Further, although both Glaserian and Straussian versions of grounded theory highlight the importance of inductive-deductive interplay (McGhee *et al.*, 2007), Glaserian grounded theory (1992) focuses on the strictly inductive process of moving from data to theory, whereas Strauss (Strauss & Corbin, 1990) concentrates on the equal usage of induction and deduction and suggests that an emerging theory should be validated (Heath & Cowley, 2003). This philosophical disagreement is later compromised in the Corbin's writings, where the author suggests to return to the origins of grounded theory and explicitly states its reliance on the pragmatist philosophy of knowledge, where the roles of induction and deduction are equally important (Corbin & Strauss, 2008). This view is in line with the position of Walls *et al.* (2010: 12), who state that "there is no absolute rights or wrongs in qualitative research", and, like Corbin (Corbin & Strauss, 2008), suggest that grounded theory researchers should adopt a pragmatist approach in their studies.

In subsequent studies, however, rather than being pragmatic, grounded theory is also argued to be representative of the constructivist (Charmaz, 2003), post-constructivist and postmodernist paradigms (Charmaz, 2006; Clarke, 2005), as it adopts an interpretivist approach to data analysis, simultaneously recognising and seeking multiple perspectives, constant flow and alteration of meanings, and reflexivity. Finally, grounded theory is additionally stated to have roots within the framework of systems theory and systemic epistemology, as grounded theory is an "ever-evolving process of reformulation and development", where "the nature of reality is systemic and evolving" (Glaser & Strauss, 1967: 32; Stillman, 2006).

As illustrated in the discussion above, choosing one research philosophy for this study appears to be both impossible and undesirable, whereas staying open to alternatives and engaging in contrasting perspectives can be found more appealing and appropriate. Although such openness is sometimes associated with a "thin" philosophical base, appreciating such differences and conflicting viewpoints are the representative characteristics of a distinctive philosophical position – pragmatism (Dewey, 1929). Pragmatism argues that working across various ontologies and epistemologies is acceptable. In pragmatism, epistemological variations are viewed as the different options of a continuum rather than as opposite camps. Researchers, seeking to answer their research questions, can move along this continuum freely and can adopt conflicting research strategies as they see fit. From the pragmatic

point of view, questions, not epistemology, guide researchers in their studies (Saunders *et al.*, 2009).

This study, therefore, adopted a pragmatic epistemological standpoint (Table 4.1). It appreciated the benefits of each respective epistemology and aimed to engage contrasting points of view to better understand the phenomenon under investigation. Pragmatism seemed to be suitable for two main reasons. First, in this study, the questions of ontology and epistemology were secondary to questions of methodology. Methodology was selected regardless of its ontological or epistemological origins, but was rather adopted on the basis of its ability to accomplish the set objectives in a credible and reliable manner. Second, due to the reliance on grounded theory and its emergent nature, through the course of the research, the study moved across epistemologies several times. For example, after the 36<sup>th</sup> interview the researcher realised that no new insights were being generated and, therefore, stopped the data collection and terminated questionnaire distribution, because in grounded theory terms, the research reached its saturation point. Given that only a small number of questionnaires was collected to that date, their analysis became based on descriptive statistics, rather than on the earlier intended sophisticated quantitative analysis, something that from the epistemological point of view moved the research from a positivistic position closer to a post-positivistic paradigm.

Since the study altered its philosophical view a few times, the study can also be said to adopt a systemic epistemology (Houghton, 2009; Richardson *et al.*, 2000). Systemic epistemology is a cross-disciplinary epistemological framework that lends itself to epistemological pluralism, implying that there are multiple ways of knowing. To think systematically means to stay open to various philosophical traditions. From the systemic point of view, off-the-shelf epistemological frameworks are regarded as essential because they offer different perspectives. However, no epistemological framework should determine the exploration, rather multiple perspectives derived from those frameworks should be explored. Epistemological pluralism and perspectivalism are the principle requirements of systemic thinking. They allow, compare and contrast multiple and rich inputs in order to reflect on the multi-sidedness of non-linear, conflicting and dialectical realities. In problem solving, systemic thinking encourages a paradigm shifting interplay, multiple methods and learning across methodological and epistemological frameworks. Moreover, a systemic approach does not only accept multiple interpretations, but deliberately seeks conflicting perspectives by looking at reality through many vantage points (Houghton, 2009).

To conclude, this research adopted a pragmatic approach or the so-called systemic epistemology. Following the principles of this epistemological position, the study did not favour any philosophy as a definitive approach, but adapted to all kinds of philosophies as the situation demanded, and engaged with different conflicting epistemological perspectives. It views the nature of reality as multiple, non-linear and conflicting and relied on both indeterministic and deterministic ontology and systemic epistemology. The knowledge in this research was regarded as contextual and perspectival. It could, therefore, be better understood through integrating different perspectives and vantage points to interpret the data. The subject-object distinction was problematic, as the research could move closer to or further from the object if necessary. The methodology was experimental. To gain rich insights, it involved a multi method with a combination of online forum discussions, semi-structured interviews and questionnaires.

### **4.3. Research Approach**

Since this study is guided by the pragmatism philosophy of knowledge, it can potentially incorporate the aspects of two main and opposite research approaches: induction and deduction. The induction-deduction reciprocity was indeed the intention in this study, as the researcher hoped to qualitatively derive a theory from online discussions and interviews and supplement it with quantitative data from large samples. However, given that data saturation was accomplished earlier than expected and the main research aim was delivered, in a pragmatic style, the deductive validation was abandoned and replaced by a qualitative peer debriefing and member checking (Marshall & Rossman, 2011; Stake, 2010).

The main implication of this replacement is that the study became reliant solely on inductive or qualitative research approach. The preference to induction was given for several reasons. It was, for example, recognised that inductive approach helped to approach areas with limited existing research, supported theory development based on empirical research and permitted usage of several data collection methods (Saunders *et al.*, 2009). Induction with its qualitative methods also required minimum pre-set structure and allowed flexibility with regard to the introduction of changes to research focus, both of which was regarded as necessary due to the evolving nature of this research (Altinay & Paraskevas, 2008). But most importantly, induction aided in understanding why the phenomenon under study occurred by allowing the researcher to study subjective meanings, interpretations, patterns and themes from the inside (Gill & Johnson, 1997; Gummesson, 1991; Patton, 1990).

#### 4.4. Research Strategy

A research strategy is the logic of investigation outlining a set of steps and procedures necessary for answering research questions (Blaikie, 2000). The logic of investigation in this study is based on the grounded theory strategy. Grounded theory can be explained as “a total methodological package” and “a set of techniques for generating new theory grounded in the field” or emerging from the data (Glaser, 2010: 1; Bernard, 2000; McGhee *et al.*, 2007). Ng and Hase (2008: 115) describe grounded theory as “a systematic and inductive approach to developing theory”, which allows the mix of qualitative and quantitative methods (McGhee *et al.*, 2007). Although it is originally created to generate theory, recent versions of grounded theory also acknowledge its usefulness in producing insightful descriptions (Cooney, 2010). Grounded theory equips researchers with a complete set of established principles and procedures for conducting the research and for data analysis (Ng & Hase, 2008). This set, however, can be employed in part, as well as in whole (Glaser, 2010).

There are three major justifications for the employment of grounded theory in this research. First, grounded theory appeared to be a suitable strategy for this research due to the lack of previous performance measurement studies on affiliate marketing, the fragmented nature of the broader generic and Internet marketing literature, and the resultant impossibility to use literature as a point of reference for investigation. Second, grounded theory was chosen as it enabled the development of practically useful recommendations able to facilitate practice improvement, something that supported researcher’s primary motivation to engage in this topic. Given that a theory was closely linked to the data and was co-created together with the main stakeholders under investigation, a grounded theory strategy supported active participant involvement in theory generation and, as a result, developed a theory, which was highly relevant for the subjects investigated. Finally, grounded theory was adopted because it provided a total methodological package, equipping the researcher with analytic tools, techniques and procedures for systematic analysis and theory building (Corbin & Strauss, 2008).

As briefly mentioned earlier, several grounded theory approaches exist. The main differences between these approaches lie in their views on an a priori literature review, different approaches to data analysis, necessity or non-essentiality of outcome verification and different coding procedures (Cooney, 2010; Corbin & Strauss, 2008; Glaser, 2010). To exemplify, Glaser (1992) is against the review of literature to prevent the researcher from being biased and constrained. To borrow

his words, “the literature should only be used after the data collection for constant comparison” (Glaser, 1992: 31). Constant comparison is defined as a method of comparing the similarities and differences of emerging themes and categories (Ng & Hase, 2008). Glaser (1992) does not require the emergent theory to be verified. Rather, he remains true to induction and stays open in his approach to data analysis. His coding scheme is relatively straightforward. It is consistent of only two types of coding procedures: substantive coding (initial coding of the data) and theoretical coding (subsequent refinement of categories). His colleague, Strauss, on the contrary, is more prescriptive in his analytical techniques. His coding schemes are more detailed and complex (Strauss & Corbin, 1990). Primarily, they consist of three coding types: open coding (initial coding of data), axial coding (reduction and clustering of categories) and selective coding (selection of the core category and integration of categories) (Heath & Cowley, 2004). The literature review, in Strauss’ view, stimulates theoretical sensitivity; and verification strengthens grounded theory (Strauss & Corbin, 1998).

These two examples demonstrate the two polar versions of grounded theory, represented by its two originators, Glaser and Strauss, who after creating the classical grounded theory method, split to develop the theory each in his own way. Meanwhile, more flexible modifications of grounded theory have emerged. This study builds on one of such modifications and adopts a pragmatic grounded theory approach, offered by Corbin and Strauss (2008).

According to Corbin and Strauss (2008: 1), grounded theory is not only “a specific methodology developed by Glaser and Strauss (1967) for the purpose of building theory from data”, but is also a set of “theoretical constructs derived from qualitative analysis of data”. The main difference between the Corbin and Strauss’ version and the other grounded theory variations is its more flexible attitude to how and for which purposes it may be used. Although the Corbin and Strauss’ book provides very detailed descriptions of the analytical processes, for which the authors are criticised (Cooney, 2010), the authors state that these techniques and methods may be used in whole as well as in part. “The researchers may pick and choose among the procedures using those that most suit their purposes” (Corbin & Strauss, 2008: 332), because, as the authors argue, grounded theory may be used for both theory development, construct generation and provision of ‘thick’ descriptions.

The process of Corbin and Strauss’ (2008) grounded theory does not require initial literature review, however, neither does it ignore the role of an a priori knowledge. The scholars recognise that the review of literature prior to data collection can be a



useful source of comparison, which improves the researcher's sensitivity and provides ideas for the initial questions. Besides, the authors state that literature review can help in formulating the relevant questions during the analysis and may highlight areas for theoretical sampling. Theoretical sampling is "a method of data collection based on the concepts/themes derived from data", which involves exploring places, people and events with the potential to enrich categories (Corbin & Strauss, 2008: 143). In grounded theory, the processes of data collection and analysis are simultaneous; and the data is collected till data saturation is achieved. The research instruments evolve as the research develops, and the initial questions give way to new inquiries identified through analysis.

#### **4.5. Data Collection Process**

This study divided the process of primary data collection into two stages. Due to the lack of previous research and the researcher's unfamiliarity with the topic of performance measurement, the first stage sought to generate an initial understanding of current affiliate marketing measurement practices. During this stage, the researcher aimed to identify the key affiliate marketing stakeholders to interview during the second stage of data collection, and intended to pilot and refine the research instrument, informed by the literature review. This stage encompassed one method of data collection and involved 72 online forum discussions.

The second stage included further engagement with the different stakeholder groups and the exploration of the different practices of measuring the performance of affiliate marketing programmes in greater depth. This stage collected data by means of two methods simultaneously, both used for data generation: 1) interviews with the representatives of different stakeholder groups in tourism and hospitality affiliate marketing, and 2) questionnaires aimed at the similar sample. The questions asked during the interviews and in the questionnaires were based on the literature review, as well as were informed by the findings from stage 1.

#### **4.6. Data Collection – Stage 1**

The following sections outline stage 1 of the data collection process. The first subsection describes the method employed. The following subsection lists the limitations of the method selected and explains how those limitations were addressed. The third subsection informs how the sample was selected and recruited; and the fourth subsection depicts the actual process of data collection.



#### **4.6.1. Online Forum Discussions**

An online forum may be defined as “a communication system whereby individuals with a common interest are able to meet one another, discuss and exchange information, either on a topic related to their own area or that of another group member’s, via the Internet” (Haaris, 1997: 168). Putting it differently, it is a concentration of people interested in a common subject or area (Marett, 2009). Targeting online forums can be beneficial because of the ease of access to the right people, rich data, opportunity to recruit large samples, who due to the nature of the Internet and relative anonymity express themselves more freely (Dellarocas, 2006; Seale *et al.*, 2010).

##### **4.6.1.1. Limitations of Online Forum Discussions**

Collecting data on online forums involves both benefits and drawbacks (Appendix 4.1). Among the benefits, there is time and cost efficiency (Hewson *et al.*, 2003), ease of access to the right people (Seale *et al.*, 2010), richness of data (Seale *et al.*, 2010) and anonymity (Dellarocas, 2006). Among the drawbacks, there is lack of non-verbal communication (Marra, 2006; Seale *et al.*, 2010), sample inequalities (Seale *et al.*, 2010), risk of manipulation and biased opinions (Dellarocas, 2006; Marett, 2009), and difficulty regarding moderation (Seale *et al.*, 2010). Additional limitations of online forum discussions are data validity and sample representativeness (Abrahamson, 1983). Validity refers to the extent to which the data collection tools measure what the researcher thinks they should measure (Marra, 2006), whilst representativeness implies the degree to which a sample can meet the study’s requirements (Abrahamson, 1983).

Through the process of data collection, the researcher stayed aware of the potential risks of using online forum discussions and, therefore, utilised these discussions as only one of the data collection methods. Being aware that existing forum conversations were started for the purposes different to this research, the researcher relied on the data generated by this method only to gain some preliminary insights into the measurement processes, so as to enter the field “open-minded but not empty-headed” (Corbin & Strauss, 2008). For the generation of a more in-depth understanding, the researcher adopted other methods of data collection. To increase sample representativeness, the researcher employed clear selection criteria, and to overcome the possible manipulated and biased answers the researcher analysed a large sample of existing discussions and initiated a few new conversations, based on the developed research instrument (Table 4.1).

#### **4.6.1.2. Sample Selection and Recruitment**

Overall, the data was collected from seven affiliate marketing forums. To minimise biases and ensure sample representativeness, the appropriate forums were carefully chosen on the basis of four main selection criteria: 1) number of forum members with the lowest number being 6.500, 2) forum's ranking on search engines, 3) participation of the authoritative figures from the affiliate industry on the forum, and 4) frequency of the forum updates and general level of forum activity (Bryman, 2008). Four forums matching these criteria were selected: abestweb.com, Affiliates4U, associateprogrammes.com and ewealth.com. Additionally, a professionally-oriented social networking site LinkedIn, which gained much interest from academic and practitioners (Papacharissi, 2009), was searched for relevant affiliate marketing groups, satisfying the same criteria. As a result, three more LinkedIn groups/forums were added: Affiliate Marketing Masters, IAMA and Linked Affiliates.

Once the forums that met the above selection criteria were identified, relevant existing online discussions on these forums were selected, and new discussions were initiated. Following a purposeful sampling technique, the selection of the existing online discussions was based on the topics discussed, where the threads related to affiliate marketing enabling conditions, measurement, analytics, tracking and metrics were given preference. In total, the data from 72 online discussions was collected. Sixty-five of these online discussions were already running, while seven discussions were initiated by the researcher for the purpose of the study.

The participants for the researcher-initiated discussions were primarily recruited on the basis of self-selection sampling technique, whereby the researcher posted invitation on the selected affiliate marketing forums and, by doing this, enabled forum members to join the discussions on a voluntary basis (Hewson *et al.*, 2003). In addition, employing a purposeful sampling technique, the researcher recruited the potential participants from the researcher's contacts in the affiliate industry by email invitation (Blaikie, 2000). In practice, however, any forum member, willing to contribute, had an opportunity to share experiences related to affiliate marketing performance measurement, the assumption being that the participants of the online professional and specialised forum were primarily comprised of people with enough competence and interest in the subject (Haaris, 1997; Hewson *et al.*, 2003).

### 4.6.1.3. Data Collection Process

The existing online forum discussions, collected for the study, were running between 2008 and 2011, while the researcher-initiated online discussions were started in 2011 and lasted for approximately two months. The participants were invited to share their experiences and opinions on the topic of performance measurements in affiliate marketing and were offered to answer four general questions that were derived from the literature review and based on the sensitising conceptual framework. The questions were concerned with affiliate marketing enabling conditions, objectives, performance criteria and metrics, and measurement processes (Table 4.2). The questions were meant to guide the discussion and were, therefore, adapted to allow a natural flow of the conversations.

**Table 4.2. Draft of Questions for Online Discussions**

Topic	Question	Probes
<b>1. Enabling conditions</b>	1. What does the success of affiliate marketing programme(s) depend on? Please list 5 items.	<ul style="list-style-type: none"> <li>• Can you help me understand better your position? [Amplification probe]</li> <li>• Could you give me an example of that please? [Clarification probe]</li> </ul>
<b>2. Performance objectives</b>	2. Against which benchmarks do you evaluate the performance of affiliate marketing?	<ul style="list-style-type: none"> <li>• Could you help me to understand better why you employed these measures/ what measures you employed, etc.? [Explanatory probe]</li> </ul>
<b>3. Performance criteria and metrics</b>	3. Which metrics do you employ to measure whether your affiliate marketing programme(s) is a success? 4. How do you select the appropriate metrics for the assessment of affiliate marketing effectiveness?	<ul style="list-style-type: none"> <li>• Is that also true/helpful for affiliates, affiliate agencies, merchants? [Category probe, exploring distinctiveness]</li> <li>• So, was this helpful/ useful/ important for performance measurement? [Significance probe]</li> <li>• That's interesting. I have heard other people say [something else, different]. What do you think about it? [Disconfirmation probe, to explore security of an answer and the reasoning behind it]</li> </ul>
<b>4. Performance measurement processes</b>	5. What is the actual process of performance measurement?	<ul style="list-style-type: none"> <li>• How do you manage your performance measurement system(s)? [Amplification probe]</li> </ul>

The response rate to the researcher-initiated discussions on the dedicated affiliate marketing forums was relatively low compared to the existing discussions. However, the number of responses to the researcher-initiated discussions on LinkedIn ranged between four and 21, something that constituted 40% more comments than the average number of responses to similar kind of discussions on related topics (Average: 5.9 responses per discussion; in this research: 8.3 comments per discussion).

## **4.7. Data Collection – Stage 2**

The upcoming sections provide the details related to data collection by means of two methods – interviews and questionnaires, and highlight such aspects of each method as limitations and how those were addressed, sample selection and recruitment, and data collection process.

### **4.7.1. Interviews**

The first method for data collection during this stage was interviews. Altinay and Paraskevas (2008) define an interview as “a conversation with a purpose”, meant to explore individual experiences, opinions and actions and able to provide a deep understanding and “thick descriptions” of the phenomenon under study. These conversations enable the researcher to enhance the richness of the data, and allow to explore the issues as they emerge in greater depth (Clarke, 2000; Patton, 1990; Smith & Dainty, 1991). Primarily, interviews can take three forms. They can be highly structured, semi-structured or unstructured. This research relies on semi-structured interviews; and the choice is explained by their flexibility, the possibility to introduce adjustments to the questions, as well as the possibility to probe and ask for clarifications (Arksey & Knight, 1999) (Appendix 4.2).

#### **4.7.1.1. Limitations of Interviews**

The main limitations of using interviews as a data collection method are constrained generalisability (Saunders *et al.*, 2009), interviewer and interviewee bias (Clarke, 2000; Gill & Johnson, 1997), time required for transcriptions (Smith & Dainty, 1991), access-related difficulties (Altinay & Paraskevas, 2008) and increased subjectivity (Smith & Dainty, 1991). Additionally, the weaknesses of telephone interviews are the impossibility to capture body language and non-verbal behaviour of the interviewees (Gill & Johnson, 1997; Gummesson, 1991), and unwillingness of some interviewees to participate in in-depth discussions over the phone (Saunders *et al.*, 2009).

To overcome these limitations, the researcher undertook the following actions. In order to avoid researcher bias, the researcher developed two tools (grids) for recording the development of new concepts and categories and for documenting the evolution of the questions asked (Appendix 4.3). These grids introduced increased transparency of the analytical process and allowed the researcher to approach the interviewees with the objective list of questions generated in a systematic way. To ensure access to potential interviewees, at the end of each interview the researcher

asked the interviewed participant to refer the researcher to a next possible interviewee. In addition, the researcher continuously recruited new participants via LinkedIn and by attending conferences. The limitation of “difficult participants, giving only monosyllabic answers” (Saunders *et al.*, 2009) and the issue of subjectivity was not regarded to form a significant limitation, given that the researcher relied on grounded theory and was able to return to the same question repeated times during the subsequent interviews until the researcher felt that question exhausted itself (Corbin & Strauss, 2008).

#### **4.7.1.2. Sample Selection and Recruitment**

In total, the researcher conducted 37 semi-structured interviews with the representatives of four major stakeholder groups in affiliate marketing, and particularly focused on merchants, affiliates, networks and agencies, working within the tourism and hospitality industries. The interviewees comprised 9 merchants-only; 2 affiliates-only; 12 hybrids or companies, simultaneously taking a position of both a merchant and an affiliate; 8 affiliate networks; and 6 digital agencies, offering affiliate marketing management. The sample size for the interviews was not determined from the outset, since in grounded theory studies the sample size depends on the saturation point and the new participants are recruited until the saturation point (i.e. when no new data emerges) is reached. In the present study, such saturation was reached after the 36<sup>th</sup> interview.

The names and contact details of the potential participants were obtained through visiting practitioner conferences and through the existing network contacts of the researcher. Additionally, the list of potential interviewees was acquired via affiliate marketing groups on LinkedIn. In a purposeful manner, the potential sample was contacted by email or in person (e.g., at conferences). Once the access to a potential interviewee was secured, the researcher also sought interviewee advice as to who else could be contacted further on the basis of the snowball sampling technique. Snowball technique, also known as chain referral sampling or respondent driven sampling, implies asking initial people with desired characteristics for the names of other candidates with similar attributes (Arksey & Knight, 1999; Bernard, 2000).

#### **4.7.1.3. Data Collection Process**

Data collection by means of interviews lasted between May and November 2011. The majority of the interviews were conducted via telephone, something that appeared to be a more convenient option for most interviewees given the dynamic

and hectic nature of their work. The duration of interviews ranged between 11 and 63 minutes, with the average being 40 minutes. Thirty-three interviews were recorded and later transcribed verbatim (Appendix 4.4), while for the remaining four detailed field notes were taken during the interview.

Through this stage of data collection, the researcher made active use of theoretical sampling. Theoretical sampling is the process of data collection for generating theory, where the decision about what, where and from whom to collect next pieces of data constantly emerges from the analysis of the collected data (Blaikie, 2000).

**Table 4.3. Draft of the Interview Guide**

Topic	Question	Probes
<b>1. Background</b>	1. How long have you been working with affiliate marketing in the tourism industry?	<ul style="list-style-type: none"> <li>• What are the main responsibilities of your current post?</li> <li>• Are you directly or indirectly involved in the process of measuring the effectiveness of affiliate marketing programme(s)?</li> </ul>
	2. How satisfied are you with how the measurement of affiliate marketing performance is currently undertaken in your company?	<ul style="list-style-type: none"> <li>• Could you give me an example of that please?</li> </ul>
<b>2. Enabling conditions</b>	3. What are the critical success factors in affiliate marketing? What is it that the companies need to have in place to ensure that their affiliate programme(s) become(s) a success?	<ul style="list-style-type: none"> <li>• Could you help me to understand better why you think so?</li> </ul>
	4. Do you monitor these factors? How?	
<b>3. Performance objectives and criteria</b>	5. Against which benchmarks do you evaluate the performance of affiliate marketing?	<ul style="list-style-type: none"> <li>• That's interesting. I have heard other people say [something else, different]. What do you think about it?</li> </ul>
<b>4. Performance metrics</b>	6. Which metrics do you use to evaluate affiliate marketing performance?	<ul style="list-style-type: none"> <li>• Can you help me to understand better your position?</li> <li>• Could you help me to understand better why you think these measures are most/ least important?</li> </ul>
	7. Which metrics are most important and why?	
	8. How do you select the appropriate metrics for the assessment of affiliate marketing performance?	
<b>5. Measurement process</b>	9. Can you describe the actual process of measuring affiliate marketing performance in the way you know it?	<ul style="list-style-type: none"> <li>• Could you give me an example of that please?</li> <li>• How do you manage your performance measurement system(s)?</li> </ul>

The interviews employed in this study relied on a simple interview guide, where on the basis of theoretical sampling the list of questions changed several times over the course of data collection (Table 4.3). In the initial interview guide, based on the broad sensitising conceptual framework, the first two questions (question 1 and 2) aimed to find out how competent, experienced and knowledgeable the interviewee

was with regard to affiliate marketing and to identify any issues related to current practices of performance measurement. These two questions were accompanied by the probes, seeking to clarify the informant's areas of expertise and other relevant details. The next two questions (question 3 and 4) intended to refine the list of enabling conditions that influenced affiliate marketing performance, and to identify whether the existence and state of enabling conditions was monitored with some metrics. Question 5 explored affiliate marketing objectives and performance criteria, against which affiliate marketing performance was measured, while the probe that accompanied this question invited the reasoning for the answer. Questions 6, 7 and 8 further refined the list of metrics, created following the analysis of online discussions, while the last question (question 9) aimed to explore the design and operation of the current performance measurement systems.

#### **4.7.2. Questionnaires**

The second method of data collection during this stage was self-administered questionnaires made available online. A questionnaire can be defined as a highly structured "technique of data collection, in which each respondent is asked to respond to the same set of questions in a predetermined order" (Saunders *et al.*, 2009: 356). The main objective of questionnaires in this study was to further collect the descriptive data from the various representatives of the organisations to inform the researcher about the current practices regarding affiliate marketing performance measurement and to generate additional data. Questionnaires were utilised because they were regarded objective, low cost and effective in collecting data from larger samples (Altinay & Paraskevas, 2008; Gill & Johnson, 1997) (Appendix 4.5).

##### **4.7.2.1. Limitations of Questionnaires**

The main weakness related to the use of questionnaires in this study was concerned with the difficulty of getting people to answer them (Saunders *et al.*, 2009). This weakness was, however, overcome by employing additional sources of data, which in a more exploratory manner could address any possible inaccuracies and biases, and could follow-up and provide additional insights, where further inquiry, arisen from the questionnaires, was necessary (Altinay & Paraskevas, 2008; Saunders *et al.*, 2009; Zikmund, 2000). To avoid potential pitfalls of order biases and validity, besides close-ended questions, the questionnaire also extensively relied on open-ended questions, matrix questions, as well as employed control questions to ensure the questionnaire's validity (Arksey & Knight, 1999).



#### **4.7.2.2. Sample Selection and Recruitment**

As previously explained, initially, questionnaires were aimed at larger target audiences, but since the data saturation point was reached after the 36<sup>th</sup> interview, they were terminated when their number reached 40. Sixteen of these questionnaires were filled in by merchants-only, three by affiliates-only, two by hybrids, 13 by affiliate networks and six by agencies. To recruit potential respondents, questionnaires were distributed via several online channels, and were supplied with a short briefing outlining the respondent profile that the questionnaires were intended for (Appendix 4.6). They were made available via various affiliate marketing forums and sent to the interviewees for further distribution within and outside their organisations.

#### **4.7.2.3. Data Collection Process**

The collection of questionnaire responses was simultaneous with the interviewing process. In other words, it lasted between May and November 2011. The questionnaire consisted of five sections, including a section requesting some information about the respondent, a section about affiliate marketing in the organisation in general, a section about performance measurement processes and two final sections about affiliate marketing enabling conditions, objectives and performance metrics and their selection (Appendix 4.6). The questions were initially formulated on the basis of the reviewed literature and the broad conceptual framework developed, and then refined based on the findings from online discussions. In total, 40 usable questionnaires were collected. Since the response rate was low, it was decided to analyse the data generated by this method qualitatively, by using descriptive statistics.

#### **4.8. Data Analysis**

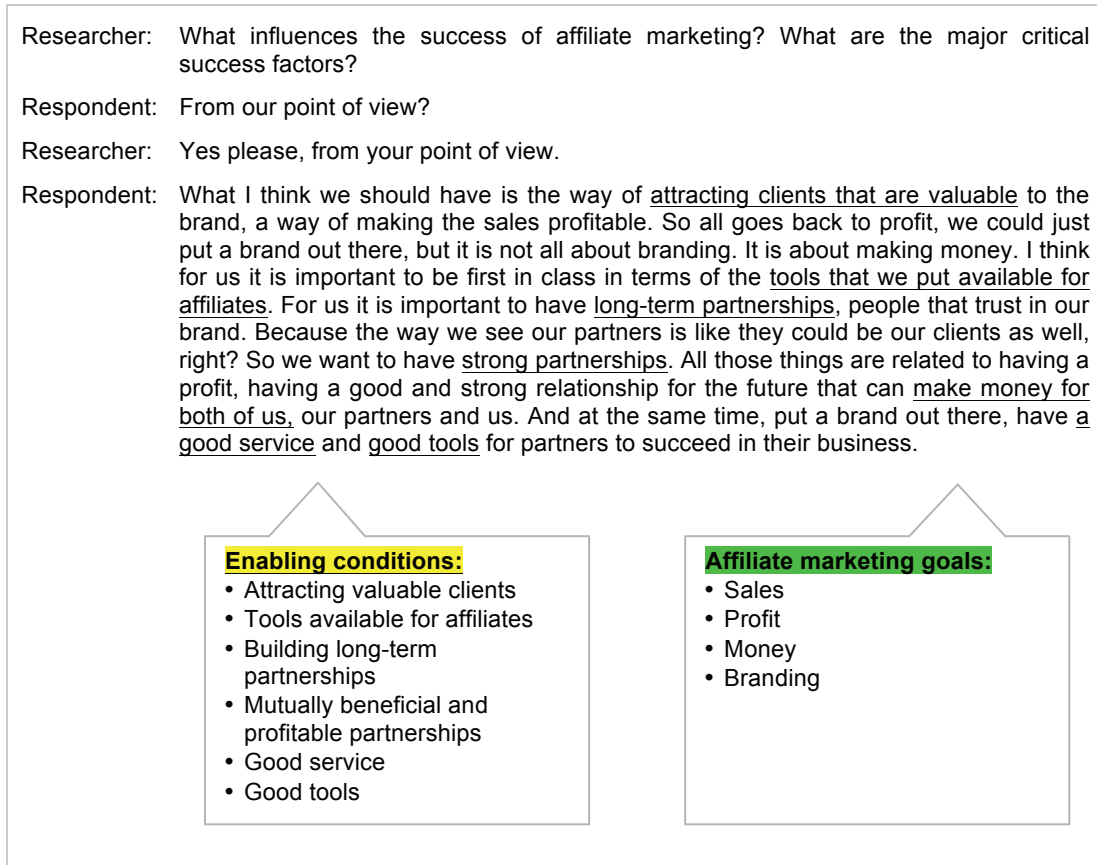
In analysing the data, the research followed the established grounded theory format and particularly relied on the analytical tools proposed by Corbin and Strauss (2008). Since the researcher was to a large extent unable to influence the course of online discussions, 65 existing and seven researcher-initiated online discussions were treated as two large, but separate pieces of data. As each interview was altered based on the areas that needed exploration, each new interview was regarded to be a new data piece, whereas questionnaires with their set structure were also viewed as one data piece employed to primarily gain new insights, but also to support the findings, generated by the first two methods.

The data analysis in this study started with the collection of the first data in stage one and continued until no new information emerged, which in grounded theory terms implied that the research reached its saturation point (Corbin & Strauss, 2008). As stated earlier, the initial areas of interests, informed by the literature review, focused on five broad themes – affiliate marketing enabling conditions, performance criteria, metrics, metrics selection and performance recommendations and processes. However, as the data collection and analyses proceeded, new themes emerged and, by means of theoretical sampling, the questions in the topic guide were refined.

Through the analytical process, the researcher made active use of *open* and *axial* coding, iterative *micro* and more abstract *macro* analysis, *memo* writing, *constant comparisons* and *theoretical sampling*. Open coding implies breaking data into manageable pieces and identifying concepts that represent blocks of data. Axial coding presupposes relating concepts to each other or grouping concepts into broader themes or categories. Memo writing involves recording of the analysis results. Constant comparisons refer to comparing incident with incident and transcript with transcript for differences and similarities, while theoretical sampling guides data collection on the basis of the emerging concepts/categories, enables the formulation of new questions and indicates further directions for research (Corbin & Strauss, 2008).

At the level of a transcript, the researcher first engaged in a *micro* analysis and detailed line-by-line *open coding* (Figure 4.1), examining each transcript for low-level concepts or “words that stand for ideas contained in data” (Corbin & Strauss, 2008: 159).

**Figure 4.1. Example of Open Coding**



In examining the transcript, the researcher relied on a selection of various analytic tools (Table 4.4), explored the data for context and conditions in which the phenomenon arose, and analysed the data for underlying processes, i.e., actions, interactions, responses.

**Table 4.4. Analytic Tools Employed**

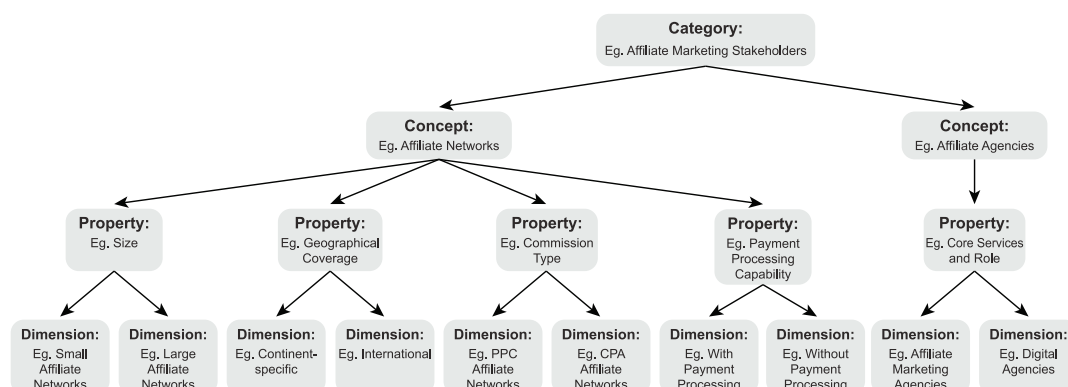
Analytic tools
Questioning at every stage of the analysis from the beginning to the end (eg. Who? What? Where? When? Why? How? In which consequences? Frequency? Duration? Frame? Timing?)
Making comparisons, including constant comparisons (eg. incident with incident for similarities and differences) and theoretical comparisons
Thinking about the various meanings of the word and analysing what other meanings they might have by looking at the rest of the document
Using the flip-flop technique or looking for a different perspective on a phrase or word
Drawing upon personal experience
Waving the red flag or recognising biases
Looking at language
Looking at emotions that are expressed and the situations that aroused them
Looking for words that indicate time
Thinking in terms of metaphors and similies
Looking for cases that do not fit the pattern
Asking questions "So what?" and "What if?"
Looking at the structure of the narrative and how it is organized in terms of time and other variables

Source: Corbin and Strauss, 2008

Once the initial line-by-line examination was completed, the researcher stepped back and, looking at the data from a broader perspective, grouped low-level

concepts into high-level concepts or categories (*axial coding*), and, where possible, described these categories and concepts in terms of their properties (descriptive characteristics) and dimensions (variations and range in properties) (Figure 4.2).

**Figure 4.2. Example of Axial Coding –  
Grouping of Concepts with Properties and Dimensions into Categories**



After this, the researcher wrote *memos*, in which the researcher recorded any emergent observations, made *comparisons* and brainstormed in order to arrive at a meaning of the data (Appendix 4.7). Possible relationships between the concepts and categories were also established at this stage, and, where appropriate, new questions to inform further data collection and to shed more light on the findings were formulated (*theoretical sampling*). These questions together with the new concepts and categories were recorded in two grids, which the researcher developed specifically for this study in order to introduce greater transparency into the analytical process and demonstrate the researcher's thinking through the process (Appendix 4.3). The first grid captured the emergence and saturation of concepts and categories; while the second grids illustrated the evolution of the questions raised.

Further, after more data pieces became available to the researcher, the data generated by each new transcript was compared against the data from the previous data pieces. The emerging concepts were compared and contrasted; the existing properties and dimensions were enriched; and the concept interrelationships were accepted, modified or disregarded. Where appropriate, new concepts were identified and old ones were further saturated. Each modification and saturation was recorded in the grids; and the analysis lasted until the point of saturation, when no new data was emerging, was reached.

When a saturation point was reached, the researcher started to integrate all the data. The researcher pulled all research threads into one explanatory framework,

identified five core categories (i.e. affiliate marketing stakeholders, research, planning, implementation, evaluation), checked an emergent analytic story for gaps in logic, and developed the final theoretical scheme explaining affiliate marketing performance measurement in tourism and hospitality. To validate a theory, the researcher showed it to some of the participants and additionally presented it at a tourism and leisure conference on affiliate marketing, where the panel of four industry professionals and the tourism and hospitality practitioner audience confirmed the “fit” and “usefulness” of the developed theory (Appendix 4.8).

#### **4.9. Ethical Considerations**

This research complies with the requirements of the Oxford Brookes University Research Ethics Committee and satisfies the demands of the individual participants. The consideration of the possible ethical issues was ensured at each stage of the research process in order to both conform to the university procedural ethics and micro “everyday ethics”, and to ensure research integrity and rigour (Gartner *et al.*, 2009; Guillemin & Gillam, 2004; Israel & Hay, 2006). In Gartner *et al.*’ words (2009: p.92), “research ethics is integrated into each phase of the research process, exploring possible ethical concerns at the levels of question formulation, sampling, data collection and research writing”.

In formulating the research question for this thesis, great care was given to explore the topics that both entailed a considerable theoretical and managerial contribution and at the same time represented non-controversial areas for discussion (Gartner *et al.*, 2009). During the sample recruitment process, the researcher relied on what Nosek *et al.* (2002) called specific and invited accessibility. The researcher controlled participation by sending personal email invitations to the researcher’s contacts from the affiliate industry, and constrained participation by outlining the specific selection criteria in the information sheet, distributed or made available online prior to participants’ consent to participate (Merriam, 2009; Saunders *et al.*, 2009). Information sheets were sent to all potential participants either in full or as a shorter version (Appendix 4.9). Shorter versions seemed to be particularly appropriate in the context of online discussions on the forums, as the etiquette of such forums required postings of only the most relevant and non-lengthy information (Dolowitz *et al.*, 2008; Mann & Stewart, 2000). In the information sheets, it was made clear to the participants that the participation in the research was voluntary and that any informant was free to withdraw from the research at any time and without giving a reason. It was also emphasised that the participants had the right to delete their comments from the online discussions and alter, modify or

withdraw the answers they provided during the interviews (Merriam, 2009). Both in existing and researcher-initiated discussions, the researcher took the role of the moderator and was prepared to interfere in case any inappropriate comments would be posted in the discussion in order to minimise any involved risks for the participants. Apart from sending the information sheet to the potential respondents, the researcher also obtained a copy of the signed informed consent from the participants prior to data collection (Israel & Hay, 2006) (Appendix 4.10).

During data collection, to sustain privacy of the participants, no personal data was gathered; and in the analysis of the findings all samples of data were anonymised, ensuring full data confidentiality. All identifying information, including data and codes was stored in locked filing cabinets, while access to computer files with such information was available by password only to warrant secure data storage (Nosek *et al.*, 2002; Stake, 2010).

As the contributors to the online discussion and questionnaires were treated anonymously, the results of the study were not made publicly available, but were disseminated to the respondents on request. The interviewees were provided with the summary of the interview transcript within 48 hours of the interview to allow amendments. On the completion of the research, the finalised findings and a theory, as well as suitable recommendations were sent to the participants. In addition, a full copy of the PhD dissertation was made obtainable via email (Merriam, 2009). The main outcomes of the thesis were additionally disseminated to the broader academic and practitioner communities via two academic and one practitioner conference, specifically focusing on affiliate marketing in travel and leisure.

#### **4.10. Meeting Quality Criteria**

Qualitative research is assessed on the basis of many quality criteria. Among the most frequently employed criteria, there are reliability, validity (Hammersley, 1987), credibility or trustworthiness, applicability or transferability (Lincoln & Guba, 1985; Malterud, 2001), reflexivity, authenticity and transparency (Brower *et al.*, 2000). Reliability is concerned with the accuracy of the data collection methods and with the degree to which a similar methodology is capable of producing the same results if applied under the same circumstances (Arksey & Knight, 1999; Dolowitz *et al.*, 2008; Marra, 2006). Validity refers to the degree to which the measure measures what the researcher expects it to measure. Typically, validity is checked by asking a question: “Am I measuring what I think I am measuring?” (Arksey & Knight, 1999). Trustworthiness requires the researcher to approach the research methodically, document all research procedures in a transparent manner and make data and

explicit evidence, supporting the arguments, available for inspection (Yin, 2011). Transferability implies a possibility to transfer the findings and knowledge to other settings and researchers (Denzin & Lincoln, 2011). Reflexivity presupposes reflection of the self as a researcher and the recognition of the bias and influences one introduces to the research process (Denzin & Lincoln, 2011). Finally, transparency refers to an ability to record and communicate the research process in an open, explicit and accessible manner (Flick, 2009).

Beyond these disputed quality benchmarks, grounded theory also has its own criteria. These criteria include:

- 1) “fit” with the experience of the research participants
- 2) “applicability” or usefulness of the findings
- 3) well developed “concepts” that participants identify themselves with
- 4) “contextualisation of concepts”
- 5) “logic” or flow of ideas
- 6) “depth” of investigation necessary to make a difference in policy and practice
- 7) “variation” in the form of properties, dimensions and examples
- 8) “creativity” in the presentation of the findings
- 9) researcher “sensitivity” demonstrated to the participants and the data
- 10) and “evidence of memos” to illustrate the depth of thinking (Corbin & Strauss, 2008).

In this research, every effort was made to develop the research design that would be able to provide the most robust and reliable answers to the posed research questions. To meet the required quality criteria, the research proposed a relatively complex research design and aimed at data, theory and method triangulation (Dvora & Schwartz-Shea, 2006). Blaikie (2000) describes triangulation as a strategy to approach a research question with different analytic tools, none of which have overlapping weaknesses, but rather demonstrate complimentary strengths. For the facilitation of triangulation, the researcher employs multiple data sources (different stakeholder groups), reviews and incorporates four literature streams and utilises three data collection methods (Marshall & Rossman, 2011). To further improve transferability, reflexivity and transparency, the researcher kept a reflexive journal, consisting of memos, detailing concepts, their properties, dimension and contexts in which they emerged (Dvora & Schwartz-Shea, 2006; Lincoln & Guba, 1985; Malterud, 2001) (Appendix 4.7). Besides, to demonstrate the logic of thinking, the researcher created two new grounded theory instruments or grids – one for recording the evolution of concepts and categories, and one for documenting the



development of the interview questions. Finally, in order to ensure the “fit” of an emerging theory and the findings with the experiences of the participants, the researcher engaged in continuous member checking through interviews, solicited feedback from academic experts and non-experts in the field, and audited a theory at a practitioner conference with a review panel of four affiliate marketing professionals and an audience of 100 tourism and hospitality representatives (Corbin & Strauss, 2008; Stake, 2010).

#### **4.11. Summary**

This chapter outlines the research design of the study (Table 4.4). In particular, the chapter describes the research philosophy underpinning this work, explains the research approach adopted, and provides the details about the study’s research strategy, methods for data collection and approach to data analysis. In the final two sections, the chapter reflects upon ethical considerations involved and shows how the researcher ensures research quality.

Given the lack of previous research and the complexity of the subject, this research adopted a pragmatic approach or the so-called systematic epistemology (Houghton, 2009; Richardson *et al.*, 2000). Following the principles of this epistemological position, the study did not favour any philosophy as a definitive approach, but adapted to all kinds of philosophies as the situation demanded. For the same reason of limited previous research, the study adopted a qualitative research approach and relied on the grounded theory research strategy (Corbin & Strauss, 2008). To develop an empirically grounded theory, the study employed multiple methods and multiple sources of data and utilised: (1) 72 online discussions from seven carefully chosen affiliate forums; (2) 37 semi-structured interviews with the representatives from the key affiliate marketing stakeholder groups, working within tourism and hospitality, and (3) 40 questionnaires distributed to various affiliate marketing practitioners. Triangulation of methods and data sources provided credible answers to the formulated research question, and added further rigour to an emergent and empirically grounded theory. The next chapter presents the findings of the study and describes the elements of an emerging theory.

**Table 4.5. Research Design Overview**

Aspect of research		Selected direction	Justification
<b>Research philosophy:</b>		Pragmatism	Pragmatism sets the research question in focus, and allows the researcher to move across various epistemological stances in order to answer the posed question.
<b>Research approach:</b>		Inductive	Induction helps to approach areas with limited previous research, supports theory development from data, allows usage of several methods, and aids in understanding the phenomenon in-depth and from the inside.
<b>Research strategy:</b>		Grounded theory	Grounded theory allows theory generation from the data, builds practically valuable and applicable descriptions and theory, and offers a total methodological package for investigation and theory development.
Stage 1	<b>Data collection method:</b>	Online discussions on appropriate affiliate forums	Online discussions allow quick and easy access to the large samples and rich data, and offer the data that is generated in a more natural environment, where due to the nature of the Internet people express themselves more freely.
	<b>Sampling:</b>	72 online discussions from 7 affiliate marketing forums	<p><b>Selection criteria for forum selection:</b> 1) number of forum members not lower than 6.500; 2) forum's ranking on search engines; 3) participation of authoritative affiliate marketing figures; 4) frequency of updates and level of activity.</p> <p><b>Selection criteria for selection of online discussions on the forums:</b> 1) topics discussed, where topics related to affiliate marketing enabling conditions, measurement, analytics, tracking and metrics were given preference.</p> <p><b>Sample size:</b> All relevant discussions from the selected forums were selected.</p>
Stage 2	<b>Data collection method:</b>	Semi-structured interviews	Interviews facilitate the exploration of individual experiences, opinions and actions in-depth, provide a deep understanding and "thick" descriptions" of the phenomenon, and allow probing and investigation of issues as they emerge.
	<b>Sampling:</b>	37 interviews	<p><b>Selection criteria:</b> representative from the four major stakeholder groups were selected, i.e. affiliates, merchants, networks and agencies.</p> <p><b>Sample size:</b> The sample size was not determined from the start, but was influenced by the saturation point, which was reached after 36<sup>th</sup> interview.</p>
	<b>Data collection method:</b>	Semi structured questionnaires	Questionnaires enable the collection of objective responses from the large samples in a low cost and effective way.
	<b>Sampling:</b>	40 questionnaires	<p><b>Selection criteria:</b> representative from the four major stakeholder groups were selected, i.e. affiliates, merchants, networks and agencies.</p> <p><b>Sample size:</b> The sample size was not determined from the start, but was influenced by the saturation point, which was reached after 36<sup>th</sup> interview.</p>
<b>Approach to analysis:</b>		Qualitative analysis based on grounded theory	Qualitative analysis based on grounded theory provides a systematic approach to analysis and offers a range of analytic tools, which result in theory generation.

## **Chapter 5: Affiliate Marketing Stakeholders – Primary Data Findings and Analysis**

### **5.0. Introduction**

This study aims to explore a potential shift in affiliate marketing measurement practices, and to develop a theory of affiliate marketing performance measurement in tourism and hospitality. To aid the exploration and theorising process, the present chapter seeks to build up general knowledge about the affiliate marketing business environment. It introduces the main stakeholder groups in affiliate marketing and explains their interrelationships, something that forms the basis for the anticipated theory.

Due to the limited research on performance assessments in affiliate marketing, the study adopts a grounded theory approach and develops a theory inductively from the data. The researcher relies on Corbin and Strauss' (2008) guidelines and starts with the identification of the concepts in the data. Each concept is depicted in terms of its properties and dimensions. Properties are defined as descriptive characteristics of a concept, and dimensions as variations within the properties that specify the concept further (Corbin & Strauss, 2008; Creswell, 2007). Through the application of constant comparison and theoretical sampling (Corbin & Strauss, 2008), the concepts are first identified and thereafter systematically developed, refined, enriched and 'saturated'. At the stage of axial coding, the concepts are grouped into categories, which eventually embody the main components of an emerging grounded theory (Blaikie, 2000).

The analysis of the empirical evidence obtained in this study indicates that the evolving theory of affiliate marketing performance measurement consists of two main categories and nine underpinning concepts. This chapter addresses the first of the two formed categories – Affiliate Marketing Stakeholders, and provides a detailed account of the five concepts that comprise this category: Merchants, Affiliates, Hybrids, Affiliate Networks and Agencies. The chapter begins with the in-depth explanation of each concept together with its properties and dimensions, and concludes with the description of the relationships between the identified stakeholder groups.

### **5.1. Merchants**

The first affiliate marketing stakeholder to be discussed in this chapter is merchants. The following three subsections offer a definition of this stakeholder, explain

different merchant types (properties and dimensions) and reflect on the various objectives merchants pursue by means of affiliate marketing.

#### **5.1.1. Merchant Definition**

According to the findings, a merchant in affiliate marketing is a service provider, who either independently or with the help of additional intermediaries, engages in affiliate marketing activities in order to distribute or promote his/her offerings through additional online sales force – affiliates' websites. In the tourism and hospitality affiliate industry, merchants are also referred to as 'advertisers'. From the theoretical point of view, however, the term 'advertiser' is limited, because it presupposes that the service provider employs affiliate marketing with the sole aim of promoting his/her offerings. In practice, affiliate marketing impact extends beyond advertising. For example, all service providers, participating in this study, employ affiliate marketing not only to promote their offerings or other travel-related services, but also to sell and distribute them. A 'merchant', therefore, appears to be a more academically accurate and appropriate term for this stakeholder group, as it reflects the essence of affiliate marketing activities more precisely and implies that service providers utilise affiliate marketing for both promotion and distribution purposes. It is this term that will be employed in the grounded theory of affiliate marketing performance measurement. The code for this stakeholder group is ADnumber.

In total, 25 merchants participated in the study. Nine of them were interviewed, and 16 completed the questionnaire (Table 5.1). Among the interviewees, there were four hotel companies (of which three were luxury hotels and resorts chains); two travel media- and technology service providers; one car rental company; one social network and one non-tourism merchant.

**Table 5.1. Participant Information – Merchants**

Interviews				
N	Code	Participant's title	Company description	
1	AD7	Online Marketing Coordinator	Hotel company	
2	AD8	Partnerships and Online Manager Europe	Luxury hotels and resorts company	
3	AD9	Marketing Manager	Provider of web-technologies for online tourism	
4	AD14	UK Channel Manager	Car rental company	
5	AD19	Online Marketing Senior Manager	Media services provider	
6	AD20	Online Marketing Consultant	Social network	
7	AD27	Partnerships and Online Manager Europe	Luxury hotels and resorts company	
8	AD29	Senior Manager e-Sales and Marketing EMEA and Americas	Luxury hotels and resorts company	
9	AD32	Affiliate Manager	Non-tourism merchant	
Questionnaires				
N	Code	Experience	N of partners	N of programmes
10	AD39	6+	1000+	-
11	AD40	2-3 yrs	1	1
12	AD41	2-3 yrs	Many	1
13	AD42	2-3 yrs	1	1
14	AD43	2-3 yrs	100+	3
15	AD44	0-1 yrs	1	1
16	AD45	2-3 yrs	1	1
17	AD46	4-5 yrs	900 affiliates; 1 affiliate network	4
18	AD47	6+ yrs	4 affiliate networks	12
19	AD48	4-5 yrs	1	2
20	AD49	2-3 yrs	4 affiliate networks	4
21	AD50	6 yrs	30 affiliate networks	30
22	AD51	6+ yrs	100+ affiliates; 1 affiliate network	1
23	AD52	6+ yrs	1000 affiliates; 2 affiliate networks	10
24	AD53	2-3 yrs	200	6
25	AD54	4-5 yrs	4	4

### 5.1.2. Merchant Properties and Dimensions

As a grounded theory concept, a 'merchant' exhibits several properties and dimensions (Table 5.2). Properties characterise concepts, while dimensions offer variations within the properties that depict the concepts in greater detail (Corbin & Strauss, 2008). One of the properties that describes merchants is their experience in affiliate marketing. The companies in the sample range between newcomers to affiliate marketing with up to three years of experience and experienced merchants with four-plus years of working in the affiliate industry (Table 5.1, 5.2). The findings indicate two main differences between newcomers and experienced merchants. One important difference is the two groups' dissimilar understanding of affiliate

marketing. To exemplify, newcomers treat affiliate marketing both as a revenue and traffic generator and a channel capable to strengthen their brand, improve brand awareness and increase exposure. On the other hand, experienced merchants (with one exception) do not recognise the branding value of the channel and primarily view affiliate marketing as an additional revenue, traffic and sales source. Another factor distinguishing newcomers from experienced merchants is the scope of their programmes. While most newcomers affiliate with one to four partners (five out of eight newcomers have 1-4 partners), merchants with four-plus years of experience cooperate with larger numbers of affiliates (five out of eight experienced merchants collaborate with 30+ partners). Together, these distinctions demonstrate that the growing experience and increasing scope of affiliate marketing programmes alter the stakeholders' perception of affiliate marketing from a brand building exercise to a pure sales generator.

**Table 5.2. Merchants: Properties and Dimensions**

Category	Concept	Properties	Dimensions	Explanation
Affiliate Marketing Stakeholders	Merchants	Experience	Newcomers	0-3 yrs of experience
			Experienced merchants	4+ yrs of experience
		Nature of partnerships	Exclusive partnerships	Partnerships with one affiliate
			Multiple partnerships	Partnerships with multiple affiliates
		Affiliates' classification	Platinum merchants	Merchants with highest profitability
			Diamond merchants	Merchants with high profitability
			Gold merchants	Merchants with satisfactory profitability
			Bronze merchants	Merchants with low profitability
		Networks' classification	Standard merchants	Merchants that rely on standard affiliate network services
			Key account merchants	Merchants that pay affiliate networks for extra services
		Sought objectives	Exposure- and interactivity-oriented merchants	Merchants that seek exposure, brand awareness/ recognition, promotion and interactivity-based results, e.g., traffic, new fans, incoming links
			Outcome-oriented merchants	Merchnats that seek pure results, e.g., sales, revenue, new customers, conversions

Further findings illustrate that merchants can also be depicted in terms of the nature of partnerships they form. Partnerships in affiliate marketing can be exclusive or multiple. Exclusive partnerships are arranged with one partner and are characterised by a limited amount of affiliate programmes. Among questionnaire respondents, five merchants operate exclusive partnerships. The rest of the respondents form multiple partnerships with numerous affiliates and run several affiliate programmes simultaneously. An affiliate programme is defined as an arrangement, whereby a merchant offers affiliates a commission in return for the accomplishment of a pre-defined action, such as traffic, sales, new customers, downloads to name a few. When merchants set up an affiliate programme, several affiliates can participate and compete for commission. Similar to how experience affects stakeholders' perceptions of the channel, the exclusivity of partnerships influences the way affiliate marketing is understood and employed by merchants. In particular, the initiators of exclusive partnerships seek affiliations with partners, who represent *"brands of their own right"* in order to reinforce the seriousness and exclusivity of their brands (AD7; AD8). These merchants utilise affiliate marketing for brand strengthening purposes. At the same time, merchants managing multiple partnerships are more concerned with expanding their reach through increasing the number of partners, which will ultimately improve their sales and revenue.

From the affiliates' perspective, merchants are characterised based on the profitability and volume they generate and on the industry sector they operate in. For example, a large UK-based affiliate PB36 employs the following categorisation:

*"We base it on profitability and volume and so we call them [merchants] platinums, diamonds, gold and bronze... We categorise them in terms of how much we put into them... Outside of that we just categorise them based on their taxonomy, which is their onsite taxonomy, which means that these merchants are electronics merchants or travel merchants. On our website we have a pretty detailed taxonomy" (PB36).*

Like affiliates, affiliate networks have also adopted their own classification of merchants. They categorise merchants according to the type of service they request from the networks and differentiate between standard and key account merchants. The description of the levels of services offered by the networks is detailed in the section about affiliate networks (see Section 5.4).

At last, merchants can be differentiated from the point of view of the objectives they set for affiliate marketing. The next section outlines these objectives, highlights the objectives most sought by merchants and explains the existing variations.



### 5.1.3. Objectives from the Merchant Perspective

The objectives that merchants pursue when launching affiliate marketing programmes are primarily concerned with increasing revenue, traffic and sales. For example, all merchants, who completed the questionnaire (16 in total), indicate that generating revenue is a definite objective they set for their affiliate marketing activities. Nine merchants also select driving traffic as their objective, while eight merchants indicate that they seek to increase sales with the help of their affiliates (Table 5.3).

**Table 5.3. Objectives from the Merchant Perspective (Questionnaire findings)**

Objective type	Objectives	Merchants
Exposure-based	To gain exposure	4
	To improve brand recognition/awareness	4
	To promote your website	3
	To enhance brand attitude	1
	To improve SERP (search engine rankings)	0
Interactivity-based	To drive traffic	9
	To acquire incoming links	0
	To get new fans	0
Outcome-based	To generate revenue	16
	To increase sales	8
	To increase conversions	5
	To receive registrations, customers	4
	To achieve specified predefined actions/results	3

These findings are reiterated in the interview results. As one of the hotel merchant-interviewees puts it: *“Affiliate marketing is one new traffic source and also a revenue source...”* (AD7). Besides revenue, traffic and sales, merchants also argue that by affiliating with stronger affiliates they can achieve better exposure and improve brand awareness. While only four merchants, who filled in the questionnaire, agree that affiliate marketing helps gain exposure, five out of nine merchant-interviewees, as well as a few online forum members are convinced that affiliate activities contribute to branding. For example, in one of the existing online discussions, a merchant argues (Appendix 5.1):

*“Working with affiliate marketing partners can add legitimacy to a travel brand, expedite word-of-mouth referrals and greatly increase reach. It can also strengthen a brand’s long-term positioning in an extremely cost-effective way”* (ExD).

## 5.2. Affiliates

The second affiliate marketing stakeholder group and one more concept of this study is comprised of affiliates. The following subsections discuss affiliates from the point of view of their role, types and objectives they seek to achieve.

### 5.2.1. Affiliate Definition

The findings suggest that affiliates represent individuals or firms with web presence, which are commissioned by their partners – merchants – for the referral of customers to the merchant(s)' websites, for converting their own traffic into merchant(s)' consumers and for the promotion and distribution of the merchant(s)' products and/or services through additional Internet sales outlets. Among industry professionals, affiliates are also known as 'publishers', as they provide the space on their websites for publishing merchants' adverts, banners or other advertising or distribution-related materials. In this study, this group of stakeholders is referred to as 'affiliates'. The code for this stakeholder group is PBnumber.

In some situations, relevant affiliates are headhunted by the merchants and invited to join the merchants' programmes. For example, in tourism and hospitality, merchants (e.g., Hostelworld) frequently approach travel bloggers or content affiliates (e.g., Nomadic Matt travel blog), whose target audience matches that of the merchant and who create rich travel content, which is likely to bring merchants' potential customers closer to a purchase and to add value to the overall customer experience. In other cases, affiliates apply for the merchants' programmes that they find appealing themselves. Increasingly many travel, tourism and hospitality companies (e.g., Thomson, lastminute.com, Marriott) introduce their affiliate programmes and encourage affiliates to sign up through their website. Alternatively, as one agency participating in an online forum discussion argues, affiliates can be recruited via affiliate networks:

*"Some of the networks will provide to you certain affiliates, like the best performers in the niche. And then you contact them all and try to get them into the program. Some of the networks let you send, what they call recruiting emails or invite emails, where they let you actually email the affiliates from their database that aren't in your program yet. You can send them a nice invitation to your program, and they usually charge money for that" (ExD).*

Overall, five affiliates took part in this research. Two affiliates – one starting one-person blog and a large UK voucher and coupon affiliate – were interviewed. Three other affiliates responded on the questionnaire (Table 5.4).

**Table 5.4. Participant Information - Affiliates**

Interviews				
N	Code	Participant's title	Company description	
1	PB31	CEO	One-person blog	
2	PB36	General Manager	Large affiliate with specialisation on deals, vouchers, coupons, price comparison	
Questionnaires				
N	Code	Experience	N of partners	N of programmes
3	PB64	6+ yrs	2000 merchants, all UK affiliate networks and agencies	2000+
4	PB66	0-1 yrs	100	1
5	PB67	2-3 yrs	1-3	1

### 5.2.2. Affiliate Properties and Dimensions

The results of the study indicate that the affiliate stakeholder group possesses six distinct characteristics (properties) (Table 5.5). Affiliates differ in size, specialisation and tactics, methods of acquiring traffic, influence they have on customers, their relationship with the merchant and objectives they set for their affiliate marketing programmes.

One of the distinguishing characteristics of affiliates is their size. With regard to the size of the affiliates, the tourism and hospitality affiliate industry hosts both one-person affiliate companies (e.g., *attitudetravel.com*) and large affiliates with brands of their own rights (e.g., Expedia, Kelkoo Travel). During the interview, a price comparison site AD/PB13 describes one-person affiliates as *“affiliates that sit in their room on their own, who work from their computer and build it that way”* (AD/PB13). In addition to one-person companies and large firms-affiliates, due to the rise of social media, there now also exist so-called ‘micro-affiliates’ or individual social media users, who engage in incentivised word-of-mouth and to provide recommendations to their social network of friends in return for a reward from merchants (Table 5.5):

*“This boom in user-generated content and the power of recommendations has led to the emergence of micro-affiliates – i.e. the users that form the web’s ‘long-tail’ of niche search product categories” (ExD).*

In terms of the specialisation and tactics employed, affiliates can be classified into: incentive/loyalty affiliates, cashback affiliates, voucher/coupon affiliates, content websites, price comparison engines, recommendation affiliates and group buying websites. Incentive or loyalty affiliates (e.g., *holidaytravelincentives.com*) make use of incentives such as collection of points by customers and charity donations to achieve desired customer actions, for example sign-ups, registrations, purchases.

**Table 5.5. Affiliates: Properties and Dimensions**

Category	Concept	Properties	Dimensions	Explanation
Affiliate Marketing Stakeholders	Affiliates	Size	Micro affiliates	Individual customers/users that perform a particular action for a commission (e.g., Facebook users)
			1-person affiliates	Small one-man affiliates (e.g., Attitudetravel.com, Nomadicmatt.com)
			Large affiliates	Large affiliates that operate with numerous partners and across multiple programmes (e.g., Kelkoo travel, Expedia)
		Specialisation and tactics	Incentive/ Loyalty affiliates	Affiliates that employ incentives to achieve desired customer action (e.g., Holidaytravelincentives.com)
			Cashback affiliates	Affiliates that offer cashback to achieve desired customer action (e.g., Quidco.com)
			Voucher, coupon affiliates	Affiliates that offer vouchers and coupons to achieve desired customer action (e.g., Savoo.co.uk, vouchercodes.co.uk)
			Content affiliates	Blogs or other online communities that offer special interest information (e.g., Tripandtravelblog.com)
			Price comparison sites	Affiliates that enable comparison of prices of numerous merchants (e.g., Travelsupermarket, Kayak)
			Recommendation engines	Affiliates that provide user-generated recommendations (e.g., Tripadvisor, Lonelyplanet)
			Group buying websites	Affiliates that offer group buying at a reduced price (e.g., Groupon, Travelzoo, Livingsocial, Google offers)
		Methods of acquiring traffic	Co-registration affiliates	Affiliates that invite customers to give their permission to third parties to send them offers/emails (e.g., Travelzoo)
			Email affiliates	Affiliates that collect customer email addresses for distribution of merchants' offerings (e.g., Groupon)
			PPC/Paid search affiliates	Affiliates that acquire traffic by buying ads on search engines (e.g., Lowcostholidays.com)
			SEO affiliates	Affiliates that acquire their traffic by organic search engine optimisation (e.g., Thomson.co.uk)
			Social media affiliates	Affiliates that acquire their traffic on social media sites (e.g., Hotels.com, Thomson, Expedia)
		Networks' classification	Sales initiators	Affiliates that encourage customers to purchase in the beginning of the decision-making process
			Converting affiliates	Affiliates that push customers to transact
			Premium affiliates	Affiliates that stand out in terms of the results they produce
			Standard affiliates	Affiliates that produce average results
		Merchants' classification	Affiliates	Affiliates that drive satisfactory volumes of traffic
			Partners	Affiliates (best performers) that drive large volumes of traffic and desired customers
		Sought objectives	Exposure- and interactivity-based	Affiliates that assist merchants in increasing exposure/interactivity.
			Outcome-based	Affiliates that focus on achieving specified 'tangible' outcomes.

Cashback affiliates (e.g., Quidco.com) facilitate pre-defined customer actions by offering cashback to customers. Similarly, voucher and coupon websites (e.g., vouchercodes.co.uk) offer their visitors vouchers and discounts.

Content affiliates (tripandtravelblog.com), which are frequently associated with blogs or other online communities, specialise in a particular subject matter and accumulate niche visitors interested in the subject:

*“Niche affiliates are very targeted affiliates that are in their particular category, subject matter. If it is a tennis merchant, then a tennis blog or a tennis site would be the best traffic the merchant could have” (ExD).*

Price comparison engines (e.g., Kayak) are affiliates that collect product information from multiple merchants and distribute merchants’ products/services making it easier for customers to compare competing offers. Recommendations engines (e.g., Tripadvisor) provide user-generated travel recommendations and divert traffic to merchants’ websites. Group buying websites (e.g., Groupon) invite customers to purchase collectively and, given that a requirement of minimum amount of buyers is satisfied, guarantee packages at considerably reduced prices (Table 5.5).

The way affiliates acquire their traffic depends on the methods affiliates employ to capture customer attention and interest. Co-registration affiliates (e.g., Travelzoo), for example, include separate check-boxes into their purchasing/booking or sign-in processes, so as to invite customers to give their permission (opt-in) to third parties to send them messages, offers and emails. If customers select this option, their email and other provided user information is automatically stored in an opt-in mailing list, which is later utilised to send customers newsletters, promotional offers and other relevant product information in a personalised manner. Email affiliates (e.g., Groupon) work in a similar way. Frequently, they give away free products in return for a registration, which requires the provision of the customer email address. With the help of these registrations, email affiliates create their email databases and distribute merchant(s)’ information by email. In one of the analysed existing forum discussions an agency provides the following account of email affiliates:

*“Email affiliates build their own data lists to target a travel brand’s potential customers with newsletters or dedicated email campaigns” (ExD).*

In the same discussion, one email affiliate shares the workings of his affiliate activities:

*“I like using paid traffic to my affiliate sites as well, so what I’ll do is build out an authority-style site with articles being published 3x a week, set up a survey, an email list, auto responder, and link it all together. Articles will get ranked which will get people on the email list (with a free book) and the surveys will tell me what I should be selling” (ExD).*

Other ways of acquiring traffic include PPC/paid search (e.g., Lowcostholidays.com), which presumes that affiliates buy ads on search engines, and natural/organic search engine optimisation (e.g., Thomson.co.uk), whereby affiliates optimise their websites for search engines, which, depending on the quality of website's content and its relevance to the user, appoint affiliate websites a position in the natural search engine rankings. One more and a relatively new source of traffic for affiliates is social media. Social media affiliates (e.g., Hotels.com) may be individual Facebook users, referring their friends to a particular merchant, or affiliate companies, driving social media traffic to their partners.

Besides different methods of acquiring traffic, affiliates also vary in how they influence customers and are, therefore, categorised by networks into sales initiators and converting affiliates:

*"...certain affiliates are like sales initiators, they contribute to the start of the customer journey... some affiliates have more of a role in pushing the user to transact in the end of that journey" (NW30).*

A network NW6, based in Latin America, also notes that affiliates can be divided into categories according to the industry sector they specialise in and their performance:

*"Each time an affiliate comes, we categorise the affiliate so we know if affiliate is a sports website or fashion... We have them all very categorised. We have one category that is premium affiliates, which we know are the ones that give us better results. And for them, we negotiate higher payments with our advertisers" (NW6).*

Merchants' classification of affiliates is less detailed, but is nevertheless insightful. Merchants differentiate between affiliates and partners, something that once again emphasises the different ways of seeing and utilising affiliate marketing. With partners, merchants build exclusive long-lasting relationships that can enhance merchants' brand image and reputation in the long-term; whereas with affiliates, merchants seek to obtain quick and voluminous results in the short-term:

*"... at some point some affiliates become partners, so ...you know where you build more direct relationship with them. Then we won't use networks, we just have direct relationships with them" (AD/PB35).*

Building upon the merchants' classification, it can further be differentiated between two more affiliate types: exposure- and interactivity-oriented affiliates that work at building and strengthening their own and their merchants' brands, and outcome-oriented affiliates that are primarily interested in generating pre-agreed actions and in earning their commission. Further details on the objectives that affiliates seek by starting affiliate marketing programmes with their merchants are provided in the next section.

### 5.2.3. Objectives from the Affiliate Perspective

The findings from online discussions, interviews and questionnaires all indicate that the number of affiliates viewing affiliate marketing as a brand-building channel is limited. Affiliates' engagement in affiliate marketing, according to the questionnaire and interview findings, is largely motivated by revenue, sales, as well as increased conversions and new customer registrations. Three affiliate respondents to questionnaires select increasing revenue and conversions as the objectives they set for their programmes; while two of these affiliates also aim to generate new registrations and customers (Table 5.6; Appendix 5.1).

**Table 5.6. Objectives from the Affiliate Perspective (Questionnaire findings)**

Objective type	Objectives	Affiliates
Exposure-based	To gain exposure	1
	To improve brand recognition/awareness	1
	To promote your website	0
	To enhance brand attitude	1
	To improve SERP (search engine rankings)	0
Interactivity-based	To drive traffic	1
	To acquire incoming links	0
	To get new fans	0
Outcome-based	To generate revenue	3
	To increase sales	1
	To increase conversions	3
	To receive registrations, customers	2
	To achieve specified predefined actions/results	0

According to some respondents (NW23), however, affiliates' perception of the channel is slowly changing, as an increasing number of affiliates start to recognise the branding value of the channel. For example, the interviewed affiliates (two in total) postulate that they strive to add value to their merchants, as they seek to build their own brands. This claim is reflected in the interviews with the networks too:

*“Some affiliates have become very significant brands of their own right and they have created these affiliate relationships where they recognise that there is a big brand-to-brand relationship that they have, and it is more than just a standard CPA relationship... it is much more of an equal relationship between the two players as opposed to typically a very traditional way of looking at it in which the advertiser is thinking that he is the most important person and he has got all those little affiliates around him...” (NW23).*

### 5.3. Hybrids

This section and its three subsections define and discuss the next stakeholder in affiliate marketing – hybrids. This stakeholder is identified through the analysis of the findings and is not previously covered in literature.



### 5.3.1. Hybrid Definition

Hybrids represent companies, which simultaneously play a role of a merchant and an affiliate. The code for this stakeholder group is AD/PBnumber. These companies are merchants because they sell and distribute end-products and services, for example, tours, accommodation and flights. However, they are also affiliates because they are not the principal providers of any of the offerings, but are rather the distributors of other merchants' services.

Fourteen hybrid companies participated in the research. Twelve were interviewed and two completed the questionnaire. All interviewed hybrid participants represent large online travel companies. For example, in the sample, three are travel price comparison sites; one is a hotel agency; and eight are online travel companies, of which one is a travel aggregator, selling holiday packages, one is a travel agent distributing other tour operators' holidays as well as their own holidays, and six are online travel companies offering pre-packaged holidays and allowing customers to build their own packages or buy separate travel elements, such as flights, accommodation and car hire (Table 5.7).

**Table 5.7. Participant Information - Hybrids**

Interviews				
N	Code	Participant's title	Company description	
1	AD/PB12	Affiliates Manager	Online travel aggregator	
2	AD/PB13	Affiliate Marketing Executive	Online price comparison site	
3	AD/PB15	Head of Commerce	Online travel company	
4	AD/PB16	Partnership and Affiliate Manager	Online price comparison site	
5	AD/PB18	Business Development and Partnerships Manager	Online travel company	
6	AD/PB21	Director Online Partner Marketing	Online travel company	
7	AD/PB22	Online Marketing Manager	Online travel agent	
8	AD/PB24	Affiliates and Partnerships Manager	Online travel and leisure company	
9	AD/PB25	Affiliate Account Director	Online travel and leisure company	
10	AD/PB28	Affiliate and Online Display Manager	Online price comparison site	
11	AD/PB35	Senior Online Marketing Manager EMEA	Online travel company	
12	AD/PB38	Distribution Account Manager	Online hotel agency	
Questionnaires				
N	Code	Experience	N of partners	N of programmes
13	AD/PB55	2-3 yrs	3000+	3
14	AD/PB56	4-5 yrs	1000 affiliates; 100 merchants	100

### 5.3.2. Hybrid Properties and Dimensions

Taking a position of merchants and affiliates at the same time, this stakeholder group possesses the properties and dimensions of both merchants and affiliates, explained earlier (Table 5.2, Table 5.5).

### 5.3.3. Objectives from the Hybrid Perspective

Hybrids, that simultaneously take the position of merchants and affiliates, view affiliate marketing as “a sales generator”, by mean of which they can increase “results, traffic and ROI” (AD/PB38; Table 5.8):

*“We are trying to get our affiliates to generate traffic to our websites. Our main purpose is to keep our merchants happy, we are a price comparison site, we work with retailers and we need to give our retailers strong ROI. Also... to maintain strong levels of the traffic coming to our merchants, so that we see a good number of visitors on our site” (AD/PB13).*

For some of them, however, building brand awareness also appears to be a motivator for starting an affiliate programme (Table 5.8; Appendix 5.1). For example, a large online tour operator expresses the following view during the interview:

*“Affiliates are your external sales force, they promote your brand. They are brand ambassadors for the company, who help reach wider audience, build presence online. So it is sales, brand, reach” (AD/PB22).*

Affiliate marketing, from the hybrids’ perspective, also allows expanding to new markets and gaining new customers by increasing their reach through additional affiliate channels (Appendix 5.1):

*“We want to engage with new customers, that maybe couldn’t engage with us before. We want to generate profitable sales. So I think it is more about reach in one sense and acquiring of new customers as well as getting more shelf space” (AD/PB21).*

**Table 5.8. Objectives from the Hybrid Perspective (Questionnaire findings)**

Objective type	Objectives	Hybrids
Exposure-based	To gain exposure	1
	To improve brand recognition/awareness	1
	To promote your website	0
	To enhance brand attitude	0
	To improve SERP (search engine rankings)	0
Interactivity-based	To drive traffic	2
	To acquire incoming links	1
	To get new fans	0
Outcome-based	To generate revenue	2
	To increase sales	2
	To increase conversions	1
	To receive registrations, customers	0
	To achieve specified predefined actions/results	0

## 5.4. Affiliate Networks

Another key stakeholder group in affiliate marketing is affiliate networks. The definition of affiliate networks, their different types, their value and reasons for networks' engagement in affiliate marketing are addressed in the following subsections.

### 5.4.1. Affiliate Network Definition

An affiliate network is a third party or an intermediary that links merchants and affiliates, provides the affiliated parties with necessary tracking technologies and technical support and monitors their performance. For example, a car rental company Hertz invites its partners to affiliate with them and join their affiliate marketing programme via the affiliate network, TradeDoubler, which carries the responsibility for the provision of the tracking platform, monitoring results, hosting Hertz' promotional materials and paying commission to affiliates (Hertz, 2012).

The findings show that the majority of affiliate networks possess their own pools of affiliates, which typically consist of several thousands of affiliates, and offer a range of services, including tracking, reporting, account management, consultancy, invoicing, pay-outs to affiliates, hosting of merchants' promotional materials and joint merchant-affiliate strategy development. The quote below summarises the nature of the affiliate networks' offerings:

*"We as a network are primarily a tracking service, so we own technology, which enables merchants to interact with affiliates, so the invoicing, the payment, tracking are the basics of what we do. On behalf of the clients [merchants] we will deal with affiliates, monitor the sales, execute the strategy that we agree with the client for the particular channel. But the basics of the matter are that we are a technology payment and service relation" (NW26).*

Being an *"intermediary between advertisers and affiliates"*, affiliate networks provide services for both affiliates and merchants, in return for which they charge their clients *"an override, which comes on top of the commission"* (NW23). In their work with the affiliates, networks provide affiliates with *"the technical support"*, which involves *"giving them [affiliates] or passing them the banner codes and explaining to them how the campaigns work"* (NW6). While in their work with merchants, networks offer such services as the recruitment of new affiliates into merchants' programmes and the provision of *"a platform that will act as a reporting suite through which they [merchants] can see and measure their campaigns"* (NW30). This platform tracks affiliates' performance, automatically generates reports, handles invoicing and hosts *"all the linking methods: text links, banners, creatives"* (NW30).

Twenty-one affiliate networks participated in this research. Eight of them took part in the interview, and 13 responded on the questionnaire (Table 5.9). Among the participants, there are both small and large, newly established and experienced affiliate networks. Their affiliate bases range from 1000+ to over one million affiliates; and the number of merchants averages between eight and 5000.

**Table 5.9. Participant Information – Affiliate Networks**

Interviews				
N	Code	Participant's title	Company description	
1	NW5	Affiliate Manager	Small affiliate network	
2	NW6	Affiliate Executive	Newly established Latin American affiliate network	
3	NW11	Client Services Director	Experienced UK-based international affiliate network	
4	NW23	Strategy Director	Experienced UK-based international affiliate network	
5	NW26	Senior Brand Sales Manager	Experienced UK-based international affiliate network	
6	NW30	Client Strategist	Experienced UK-based international affiliate network	
7	NW33	Head of Network	Experienced large international network	
8	NW37	Director Business Development	Large affiliate network with payment processing capabilities (a differentiating factor)	
Questionnaires				
N	Code	Experience	N of partners	N of programmes
9	NW57	6+ yrs	10000+	8
10	NW61	6+ yrs	600 merchants; 10000 affiliates; 20 agencies	600 in the UK
11	NW66	4-5 yrs	1300 merchants; 130000 affiliates; 50 media and affiliate agencies	1300
12	NW67	6+ yrs	65000 affiliates	1200
13	NW68	6+ yrs	45000 affiliates; 2000-5000 merchants	500
14	NW69	6+ yrs	2500 merchants; 140000 affiliates	2000
15	NW70	6+ yrs	400 merchants; 130000 affiliates; all agencies	400
16	NW71	6+ yrs	100+ merchants; 1000000 affiliates	100+
17	NW72	6+ yrs	280+ merchants; 150000 affiliates	280+
18	NW73	6+ yrs	1300 merchants; 75000 affiliates; 25 agencies	1300
19	NW74	6+ yrs	1800 merchants; 125000 affiliates	1800
20	NW75	2-3 yrs	50+ merchants; 1000+ affiliates; 10 networks; 2 agencies	100+
21	NW76	6 yrs+	3000	250

According to the participants (e.g., NW30; NW11), some affiliate networks actively encourage contact between their merchants and affiliates; whereas other networks limit or even prohibit such contact in fear to lose their clients, who may prefer to bypass affiliate networks and organise their relationships directly.

The interviews highlight that affiliate networks provide different levels of service to their merchants. For example, while all clients get a certain degree of service and standard help, *“large brands”*, willing to pay extra fee for additional management, receive higher level of service (NW33; NW11; NW26):

*“Everybody have access to our standard suite of reporting tools through an interface. But we do grade our service level. We have two distinct levels of service. We have one, which is the standard level of service that the vast majority of clients get, and we have the key account service, which is blue-chip large brand service. We work very very closely with our key brand clients. We help them better understand the [customer] journey, so both collecting the data and also interpreting the data and presenting the data to the merchant is very much done here with us”* (NW11).

Several participants adopt this gradation of service. For example, NW26, a UK-based affiliate network, has a similar system. For its *“key accounts, which are the large brands”*, it produces reports on any requested aspect of performance, while for their standard clients it generates a standard report on *“sales, sales and different promotional types, increase in sales, monthly increase, conversion rates...”* (NW26). The differentiation in service levels implies that merchants that join affiliate networks can either choose to have a standard account in the affiliate network or can initiate fully managed programmes and in return for an additional cost receive more support from affiliate networks, which can provide the merchants with proactive advice with regard to strategy development, careful planning, selective recruitment of new affiliates, website optimisation and joint development of new promotions (AD/PB22; NW6).

#### **5.4.2. Value of Affiliate Networks**

The value affiliate networks add to merchants and affiliates lies in their ability to provide the stakeholders with the immediate and *“free”* access to large numbers of *“productive affiliate marketers”* and *“hundreds of programs”*, which are ready for use through the networks (ExD). Also, affiliate networks operate standardised formats for promotional materials, which are easy to implement. For some affiliates, affiliate networks represent a preferred way of organising the affiliate relationships, as *“affiliates feel more confident that their sales efforts are properly tracked and commissions are paid in a timely manner”* (ExD).

#### **5.4.3. Affiliate Network Properties and Dimensions**

Affiliate networks differ in size, their geographical coverage, commission types they support and payment processing procedures they practice (properties) (Table 5.10). In terms of size, there is a difference between small (niche) affiliate networks (e.g.,

Adfish) and large networks (e.g., Google Affiliate Network). As to the geographical coverage, the majority of networks are international, given the nature of the borderless Internet business. However, there are a few networks, whose operation is limited to particular continents (e.g., Zanox). For example, a few European affiliate networks are repeatedly mentioned in this study.

**Table 5.10. Affiliate Networks: Properties and Dimensions**

Category	Concept	Properties	Dimensions	Explanation
Affiliate Marketing Stakeholders	Affiliate networks	Size	Small affiliate networks	Small-size networks (e.g., Adfish)
			Large affiliate networks	Large networks with numerous merchants and affiliates (e.g., ClickBank Google Affiliate Network)
		Geographical coverage	Continent-specific (e.g., European, Latin American)	Affiliate networks operating in particular continents/regions (e.g., TradeDoubler Zanox)
			International	Affiliate networks operating internationally (e.g., Commission Junction LinkShare)
		Commission type	PPC affiliate networks	Affiliate networks working with commission based on pay-per-click (e.g., AdSense)
			CPA affiliate networks	Affiliate networks working with commission based on pay-per-action (e.g., Clickbooth EpicDirect)
		Payment processing capability	On affiliate network's site	Affiliate networks that handle payments on their website (e.g., ClickBank ShareASale)
			Outside affiliate network's site	Affiliate networks that do not handle payments on their website (e.g., Affiliate Window)

Although several participants (e.g., AD/PB13; AD/PB22) refer to affiliate networks as “*one size fits all*”, other participants (e.g., NW23; NW37) argue that affiliate networks differ with regard to the type of commission structure they support. The most typical type of networks is cost-per-acquisition (CPA) networks (e.g., Clickbooth). These networks facilitate programmes, where payouts to affiliates are based on performance and executed predefined actions. Such actions are typically more than a customer visit to a merchant’s website, they require, for example, a sale, a registration or a sign up. The second type of affiliate networks works with commissions based on the amount of visitors that an affiliate sends to the merchant (e.g., AdSense). The requirement is that a visitor to an affiliate site clicks on the ad, which diverts that visitor to a merchant’s website; no purchase is required for a commission to be paid.

Lastly, the differentiation can be made between affiliate networks that simply track affiliate performance without interfering into the sales process (e.g., Affiliate Window), and networks that both track performance and process payments on their own websites (e.g., ClickBank). The former networks stay invisible to the end user;

whilst the latter networks are the websites where the purchase takes place. The advantage of affiliate networks processing payments is the possibility for small merchants without a web presence to distribute their offerings online.

Although affiliate networks are the most common “connectors” between merchants and affiliates, affiliate marketing relationships can also be facilitated and managed by agencies, which are explained in one of the following sections.

#### 5.4.4. Objectives from Affiliate Network Perspective

For networks, the main objectives are revenue, sales, traffic and conversions (Table 5.11; Appendix 5.1). In the words of the interviewed network: *“First thing is to drive sales, because affiliate marketing is a performance based advertising channel, so the goal is very much to add more sales, it’s not really to drive traffic”* (NW11). Few networks suggest that affiliate marketing can *“increase sales and branding on the Internet”* (NW26).

**Table 5.11. Affiliate Marketing Objectives from the Affiliate Network Perspective (Questionnaire findings)**

Objective type	Objectives	Networks
Exposure-based	To gain exposure	5
	To improve brand recognition/awareness	4
	To promote your website	4
	To enhance brand attitude	3
	To improve SERP (search engine rankings)	0
Interactivity-based	To drive traffic	7
	To acquire incoming links	3
	To get new fans	0
Outcome-based	To generate revenue	11
	To increase sales	9
	To increase conversions	8
	To receive registrations, customers	7
	To achieve specified predefined actions/results	6

### 5.5. Agencies

The next and the last stakeholder group in affiliate marketing is affiliate agencies. Their detailed account is offered in the next four subsections.

#### 5.5.1. Agencies Definition

Agencies are intermediaries that work with affiliates on behalf of their merchants and provide merchants with full management of affiliate programmes. Affiliate programme management implies that agencies together with the merchants develop affiliate marketing strategies, create new campaigns and promotional material, identify relevant affiliate networks for merchants to join, recruit new affiliates, follow-up and assist affiliates in their work, as well as monitor the performance of the



initiated affiliate programmes (AG1; AG10). The service that agencies offer to their clients is captured in the following quote:

*“We are what’s called an affiliate management agency. We work with affiliates on behalf of our clients... We take and manage the entire account for them... We are handling the account management, recruiting, newsletter sending, and sending follow-up emails, working with the affiliates to get the banners and links live on their sites and give them various strategies for how to do online marketing and generate traffic to their website” (AG2).*

Twelve agencies participated in this study. Of these, six were interviewed, and six answered the questionnaires (Table 5.12).

**Table 5.12. Participant Information - Agencies**

Interviews				
N	Code	Respondent's title	Company description	
1	AG1	Director	Agency offering SEO, link building, social media content affiliate marketing, PPC	
2	AG3	Affiliate Marketing Manager	Agency offering video marketing, SEO, email marketing, mobile marketing, retargeting, affiliate marketing	
3	AG4	Head of Affiliates	Agency offering affiliate marketing, PPC, SEO, social media marketing	
4	AG10	Affiliate Marketing Executive	Agency offering media buying services	
5	AG34	Senior Online Marketing Manager	Agency offering SEO, PPC, email marketing, affiliate marketing	
6	AG2	CEO	Agency offering affiliate marketing management	
Questionnaires				
N	Code	Experience	N of partners	N of programmes
7	AG58	6+ yrs	100+	-
8	AG59	4-5 yrs	3 merchants; 1000's affiliates; 1 affiliate marketing agency; 5 affiliate networks	15-20
9	AG60	6+ yrs	1	2
10	AG62	6+ yrs	40	4
11	AG63	4-5 yrs	50+	100+
12	AG65	6+ yrs	1	1

### 5.5.2. Value of Agencies

*“Nearly 30% of the affiliate market uses agencies” (NW30),* and there are various reasons for such a wide employment of affiliate or digital agencies. The most common motivations for employing an agency include the lack of resources to run affiliate marketing in-house and the lack of necessary knowledge of the channel. Affiliate agencies compensate for this lack of expertise and bring experience and established affiliate relationships to merchants:

*“We have existing close relationships with 1000's of super-affiliates to jump start a program on the major affiliate networks. We have advanced knowledge of SEO, PPC, HTML and site building, which allows us to work effectively with affiliates of all backgrounds and knowledge levels. We have over 10 years*

*experience in the online marketing world, which allows us to really help affiliates become better affiliates.” (ExD).*

Another rationale for the employment of agencies is the fact that they are able to provide cross-channel understanding of all merchant’s online activities:

*“Agencies will tend to run other online marketing or offline marketing so they might run the display marketing and search marketing and maybe social, so therefore they have a slightly different perspective because they can see everything and see where affiliates can fit in and I think that is really attractive to a lot of clients and that’s why they work with agencies” (NW11).*

Despite the claimed added value, however, some participants remain sceptical of affiliate agencies’ services, stating that by leaving the responsibility for affiliate marketing with the agency, merchants potentially lose the control of their affiliate marketing programmes:

*“Although some agencies track the whole of online marketing, I am nervous about it, because I don’t think anyone else understands what kind of marketing and distribution strategy the company has. The companies should be doing it themselves, if the contract runs out with an agency, what do you do with the data and intelligence that is collected?” (AD/PB15).*

### 5.5.3. Agency Properties and Dimensions

Among the interviewed agencies, a clear differentiation can be made between the agencies, solely focusing on affiliate marketing (two in total), and other digital agencies, specialising on a range of online marketing channels, including SEO, PPC, email, mobile marketing and other channels (ten in total) (Table 5.13). This differentiation in core services constitutes the main property of this stakeholder category.

**Table 5.13. Agencies: Properties and Dimensions**

Category	Concept	Property	Dimension	Explanation
Affiliate Marketing Stakeholders	Agencies	Core services and role	Affiliate marketing agencies	Agencies that specialise on affiliate marketing exclusively (e.g., OPMpros Affiliate crews)
			Digital agencies	Agencies that specialise on a range of Internet marketing channels (e.g., Azam marketing Traffic source)

### 5.5.4. Objectives from the Agency Perspective

For agencies, the primary objective of affiliate marketing is concerned with revenue, sales, traffic, exposure and conversions (Table 5.14): *“I am primarily looking for publishers to get me traffic and to get more sales” (AG3).* A few agencies postulate that *“Affiliate marketing helps reach and brand awareness” (AG34);* however they

also state that *“Brand awareness is a part of it, but you can’t really quantify it easily online”* (AG2).

**Table 5.14. Affiliate Marketing Objectives from the Agency Perspective  
(Questionnaire findings)**

Objective type	Objectives	Agencies
Exposure-based	To gain exposure	5
	To improve brand recognition/awareness	3
	To promote your website	3
	To enhance brand attitude	1
	To improve SERP (search engine rankings)	1
Interactivity-based	To drive traffic	5
	To acquire incoming links	2
	To get new fans	1
Outcome-based	To generate revenue	6
	To increase sales	5
	To increase conversions	5
	To receive registrations, customers	4
	To achieve specified predefined actions/results	4

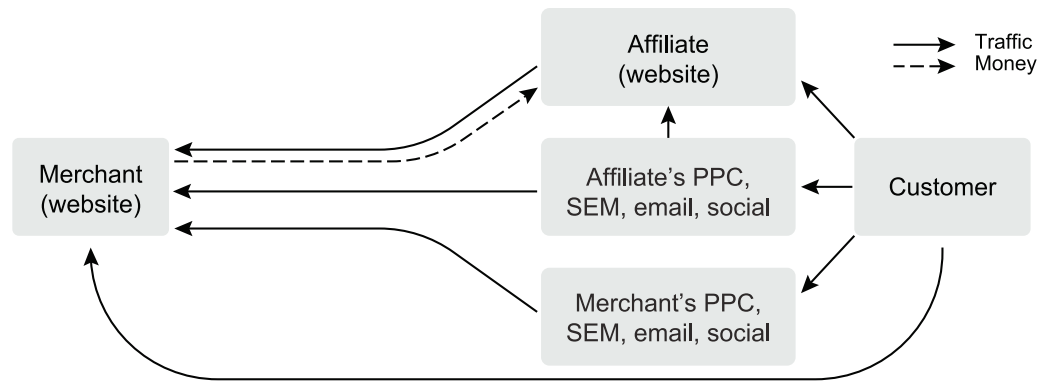
## 5.6. Stakeholder Relationships

Given the variety of stakeholder types and their differing functions and services, the organisation of the affiliate marketing function can take a number of forms. The relationships between merchants and affiliates can be direct, indirect or a combination of the two.

### 5.6.1. Direct Affiliate Partnerships

In organisations that possess the required expertise and resources, affiliate marketing can be organised as a direct partnership between a merchant and an affiliate or several affiliates (Figure 5.1). In such relationships, merchants actively recruit relevant affiliates, who also have an opportunity to sign up for a merchant’s programme and offer them a commission in return for targeted traffic. By recruiting affiliates, merchants, who might already engage in paid search (PPC), search engine marketing (SEM), email and social activities, considerably expand their reach through adding extra sales outlets – affiliates’ websites – to their portfolio of marketing channels. These affiliates’ websites are also likely to be participating in their own PPC, SEM and social campaigns, something that further increases merchant’s visibility. Among participating merchants, including interviewees and questionnaire respondents, ten work with their affiliates directly.

**Figure 5.1. Direct Affiliate Partnership**



### 5.6.1.1. Benefits and Costs of Direct Partnership Formulation

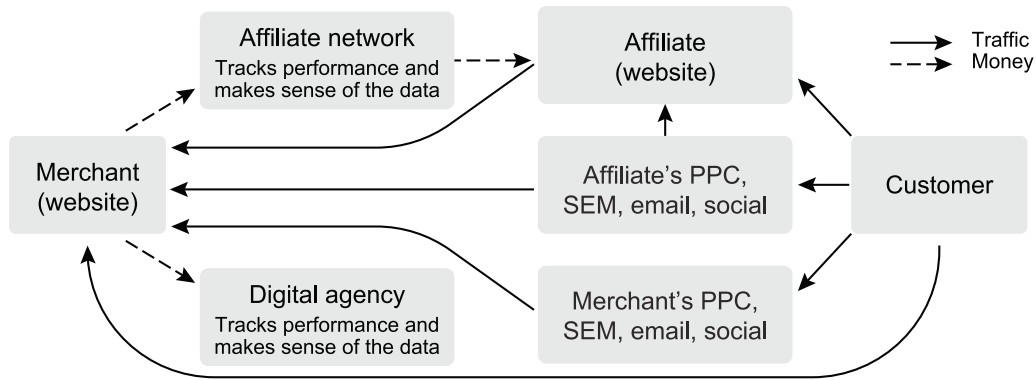
Direct partnerships exhibit several benefits, including more control over affiliate programmes, cost- and time-effectiveness, better consistency and direct contact with affiliates, hence less misunderstanding and more flexibility (AD32; AD/PB15; AG34). In participants' words, in-house direct partnerships are *"more individual"* (AD27); they *"cut out an extra intermediary and make it easier to protect the brand"* (AD/PB16).

On the other hand, in-house affiliate management also involves a few issues. The main difficulty of running affiliate marketing in-house is that it requires considerable investment in the technology platforms (i.e. tracking systems, payout systems) and their continuous update. Also, direct affiliations imply that in-house managers should possess a wide range of web-skills from online marketing to HTML and programming (ExD; AG34).

### 5.6.2. Indirect Affiliate Partnerships

A different way of organising merchant-affiliate(s) relationships is through intermediaries: affiliate networks and/or agencies (Figure 5.2). The role of affiliate networks and agencies, as discussed in the previous sections, is for an agreed payment to coordinate, plan, manage and monitor the relationship between the core stakeholders: merchants and affiliates. In the sample, 13 merchants collaborate with their affiliates via intermediaries. Of two types of intermediaries, only networks facilitate pay-outs to affiliates; while agencies take a position of consultants and strategists only.

**Figure 5.2. Indirect Affiliate Partnership**



### 5.6.2.1. Benefits and Costs of Indirect Partnership Formulation

Several of these merchants (e.g., AD32; AD20) view indirect relationships through affiliate networks as advantageous. In the words of AD32 and AD20:

*"What is nice about a network is all we have to do is to upload our products and affiliates can come from all over, I don't even have to recruit them. They come looking for good products and when they find one, they can just download it. We have got all advertisement, everything on there, so they don't even need me really" (AD32).*

*"One of the biggest advantages of working with networks is the quick volume you can generate in terms of customers coming through from the networks" (AD20).*

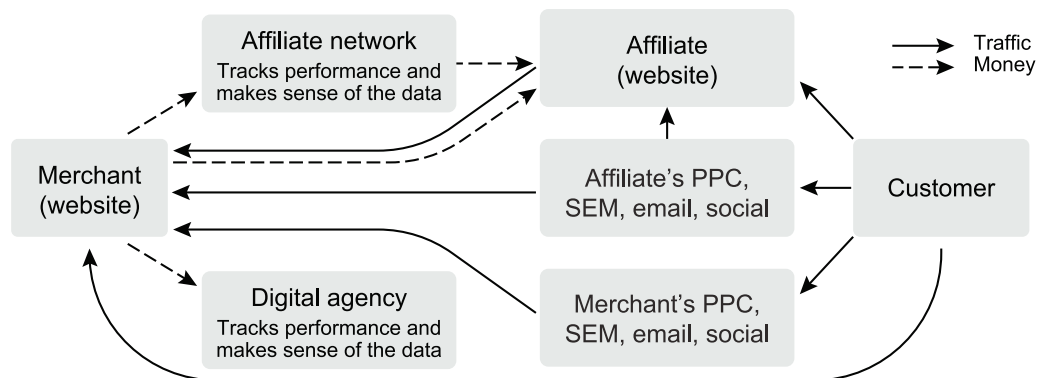
Conversely, other merchants favour working with affiliates directly, because indirect partnerships, particularly through networks, can be expensive, resource demanding and brand damaging (AD27). Three of the interviewed merchants (AD/PB18; AD27; AD/PB22), who previously worked through affiliate networks, mention that their experience with networks was negative due to the fact that networks limited and/or prohibited merchant's communication with affiliates and failed to provide appropriate affiliate management, something that made their programmes unfocused and ineffective and affiliates unable to send the right type of traffic to their merchants.

### 5.6.3. A Combination of Direct and Indirect Affiliate Partnerships

To compensate for the disadvantages of direct or indirect affiliate marketing relationship, some merchants treat these approaches as complementary and employ both. Ten merchant-interviewees and five questionnaire respondents have a combination of direct and indirect affiliate partnerships (Figure 5.3):

*"We are working in parallel way both with a third party networks and with own programme. Obviously, there are advantages and disadvantages on both acquisition techniques but again based on my experience I decided it was interesting for us to work also with external or third party networks" (AD20).*

**Figure 5.3. A Combination of Direct and Indirect Affiliate Partnerships**



### 5.6.3.1. Benefits and Costs of Combining Direct and Indirect Partnerships

On the question why merchants choose to run programmes directly and via intermediaries in tandem, the price comparison merchant AD/PB28 answers the following:

*“Some of the affiliates that we work with directly prefer having a direct relationship with us... There are multiple reasons why we work with affiliates through the network: a) because it takes a lot of management on our side, so the network obviously manages that for us, b) the network has reporting and tracking technology so affiliates can understand their own performance in real time, what they are being paid, what is due to be paid, they can pull off any creative [promotional materials] that they want to use, and also if they have any questions they can get in touch with the network at any time. Now because there is only me and we have just over a thousand affiliates, that would be quite a job to try and manage all of those myself, and off course we don't have the portal and the tracking software” (AD/PB28).*

### 5.6.4. Factors Determining Type of Partnership

Although the analysis of the findings fails to reveal generalizable conclusions about the preferences between direct and indirect partnerships among the different sectors of the tourism and hospitality industry, the factors that determine partnership type are identifiable. Among the determining factors there can be mentioned various organisational resources (i.e. financial, human, intellectual, time and technological resources), scope of planned affiliate marketing programmes, sought objectives and planned level of outsourcing.

Organisational resources influence the selection of partnership types in several ways. For instance, financial resources are a deciding factor for the type of partnership to be adopted because different forms of partnerships demand

dissimilar investments and the selection of partnership will depend on the availability of finances. Direct partnerships require larger financial investment at the start-up stage (e.g., for developing and installing tracking). Indirect partnerships, on the other hand, allow setting up affiliate programmes at a cheaper cost. In the long term, however, direct partnerships appear to be more cost-efficient, as merchants avoid paying costly override fees to networks.

Human, intellectual and time resources are another factor that determines the type of partnership to be selected. For merchants that possess in-house expertise in affiliate marketing and its technical implementation (i.e. knowledge of web, HTML, programming) and have enough employees, who both exhibit the knowledge of the channel and can dedicatedly work with affiliate management, direct partnerships is a possible option. If such resources are unavailable, indirect marketing through networks and/or agencies is a preferable alternative.

Linked to financial resources, technological resources represent a key determinant in the selection of partnership type. If a company owns the tracking technology, or has an opportunity to develop it in-house, or is content with the 3<sup>rd</sup>-party tracking solutions (e.g. Google Analytics), partnerships can be successfully organised directly with affiliates. However, if the company is interested in more sophisticated tracking and does not possess such technology, the relationship should be organised through affiliate networks, which provide tracking and other necessary technical solutions to run affiliate marketing programmes.

Depending on the sought scope of planned affiliate marketing programmes, partnerships can be arranged directly or indirectly. Typically, direct partnerships imply a limited number of programmes to ensure control and consistency, because multiple programmes and affiliations require more time-consuming recruitment procedures and demanding affiliate management. In turn, indirect affiliations allow multiple partnerships and provide merchants and affiliates with instant access to large lists of potential partners. Management in indirect affiliate marketing is largely automated, however the control over affiliates and frequency of communication with partners is limited.

If partners seek to build, reinforce or strengthen their brand, the more appropriate choice for them is to form direct partnerships as these allow flexibility, direct partner contact, more frequent communication and less room for misunderstanding between the partners. If the primary objective of affiliate marketing is to generate and stimulate financial outcomes, indirect partnerships might be a better option, as affiliations via networks provide access to a large affiliate base and allow automated



affiliate management, where all transactions, invoices and pay-outs to affiliates are undertaken by the network's system, requiring less additional management of the programmes.

Further, the sought level of outsourcing is a deciding factor. If merchants wish to retain the control over the entire value chain, they affiliate with their partners directly. If merchants seek partial affiliate management, consultation or other assistance, such as the cross-channel analysis of all their online marketing activities, they might outsource those tasks to agencies. However, in cases where merchants want to outsource their affiliate function more or less in its entirety (e.g., affiliate recruitment and management, tracking and commission pay-outs), affiliate networks are typically employed.

### **5.7. Summary**

One of the aims of this study is to develop a grounded theory of affiliate marketing performance measurement in tourism and hospitality. Given that the previous literature on the subject is limited, the study employs a grounded theory strategy to generate its theory from empirical data. Blaikie (2000) states that every grounded theory is an analytical story comprised of categories and concepts that emerge from the data. In the grounded theory of this study, there emerge two main categories and nine belonging to them concepts. The current chapter presents the first category of the theory – Affiliate Marketing Stakeholders. It provides a detailed account of each of the five stakeholder groups in affiliate marketing, including merchants, affiliates, hybrids, affiliate networks and agencies, and depicts the interrelationships between these stakeholders, mapping herewith the affiliate marketing business environment.

An understanding of this environment is necessary for the explanation of the second category of the emerging grounded theory – Affiliate Marketing Performance Measurement Process. This category and the remaining concepts of the theoretical story, such as the various stages in the process affiliate marketing performance measurement, are the subject of the next chapter.

## Chapter 6: Affiliate Marketing Performance Measurement Process – Primary Data Findings and Analysis

### 6.0. Introduction

This chapter addresses the third objective of this study and explores the process of affiliate marketing performance measurement. It explains the second category of the emerging grounded theory - Affiliate Marketing Performance Measurement Process. According to the participants, this process entails four main phases, or, in grounded theory terms, concepts: Research, Planning, Implementation and Evaluation. Each phase further consists of steps that affiliate marketing stakeholders need to undertake in measuring performance (Table 6.1). Given the complexity and context-dependent nature of most affiliate relationships, which can involve several affiliate programmes and partners, the process to be presented in this chapter is designed for the measurement of performance at the level of a single affiliate programme, not for the evaluation of the entire affiliate marketing channel. It should also be noted that, as in previous performance measurement literature, management and measurement are treated in this study as inseparable parts of the same process (Bititci *et al.*, 1997). This process, together with the phases (concepts) and steps (properties) that it involves, are outlined in detail in the following sections.

**Table 6.1. Category 2: Concepts and Properties**

Category	Concepts	Properties
Category 2 - Affiliate marketing measurement process	Research phase	Step 1 – Identification and creation of critical enabling conditions
	Planning phase	Step 2 – Affiliate marketing objective(s) formulation
		Step 3 – Selection and design of promotional material
		Step 4 – Commission setting
		Step 5 – Metrics selection
	Implementation phase	Step 6 – Agreement on the frequency of reporting
		Step 7 – Testing, experimentation and adjustment
	Evaluation phase	Step 8 – Check of enabling conditions
		Step 9 – Assessment of performance against predefined performance criteria

### 6.1. Research Phase

The first phase in the affiliate marketing measurement process is the phase of research. In grounded theory terminology, this phase constitutes the first concept of the category of Affiliate Marketing Performance Measurement Process (Table 6.1). The participants frequently describe this phase as preparatory, because it involves

broad scanning of the internal and external environment in order to identify the factors that are likely to impact affiliate programme's success and that should, therefore, be taken into consideration during the programme's planning. This phase includes one major step (or property) – identification and creation of enabling conditions (Table 6.2).

**Table 6.2. Research Phase: Properties and Dimensions**

Category	Concept	Properties	Dimensions
Affiliate Marketing Measurement Process	Research phase	Step 1 – Identification and creation critical enabling conditions	Affiliate management
			Merchant/Affiliate website
			Personality and skill set of affiliate marketing manager
			Usage of social media
			Research
			Marketing communications
			Technology
			Network type
			Product/Service attributes
			Product information
			Affiliate marketing creatives and tools
			Commission type
			Affiliate marketing strategy
			Affiliate type
			Affiliate/Merchant recruitment
			Experimentation
			Seasonality
			Segmentation
			SEO
			Link building
			Time and resource investment
			Knowing costs and margins
			Type of affiliate relationship (in-house vs outsourced)
			Match between merchants and affiliates
			Merchant type
			Brand management

### 6.1.1. Step 1 – Identification and Creation of Enabling Conditions

One of the first tasks that affiliate managers face in planning an affiliate programme is the identification and subsequent creation of the necessary conditions, enabling the successful implementation of the programme. According to the data, the enabling conditions that should be created to facilitate such successful execution of affiliate programmes and to improve and sustain the programmes' performance, overall amount to 26 general prerequisites of success (Table 6.2). Sixteen out of the total 26 enabling conditions are present in the datasets, generated by all the three methods of data collection (Table 6.3). These prerequisites are the general conditions that may, to a larger or smaller extent, affect the success of affiliate marketing and that should for this reason be carefully considered by all stakeholders, regardless of the objectives sought. However, the perceptions of different stakeholders with regard to the most important conditions are dissimilar. The next

section presents the varying stakeholder views on how enabling conditions should be prioritised, and explains the existing disagreement.

**Table 6.3. Enabling Conditions in Affiliate Marketing**

Enabling condition	N of mentions		
	Online discussions	Interviews	Questionnaires
Affiliate management	19	20	35
Merchant/affiliate website	18	11	33
Personality and skill set of affiliate marketing manager(s)	16	9	32
Usage of social media	13	1	19
Research (competitor analysis, keyword research, etc.)	11	4	26
Marketing communications	10	1	33
Technology	9	10	25
Network type	7	3	32
Product/service attributes	7	10	38
Product information	6	-	-
Affiliate marketing 'creatives' and tools	5	5	35
Commission type	5	13	36
Affiliate marketing strategy	5	4	30
Affiliate type	5	11	36
Affiliate/merchant recruitment	5	2	31
Experimentation	4	1	-
Seasonality	4	1	-
Segmentation	3	1	-
SEO	3	1	26
Link building	2	-	-
Time and resource investment	2	4	-
Knowing costs and margins	2	3	-
Type of affiliate relationship (in-house vs. outsourced)	1	3	28
Match between merchants and affiliates	-	5	-
Merchant type	-	2	29
Brand management	-	1	-

#### 6.1.1.1. Prioritisation of Enabling Conditions by Stakeholders

The list of enabling conditions in affiliate marketing is extensive. The ordering of data into the enabling conditions identified by various data collection methods and the comparison of this data across stakeholder types offers a number of insights on the importance stakeholders assign to different enabling conditions (Table 6.4; Table 6.5).

First, out of 23 enabling conditions that emerged during the interviews, only four enabling conditions, namely affiliate management, product/service attributes, match between merchants and affiliates and strategy, are mentioned by all stakeholder groups. The analysis of the top enabling conditions from questionnaires offers no conditions that are considered important by simultaneously five stakeholder types. Instead, this analysis reveals four conditions (three of which are different from the interview findings) that are regarded as top enabling conditions by at least four

stakeholder groups. These conditions are product/service attributes, commission type, affiliate type and affiliate marketing ‘creatives’ and tools.

**Table 6.4. Stakeholders’ Perceptions on Enabling Conditions (Interview Findings)**

Enabling condition	Merchant	Affiliate	Hybrids	Network	Agency
Affiliate management	X	X	X	X	X
Commission type	X		X	X	X
Merchant/affiliate website	X		X	X	X
Affiliate type	X		X	X	X
Product/service attributes	X	X	X	X	X
Technology	X		X		X
Personality and skill set of affiliate marketing manager(s)	X			X	X
Affiliate marketing creatives and tools	X		X		X
Match between merchants and affiliates	X	X	X	X	X
Research (e.g., competitor analysis, keyword research)	X		X	X	
Affiliate marketing strategy	X	X	X	X	X
Network type	X		X	X	X
Knowing costs and margins	X			X	
Type of affiliate relationship (in-house vs. outsourced)	X		X		
Time and resource investment	X			X	X
Merchant type				X	X
Affiliate/merchant recruitment		X			X
Marketing communications	X		X		
Segmentation				X	
Seasonality					X
Brand management				X	
SEO		X			
Usage of social media		X			

The differences in enabling conditions that different stakeholders point out as important for affiliate programmes can be explained by two main reasons. First, the variations seem to be reflective of the dissimilar specialisations and roles that the different stakeholders hold in affiliate marketing. For example, the core activities of both affiliate networks and agencies revolve around affiliate management and recruitment, as well as strategy development and implementation. The opinions of these two stakeholders with regard to the key enabling conditions are, therefore, largely the same. In particular, the significant influencers on success from the point of view of these stakeholders are the types of affiliates recruited, affiliate/merchant websites, personality and skill set of affiliate managers and necessary time investment. In turn, for affiliates, whose business model is based on generating largest possible volumes of traffic and converting that traffic into merchant’s customers, the top ranking success factors are SEO, usage of social media, affiliate recruitment and research.

The differences in the stakeholders’ views on success enablers are also in line with the different understanding of what constitutes good affiliate performance by the players. According to the data, the ultimate objective for all affiliated parties is increased earnings, larger customer volumes, and improving ROI and sales. Yet,

increasingly many merchants and some affiliates, especially larger ones, also associate good performance with growth and brand strengthening (Appendix 6.1). These associations are also reflected in the interview findings (Table 6.4). These findings highlight that commissions do not score high among affiliates, but appear as one of the top enabling conditions for merchants, networks and agencies.

**Table 6.5. Top Enabling Conditions (Questionnaire Findings)**

Top six enabling conditions	Merchants	Affiliates	Hybrids	Networks	Agencies
Product/service attributes	X	X	X	X	
Commission type	X	X	X	X	
Affiliate type	X		X	X	X
Network type	X				
Affiliate marketing creatives and tools	X	X	X	X	
Merchant/affiliate website	X				
Quality of formulated marketing messages		X			
Type of affiliate relationship (in-house vs. outsourced)		X			X
Research (e.g., competitor analysis, keyword research)		X			
Affiliate management			X	X	X
Affiliate/merchant recruitment				X	
Merchant type				X	
Personality and skill set of affiliate marketing manager(s)					X
Affiliate marketing strategy					X
Technology			X		X

Further analysis of the differences in the players' views in relation to the precursors for achievement emphasises that for the most part the stakeholders are aware and familiar with what needs attention in order to maximise each other's performance. To illustrate, affiliates, networks and agencies rightly envisage that to gain high results from affiliate programmes merchants need to have a convertible and compelling website, attractive products, competitive commission structures and good affiliate management (AG10; NW6; NW26; AG3, PB36). Similarly, the stakeholders correctly believe that critical success factors for affiliates are good affiliate support and management, and thorough research, benchmarking and analysis of *"How is my site doing in relation to other sites? Which areas are underperforming?"* (AD/PB15).

In spite of this agreement in the views, however, there is evidence to suggest that what different stakeholders perceive as each other's critical enabling conditions does not always mirror the stakeholders' own perceptions. For instance, the quotes presented in Appendices 5.1 and 6.1 clearly display that there has been a change in what merchants and affiliates consider good affiliate marketing performance. As the tables illustrate, for these stakeholders, performance is no longer only concerned with revenue and profit, but is increasingly associated with improved branding value. And while this change has been recognised by some networks, the findings show

that there still remains a common perception among networks and agencies that merchants and affiliate, engaging in the affiliate channel, solely seek revenue and profit.

### 6.1.1.2. Prioritisation of Enabling Conditions by Objectives

Although several enabling conditions can be considered universal; depending on what stakeholders aim to achieve (e.g., exposure, interactivity or outcomes), the enabling conditions can be, with some overlaps, classified into one or more of the following categories:

1. Exposure-facilitating conditions
2. Interactivity-facilitating conditions
3. Outcome-facilitating conditions (Table 6.6).

**Table 6.6. Enabling Conditions by Objectives**

Enabling condition	Objective		
	Exposure-based	Interactivity-based	Outcome-based
Affiliate management	X	X	X
Merchant/affiliate website	X	X	X
Personality and skill set of affiliate marketing manager(s)			X
Usage of social media	X	X	
Research (competitor analysis, keyword research, etc.)			X
Marketing communications	X	X	X
Technology			X
Network type	X		
Product/service attributes	X	X	X
Product information	X	X	X
Affiliate marketing 'creatives' and tools	X	X	X
Commission type	X	X	X
Affiliate marketing strategy	X	X	X
Affiliate type	X	X	X
Affiliate/merchant recruitment	X	X	X
Experimentation		X	X
Seasonality		X	X
Segmentation	X	X	X
SEO	X	X	
Link building	X	X	
Time and resource investment	X	X	X
Knowing costs and margins			X
Type of affiliate relationship (in-house vs. outsourced)	X		
Match between merchants and affiliates	X	X	X
Merchant type	X	X	X
Brand management	X	X	

The following subsections present the enabling conditions in accordance with the objectives they aim to reach (i.e. exposure, interactivity or outcomes) and explain the essence and influence of these conditions on the success of affiliate marketing programmes.



### 6.1.1.3. Universal Enabling Conditions

In total, 14 enabling conditions can be regarded as universal and as equally important for all affiliate marketing programmes, regardless of what they aim to achieve.

#### ***Affiliate Management***

The first and the most significant enabling condition that impacts affiliate marketing success is affiliate management (Table 6.3). This condition receives the largest number of mentions across all the three research instruments. Affiliate management implies open and clear communication, and on-going relationship building and cooperation between partners based on the principles of engagement and trust (AD/PB12; AD/PB18). *“Affiliate marketing is a lot about relationships. If affiliates know you and trust you, they will promote you”* (ExD). A member of the affiliate online forum summarises the essence of affiliate management in this quote:

*“Intensive affiliate management should include: working with each affiliate personally, analysing their website, providing helpful suggestions, helping to get the banners and links on their site, making valuable suggestions on how to promote the merchant, and being friendly in the affiliate/manager relationship.”* (ExD).

Affiliate management necessitates recognition that *“each affiliate should be worked with individually”* (ExD) and on a one-to-one basis. *“Managing affiliates is all about building the relationship with each and every affiliate on a personal level”* (ExD). *“People think of an affiliate program as an entity while it’s really like dealing with thousands of individuals”* (AG2).

To manage affiliates means to continuously support, train, nurture and guide them. It demands flexibility and adaptability from merchants, networks and agencies, which should attempt to supply affiliates with all the necessary marketing materials and, if required, offer technical help: *“You really need to nurture that relationship you have with your affiliates, because they don’t know our brands, so we need to teach them about our brands”* (AD/PB12). Besides technical support, affiliate management also entails daily encouragement of the affiliates on the programme. Such encouragement can, for example, be achieved by means of running affiliate contests, organising sales competitions and following-up with regular offers that stimulate affiliate motivation and supply them with competitive offers (AG2; AG1; AG4; MyD; AD20).

## **Merchant/Affiliate Website**

Two other equally important enabling conditions, influencing affiliate performance, are the affiliate and merchant websites. In particular, such aspects as content, usability, onsite optimisation for search engines, convertibility, loading speed, navigation and user experience are critical. A number of decisions need to be made to ensure a programme's success. For instance, partners should agree on *"how much content will be presented on the affiliate side and how much on the merchant side"* (AD7). Content on the merchant and affiliate websites should be unique (i.e. not a copy of merchant's content) and updated. Affiliates should *"have a content schedule about when to add new content to the site"* (ExD). Both merchant and affiliate websites should be easy-to-use and easy-to-navigate; they should be optimised for search engines and equipped with safe payment options (AG2). Check-out processes and website's loading speed should be quick; and the website should offer good user experience and *"create a good first impression"* (ExD). *"You will not be able to sell very many products if your visitors think your website looks unprofessional"* (ExD). Finally, partners ought to *"make sure their website is a great 'converting' place where the traffic affiliates generate will have a high conversion rate, otherwise the programme won't grow as it should"* (ExD). As an affiliate network representative puts it:

*"A good website that is set up to convert users is extremely important, so there are lots and lots of really nice websites out there that I have seen that are really hopeless for conversion, because they are not set up to sell things online"* (NW11).

## **Marketing Communications**

Some participants (e.g., AD7) argue that affiliate marketing success also depends on *"marketing communications strategy that has to be developed together with the affiliate"* (AD7). The review of the marketing literature indicates that the marketing communication construct is comprised of four main elements: advertising, personal selling, sales promotion and public relations (Fill, 2006a). All these elements are significant enabling conditions in affiliate marketing. To give a few examples, *"creative interactive and engaging advertising content is critical in the conversion of the online customer"* (ExD). In tourism and hospitality, such advertising content can, for example, be presented in the form of *"interactive dynamic packaging that enables consumers to combine different products such as flights, hotels and car hire"* (ExD). Sales promotion, for example in the form of campaigns that *"include something like a discount or a present if the person subscribes to a programme or*

*clicks on the banner*” is said to be highly effective in prompting high and immediate results (NW6).

### ***Product/Service Attributes***

A product and/or service type or attributes can also be a decisive factor for affiliate programme’s success. In particular, participants’ experience shows that “popular” products are more suitable for affiliate marketing, as *“affiliates look for attractive brands that can give them a good look in their website”* (AG3; MyD). *“The product must be profitable for all parties”* (AD/PB18). Another aspect affiliates seek with regard to products, according to networks, is *“a campaign that includes something like a discount or a present”* (NW6). Besides, affiliates value products of high and consistent quality:

*“You got to have quality products, that way you keep the returns low. And then once you got a quality product, that is when you can get affiliates selling your product, and they will stay with you and keep promoting your product if they see that: a) people are buying them, and b) people are not returning them, because when they return, they lose their commission”* (AD32).

Together with the product attributes, compelling affiliate service is also recognised as a significant motivator capable to improve affiliate performance (AD/PB35):

*“Good service and good tools for partners to succeed in their business are important. For us it is important to be first in class in terms of the tools that we put available for affiliates”* (AD/PB21).

### ***Product Information***

According to the findings of online discussions, the availability of the accurate and comprehensive product information is another key condition for programme’s success. Its importance is reflected in this quote:

*“With more online travel sites out there than ever before, it is vital a product can be found easily and that the affiliate is able to give the consumer the information they want in one simple, clean hit. Inaccurate product information results in a poor consumer experience and damage to the company’s brand. With travel experiencing one of the highest levels of consumer research prior to a purchase being made, it is vital that affiliates are able to display as much rich product information as possible”* (ExD).

In tourism and hospitality, the provision of such information can, however, be challenging, because the market place is dynamic, *“prices change hourly”* and *“the technical implementation is complex”* (NW30). To ensure that *“the transmission of data is fluid”* and prices are accurate (NW33), the industry increasingly employs such data transmitting mechanisms as data feeds:

*“Because there is no requirement for technical resource from the travel brand, [data] feeds can be generated and deployed quickly and at low cost by extracting the “front end” product-related HTML code from the website, with no requirement for any back end data. This information enables them [affiliates] to become more like online travel agents than simple brochure-style websites” (ExD).*

### **Affiliate Marketing ‘Creatives’ and Tools**

One more enabling condition in affiliate marketing is concerned with affiliate marketing ‘creatives’ and tools. ‘Creatives’ include promotional tools and materials, designed by merchants and employed by affiliates to promote merchants’ products, services and/or brands and to convert visitors into customers. Some examples of ‘creatives’ are banners, product feeds, pop-ups and written product descriptions. According to the empirical evidence, ‘creatives’ can maximise affiliate marketing programme performance, if they *“include various calls to action, like a free gift to offer your visitors”* (ExD), and are *“beautiful”, “excellently designed”, available, plentiful and convertible* (AG2):

*“What we have done recently is develop an affiliate hub. Our networks’ interface is not very good for searching around for tools or for reporting. So we identified that and we built a very clear site, which means that we can direct an affiliate there and it is so easy, doesn’t matter what level of affiliate you are, whether you know nothing about leads or anything... it’s got a massive how-to guide, how to use a feed, how to use a video...” (AD/PB12).*

### **Commission Type**

The type and the amount of affiliate commission are among the most influential conditions, enabling a programme’s success. A social network merchant AD20 postulates that for maximum results there needs to be *“the right balance in terms of commissions and putting efforts into growing the programme, controlling the return for your investment”* (AD20). An experienced UK affiliate network representative adds that commissions should also be competitive, and describes how the commission structures have changed to accommodate a need to reward based on performance:

*“Most large retailers here in the UK, which are running affiliate programmes, want to reward their affiliates in different ways depending upon how much value they actually bring and generate, not just pay them 5% of profits and be done with it, which was very much the kind of commission structure which was invoiced when I first started in the industry” (NW11).*

Payments to affiliates need to be made *“on time, every time”* (AD/PB13); yet they do not need to be constantly increasing to be effective. An online travel aggregator merchant accentuates this point:

*"It is not always about increasing commission all the time, it is thinking a bit more tactically. So we've got, I don't know, struggling in cruise sales or something, we might offer them a discount code to put on their site so that they help promote their affiliates or we might run a competition or something like that. I think you need to definitely try and incentivise them a little bit and it does help..." (AD/PB12).*

### **Affiliate Marketing Strategy**

Five forum contributors, four interviewees and 30 questionnaire participants rate the presence and nature of an affiliate marketing strategy as critical. A strategy, according to the participants, can be both a daily and long-term plan that incorporates decisions related to goals and objectives, types of promotional tools, commissions and timescale for an affiliate programme (AD/PB21; NW30; ExD). Yet, in spite of the recognised significance of developing a strategy, there is evidence to suggest that some merchants continue to launch affiliate marketing without understanding *"what it is they are trying to achieve"*, they simply run programmes *"for the sake of running them,"* (AD/PB28). *"Sometimes merchants use affiliate marketing to push their competitors out of the way or doing it because their competitors are doing it"* (PB36). The programmes of such merchants are bound to stay unfocused and unproductive, as *"only through hard work and having an actual strategy in place to grow your programme, can you hope to have large, productive affiliate programme for your company or site"* (ExD). For maximum effectiveness, every programme should be guided by clear goals, objectives and long-term thinking (NW30; AD/PB21), and should be reformulated and revisited at even intervals (AG2): *"The game is plan, execute, analyse and learn at each step of the way"* (ExD).

### **Affiliate Type**

*"What affiliates you are able to recruit and bring into the programme"* (AG2) also seems to have an influence on affiliate marketing results. For example, an interviewee from a large international affiliate network is convinced that affiliates need to possess such qualities as *"resilience, willingness to test a lot"* and readiness to keep trying regardless of previous failures and mistakes (NW37). Two hotel merchants reiterate this argument by saying that the main success driver in affiliate marketing is *"quality of affiliates"* (AD8), *"who are able to get you new clients"* (AD7). Whilst ensuring affiliates are capable to provide desired traffic is important, *"getting the right mix [of affiliates] to ensure customer reach, e.g., content, voucher, incentive, email, etc."* (AG4) is equally critical:

*“The core thing that you need to get right is having a good mix of affiliates in the programme. I think a couple of years ago we were highly reliant on search affiliates and we did a lot of tests and a lot of studies ourselves that proved that actually our own search campaigns were mature enough, very in depth, that actually we did not need search affiliates and we got rid of them and saved a lot of money and we now have a nice even split of affiliates” (AD/PB12).*

In selecting the type of affiliates to recruit, how affiliates obtain their traffic is also said to have an influence on the affiliate programme’s performance:

*“How the partner himself acquires his traffic, because we are getting the traffic from one point of contact, one affiliate, but where does this affiliate get his traffic from? That will ultimately back the performance of the relationship with this affiliate, because that is the first point of contact with the customer” (AD/PB35).*

### **Affiliate/Merchant Recruitment**

Several participants state that the performance of their affiliate marketing programme(s) can further be improved by expanding the scope of affiliate marketing activities and by recruiting more partners into the programme(s). Depending on how affiliate marketing relationship is organised (in-house or outsourced to networks), merchants can recruit affiliates either through networks or can approach them directly. Affiliates, likewise, can apply for merchants’ programmes directly or can join networks’ pools of affiliates and be offered to join various programmes available through networks’ platforms. One important condition that merchants are required to comply with in the indirect relationships is that *“they can’t bring affiliates away from the networks”* (ExD). In fact, to eliminate this possibility, some networks deny direct merchant-affiliate communication, something that solves the issue of merchants’ bypassing networks, but at the same time gives rise to misunderstandings and poorly optimised programmes.

### **Segmentation**

The processes of segmentation and identification of the merchant’s target market are significant too. These processes ensure that the *“niche [targeted segment] is not too small”* (ExD; NW33) and the target markets are correctly defined to secure that the initiated affiliate programmes are targeted and tailored for the specific market (ExD). The segmentation process is important because it can improve several aspects of the affiliate programmes. For example, segmentation enables the formulation of focused marketing messages that can effectively appeal to the targeted segments, influences the formation of the correct marketing



communications mix, and determines the selection of the relevant affiliates, able to generate traffic corresponding to merchant's target markets (ExD).

### ***Time and Resource Investment***

Sufficient time and resource investment are also critical, because *"setting it up and getting it right"* (AD/PB28) may be both time-consuming and costly. *"Whether you work through a network or directly, you need the resources to be able to manage that programme."* (AD/PB28). Several participants (e.g., ExD) express their frustration with the fact that some merchants, who do not invest enough time or financial means into the affiliate channel, expect to achieve the results from their programmes, simply because it is the affiliate channel they employ:

*"There needs to be investment of time and resource within the channel to make it work over the long term for both travel brands and their affiliates. The biggest investment you need to make is time"* (ExD).

### ***Match between Merchants and Affiliates***

Another enabling condition, related to the previously discussed relevance of affiliates, is a match between merchants and affiliates (NW5; PB31; AD/PB38). Five interviewees describe this match as being critical: *"Affiliates' and merchant's websites need to be relevant to each other"* (AD/PB38), and *"affiliates' and merchant's goals should be aligned"* (PB31). Evidently, the mentality that once guided merchants, who aimed at large volumes of affiliates, has started to change, as increasingly many merchants no longer seek to expand their programmes, but identify a small number of relevant and targeted partners:

*"There should be a match between merchants and affiliates. I think things could probably be done better in our industry, if we made sure that our advertisers were more selective about which affiliates they work with, but also make sure that they matched what they want affiliates to do with what affiliates do for them"* (NW30).

### ***Merchant Type***

One more important condition for success that has been considered as influential by 29 questionnaire respondents and that has been mentioned by two interviewees is the type of merchant involved in affiliate marketing. Particularly, affiliates are believed to look for *"brands that can give them a good look in their website"* (NW6), and prefer *"responsive clients, willing to invest in the channel and try new concepts"* (AG4).



#### **6.1.1.4. Exposure-Facilitating Enabling Conditions**

In addition to the universal enabling conditions, two more conditions are considered important for exposure-oriented programmes: network type and type of affiliate-merchant relationship (direct vs. indirect).

##### ***Network Type***

The relevance and size of an affiliate network also affects affiliate programme's performance. The choice of affiliate network can depend on several aspects. One such aspect, according to the findings, is whether an affiliate network has affiliates "relevant" for the merchants' type of products:

*"You need to be joining a network which has relevant affiliates for your type of product. So for example you mention travel, let's use that as an example. Affiliate networks are not only for advertisers to get sales but they are also portals for publishers to make money from advertisers, so the most important decision for an advertiser in travel is: does this network have experience in travel, i.e. does it have my competitors or similar brands which would share similar kind of affiliates which would have positive experience of promoting it? If you go to a network which doesn't have travel brands you are unlikely to have the right publishers signed up" (NW26).*

The second aspect is affiliate network's size. Larger affiliate networks (e.g., Commission Junction, Shareasale, Google Affiliate Network) with wider experience and wider affiliate bases (ExD; AD27) are believed to be able to grow programmes faster.

##### ***Type of Affiliate Relationship (In-house vs. Outsourced)***

The findings reveal that for some merchants the way affiliate marketing function is organised (in-house vs. outsourced) can be a determinative success driver. For example, a luxury hotel merchant AD27, which previously used to work with networks, contends that to ensure success of their affiliate marketing programmes, they manage affiliate programmes directly and in-house. This merchant is wary of the type of clientele that affiliates bring to their website and, therefore, prefers to form direct partnerships with those affiliates, who can primarily generate high-end customers and not price-sensitive consumers, which used to be frequent website visitors, when the merchant was affiliated with voucher code and coupon affiliates. In situations, where reliance on affiliate networks cannot be avoided, the suggestion from the participants is to establish direct partnerships with top performing affiliates, as they are most likely to generate larger amounts of traffic and consequently make larger contributions to programme's performance.

### **6.1.1.5. Exposure- and Interactivity-Facilitating Enabling Conditions**

In the programmes, where both exposure and interactivity are sought, apart from universal enabling conditions, four more prerequisites need to be accounted for: usage of social media, search engine optimisation, link building and brand management.

#### ***Usage of Social Media***

Thirteen forum members, one interviewee and 19 questionnaire respondents describe social media usage as one more important enabling condition in affiliate marketing (Table 6.3). Merchants employ social media websites, such as Facebook and Twitter, to reach out to their customers and interact with them on a more personal level; while affiliates engage with these websites to generate additional targeted traffic:

*“From a publisher’s point of view, it’s all about how you generate traffic, and how qualified that traffic is. So what you think about is natural search engines, SEO, paid search. You think about building up your email database, you think about Facebook and social media channels as well...” (PB36).*

The data from online forum discussions exemplifies various Facebook tactics that affiliates employ to attract traffic. The examples of these tactics are Facebook advertising *“to target products or company in general to the Facebook audience”*, fan messaging to stimulate desired fan action, fan page advertising to build fan base and advertise specifically for fans, Facebook *“sweepstakes”* and contests *“to pump up Fan page and inspire new fans”*, and social plug-ins *“to tie Facebook into your site”* (ExD).

#### ***Search Engine Optimisation (SEO)***

Although there is an opinion that affiliate marketing fails to contribute to merchant’s search engine optimisation (SEO), it is suggested by participants that SEO of both merchant and affiliate websites has the potential to improve performance of affiliate programmes. For merchants, SEO represents an effective way to recruit more affiliates into their programmes; whilst from the affiliate stand point, SEO is a way to generate more traffic and unique (first-time) website visitors. Both paid search and natural organic search are considered important (PB36). The following quote is the advice given on one of the affiliate forums to merchants who search for affiliates:

*“One of the best ways to recruit affiliates into your affiliate program is through paid search in Google, Yahoo, and MSN. You should also be maximizing your organic SEO rankings for your core affiliate program keywords by optimizing the page titles for your affiliate information page and having good on-page content as well to get more organic rankings for targeted searches for your niche affiliate program” (ExD).*

### **Link Building**

Link building, pointed out by the online forum participants as an influential enabling condition in affiliate marketing, is defined as an activity, by means of which affiliates invite other websites to link back to their website and aim to increase (or ‘build’) the number of incoming links. From the SEO point of view, the amount of links, incoming to a website (among other things), influences the organic ranking of that website. Since appearing on natural search is advantageous from the point of view of large visitor volumes, link building is a factor that is of particular importance for affiliates. In their link building work, affiliates need to follow certain rules, because how they approach their linking affects their SEO and, as a result, also the volume of traffic, visiting their website(s). The general rule, identified in the online forum discussions, proposes that affiliates, owning more than one website, should avoid linking their websites, as this appears not to be favoured by major search engines, such as Google (ExD).

### **Brand Management**

Finally, brand management in the context of affiliate marketing receives increasing attention of both affiliates and merchants. In the sample only one interviewee emphasises the role that brand management plays in the overall affiliate marketing performance. This respondent suggests that tourism and hospitality merchants require brand management to ensure their affiliates represent their brand in the appropriate and correct way (NW11); whilst affiliates deploy their own brand management strategies in an attempt to move from the position of a commission-driven sales force, hired by merchants, to become partners with brands of their own right, who for the successful implementation of affiliate programmes need to be treated as equals.

#### **6.1.1.6. Interactivity- and Outcome-Facilitating Enabling Conditions**

Together with the universal factors for success, both interactivity- and outcome-based programmes require the consideration of two more factors: experimentation and seasonality.

## **Experimentation**

Trial, testing and experimentation are considered to be an important enabling condition in affiliate programme's planning and implementation by both online forum members and interviewees. An interviewed affiliate tracking technology provider justifies the importance of experimentation by stating:

*"The best advice I can give really is to just do it. Don't procrastinate or spend your entire time planning. The quicker you get traffic, the quicker you are making commission and have the opportunity to test different ads, copy, page design, etc. Don't be afraid to try things! If you spend every day doing something new instead of reading something new, you'll get a lot further" (ExD).*

## **Seasonality**

Seasonality is another factor that is mentioned on affiliate forums as an important aspect that influences affiliate programme's outcomes. Seasonality, as forum members emphasise, especially in travel and tourism, should be planned for:

*"A lot of online sales come on the very seasonal basis. It flows with the seasonality of the industry. For example, luggage does really well right now through the summer, because people are travelling, so they are buying luggage. And then it does really well before back-to-school, when kids want backpacks. So different companies do better at different times of the year, and you have to prepare for those times. In order to make sure your content and pages appear in the search results in time, you should start your affiliate marketing activities 2-3 months prior to that season's arrival." (AD2).*

### **6.1.1.7. Outcome-Facilitating Enabling Conditions**

Finally, outcome-oriented programmes need to consider the universal enabling conditions, as well as four additional success determinants, including personality and skill set of affiliate marketing managers, research, technology and costs and margins.

#### **Personality and Skill Set of Affiliate Marketing Manager(s)**

The personality and skill set of an affiliate manager, working on the merchant side, is another significant condition that needs to be met to maximise affiliate programme's results. For instance, the findings suggest that the stakeholders are better positioned for success if the personalities of their affiliate managers demonstrate such traits as pro-activeness, friendliness, sociability and extraversion (ExD), as well as such ethics-related personality traits as respectfulness and honesty:

*“They [affiliate managers] should be really nice, friendly, and good social networkers, so they can build great partnerships with your affiliate base. Affiliate managers should be really proactive people that aren’t afraid to pick up the phone and speak to an affiliate about how to effectively promote the company through various online marketing strategies” (ExD).*

Affiliate managers, as pointed out by the respondents, should possess good analytical skills and *“have excellent customer service skills because it is all about providing services”* (AG2). In addition, affiliate managers need to illustrate good understanding of the vertical they work within (e.g., travel), have background in Internet marketing and possess some HTML and SEO knowledge to be able to integrate affiliate marketing ‘creatives’ into affiliates’ websites and to help affiliates optimise their websites for search engines:

*“You need good background in online marketing, you need to know a little bit about HTML, how you can help them [affiliates] grab the code and put it on their site. Definitely some Internet marketing background helps” (AG2).*

## **Research**

Research is also documented to be a key factor for success in affiliate marketing. Both merchants and affiliates view research as an essential part of their daily activities; yet the nature of research undertaken by these stakeholder groups differs in that the parties collect, analyse and use the data in dissimilar ways. More specifically, affiliates conduct research to investigate potentially profitable industry sectors, explore *“what to specialise on”* (PB31), and identify *“how much competition there is in the space and what the company is willing to pay out in commission versus their competitors’ affiliate programmes”* (ExD). They also research in order to detect competitors’ keywords and formulate their own (MyD), as well as to benchmark their performance against competition and to shed light on the underperforming areas:

*“Affiliates should ask themselves: How is my site doing in relation to other sites? Which areas are underperforming?” (AD/PB15).*

Merchants, in turn, utilise research to *“analyse the profile of affiliates and find out who can be prospective giant [high volume] affiliates”* (ExD), to determine the sources of traffic and to estimate the affiliate share of that traffic and the role that affiliates play in generating incremental sales that merchants would not have received by other means (NW5). Additionally, merchants perform research to analyse their competition and gain an understanding of *“what your competitors are doing and how you would stack up against that”* (AD/PB28). Research is typically

performed in-house, however there is also an option of receiving the data mining service from the networks:

*“Most of the data mining, collecting the data and also interpreting the data is done by us and we will present it to them [merchants] and help them better understand the [online user] journey and that sort of thing” (NW11).*

## **Technology**

Several participants (e.g., AD/PB28; AG4; AD20) argue that the type of the selected technological platform, or a tracking system, predetermines the success of the affiliate programme(s) launched. In participants' words:

*“You need to get your tracking right, you need to get your technology right, they are the main critical success factors” (AD/PB25).*

Accurate tracking and reporting ensures that *“sales are tracked correctly and attributed effectively”* (AG4; AD20). It also *“picks up robotic clicks and affiliates that are spamming you”* (AD/PB13) and *“verifies sales that come in through an affiliate network so that you can prevent fraud from occurring”* (ExD). According to one of the participating agencies (AG34), tracking should be up-to-date and should, therefore, be invested in on a continuous basis. *“The technological set up is the basis”* (AD/PB13) because *“measurability of any business gives you success”* (TR17).

## **Knowing Costs and Margins**

Calculating costs upfront is an important element of affiliate programmes' success. The total number of mentions of this element in the reviewed online discussions and interviews is five. This is the advice affiliates give to their counterparts with regard to cost calculations:

*“Others may take a different view but I was advised (and now practice) only consider products/services etc. that sell for over £100 plus (or a basket totalling that amount) the reason being? If you are putting huge efforts into promoting the sale the potential return has to be worth it. This is particularly true with like the Amazon products where your commission starts at 4%. So first calculate to see if the possible returns justify your time and costs” (ExD).*

Merchants too *“need to be very aware of figures and what they can afford to do that will get them ROI”* (ExD):

*“They will have to know how much it costs them, what type of ROI it is going to have on their bottom line and it is very very different depending on how you go into the channel. There is probably about 30 different networks you could choose to go to in the UK and they will all charge you in different ways... Networks will have different cost structures. Networks typically charge a set-up*

*fee, a license fee and override to that, and that is one upfront cost of joining the network. They also have a monthly fee and an override to that” (NW26).*

## 6.2. Planning Phase

The next phase (or concept) in the Affiliate Marketing Performance Measurement Process is planning. Planning implies the preparation of a plan for anticipated affiliate marketing activities at both strategic and tactical levels. More specifically, it involves five steps, or, in grounded theory terms, properties: affiliate marketing objective formulation; selection and design of promotional material; commission setting; metrics selection; and agreement on the frequency of reporting (Table 6.7). The details and dimensions of these properties are outlined in the following subsections.

**Table 6.7. Planning Phase: Properties and Dimensions**

Category	Concepts	Properties	Dimensions	
Affiliate Marketing Measurement Process	Phase 2 – Planning	Step 2 – Affiliate marketing objective(s) formulation	Exposure-based objectives	Exposure
				Brand recognition/awareness
				Website promotion
				Brand attitude
				SERP
			Interactivity-based objectives	Traffic
				Incoming links
				New fans
			Outcome-based objectives	Revenue
				Sales
				Conversions
				Registrations, new customers
				Predefined actions
		Step 3 – Selection and design of promotional material	Exposure-oriented tools	Banner ad
				Email newsletter
			Interactivity-oriented tools	Pop-up ad
				Text link
				Article marketing
				Social media
				Video marketing
			Outcome-oriented tools	Search-box
				White labelling
		Step 4 - Commission setting	Exposure-based commission	Time-per-period
				Fixed fee
				Cost-per-thousand impressions
			Interactivity-based commissions	Pay-per-click
				Pay-per-lead
			Outcome-based commissions	Pay-per-call
				Percentage of sales
				Pay-per-download
				Pay-per-sale



Table 6.7. cont.

Category	Concepts	Properties	Dimensions
Affiliate Marketing Measurement Process	Phase 2 - Planning	Step 5 – Metric selection	Exposure-based metrics
			Appearance of messages
			Brand reputation
			Brand equity
			Brand awareness
			Consistency in delivery of marketing messages
			Emails
			ECPM (earnings per 1000 emails)
			Impressions
			Referring sites
			Interactivity-based metrics
			Average number of page views after clicks
			Bounce rate
			Brand purchase intent
			Check-ins (for social media)
			Clicks
			Click-throughs
			Comments (on social media)
			Enquiries
			Followers (on social media)
			Friends of fans (on social media)
			Fans (on social media)
			Google +1s
			Keywords
			Likes (on social media)
			New links
			Popular landing pages
			Time on site
			Traffic
			Visits
			Outcome-based metrics
			Calls (for mobile)
			Customer loyalty
			Conversion rate
			Customer penetration
			Customer complaints
			Cost
			Customer satisfaction levels
			Downloads
			Hours of training
			Invoiced sales
			Leads
			Last month's profit
			Market share
			Number of sign-ups
			Number of accomplished specified actions
			New customer registrations
			New affiliates
			New customers
			Number of orders
			Profit
			Post click conversion
			ROI
			Revenue
			Sales
			Stakeholder satisfaction
			Percentage of new vs. existing customers
		Step 6 – Agreement on the frequency of reporting	Monthly
			Weekly
			Daily

### 6.2.1. Step 2 – Affiliate Marketing Objective(s) Formulation

The second step in the affiliate marketing performance measurement process is concerned with the formulation of the specific affiliate marketing objectives. Affiliate marketing objectives represent desired outcomes that determine the focus for the future work of the affiliated stakeholders and shape the direction for the planned affiliate marketing activities. The empirical data, collected by means of three methods, confirms that objectives in affiliate marketing are relatively standard and the differences in how various stakeholder groups perceive them are insignificant but nevertheless important (Table 6.8, Appendix 5.1). These differences are explicated below.

**Table 6.8. Affiliate Marketing Objectives (Questionnaire Findings)**

Objective type	Objectives	Merchants	Affiliates	Hybrids	Networks	Agencies	Total
Exposure-based	To gain exposure	4	1	1	5	5	16
	To improve brand recognition/awareness	4	1	1	4	3	13
	To promote your website	3	0	0	4	3	10
	To enhance brand attitude	1	1	0	3	1	6
	To improve SERP (search engine rankings)	0	0	0	0	1	1
Interactivity-based	To drive traffic	9	1	2	7	5	24
	To acquire incoming links	0	0	1	3	2	6
	To get new fans	0	0	0	0	1	1
Outcome-based	To generate revenue	16	3	2	11	6	38
	To increase sales	8	1	2	9	5	25
	To increase conversions	5	3	1	8	5	22
	To receive registrations, customers	4	2	0	7	4	17
	To achieve specified predefined actions/results	3	0	0	6	4	13

Affiliate marketing objectives, currently formulated in the industry, appear to be principally revenue-focused and commission-oriented: *“Nothing makes sense for me if you are not generating revenue”* (NW5). From a revenue perspective, therefore, the stakeholders’ perceptions on objectives are largely similar: *“Everyone wants to make money and grow”* (AD/PB15); *“Goals are the same, everybody wants to have sales and make money”* (PB31). Per today, the more intangible effects of affiliate marketing, such as branding, are not considered to be something that affiliate programmes can achieve: *“Perhaps in the future, affiliate marketing may be used to generate attention, but not now”* (NW5). Even though there is a documented realisation and evidence to confirm that affiliate marketing carries a “free” branding effect with its activities, it is not one of the objectives that stakeholders would pursue when initiating an affiliate programme (AD/PB22). Two main reasons for why this is the case are identified.

The first and the main reason is the fact that the commission structures in affiliate marketing are formed around tangible, financial performance (e.g., sales, registrations). Branding which is typically associated with “intangible” benefits is, therefore, not accounted for:

*“Affiliate marketing has a benefit to a merchant’s brand and it is residual and the merchant has not really paid for that benefit, the merchants pay for every time an affiliate makes a sale for them, so for that reason a merchant will enter affiliate marketing to get more sales” (NW11).*

The second reason why branding is not typically considered to be a possible affiliate marketing objective is embedded in the traditionally accepted view of affiliate marketing as a pure performance-based channel:

*“Typically affiliate marketing suffered a little bit because we have always chased the last click, that is the nature of our business, you know we are paid on sale, so it shouldn’t be any surprise that affiliate companies are focused on converting sales” (NW23).*

In the objective formulation, the participants recommend to follow two simple rules. The first rule is that the objectives that merchants and affiliates set need to be appropriately aligned (NW11):

*“Some goals [in affiliated companies] are aligned in the sense of what number of sales is made, and others are less aligned... It is a huge problem... What needs to be improved is feedback from the merchant on the type of customers, which they want to be sent through. So some networks will be dealing with their merchants in a more informed way whereby they will be clarifying whether they want us sending through a new customer or a returning customer, which makes it more interesting because it means that we can then change our marketing campaigns to try and deliver more customers that they want. It allows us to optimise...” (PB36).*

However, the joint objective formulation is not always possible. It appears that some affiliate networks limit or even prohibit direct merchant-affiliate contact, which, in turn, makes it difficult, if not impossible, to timely optimise initiated affiliate programmes and *“help the affiliate sell more for the merchant”* (NW11; AD32; AD20):

*“The trouble is that no network will give a list of potential affiliates to a client because the potential client can then take that list of affiliates and use it as a recruitment list through a cheaper network which does not have those affiliates” (NW26).*

The second rule for formulating affiliate marketing objectives is to ensure alignment between objectives and commissions in order to encourage desired affiliate behaviour (NW11): *“It’s merchant’s task to look how you can change affiliates’ behaviour by changing the commission”* (AD/PB18).

Once the objectives are formulated, the next task, as put by the interviewees, is to *“find affiliates that have suitable traffic to meet [merchant’s] objectives”* (NW30) and *“to identify the best ways of obtaining the goals that they [merchants] have set”* (AG1). The latter involves the selection of affiliate marketing material, commission setting and metrics selection.

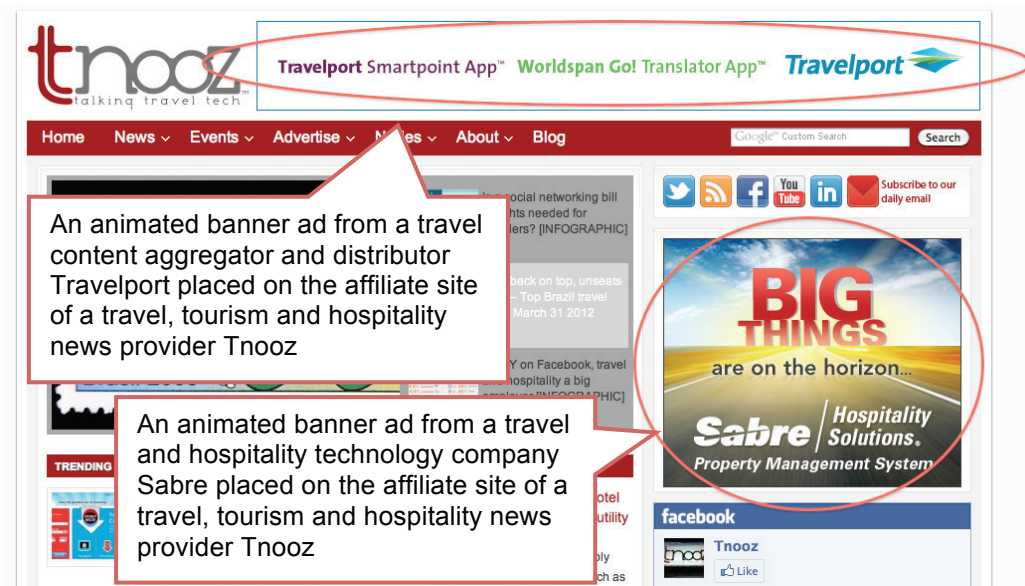
### **6.2.2. Step 3 – Selection and Design of Promotional Material**

The selection and creation of the affiliate marketing promotional material (in the industry referred to as ‘creatives’) is another step in the process of affiliate marketing planning. The creative material is what the potential customers see; it is employed to capture people’s attention and to encourage them to perform a desired action, for example, to sign-up for newsletters or purchase a merchant’s product.

This study identifies several kinds of affiliate marketing promotional materials. Similar to objectives, all tools can be categorised into exposure-oriented (e.g., banner ads, email newsletters), interactivity-oriented (e.g., pop-up ads, text links, article marketing, social media, video marketing) and outcome-oriented (e.g., search boxes, white labelling). This implies that different tools drive different results. The selection of tools depends on the type of the objectives formulated for the affiliate programme.

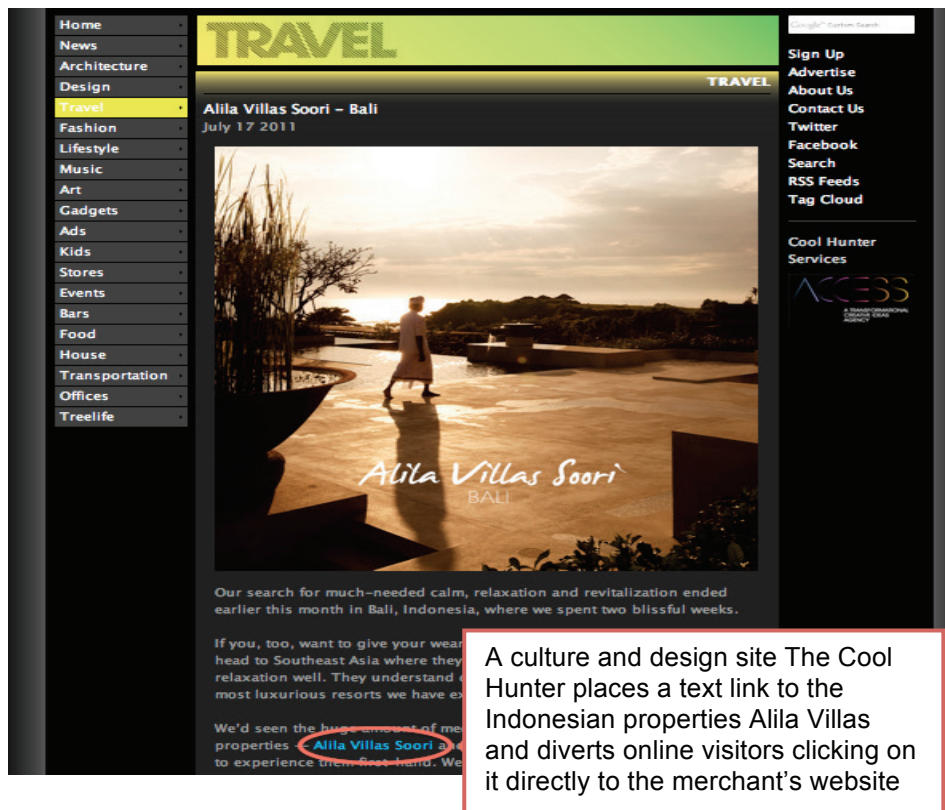
Banners or banner ads is one of the most popular types of ‘creatives’. A banner ad is a type of online advertising, represented in the form of an image or video, which is embedded into an affiliate’s webpage and links to the merchant’s website (Figure 6.1). As many as 38 questionnaire respondents utilise this type of marketing material in their affiliate activities.

Figure 6.1. Banner Ad Example



Another common 'creative' type is a text link or a hyperlink in the form of simple text or phrase that takes visitors clicking on it to another (merchant's) website (Figure 6.2). Text links are used by 31 questionnaire-participants.

Figure 6.2. Text Link Example

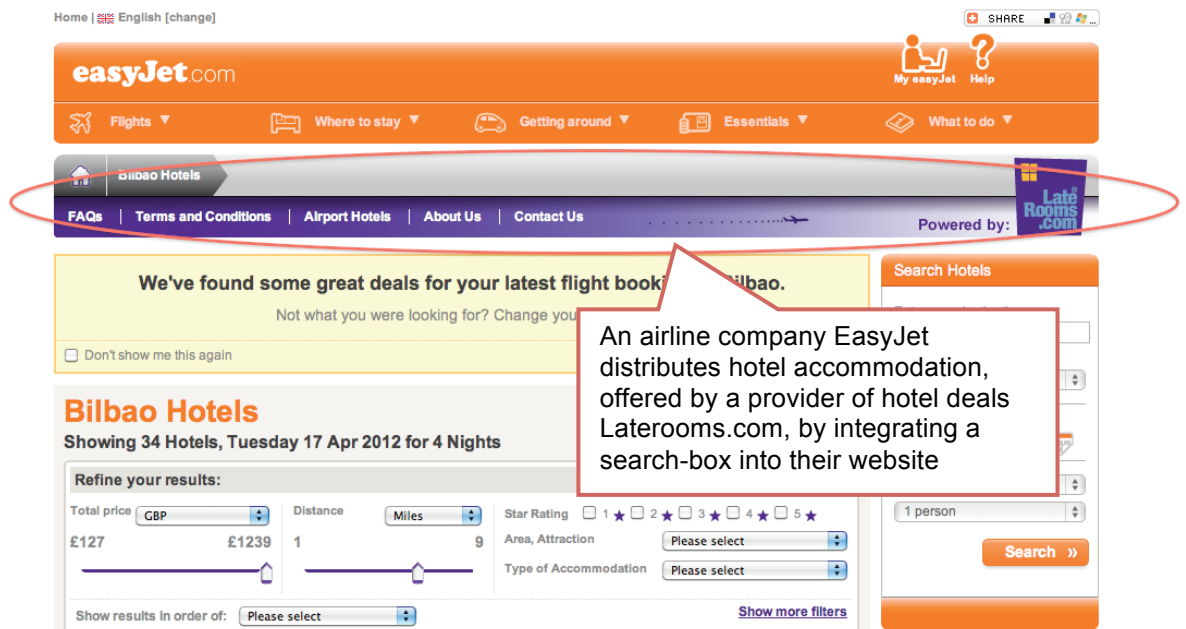


Similar to this type of 'creatives' are written product descriptions. As a rule, these descriptions are supplied by merchants; however, the requirement is that each affiliate should tailor them for their own use, otherwise the content may be treated as spam by search engines:

*"I prefer written descriptions. I would actually prefer if I could give them [affiliates] some of our text and ask them to modify the text, because I want to have unique content on my website and all other affiliates to have their own content. And besides, I guess this shouldn't be a problem because each website is different, and the person that is having an affiliate website should actually decide on the style of the presentation, because it should be according to their website" (AD7).*

One of the most widespread and preferred affiliate marketing materials in travel, tourism and hospitality is search-boxes. Search-boxes enable affiliates to integrate merchants' search forms into their websites and, instead of transferring visitors to the merchants' websites to purchase, allow customers to search for merchants' products and buy them without leaving affiliates' own websites (Figure 6.3).

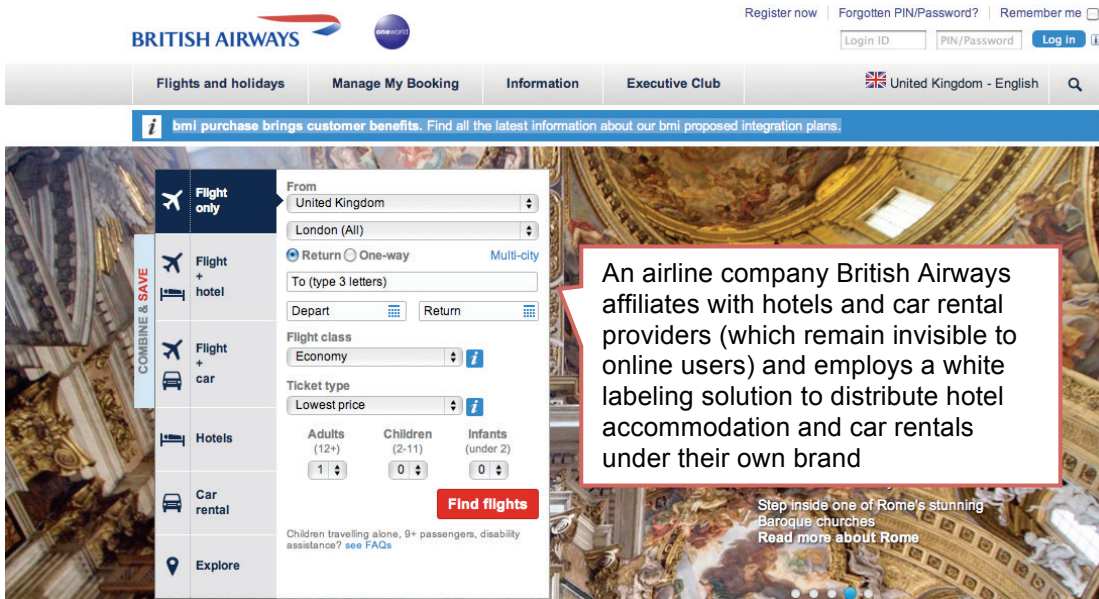
**Figure 6.3. Search-box Example**



To give affiliates' websites a more professional look, some merchants also offer so-called white-label or private label solutions, which in principle allow affiliates to utilise merchant's search boxes under their own brand (Figure 6.4).



Figure 6.4. White Labelling Example



Merchants, willing to provide affiliates with more flexibility as to how and how much of the product information to present, can supply their affiliates with product data feeds. A product data feed is a file, which contains extensive and various details about merchant's products, for example products' descriptions, prices, names and purchase pages. Merchants can update product feeds automatically or manually. Eighteen questionnaire-respondents indicate the employment of product feeds.

With the rise of content affiliates, blogging and article marketing gain popularity as affiliate marketing materials too. Eighteen out of 40 respondents confirm using this creative type (Figure 6.5):

*"Article marketing is a great way to not only promote products, but also write about them and the benefits they [customers] have in using them. You can also write about related topics or show your readers how to solve a problem, then bring products in as the solution. Remember articles stay online forever, so you could get free traffic for many years to come."* (ExD).

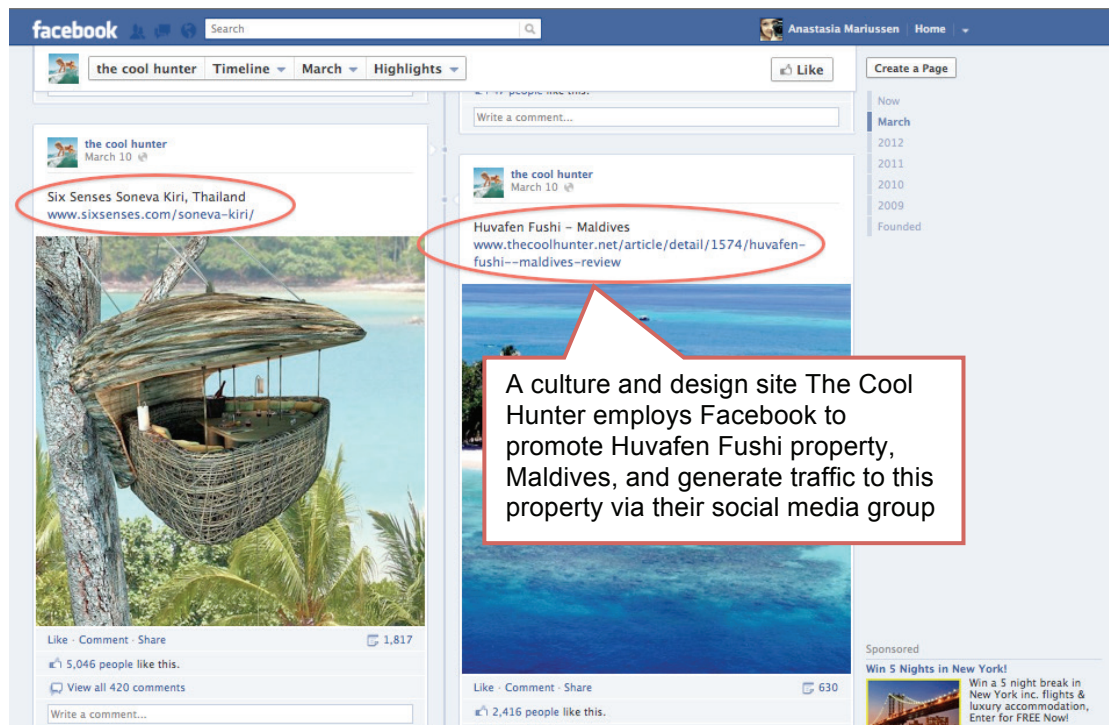
Figure 6.5. Article Marketing Example





According to questionnaire findings, 15 questionnaire-participants additionally employ social media to drive traffic from social sites to merchants (Figure 6.6).

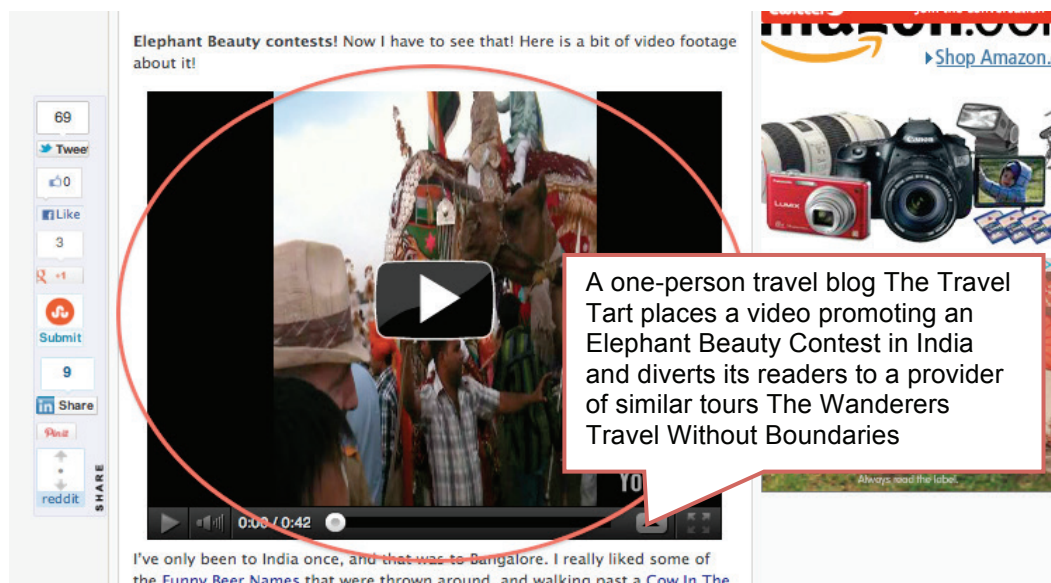
**Figure 6.6. Example of Social Media in the Context of Affiliate Marketing**



Besides, the results reveal that 13 respondents capture visitors' attention and generate traffic by means of video (Figure 6.7):

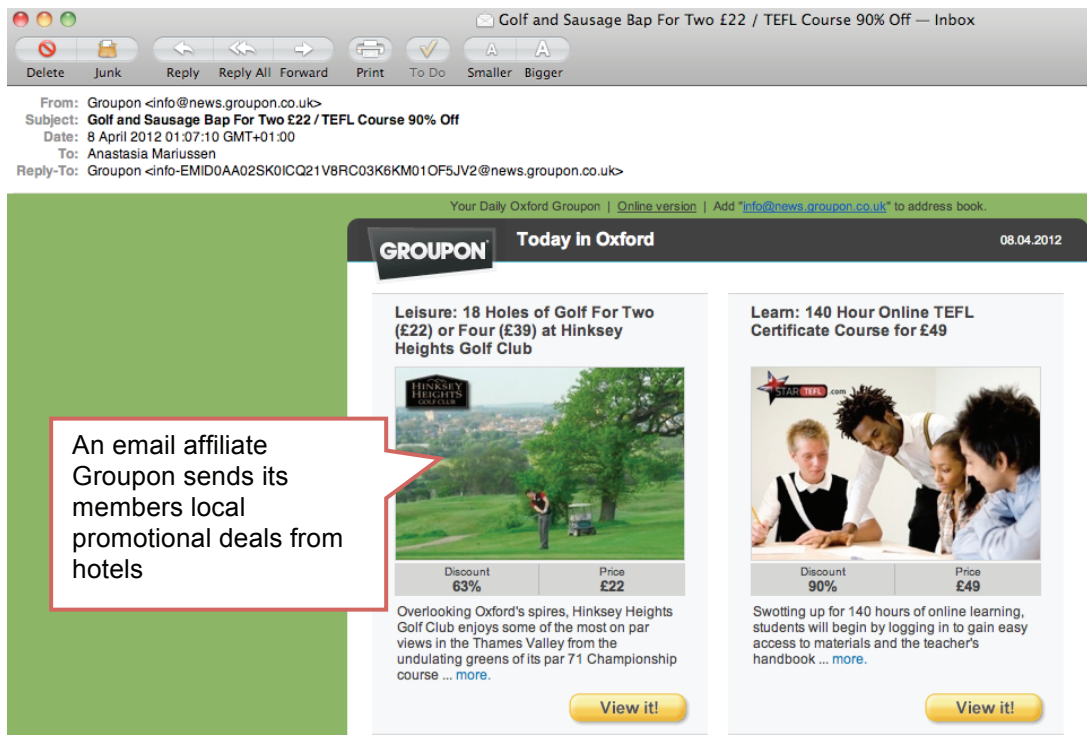
*"Video marketing is an even more powerful way to showcase your product. You can use this in much the same way as article marketing and even turn your article into a video as well. Like articles, videos stay online forever so again free traffic for life." (ExD).*

**Figure 6.7. Video Marketing Example**



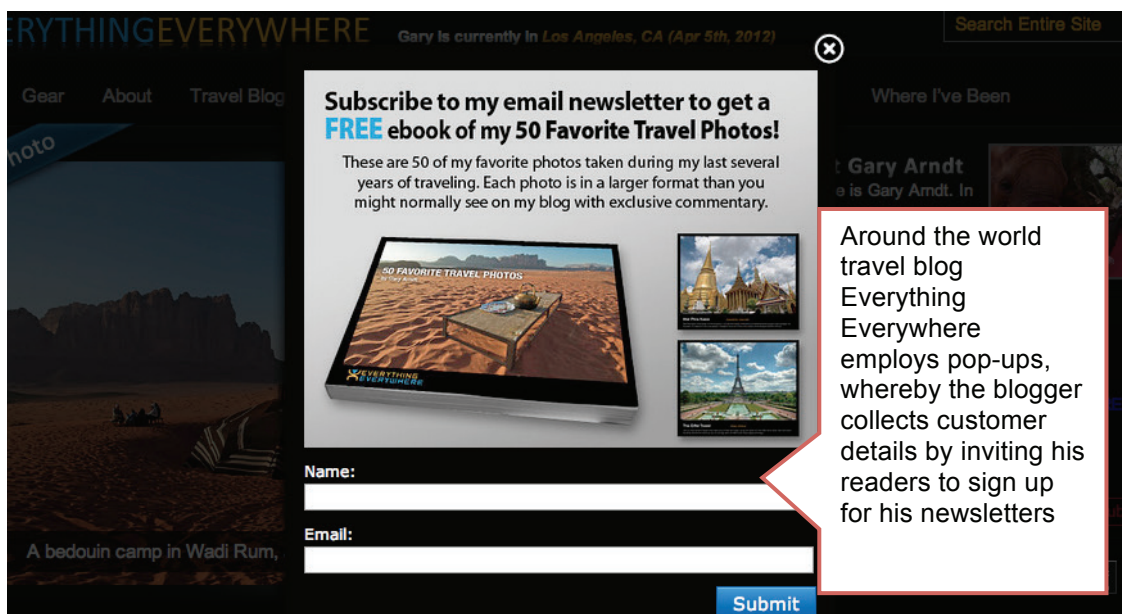
Email affiliates employ prewritten sales letters or other newsletters as affiliate marketing creatives (ExD) (Figure 6.8). A few interviewees (e.g., AG1, AG34) utilise this type of promotional material.

**Figure 6.8. Email Newsletter Example**



Finally, 10 questionnaire respondents state that in some relationships stakeholders rely on pop-ups. A pop-up is typically an online advertisement, which opens (pops up) in a new web browser window and aims to attract visitors attention, capture their details or transfer them to the merchant's website (Figure 6.9).

**Figure 6.9. Pop-up Ad Example**



### 6.2.3. Step 4 - Commission Setting

Following objective formulation and selection of promotional materials, the next step in affiliate marketing planning is the selection of the appropriate commission structures. In setting up an affiliate programme, stakeholders are faced with a variety of choices in terms of the commission structures to adopt. The most common commission model is pay-per-sale, which is also called pay-per-action, pay-for-performance or cost-per-action (CPA). This commission type is based on the amount of sales and/or number of achieved pre-defined actions or activities, and is used by 31 questionnaire respondents (Table 6.9).

**Table 6.9. Commission Structures (Questionnaire Findings)**

Commission type by objective	Commission structure	N
Exposure-based commissions	Time-per-period	1
	Fixed fee/ Flat-rate fee	15
	Cost-per-thousand impressions/ Cost-per-exposure/ Cost-per-view	7
Interactivity-based commissions	Pay-per-click/ Click-through	17
Outcome-based commissions	Pay-per-sale/ Pay-per-action/ Pay-for-performance/ Cost-per action	31
	Pay-per-lead	24
	Percentage of sales	23
	Pay-per-call	9
	Pay-per-download	6

Pay-per-lead commission (PPL), based on the amount of sign-ups or new customers acquired, is also a wide spread reward type. Twenty-four questionnaire respondents report using this commission model. The next popular commission type after PPL is percentage of sales, where pay-outs consist of the percentage of revenue generated. Twenty three respondents to questionnaires employ this model. Following is pay-per click (PPC) commission, which is calculated on the basis of the amount of generated clicks. According to the findings from the content analysis of the online forum discussions, PPC is a particularly common commission base to use in the context of mobile and social media affiliate marketing:

*“We are doing some offers in Spain but so far everything is on CPC and CPM basis. There is quite a lot of traffic [coming from social media and mobile platforms] but for the moment it is hard to convince the publishers to get into a pure performance model” (ExD).*

Another commission model, gaining popularity in the context of mobile affiliate marketing and in tourism and hospitality in particular, is pay-per-call, based on the amount of received calls:

*“One emerging and important area is the growth of call performance marketing (“pay-per-call” or “cost-per-call”) in affiliate marketing and particularly in the travel segment. Calls convert at a much, much higher rate than clicks and also at a substantially higher average basket value for travel brands.” (ExD).*

One more new commission structure in affiliate marketing is pay-per-download, which implies payment to affiliates for completed downloads of some materials. Among questionnaire participants, six already operate on the basis of this commission. The final three commission structures include a fixed fee commission; cost-per-thousand-impressions or cost-per-view, which presupposes that an ad is viewed 1000 times before a commission is dispatched to affiliates; and time-per-period model, where affiliates are paid on a time basis.

How and to whom the commission is paid is determined by the attribution rules. The standard attribution rules within the affiliate marketing industry entail that, regardless of the amount of affiliates involved in the online user journey, the commission is only offered within the first 30 days of the user's contact with the affiliate and only to the affiliate that is responsible for the last click. A large online travel company, interviewed in this study, explains these rules:

*"We are using two sets of rules. One set of rules is used to pay commissions to affiliates. And this is the standard across the industry. It is what you call the 30-day cookie. With this cookie we can track an action for 30 days. So if someone goes to an affiliate, clicks on whatever link, redirects to our company, we drop a cookie and if this person buys within the next 30 days, the transaction will go to this affiliate. If someone buys after those 30 days, the transaction won't be attributed to this affiliate. Now the second touch of the rule, which is to avoid cannibalisation and to track the transaction through different marketing channels in case someone having different points of contact with marketing channels. So if you have a point of contact with company X and for example company Y, they will be travel comparison sites, and another contact with an affiliate Z. If you go first to company X, and then go and click on this affiliate's link, the transaction will go to the last touch with the affiliate, not to company X. So the affiliate will get a commission not company X." (AD/PB35).*

It is acknowledged by the participants that setting up the right commission models is critical, because, as mentioned earlier, affiliates act based on how they are rewarded:

*"...the philosophy across the industry is... they consider only what they can see, what they can track... very much tangible, so. If we don't track, we don't consider any value. That's usually the kind of thinking we have, which is not right" (AD/PB35).*

#### **6.2.4. Step 5 – Metric Selection**

With the objectives, 'creatives' and commissions in mind, the next step in affiliate marketing planning is identifying what metrics should be monitored. The interview findings indicate that the participants broadly divide metrics into "classical" or "standard" and "new" metrics. The set of "classical" metrics includes conversion rate



(the number of visits that convert into sales), clicks, impressions (the number of times an ad is viewed), click-through rate (the number of clicks on an ad divided by the amount of impressions), lead (the number of completed pre-defined actions, e.g., registrations, sign-ups), sales, sales value (how much a customer spent), profit and revenue (AD7; AD24; AD/PB16; NW11; AD22; AD28; NW33):

*"We do look at the same set of metrics. Of course for certain campaign we will have different targets, for example, more sales, or maybe higher value sales. We might adjust these ones, but the metrics are more or less the same ones. We just might put more emphasis on one than the other."* (AD/PB21).

The fact that "everyone measures things on the same wave length and off the same measures" (AG3) is further supported by the questionnaire results, which confirm that conversion rate, clicks, click-throughs, cost, leads, the number of new affiliates, ROI, revenue and sales are the most widely employed metrics (Table 6.10).

A set of "new" metrics, suggested by the interviewees, consists of metrics that have emerged as a result of affiliate marketing employing new media and metrics that are less performance-driven and more "value- and quality-related". The first category encompasses such metrics as click-to call for mobile affiliate marketing, earnings per 1000 emails (ECPM) for email affiliate marketing, and cost per fan, followers, check-ins, comments, social media assisted transactions for social media affiliate marketing (ExD). Whilst the second category of the value-focused metrics includes the indicators like screen shots of customer activity, time spent on site, the number of pages visited, the number of new vs. repeat customers, the products they buy, the average order value, browsers and devices a sale comes from and customer life-time value (AG4; AD27, AD29; NW23):

*"It is something that we can measure quite easily because we are a subscription-based company, so what we look at is say an affiliate brought a customer a year ago, are they still with us a year later and if so are they more valuable than they were? So is has a long term value of that customer increased?"* (NW11).

Value-oriented metrics seek answers to such questions as: "Which affiliates are producing? How were they recruited?" (AG2); "Where do customers stop before making a booking?" (AD27); and "What have affiliates done to contribute to the sale? Which promotions have they used? Where do affiliates sit within the wider online marketing mix?" (NW30). Both new media metrics and value metrics rank low in the list of metrics offered in the questionnaires.

**Table 6.10. Affiliate Marketing Metrics (Questionnaire Findings)**

Metric type by objective	Metric	N
Exposure-based metrics	Appearance of messages	7
	Brand reputation	9
	Brand equity	7
	Brand awareness	10
	Consistency in delivery of marketing messages	9
	Emails	9
	ECPM (earnings per 1000 emails)	8
	Referring sites	2
Interactivity-based metrics	Average number of page views after clicks	14
	Bounce rate	9
	Brand purchase intent	4
	Check-ins (for social media)	4
	Clicks	27
	Click-throughs	26
	Comments (on social media)	4
	Enquiries	3
	Followers (on social media)	4
	Friends of fans (on social media)	0
	Fans (on social media)	2
	Google +1s	1
	Impressions	17
	Keywords	4
	Likes (on social media)	1
	New links	3
	Popular landing pages	4
	Time on site	4
	Traffic	12
	Visits	7
Outcome-based metrics	Calls (for mobile)	4
	Customer loyalty	14
	Conversion rate	38
	Customer penetration	7
	Customer complaints	6
	Cost	26
	Customer satisfaction levels	4
	Downloads	6
	Hours of training	2
	Invoiced sales	15
	Leads	23
	Last month's profit	16
	Market share	9
	Number of sign-ups	12
	Number of accomplished specified actions	6
	New customer registrations	15
	New affiliates	24
	New customers	10
	Number of orders	14
	Profit	17
	Post click conversion	10
	ROI	29
	Revenue	28
	Sales	26
	Stakeholder satisfaction	2
	Percentage of new vs. existing customers	8

Despite the fact that “*metrics are standard*” (AD38), the interviewees also distinguish between metrics for affiliates and metrics for merchants. Affiliate metrics are described as more sales-driven:

*“For everyone performance is something a little different. To an affiliate, it’s how much money they are making, what kind of commissions they have,*

*obviously the click to sales ratio, a conversion rate, because the higher it is, the better the programme will perform and the more money affiliates will make” (AG2).*

Merchants’ metrics, in the meantime, are more focused on the performance of different products or product categories and the value of the affiliate channel:

*“Merchants will look for optimum ROI which drives optimum incremental revenue [revenue which merchants wouldn’t have got without the employment of the affiliate channel], new vs. existing customer sales and average order value” (AG4).*

The analysis of the discussions initiated by the researcher also mentions the following merchant-specific metrics: products sold, product feed performance, branding effect, goodwill, number of quality affiliates employed, efficiency and effectiveness of different ‘creatives’ and user satisfaction (MyD).

Several principles as to how metrics are selected and should be selected are identified in the findings. First and foremost, it is suggested by the respondents that the metrics of the merchant and merchant’s affiliates should be *“similar because when we begin a partnership with someone we establish the type of campaign you are running. All campaigns are set up in contracts”* (NW5). Further, in spite of the fact that networks provide merchants with access to a range of metrics, only the most relevant metrics should be chosen and focused on: *“Affiliate networks offer various metrics. Merchants need to analyse which ones are the best and mix and match them”* (MyD).

The selection of metrics, as the findings show, is frequently determined by affiliate marketing objectives and technology capabilities: *“Metrics should be linked to the way we track and our objectives”* (NW30). Selected commissions also dictate the metrics to be used: *“If there are affiliates, who are motivated by maximising income of their site, they can deliver results, depending on how they are rewarded”* (AD/PB28).

Questionnaire data reveals that besides objectives, commission types and tracking technologies used, affiliate marketing materials or ‘creatives’ also determine which metrics should be selected (Table 6.11). For example, the metrics used to monitor the performance of a banner (e.g., impressions, clicks, conversions, revenue) differs to an extent from the metrics that can assess the performance of an affiliate email newsletter (e.g., email list size, new email subscribers, unsubscribers, bounce rate, clicks, conversions).



**Table 6.11. Factors Determining Metric Selection (Questionnaire Findings)**

Factor	N
Tracking technology employed	15
Channel chosen	14
Predefined actions that affiliates are expected to achieve	13
Commission type chosen	20
Tools employed	15
Objectives that affiliate marketing sets to achieve	30

### 6.2.5. Step 6 – Agreement on Frequency of Reporting

The final task of the planning phase is to decide how often monitoring will take place. As the questionnaire participants report, the measurement of affiliate marketing performance is undertaken both daily, weekly and monthly (Table 6.12): *“Every advertiser prefers reports at a certain time, some prefer every day, other prefer weekly, bi-weekly...”* (NW5).

**Table 6.12. Frequency of Affiliate Marketing Measurement (Questionnaire Findings)**

Frequency of measurement	N
Daily	28
Weekly	10
Monthly	9

The noticeable principle, however, that the participants follow is to perform more comprehensive checks and make reports once a month before payouts to affiliates are made (AD20). In between these reports, affiliates and merchants can typically access the data on the networks’ or merchants’ platforms on a self-service basis. The stakeholders are given login details to their accounts, which list various information on affiliate performance. Interestingly, the dashboards of some networks that different stakeholder groups see when they log in differ. For affiliates, these dashboards summarise what’s assumed to be relevant for them: commission payouts, sales and other performance-driven indicators, whilst merchants receive more detailed information about the performance of different affiliates on the programme, different products and the like. Some affiliates, that work with several merchants at a time, also have an option of employing a third-party tracking provider (e.g., Affmeter), which can pull together and standardise the data from all the networks they are engaged with to facilitate better comparability of results across programmes.

### 6.3. Implementation Phase

The next phase in the process of affiliate marketing performance measurement is implementation. Implementation is the phase when the planned affiliate marketing activities are put into life and affiliate marketing programmes are launched. It involves two main steps (or properties): testing, experimentation and adjustment;

and check of whether affiliate marketing enabling conditions are in place (Table 6.13).

**Table 6.13. Implementation: Properties and Dimensions**

Category	Concept	Properties	Dimensions
Affiliate Marketing Measurement Process	Implementation phase	Step 7 – Testing, Experimentation and adjustment	-
		Step 8 - Check of enabling conditions	Check of affiliates

### **6.3.1. Step 7 – Testing, Experimentation and Adjustment**

Once the planning is finalised, the next step is to test the programme, finetune its different elements to maximise performance and based on the results of the experiments introduce necessary adjustments. Testing and experimentation, which are also regarded the important property of the research concept and a significant enabling condition, is critical for the successful implementation of affiliate programmes, because it helps test the adequacy of the planned programme and, if necessary, introduce timely changes. A challenge when it comes to experimentation is that it is at times underestimated or simply skipped by the merchants, who expect their affiliate programmes to run automatically. This underestimation has a direct impact on performance; and it is, therefore, feasible to argue that experimentation should receive adequate attention in performance measurement systems. Judging from the participants' experiences, experimentation should be a necessary part of each programme, which should continue through the programme's lifecycle to ensure its timely adjustments and evolution.

### **6.3.2. Step 8 – Check of Enabling Conditions**

One more step of the implementation stage is the check of enabling conditions. Like testing and experimentation, this check also seems to have an impact on affiliate marketing performance. On the question whether the interviewees somehow monitor the existence, state and performance of the precursors to success or enabling conditions, discussed earlier, nearly all respondents reply that whether the necessary conditions are created and met is viewed as something that should be done prior to the programme's launch. Since these conditions are seen as a preparation for the programme, no particular metrics are put in place to assess whether they are still favourable or not. Consequently no additional metrics assessing the state of enabling conditions are included into the measurement systems. Interestingly, both the interviewees and the questionnaire respondents (in

total 28 out of 40) nevertheless agree that such metrics should indeed be introduced and tracked:

*“If we could open some dashboard with the drivers of performance, look at one partner and, say if we have an issue, see where the problem is coming from, that would be really interesting, but the problem is that this is support of your performance you don’t track that” (AD/PB35).*

Of all the enabling conditions, discussed earlier, the only enabling condition that is evaluated by some merchants, agencies and networks is the quality of the affiliates on the programme. Such check is, however, primarily conducted prior to a programme’s launch:

*“[When affiliates join a programme] we observe them, we check their website and make sure that they fit our criteria and are applicable to our brand, as we don’t want to be associated with gambling or pornography or anything like that, so we have to check that the partners are a reliable fit” (AD/PB25).*

Some merchants check their affiliates only once, at the point when they form a partnership with them: *“We check affiliates once, when they join, but not afterwards, because it is very time-consuming” (AD/PB24).* Other merchants check affiliates both before and after they join the programme, but even though the checks are undertaken through the course of the programme, in many instances they are more reactive and triggered by unfavourable instances in the affiliate performance: *“We don’t have continuous checks, we check numbers, if something goes wrong, then we go and check” (AD/PB18).*

Few of the interviewed merchants proactively check their affiliates in order to provide them with support and help optimise their work. In the sample, one large travel aggregator conducts control every three months and helps affiliates on an individual basis to improve conversions and customer response:

*“We do it every three months and it is called an optimisation strategy... They [affiliates] may not know how to promote us. So we advice them... For instance they could have a link that is promoting X holidays but then linking through to our home page. That is not really going to help with conversion once visitors land onto our site, so it will be better if they were landing on our X holidays home page, because it helps them with conversions.” (AD/PB12).*

In the indirect relationships through affiliate networks, the key role in monitoring affiliates lies on the networks employed. Typically, networks carry the responsibility for checking the affiliates when they join the network, as well as for assessing their activity for quality, suitability, adult content and any malicious software, such as adware and spyware.

*“We bring them [affiliates] on, and we get quite a few. I am not sure how many, but I will not be surprised if we had fifty applications a day to our network. They [affiliates] will be effectively scrutinised at the level of the network and then there will be additional checks that are done that are advertiser specific at the level of the particular programme, so an advertiser can check whichever terms and conditions we want to have. It is almost a growing trend for advertisers to scrutinise their affiliates bases much more. They task a network of doing an audit and that audit may lead to the removal of some affiliates. ... I am a member of the affiliate marketing council and they recently drafted a document around that process, around the auditing and the removal of affiliates” (NW30).*

The possible consequences of failing to check and optimise affiliates have direct influence on merchant’s performance. The online travel aggregator, mentioned earlier, summarises this point as follows:

*“Yes, at no point does any affiliate come on board without being checked. One of the downfalls though in the industry, I don’t know if you are aware of this, is that once an affiliate comes on board we obviously check their URL, but once we’ve accepted them, they can then add another website that could be completely rubbish... could be against all our brand guidelines...” (AD/PB12).*

#### **6.4. Evaluation Phase**

The fourth and the final phase, or concept underpinning the category of affiliate marketing measurement process, is evaluation. Evaluation entails one main task – the assessment of performance of all undertaken affiliate marketing activities against some set performance criteria (Table 6.14).

**Table 6.14. Evaluation: Properties and Dimensions**

Category	Concept	Properties	Dimensions
Affiliate Marketing Measurement Process	Evaluation phase	Step 9 – Assessment of results against predefined performance criteria	Objectives, marketing plans
			Past performance
			Competitors
			Affiliate base
			Incentives
			Other online and offline channels
			Across markets
			Personal targets

##### **6.4.1. Step 9 – Assessment of Results against Predefined Performance Criteria**

The study identifies several types of performance criteria against which affiliate programme’s performance can be evaluated (Table 6.15). The most common way of identifying the success of affiliate marketing is to compare current results with past performance. Such comparison may be on a day-to-day, week-to-week, month-to-month and/or year-to-year basis (e.g., AD4; ExD; AD29; AD27). The important

principle in such assessments is to take into account the effect of seasonality, which can take place at different times of the year in different parts of the world (AD/PB15).

Other usual performance criteria are the assessment of affiliate marketing outcomes based on the set objectives, plans and targets (e.g., PB36; AG34; AD28). Although, *“there is a lot of unknown, whatever is going to happen will happen”* (AG2), affiliates and merchants *“all have different targets that they want to meet”* (NW5; AD9; AD29). It appears that targets are easier to set with existing partners (AD/PB35), whilst with new partners the approach is to *“do research, do one’s best”* (PB31) and *“simply test and see”* (AD/PB15). Targets are set either on a regular basis (e.g., every month) or *“when there are incentives”* (AD24).

**Table 6.15. Performance Criteria for the Evaluation of Affiliate Marketing Performance (Questionnaire Findings)**

Performance criteria	N
Organisation’s tactical objectives	16
Affiliate marketing specific objectives	30
Internal marketing plans	16
Performance figures over time	20
Organisation’s overall strategic objectives	13
Amount of generated word of mouth	0
Organisation’s financial performance	16
Customer satisfaction	4
Customer loyalty	2
Past performance	17
Competitors’ performance	11
Incentives against results	8

In fact, incentives constitute one more performance criterion, which enables stakeholders monitor reactions to incentives. Besides the mentioned criteria, stakeholders can compare their affiliate marketing results with those of the competitors, as well as with general industry trends and statistics (e.g., AD24; ExD; AD28). The indication of competitor performance can be difficult to access; however, some affiliate networks provide their merchants with reports, outlining the figures of the key players in the industry. In situations where such reports are unavailable, the understanding of competitor results can be obtained through conversations with affiliates (AD/PB16). In the estimation of affiliate marketing performance, merchants also consider results across their affiliate bases, identifying best performers and passive affiliates (AG3), and the performance of programmes run in-house and through affiliate networks (AD32). To further understand affiliate marketing contribution, merchants also conduct across-channel evaluations and determine the impact of affiliate marketing compared to other online and offline channels (NW11; AG34; AD38). They additionally break performance results into markets (AD18).

## **6.5. Summary**

This chapter accomplishes the third objective of the study. It explores the affiliate marketing performance measurement process and presents the main components of the grounded theory, which proposes that the measurement process consists of four phases – Research, Planning, Implementation and Evaluation, and nine underpinning steps. This chapter also identifies a number of shortcomings in the existing measurement practices.

The next chapter continues to analyse these limitations and explores whether there is a need for a shift in affiliate marketing measurement practices. Following this exploration, the next chapter also theoretically matches the emerging process with the existing literature and discusses the final theory of affiliate marketing performance measurement in tourism and hospitality.

## Chapter 7: Discussion

### 7.0. Introduction

Grounded theory has one distinguishing characteristic: it generates a theory from data and grounds it in empirical evidence. The majority of scholars (e.g., Glaser, 1992; Corbin & Strauss, 2008) view empirical grounding as the core strength of the grounded theory approach. Some of these theorists, however, treat such grounding in data as only one part of grounded theory development. Goldkuhl and Cronholm (2010: 191), for example, argue that for an “enhanced and more focused” grounded theory researchers are required to engage in three types of grounding processes: empirical, internal and theoretical grounding. Empirical grounding ensures that the generated theory can be traced back and easily identified in the data. Internal grounding checks the inner coherence and consistency between the various theory elements, while theoretical grounding warrants that the validity and the fit of the evolving theory is controlled against pre-existing theories.

The two findings chapters (Chapter 5 and 6) inductively explored and presented the process of affiliate marketing performance measurement, and focused on its empirical and internal grounding. This chapter concentrates on the theoretical grounding of the process and discusses it in light of the literature reviewed in Chapters 2 and 3. As a result, the chapter addresses the main aim of this research: it explores a shift in affiliate marketing measurement practices, and develops a theory of affiliate marketing performance measurement.

The chapter is organised as follows. The first section offers definitions of the key constructs related to affiliate marketing performance measurement. Following the clarification of these terms, the next two sections summarise the current approaches to affiliate marketing performance measurement in tourism and hospitality, emphasise the different limitations of the present measurement practices and elucidate their consequences. In addition, these sections discuss the forces that drive the changes in affiliate marketing performance measurement, specify *what* change is taking place and *why* this change is occurring. Based on the findings and generic and marketing-specific performance measurement theories, the chapter then sets forth a proposal for a shift in affiliate marketing measurement and refers to the theories underpinning this shift. The final section puts forward an alternative approach to measurement and proposes a theory of affiliate marketing performance measurement in tourism and hospitality. In addition, this section discusses how the proposed theory fits within broader performance measurement research.



## **7.1. Key Affiliate Marketing Performance Measurement Constructs**

Given the scarce and somewhat fragmented nature of previous affiliate marketing research (Brear & Barnes, 2008; Fox & Wareham, 2007; Libai *et al.*, 2003; Martin-Gill *et al.*, 2009), this section discusses and presents definitions of the key constructs involved in affiliate marketing performance measurement in tourism and hospitality, including the explanation of affiliate marketing, affiliate marketing stakeholders, affiliate marketing performance and affiliate marketing performance measurement. Consequently, this section develops a richer picture of affiliate marketing and adds to the broader marketing theory by expanding affiliate marketing conceptualisation and by providing empirically- and theoretically-grounded definitions of affiliate marketing terms.

### **7.1.1. Definition of Affiliate Marketing**

Earlier affiliate marketing studies show little agreement on the definition of affiliate marketing. This study incorporates previous research and the empirical evidence and offers a new comprehensive conceptualisation of the term. In light of the synthesis of the findings and the relevant theories, the study defines affiliate marketing as follows:

Affiliate marketing can be defined as an online marketing channel and an exposure-, interactivity- and/or outcome-based online partnership, in which a merchant affiliates with one or more individuals or firms with complimentary and matching products/services, encourages them to promote and distribute products/services, and incentivises them each time an action, pre-defined in affiliate programme's terms and conditions (e.g., a sale or a registration), is completed.

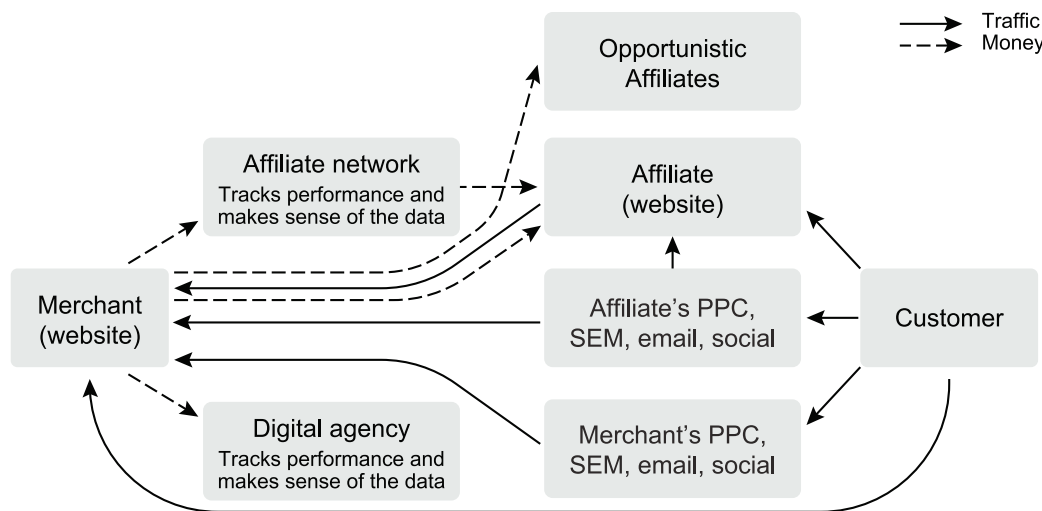
This definition is consistent with the accounts of the affiliate marketing construct offered by earlier research. For example, it is in line with the definitions proposed by Brear and Barnes (2008), Duffy (2005), Ibeh *et al.* (2005), Goldschmidt *et al.* (2003), Chaffey *et al.* (2006) and Bandyopadhyay *et al.* (2009), who collectively depict affiliate marketing as an online partnership and act, in which merchants and affiliates form an agreement, whereby affiliates are financially rewarded for the referral of customers to merchants and for the promotion of the merchants' offerings.

### **7.1.2. Definitions of Affiliate Marketing Stakeholders**

Based on the findings of this research and earlier theoretical accounts of the affiliate marketing construct (Brear & Barnes, 2008; Duffy, 2005; Goldschmidt *et al.*, 2003), it is identified that affiliate marketing relationships can be organised directly or through intermediaries. In total, up to four stakeholder types can participate in an affiliate marketing relationship. These stakeholders include merchants, affiliates,

affiliate networks and digital agencies (Figure 7.1). Three of these stakeholder types are well documented in the affiliate marketing literature (Benedictova & Nevosad, 2008; Daniele *et al.*, 2009); while one type – digital agencies – is an additional stakeholder, previously unmentioned in literature.

**Figure 7.1. Affiliate Marketing Stakeholders**



As illustrated in Figure 7.1, online users looking for holiday-related items online can find the information they require at a number of online destinations. This information can be provided by different affiliate stakeholders. For example, online users can arrive at a travel, tourism or hospitality merchant's website directly or receive merchant's promotional materials via email, social media and PPC campaigns. Alternatively, they can arrive at an affiliate's search-optimised website, receive an affiliate's email, view an affiliate's update on social media or read an affiliate's PPC advert. Having acquired the necessary information, online users can click on an affiliate link (placed in the email, on the social media site or the display advert) and the link can either take them to an affiliate website or can divert them directly to the merchant, where they can perform a desired action (e.g., visit a website, buy, register, leave a review, etc.). If the performed action is achieved, a merchant will dispatch a pre-agreed reward to the affiliate that has generated a desired action. The tracking of customer and affiliate actions in the above situation can be performed by a merchant or an affiliate network, which supplies the tracking technology and interprets the collected data. The interpretation of data can additionally be performed by digital agencies.

In tourism and hospitality, affiliate marketing is a widely spread practice, where service providers employ affiliate marketing for both promotion and distribution purposes. For example, Tripadvisor, a recommendation merchant, invites tourism

and hospitality companies to affiliate in order to promote Tripadvisor's content via text links, banners and other content widgets, and offer payment based on traffic. Other merchants, for example lowcostbeds.com, partner with affiliates, for example EasyJet, in order to distribute and sell their services, and reward their affiliates based on accomplished sales. Some affiliations in tourism and hospitality are not easily recognisable or visible to the customer or other partners. For instance, in the case of travel aggregators, such as Expedia and Booking.com, many affiliations are organised directly with service providers and are typically arranged for sole distribution purposes. However, some of those affiliations are arranged via networks:

*"Typically a lot of advertisers, a lot of travel advertisers will be working with aggregated partners... So companies like Tripadvisor and Trivago, all of these kind of big, what are effectively big data seed companies, they are companies that are pulling product feeds or APIs from elsewhere and typically they won't be run through an affiliate network. However, some advertisers will run those relationships through an affiliate network and so then the affiliate network will then have to agree probably on a different payment mechanism and they would be different commercials running." (NW23).*

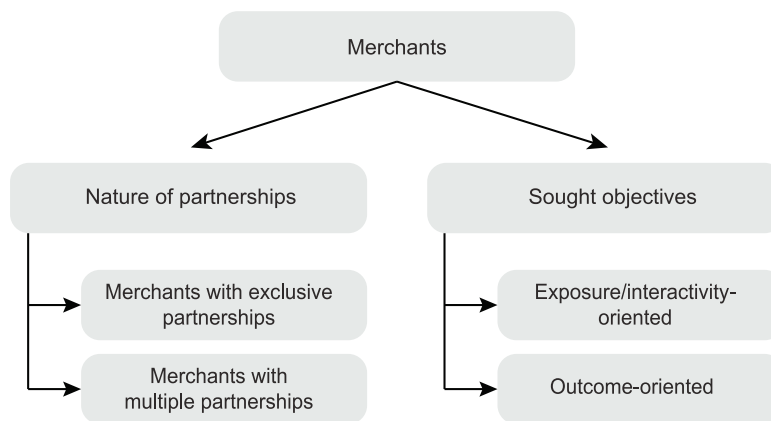
#### **7.1.2.1. Merchant Typology**

On the basis of the findings and the literature, merchants can be explained as follows:

Merchants represent primary service providers (e.g., airlines, car rental companies, hotels), who engage in affiliate marketing activities in order to distribute and/or promote their products/services through additional online sales force – affiliates' websites.

Merchants differ from the point of view of the nature of partnerships (exclusive vs. multiple partnerships) they prefer to form and the type of objectives sought through affiliate marketing (Figure 7.2). This classification is derived from the empirical evidence (see Section 5.1). It constitutes a contribution to the affiliate literature, which currently does not differentiate between different merchant types.

**Figure 7.2. Merchant Typology**



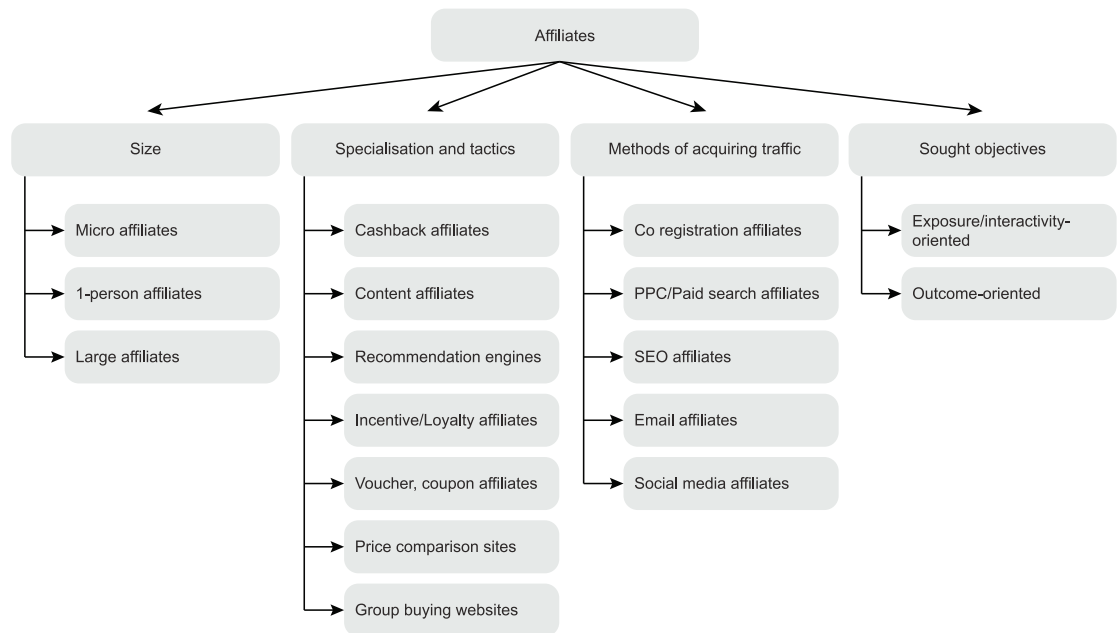
### 7.1.2.2. Affiliate Typology

In light of the empirical findings and the literature:

Affiliates can be defined as individuals or firms with web presence, which in return for a commission refer customers to their merchants' websites, convert their own traffic into merchants' consumers, and promote and distribute merchants' products/services through additional Internet outlets.

The empirical data suggests that affiliates can be classified according to size (micro, 1-person, large), specialisation and tactics they employ (e.g., incentive, voucher, content), and methods of acquiring traffic (e.g., co-registration, email, SEO affiliates) (Figure 7.3). To a large extent, this affiliate typology agrees with former affiliate categorisations offered by Goldschmidt et al. (2003), Duffy (2005), Ryan and Jones (2009; 2012) and the Internet Advertising Bureau (2010b). However, unlike previous categorisations, this typology puts forward a more detailed and a more granular classification of affiliates (see Section 5.3). The only area where this classification disagrees with the existing typologies (Duffy, 2005; Ryan & Jones, 2009) is concerned with the earlier studies' treatment of affiliate networks as a type of affiliate. From the point of view of the results, networks can not be treated as affiliates, since affiliates' primary responsibility is to promote, sell and distribute merchants' offerings, while networks' role is to provide the tracking technologies and facilitate the affiliate-merchant relationship.

**Figure 7.3. Affiliate Typology**



### 7.1.2.3. Hybrids

One more stakeholder type, for the first time mentioned in this work and insofar unknown to the literature, is hybrids.

A hybrid can be defined as an affiliate marketing stakeholder, who can simultaneously occupy the position of a merchant and an affiliate.

Hybrids are usually involved in several relationships at the same time. In some of these relationships they seek affiliates to promote and distribute through additional online outlets, in others – they represent affiliates themselves and promote or distribute products/services on behalf of their partners, or other merchants. Among tourism and hospitality enterprises, hybrids are particularly widespread due to the fact that these enterprises sell complex products/services (e.g., packages or their elements), comprised of different complementary elements (e.g., flights, accommodation, activities), which are frequently offered by various principal service providers (e.g., hotels, airlines). Tourism and hospitality hybrids are typically represented by online travel agents and tour operators. The reason why hybrids are not included in Figure 7.1. is that in one affiliate-merchant relationship they always take only one role: that of a merchant or that of an affiliate. In other words, when a hybrid initiates or joins an affiliate programme, the hybrid either becomes an affiliate or a merchant in that programme. For example, in distributing other tourism and hospitality offers, Expedia takes the role of an affiliate. At the same time, to be

promoted on other websites, Expedia acts as a merchant and invites affiliates to join the Expedia affiliate programme (Expedia.co.uk, 2012).

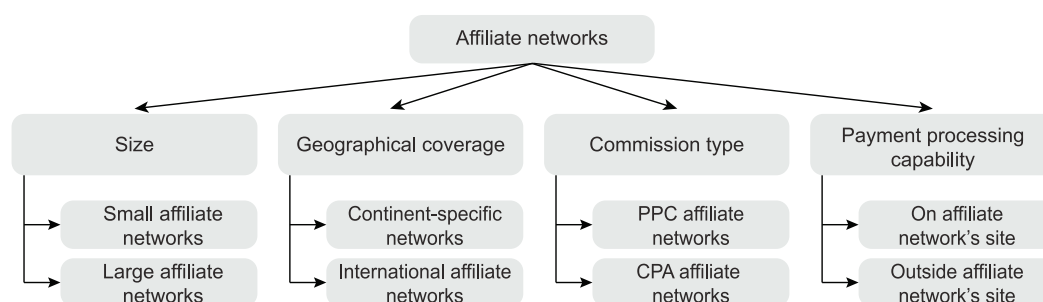
#### 7.1.2.4. Affiliate Networks Typology

Affiliate networks, according to the findings and literature (e.g., Goldschmidt *et al.*, 2003; Laudon & Traver, 2003), can be defined in the following way:

Affiliate networks represent third parties or intermediaries that link merchants and affiliates, provide the affiliated parties with necessary tracking technologies and technical support, and monitor their performance.

Networks can vary in size, cover different geographical areas, specialise on a particular commission type (PPC or CPA) and either include or disregard a payment processing capability (Figure 7.4). The classification of networks in general, and their division according to the payment processing capability in particular, is a finding that is for the first time recorded in this study and that is not previously covered in theory (see Section 5.4).

**Figure 7.4. Affiliate Networks Typology**



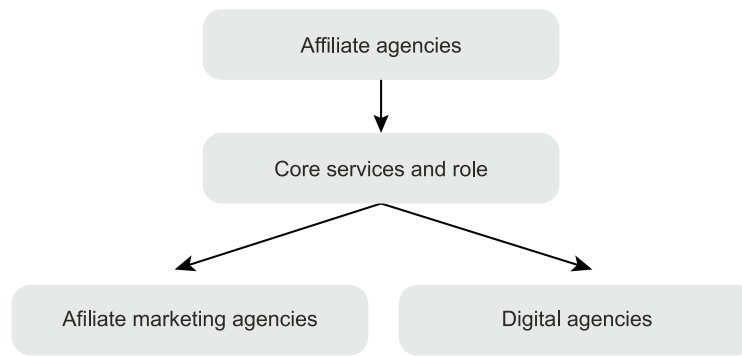
#### 7.1.2.5. Affiliate Agencies Typology

Finally, agencies, identified through the course of empirical data analysis, can be described as:

Agencies are intermediaries that work with affiliates on behalf of their merchants and provide merchants with management of affiliate programmes.

Two types of agencies can be employed in affiliate marketing: digital agencies, specialising on a range of Internet marketing channels, and affiliate marketing agencies, specialising on the affiliate marketing channel exclusively (see Section 5.5; Table 5.10).

**Figure 7.5. Agencies Typology**



As stated earlier, different stakeholders can participate in several affiliate programmes concurrently. An affiliate programme is a specific arrangement between a merchant and an affiliate(s), which is initiated for a given time period in order to achieve specific actions (e.g., traffic, sales, new customers, downloads) incentivised by a commission mutually agreed. This definition broadens earlier definitions of an affiliate programme, which associate programmes with traffic and transactions, and, therefore, constitutes a contribution to knowledge (Benedictova & Nevosad, 2008; Chatterjee *et al.*, 2003).

### **7.1.3. Affiliate Marketing Performance**

One of the main criticisms of the previous performance measurement studies (Neely *et al.*, 2008) is the fact that scholars do not clearly define performance measurement. To address this gap and avoid similar criticisms, this research builds upon generic and marketing-specific definitions (Clarke, 2000; Haktanir, 2006; Kellen, 2003; Simmons, 2000) to formulate a definition of affiliate marketing performance. More specifically, it views affiliate marketing performance as a multidimensional construct:

Affiliate marketing performance utilises a set of indicators for the evaluation of efficiency, effectiveness and adaptability of an affiliate marketing programme in order to attain specific affiliate marketing programme objectives within given resources and internal and external environmental conditions.

According to the literature, efficiency implies maximising outputs while minimising time and financial resources employed (Anderson *et al.*, 1997); effectiveness entails an ability to achieve goals within given internal and external environmental conditions (Kerin & Peterson, 1998); and adaptability encompasses an ability of a company to adapt to environmental changes (Morgan *et al.*, 2002).



#### **7.1.4. Affiliate Marketing Performance Measurement**

Based on the above definition of affiliate marketing performance, performance measurement, which is not defined in previous affiliate marketing studies, can be broadly defined as a set of procedures that monitor affiliate programme(s) across three aspects: efficiency, effectiveness and adaptability. More precisely, it can be explained as follows:

Affiliate marketing performance measurement is an iterative process, whereby affiliate marketing stakeholders plan and launch a research-informed affiliate marketing programme; test and adjust the different elements of the programme; monitor the programme's progress against predefined performance criteria; learn from experience and, based on results and feedback from the stakeholders involved, adapt the strategic and tactical direction of affiliate marketing activities.

The next section explains how affiliate marketing performance measurement is currently conducted in practice.

#### **7.2. The Current State of Performance Measurement in Affiliate Marketing**

The analysis of the findings in Chapters 5 and 6 suggests that an affiliate marketing performance measurement process can consist of four phases: research, planning, implementation and evaluation. The analysis also shows that there may be variations in how affiliate marketing performance is measured by organisations. Primarily, these variations depend on how an affiliate-merchant relationship is arranged. In line with the earlier research (Benedictova & Nevosad, 2008; Daniele *et al.*, 2009; Fox & Wareham, 2007), this study indicates that affiliate-merchant relationships can be direct, indirect or a combination of both.

##### **7.2.1. Performance Measurement in Direct Affiliate Marketing**

In direct relationships, where merchants and affiliates collaborate without involvement of intermediaries, the management and measurement of affiliates is the responsibility of internal affiliate marketing managers. In some instances, it can also be the responsibility of outsourced performance managers or digital agencies. These internal or outsourced affiliate managers plan a potential affiliate programme and then implement and eventually evaluate it. Planning, from the point of view of these managers, typically implies an objective setting, recruitment of affiliates that are likely contribute to successful objective achievement, commission setting and design of promotional materials. Implementation involves the launch of the programme, sometimes testing of this programme and follow-up of the affiliates. Finally, evaluation includes assessment of the affiliates' performance on the basis of completed pre-agreed actions (e.g., sales, registrations) and pay-outs to the

affiliates involved. In spite of being considered as important by the participants, research does not constitute an obligatory part of the measurement process, but is rather initiated on an ad-hoc basis and always prior to the programme's launch. In addition, metric selection is viewed as a somewhat implied procedure, as stakeholders typically and automatically adopt the metrics that are technologically possible to monitor.

The collection of performance data and its interpretation in direct relationships are conducted internally by merchants' affiliate managers or by the agencies employed. Tracking is administered with the help of the internally developed tracking solutions or by means of third party tracking, such as Omniture and Google Analytics (AD27). Internal tracking solutions are typically based on ID tracking (AD7; AD9; AD/PB38), which implies that every affiliate is provided with their own ID, which monitors affiliate actions and performance. The advantage of internally developed tracking is that it is specifically tailored for the merchant's use and is tuned to monitor the aspects of performance and the metrics that merchants wish to measure. The benefit of third party tracking, meantime, is that it does not require considerable investment in technological resources that are otherwise necessary if the company wishes to develop its own tracking.

### **7.2.2. Performance Measurement in Indirect Affiliate Marketing**

In indirect affiliate-merchant relationships, facilitated by intermediaries, the management and measurement of affiliate programmes can be in the hands of affiliate networks, agencies and sometimes in-house affiliate managers. Affiliate networks have two types of measurement approaches: one for standard merchants and one for key account merchants. In facilitating affiliate programmes for standard merchants, networks perform the following tasks: they find matching affiliates, integrate tracking into their websites, accommodate merchants' promotional materials and provide them with access to performance data, which merchants and their affiliates can retrieve on a self-service basis. No research, planning or data interpretation is offered for this type of merchants. For key account merchants, however, networks additionally conduct research, plan and develop programmes, test the different elements of the programmes in order to optimise them for maximum success, and perform the requested level of analysis of the programmes' performance. Similar to how networks cater for the needs of their key account merchants, agencies assist merchants in research, planning and analysis of results. Consistent with predictions in the literature (Mariussen *et al.*, 2010), agencies to a large extent have taken over networks' responsibility for managing affiliates on

behalf of merchants; while the role and specialisation of networks has primarily shifted from affiliate management towards almost a mere provision of tracking technologies, something that is particularly evident in the management of standard merchant accounts.

Tracking in indirect relationships is typically provided by networks. However, several merchants that run their affiliate programmes via networks nevertheless tend to combine networks' affiliate data with the data, collected by third parties (e.g., Omniture, Google Analytics, DoubleClick), and in some instances also with the data, gathered by the tracking solutions developed internally (AD29). Such combination and comparison of different data sources is deliberate. It helps merchants *"validate the information [from networks] with internal reporting"*, *"provides merchants with a more holistic view"* of the affiliate performance (AD/PB25) and eliminates possible data discrepancies (AD/PB21; AD/PB13). Since affiliate networks' tracking is limited to affiliate data, collecting and comparing data from several sources also enables merchants understand how affiliate marketing compares to the other online channels employed and allows for cross-channel performance evaluation. For example, an online travel company AD/PB25 justifies the employment of additional tracking by stating that the company *"runs lots of other acquisition channels"* and, therefore, *"needs tracking [Omniture] that gives the company all the channels in one place"* (AD/PB25). Besides, additional tracking also allows the analysis of the individual user journey online and facilitates the examination of the impact of different channels on the customer purchasing decision:

*"We use DoubleClick and that tracks our affiliates, display, and search and email. So we can look at sales path, you can look to see if somebody went to an affiliate site but then typed in [company name] and then saw a banner on Facebook. So you can see all that and we also have a tracking solution called X internally that does the same thing, so we can pull it all together. It is not easy though..." (AD19).*

The above paragraphs show that the measurement of affiliate marketing performance can be a cumbersome process, and suggest that current performance measurement practices exhibit challenges. These challenges together with their consequences are discussed in greater detail in the next section.

### **7.2.3. Performance Measurement Challenges**

In contrast to previous studies (Duffy, 2005; Fox & Wareham, 2007; Wilson & Pettijohn, 2008), which describe affiliate marketing tracking as one of the most accurate and advanced, this study identifies that current approaches to affiliate marketing performance measurement have limitations (Mariussen *et al.*, 2012).

Broadly, these limitations can be arranged into five major groups: 1) conflicting stakeholder interests, 2) structural and procedural limitations, 3) standardised measurement, 4) unbalanced measurement and 5) technological limitations. The following sections address each of the outlined groups, discuss the limitations from the point of view of their consequences and implications, and highlight a growing need for change in affiliate marketing measurement approaches.

#### **7.2.3.1. Conflicting Stakeholder Interests**

An affiliate marketing programme can involve up to four different stakeholder groups (Brear & Barnes, 2008; Libai *et al.*, 2003). The objectives that these stakeholder groups set, when joining an affiliate programme, are broadly similar. The stakeholders primarily seek to increase customer volumes, and improve ROI and sales (Appendix 5.1). In some cases, however, the stakeholders' perceptions on what constitutes good performance may be different and even conflicting (NW26). For example, for the majority of agencies and networks, good performance is associated with an increase in sales and revenue (NW5; NW30; AG3; AG34); while many merchants and some affiliates, especially larger ones, also link good performance with incremental growth and brand strengthening (AD29; AD/PB12; PB36). The idea that merchants can engage in affiliate marketing in order "*to drive branding*" (NW11) is not new (Daniele *et al.*, 2009; Goldschmidt *et al.*, 2003; Ibeh *et al.*, 2005); however, the fact that affiliates may wish to strengthen their brands is an emerging development (AD/PB21; NW30). This development is not yet realised by the affiliate industry; and the majority of affiliate marketing stakeholders still widely hold the view that the primary motivation for affiliates is pay-outs and commissions. Few networks and agencies seem to be aware that commissions no longer represent the key motivator for affiliates: "*It is not always about increasing the commission all the time*" (AD/PB12). From a theoretical perspective, with a few notable exceptions (Benedictiva & Nevosad, 2008; Daniele *et al.*, 2009), this development is novel too.

The change in affiliates' perception of affiliate marketing as a brand-building device has several significant implications. First, it demonstrates a growing shift in power between merchants and affiliates, as affiliates steadily move from the position of a commission-driven sales force, hired by merchants, into brand-aware partners, who for the successful implementation of a programme need to be treated as equal collaborators (PB36). This development also suggests that affiliate marketing stakeholders with conflicting views on performance may form increasingly dissimilar expectations to the programmes they are involved in, and may consequently work

towards achieving different goals (PB36; AD/PB28; AD20). A misalignment of goals, in turn, might lead to uncoordinated use of human and financial resources and poorly targeted and unfocused activities. This can further complicate goal achievement and turn the programmes into a costly process, giving rise to dissatisfied stakeholder expectations and overall frustration with the channel.

The fact that networks are unaware that affiliates and merchants might seek to improve their branding by means of affiliate marketing also has two broader industry implications. The first implication is that networks, which are widely considered to be the drivers of the affiliate marketing channel and its measurement, are unable to accommodate the demand to measure and demonstrate the branding value of affiliate marketing. In the meanwhile, this demand is being successfully addressed by other channels, such as display advertising (AD/PB35; AD/PB22; AG2). Another implication is that the affiliate industry seems to be losing a potential opportunity to argue that the channel, primarily associated with traffic and sales, is also capable to bring brand-related benefits. As the representative of one of the leading affiliate networks argues, the affiliate marketing industry suffers from the performance-based image, as this image only attracts performance-driven organisations and diverts all brand-driven companies to other channels (NW23). According to this respondent, to alter the situation and to appreciate affiliates' contribution to branding, a change in stakeholders' perceptions of the channel is needed, and the key to that change lies in altering current performance measurement procedures and, in particular, commissions adopted. This view is consistent with the performance measurement literature, which states that there is a direct link between rewards and appraisal systems and desired employee/stakeholder behaviour and performance (Eccles, 1991; Guilding, 2009).

#### **7.2.3.2. Structural and Procedural Limitations of Performance Measurement Systems**

Folan and Browne (2005: 665) define a performance measurement system as "the active employment of [two] sets of recommendations": structural and procedural. The structural recommendations list the elements that a performance measurement system should consist of, for example the performance measures to be included in the system. The procedural recommendations explain step-by-step the procedures to be followed in measuring performance, for example the procedures, outlining how performance measures can be developed from strategy. In the performance measurement processes, described by the participants of this study, both structural and procedural limitations are identified. There seems to be some disagreement among the participants with regard to the elements that an affiliate marketing

performance measurement system should consist of, and the procedures that the measurement of performance should include. This disagreement and limitations further endorse the idea that current performance measurement practices require a different approach.

### ***Omission of Critical Elements in Performance Measurement***

The main structural limitation of approaches to measurement in affiliate marketing is that some critical phases or steps are unintentionally left out or purposefully omitted by the stakeholders. For example, in spite of its widely recognised importance (Bititci *et al.*, 2002; Bremser & Chung, 2005; Eccles, 1991; Globerson, 1985), the most frequently missing phase in the affiliate marketing measurement process is research. In many companies, the measurement process starts with goal formulation (AG1; AG34; NW30), and the role of research is underestimated. Several stakeholders seem to hold an assumption that since affiliate managers work at the forefront of the industry and deal with continuously arising issues on a daily basis, they automatically stay updated. Their experience is assumed to be rich enough for starting a new or running an existing affiliate programme without conducting additional research. In the rapidly developing environment, however, the lack of research can pose an issue (Bandyopadhyay *et al.*, 2009; Hughes, 2007; Moore & Edelman, 2010). For instance, no previous experience can determine whether the online channels used 'cannibalise' each other or not. This question can only be answered by means of systematic and continuous research (NW26).

One more structural limitation of the affiliate measurement processes reviewed is the absence or only a partial consideration of such key step of the process as the identification and subsequent creation of critical enabling conditions (AD29; AD/PB35). The study shows that the interviewees differentiate between internal enabling conditions (e.g., research, expertise in programming, HTML, SEO) and external enabling conditions (e.g., competition, Google's changes in algorithm). Yet, the study also indicates that very few interviewees employ this differentiation in practice and analyse both internal and external environments. According to the literature (Clark, 2000; Valos & Vocino, 2006), the analysis of these conditions is essential as without it or with only a partial analysis, the companies may risk staying unaware of the factors that potentially impact the successful implementation of affiliate marketing programme(s) (MyD; PB31; AD/PB15). As former studies argue (e.g., Fitzgerald *et al.*, 1991), a failure to recognise the importance of enabling conditions can put companies into risk of staying reactive in their approach to performance management and measurement (AD29).

A further example of an equally significant structural limitation is concerned with a frequent omission of such step as goal formulation. There is evidence to suggest that some merchants and affiliates do not formulate specific marketing goals and simply adopt the metrics offered to them by the technological solutions they rely on (AG3; AD/PB22). The stakeholders seem to hold an assumption that affiliate marketing goals are standard (i.e. traffic and sales) and always the same. The analysis of the marketing theories allows to suggest that this assumption can have two consequences. First, omitting goal setting can predispose affiliate programmes to be unfocused, poorly optimised and non-competitive (Constantinides, 2002). Second, a mechanistic and unthoughtful adoption of standard metrics can limit the opportunity to capture a more holistic picture of affiliate marketing results, as these untailored metrics are likely to represent the wrong indicators for the type of performance the stakeholders aim to achieve (Wilson, 2004).

### ***Disconnect between Phases and Steps***

A major procedural limitation of current performance measurement processes is the lack of commonly accepted procedures that affiliate marketing stakeholders should follow in measuring performance. As illustrated in section 7.1., there are considerable variations in the steps, tasks and procedures in affiliate marketing measurement approaches currently adopted. On one hand, such variations can be perfectly viable given the specific situations and contexts in which affiliate marketing programmes operate (Novak & Hoffman, 1996). On the other hand, these variations can be misleading and unhelpful (Neely, 1999). As Folan and Browne (2005) put it, the lack of well formulated recommendations for procedures, suggesting what and how should be measured, deprives managers of helpful guidance, allows room for mistakes, and increases the opportunity to miss important performance elements, such as the ones just discussed.

The second procedural limitation of the present measurement processes is that some phases in these processes are disconnected. For example, research is typically treated as something that is done prior to a programme's launch (PB31). It is not viewed as a critical phase that should feed into the other stages of the performance measurement process (AG34; NW30). The consequence of this is that affiliate marketing stakeholders lose an opportunity to utilise research-generated insights when planning affiliate marketing programme(s) and to account for the emerging and relevant developments in the external and internal environments during the implementation and evaluation phases.



### **7.2.3.3. Standardised Measurement**

Despite the numerous advantages of a standardised approach to performance measurement in marketing in general (Novak & Hoffman, 1997) and in affiliate marketing in particular (TR17; AD32; AD14), standard measurement is subject to some limitations, each with specific consequences (AG2; AD/PB15) (Shen, 2002).

#### ***Standardised Objectives***

The first limitation of standard measurement is related to standardised marketing objectives. Marketing objectives represent one of the most common performance criteria that enables the comparison of planned versus achieved marketing results (Eusebio *et al.*, 2006; O'Sullivan & Abela, 2007). To be regarded as relevant benchmarks for comparison, Bititci *et al.* (2002) and Rajgopal *et al.* (2003) recommend that objectives should evolve with time and change for each new marketing activity in order to accurately articulate the desired outcomes and set the direction for the planned actions.

The empirical evidence in this study suggests that, in affiliate marketing, objectives frequently stay unchanged. They are often taken for granted and are standardised (AD/PB18; NW11). They remain the same over time and, as a result, current affiliate programmes lack focus and direction, something that further affects performance. These objectives lack regular reassessment and are, therefore, unable to evolve and account for new opportunities (Bititci *et al.*, 2002; Kellen, 2003; Valos & Vocino, 2006): *"I think businesses need to understand what it is that they are trying to achieve and not run it [an affiliate programme] for the sake of running it"* (AD28). For example, the majority of the participants (AD9; AD/PB12; AD/PB25), as well as the existing studies (Daniele *et al.*, 2009; Ellsworth & Ellsworth, 1997; Figg, 2005) recognise that affiliate marketing contributes to brand exposure and awareness. Yet, present revenue-oriented affiliate marketing objectives do not aim at the achievement of such intangible benefits as, for example, branding enhancement, because branding has traditionally been regarded as difficult-to-measure and from the outset has not been associated with affiliate marketing (NW26; AD32).

#### ***"Classic" Metrics***

Given that performance measurement in affiliate marketing is standardised, the stakeholders largely operate the same "classic" set of metrics (AD7; AG3; NW33). According to the findings and the literature (Bandyopadhyay *et al.*, 2009; Collins & Fiore, 2001; Duffy, 2005; Shen, 2002; Martin-Gill *et al.*, 2009), typical metrics

include clicks, click through rates (amount of clicks divided by impressions, expressed as a percentage), sales, leads (amount of new customers or sign-ups), impressions (amount of views of a particular advert), conversion rates (percentage of visitors, who undertake a pre-defined action) and ROI (AD/PB16; AD20; AD14). These metrics are mainly determined by the capabilities of the present tracking technologies, provided by affiliate networks. This finding is in line with the arguments in previous research (Seggie *et al.*, 2007), which states that in many contemporary organisations technologies, not marketing managers, determine what is measured and how it is measured. Indeed, since the current metrics are pushed by the technology or IT specialists, they are typically not tied to specific affiliate marketing objectives (AD/PB15), but are rather considered as standard affiliate marketing metrics, in spite of the common acknowledgement that these metrics only capture a part of the actual performance.

### ***Static Commission Structures***

Unlike other Internet marketing literature that recognises affiliate marketing reward models for being cost-efficient and transparent (Constantinides, 2002; Ryan & Jones, 2009), this work argues that existent commission structures exhibit a number of notable limitations (Mariussen *et al.*, 2012). One of the limitations of these structures is the fact that they are static. For about a decade, the affiliate marketing industry, with networks taking the lead, has been working to establish affiliate marketing as a pure Cost-Per-Acquisition (CPA) channel, where commission is based on performance (NW33). Having pioneered what at the time seemed a fairer commission model (i.e. CPA), the affiliate industry has been reluctant to change their commission structures and has continued the promotion of affiliate marketing as a pure performance-based channel and sales force. This has created an opportunity for other online marketing channels to take the position of brand awareness and visibility builders online. For instance, display advertising has build its whole business model around driving awareness and exposure. While affiliate industry's focus on CPA has indeed strengthened a sales-based (CPA) image of affiliate marketing, it is now difficult for the industry to argue that the channel also contributes to other areas, for example, to branding (NW33). The consequence of this is that the channel's value remains to be largely underestimated and branding continues to be offered for "free": *"Although the main goal is a sale, when the sale does not take place, customers are still exposed to an ad. It is like in display advertising"* (NW26).

Although the affiliate industry realises that the current commission models are imperfect, the industry recognises that changing these structures can be difficult. One of the obstacles that makes this change problematic is the differentiation strategies that various online marketing channels have developed and the positions that they have taken in enterprises' minds with regard to what they can achieve and how they should be paid. For example, paid search that helps generate traffic is paid on a CPC basis; display advertising, which creates and increases brand awareness, is paid based on CPM; while affiliate marketing is "*the only channel judged on pure value [sales]*" (NW11).

One explanation for why companies set clear boundaries between the channels can be the fact that the complexity and overlaps between various online marketing channels is so difficult to understand that in order to reduce this complexity, the companies prefer to clearly distinguish between the channels, assigning each channel with certain functions and commissions (Ewing, 2009). Another explanation is the channels' own positioning strategies, that aim to occupy certain places in the companies' minds, as they compete to receive their share of merchants' marketing budgets.

#### **7.2.3.4. 'Unbalanced' Measurement**

In the literature, one of the most frequently mentioned principles for effective marketing performance measurement is a 'balanced' choice of metrics that gives equal weight to both tangible and intangible, financial and non-financial, and short-term and long-term metrics (Clark, 2000; Phillips & Moutinho, 2010; Woodburn, 2004). In this study, measurement in affiliate marketing is largely described as 'unbalanced' and lacking intangible and non-financial metrics. A considerable number of participants suggest that a different approach to metrics selection is required, as many merchants and affiliates seek to understand the non-financial benefits (e.g., customer life-time value, branding effects) of their affiliate marketing initiatives (NW30; NW23; AD/PB25; AD/PB24).

#### **'Unbalanced' Metrics**

In the questionnaires, the respondents depict the metrics currently employed as highly financial, quantitative and short-term. A similar description of metrics is evidenced in the interview findings, which describe affiliate marketing metrics as "*very very performance-driven*" and aimed at measuring "*transactions, conversions, click through rates, and ROI*" (AD/PB35). Indeed, affiliate marketing metrics are 'unbalanced'. They involve considerable numerical data and lack the qualitative

component, something that makes measurement partial, one-sided and financially based (Rajgopal *et al.*, 2003). Many of the participating stakeholders express their dissatisfaction with the lack of balance between financial and non-financial data reported. For example, one network confirms that there have been shifts in the type of data merchants ask for, suggesting that more frequently merchants seek to know what sales numbers actually mean: *“What are those types of customer like? Are they customers that we really want? Are they high quality, low quality customers?”* (NW23). Besides asking for more customer-centric metrics, merchants also wish to understand whether affiliate marketing *“cannibalises”* other channels. That is whether merchants can get the sales that they receive by means of affiliate marketing by employing other online channels. Being faced with these new questions, the affiliate marketing industry, and in particular affiliate networks, are pushed to rethink *“what the reporting that we offer advertisers needs to look like”* and *“what are the additional metrics that we now need to start measuring”* (NW23).

### ***Lack of Brand-related Metrics***

In evaluating the impact of affiliate marketing activities, merchants frequently seek more qualitative insights into their affiliate marketing performance. One such qualitative insight, which currently remains “free” and unassessed in affiliate marketing, is branding. Although many merchants collect data on clicks and impressions, which are regarded in the literature as brand-related performance indicators (Krishnamurthy, 2000; Novak & Hoffman, 1996; Pharr, 2004), the branding value of affiliate marketing is neither officially tracked, nor regarded as the main aim of affiliate marketing. The lack of brand-related measurement undermines the image of affiliate marketing as a brand-building channel and, as the literature claims, inhibits a holistic performance evaluation of affiliate programmes with their financial and non-financial, tangible and intangible outcomes (Ewing, 2009; Shin & Hu, 2008). The introduction of branding metrics could potentially introduce better balance into strictly financial performance measurement systems in affiliate marketing and could change the image of the affiliate channel to the one capable to strengthen merchants’ brands.

### **7.2.3.5. Technological Limitations**

Measurement processes, as explained earlier, include the structural and procedural recommendations, explaining step-by-step a process of how measures should be developed from strategy and how they should be employed (Folan & Browne, 2005). The empirical evidence from this study does not identify any step-by-step

measurement processes that are commonly established and accepted. Instead, the evidence reveals that the stakeholders tend to focus on the technology-side of measurement, being convinced that the type of tracking technologies adopted is key to success (AD24; AD18). The technology capable to track and measure affiliate marketing can come from several sources. It can be developed by merchants in-house; or it can be commissioned by affiliate networks or offered by third party tracking providers (e.g., Omniture, Affmeter). The technological aspect of measurement is undoubtedly important, as it provides the basis for the whole performance evaluation; however, 'blind' overreliance on technology alone is problematic (Chen, 2001; Seggie *et al.*, 2007). The consequences that this overreliance might have for performance are discussed below.

### ***Incompatible Tracking***

While many participants agree that current measurement offered by affiliate networks is imperfect (AD7; AD/PB38), affiliates and merchants continue to rely on networks because, apart from tracking performance, they also offer other services, for example recruitment, follow-up of existing/new affiliates and invoicing. To supplement the networks' tracking systems, merchants and affiliates employ additional tracking solutions. Some merchants rely on Google Analytics and similar tracking service providers (e.g., Hasoffers.com) or develop their own in-house tracking systems. Similarly, affiliates either create their own monitoring solutions or outsource tracking to third parties (e.g., Affmeter). As a result, performance measurement by the stakeholders involved in the same affiliate relationship may be undertaken by means of multiple tracking solutions. Each of these solutions monitors its own performance metrics and provides insights on different aspects of performance (AG34; NW33; AD/PB15). The tracking by these solutions is frequently incompatible, and the results displayed may be inaccurate, with discrepancies reaching up to 25%: *"there is no perfect tracking system, so there is always going to be certain types of discrepancies"* (AD/PB21). The discrepancies in tracking are mentioned in several earlier studies, some dating back to the introduction of the world wide web (Clark, 2000; Dreze & Zufryden, 1998; Krishnamurthy, 2000; Shen, 2002; Wilson & Pettijohn, 2008).

Though the issue of possible data discrepancies is known to all the stakeholders, it still poses a challenge, as the stakeholders in one affiliate relationship may have different perspectives of how their affiliate programme(s) perform and may, therefore, work on optimising different areas.

### ***Incomplete Measurement***

Another example, demonstrating the limitation of technology, is its inability to capture a holistic picture of affiliate performance. For instance, such tracking systems as Google Analytics, which are employed by most merchants and affiliates, and affiliate-oriented tracking systems (e.g., Affmeter), which are specifically developed for affiliates engaged in several programmes simultaneously, only display the aggregate results of affiliates' or merchants' performance. They do not allow the stakeholders to investigate the performance of each partner at an individual level (AD/PB15), and, therefore, inhibit the stakeholders' ability to analyse individual sources of traffic in greater detail (TR17). This further limits the stakeholders' ability to optimise the performance of the partners with greater potential.

### ***Last Click-Attribution***

A further technological limitation revealed in this study is the industry's reliance on last-click attribution, where a commission is attributed to the last source that is responsible for a transaction. The reason for the prevalence of last click is embedded in the limitations of current tracking, which is only able to capture what customers do during or after the fulfilment of the action, pre-agreed in the terms and conditions of an affiliate programme. In spite of the fact that tracking beyond last click is technologically possible (AD/PB35; AG10; AG34) (Bughin *et al.*, 2009), the entire user journey *before* last click is still invisible to the stakeholders (AD24). Due to the fact that the traceability of user behaviour before last click is limited and the observability of the actions that different affiliates undertake in driving that click is restricted (Chen, 2001; Dreze & Zufryden, 1998; Krishnamurthy, 2000), the role that affiliates play in that journey remains largely unappreciated. Similarly, the role of affiliate marketing in influencing customer decision-making continues to be underestimated. In tourism and hospitality, consumer decision-making can be a complex phenomenon (Buhalis & Law, 2008) and information about the pre-booking online search, which customers undertake and their full online journey across various touch points on the Internet can be an important element for affiliate marketing optimisation - yet, such tracking is not yet widely available or considered standard: *"I think that looking beyond last click is one metric that clients need to look at... and potentially they will see their affiliate program slightly differently"* (NW11).

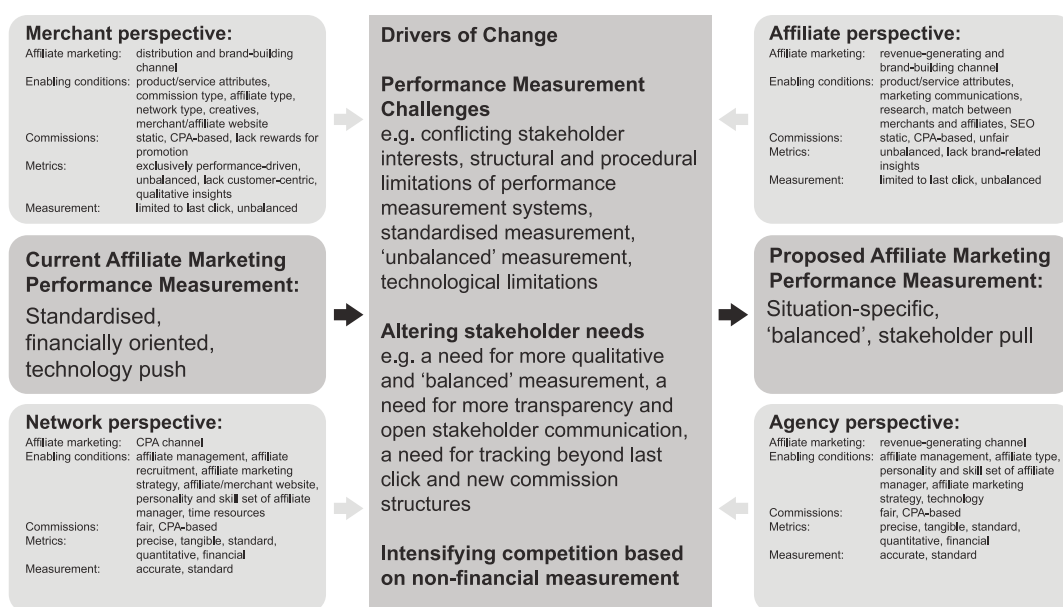
One major consequence of last click attribution is that many affiliates, who put considerable effort in adding value to customers and in driving a potential click, view current commission structures in affiliate marketing as *"unfair"*. Several affiliates, especially in tourism and hospitality, might influence customers' online journey and

push customers closer to a transaction, impacting their decision to purchase. However, the majority of these affiliates are left unrewarded, because the commission is assigned only to the last affiliate to provoke a click that resulted in a sale. On one hand, merchants view these commissions as highly cost-effective (AD/PB35; AD/PB28), as payments are only made to the affiliates, who contributed to a sale. On the other hand, merchants also realise that these commissions encourage affiliates to focus on generating a click rather than on adding value to customers (NW23).

### 7.3. The Need for a Shift

The previous section discusses the limitations in affiliate marketing performance measurement and presents the evidence, suggesting that the present measurement practices are in crisis. In light of the challenges identified, it also sets forth an initial argument that there is a growing need for change in affiliate marketing performance evaluation. This section provides additional support in favour of this change and further explains the factors that drive the growing shift in affiliate measurement, as this measurement changes from being standardised, financially oriented and technology-driven to being situation-specific, 'balanced' and stakeholder-driven. More specifically, it illustrates the *drivers* behind this change, specifies *what* kind of change is taking place and *why* the transformation of the present measurement traditions is occurring (Figure 7.6).

**Figure 7.6. Shift in Affiliate Marketing Measurement Practices**





### 7.3.1. Drivers of Change

The data analysis indicates that there are two main drivers for the evolving shift in affiliate marketing measurement: altering stakeholder needs and intensifying competition based on non-financial measurement. These drivers, or, as Neely (1999) puts it, revolution facilitators, are similar to the forces described in the previous studies that explored the drivers for change towards a more balanced approach in marketing measurement (Bremser & Chung, 2005; Neely, 1999).

On one hand, affiliate marketing stakeholders are forming new needs, pulling change from the affiliate industry represented by affiliate networks to satisfy their evolving requirements. In the quest to better serve their customers and to outperform competition, affiliate marketing stakeholders (particularly merchants and affiliates) increasingly seek insights into new and previously unaddressed aspects of performance. For example, they ask for more qualitative and 'balanced' measurement of their affiliate programmes and require tracking of the affiliate activities and customer online journey *beyond* last click. They also demand the right to have an open and direct communication with partners involved, and are willing to reward affiliates based on the contribution they make not only in generating a sale, but also in influencing customer decision making.

On the other hand, the competition between various Internet marketing channels, particularly the rivalry based on non-financial measurement, is intensifying, pushing networks to rethink their measurement approaches. The evidence and the literature suggest that every online marketing channel is associated with particular goals it serves and particular commissions it operates (Ewing, 2009). For example, display advertising is associated with branding, search engine marketing with traffic, and affiliate marketing with performance-based services, which can be used to generate sales and revenue. While, the association of affiliate marketing with performance-based sales solutions and objective quantitative measurement has benefited the affiliate industry, the intensifying channel competition based on qualitative measurement now makes this position unfavourable for the affiliate industry. Companies are increasingly looking for qualitative measurement, that affiliate networks, the main tracking providers in affiliate marketing, are still unable to provide. At the same time, competitors aggressively develop qualitative measurements and work hard to attract their share of the brand-aware business market.

Both drivers put present measurement principles under pressure and demand change. The next sections detail the areas of affiliate marketing performance measurement, where modifications are particularly desired.

### **7.3.2. Nature of Change**

The analysis identifies three main areas, where, from the point of view of the different stakeholders, the change is required. These areas are discussed in the next sections.

#### **7.3.2.1. A Need for More Qualitative and ‘Balanced’ Measurement**

An insight, that merchants and affiliates have recently started to ask for and that networks do not yet offer, is the qualitative measurement of affiliate marketing activities. Even though the literature (Eccles, 1991; Kennerly & Neely, 2002; Neely, 1999) argues that the marketing measurement has become more ‘balanced’ (i.e. both financial and non-financial), it is evident that this change is more widespread offline. Online, numeric and financially oriented metrics still prevail (Ryan & Jones, 2009), as online marketers continue to accept new quantitative IT-enabled metrics, ignoring the qualitative contribution of marketing activities, which, according to the literature, constitutes an important aspect of the overall marketing performance. Affiliate marketing is no exception. The majority of the affiliate marketing players, inspired by the opportunity to report on previously “unaccountable” aspects of performance (Demma, 2004; O’Sullivan & Abela, 2007), seem to be content with the accountable measurement that networks provide (AG3; ExD; AD/PB18). However, some merchants and affiliates start to query the completeness of quantitative data as the sole indicator of success and ask for a more qualitative judgement of the performance of their affiliate programmes. These players criticise the present mechanistic, standardised and financially oriented approach to measurement and accuse networks of taking a passive role in qualitative data interpretation.

These criticisms are in line with the criticisms documented in the business performance and Internet marketing performance literature (Michopoulou & Buhalis, 2008; Peacock, 1998; Ryan & Jones, 2009), which condemns ‘unbalanced’ financial measurement for being limited. According to this literature and the findings, the metrics that such financial measurement relies on are short-term and unable to capture long-term marketing outcomes, such as customer lifetime value (Banks & Wheelwright, 1979; Bourne *et al.*, 2000; Hayes & Abertany, 1980). These metrics are also backward-looking and result- rather than process-oriented (Dixon *et al.*, 1990; Haktanir, 2006; Kennerly & Neely, 2002). They can capture and encourage

quick results, but cannot optimise performance for the long term. For example, in affiliate marketing, such result-oriented metrics as clicks and sales have given rise to affiliate business models, built around last click attribution. These models motivate affiliates to focus on delivering results and only support local optimisation, such as for example the adjustment of the discount size that is most likely to move customers closer to a purchase. These models ignore the actual process of influencing customer purchase intent and underestimate the value that affiliates might add in driving a sale. They overemphasise the importance of generating considerable volumes of clicks and sales in short time and due to the lack of qualitative measurement fail to encourage the desired value-adding affiliate behaviour over the long term (Fry & Cox, 1989; Lynch & Cross, 1991; Neely, 1999).

Instead of receiving purely statistical reports from the networks, merchants and affiliates wish they could obtain more help with the analysis of the performance data, including the qualitative assessment of their affiliate programmes. To give an example, the tourism and hospitality merchants that participated in this study express a wish to gain a better understanding of the demographics, needs and wants, preferences and loyalty of customers coming through an affiliate channel, as well as wish to know more about customer-lifetime value.

There are several reasons for the growing stakeholder interest in qualitative measurement. In particular, affiliates welcome qualitative measurement, because they wish to demonstrate that they are not only a commission-driven sales force, but are also equal brand-aware partners, the affiliation with which can add to a merchant's own brand positioning. Merchants support qualitative evaluations in order to reassure themselves that affiliate marketing, that was historically associated with brand dilution and other negative consequences well known to the tourism and hospitality industry (Fox & Wareham, 2007; Mariussen *et al.*, 2010; Oetting, 2006; Quinton & Kahn, 2009), does not harm the brand, but instead carries some intangible benefits. Merchants also demand more information about the intangible side of affiliate marketing performance, because a greater amount of online channels start offering trackable and accountable brand building and sophisticated qualitative customer information. Finally, merchants require more qualitative performance information in order to be able to compare the affiliate channel with the other online marketing options and to be able to make their investments in a more educated manner. A strictly financial focus on performance that networks offer, from the point of view of merchants, encourages the unwanted affiliate attitude and behaviour, to avoid which merchants search for a more balanced understanding of performance, turn to other online channels. To stay competitive, networks feel a

need to introduce a more balanced and dynamic approach to measurement and step away from the static measurement practices, criticised in the literature for being short-term, backward-looking, internally-oriented and historically focused (Clarke, 2000; Haktanir, 2006; Kennerly & Neely, 2002).

#### **7.3.2.2. A Need for More Transparency and Open Stakeholder Communication**

Another new aspect in the process of performance management and measurement that the stakeholders (affiliates and merchants) demand more often is related to more transparency and open communication between the stakeholders. The stakeholders express a concern with regard to the procedures imposed by some affiliate networks, whereby merchants and affiliates are not permitted direct contact. They claim that prohibited communication affects their programmes' and argue that transparency and direct communication can develop trust and tighter bonds between the stakeholders, help optimise programmes better, and eliminate possible misunderstanding between the players with regard to for example enabling conditions and goals. The literature offers plentiful evidence supporting this view. For instance, Ryan and Jones (2006) explain that affiliates should not only be respected by merchants, but should also be nurtured and treated as a part of internal marketing team. Goldschmidt et al. (2003) also recommend that affiliate networks should be responsible for creating the conditions for effective affiliate-merchant collaboration and should, besides providing supporting technologies, offer a platform for training, education and idea exchange between the stakeholders.

In tourism and hospitality, direct collaboration is critical (Laws, 1991). To emphasise the significance of the collaborative approach, many tourism and hospitality merchants prefer to call affiliations as 'partnerships', suggesting that a term 'partnership' implies an even merchant and affiliate contribution to the relationship and equal cooperation. Since there may be thousands of affiliates in tourism and hospitality, one-to-one collaboration with all affiliates can be impossible (Papatla & Bhatnagar, 2002). To manage numerous affiliates, merchants, therefore, distinguish between partners and affiliates. Partners, from their point of view, consist of the selected top affiliates, who are regarded as the merchant's brand ambassadors and who, besides delivering volumes, also provide 'quality' customers that merchants seek. Affiliates, in turn, represent the so-called 'long-tail' affiliates, comprised of smaller and often niche affiliates, who generate some, but not considerable, volumes of customers.

### **7.3.2.3. A Need for Tracking beyond Last Click and New Commission Structures**

Besides qualitative measurement and open communication, the stakeholders are concerned with the present tracking technologies reliant on last click, and wish they could investigate affiliate performance and customer behaviour prior to the click that triggered the transactions. These concerns and desire for change are documented in some of the recent studies (Bughin *et al.*, 2009; Constantinides, 2002; Mariussen *et al.*, 2012; Wilson & Pettijohn, 2008). An understanding of the customer journey and affiliate activities to influence that journey can, according to the participants, help optimise affiliate programmes better and can enable the stakeholders to make more educated decisions, based not on pure intuition and past performance results, but on the rich user journey data, which is presently unavailable.

Knowing more about the individual user journey online is particularly valuable to the tourism and hospitality industry. This data can provide the stakeholders from this industry with invaluable information about the touch points and interactions that potential and existing tourists have with the affiliate and the other online channels. This can further help tourism and hospitality compare the channels and optimise the marketing initiatives with most potential, increasing efficiency and effectiveness (Clark, 2000).

Together with the change in tracking algorithms, some stakeholders, with a few exceptions, want affiliate networks and other tracking providers to also alter current commission structures. Instead of paying to only those affiliates, who generate the click, which results in transactions, these stakeholders propose rewarding the participating partners proportionally based on their contribution, which can range from exposing an online user to an ad, to influencing users' decision to purchase. Among the stakeholders who favour this change, there are primarily affiliates, who take the role of sales initiators but do not necessarily represent the generators of last click; and merchants, who wish to encourage their brand-strengthening and value-adding affiliates. Affiliates, whose entire business model is built around last click, are sceptical to new commission structures; while affiliate networks, some of which are also reluctant to this change, seem to realise that this change in tracking, and consequently in commissions, is becoming inevitable. Some networks even view this change as advantageous, as it can potentially reveal the true role of affiliates and can demonstrate the value of the affiliate channel itself, strengthening its competitive position.

#### **7.4. A New Approach to Affiliate Marketing Performance Measurement**

The previous sections suggest that the current performance measurement in affiliate marketing is in crisis, and propose a shift in affiliate marketing measurement practices from standardized, financially oriented and technology push assessment towards situation-specific and 'balanced' evaluations. Addressing the challenges and limitations identified and incorporating relevant performance measurement theories, this section proposes a new approach to measurement and presents a grounded theory of affiliate marketing performance measurement in tourism and hospitality.

##### **7.4.1. A Grounded Theory of Affiliate Marketing Performance Measurement**

Affiliate marketing performance is a multidimensional construct, comprised of efficiency, effectiveness and adaptability of affiliate marketing programmes. It can be defined as the level of efficiency, effectiveness and adaptability at which an affiliate marketing programme operates in order to attain specific affiliate marketing goals within given resources and internal and external environmental conditions (Anderson *et al.*, 1997; Clark, 2000; Morgan *et al.*, 2002).

Similar to the other performance measurement constructs in the marketing literature (Pickton & Broderick, 2004), the measurement of affiliate marketing performance involves the assessment of affiliate marketing programmes across all these dimensions. More specifically, it implies an iterative process, whereby affiliate marketing stakeholders plan and launch a research-informed affiliate marketing programme; test and adjust the different elements of the programme; monitor the programme's progress against predefined performance criteria; learn from experience; and, based on results and feedback from the stakeholders involved, alter further strategic and tactical direction of affiliate marketing activities.

In the development of a grounded theory of affiliate marketing performance measurement, this research aimed to take into account the measurement limitations, identified though the course of empirical data analysis, and the criticisms of the extant performance measurement approaches, put forward in literature (Good & Schultz, 2004; Neely, 1999). The reviewed literature offers two main criticisms of existing performance measurement frameworks and systems.

One criticism relates to the attempts of some scholars to standardise measurement processes. While many theorists indeed agree that the measurement terminology should be standard (Shen, 2002), they argue that a performance measurement

process should be viewed as context- and situation-specific (Ambler, 2000; Clark *et al.*, 2006; Michopoulou & Buhalis, 2008). It should be tailored to each specific situation and context of the marketing practice and should not be standardised. Given the contextual and dynamic nature of affiliate marketing activities, the measurement process, proposed in this study, is, therefore, aimed at the evaluation of performance at the level of a single affiliate marketing programme.

Another criticism of existing performance measurement approaches, identified in the literature, is concerned with the lack of clear guidelines and recommendations with regard to performance measurement process (Good & Schultz, 2004; Petersen *et al.*, 2009). Several former performance measurement approaches have been accused of being either too limited in their provision of step-by-step recommendations as to how to select metrics and measure performance in practice (Neely, 1999), or too complex, difficult to implement and hierarchical in their approach. These approaches are said to either provide too vague descriptions of how marketing performance measurement can be undertaken (Wu & Hung, 2007) or offer too strict prescriptions for this process (Phillips & Moutinho, 1998).

This study intends to find the balance between these approaches and suggests procedural advice that is meant to serve as guidance rather than a strict direction. In quest to develop a practically valuable, easy-to-understand and easy-to-use approach to measuring performance, this study borrows the principle from Kaplan's (1990) framework for performance measurement system design, and instead of using abstract formulations for actions, puts forward detailed recommendations, following which affiliate marketing stakeholders can design and employ their performance measurement systems. This study accompanies each step of the measurement process with specific clarifications of actions that require attention.

#### **7.4.1.1. Overview of the Phases in the Affiliate Marketing Performance Measurement Process**

The performance measurement process in affiliate marketing can be divided into four phases or nine distinct steps. During all the phases and steps ongoing contact, continuous collaboration and feedback between the involved stakeholders is critical.

The first phase in affiliate marketing performance measurement is research. This phase is responsible for the broad scanning of the internal and external environment in order to identify shared, company-specific and external factors that should be accounted for to ensure the success of the affiliate programme. This stage consists of one step – identification and creation of enabling conditions. The next phase in the measurement process is the phase of planning. This phase involves the



development of a strategic and tactical plan for the anticipated affiliate programme and consists of five further steps: objective formulation, selection and design of promotional material, commission setting, metrics selection and agreement on the frequency of reporting. The following phase is implementation. This phase faces the launch of the planned affiliate programme, its testing and, if necessary, its consequent adjustment. The final phase is evaluation. This phase entails the assessment of the marketing programme against the set performance criteria and feeds performance-related results back to the research phase and to the involved stakeholders. The step-by-step recommendations, detailing the different elements of the affiliate marketing performance measurement process, are offered in the next section.

Procedural recommendations

Structural recommendations

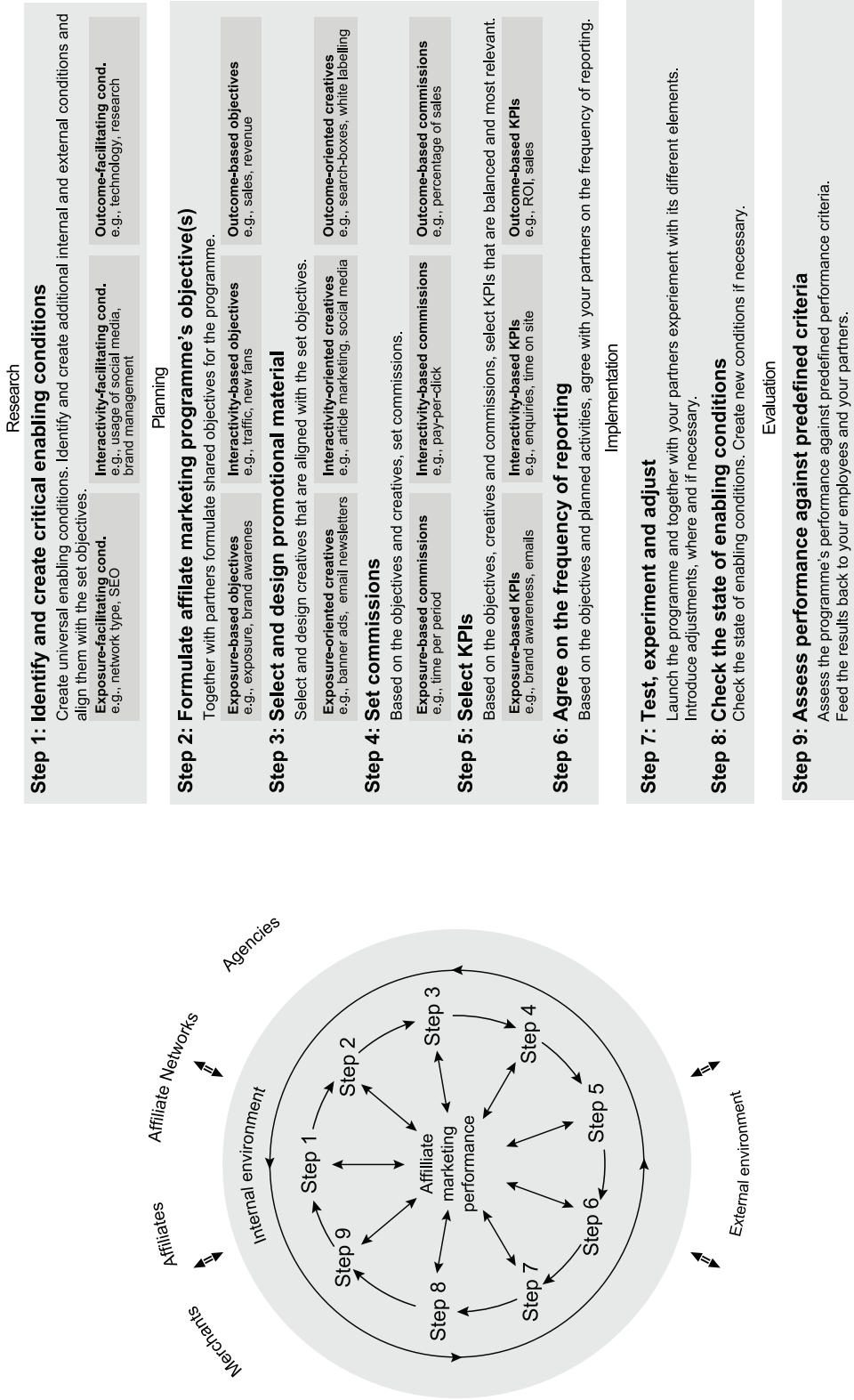


Figure 7.7. Performance Measurement Process in Affiliate Marketing

#### **7.4.1.2. Steps in Affiliate Marketing Performance Measurement Process**

The process of affiliate marketing performance measurement includes nine iterative steps (Figure 7.8). These steps should not be viewed as a strict linear prescriptive process, but as guidance for actions, where the steps can be revisited and readdressed, as required, in a non-linear cyclic manner. The linearity in Figure 7.8. is meant to illustrate the interdependencies between the steps and mutual influence of the different steps on each other, suggesting that a change introduced at one step affects the rest of the measurement process and requires the adaptation of the other steps. The most determining element that shapes and gives a focused direction to an affiliate programme is the type of objectives formulated. Objectives allow the identification of the critical enabling conditions and impact the choice of promotional materials, commissions and metrics.

##### **Step 1: Identify and Create Critical Enabling Conditions**

As a first step in the start-up of a new affiliate programme, the stakeholders need to check whether the so-called universal enabling conditions applicable to all affiliate marketing programmes are in place. Following this, the stakeholders need to identify and create additional internal and external conditions that they regard as critical for the effective implementation of the programme and successful objective achievement.

Thirty such enabling conditions are discovered, however the list should not be considered exhaustive or absolute (Table 7.1). For example, the analysis of the empirical data identified 26 enabling conditions, many of which are also reflected in performance measurement literature (Nwokah & Ahiauzu, 2008; Yoon & Kim, 1999). However, the literature added four more enabling conditions to the list. These conditions are: training and education of affiliate marketing stakeholders by networks (Goldschmidt *et al.*, 2003), organizational learning, organizational culture and business orientation (Clarke *et al.*, 2006; O'Sullivan & Abela, 2007). Training and education by networks helps to prevent the formation of the misaligned stakeholder expectations to affiliate marketing and can eliminate the emergence of conflicting interests among the players (Goldschmidt *et al.*, 2003). Organisational learning and culture can facilitate performance improvement by underlining the significance of feedback, learning from experience and sharing of knowledge within the organization. Whilst business orientation can assist affiliate marketing stakeholders in clarifying their orientation in relation to customers and competitors. Two types of orientation are possible: customer and competitor orientation.

Customer orientation implies that the organisation fully focuses on improving customer satisfaction and loyalty as a key competitive advantage; while competitor orientation suggests that the organisation closely follows competitors' behaviour and activities in order to outperform them (Clarke *et al.*, 2006; O'Sullivan & Abela, 2007).

**Table 7.1. Enabling Conditions in Affiliate Marketing**

<b>Universal conditions (apply to all objectives)</b>	<b>Exposure-facilitating conditions</b>	<b>Exposure- and interactivity-facilitating conditions</b>	<b>Interactivity- and outcome-facilitating conditions</b>	<b>Outcome-facilitating conditions</b>
Affiliate management	Network type	Usage of social media	Experimentation	Personality and skill set of affiliate marketing manager(s)
Merchant/affiliate website	Type of affiliate relationship (in-house vs. outsourced)	SEO	Seasonality	Research (competitor analysis, keyword research, etc.)
Marketing communications		Link building		Technology
Product/service attributes		Brand management		Knowing costs and margins
Product information				
Affiliate marketing 'creatives' and tools				
Commission type				
Affiliate marketing strategy				
Affiliate type				
Affiliate/merchant recruitment				
Segmentation				
Time and resource investment				
Match between merchants and affiliates				
Merchant type				
Training and education of affiliate marketing stakeholders by networks				
Organizational learning				
Organizational culture				
Business orientation				

The provision of the list of enabling conditions in this work is not to say that every condition should be accounted for, but rather to create awareness of the diversity of factors that can influence affiliate marketing marketing programme performance and help to prioritise the most important conditions. In measuring performance, only the most relevant enabling conditions should be taken into consideration and new conditions should be continuously sought.

## Step 2: Formulate Affiliate Marketing Objectives

On the basis of the situational analysis undertaken in the previous step, the next task for affiliate marketing stakeholders is collaborative formulation of the objectives for the planned programme. Two main recommendations are put forward for objective formulation. First, the objectives that merchants and affiliates set should be aligned. Second, the objectives should be aligned with the wider vision and the strategic position of the company. Objectives determine the direction for the programme and influence the types of commissions and metrics to be selected for the programme.

Bandyopadhyay et al. (2009) in their study on affiliate models differentiate between revenue-based, exposure-based and hybrid affiliate marketing objectives. Novak and Hoffman (1996) and Shen (2002) further argue that exposure-based objectives can additionally be broken down into exposure-based and interactivity-based. The classification of objectives, offered in this study, incorporates both perspectives. It proposes that affiliate marketing objectives can be exposure-, interactivity- and outcome-oriented (Table 7.2). Exposure-oriented objectives, such as to gain exposure or to improve brand awareness, seek to expose online visitors to the merchant's ads, banners or other promotional material. Interactivity-oriented objectives, for example to improve brand recognition or to enhance brand attitude, aim to achieve a higher level of interaction between visitors and the company in the form of a click or click-through. Outcome-oriented objectives, meanwhile, are directed at achieving some actions that lead to generating revenue and increasing sales and conversions.

**Table 7.2. Affiliate Marketing Objectives**

Exposure-based objectives	Interactivity-based objectives	Outcome-based objectives
To gain exposure	To get incoming links	To generate revenue
To improve brand recognition/awareness	To acquire new fans	To increase sales
To promote your website	To drive traffic	To increase conversions
To enhance brand attitude		To receive registrations, customers
		To achieve specified predefined actions/results

This classification highlights that there needs to be an alignment between objectives, promotional materials, commissions and metrics. For example, the adopted metrics need to be representative of the formulated objectives: for exposure-based objectives, exposure-related metrics, such as views and impressions, need to be selected; while interactivity-based objectives should be assessed in terms of effective reach and frequency (i.e., the number of unique visitors and the amount of

exposures required for a visitor to click), click-throughs and duration time per visit; and outcome-based objectives should be measured in revenue, sales, conversion and the like (Barrett, 1997; Pharr, 2004; Rowley, 2004; Shen, 2002).

### Step 3: Select and Design Promotional Material

Once the objectives are verbalised and aligned with all the involved stakeholders, the selection and design of the promotional material can be started. The preference should be given to the tools that are most likely to support successful objective achievement. To highlight the links between objectives and type of promotional materials, all promotional tools are divided into exposure-, interactivity- and outcome-oriented (Table 7.3). Overall, stakeholders can select from a range of promotional opportunities, including banner ads, text links, search-boxed, white labelling, article marketing, social media, video marketing, email newsletters and pop-up ads.

**Table 7.3. Affiliate Marketing Promotional Materials**

Exposure-oriented	Interactivity-oriented	Outcome-oriented
Banner ads	Pop up ads	Search-boxes
Email newsletters	Text links	White labelling
	Article marketing	
	Social media	
	Video marketing	

### Step 4: Set Commissions

Taking into account the objectives and the selected promotional materials, the stakeholders then need to mutually agree on the commission structures to be used in the programme. Setting the right commission is critical, as commission types determine and encourage a certain type of affiliate behaviour and serve as important benchmarks for performance (Wilson & Pettijohn, 2008). In setting the commissions, the stakeholders can choose among several options, outlined in the table below (Table 7.4). Since commissions are aligned with objectives, they can also be divided into exposure-, interactivity- and outcome-based (Novak & Hoffman, 1996; Shen, 2002).

**Table 7.4. Affiliate Marketing Commissions**

Exposure-based commissions	Interactivity-based commissions	Outcome-based commissions
Time-per-period	Pay-per-click/ Click-through	Pay-per-sale/ Pay-per-action/ Pay-for-performance
Fixed fee/ Flat-rate fee		Percentage of sales
Cost-per-thousand impressions		Pay-per-lead
		Pay-per-call
		Pay-per-download

## Step 5: Select KPIs

With the objectives, promotional material and commissions in mind, the stakeholders can during this step proceed to the selection of the key performance indicators (KPIs) most relevant for the measurement of the progression of the planned activities. The choice of the terminology, i.e. KPIs, is international. The construct is adopted to emphasise the importance of selecting only the most relevant metrics rather than accepting all metrics offered by the chosen tracking technologies. Using Ryan and Jones' (2009: 119) words, 'The main difference between the metrics you select as your KPIs and all the other metrics you can get out of your web analytics software is that the KPIs should be the ones most critical in measuring your success'.

These KPIs should be the same for the stakeholders participating in one affiliate programme; they should also be relevant, balanced and aligned with objectives, commissions and designed creatives (not with technology capabilities). Additionally, they need to be developed together with the employees from different levels of the organisation to ensure that the personnel identifies themselves with the chosen metrics and is aware of the expected outcomes. According to Stalk and Hoat (1990), employee involvement helps in communicating the strategy to all employees and translates strategy into metrics in a way that is relevant and meaningful for the personnel.

Two classifications of affiliate marketing objectives are helpful. One classification builds upon the works of such Internet marketing scholars as Bandyopadhyay et al. (2009) and Novak and Hoffman, 1996. This classification distinguishes between exposure-based, interactivity-based and revenue-based metrics (Table 7.5).

**Table 7.5. Affiliate Marketing Metrics: Classification 1**

Type of metrics	Example
Exposure-based metrics	Emails, ECPM (earnings per 100 impressions), Impressions, Views
Interactivity-based metrics	Average number of page views after clicks, Bounce rate, Check-ins (for social media), Clicks, Click-throughs, Enquiries, Likes (for social media), Popular landing pages, Time on site, Visits
Outcome-based metrics	Calls (for mobile), Conversion rate, Downloads, Invoiced sales, Leads, Last month's profit, Number of sign-ups, Number of accomplished specified actions, New customer registrations, New customers, Number of orders, Profit, Post click conversion, ROI, Revenue, Sales, % of new vs. existing customers

Another classification is the synthesis of the objective classifications from the traditional marketing literature reviewed (Bourne *et al.*, 2000; Bremser & Chung, 2005; Guilding, 2009; Haktanir, 2006; Kellen, 2003). This classification divides metrics into financial and non-financial, objective and subjective, leading and



lagging, external and internal, input, process and output, tangible and intangible, quantitative and qualitative, activity-, time- and resource-related, tactical and strategic, competitor-, consumer- and product-related and innovation- and brand-related (Table 7.6). The first classification can help align metrics with goals and commissions. While the second more detailed classification can, according to the previous research, assist stakeholders in ensuring that they operate a balanced set of metrics and give guidance as to what other types of metrics should be considered (O’Sullivan & Abela, 2007; Phillips & Moutinho, 2010; Valos & Vocino, 2006).

**Table 7.6. Affiliate Marketing Metrics: Classification 2**

Type of metrics	Example
Financial	Cost, ECPM (earnings per 100 impressions), Profit, ROI, Revenue, Sales
Non-financial	Average number of page views after clicks, Consistency in delivering marketing messages, Customer complaints
Objective	Cost, Bounce rate, ECPM (earnings per 100 impressions), Visits, Traffic, Post click conversion
Subjective	Customer complaints, Comments (e.g., on blogs, social media sites), Customer satisfaction levels
Leading/forward-looking	Customer loyalty, Brand purchase intent, Invoiced sales, Number of orders
Lagging/backward looking	Average number of page views after clicks, Conversion rate, Consistency in delivering marketing messages, Last month’s profit, Visits, Post click conversion
External	Consistency in delivering marketing messages, Customer complaints, Referring sites, Stakeholder satisfaction
Internal	Bounce rate, Hours of training
Input	Cost, Emails, Hours of training
Process	Consistency in delivering marketing messages, Customer complaints, Check-ins (for social media), Comments (e.g., on blogs, social media sites)
Output	Conversion rate, Customer penetration, Downloads
Tangible	Cost, Click-throughs, Clicks
Intangible	Customer loyalty, Appearance of marketing messages, Customer satisfaction levels, Likes (for social media)
Quantitative	Cost, Conversion rate, Average number of page views after clicks, Bounce rate, Click-throughs, Clicks
Qualitative	Customer loyalty, Appearance of marketing messages, Customer complaints
Activity-related	Conversion rate, Calls (for mobile), Click-throughs, Clicks, Check-ins (for social media), Enquiries, Friends of fans (for social media), Visits, Number of accomplished specified actions
Time-related	Last month’s profit, Time on site
Resource-related	Cost, time spent on training
Tactical	Check-ins (for social media), Friends of fans (for social media), Number of accomplished specified actions
Strategic	Customer penetration
Competitor-related	Keywords, New affiliates
Consumer-related	Customer loyalty, Customer satisfaction levels, Fans (for social media), Followers (for social media), Google +1s, Leads, Likes (for social media), Market share, New customer registrations, New fans, New customers, % of new vs. existing customers, Number of sign-ups
Product-related	Conversion rate, Click-throughs, Clicks
Innovation-related	New affiliates
Brand-related	Brand reputation, Brand equity, Brand awareness, Brand purchase intent, Impressions, brand attitude

As with the objectives, the list of offered metrics is not exhaustive. For instance, the review of literature finds several detailed, but largely medium-specific, classifications of web metrics that could be potentially useful in the measurement of affiliate marketing performance, as they can monitor the different elements that affiliate marketing can involve. For example, as the findings indicate, one of the most significant enabling conditions in affiliate marketing is the websites of merchants and affiliates. Several studies propose diverse and rich descriptions of how the effectiveness of websites could be assessed (e.g., Dhyani *et al.*, 2002; Ioakimidis, 2007; Trusov *et al.*, 2010; So & Morrison, 2004; Teiblmaier & Pinterits, 2010). The findings also suggest that affiliate marketing is increasingly relying on new media such as social media. There are identified several works (e.g., Comm, 2009; Michaelidou *et al.*, 2011; Murdough, 2010; Smith & Llinares, 2009) that detail how the performance of social media could be evaluated and that could serve as guidance for affiliate marketing stakeholders that employ this channel. But since website measurement and social media measurement are the research fields of their own right and since the focus of this study is on affiliate marketing, it is recommended that these former works are used as guidance to illustrate how and which additional metrics may be required to assess the performance of these elements in situation where they are utilised.

### **Step 6: Agree on the Frequency of Reporting**

The last task during the planning phase is to agree on how and how often reporting will take place. The decision about the frequency and the content of reporting is largely determined by the planned activities. The key principle to follow in undertaking this decision is to ensure that all partners are granted access to performance data to ensure that everyone engaged in the affiliate programme works on the basis of the same performance KPIs and metrics.

### **Step 7: Test, Experiment and Adjust**

After planning the programme, the programme should be launched and tested. The stakeholders can experiment with the different elements of the programme and adjust them as and if required. This fine-tuning allows maximum optimisation of the programme and helps eliminate previously unknown or simply unexpected errors or inconsistencies (Constantinides, 2002; Ryan & Jones, 2009). Given that experimentation is the only prototyping opportunity the stakeholders have with regard to the planned programme, it should be a continuous exercise not a separate stand-alone and unrepeatable act.

## Step 8: Check Enabling Conditions

Although check of enabling conditions is marked as a separate step and this check is considered most necessary once the programme is launched, this step should not be viewed as a one-off event. The check of whether all the necessary conditions are in place should be an on-going iterative exercise that is undertaken continuously throughout the programme's lifecycle. Under this step, the stakeholder need to check and ensure that the necessary conditions for successful goal achievement are created, as well as possible new conditions are identified and accounted for (Constantinides, 2002; Hughes, 2007).

## Step 9: Assess Results against Predefined Performance Criteria

The final step in the affiliate marketing measurement process is the actual evaluation of the results against some set performance criteria. Depending on the set objectives, merchant's strategic business orientation and vision, performance criteria can vary from organisation's tactical and strategic objectives to customer or competitor frames of reference, including customer satisfaction and loyalty and competitors' performance (Table 7.7). The literature supports all performance criteria identified in the data (Michopoulou & Buhalis, 2008; Ryan & Jones, 2009), and in addition suggests that performance results can also be assessed against customer frames of reference, a criterion not explicitly mentioned by the participants (Coffey, 2010).

**Table 7.7. Affiliate Marketing Performance Criteria**

Performance criteria examples
Organisation's tactical objectives
Affiliate marketing specific objectives
Internal marketing plans
Performance figures over time
Organisation's overall strategic objectives
Amount of generated word of mouth
Organisation's financial performance
Customer satisfaction
Customer loyalty
Past performance
Competitors' performance
Incentives against results

To provide step-by-step recommendations detailing how to approach the process of measuring affiliate marketing performance, the phases of research, planning, implementation and evaluation are divided into nine steps. As illustrated above, however, these stages are not separate or subsequent steps of affiliate marketing management and measurement, but are an iterative process of optimising and measuring affiliate marketing performance. Each stakeholder undergoes this

process individually, because each of them, in spite of cooperation with the other partners, is guided by the stakeholder's own agenda. However, the evidence suggests that to improve performance and form the same picture of the programme's performance, each of the affiliated parties should also undergo this process jointly. Individual and shared, internal and external enabling conditions should be identified by all the stakeholders collectively. Similarly, to ensure everyone's interest is accounted for, all the parties should engage in the planning process, since joint planning can identify one direction for all partners and can potentially maximise performance. Further, merchant, affiliates and other intermediaries need to have close communication during the implementation process and, if required, introduce appropriate adjustments to their affiliate programmes, following testing and experimentation. The performance should be evaluated against agreed performance criteria and KPIs, and the results should be disseminated to all the involved parties. Research should be an integral part of the whole process and should feed into the different stages on a continuous basis.

#### **7.4.2. A Grounded Theory of Affiliate Marketing Performance Measurement and Extant Performance Measurement Research**

The sections above present the theory of affiliate marketing performance measurement in tourism and hospitality. This theory largely supports the arguments of the so far limited tourism and hospitality affiliate marketing research. The present study, for example, reinforces the idea that intangible resources need to be incorporated into performance measurement systems of tourism and hospitality organisations (Haktanir & Harris, 2005; Zigan & Zeglat, 2010). Also, the present work suggests that since the interdependence of various tourism and hospitality partners, jointly aiming to meet tourism demand, is high, performance measurement needs to be a collaborative process in order to allow "various players to communicate and coordinate their processes and activities in a more mature manner" (Southern, 1999; Yilmaz & Bititci, 2006a; 2006b: 341). In agreement with the previous studies, the developed theory additionally recommends that tourism and hospitality performance measurement needs to become more forward-looking and 'balanced' (Cruz, 2007; Phillips & Louvieris, 2005).

The performance measurement process, proposed in this theory, also corresponds with many previously developed diverse performance measurement approaches, offered by business, generic marketing and Internet marketing performance measurement theories. To exemplify, the proposed affiliate marketing performance measurement process, described in this study, is consistent with the generic

approach to measuring business performance proposed by Folan and Browne (2005), which consists of some structural elements (e.g., goals, metrics) and procedural recommendations (e.g., phases, steps). Likewise, the measurement process of this study seems to have much in common with such approaches to business performance measurement as the Tableau de Bord (Bessire & Baker, 2005), the Performance Measurement Matrix (Keegan *et al.*, 1989), the Performance Pyramid (Lynch & Cross, 1991), the Performance Prism (Kennerly & Neely, 2002) and the Balanced Scorecard (Kaplan & Norton, 1992). Like these approaches, the affiliate marketing performance measurement process and theory, developed in this study, emphasize the necessity to integrate both qualitative and quantitative, and internal and external metrics. The proposed theory also assigns a special role to determinants of performance in the system and highlights the role of goals and vision in the process. In line with Kennerly and Neely (2002) and Kaplan and Norton (1992), this research proposes to view performance measurement as a cycle rather than a linear hierarchical procedure, which to remain relevant and dynamic needs to continuously renew itself. This present work also resembles the research by Van Aker and Coleman (2002), Medori and Steeple (2000) and Bitici *et al.* (1997) in that it offers a process-oriented view on performance measurement and subdivides the process into phases and steps.

The proposed grounded theory also agrees with several performance measurement principles from the traditional marketing literature. For example, as the previous marketing studies, this research views marketing performance from the point of view of three perspectives: effectiveness, efficiency and adaptability (Clark, 2000). Similar to the works by Ambler and Xiucun (2003), Eusebio *et al.* (2006) and Valos and Vocino (2006), the research also argues that marketing performance metrics need to be 'balanced' and relative to an organisation's strategic orientation and marketing objectives.

Several principles for performance measurement from the Internet marketing literature and from the proposed theory are similar too. For instance, Katrandjiev (2001) argues that what is to be measured is determined during the planning process. Murby (2007) in her Internet Marketing Pay-off Model supports the former argument and further suggests that performance metrics should be guided by the clearly articulated goals and strategy; while Ephron (1997) in his Web Pricing Model also proposes that besides metrics and actions goals also decide which commission types need to be adopted. These principles are consistent with the ones incorporated into the proposed theory, which clearly elucidates the mutual interdependencies between the set goals, the selected promotional material and

media, the chosen commissions, the identified enabling conditions and the adopted metrics.

When it comes to the process of measuring Internet marketing performance, the resemblance with one particular work is also worth mentioning. While the study is in disagreement with some of the processes for Internet marketing performance measurement, proposed in earlier literature, it depicts the measurement process in a way very similar to the one described by Murdough (2010). Like the present research, Murdough (2010), who primarily focuses on social media measurement, claims that the measurement process is an iterative process consistent of such phases as objective and strategy formulation, selection of tactics and metrics, and deployment and subsequent optimisation. The main similarities of the Murdough's (2010) approach and the measurement process outlined in this work are, therefore, the iterative nature of measurement, the similar phases and steps, and the focus on testing and optimisation. Interestingly, this recent work is written from the practitioner perspective, something that further shows the correspondence and the close fit of the proposed grounded theory with practice.

## **7.5. Summary**

This chapter proposes a shift in affiliate marketing measurement practices and, based on the analysis of the empirical data and the literature reviewed, develops a theory for affiliate marketing performance measurement in tourism and hospitality. Given the limited extant research on affiliate marketing and Internet marketing performance measurement, the study first generates the outlined theory inductively from the empirical evidence and later, in this chapter, theoretically matches the emerging theory with the existing literature from four research strands, including affiliate marketing specific research and more general performance measurement theories. This chapter starts with the formulation of the definitions of the key constructs in affiliate marketing performance measurement. Following clarification of the key constructs, the chapter discusses the current approaches to measurement in affiliate marketing, highlights their limitations and, relying on relevant theories, proposes a shift in affiliate marketing measurement. It then collects further evidence in support of this shift and, on the basis of this evidence and the performance measurement theories reviewed, puts forward an alternative approach to measurement and proposes a theory of affiliate marketing performance measurement in tourism and hospitality.

The next and the final chapter draws upon the findings, the discussion and the proposed theory, and highlights the theoretical, practical and methodological

contribution of this study to the academic and practitioner communities, working with affiliate marketing and tourism and hospitality.



## Chapter 8: Conclusions

### 8.0. Introduction

The present study aimed to explore a potential shift in affiliate marketing measurement practices, and to develop a theory of affiliate marketing performance measurement in tourism and hospitality. To accomplish the aim of this exploratory research, five objectives were identified:

1. *To critically analyse literature on generic business performance measurement, and traditional marketing, Internet marketing and affiliate marketing performance measurement to clarify the constructs of affiliate marketing performance.*

To achieve this objective, the study started with a comprehensive critical analysis of the outlined literature streams. This analysis was organised into two literature review chapters: i) affiliate marketing performance measurement (Chapter 2), and ii) generic business performance and marketing performance measurement (Chapter 3). The first literature review chapter sought to define the construct of affiliate marketing performance, examined its application in tourism and hospitality and provided the rationale for research. Since affiliate marketing research is still evolving, attention was then turned to more established streams of research for additional clarification of the performance measurement concept. This clarification was offered in the second literature review chapter, which contained a review of business performance measurement studies, as well as a critical analysis of generic and Internet-related marketing performance measurement literature.

2. *To develop a sensitising conceptual framework for the study of affiliate marketing performance, informed by the critical review of the literature.*

For the accomplishment of the second objective, the study relied on the critical review of the literature, and developed a generic conceptual framework to inform the development of the research instrument (Chapter 3). Additionally, due to the evident lack of previous research on affiliate marketing, the study formed a decision to adopt a grounded theory strategy (Chapter 4). Although grounded theorists argue that conceptual frameworks as well as an a priori review of literature are against the logic of grounded theory (Glaser, 1992; McGhee *et al.*, 2007); this research adopted the view of those grounded theory scholars, who support conceptual mapping of the ideas and argue that it is impossible to enter the field without any prior knowledge of the subject (Charmaz, 2006; Corbin & Strauss, 2008; Walls *et al.*, 2010).

3. *To conduct primary research to explore the process of affiliate marketing performance measurement in tourism and hospitality.*

In order to address the above objective, the study conducted primary research, divided into two stages. During the first stage, the researcher generated an initial understanding of current affiliate marketing practices, determined participating stakeholders, and piloted the research instrument. In the course of the second stage, the researcher investigated affiliate marketing performance measurement practices in greater depth and particularly focused on the current measurement issues and possible solutions to those. Collectively, the findings provided a detailed account of five major stakeholder groups in tourism and hospitality affiliate marketing, depicted the interrelationships between these stakeholders, mapped an affiliate marketing business ecosystem, and presented various constituent elements of an affiliate marketing performance measurement process in tourism and hospitality (Chapter 5 and 6).

4. *To explore a potential shift in affiliate marketing measurement practices in tourism and hospitality.*

Through analysis of the findings, the study then explored a potential need for change in the current measurement approaches in tourism and hospitality affiliate marketing. In this exploration, the study pointed out the different limitations of the present measurement practices, analysed their consequences, discussed the drivers of change in affiliate marketing measurement, specified *what* change was taking place and explained *why* the change was occurring. In light of this discussion, the researcher set forth a proposal for a shift in affiliate marketing measurement and highlighted the theories, underpinning this shift (Chapter 7).

5. *To develop a theory, based upon the collected data, for the measurement of affiliate marketing performance in tourism and hospitality.*

Finally, based upon the collected data and the generic and marketing-specific theories, the study developed and proposed a theory of affiliate marketing performance measurement in tourism and hospitality. Besides, it illustrated how the developed theory fitted within broader performance measurement research (Chapter 7).

This chapter aims to summarise the main outcomes of the findings. It emphasises the theoretical and methodological contributions of the research, discusses its implications for academic and practitioner communities that are engaged in affiliate marketing, and outlines the limitations encountered in the study. The chapter

concludes with the researcher's reflections on the research process and the overall doctoral experience.

### **8.1. Contributions to Knowledge**

This work forms a dual theoretical contribution to knowledge. First, it adds value to the broader marketing theory by investigating the under-researched online marketing channel – affiliate marketing, which is regarded in this study as a strategic marketing tool that can be employed for both distribution and promotion purposes. Second, the work contributes to performance measurement literature, as it explores and maps the process of affiliate marketing performance measurement in the context of tourism and hospitality. The study bridges the gap between how affiliate marketing performance is measured in practice and how this process is understood in the scarce affiliate and online marketing literature. In more detail, it forms the following original contributions to theory:

The study furthers the marketing theory, in particular promotion and distribution research, as:

- 1) It puts forward a definition of affiliate marketing;
- 2) It offers definitions and typologies of affiliate marketing stakeholders;
- 3) It provides a “thick” description of affiliate marketing application in tourism and hospitality.

The study also contributes to performance measurement research, as:

- 4) It defines affiliate marketing performance and performance measurement;
- 5) It proposes a shift in affiliate marketing measurement practices;
- 6) It develops a grounded theory, depicting performance measurement process in tourism and hospitality affiliate marketing.

#### **8.1.1. Contribution to Marketing Theory**

The following three subsections highlight the study's addition to the marketing theory. Since affiliate marketing can be defined both as a promotional tool and a distribution channel, these sections also outline the value of the present research to promotion and distribution literature.

##### **8.1.1.1. Affiliate Marketing Definition**

The extant explanations of affiliate marketing are varied. There exist several interpretations of the construct. Some definitions broadly depict affiliate marketing

as an online tool, a customer channel, a type of Internet marketing and an Internet-based business model (Ibeh *et al.*, 2005; Fox & Wareham, 2007). Other definitions describe it more specifically as a type of online advertising, a distribution channel and a marketing communications vehicle (Benedictova & Nevosad, 2008). This study incorporates these definitions with the empirical findings of this research, and proposes a theoretically and empirically grounded definition of affiliate marketing, further contributing to the field of affiliate marketing:

Affiliate marketing can be defined as an online marketing channel and an exposure-, interactivity- and/or outcome-based online partnership, in which a merchant affiliates with one or more individuals or firms with complimentary and matching products/services, encourages them to promote and distribute products/services, and incentivises them each time an action, pre-defined in affiliate programme's terms and conditions (e.g., a sale or a registration), is completed.

#### **8.1.1.2. Typologies of Affiliate Marketing Stakeholders**

Affiliate marketing research is scarce and fragmented. The few scholarly accounts of affiliate marketing tend to focus on the different specific areas of the affiliate practice, such as its contribution to SEO, its unintended consequences and trust issues (Quinton & Khan, 2009; Gregori & Daniele, 2011); while an overarching overview and conceptualisation of affiliate marketing business environment in its totality still remains unexplored. This study constitutes one of the first works that provides a comprehensive representation of affiliate marketing business ecosystem in its entirety. It depicts the different affiliate marketing stakeholders and explains their interrelationships. In addition to the three stakeholder groups, already described in previous affiliate marketing research, the study identifies two additional stakeholder types: digital agencies and hybrids. To the knowledge of the researcher, only two earlier works indicate the existence of digital agencies (Daniele *et al.*, 2009; Mariussen *et al.*, 2010); while hybrids are not previously mentioned in literature. Besides identifying the key affiliate marketing stakeholders, the study also proposes their definitions and puts forward detailed typologies for each stakeholder group, offering classifications of merchants, affiliates, affiliate networks and agencies (see Figures 7.2, 7.3, 7.4, 7.5). Former typologies, encountered in the literature, are few in number and are limited to the categorisations of affiliates and affiliate networks only.

#### **8.1.1.3. Affiliate Marketing Application in Tourism and Hospitality**

Previous affiliate marketing literature postulates that affiliate marketing is only suitable for certain types of products (Brear & Barnes, 2008; Papatla & Bhatnagar, 2002). This literature argues that highly homogeneous and tangible products, requiring simple online processes and low customer commitment, are more likely to

be successful when distributed by means of affiliate marketing. This study challenges this postulation and offers considerable evidence from tourism and hospitality, indicating that complex heterogeneous products and intangible services with high level of customer commitment can be suitable for distribution via affiliate marketing channel. The study illustrates that despite the fact that prices in tourism and hospitality can change dynamically and packages can consist of multiple elements, delivered by different service providers, the tourism and hospitality industry remains one of the heaviest users of affiliate marketing.

For the field of tourism and hospitality affiliate marketing, which is widely considered to be at a nascent stage, this study provides a 'thick' description of the application of affiliate marketing. The study employs numerous tourism and hospitality industry examples and describes how affiliate-merchant relationships can be organised in tourism and hospitality organisations. It suggests that relationships between merchants and affiliates can be arranged directly (without intermediaries) and/or indirectly (via affiliate networks and/or agencies) (see Chapter 6).

### **8.1.2. Contribution to Performance Measurement Research**

The next three subsections elucidate the study's contributions to performance measurement literature. As in most performance measurement research, the work explores performance measurement within a well-defined specific context. In spite of the particular context, however, the study reiterates some of the existing performance measurement principles from the generic performance measurement research, as well as takes the discussion on online performance assessment a step further.

#### **8.1.2.1. Definitions of Affiliate Marketing Performance and Performance Measurement**

One of the main criticisms of the previous performance measurement studies is the fact that scholars do not clearly define the actual construct of performance measurement. Another limitation of this literature is the scholars' disagreement with regard to performance measurement terminology. Two positions are identifiable in the literature. Some scholars criticise the field of generic and marketing performance measurement for the lack of cohesive and standardised definitions, and argue that the lack of agreement on the key theoretical constructs "clearly limits the potential generalisability and comparability of research in this area" (Franco-Santos *et al.*, 2007: 785). Other theorists, on the contrary, postulate that generalisability and development of "an intra-organisational all-encompassing performance measurement solution" (Folan & Browne, 2005: 677) is neither possible nor

necessary, as the academics from different disciplines “talk different languages” (Neely, 1999: 225). This study supports the second view. It develops a better understanding of performance measurement within a particular context of affiliate marketing, and contributes to the body of knowledge by proposing definitions of performance and performance measurement in affiliate marketing. Based on the empirical evidence showing varying measurement approaches practiced by the research participants, the study recognises the contextual and situation-specific nature of performance measurement, and supports the argument that “multiple, seemingly conflicting, measurement frameworks and methodologies can exist because they all add value” (Bremser & Chung, 2005: 409). In particular, after an extensive literature review the study allows the formulation of a definition of affiliate marketing performance as follows:

Affiliate marketing performance utilises a set of indicators for the evaluation of efficiency, effectiveness and adaptability of an affiliate marketing programme in order to attain specific affiliate marketing objectives within given resources and internal and external environmental conditions;

and the explanation of affiliate marketing performance measurement as follows:

Affiliate marketing performance measurement is an iterative process, whereby affiliate marketing stakeholders plan and launch a research-informed affiliate marketing programme, test and adjust the different elements of the programme, monitor the programme’s progress against predefined performance criteria, learn from experience and, based on results and feedback from the stakeholders involved, alter further strategic and tactical direction of affiliate marketing activities.

#### **8.1.2.2. Shift in Affiliate Marketing Measurement Practices**

Former performance measurement studies from the mainstream business literature extensively document a need for change of the traditional accounting-based performance measurement systems towards more ‘balanced’ and multi-dimensional performance measurement frameworks (Bourne *et al.*, 2000). Likewise, marketing and later some Internet marketing studies also argue in favour of change towards more qualitative measurement (Gao, 2010; Kumar & Kohli, 2007). Based on the extensive empirical evidence, this study, in line with the earlier works, proposes a shift in affiliate marketing measurement practices, and suggests that performance measurement in affiliate marketing needs to be more ‘balanced’ (e.g., financial, non-financial, leading, lagging, internal, external), iterative and collaborative. The study identifies the limitations of current performance measurement in affiliate marketing, analyses respondents’ needs and proposals for change, and compares them against relevant theories. Based on this analysis, the researcher argues that affiliate marketing partners should give equal weight to financial and non-financial

measurements, should communicate and feedback to each other on a continuous basis, and should not 'blindly' rely on supporting technologies.

### **8.1.2.3. Performance Measurement Process in Tourism and Hospitality Affiliate Marketing**

Finally, the study addresses the calls for more research on design, implementation, usage and maintenance of measurement systems by contributing to the currently limited literature on performance measurement in tourism and hospitality affiliate marketing (Martin-Gill *et al.*, 2009). On the basis of the empirical evidence and the reviewed literature, the researcher develops a grounded theory of affiliate marketing performance measurement in tourism and hospitality, and explains the actual process of affiliate marketing performance measurement. Since several former approaches to measuring performance are criticised for being either too generic and difficult to apply, or too complex, inflexible and prescriptive (Neely, 1999); this research provides detailed, but not prescriptive, structural and procedural guidelines as to how this iterative process can be conducted. These guidelines can be used in full or in part and can be adapted depending on a business' objectives and context.

Through the detailed explanation of the measurement process, the study adds to the extant understanding of the constituent elements of performance measurement-related procedures in affiliate marketing. For example, it provides a comprehensive, but not exhaustive, list of enabling conditions that need to be created to ensure the success of affiliate programmes (Chapter 7). It also clearly establishes a link between performance determinants and performance results, contributing to what Neely (1999) terms as one of the fundamental questions that performance measurement research seeks to address.

The study also identifies supplementary affiliate marketing objectives, previously unmentioned in literature (see Chapter 7). Together with few earlier works, it shows that despite the fact that the majority of research views affiliate marketing primarily as a sales and revenue generator (Comm, 2009; Figg, 2005), affiliate marketing can entail both financial and non-financial benefits. For instance, it can contribute to brand strengthening and brand visibility building. Through the analysis of affiliate marketing objectives, the study additionally finds that affiliate marketing does not contribute to search engine rank positioning (SERP), something that contradicts the previous literature, which states that affiliate marketing has a positive impact on merchants' SERP (Janssen & Heck, 2007).

Further, this work adds to the affiliate marketing performance measurement literature by compiling a detailed overview of affiliate marketing metrics and



proposing some principles for their 'balanced' selection. The principles for metrics selection are only covered in previous research to a limited extent (Folan & Browne, 2005). The principles proposed in this work suggest that metrics should be tied to the specific enabling conditions, formulated marketing objectives, chosen tactics and agreed commissions. While the majority of these principles seem to be in line with the earlier research (Eusebio *et al.*, 2006; Valos & Vocino, 2006); the fact that businesses should select metrics to monitor the existence and state of the enabling conditions is not widely acknowledged in the literature, and is, therefore, considered a contribution to knowledge. To facilitate a more 'balanced' approach to measurement, the study offers two classifications of metrics, which clearly highlight the difference between the different metric types, including financial and non-financial; objective and subjective; leading and lagging; external and internal; input, process and output; tangible and intangible; qualitative and quantitative; activity-, time- and resource-related; tactical and strategic; and competitor-, consumer-, product-, innovation- and brand-related metrics.

Finally, the study provides an extensive overview of affiliate marketing promotional materials and commissions that can serve as a reference for future studies and for practitioners (see Chapter 7).

## **8.2. Methodological Contributions**

This study takes a grounded theory approach, which is extensively used in previous tourism and hospitality research, but is not applied in the context of performance measurement literature. As a result, the study makes the following seven contributions to methodology:

1. Unlike earlier positivist studies, it adopts a pragmatic view on performance measurement and illustrates the advantages of this philosophical position;
2. In contrast to earlier typically quantitative research, it relies on a qualitative research approach;
3. It employs a grounded theory research strategy, which is significantly different from the methodologies, typically employed in performance measurement studies;
4. It develops two grounded theory tools (grids) to aid researchers in systematic recording of emerging concepts and categories, and in demonstrating the development of the questions raised;
5. It collates a comprehensive list of arguments that justify an a priori review of literature and formation of a conceptual framework in grounded theory;

6. It supports an idea of explicit theoretical grounding, suggesting that explicit theorising processes in grounded theory improve the transparency of the grounded theory procedures and enable researchers fit the emerging theory within the extant body of knowledge;
7. It employs online discussions from the relevant Internet forums as a data source, something that, to the researcher's knowledge, has not been undertaken in performance measurement research prior to this work.

### **8.2.1. Pragmatic View on Performance Measurement Research**

The review of the four literature strands – on business performance measurement, and generic, Internet and affiliate marketing performance measurement – indicates that most research within this field relies on a positivistic or postpositivism inquiry paradigm (Clarke *et al.*, 2006; Wu & Hung, 2007). The former studies seek performance-related explanations with the aim to predict and inform decision makers, and rely on largely quantitative methods in order to retain objectivity and cover large samples necessary for generalisations. This study takes a different philosophical position and adopts a pragmatic epistemological standpoint, something that has not been widely practiced in performance measurement research. This research stays open to contrasting philosophical positions and adopts conflicting research approaches as the situation demands. From its outset, the research changes the research design several times to better understand the phenomenon under study. For example, the research abandons the initial thought to recruit several case study organisations and their partners (i.e. affiliates, affiliate networks, agencies) and, using a literature-based conceptual framework, analyse how they measure affiliate marketing performance within one affiliate relationship. There are several reasons for this change. Firstly, the researcher finds little previous research on affiliate marketing to use as a basis in the development of an interview protocol and questionnaires. Also, the access to the required number of employees within case study and partner organisations proves to be difficult. Finally, it is realised that a case study approach can only provide an insight into performance measurement processes in the limited number of organisations. Due to these limitations, it is instead decided to launch a grounded theory study with multiple methods and rather collect the data from different stakeholder groups until the saturation point is reached, thus improving representativeness and fit of the findings with real life practice. As a result, being guided by the research question, rather than by a particular philosophical stand, the research changes on the basis of the

evolution of categories in grounded theory, where theoretical sampling, not a pre-designed conceptual framework, determines the course of the investigation.

### **8.2.2. Qualitative Approach to Performance Measurement Research**

Many of the previous studies, with a few notable exceptions (Appiah-Adu *et al.*, 2001; Barwise & Farley, 2004), employ a quantitative research approach and particularly favour the use of questionnaires (Ambler *et al.*, 2004; Cheong *et al.*, 2010). This study adopts a qualitative approach to research and conducts a qualitative analysis of the data generated by three methods: online forum discussions, semi-structured interviews and questionnaires, all aimed at creating a rich picture of the phenomenon. The reliance on the qualitative approach enables the researcher to understand the different views on the investigated phenomenon, step inside the situation and capture participants' experiences and perspectives in a more holistic manner.

### **8.2.3. Grounded Theory Research Strategy in Performance Measurement Research**

To facilitate the development of a rich understanding of the performance measurement practices, the study chooses grounded theory as the main research strategy. Grounded theory, to the researcher's knowledge, is only employed in one earlier performance measurement study (Haktanir, 2006). Its employment within this research field is, therefore, a methodological contribution of its own right, as the study illustrates the appropriateness and advantages of using grounded theory in the exploration of "messy" complex performance measurement practices. The employment of grounded theory in this study enables the researcher to generate theory from the data and serves as a bridge connecting theory and practice.

### **8.2.4. Grounded Theory Grids for Documenting Concept and Category Development, and Question Evolution**

In their prelude to the explanation of grounded theory, Corbin and Strauss (2008: 20) write: "For the inexperienced qualitative researcher, doing qualitative analysis can be a daunting process. It is intimidating because there are the overriding concerns: Am I doing it correctly? Am I being true to data?". In their book, the authors provide detailed techniques and procedures to assist researchers in undertaking grounded theory and explain each step by giving examples. However, regardless of these guidelines, the researcher experienced difficulties and frustration in handling large quantities of rich qualitative data and memos. To organise grounded theory data and to introduce more transparency to the "fluid and

dynamic” thinking process, the researcher unsuccessfully searched the grounded theory literature, looking for techniques for recording the analysis in a way that can map the entire thinking process and evolution of theory in one overview. In an attempt to meet the grounded theory quality criteria, such as logic, depth and concepts, the researcher developed two tools or grids (Appendix 8.1). One grid – the concepts and categories grid – records all emergent concepts and categories and shows when they emerge and whether they are saturated. This grid has concepts and/or categories on one axis, and the source of data (e.g., interview number, online forum discussion number) on another axis. Within the grid, two colours are used. The red colour shows when (i.e. during the analysis of which particular data source) the category/concept emerged. The green colour indicates when and whether the category/concept was further saturated during the analysis of the data source (e.g., an interview/questionnaire). This grid demonstrates the thinking patterns of the researcher and allows tracing the logic in the development of a grounded theory. Besides, it enables researchers to easily trace back any changes in theory and explains when and under which circumstances the different concepts are discovered.

**Figure 8.1. Grid for Documenting Concept and Category Development**

Categories/ concepts:	MvD	ExD	1	2	3	4	5	6	7	8
<b>CSF</b>	<b>E</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>		<b>S</b>
Seasonality affects AMP - moved during int 3	<b>E</b>			<b>S</b>						
How to recruit As										
CFS for As										
<b>AM goals</b>		<b>E</b>	<b>S</b>	<b>S</b>	<b>S</b>		<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>
AM does not contribute to SEO										
<b>Metrics</b>	<b>E</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>	<b>S</b>
Metrics selection - moved during int 11										
Customer lifetime value										
<b>Commission models</b>		<b>E</b>	<b>S</b>	<b>S</b>	<b>S</b>			<b>S</b>		
<b>Creatives</b>		<b>E</b>	<b>S</b>	<b>S</b>		<b>S</b>		<b>S</b>		
<b>Challenges</b>		<b>E</b>	<b>S</b>	<b>S</b>		<b>S</b>				

**S** - Saturated    **E** - Emerged

Another grid – the question development grid – is developed for recording the evolution of questions asked. This grid reflects the development of the new and the alteration of the existing questions that researchers ask their participants. It places all questions that are formulated during research on one axis, and the data source on another axis. Like the first grid, it introduces more transparency to the process and provides sufficient evidence on how the data are collected and how the analysis is performed.

**Figure 8.2. Grid for Documenting Question Evolution**

	MyD	ExD	1	2	3	4	5	6	7	8
<b>Theoretical sampling (emerging additional questions):</b>										
1. What else on the M's site should be right to increase performance	R	A	A							
2. Is there anything else on A's websites that influences success? What is it?	R	A	A							
3. Are there any other reasons why AM is used? From different perspectives?	R	A	A	A	A		A		A	
4. Can AM be used to improve SEO?		R	A							
5. Who is a good A-te?		R	A							
6. What other commission models are there? How are As paid?		R	A		A			A	A	
7. What are the perceptions of different stakeholders on performance?		R	A							
8. Who are the stakeholders?			R	A						
9. Are there any other problems, challenges in AMPM?			R	A						
10. How does Google impact AM?		R	A		A	A				
11. Are there any other metrics?		R	A			A				

**R** - Raised   **A** - Answered

### 8.2.5. Literature Review and Conceptual Framework in Grounded Theory

There are debates among grounded theorists with regard to the place of the literature review and conceptual frameworks in grounded theory. Some scholars, particularly those following the Glaserian school of thought, argue that there is no place for literature analysis in grounded theory, as it creates pre-conceptions and interferes with the empirically-based theorising (Glaser, 1992; McGhee *et al.*, 2007). Other scholars disagree and suggest that literature review frames the problem and provides questions for initial observations (Ng & Hase, 2008; Walls *et al.*, 2010). For novice grounded theory researchers, it can be difficult to decide which position is most appropriate and later defend the chosen standpoint. This research provides a comprehensive overview of advantages and disadvantages of literature review and conceptual framework creation in grounded theory (see Chapter 4). This overview can be of value to qualitative researchers, looking for the justification of either view.

### 8.2.6. Explicit Theoretical Grounding

Traditionally, it has been argued that grounded theories are empirically grounded and that a theorising process takes place during data analysis. Although it has been suggested that previous literature can be considered as another data source (Glaser, 1992), the place of existing literature in grounded theory has not been explicitly discussed, and has sometimes even been rejected, as a theory is expected to emerge from the data. Recently however, the question on fitting an emerging grounded theory within the extant theories has been raised by Goldkuhl and Cronholm (2010: 201): "We claim that theoretical grounding should not be something implicit in grounded theory development. It should not be something that

grounded theory users feel ashamed of and do not speak about publicly. We claim that theory development should benefit from both open-minded data analysis and from confrontation with other theories". This study grounds its theory in both empirical evidence and existing theories, supporting the above view. By explicitly grounding a theory in the extant research, the study systematically uses pre-existing theories and, based on the learning from theoretical matching, revisits and improves the evolving theory.

#### **8.2.7. Online Forum Discussions as a Data Source for Performance Measurement Research**

Opportunities to exchange data, opinions, pictures and experiences online generate new forms of social data, which can potentially be used by both professionals and academics. As online users generate larger amounts of data on the Internet, researching and collecting data online becomes one of the possible and preferred research methods for social scientists (Burrows, 2012). This research employs one such method and utilises already running and researcher-initiated online discussions from relevant affiliate forums. Before the study starts data collection, it discusses the advantages and disadvantages of this method of data collection (Appendix 4.1) and through this discussion contributes to online research methods literature. Besides, the study demonstrates the benefits and applicability of online forum discussions as a data source for performance measurement research. For instance, the researcher argues that online forum discussions are a valuable source of information because they have few unrelated posts and allow easy and quick access to rich information.

#### **8.3. Implications for Researchers and Future Research**

This study addresses multiple research gaps. However, the research also identifies several areas that can be further investigated. Five main recommendations for future research can be formulated as follows:

1. The main focus and context of this research has been affiliate marketing performance measurement in the tourism and hospitality industries. However, in spite of the research focus on these industries, the empirical evidence suggests that the findings of the study can be 'transferrable' and applicable to the other industry sectors (e.g., retail). The transferability of the findings is supported by the fact that the majority of the measurement principles incorporated into a grounded theory of this study are comparable to those, outlined in the broader business performance measurement literature. The generalizability of the performance measurement process, outlined in this

research, is also repeatedly mentioned by several research respondents. These respondents argue that the process of planning, management and measurement in affiliate marketing is similar to the processes practiced in other online channels. Based on these arguments, it is, therefore, recommended that future studies investigate the applicability of the developed theory to other industry sectors.

2. Further, to develop the findings from what now can be called a substantive theory to a formal theory, other research methods can also be employed. It is particularly advisable to test the developed theory in case studies or in action research to further evaluate the applicability and usefulness of the theory in practice.
3. One more interesting area for future research can be the measurement of the overall online marketing performance across all online marketing channels. Several informants confirmed that performance measurement of affiliate marketing was an important area to explore, but many of them also stated that it would be even more interesting to empirically investigate how companies measure or should measure the collective performance of different online channels, employed simultaneously.
4. Related to the above idea, it can be worthwhile to research how companies undertake the planning of all marketing activities on the Internet and which principles they follow in developing online marketing (communications) mixes.
5. To further add to the traditional marketing performance and Internet marketing performance research, future studies can examine how businesses integrate offline and online elements into one marketing (communications) mix, and how they combine online and offline measurement in the assessment of their (online and offline) marketing activities.

#### **8.4. Practical Implications**

One of the criteria for judging the quality of grounded theory is its usefulness and ability to “change practice” and “add to the knowledge base of a profession” (Corbin & Strauss, 2008: 305). This study adds to practical knowledge as follows:

1. The study demonstrates that affiliate marketing represents a strategic tool by showing the channel’s capability and effectiveness in distributing and promoting merchant’s offerings. The work outlines how to optimise affiliate marketing performance by identifying affiliate marketing enabling conditions



and by showing which conditions are most critical for different stakeholders and for achieving different affiliate marketing objectives.

2. The study highlights the benefits and drawbacks of direct and indirect merchant-affiliate relationships, bringing value to tourism and hospitality practitioners that consider starting an affiliate marketing programme. By taking into consideration the advantages and disadvantages of different types of affiliate marketing relationships, practitioners can take more informed decisions when initiating a programme and can, therefore, avoid some of the possible issues associated with running programmes in-house or with outsourcing them to intermediaries. Additionally, by relying on the findings of this study, affiliate marketing stakeholders can undertake a comprehensive cost-benefit analysis with regard to in-house or indirect affiliate marketing.
3. The study also summarises and brings practitioner attention to possible limitations in tourism and hospitality affiliate marketing measurement. Besides, it suggests how some of the identified issues can be resolved. For example, the researcher states that conflicting interests can be avoided by facilitating continuous partner communication. The discussion of the current limitations and their consequences can help affiliate marketing stakeholders identify the areas of performance measurement that require improvement, and can help foresee the possible implications of presently adopted measurement practices, enabling practitioners introduce necessary changes in a timely manner. Also, the study's performance measurement recommendations can provide practitioners with some possible solutions to current issues.
4. Based on the identified limitations, the study proposes a need for change in affiliate marketing performance measurement and provides the rationale for this argument, supported by the empirical data and the literature (Michopoulou & Buhalis, 2008; Ryan & Jones, 2009, 2012). The empirically-based proposition can be used as further evidence for the need for change by those pioneering affiliate marketing stakeholders, who already support a shift in affiliate marketing performance measurement. In addition, this proposition can serve as a call for action for those stakeholders, who are yet to realise that for the sustainability of the affiliate marketing industry and practice affiliate marketing measurement needs to change.
5. As a part of this proposition, the study highlights that affiliate marketing performance measurement cannot be standardised, and suggests that it needs to be treated as context and situation specific. The researcher

proposes to view performance measurement at the level of a programme and argues that performance measurement procedures should be revisited each time a new programme is formulated. Such context-specific approach to measurement can turn the attention of practicing affiliate marketers away from technology to the actual programmes and their objectives, and can highlight the amount of time investment required for a successful affiliate marketing programme, consequently helping practitioners optimise affiliate marketing performance.

6. The study further emphasises that affiliate marketing in tourism and hospitality does not only bring revenue and sales, but also contributes in terms of brand building. This finding challenges the mind-set of many tourism and hospitality merchants, especially those from the high-end luxury sector. It implies that if necessary time and resource investments are made and relevant affiliates are recruited onto the programme, these merchants can develop strong long-term partnerships with like-minded affiliates and can strengthen their brands through the affiliate collaboration.
7. The study proposes a practice-oriented model for the process of affiliate marketing performance measurement, detailing the different phases and steps that managers can undertake in assessing performance. The model demonstrates the interdependencies between the different stages and illustrates how the decisions made during one stage affect the whole measurement process and how they have implications for overall performance. Practitioners can use this model as a checklist for their management and measurement activities. Also, affiliate marketing stakeholders can utilise the model as an explanatory frame to shed more light on the causes and effects of different affiliate marketing activities.
8. Within this model, the study offers an extensive overview of affiliate marketing enabling conditions, affiliate marketing objectives, promotional materials, commissions and metrics. The study also provides recommendations for goal formulation, selection of commission and identification of relevant metrics. For example, to aid metric selection, the researcher compiles two metric classifications to help stakeholders ensure that they operate a 'balanced' set of metrics. To emphasise the importance of selecting only the most relevant metrics rather than accepting all metrics offered by the chosen tracking technologies, the study proposes a differentiation between KPIs and metrics. Overall, the model can create a general awareness as well as provide more specific details on the strategic and tactical options available to affiliate marketing practitioners.

## 8.5. Research Limitations

This research aimed to explore a potential for a shift in affiliate marketing measurement practices, and to develop a theory for affiliate marketing performance measurement in tourism and hospitality. In the course of this exploration and theory development, the research encountered and subsequently addressed two main limitations.

One research limitation is concerned with the research context. Since the study's focus was on the tourism and hospitality industries, the comparability of the research findings with the affiliate practices in the other sectors could be debated. Although several participants suggest that the performance measurement process in tourism and hospitality affiliate marketing is transferrable to other contexts, the generalisation and across-context applicability of the developed theory are compromised (Dvora & Schwartz, 2006; Saunders *et al.*, 2009). The fit and representativeness of the proposed grounded theory is ensured through saturation, participant feedback and external validation of the findings at two academic and one practitioner conference on Performance Marketing in Travel and Leisure (Corbin & Strauss, 2008; Glaser & Strauss, 1967; Schreiber & Carley, 2004). However, the transferability of the proposed theory remains a question for future research.

From the perspective of grounded theorists, it can be argued that the review of literature in this grounded theory can be considered another research limitation (Ng & Hase, 2008). An a priori literature analysis, as discussed earlier, can introduce researcher bias into the emergent theory and can determine the directions for the study, something that is in conflict with the fundamental principles of grounded theory thinking (Glaser, 2010; Glaser, 1992). It is possible that the researcher could arrive at a different research question if the relevant literature was not reviewed prior to fieldwork. The rationale for the literature review, however, was to equip the researcher with the necessary level of sensitivity to the topic under investigation (Edmonds & Gelling, 2010; Walls *et al.*, 2010), something that proved to be a helpful exercise given the time constraints and the researcher's unfamiliarity with the subject of performance measurement. Besides, the qualitative data collected in grounded theory was so rich and new that even the review of literature could not develop the necessary level of sensitivity. For example, after some interviews it became clear to the researcher that a few interesting themes that emerged during

the first conversations were left unnoticed because the researcher was not sensitive enough to the data and, even with the literature review conducted, simply did not know what to focus the attention on (Corbin & Strauss, 2008). To stay open-minded and reflexive, the researcher recorded the development of concepts, categories and new questions in memos and the proposed grids (Appendix 4.3 and 4.7), and constantly compared the different data sources in order to stay self-aware of the possible preconceptions (Corbin & Strauss, 2008; Dvora & Schwartz, 2006; Malterud, 2001).

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## **Appendix 2.1. Affiliate Marketing Literature Review**

Author (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Koepler (1993)	Journal: Journal of Business Strategy	To explore strategic options for global market players	✓		✓				✓	
Barrett (1997)	Book: Advertising on the Internet. How to get your message across the World Wide Web	-		✓			✓		✓	Tracking, measurement
Ellsworth and Ellsworth (1997)	Book: Marketing on the Internet	-	✓							
Hoffman and Novak (2000)	Journal: Harvard Business Review	To explore how to acquire customers on the Internet		✓						History
Hagel and Armstrong (1997)	Book: Net gain. Expanding markets through Virtual Communities	-	✓	✓	✓					Disadvantages
Gallaugh et al. (2001)	Journal: Information & Management	To provide an empirical exploration of various revenue stream and to relate them to manager assessment of the performance of the firm's online efforts	✓	✓	✓					
Hardaker and Graham (2001)	Book: Wired Marketing. Energising Business for eCommerce	-	✓	✓						
Constantinides (2002)	Conference article: Proceedings of the 35 <sup>th</sup> Hawaii International Conference on Systems Science	To review the criticism on the 4P Marketing Mix framework as the basis of traditional and virtual marketing planning	✓		✓			✓		Disadvantages

Author (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Curry (2002)	Journal: Sales & Marketing Management	To feature companies that benefited from online marketing in 2001	✓		✓					
Papla and Bhatnagar (2002)	Journal: Journal of Advertising	To offer a framework that online retailers can use to find appropriate affiliate	✓						✓	Affiliate recruitment
Goldschmidt et al. (2003)	Book: Strategic Affiliate Marketing	-	✓		✓		✓	✓	✓	History, affiliate types, in-house vs. outsourced
Laudon and Traver (2003)	Book: E-commerce. Business. Technology. Society.	-	✓	✓	✓		✓	✓		Disadvantages
Libai et al. (2003)	Journal: Journal of Service Research	To explore why pay-per-lead and pay-per-conversion prevail, and under what conditions one format is preferred over the other	✓					✓		Affiliate programme types
Rajgopal et al. (2003)	Journal: Journal of Accounting Research	To show that network advantages constitute an important intangible asset that goes unrecognised in the financial statements	✓							
Del Franco and Miller (2003)	Journal: Catalog Age	To focus on affiliate marketing in Web commerce	✓							History, disadvantages

hor (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Duffy (2004)	Journal: Journal of Consumer Marketing	To share the essential components of multi-channel marketing used by the case study REI and how the various components work together	✓	✓	✓		✓			Definition of networks, affiliate types
Rowley (2004)	Journal: Marketing Intelligence & Planning	To draw a broad picture of marketing communication in an Internet world and to establish a context for innovation, development and research						✓		Definition of affiliate network
Duffy (2005)	Journal: Journal of Consumer Marketing	To explore the inner workings of affiliate marketing	✓		✓		✓			Definition of network, affiliate types
Ibeh et al. (2005)	Journal: Brand Management	To explore the e-band building and communication strategies for a small sample of UK-based internet companies		✓						
Figg (2005)	Journal: International Journal of Retail & Distribution Management	To explore the business opportunities brought by affiliate programmes		✓	✓					
Brear and Barnes (2008)	Journal: International Journal of Electronic Finance	To understand affiliate marketing success and application within three financial services markets	✓	✓					✓	History

Author (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Ashworth et al. (2006)	Journal: International Journal of Retail & Distribution Management	To explore antecedents for online success and to conceptualize the stages by which a small-sized "pure-player" has achieved profitable and sustainable e-retail in the fashion sector by utilizing a multi-niche strategy involving an e-portfolio of five fashion related cyberstores	✓		✓					
Jensen (2006)	Journal: Journal of Targeting, Measurement and Analysis for Marketing	To address the issue of whether there is a need for better online marketing communication planning and prioritisation methods, particularly for B2B companies	✓					✓		
Fill (2006)	Book: Simply Marketing Communications	-	✓		✓					Promotional materials
Fox and Wareham (2007)	Conference article: 20 <sup>th</sup> Beld eConference eMergence: Merging and Emerging Technologies, Processes, and Institutions	To review the stated guidelines in one-to-many affiliate programmes in the three major affiliate networks in Spain as a first step in understanding how online retailers control the business models and promotional tools used by their affiliates	✓		✓				✓	Disadvantages, measurement, history, promotional tools, types, in-house vs outsourced programmes, definition of network



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hor (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Hughes (2007)	Journal: Journal of Internet Law	To explore legal compliances for affiliate marketing							✓	
Wilson and Pettijohn (2008)	Journal: Journal of Website Promotion	To offer an affiliate management software premier for senior marketing managers			✓					History, software
Ryan and Jones (2009)	Book: Understanding Digital Marketing	-	✓		✓					History, disadvantages, affiliate types
Martin-Gill et al. (2009)	Journal: SEMJ.org	To suggest that advertisers may be able to improve ROI and performance by evolving their programmes to better calculate and compensate for the value delivered by their affiliates	✓				✓			Measurement issues
Quinton and Khan (2009)	Journal: Direct Marketing: An International Journal	To address the issue of website traffic generation for SMEs which have limited resources to determine how SMEs might make more effective use of search engine marketing (SEM) tools to increase website traffic	✓		✓					Disadvantages

Author (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Bandyopadhyay et al. (2009)	Journal: Journal of Academy of Business and Economics	To outline a set of critical steps a merchant should take to ensure a perfect match	✓				✓	✓	✓	Tracking
Daniele et al. (2009)	Book: Information and Communication Technologies in Tourism 2009	To explore the use of affiliate marketing within the travel and tourism industry	✓	✓	✓		✓	✓	✓	Stakeholders, history, affiliate types, tracking
Comm (2009)	Book: Twitter Power. How to Dominate Your Market One Tweet at a Time	-								Tracking, Twitter and affiliate marketing
Brettel and Spilker-Attig (2010)	Journal: Journal of Research in Interactive Marketing	To show that national culture has an impact on how consumer behavior is influenced by online advertising		✓	✓	✓	✓			Loyalty programmes
Moore and Edelman (2010)	Conference article: 14 <sup>th</sup> International Conference on Financial Cryptography and Data Security	To describe a method for identifying "typosquatting", the intentional registration of misspellings of popular website addresses								Disadvantages

hor (year)	Source	Article purpose	Aspect of affiliate marketing covered							
			Definition	Workings	Advantages	Goals	Metrics	Commissions	Enabling conditions	Other
Ivkovic and Milanov (2010)	Conference article: 2010 International Conference on Education and Management Technology	to describe the basic concepts and ideas of affiliate marketing as an Internet marketing technique	✓		✓	✓		✓	✓	Definition of affiliates, definition of affiliate programme, stakeholders, tracking, in-house vs. outsourced
Mariusussen et al. (2010)	Journal: The Service Industries Journal	To investigate unintended consequences in the evolution of affiliate marketing networks within tourism distribution	✓		✓	✓		✓		History, affiliate types
Vafopoulos (2011)	Conference article: 2011 Panhellenic Conference on Informatics	To propose a framework for linked data business models		✓						

## **Appendix 4.1. Advantages and Disadvantages of Data Collection by Means of Online Forum Discussions**

#### Appendix 4.1. Advantages and Disadvantages of Data Collection by Means of Online Forum Discussion

Advantages of data collection by means of online forum discussion	Disadvantages of data collection by means of online forum discussion
<ul style="list-style-type: none"> <li>• Fewer off-task postings (Marra, 2006);</li> <li>• Ease of access to the right people (Seale <i>et al.</i>, 2010);</li> <li>• People express themselves more freely online (Seale <i>et al.</i>, 2010);</li> <li>• Richness of data (Seale <i>et al.</i>, 2010);</li> <li>• Possibility to reach large samples (Seale <i>et al.</i>, 2010);</li> <li>• Relative anonymity (Dellarocas, 2006);</li> <li>• Easily accessible “knowledge of the many”, where people share experiences and express their opinions (Dellarocas, 2006);</li> <li>• Time and cost efficiency (Hewson <i>et al.</i>, 2003);</li> <li>• Access to a vast and diverse group of potential research participants (Hewson <i>et al.</i>, 2003).</li> </ul>	<ul style="list-style-type: none"> <li>• Unavailability and impossibility to record many of the non-verbal signals (eg. thinking, reasoning, visual cues, nuances in language) (Marra, 2006; Seale <i>et al.</i>, 2010);</li> <li>• Sample inequalities in access to the Internet (Seale <i>et al.</i>, 2010);</li> <li>• Representation of the respondents’ fantasies as true (Seale <i>et al.</i>, 2010);</li> <li>• Potential grammatical mistakes in the written language, leading to contradiction in words (Seale <i>et al.</i>, 2010);</li> <li>• Potential difficulties with regard to moderation (Seale <i>et al.</i>, 2010);</li> <li>• Unavailability of background information (Seale <i>et al.</i>, 2010);</li> <li>• Possibility of manipulations and intentionally biased opinions to change the direction of the discussion (Dellarocas, 2006);</li> <li>• Not always credible content (Marett, 2009);</li> <li>• Possibility that one’s reputation may decrease (increase) after posting on the forum (Marett, 2009);</li> <li>• Possibility of biases imposed by opinion leaders on the forum (Beuchot &amp; Bullen, 2005).</li> </ul>

## **Appendix 4.2. Advantages and Disadvantages of Data Collection by Means of Interviews**

#### Appendix 4.2. Advantages and Disadvantages of Data Collection Using Interviews

Advantages of data collection using interviews	Disadvantages of data collection using interviews
<p>Interviews:</p> <ul style="list-style-type: none"> <li>• Allow probing, open and follow-up questions (Saunders <i>et al.</i>, 2007);</li> <li>• Allow control over the process (Arksey &amp; Knight, 1999; Clarke, 2000; Gummesson, 1991; Patton, 1990);</li> <li>• Allows capturing experiences, perspectives and understandings (Clarke, 2000);</li> <li>• Increase the comprehensiveness of the data and make collection somewhat systematic for each respondent, logical gaps can be closed (Patton, 1990);</li> <li>• Allow for exploration and probing in depth and in breadth (Smith and Dainity, 1991);</li> <li>• Allow to pick up points and issues as they emerge and pursue them in better depth (Smith and Dainity, 1991);</li> <li>• Place the researcher closer to the investigated phenomena (Smith and Dainity, 1991);</li> <li>• May reveal the topics/issues not only important for the researcher but also for the interviewee (Bryman, 1988).</li> </ul>	<p>Interviews:</p> <ul style="list-style-type: none"> <li>• Pose questions of reliability, validity and generalisability of the findings (Saunders <i>et al.</i>, 2007);</li> <li>• May involve interviewer bias and inaccuracy – tone, comments or non-verbal behavior of the interviewer can create bias (Clarke, 2000; Gill &amp; Johnson, 1997; Saunders <i>et al.</i>, 2007);</li> <li>• Involve the risk of difficult participants (giving only monosyllabic answers, too long answers, participants starts interviewing you, showing off their knowledge and criticizing you, getting upset) (Saunders <i>et al.</i>, 2007);</li> <li>• May be time consuming, especially transcribing the interview (Clarke, 2000; Smith &amp; Dainity, 1991);</li> <li>• May risk to omit important topics, flexibility can result in substantially different responses from different perspectives (Patton, 1990);</li> <li>• May be intrusive (Arksey &amp; Knight, 1999; Patton, 1990);</li> <li>• May experience problems with securing an interview itself, denied access (Altinay &amp; Paraskevas, 2008);</li> <li>• May contain too direct questions (Smith &amp; Dainity, 1991);</li> <li>• May pose difficulties with maintaining objectivity (Smith &amp; Dainity, 1991);</li> <li>• Are a one off episode where the researcher may fail to complete the interview in the time available (Bryman, 1988);</li> <li>• Are obstructive method and interruption with the natural flow of events (Bryman, 1988);</li> <li>• Are very sensitive to slight changing in wording (Bryman, 1988);</li> <li>• May tend to rely on people's attitudes and reports, which may have little link with reality (Bryman, 1988);</li> <li>• May have difficulties establishing an appropriate climate for the interview (Bryman, 1988);</li> <li>• Do not capture body language (Gummesson, 1991).</li> </ul>



### **Appendix 4.3. Grounded Theory Grids for Documenting Concept and Category Development, and Question Development**

[illegible]

S - Saturated E - Emerged

	Mod	Ed	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37		
Satisfaction with the measurement																																									
Frequency																																									
Seeing the sources of traffic																																									
Process of AM measurement																																									
AM and branding																																									
Brand awareness is a part of AM - moved during int 6																																									
AM and branding are different things - moved during int 6																																									
Social media is associated with branding - moved during int 22																																									
Branding is associated with banners																																									
Merchants																																									
Philosophy of Ms																																									
Types of Ms																																									
NSWBPU Useful principles; Ms do not know their As																																									
Measurement is financial																																									
How to measure branding																																									
Determinants of AMP are not evaluated																																									
CSF are not a part of PMS																																									
Check of As																																									
Performance of tools is not tracked																																									
Where to get branding																																									
What players wish they could measure																																									
Reasons for why intangible sides are not measured																																									
CSF are evaluated (e.g., check of As)																																									
AN's reports are standardised																																									
Evolution of AM and its image																																									
Peculiarities of AM in T&T																																									
Useful resources to check																																									
Types of AM																																									
Advantages of AM																																									

S - Saturated E - Emerged

Mod	Exd	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	
<b>Theoretical sampling (emerging additional questions):</b>		R	A	A																	A																		
1. What else on the M's site should be right to increase performance		R	A	A																																			
2. Is there anything else on A's websites that influences success? What is it?		R	A	A																																			
3. Are there any other reasons why AM is used? From different perspectives?		R	A	A																																			
4. Can AM be used to improve SEO?		R	A	A																																			
5. Who is a good A-te?		R	A	A																																			
6. What other commission models are there? How are As paid?		R	A	A																																			
7. What are the perceptions of different stakeholders on performance?		R	A	A																																			
8. Who are the stakeholders?		R	A	A																																			
9. Are there any other problems, challenges in AMPM?		R	A	A																																			
10. How does Google impact AM?		R	A	A																																			
11. Are there any other metrics?		R	A	A																																			
12. What else influences AMP?		R	A	A																																			
13. What are the tracking solutions that track full user journey? Is it possible? Desirable?		R	A	A																																			
14. Why do merchants combine data from different sources?		R	A	A																																			
15. Why do Ms use OPMs?		R	A	A																																			
16. How should Ms use ANs?		R	A	A																																			
17. AG2 said Ms don't care about branding, because they can get branding elsewhere. Where?		R	A	A																																			
18. What other creatives are there?		R	A	A																																			
19. Check hasoffers.com!		R	A	A																																			
20. Are tracking platforms such as Linkshare an additional player in AM?		R	A	A																																			
21. The fact that Ms and AGs do not see the sources of traffic or where their As get traffic from, is this a problem?		R	A	A																																			
22. Why should Ms use several different ANs?		R	A	A																																			
23. Are all AGs similar in what they offer?		R	A	A																																			
24. How to measure brand awareness?		R	A	A																																			
25. What should be the process of AMPM?		R	A	A																																			
26. Are there any other types of AM?		R	A	A																																			
27. What is the Affiliate marketing mix? And how to get it right?		R	A	A																																			
28. Is it true that AM is only capable of bringing customers looking for low cost?		R	A	A																																			
29. Somebody told me that a post click conversion is a good metric, while post impression conversion isn't. Why?		R	A	A																																			
30. What departments typically have the responsibility for AMPM? Do any departments cooperate?		R	A	A																																			
31. What are the consequences of not evaluating the determinants of AMP (e.g. quality of messages, quality of As)?		R	A	A																																			
32. What is display advertising? And how do they measure brand awareness in display advertising?		R	A	A																																			
33. How to measure Customer Lifetime Value?		R	A	A																																			
34. Is the usage of AM in T&T different from other industries? Is there anything particular about AM usage in T&T?		R	A	A																																			
35. What is life-time cookie?		R	A	A																																			
36. What other acquisition channels are there?		R	A	A																																			
37. What commission models have they got in display advertising?		R	A	A																																			
38. What is API? How does it work?		R	A	A																																			
39. What exactly is de-duping?		R	A	A																																			
40. What are content units?		R	A	A																																			
41. What is cookie-less tracking?		R	A	A																																			

R - Raised A - Answered

## **Appendix 4.4. Interview Transcript**

## Transcript NW23

Researcher: What is the role of your company in affiliate marketing, what types of affiliate services do you as a network offer?

NW23: So I work for a company called NW23. We estimate that we probably have around X percent market share in the UK. *\*\*\*Omitted text for anonymity reasons\*\*\** We have typically had a retail focus, however, we also work with a large number of travel and services clients, as well as clients offering financial services, utilities and telecom, so that is who we are as a company.

Researcher: Right, and so in terms of the actual offerings from your company, you are a kind of middleman, you are in between merchants and ...?

NW23: Yes, we will offer... typically affiliate network will offer standard services, which are tracking and reporting and invoicing. So we will work with advertisers or merchants depending on which terminology you are using, and we will work with those merchants or advertisers to offer affiliate marketing services. And we will partner them with a range of affiliates/publishers depending on the terminology you are using. We will agree on all of the program's terms and conditions, including the commission that is payable. We will obviously provide the tracking links, text links or banner links or other types of promotional methods and then affiliates or publishers will use those generated cells and we will enumerate them with an agreed commission and then we will typically take what we call an override, which is on top of the commission. If there is a thirty percent override on a fifteen pound commission then the override will be in additional four pound fifty on top so the total payable by advertisers for that sale will be nineteen pounds fifty in that instance, assuming that there aren't any additional costs added in like management or setup or additional access fees.

Researcher: Ok... and for how long have you been personally been in this industry?

NW23: So I started working with affiliate marketing back in 2003, I worked for a company called X who offered... who were effectively one of the large affiliates in the UK space at the time... I then moved to Y, which was a large UK affiliate network, which is now no longer in existence in the UK and I worked there until late 2006, then I moved to NW23 which is where I am now... So I have been at NW23 nearly six years now.

Researcher: If we look at how the overall performance of affiliate marketing is measured, how satisfied are you with the current measurement?

NW23: Well I suppose, if you are looking at it from a perspective that may be five or six years ago it was relatively straightforward the way affiliate marketing was looked at. It was a standard cost per acquisition. You typically would deal with an advertiser who would understand that they

would be paying for sale, and it was a fairly easy setup, and it was a fairly simplistic way of looking at a channel and it was entirely focused, almost entirely focused on acquisition. So advertisers knew that they could pay to get sales and all they would pay for is a set fee for each of those sales, so I think five or six years ago advertisers were generally really happy with the measurement of affiliate marketing because it was very transparent. They knew what they were paying for and there was a lot of... the way it was solved at the time I think, was a no risk channel... a risk free channel, but I think it does entirely depend on how you look at it... risk free in terms of, here is a set number of sales and that is what you pay for, i.e. you don't pay for the branding or the additional stuff that sits around a sale. However, in terms of who you are partnering with, the affiliates you are partnering with, what we have seen, I'd say in the last five years or so there is a shift from advertisers who typically... those advertisers who are running campaigns for a long time, and they are actually starting to look beyond the standard CPA that they are paying for and actually looking at the quality of what they are actually paying for and the quality of the traffic they are actually getting those sales from. That's why I think there has been a very significant shift in that space and I think that the reason that's happened is multiple. I think partly it's the fact that a lot of channels are now a lot more measurable. It's partly an expertise and experience thing. So advertisers have become more experienced and they are looking to maximize what they are paying for, so if they are paying a certain amount they are looking for obviously making sure they are getting the best quality traffic and the best customer and the best sale from that. But I also think that part of it is because cost per acquisition has become a standard payment model. If we go back six to seven years ago, and what you had... you had a situation where an advertiser or an agency might typically assign a set amount for paying for cost per click activity, they might set aside a certain amount for paying for CPM, display inventory and they might set aside a certain amount for CPA affiliate activity, and actually what has happened in that... since then... since that point in time, is that advertisers now, they might not necessarily work directly to a CPA but they work a lot of stuff back to an effective CPA so they have a cost per acquisition cost for all of those channels and although they might be paying for them on a different metrics they might be paying on a click basis or for impressions, they will still work it back to a CPA and so CPA has become a common metric now and it is no longer enough for us as a channel to say our big USP (Unique Selling Point) is the fact that you only pay for what you get, it is like advertisers say to us: 'well, we know that but what are we actually getting?'. And yet we can see the numbers, we know that we might have made a thousand sales that month but what does that actually mean, you know, would we have gotten those sales any other way? Is it cannibalising other channels? Also what are those types of customers like? Are they customers that we really want, are they high quality, low quality customers? And so we kind of... our mentality has shifted in that channel shifted as the channel has matured to the stage where we have actually need to start asking a lot more questions about what the reporting that we need to offer advertisers looks like... what are the additional metrics that we now need to start measuring...

Researcher: This is so interesting... So you mentioned branding somewhere in your answer, do you think that actually any of the merchants use affiliate marketing purely for branding or is branding a part of it?

NW23: I wouldn't say that they use it purely for branding, but I think that we are in a situation now where advertisers are more inclined to recognize that they get free branding, if you like, from affiliate marketing. They are willing to potentially offer additional commission or potentially things like tenancies or indeed they might even offer different payment mechanisms for the extra coverage that they get. Now an industry where you tend to see that happening quite a lot in is the



telecom industry and I think that is partly because it is a very mature channel within affiliate marketing but it is also I think because they typically have quite big budgets to get off to spend and they tend to have quite a lot of money and they compete very aggressively with each other and they all recognize that affiliate marketing is very important. It typically I would estimate makes accounts for a bigger percentage of their sale probably than any other sector... If you look to the overall marketing mix, it's not uncommon for telecom advertisers to be paying things like tenancies to their affiliates, as well as a standard CPA for sales that they are making... and I think that the reason that's happened is because those affiliates have become very significant brands in their own right and so it is almost like they have created these affinity relationships where they recognize that there is a big brand-to-brand relationship that they have. And so it's a lot easier for them to think that it is more than just a standard CPA relationship. It is much more of an equal relationship between the two players as opposed to a typically, a very traditional way of looking at it, which is an advertiser thinking that they are the most important person and they have got all these little affiliates around them. I think when it comes to an industry like telecom they see it as much more an even relationship with their affiliates, it makes even valuable sales and branding partners really. So again I think that there needs to be better reporting around and that ultimately it has to come from an affiliate network. I mean there is lots of data that we as a network capture that we don't report on... There will be some data that we are going to be upgrading our reporting over time, but there will be some additional reporting that we can offer to our advertisers, but yes coming back to your point. I would not say that those relationships can be seen as exclusively branding relationships, but a lot of advertisers start to recognize that they have to look beyond just the standard CPA for the value and one other point I guess is that you have got to also consider is that because now other channels have moved into the CPA space, so display advertising for example, you can do display for affiliate networks on a CPA that typically display activity was very much based around branding and you were paying for sort of very cheap inventory you would pay on a per thousand impressions, because you can do that on a CPA. I think that it is almost like a blurring on the boundaries between the different channels and so it is becoming more acceptable for people to not see those different boundaries between the channels and see that there are not necessarily various in terms of what they can offer to an affiliate network. There is no reason why you couldn't pay an affiliate a CPA, a hybrid commercial deal at the CPA, a click for impressions, as well as tenancy.

Researcher: Right, so do you think that there are any ways of at all evaluating or assessing how much of the actual brand awareness is created? Do you think there is at all any formula or way of actually being able to measure that effect as well in addition to the sales and traffic?

NW23: It is very difficult because typically our reports, I know that there are, for example, if you look at a lot of offline channels and agencies that are utilising the services of offline channels then they will have ways to evaluate the branding effect on sales or recognition you know they typically have test groups of people where they will see what their awareness of ads and things like that and often they will go back in and associate that with sales... Because our channels have always been very transparent you can log in to a system you can see clicks you can see impressions and you can see sales and therefore associate it with cost, there has never really necessarily been a need to offer that reporting I think, because ultimately we are a technology company and so because we have the technology to record a lot of that data we are ultimately a data company as well. It's about how we understand how to use that data to demonstrate the quality of the traffic. So, for example, if you could look at comparing your other online channels, for example, what your customers like, so a lot of companies would obviously, they will segment their customer database and still have an understanding of the type of customers they want

tracked and then they could... it is not uncommon now for bigger, more engaged clients to start plotting the affiliate activity and the affiliate traffic against some of those metrics and they will be looking at things like new customer numbers as opposed to repeat customers and be looking at the products they buy, how much they spend... so typically what the order value is compared to other channels that they are getting sales from. We are looking at how much, what the cost is for a new customer, what the cost is for repeat customer. They will be looking at what the impact other channels are having, how long typically somebody coming from an affiliate site might spend on their site and how many pages they look at compared to other channels, but there is lots of different what I would term value metrics that you can look at. And it's about understanding how you take all that data and pick it out, so you get something meaningful at the end of it and it is something that we have been doing quite a bit of work on over the past couple of years to come up with something that almost would be like an equation where you could associate a quality score with affiliates. I think the key there, what development we are really pushing is for advertisers to see all of their affiliates as individual companies rather than grouping them all together. I think five years ago it was typical for people to talk about affiliates generally and every affiliate regardless of who they were and what they were doing within that group. What's become I suppose the norm at the moment is to segment those affiliates by type, so you would have a cashback affiliate, you will have a voucher code affiliate, you would have a paid search affiliate, but ultimately where you need to get, where the most enlightening advertisers are is that they are actually looking at each of those top ten top twenty affiliates and they are spitting them out and actually seeing each of them as an individual. And when you think about it is perfectly logical, so if you speak to [vouchercode.co.uk](http://vouchercode.co.uk) for example they would want to be seen as a distinctive company, they have millions of engaged users, they generate a significant amount of revenue, they are a large company employing thirty-thirty five people, they wouldn't want to be seen as exactly the same as my voucher codes. They would want to consider themselves to be a unique proposition. And so when you are talking about voucher codes they would not want to be seen as just another voucher code client, they would have their own USPs, they will have their own brand that they are investing in. So they would want to be seen as a distinctive partner. So the real challenge for us is ensuring that we are working closely with advertisers, so that advertisers can understand the value that they are getting from their individual partners rather than just their affiliates as a whole and that's where the different metrics actually start to show up discrepancies between affiliates that you typically would consider to be the same. So if you were going to look at the average order value between one voucher code site vs. another you might find that it is different. You might find that the customers are different and you are getting higher number of new customers and they are spending more and they are buying different products than customers that you are getting from another affiliate of the same type. But this is the challenge we have about how we work with advertisers to invest the time and resources to better understand that.

Researcher: I spoke with somebody yesterday and they said that in gaming, some of the companies developed quite complicated equations and formulas for calculating brand awareness...

NW23: Yes, I think that gamers and Internet is quite a standardised channel typically they don't typically work with traditional what I would call traditional affiliate networks, they might run a small kind of ancillary programme with an affiliate network, but typically they would run them direct and work direct with partners, but also typically they will have a different commercial model as well, so they would potentially pay a lifetime value of a customer whereas obviously traditional affiliate marketing running through an affiliate network will pay a one-off almost like

initiator, you pay your one-off commission and then you... then don't have to pay for any repeat customers as long as it's outside of a cookie period. Yes, that is interesting actually... I am not really that up to speed on the gaming sector, so it might be worth...

Researcher: It could be interesting probably to see what sort of principles are behind those calculations... Do you think that the affiliate marketing practices in tourism and hospitality are in any way different at all from other industries, is there anything that makes them different?

NW23: Well, I guess that typically a lot of advertisers, a lot of travel advertisers will be working with aggregated partners, who you will see in other sectors, but I think that they are less important to other sectors. So companies like Tripadvisor and Trivago, all of these kind of big what are effectively big data seed companies, they are companies that are pulling product feeds or APIs from elsewhere and they are typically... they won't be run through an affiliate network. However, some advertisers will run those relationships through an affiliate network and so then the affiliate network will then have to agree probably on a different payment mechanism and they would be different commercials running. So it might be that they will typically be run on a cost per click as opposed to a CPA, so they will have to ensure that they have the mechanism in place to be able to track the clicks and then pay for individual clicks, be that an entrance click or an exit click or whatever they are paying for. So that's I'd suppose is one obvious difference.

I suppose one other obvious difference as well is just how dependent affiliates and aggregators are on data feeds and obviously the dynamic pricing of travel means that a static feed or a feed updates once per day for those advertisers that have dynamic pricing means that it effectively becomes very difficult to offer accurate pricing at any one point, so that is something that is really important. I think what we are seeing is advertisers within travel sector are probably more open than other sectors to offering out their APIs and there are a couple of companies that are offering those API services, but what we haven't necessarily seen beyond the big aggregator companies that we haven't necessarily seen a lot of affiliates coming into the space who are making use of those APIs or doing anything that is particularly innovative or new with it, I mean there are companies like Skyscanner for example who, I don't know if you have spoken to, but Skyscanner are very dependent on the data, they might either work on CPC or some deals on a CPA. I think typically what happens is for standard engaged travel advertisers that they will be set up to be able to have CPI and work on a CPC, but there are still some advertisers out there fairly big travel advertisers out there, who won't have those relationships set up and therefore that represents a good opportunity for a network to offer those services instead.

Researcher: Right, so when companies or merchants engage in affiliate marketing, what will be the typical reasons for it, why would they do that? What will they be trying to achieve?

NW23: Well, as I said it's typically or it's been a cost per acquisition channel. I think the mindset has changed. As I said, I think that it always used to be a volume game. People knew that they could get a number of sales, they knew they could tap into a number of channels, so voucher codes being an obvious one, cashback being another obvious one there has been a shift in most affiliate types. If you went back five or six years the space would probably be dominated by big paid search affiliates who were arbitrating between cost-per-click and the return on the commission. I think that has changed, I think that you know now big affiliates typically will be cashback and voucher code sites. Ultimately, I think advertisers knew that it was a very good

place to come to get access to a large number of different online channels, because ultimately that is what affiliate marketing is, you know, its online microcosm all delivered to a cost per acquisition metric, so that is very much kind of where it was and to a large degree it still is. But there has been that big shift away I think from purely looking at volume to also looking at value as well and everything that sits behind a sale, either sits behind, you know, before the sale and after the sale as well, so where the traffic has come from, which other channels it interacted with and then afterwards as well. So when the customer transacts, what kind of customer that is, what they are buying, how much they are spending - those kind of things. So that's very much the shift I think and certainly with engaged advertisers I think that's what they are looking at.

Researcher: And is it still last clicks that works in terms of...?

NW23: Yes.

Researcher: ... but can you actually trace the full journey of the online users?

NW23: We can trace the affiliate journey. It entirely depends on what data the advertisers are passing us back. So we have the ability to actually track all online channels and our advertisers are happy for us to do that. A part of our technology is that we have the master tag or a container tag, so that in theory an advertiser can put all of their different tracking and different channels within that. So we could in theory trace back the entire journey and we do have a product, like an analytics product that is available should advertisers want it. It gives them, it is very similar in look and feel to Google Analytics that gives them that ability to trace that. Typically, I think that the challenge we would always have is that advertisers have always seen us as a one in a list of suppliers they use and they use one supplier for CPM, they use one for paid search another for email etc. etc. So we are just seen as another supplier of an affiliate network, so rather than a tracking solution even though we can offer that. We typically don't track the entire online sales path, however we obviously will track every affiliate within that sales path, we would track whatever the advertiser would want us to track online. Now, what we can see, we can see a user journey within an affiliate sector, for example if somebody were to visit a voucher code site and leave and then within a cookie-time and visit another voucher code site or then visit a cashback site, we would be able to see the two interactions assuming that then somebody went on to purchase and there had been two interactions, we could see those two interactions and we can catch the other data around that. So we can see the latency between the two clicks, so we could tell what the likelihood of one click influencing the other... So if somebody hopped within the space of thirty seconds from another you would be able to build up a picture of how that consumer is interacting with different channels. So the typical one that everybody always pushes out there is that somebody would go and research a product on maybe a content site, then they would look for voucher and they would go and get cash back. Now, a lot of people may do this assumption without actually looking at the data but when we start to look at the data what we actually found is that the vast majority of sales are single interaction sales. So there isn't this... There are obviously a number of sales of consumers out there that know how to use these different sites, but actually there is very little cost saver between somebody for example getting a voucher code and going to get their cashback as well or try to see where they can make two savings, so actually that was a big misnomer really. That was very widely held perception in the market and I think that we got very distracted by it, I think it didn't help that very few people had done any research into it, but we were actually making quite bold statements about it and I am

glad that we were able to dispel a lot of those myths really and I think that argument is still there, but it does not seem to be a critical argument that people are having in the marketplace anymore and I think that is partly because cashback and voucher code sites have continued to build their brand, they have continued to build ethical and transparent brands that people actually see a lot more value in now than when maybe two years ago when they were engaged with them and did not necessarily understand, but yes going back to your original point, yes, we would track all of the transactions within the affiliate channel, unless the advertiser wanted us to, we wouldn't see the other channels, so then that puts us in the situation where we would be very much relying on the advertiser being able to supply that data if they want to build up the wider picture of how affiliate marketing is impacted by or impact other channels.

Researcher: Do you have a lot of advertisers that ask you to track all the channels... percentage-wise perhaps are there many companies?

NW23: I think that it is something that we would... I have always really pushed for advertisers to give us access to as much data as possible. There isn't, I wouldn't say that there is a particular standard to do it, I wouldn't say it is a particular standard way of approaching it. We have worked with... I have spoken to a number of advertisers that are doing different things on it, so a number of our clients who are looking at this stage in a different way than they are doing it, maybe not necessarily to come up with alternative payment mechanisms but just to understand that the picture better and also almost like a check for them they know that what they are paying for roughly equates to what they think they are getting. But also to see whether there are certain affiliates that they know are driving in really good volume for them, but also driving really good value as well and they would want to work better with and so it is kind of a more informed piece really, that's ultimately where we would want to get to. We are doing a project at the moment with one of our clients who has made available all of that data across all of their channels, the challenge we have is typically... it is trying to digest all of that data especially when it can be hundreds of thousands each, maybe even millions of lines of data and interactions where we obviously need to have this intelligent tools in place to be able to take all that data in and split it back out into meaningful reports. We can do that for our own data, but when we start pulling other channels it presents more of a challenge for us. So that is the challenge that we have...

I suppose the challenge is twofold, one is getting a number of advertisers on our side that are happy for us to have access to all of their data because a lot of them will say well why... it's not your data, this is a project for us to do which is great if they do it, but it's when they don't do it and they ask us the questions about what value the affiliates have on offer, but that's obviously when we hit problems because we only see part of the picture. If we only see the affiliate data and the affiliate channel only counts for fifteen percent of their online sales then how can we make a... how can we give them an informed opinion on the value of their affiliate channel when we don't see eighty five percent of their traffic and how that affiliate marketing impact are always impacted by that traffic, so it's a... I think we are getting there. I think that obviously everybody wants to understand their data better ... It is a twofold challenge in that it's reliant on having the technology to be able to understand that, but also the resource and time to be able to invest in it really.

Researcher: Yes, what I can see, well at the moment anyway, is that some of the merchants use a lot of different agencies and they only get a piece of what's going on from each agency and then somebody in-house is trying to make sense of this and obviously there is a lot of duplication...

NW23: Yes, and I think we have worked with a number of advertisers that are quite happy for us to go into a big agency meeting and we would be sit there alongside their email, their display, paid search and agencies having the discussion about what we are trying to achieve, but in terms of actually seeing that data and pulling that data into one place that is something that I think is happening. It is happening internally with a number of advertisers, but it is not necessarily the affiliate person that would be looking at that data, that might be a data analyst or at least someone doing business intelligence internally and say they are looking at all this data and they are not necessarily looping, if there is an affiliate manager, the affiliate manager in and where we obviously need to be working with that business intelligence person and ultimately there has to be a reason to doing all this and it has got to be about demonstrating the value of affiliate marketing, and I think that typically affiliate marketing suffered a little bit because we have always chased the last click, you know, that is the nature of our business. You know, we are paid on sale, so it shouldn't be any surprise that affiliate companies are premised on converting sales through incentivisation, however, I think that typically it has not resonated as well with advertisers as other channels... They might see us as adding less value, because the customers already decided to buy but they just need an extra little push to push them over into the purchase or somebody had decided to buy but then go find a voucher code site... I think typically the traffic has been seen as less valuable, but actually when we work with advertisers on the data that we have seen and we look at our own data, what we see is a much more positive picture.

... and actually what companies like Quidco are doing is that they are investing very heavily now in data sites and they are recruiting people internally that can actually really go out and start to understand their own data better, so they can demonstrate to advertisers. They can start benchmarking advertisers for example and they can start segmenting their user base better so they can then go to advertisers and target the customers that you are really interested in, so it becomes a lot more scientific which ultimately is where I suppose it is a maturing industry and where you would get to ultimately, but it demonstrates how far we have come probably in the last five or six years. When I would say five or six years ago it was generally fairly untargeted. There were these affiliates out there that could get you sales and you would pay for the sales and you wouldn't necessarily be challenged on what, where those sales are coming from, how you are getting those sales, the quality of the traffic, the quality of the customer... I think that was a fairly standard picture going back five or six years... It has completely changed and I think that we are seeing very rapid development in that and we are working quite closely with those engaged affiliates that are trying to demonstrate that value like Quidco to ensure that we are producing case studies and are off course on white papers and pushing that data out to our advertisers, so certainly I think quite a positive space to be in at the moment, but it is right that we should be challenged on it because if we are challenged on it and can pull this data out which demonstrates the value it actually technically means that advertisers shouldn't have any concerns in investing more money in the channel really.

Researcher: Yes, if you read about or talk to people about affiliate marketing, it looks like it has sort of become a tradition to look at affiliate marketing in terms of conversions and sales, which is understandable and clicks and so on... impressions, but there is so little of this qualitative understanding of what else affiliate marketing actually brings.

NW23: Yes, and I think that is definitely where it is going if you speak to the more engaged advertisers, I think they are more than happy to certainly be looking into the idea of paying maybe a tenancy or even there is no reason why as I say advertisers couldn't stop paying affiliates



for traffic, a click or impression... I think the challenge we have is for the network to actually understand how would that fit with what ultimately we are, which is a CPA network, and also the fact that until very recently we weren't actually even able to really record... to pay on impressions really, we weren't able to. Although we could record the impressions, we weren't able to actually have a post impression setup, a post impression cookie setup on affiliate sites, so that for us has been a relatively new phenomenon which has kind of come about because of the growth of behavioural advertising and the emergence of that channel, but yes that is making sure that we are doing it in the right way, we are not just trying to make advertisers pay more for the same traffic or for the same sales, but we are trying to make advertisers work on that level of interactions with affiliates... And they may be doing it in a fairly controlled way so they don't offer it out to their whole affiliate base, they are only offering it out to affiliates, but they do recognize that they might have ten really key relationships and it's about how do we solidify and improve those relationships and all the different ways that we can maybe reward those affiliates to kind of continue being almost like a brand ambassador and a brand partner as well as a sales partner.

Researcher: Sorry, this post impression cookie, what does it allow you to do?

NW23: So we would record impressions and we would record clicks but would not record sales that come from impressions, where somebody hasn't clicked on the banner... Somebody would have to click on the banner and then obviously it becomes a click key and then we would record the cookie. However if one of our advertiser decided: 'well, I want this affiliate to feature my ad in a banner on top of their home page and we are happy to pay out on post impression sales, then if somebody... if that banner was served up and somebody doing click on the banner it would actually still serve an impression ... sorry, still serve a click ... sorry still serve a cookie that we could then pay out on, if that cookie wasn't overridden. The important thing for us is to ensure that there is a cookie hierarchy in place because it is a softer action, because somebody has not even necessarily seen the impression, if there is a click through cookie in place already then it couldn't override that click. Click is a harder action that always overrides an impression cookie.

Researcher: Ok, thank you. Does affiliate marketing in any way help SEO, does it at all have anything to do with search engine optimisation?

NW23: My understanding is that the links don't, not really my field of expertise, but my understanding is that it doesn't really and an affiliate should not really embark on a kind of link exercise in order to do that because they are kind of... I don't think that it would necessarily have a negative impact, but I don't think it's kind of neutral in that aspect, but having said that we obviously work with a number of affiliates who are SEO specialists, who will be SEOing in any other ways.

Researcher: All right. If we look at the actual reporting or measurement of performance, do you ever get any complaints? And if you do, what would be the typical complaints or requests regarding performance measurements?

NW23: I think that the thing that we are challenged most on are incremental sales because there has been this shift towards incentives traffic. So cashback, voucher code, anything that



incentivizes the consumer, there is still this mindset that it is a customer that they would have gotten anyway and in that case if they have that perception, it is well, why should I pay an affiliate and therefore an affiliate network for that customer when there is a chance, a good chance that I would have gotten that customer anyway. So the incremental piece is the one which we are challenged with all the time and that is something that we continuously offer additional transparency on to demonstrate the value of the channel and if for a programme that has a really good range of affiliates, a really good base of affiliates, a really good long tail of affiliates... not overly reliant on one or two big affiliates, that becomes less of an issue. I think that ultimately what an advertiser is always looking for is have a really good mix of affiliates on their programme across a number of different sectors and feel that they have a good representation across all of the different channels that comprise affiliate marketing.

I think where we will be challenged, where these issues are is when that balance is not right, when there might be eighty percent of the affiliates sales are coming from cashback and voucher codes. The challenge the account manager has is to then try and diversify that affiliate base and it is not that we are conceding that those affiliate types don't add as much value, it's just that the part is considered to be a like a healthier thing to have a really good mix of affiliates on your programme, I guess. And some advertisers will control that, not very many, but some of the advertisers will choose not to work with voucher code sites and choose not to work with cashback sites and that could be for brand issues, it can be for incremental issues... I would say perceived rather than actual, but so obviously advertisers can control that. I would say that that's where the biggest challenge that we have in terms of demonstrating value.

The other one, which I think is often overlooked by people, is actually just how resource intensive and resource heavy running a good affiliate programme can be. I think that there is still generally a perception that running an affiliate programme is you put tracking on your site, you launch a programme and you make lots of sales, and you will probably make some sales, but you will obviously never optimise a campaign and ultimately you can invest, there is only so much resource you can invest in any one programme, but it will never be enough. There will always be more resource you can invest in a programme and it can always be relationships you can build better. And I think that that sets us apart from other channels really because there is no limit in the amount of resource you can invest. We have a team of four here that work on one of our campaigns and three that work on another one, and that is just one advertiser and they work full time on those accounts and even then they know that there is still a lot more work they can do. So I guess resource the affiliate mix and potentially I guess to a lesser degree reporting as well, the transparency that reporting can offer. We obviously offer a full range of automated reporting tools and reporting interface that people can access and advertisers and affiliates can access, but as I said earlier in the chat, there are... We do record a significant amount of additional data that we don't currently report on, but we could report. And we probably will report on extra and extra metrics...

Researcher: Do you not report this data because you are still trying to understand how to do it in a better....?

NW23: I don't think it is... it is partly to do with trends as well, so we have always... say we have always recorded the user agent so we can always see which browser a sale comes from, so we know that the sale can generate from someone using internet explorer or firefox or google chrome, but because we record that user agent we also know that they are coming... that sale comes from a mobile device or a tablet... and iPad or an iPhone or a Blackberry etc. and actually with the significant growth in mobile an advertiser is starting to generate sales through these

mobile devices. It makes sense for us to start reporting on that data, where typically in the past there haven't really necessarily been any desire to do that. So one of our upgrades to our reporting that hopefully will be coming some time this year that will be able to report on the user agent as well, so and then that starts to open up the possibility to... for us to run maybe some mobile specific campaigns where they automatically will have the ability and they will not be reliant on us saying... we can go and pull that data for you, but I need to go and speak to one of my development guys to then extract it from one of our big databases opposed to automatically getting it. So it is I suppose reacting to trends as well and throwing in new perimeters when they become important.

## **Appendix 4.5. Advantages and Disadvantages of Data Collection Using Questionnaires**

#### Appendix 4.5. Advantages and Disadvantages of Data Collection Using Questionnaires

Advantages of data collection using questionnaires	Disadvantages of data collection using questionnaires
<p>Questionnaires:</p> <ul style="list-style-type: none"> <li>• Are effective in systematically collecting info from a large sample (Altinay &amp; Paraskevas, 2008);</li> <li>• Are low cost;</li> <li>• Pose little difficulty of access (Gill &amp; Johnson, 1997);</li> <li>• Involve less obvious likelihood of researcher's presence influencing the reply or the behaviour of the people (Gill &amp; Johnson, 1997);</li> <li>• Provide objective data (Gill &amp; Johnson, 1997);</li> <li>• Enable statistical analysis (Gill &amp; Johnson, 1997).</li> </ul>	<p>Questionnaires:</p> <ul style="list-style-type: none"> <li>• May include biases (Altinay &amp; Paraskevas, 2008);</li> <li>• May be poorly designed (Saunders <i>et al.</i>, 2007);</li> <li>• May lead to unexpected irrelevant results from the foolproof questions (Saunders <i>et al.</i>, 2007);</li> <li>• May involve difficulties of getting people to answer them (Saunders <i>et al.</i>, 2007);</li> <li>• Do not provide any insights or meaningful information (Saunders <i>et al.</i>, 2007);</li> <li>• May contain a big number of invalid answers which may reduce the number of usable questionnaires (Saunders <i>et al.</i>, 2007);</li> <li>• Can not be a sole source of data (Saunders <i>et al.</i>, 2007);</li> <li>• May arise a need for further inquiry (Saunders <i>et al.</i>, 2007);</li> <li>• May pose challenges regarding validity (Saunders <i>et al.</i>, 2007);</li> <li>• May be irrelevance or inaccurate (Zikmund, 2000);</li> <li>• May include leading and loaded questions, as well as too general, double barreled questions (Zikmund, 2000);</li> <li>• May introduce order bias (Zikmund, 2000).</li> </ul>

## **Appendix 4.6. Questionnaire**

## Affiliate Marketing Performance Measurement - Questionnaire

This questionnaire is a part of a PhD research, undertaken at Oxford Brookes University. The questionnaire aims to clarify the scope of affiliate marketing measurement practices, to investigate the factors that influence the success of affiliate marketing, and to identify the metrics that are used to assess affiliate marketing performance. If you are involved in the measurement process(es) or feel that you can contribute to the outlined questions, please fill in the online version of the questionnaire; or print this questionnaire, fill it in and return it directly to me by post or email. All information you provide will be treated as strictly confidential and will be used for academic purposes only. The questionnaires are anonymous; therefore, you do not need to provide your personal details. Thank you for agreeing to participate in this research.

Anastasia Mariussen  
PhD researcher  
Faculty of Business  
Oxford Brookes University  
Headington Campus  
Gipsy Lane, OX3 0BP, Oxford  
Tel: +44(0) 1865 483858  
Fax: +44(0) 1865 483878  
E-mail: [amariussen@brookes.ac.uk](mailto:amariussen@brookes.ac.uk)

### Part I. About you

1. Which department do you work in?

☐<sub>1</sub> Sales

☐<sub>2</sub> Marketing

☐<sub>3</sub> IT

☐<sub>4</sub> Finance

☐<sub>5</sub> Distribution

☐<sub>6</sub> Other (*Please specify*): \_\_\_\_\_

2. How long have you worked for your current employee (*Please specify*)?

\_\_\_\_\_

3. Are you involved in the measurement of affiliate marketing performance?

☐<sub>1</sub> Yes

☐<sub>2</sub> No (*If no, please proceed to question 5*)

4. What is your role in the process of measuring affiliate marketing performance (*Please specify*)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Part II. About affiliate marketing in your organisation

5. How long has your organisation worked with affiliate marketing?

- ☐<sub>1</sub> 0-1 yr
- ☐<sub>2</sub> 2-3 yrs
- ☐<sub>3</sub> 4-5 yrs
- ☐<sub>4</sub> 6+ yrs
- ☐<sub>5</sub> Not sure

6. Please indicate the role(s) that your organisation takes in the affiliate marketing relationship(s) (Please tick all that apply):

- ☐<sub>1</sub> Merchant/service provider – Our company distributes/advertises our products and/or services on the website(s) of our affiliate(s)
- ☐<sub>2</sub> Affiliate – Our company distributes the products and/or services of other companies on our website in return for a commission
- ☐<sub>3</sub> Affiliate marketing agency – We facilitate the relationships between merchants and affiliates (If you ticked this option, please proceed to question 8)
- ☐<sub>4</sub> Affiliate network – We provide the tracking technology and facilitate the relationships between merchants and affiliates (If you ticked this option, please proceed to question 8)
- ☐<sub>5</sub> Other (Please specify): \_\_\_\_\_

7. How is affiliate marketing managed in your organisation?

- ☐<sub>1</sub> In-house, our marketing managers work directly with affiliates/merchants
- ☐<sub>2</sub> Outsourced to intermediaries, we work with affiliate networks
- ☐<sub>3</sub> Outsourced to intermediaries, we work with affiliate marketing agencies
- ☐<sub>4</sub> Outsourced to intermediaries, we work with both affiliate networks and affiliate marketing agencies
- ☐<sub>5</sub> Other (Please specify): \_\_\_\_\_

8. How many merchants/affiliates/affiliate marketing agencies/affiliate networks do you work with? (Please indicate the number for all that apply): \_\_\_\_\_

9. How many affiliate marketing programmes is your organisation currently involved in (Please specify)? \_\_\_\_\_



### Part III. About performance measurement of affiliate marketing in your organisation

10. Which department in your organisation is responsible for measuring the performance of affiliate marketing programme(s)?

☐<sub>1</sub> Sales

☐<sub>2</sub> Marketing

☐<sub>3</sub> IT

☐<sub>4</sub> Finance

☐<sub>5</sub> Distribution

☐<sub>5</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

11. Do any of the above departments measure the performance of affiliate marketing programme(s) cooperatively?

☐<sub>1</sub> Yes

☐<sub>2</sub> No (*If no, please proceed to question 13*)

12. Which of the following departments work cooperatively to determine the effectiveness of affiliate marketing programme(s)?

☐<sub>1</sub> Sales

☐<sub>2</sub> Marketing

☐<sub>3</sub> IT

☐<sub>4</sub> Finance

☐<sub>5</sub> Distribution

☐<sub>5</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

13. The measurement of affiliate marketing performance in your organisation is undertaken:

☐<sub>1</sub> Daily

☐<sub>2</sub> Weekly

☐<sub>3</sub> Monthly

☐<sub>4</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

14. How satisfied are you with the performance measurement process(es) in your organisation?

☐<sub>1</sub> Very satisfied (*Please explain why*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

☐<sub>2</sub> Satisfied (*Please explain why*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

☐<sub>3</sub> Neither satisfied nor dissatisfied (*Please explain why*): \_\_\_\_\_

\_\_\_\_\_

☐<sub>4</sub> Dissatisfied (*Please explain why*): \_\_\_\_\_

☐<sub>5</sub> Very dissatisfied (*Please explain why*): \_\_\_\_\_

#### Part IV. Determinants of affiliate marketing performance

15. How strong or weak is the influence of each of the following items on the overall affiliate marketing performance?

	Very strong	Strong	Neutral	Weak	Very weak	No influence
Product/service attributes	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Marketing communications	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Affiliate type	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Commission type	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Merchant/affiliate website	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Affiliate marketing strategy	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Technology	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Affiliate management	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Personality and skill set of affiliate marketing manager(s)	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Usage of social media	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Research	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Product information	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Affiliate marketing ‘creatives’ and tools	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Affiliate/merchant recruitment	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Experimentation	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Seasonality	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Segmentation	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
SEO	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Link building	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Time and resource investment	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Knowing costs and margins	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Type of affiliate relationship (in-house vs. outsourced)	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Network type	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
Other ( <i>Please specify</i> ):						
	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>
	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>	<input type="checkbox"/> <sub>999</sub>

16. Do any of the influencing factors, outlined in question 15, determine which measures/metrics the organisation should adopt to evaluate the effectiveness of affiliate marketing?

☐<sub>1</sub> Yes, please explain: \_\_\_\_\_

☐<sub>2</sub> No

☐<sub>3</sub> Other (Please specify): \_\_\_\_\_

## Part V. Performance measures/metrics and their selection

17. What measures does your organisation use in the measurement of affiliate marketing performance (Please take your time and tick all you are aware of)?

- |  |   |  |  |
|--|---|--|--|
| <input type="checkbox"/> <sub>1</sub> appearance of marketing messages               | <input type="checkbox"/> <sub>2</sub> average number of page views after clicks | <input type="checkbox"/> <sub>3</sub> bounce rate                      | <input type="checkbox"/> <sub>4</sub> brand reputation                             |
| <input type="checkbox"/> <sub>5</sub> brand equity                                   | <input type="checkbox"/> <sub>6</sub> brand awareness                           | <input type="checkbox"/> <sub>7</sub> brand purchase intent            | <input type="checkbox"/> <sub>8</sub> calls  |
| <input type="checkbox"/> <sub>9</sub> check-ins                                      | <input type="checkbox"/> <sub>10</sub> clicks                                   | <input type="checkbox"/> <sub>11</sub> click-throughs                  | <input type="checkbox"/> <sub>12</sub> comments (eg. on blogs, social media sites) |
| <input type="checkbox"/> <sub>13</sub> consistency in delivery of marketing messages | <input type="checkbox"/> <sub>14</sub> conversion rate                          | <input type="checkbox"/> <sub>15</sub> cost                            | <input type="checkbox"/> <sub>16</sub> customer loyalty                            |
| <input type="checkbox"/> <sub>17</sub> customer complaints                           | <input type="checkbox"/> <sub>18</sub> customer satisfaction levels             | <input type="checkbox"/> <sub>19</sub> customer penetration            | <input type="checkbox"/> <sub>20</sub> downloads                                   |
| <input type="checkbox"/> <sub>21</sub> ECPM (earnings per 1000 impressions)          | <input type="checkbox"/> <sub>22</sub> emails                                   | <input type="checkbox"/> <sub>23</sub> enquires                        | <input type="checkbox"/> <sub>24</sub> fans  |
| <input type="checkbox"/> <sub>25</sub> followers (eg. on blogs, social media sites)  | <input type="checkbox"/> <sub>26</sub> friends of fans                          | <input type="checkbox"/> <sub>27</sub> hours of training               | <input type="checkbox"/> <sub>28</sub> invoiced sales                              |
| <input type="checkbox"/> <sub>29</sub> impressions                                   | <input type="checkbox"/> <sub>30</sub> last month's profit                      | <input type="checkbox"/> <sub>31</sub> leads                           | <input type="checkbox"/> <sub>32</sub> market share                                |
| <input type="checkbox"/> <sub>33</sub> number of sign-ups                            | <input type="checkbox"/> <sub>34</sub> number of accomplished specified actions | <input type="checkbox"/> <sub>35</sub> new customer registrations      | <input type="checkbox"/> <sub>36</sub> new affiliates employed                     |
| <input type="checkbox"/> <sub>37</sub> new customers                                 | <input type="checkbox"/> <sub>38</sub> new fans                                 | <input type="checkbox"/> <sub>39</sub> number of orders conversion     | <input type="checkbox"/> <sub>40</sub> post click                                  |
| <input type="checkbox"/> <sub>41</sub> popular landing pages                         | <input type="checkbox"/> <sub>42</sub> profit                                   | <input type="checkbox"/> <sub>43</sub> referring sites                 | <input type="checkbox"/> <sub>44</sub> revenue                                     |
| <input type="checkbox"/> <sub>45</sub> ROI   | <input type="checkbox"/> <sub>46</sub> sales                                    | <input type="checkbox"/> <sub>47</sub> stakeholder satisfaction        | <input type="checkbox"/> <sub>48</sub> time spent on the website                   |
| <input type="checkbox"/> <sub>49</sub> traffic                                       | <input type="checkbox"/> <sub>50</sub> visits                                   | <input type="checkbox"/> <sub>51</sub> % of new vs. existing customers |  |
| <input type="checkbox"/> <sub>52</sub> Other (Please specify): _____                 |   |  |  |

18. How would you describe the performance measures you employ? *(Please tick all that apply)*

- |  |  |
|--|--|
| <input type="checkbox"/> <sub>1</sub> Financial                              | <input type="checkbox"/> <sub>2</sub> Non-financial    |
| <input type="checkbox"/> <sub>3</sub> Qualitative                            | <input type="checkbox"/> <sub>4</sub> Quantitative     |
| <input type="checkbox"/> <sub>5</sub> Subjective                             | <input type="checkbox"/> <sub>6</sub> Objective        |
| <input type="checkbox"/> <sub>7</sub> External                               | <input type="checkbox"/> <sub>8</sub> Internal         |
| <input type="checkbox"/> <sub>9</sub> Short-term                             | <input type="checkbox"/> <sub>10</sub> Long-term       |
| <input type="checkbox"/> <sub>11</sub> Backward-looking                      | <input type="checkbox"/> <sub>12</sub> Forward-looking |
| <input type="checkbox"/> <sub>13</sub> Other <i>(Please specify)</i> : _____ |  |
- 
- 

19. Which (if any) of the following items do you evaluate affiliate marketing performance against *(Please tick all that apply)*?

- ☐<sub>1</sub> Organisation's overall strategic objectives
  - ☐<sub>2</sub> Organisation's tactical objectives
  - ☐<sub>3</sub> Affiliate marketing-specific goals and objectives
  - ☐<sub>4</sub> Internal marketing plan
  - ☐<sub>5</sub> Performance figures over time
  - ☐<sub>6</sub> Amount of generated word-of-mouth
  - ☐<sub>7</sub> Organisation's financial performance
  - ☐<sub>8</sub> Customer satisfaction
  - ☐<sub>9</sub> Customer loyalty
  - ☐<sub>10</sub> Past performance
  - ☐<sub>11</sub> Competitors' performance
  - ☐<sub>12</sub> Incentives against results
  - ☐<sub>13</sub> Other *(Please specify)*: \_\_\_\_\_
- 
- 

20. The choice of appropriate performance measures depends on *(Please tick all that apply)*:

- ☐<sub>1</sub> the objectives that affiliate marketing sets to achieve
  - ☐<sub>2</sub> tools employed (eg. banners, pop-ups)
  - ☐<sub>3</sub> commission type chosen
  - ☐<sub>4</sub> predefined actions that affiliates are expected to achieve
  - ☐<sub>5</sub> media type (eg. social media, mass media)
  - ☐<sub>6</sub> tracking technology employed
  - ☐<sub>7</sub> Other *(Please specify)*: \_\_\_\_\_
- 
- 

21. What objectives does your organisation pursue when engaging in affiliate marketing?

- ☐<sub>1</sub> to generate revenue
- ☐<sub>2</sub> to increase brand exposure
- ☐<sub>3</sub> to improve brand recognition
- ☐<sub>4</sub> to enhance brand attitude
- ☐<sub>5</sub> to increase sales
- ☐<sub>6</sub> to drive traffic
- ☐<sub>7</sub> to increase conversions
- ☐<sub>8</sub> to receive registrations, customers
- ☐<sub>9</sub> to promote your website
- ☐<sub>10</sub> to acquire incoming links
- ☐<sub>11</sub> to improve SERP (search engine ranking)

- ☐<sub>12</sub> to get new fans
- ☐<sub>13</sub> to achieve specified predefined actions/results (*Please specify*): \_\_\_\_\_
- \_\_\_\_\_
- ☐<sub>14</sub> Other (*Please specify*): \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

22. Which measures/metrics does your organisation use to monitor whether the organisation has achieved the objectives you chose in question 21 (*Please specify*)?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

23. Which of the following tools does your organisation employ in affiliate marketing?

- ☐<sub>1</sub> Banners/banner ads
- ☐<sub>2</sub> Pop-ups
- ☐<sub>3</sub> Cross linking (exchange of links between the merchant and the affiliate(s))
- ☐<sub>4</sub> Search boxes (placing a search box on the site of the affiliate)
- ☐<sub>5</sub> webinars
- ☐<sub>6</sub> video
- ☐<sub>7</sub> text links
- ☐<sub>8</sub> social media
- ☐<sub>9</sub> data feeds
- ☐<sub>10</sub> blogging/article marketing
- ☐<sub>11</sub> written descriptions
- ☐<sub>12</sub> Other (*Please specify*): \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

24. Which measures/metrics does your organisation use to monitor the effectiveness of the tools you chose in question 23 (*Please specify*)?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

25. What type(s) of commission structures does your organisation work with (*Please tick all that apply*)?

- ☐<sub>1</sub> Pay-per-click/Click-through (commission is based on the number of generated clicks)
- ☐<sub>2</sub> Cost-per-thousand impressions/Cost-per-exposure/Cost-per-view (commission is based on every 1000 views of advertising)
- ☐<sub>3</sub> Pay-per-lead (commission is based on the amount of sign-ups or new customers acquired)
- ☐<sub>4</sub> Pay-per-sale/Pay-per-action/Pay-for-performance/Cost-per-activity (commission is based on the amount of sales, number of achieved pre-defined actions or activities)
- ☐<sub>5</sub> Time-per-period (commission is paid on a time basis)
- ☐<sub>6</sub> Percentage-of-sales (commission is based on the percentage of revenue generated)
- ☐<sub>7</sub> Fixed fee/Flat-rate fee (commission is fixed)
- ☐<sub>8</sub> Pay-per-call
- ☐<sub>9</sub> Pay-per-download
- ☐<sub>10</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

26. Does the commission type determine how you choose performance measures to evaluate the effectiveness of affiliate marketing?

☐<sub>1</sub> Yes (*Please give an example*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

☐<sub>2</sub> No

☐<sub>3</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

27. Does your organisation use any additional performance measures/metrics than those that are determined by the commission type?

☐<sub>1</sub> Yes (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

☐<sub>2</sub> No

☐<sub>3</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

28. Do you know of any appraisals in your organisation that are based on the performance of affiliate marketing?

☐<sub>1</sub> Yes (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

☐<sub>2</sub> No

☐<sub>3</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

29. Which channels/media does your organisation employ in the context of affiliate marketing?

☐<sub>1</sub> social media

☐<sub>2</sub> mobile

☐<sub>3</sub> email

☐<sub>4</sub> Other (*Please specify*): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

30. Which metrics does your organisation employ to evaluate the effectiveness of the channels/media you chose in question 29 (*Please specify*)?

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31. What type of tracking technology does your organisation rely on? (e.g., Omniture, Hitpath, affiliate network's tracking platform, affiliate agency's tracking platform, etc.) (*Please specify*)?

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32. How satisfied are you with the tracking platform you currently use:

☐<sub>1</sub> Very satisfied (*Please explain why*):

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---

---

☐<sub>2</sub> Satisfied (*Please explain why*):

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---

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☐<sub>3</sub> Neither satisfied nor dissatisfied (*Please explain why*):

---

---

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☐<sub>4</sub> Dissatisfied (*Please explain why*):

---

---

---

☐<sub>5</sub> Very dissatisfied (*Please explain why*):

---

---

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Thank you very much for your time and contribution!



## **Appendix 4.7. Memo Example**

## Interview 10 – Memo (observations, notes and comments)

There seems to be a link between overall corporate/marketing goals, AM goals, tools and commission AND metrics. There also seems to be a difference in measurement depending on between which department measures affiliate marketing performance.

### Similarities:

As some of the former interviewees, AD29 relies on 2 affiliate networks. They rely on the data from Commission Junction and Google Analytics.

Similar to AD7, AD29 wishes to improve SEO by means of affiliate marketing. No other respondents so far are doing it. Another goal AD29 has is to increase brand exposure, however, this one is not measured, as its measurement is complex.

Although they acknowledge that enabling conditions, such as the quality of marketing messages, play a major role in affiliate marketing performance, they do not check those things. They only check the quality of their affiliates, but it is a one-off check.

### Differences:

AD29 speaks about the process of measurement and reporting, and through that conversation, it becomes clear that only some information is shared with the finance department, as *“they are not interested”* in the rest. The respondent refers to their measurement as very financial, and agrees that the non-financial part is missing. Perhaps there is a link between what they are expected to produce (financial data) and what they are actually doing? So maybe the fact how much the departments work and what they measure also plays a role? In this case, for example, the finance department may be pushing the marketing department unwillingly to focus on the financial data. So maybe the internal organisation and the distribution of the responsibilities internally with regard to measurement also play a role in whether the attitude and perception of how affiliate marketing performance should be measured changes or not.

They would like to measure the branding side, but they don't see how this measurement could be made effective, as it takes time, it is qualitative and different. How can qualitative and quantitative measurement be integrated?

### Concepts:

1. Merchants
2. ANs (ANs' tasks; types)
3. Affiliates (Types of As; types of As in T&T).
4. Agencies
5. Different types of relationships (In-house vs through ANs relationships)
6. Organisation of the AM function and measurement of performance (tracking and reporting; Evaluation of performance; Comparing past performance with current performance for evaluation; Department that is responsible for AMPM [new])
7. Process of AMPM
8. Tracking options/systems (General analytic solutions; Tracking systems)
9. Satisfaction with the measurement
10. Why AM?
11. Issues/challenges in measurement (Dissatisfaction with currently established AM models)
12. Seeing the sources of traffic
13. CSF (Seasonality)
14. Setting targets
15. Metrics (Metrics selection [new])
16. Commission models
17. Tools/creatives

18. AM takes time
19. Frequency of reporting
20. Meaning of performance (What is performance for different stakeholders)
21. Myths in AM
22. AM and branding (AM and branding are different things; Brand awareness is a part of AM)
23. NSWBU (Useful principles)
24. Measurement is financial [new].
25. How to measure branding [new].
26. Metrics selection [new].
27. Determinants of AMP are not evaluated [new].

New categories: measurement is financial, how to measure branding, metrics selection, determinants of AMP are not evaluated.

### **Evolution of Questions (Theoretical sampling):**

1. What else on the M's site should be right to increase performance?
2. Is there anything else on As' websites that influences the success? What is it?
3. Are there any other reasons why AM is used? From different perspectives? [Answered in 10].
4. Can AM be used to improve SEO? [Answered in 10].
5. Who is a good A-te?
6. What other commission models are there? How are As paid?
7. What are the perceptions of different stakeholders on performance?
8. Who are the stakeholders?
9. Are there any other problems, challenges in AMPM? [Answered in 10].
10. How does Google impact AM?
11. Are there any other metrics? [Answered in 10].
12. What else influences AMP? [Answered in 10].
13. What are the tracking solutions that track full user journey? Is it possible? Desirable?
14. Why do merchants combine data from different sources? Why do Ms validate data? [Answered in 10].
15. Why do Ms use OPMs?
16. How should Ms use ANs? [Answered in 10].
17. AG2 said Ms don't care about branding, because they can get branding elsewhere. Where?
18. What other creatives are there?
19. Check hasoffers.com!
20. Are tracking platforms such as Linkshare an additional player in AM?
21. The fact that Ms and AGs do not see the sources of traffic or where their As get their traffic from, is this a problem? What are the consequences? [Answered in 10].
22. Why should Ms use several different ANs? [Answered in 10].
23. Are all AGs similar in what they offer?
24. How to measure brand awareness? [Answered in 10].
25. What should be the process of AMPM? [Answered in 10].
26. Are there any other types of AM?
27. What is the Affiliate marketing mix? And how to get it right?
28. Is it true that AM is only capable of bringing customers looking for low cost?
29. Somebody told me that a post click conversion is a good metric, while post impression conversion isn't. Why?
30. What departments typically have the responsibility for AMPM? Do any departments cooperate? [new].
31. What are the consequences of not evaluating the determinants of AMP (e.g. quality of messages, quality of As)? [new].

## **Appendix 4.8. Publications Based on the Findings of the Thesis**

## **Appendix 4.9. Example of Information Sheet**

March, 2011



## **Project Title: Affiliate Marketing Performance in Tourism and Hospitality**

I would like to invite you to participate in second stage of the project, investigating the measurement of affiliate marketing performance, and to take part in a face-to-face interview. Before you decide whether or not to take part, it is important for you to understand why the research is being undertaken and what it will involve. Please take time to read the following information carefully, and do contact me for further details.

### **Purpose of the Study**

Affiliate marketing is defined as a commission-based online partnership, including three major stakeholder groups: merchants, seeking to reach their target audiences online; affiliates, providing traffic to merchants; and intermediary agencies, facilitating exchanges between merchants and affiliates. Despite of the benefits, the measurement of affiliate marketing is complex. This study aims to develop a theory of affiliate marketing performance measurement in tourism and hospitality, and to explore a shift in affiliate marketing measurement practices. In particular, during the first stage of the project, the research generated the initial understanding of the existing approaches to the measurement of affiliate marketing performance. During this second stage of the project, the research intends to further investigate the measurement processes through face-to-face semi-structured interviews.

### **Why have you been invited to participate?**

You have been invited to participate in an interview, because your experience in affiliate marketing is particularly relevant to this study. Your opinion and views on the performance measurement in the context of affiliate marketing will bring valuable insights, necessary for the subsequent development of the model for the measurement of affiliate marketing performance.

### **Do you have to take part?**

Your participation in the research is entirely voluntary. It is up to you to decide whether or not to take part. If you decide to take part you are still free to withdraw at any time and without giving a reason.

### **What will happen to you if you take part?**

If you decide to take part, please express your interest to the email address, provided below, or by telephone. I will, thereafter, contact you to agree on the mutually convenient time and venue for the interview. The interview will last for approximately 30 minutes to 1 hour. With your consent, the interview will be audio-recorded and transcribed. Within 48 hours after the interview, the summary of the findings will be sent to you for final approval and/or amendments.

It is anticipated that the participants will not suffer any physical, psychological, social, legal or economic risks, as the topic is regarded to be non-controversial. All of the collected data will be used for academic purposes only. The findings of the interviews will inform the final stage of my research and will be employed to develop and finalise the model for the measurement of affiliate marketing performance.

### **Possible benefits of taking part**

During the research, you will receive an opportunity to reflect on various issues related to the measurement of affiliate marketing performance. The interview will generate new ideas and create general awareness of the possible approaches to measurement in affiliate marketing. On the completion of the research, the summary of the findings will be available via email.

The overall contribution of the study is expected to be of value to both academic and practitioner communities. The theoretical contribution will involve the enhancement of the body of knowledge on affiliate marketing and the measurement of affiliate marketing performance. The practical contribution will encompass the exploration of a potential shift in affiliate marketing measurement practices.

**Confidentiality and ethics**

All information you provide will be treated as strictly confidential and will be the subject to legal limitations. All interviews will be anonymised, and you will not be identified in the research. The data and codes will only be available to the researcher and the supervisory team and will be kept securely in paper and electronic form for the period of five to ten years after the completion of the research, after which it will be destroyed. The data generated in the course of the research will be retained in accordance with the University's policy of Academic Integrity.

**What should you do if you want to take part?**

If you decide to participate, please express your interest to the email address, provided below, or by telephone. We will, thereafter, agree on the mutually convenient time and venue for the interview.

**The results of the research study**

The results of the interviews will contribute towards the development and finalizing of the model for the measurement of affiliate marketing performance, and will be referred to in the final doctoral dissertation. Additionally, the results may be used in work-in-progress papers that will be submitted to academic and/or practitioner conferences and subsequently to academic and practitioner journals.

**Who is organising and funding the research?**

The research is being conducted by Anastasia Mariussen, who is currently enrolled as a studentship PhD student at the Department of Hospitality, Leisure and Tourism Management, Business School, Oxford Brookes University. The studentship is funded by Oxford Brookes University and lasts for the period of three years (2009-2012). The research is under the supervisory team of David Bowie ([decbowie@brookes.ac.uk](mailto:decbowie@brookes.ac.uk), tel.: 01865 48389) and Alexandros Paraskevas ([aparaskevas@brookes.ac.uk](mailto:aparaskevas@brookes.ac.uk), tel.: 01865 483835).

**Who has reviewed the study?**

This research has been approved by the University Research Ethics Committee, Oxford Brookes University. If you have any concerns about the way in which the study has been conducted, please contact the Chair of the University Research Ethics Committee on [ethics@brookes.ac.uk](mailto:ethics@brookes.ac.uk).

**Contact for Further Information**

Should you require any further information regarding any aspect of this project, please contact me directly at this address:

Anastasia Mariussen	
Dep. of Hospitality, Leisure and Tourism Management	
Business School	
Oxford Brookes University	Tel: +44(0) 1865 483858
Headington Campus	Fax: +44(0) 1865 483878
Gipsy Lane, OX3 0BP, Oxford	E-mail: <a href="mailto:amariussen@brookes.ac.uk">amariussen@brookes.ac.uk</a>

**Thank you for taking time to read the information sheet and considering the possibility of taking part in this research.**

**Date** 07/03/2011



## **Appendix 4.10. Consent Form**

## CONSENT FORM

### Full title of Research Project:

A Grounded Theory of Affiliate Marketing Performance Measurement in Tourism and Hospitality

### Name, position and contact address of Researcher:

Anastasia Mariussen  
PhD research student  
Department of Hospitality, Leisure and Tourism Management  
Business School  
Oxford Brookes University  
Headington Campus  
Gipsy Lane, OX3 0BP, Oxford

Tel: +44(0) 1865 483858  
Fax: +44(0) 1865 483878  
E-mail: amariussen@brookes.ac.uk

### Please initial box

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.
3. I agree to take part in the above study.

☐☐☐

### Please tick box

4. I agree to the use of anonymised quotes in publications.
5. I agree that my data gathered in this study may be stored (after it has been anonymised) in a specialist data centre and may be used for future research.
6. I agree for this interview to be audio recorded.

**Yes**

**No**

☐☐☐☐☐☐

\_\_\_\_\_  
Name of Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Researcher

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

## **Appendix 5.1. Affiliate Marketing Objectives**

### Appendix 5.1. Affiliate Marketing Objectives (Interview findings)

Merchants	Affiliates	Networks	Agencies
<p>"Affiliate marketing is one new <b>traffic</b> source and also <b>revenue</b> source ... I was planning to start my affiliate marketing programmes to improve my <b>SEO</b>, to get incoming links to promote our products" (AD7).</p> <p>"Affiliate marketing is really important for online companies because of <b>word of mouth</b>" (AD9).</p> <p>"One of the major goals for us is everything related to <b>SEO</b> and also to generate <b>revenue</b> and increase <b>brand exposure</b>" (AD29).</p> <p>"The goal for us is pure <b>transactions</b>, actually more transactions than traffic" (AD/PB35).</p> <p>"We use affiliate marketing to drive <b>sales</b> and <b>traffic</b>, and then we use it for general <b>brand advocacy</b> as well" (AD/PB12).</p> <p>"Affiliate marketing is a <b>revenue</b> generator, it doesn't do branding. We only look for results, <b>traffic, ROI</b>" (AD/PB38).</p> <p>"It is <b>sales</b> and <b>brand awareness</b>. We just want to put it out there that here we are" (AD32).</p> <p>"[the goals is] ... to get <b>more users</b> and keep <b>ROI</b> ... Affiliate marketing contributes to your <b>brand</b> and it can contribute in a positive way or in a negative way" (AD20).</p> <p>"...to be well-known, to get <b>traffic</b>, to get more <b>conversions</b>, to increase net <b>profit</b>, to <b>promote</b>, to get better <b>exposure</b>..." (AD/PB24).</p> <p>"For us it's all about increasing <b>sales</b> and <b>revenue</b> and <b>profit</b>" (AD/PB25).</p>	<p>"From an affiliate point of view, what we are interested in is as many <b>sales</b> as possible, not many affiliates are interested in if they are <b>adding value</b> to the client merchant, but I actually am one of them. However, an average sort of affiliate just wants sales." (PB36)</p> <p>"Everybody wants to have <b>sales</b> and make <b>money</b>, but also to build <b>trust</b> first, especially if you are blog affiliate, because customers don't buy immediately. <b>Add value</b>, build trust, because once they trust, they will start buying the products you recommend." (PB31).</p>	<p>"Nothing makes sense for me if you are not generating <b>revenue</b>. Perhaps in the future, affiliate marketing may be used to generate attention, but not now." (NW5).</p> <p>"They are trying to improve traffic, increase their <b>sales</b> and <b>branding</b> on the Internet" (NW26).</p> <p>"Primary and most common goal is <b>sales, volume</b>, to find and sell to a particular type of customer" (NW30).</p> <p>"It's been a cost per acquisition channel. It always used to be a <b>volume</b> game. People knew they could get a number of <b>sales</b>. But there has been a shift from purely looking at volume to also looking at <b>value</b> as well, everything that sits behind a sale" (NW23).</p>	<p>"I am primarily looking for publishers to get me <b>traffic</b> and to get more <b>sales</b>" (AG3).</p> <p>"The benefits of having the programme are you have a <b>sales force</b> of publishers out there that represent a <b>brand</b> on a performance basis" (AG10).</p> <p>"Affiliate marketing helps expand <b>reach</b>, generates <b>new business</b>, drives more <b>revenue</b>" (AG34).</p> <p>"<b>Brand awareness</b> is a part of it, but you can't really quantify it easily online" (AG2).</p>

Merchants	Affiliates	Networks	Agencies
<p>"It's to increase <b>reach</b>, to get traffic, but also for <b>branding reasons</b>" (AD/PB16).</p> <p>"Affiliates are your external <b>sales</b> force. They are <b>brand</b> ambassadors for the company, who help <b>reach</b> wider audience" (AD/PB22).</p> <p>"With large affiliates the goal is to generate good <b>volumes</b>; with small affiliates - to generate volumes, but also it's for the <b>branding</b> aspect" (AD14).</p> <p>"The main purpose is to maintain strong levels of <b>traffic</b> and a good number of <b>visitors</b> to our site" (AD/PB13).</p> <p>"We want to engage with <b>new customers</b> and generate profitable <b>sales</b>. So I think it's more about <b>reach</b>, also <b>branding</b>, but it depends on the type of the affiliates" (AD/PB21).</p> <p>"The major goal for our programme is to increase <b>traffic</b> to our website. That is number one. I guess there is also a <b>branding</b> and <b>awareness</b> element to the programme as well... The programme is really about driving profitable volume to our site" (AD/PB28).</p> <p>"Goals are the same, everybody wants to have <b>sales</b> and make <b>money</b>" (AD/PB18).</p> <p>"[goals are] ... <b>market penetration</b>, <b>brand</b> promotion, <b>incrementality</b>. From a merchant perspective, they might be wanting to tap into a <b>new market</b> or they might be wanting to take on their competitors" (AD/PB15).</p>	-	<p>"First thing is to drive <b>sales</b>, because affiliate marketing is a performance based advertising channel, so the goal is very much to add more sales, it's <b>not</b> really to drive <b>branding</b>" (NW11).</p> <p>"...<b>sales</b>. Affiliate marketing is not the first thing you do. In the cycle: once you have more traffic, when people know who you are, that's where you start affiliate marketing" (NW33).</p> <p>All of them want <b>money</b>... and then you have a company website or blog which are from different company or famous people... that does not want money. What they like is to dress their website with good brands and to be associated with that <b>brand</b>." (NW6).</p> <p>"Merchant want to drive <b>traffic</b>, <b>sales</b>, not having to think of the payment. Affiliates want high <b>commissions</b> and promptly <b>payments</b>" (NW37).</p>	

## **Appendix 6.1. Stakeholders' Perspectives on Performance**

## Appendix 6.1. Stakeholders' Perceptions on What Constitutes Performance Performance for Merchants as Perceived by Different Stakeholder Groups

Merchants	Affiliates	Networks	Agencies
<p>"My main interest is as much <b>volume</b> as possible at the right cost, because my <b>return on investment</b> keeps stable then" (AD20).</p> <p>"It's to increase <b>reach</b>, to get traffic, but also for <b>branding reasons</b>" (AD/PB16).</p> <p>"For us it's all about increasing our <b>sales</b> and <b>revenue</b> and <b>profit</b>" (AD/PB25).</p> <p>"<b>Brand awareness</b>. It's not just about money, but we just want to put it out there that here we are, we exist!" (AD32).</p> <p>"What merchants are looking for through affiliates is <b>profitable incremental growth</b>, so they are not taking from another source, but looking for additional volume that isn't available by any other means" (AD28).</p>	<p>"Some merchants care more about the <b>consumer</b> they are sending through and other don't do that, other just care about the <b>sales volumes</b>... Sometimes merchants use <b>affiliate marketing</b> to <b>push their competitors</b> out of the way or doing it because their competitors are doing it..." (PB36).</p>	<p>"They want mostly their <b>brand</b> to be shown, they want <b>exposure</b> in all kinds of websites" (NW/M6).</p> <p>"The advertisers are just looking at my <b>sales</b> increasing whilst being mindful of the other channels to make sure that it is genuinely <b>incremental increase</b>" (NW26).</p> <p>"Where the <b>traffic</b> has come from, when the customer transacts, what <b>kind of customer</b> that is, what they are buying, how much they are spending... there has been a shift certainly with engaged advertisers, I think that's what they are looking for" (NW23).</p> <p>"The goal of the merchant is very much to add more <b>sales</b> in their portfolio, it is <b>not</b> really to drive <b>branding</b> and that kind of thing" (NW11).</p>	<p>"I would say most companies are focused on <b>revenue</b>. They <b>don't care about branding</b>. They look at their affiliate programme as their revenue channel" (AG2).</p> <p>"The benefits of having the programme [for advertisers] are you have a <b>sales force</b> of publishers out there that represent a brand on a performance basis" (AG10).</p> <p>"Advertisers' objectives are to expand their <b>reach</b>, get new business, drive more <b>revenue</b>" (AG34).</p>

## Performance for Affiliates as Perceived by Different Stakeholder Groups

Merchants	Affiliates	Networks	Agencies
<p>"A lot of affiliates are very <b>money</b> oriented, money driven. It is all about <b>ROI</b> for them" (AD/PB13).</p> <p>"For affiliates the performance is only <b>what is happening on their website</b> and <b>what they send through</b> to us" (AD/PB35).</p> <p>"It is always about <b>profit</b> at the end of the day" (AD/PB21).</p> <p>"As an affiliate you want obviously to</p>	<p>"From an affiliate point of view, what we are interested in is as many <b>sales</b> as possible. not many affiliates are interested in if they are <b>adding value</b> to the client merchant, but I actually am one of them. However, an average sort of affiliate just wants sales." (PB36)</p> <p>"Everybody wants to have <b>sales</b> and make <b>money</b>, but also to build <b>trust</b> first, especially if you are blog affiliate, because customers don't buy</p>	<p>"From an affiliate perspective, what they are really looking for is what are my <b>earnings</b> per click, how well clicks convert, what is the average basket... so affiliates are looking for <b>sales</b>" (NW26).</p> <p>"All of them [affiliates] want <b>money</b>... and then you have a company website or blog which are from different company or famous people... that does not want money. What they like is to dress their website with good brands and to be</p>	<p>"Main aims for affiliates are "how to get traffic to their website, to optimise their website for search engines. It's about <b>money, commission, sales</b>." (AG2).</p>



Merchants	Affiliates	Networks	Agencies
<p>maximise the <b>income</b> that you are making of your site.” (AD28).</p> <p>“Affiliates don’t care so much about which products are sold, they care about <b>commission</b>” (AD18).</p>	<p>immediately. <b>Add value</b>, build trust, because once they trust, they will start buying the products you recommend.” (PB31).</p>	<p>associated with that <b>brand</b>.” (NW6).</p> <p>“For 90% of affiliates it is getting some <b>traffic</b> and monetising that traffic. More and more you get affiliates entering the market with the sole aim of making <b>money</b> of the site they build.” (NW11).</p>	

### Performance for Affiliate Networks as Perceived by Different Stakeholder Groups

Merchants	Affiliates	Networks	Agencies
<p>“The networks’ interest is to get as much <b>commission</b> as they can from you as a merchant” (AD20).</p>	<p>“For a network’s point of view, they want to make as much [<b>money</b>] out of it as possible and they want to do it in a way that means that their client can hang around” (PB36).</p>	<p>“Nothing makes sense for me if you are not generating <b>revenue</b>. Perhaps in the future, affiliate marketing may be used to generate attention, but not now.” (NW5).</p>	<p>“The networks are making money just by facilitating the whole thing, they care in a sense of how much <b>money</b> they are making” (AG2).</p>

### Performance for Agencies as Perceived by Different Stakeholder Groups

Merchants	Affiliates	Networks	Agencies
<p>“An agency’s interest is to get as much <b>commission</b> as they can from you as a merchant” (AD20).</p>	<p>“What agencies want is just <b>money</b>” (PB36).</p>	<p>Affiliate agencies offer a holistic overview of all merchant’s online channels for a <b>fee</b> (NW26).</p>	<p>“Traffic is <b>sales</b>. Every time there is a lead, that’s where you get paid, if it allows for that type of traffic for one offer, we <b>don’t care [where it comes from]</b>” (AG3).</p> <p>“We charge [<b>money</b>] for our services, so if there is a demand for it, we are obviously able to offer it” (AG10).</p> <p>“By actually managing the programme, the goal is to increase <b>sales</b>” (AG2).</p>