AFFILIATE MARKETING OPTIMISATION IN HOSPITALITY AND TOURISM: A MULTIPLE STAKEHOLDER PERSPECTIVE

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ABSTRACT

This article discusses the enabling conditions that may allow hospitality and tourism businesses, and their affiliate stakeholders, to optimise and exploit affiliate marketing to its fuller potential, and proposes an affiliate marketing optimisation framework. The empirical findings are generated from an in-depth analysis of 72 online discussions from affiliate forums; and 38 interviews with the representatives of four major stakeholder groups from the hospitality and tourism industries - merchants, affiliates, affiliate agencies and affiliate networks. The paper furthers the emerging conceptualisation of the affiliate marketing construct, and provides practical recommendations on optimising the affiliate channel.

Key Words: affiliate marketing, optimisation, hospitality, tourism, stakeholder perspective.

INTRODUCTION

Affiliate marketing has constituted one of the preferred marketing options by the hospitality and tourism industry (Daniele et al. 2009), and predates the emergence of the Internet (Buhalis, 2001; Crotts et al. 2000). Affiliate marketing is now widely associated with web-based practice, whereby two independent parties – merchants (e.g., hotels, airlines and attractions) and affiliates (e.g., price comparison sites, voucher codes sites, recommendation engines) – form an online partnership. In this partnership, affiliates are commissioned for the referral of customers to the merchant and for the promotion of the merchant’s goods through additional distribution outlets (Bandyopadhyay et al. 2009; Chaffey et al. 2006). The affiliation between the merchants and affiliates may be direct or through a third party – an affiliate network. The primary role of the affiliate network is to facilitate the affiliate-merchant relationship by providing technical support to both players and by tracking their performance. For example, Best Western Hotels are affiliated with Laterooms.com; and the affiliation is facilitated by the affiliate network, Commission Junction, which carries the responsibility for the provision of the tracking platform, monitoring results, invoicing and payouts to affiliates.

Since its inception, affiliate marketing has been associated with fraud and intrusive mass-advertising (Del Franco and Miller, 2003; Fox and Wareham, 2007); and despite the increasing evidence that demonstrates the channel’s potential (Daniele et al. 2009; Figg, 2005), affiliate marketing continues to be perceived as a value-destroying distribution channel, more suitable for mass-market products (Duffy, 2005). Indeed, without appropriate channel management, affiliate marketing may turn into a costly and brand-damaging exercise (Mariussen et al. 2010). However, if executed correctly, affiliate marketing can offer additional distribution outlets, via an effective low-cost sales force, and can enhance brand strength through appropriate exposure (Goldschmidt et al. 2003; Helmstetter and Metivier, 2000). Adopting a multiple stakeholder perspective, this article aims to identify the enabling conditions that may allow hospitality/tourism businesses and their affiliates to exploit affiliate marketing to its fuller potential, and to develop an affiliate marketing optimisation framework.
Affiliate marketing has yet to be clearly defined from a theoretical perspective (Fox and Wareham, 2007), and few previous studies have engaged in the subject (e.g., Duffy, 2005; Mariussen et al. 2010). Therefore, this study adopts a grounded theory methodology (Corbin and Strauss, 2008). It conceptualises data from online affiliate marketing discussion forums and interviews with hospitality and tourism affiliate marketing stakeholders.

In the following section, the paper outlines the methodology adopted in this study, discusses the findings and proposes a generated affiliate marketing optimisation framework.

**METHODOLOGY**

The research methodology adopted in this study is based on the grounded theory approach, proposed by Corbin and Strauss (2008). The rationale for the launch of grounded theory is based on two main premises - the evident lack of earlier research on affiliates marketing and the motivation to develop close-to-reality and practically useful framework from the data. Grounded theory, as suggested by Corbin and Strauss (2008), is a methodology for theory development, construct generation and/or provision of “thick” descriptions. This study develops a “thick” description of the affiliate marketing optimisation framework for the hospitality and tourism industry.

To generate the “thick” description, the study divided the process of data collection and analysis into two stages. Due to the lack of previous research, the main objective of the first stage was to generate the initial understanding of current affiliate marketing practices, to identify participating stakeholders and the determinants of affiliate marketing performance, as well to pilot and refine the research instrument, which was informed by a review of affiliate marketing literature. To achieve this objective, stage one employed two methods for data collection and involved 9 preliminary interviews with merchants, networks and affiliate agencies and an in-depth qualitative analysis of 72 online forum discussions - 65 were existing discussions and 7 were initiated by the researchers. For the first method, the potential interview participants were recruited at various practitioner conferences and through the existing networks

The second stage of data collection encompassed 29 semi-structured interviews with all major affiliate marketing stakeholders (merchants, affiliates, affiliate agencies, affiliate networks) from the hospitality and tourism industries. The interviews explored the enabling conditions in affiliate marketing in greater depth. The recruitment of the participants for this stage was based on the purposive sampling technique and similarly occurred at conferences, through the existing contacts of the researchers and via affiliate marketing groups on LinkedIn. This time the interviewees comprised 6 merchants-only; 2 affiliates-only; 12 merchants/affiliates; 6 networks; 2 agencies; and 1 tracking provider. The entire data collection process lasted between May and November 2012. The duration of interviews ranged between 11 and 63 minutes. 33 interviews were recorded and later transcribed verbatim; while for the remaining 5 detailed field notes were taken during the interview.

The initial areas of interest that informed the initial topic guide focused on two broad themes – the identification of existing stakeholders in affiliate marketing and the determinants of affiliate marketing performance. However, as the data collection and analysis continued new themes emerged (e.g., the organisation of the affiliate marketing function, planning, implementation and evaluation) and, by means of theoretical sampling, the questions in the topic guide were constantly refined. The researchers made active use of constant comparisons (comparing incident with incident), memo writing, and iterative micro and more general macro analysis during the analytical process (Corbin and Strauss, 2008). In particular, the researchers coded each interview transcript and online discussion line-by-line (open coding), examined them for new...
concepts and particular micro and macro contexts, and compared them against other field notes. Through this examination, the researchers systematically recorded memos to keep track of the analysis. The first grouping of the concepts into broader categories (axial coding) occurred after the third interview; whereas new questions (theoretical sampling) were collated after the first interview. The data collection process and analysis continued until no new insights seemed to emerge, which in grounded theory terms implied that the research reached its saturation point (Corbin and Strauss, 2008).

**FINDINGS AND DISCUSSION**

The following “superior” categories emerged from the data analysis: Affiliate marketing stakeholders; Enabling conditions in affiliate marketing; and the processes of Research, Planning, Implementation and Evaluation.

**Affiliate marketing stakeholders**  The first superior category concerns affiliate marketing stakeholders, whose interrelationships are presented in Figure 1. As per visualisation, four major stakeholder groups (as opposed to three in the literature, e.g., Duffy, 2005) are identifiable in the affiliate relationships. These groups include merchants, affiliates, and intermediary affiliate networks and digital agencies, responsible for tracking affiliate performance online and making sense of the obtained data. Within this categorisation, the same stakeholder may hold several roles simultaneously. For example, there are only 9 pure merchants in the sample; whereas there are 12 merchants-affiliates. The merchants-only group consists of principal service providers, such as hotels and car rental companies; while all merchant-affiliate participants encompass larger online travel and tourism operators - for example tour operators, travel agents and price comparison sites. The findings show that affiliates may be differentiated by size and methods of acquiring traffic. In terms of size, there is a significant difference between small and super affiliates (also called partners). As to methods of obtaining traffic, there are differences between price comparison sites, content-based sites (e.g., communities, hobbyists, bloggers), voucher code sites, cash back, incentivator sites (allowing consumers collect points for purchasing products), recommendation engines, email, Pay-per-click (PPC) and search affiliates. The affiliate networks in this study play similar roles with the primary differences being size and operation in different geographical areas. Apart from these stakeholders, digital agencies or Outsourced Programme Managers (OPMs), offering affiliate marketing management and advice as well as managing other online channels, have emerged as an important player in affiliate marketing. The appearance of these agencies was previously predicted by former studies (Mariussen et al. 2010), and now confirmed by the present research.

**Enabling conditions in affiliate marketing**  The list of identified enabling conditions in affiliate marketing is extensive. The ordering of data into the enablers as perceived by various stakeholder groups and the identification of the top four conditions in each group reveals 10 determinants for success; 6 of the determinants for success are the same for at least two stakeholder groups (see Table 1). The comparison of data across stakeholder types offers a number of findings.
First, the differences in top ranking enabling conditions between different stakeholders seem to be in line with the differing understanding of what constitutes good affiliate performance by the players. According to the data, the ultimate goal for all affiliated parties is increased earnings, larger customer volumes, and stable ROI and sales. Yet, most merchants and some affiliates, especially larger ones, also associate good performance with growth and brand strengthening. These associations are reflected in Table 1, where commissions do not score high among merchants and affiliates, but appear as one of the top enabling conditions for agencies and affiliate networks. While it appears natural that commissions are the key motivator for intermediaries, the fact that commission is not considered a deciding determinant of performance by affiliates is a meaningful finding. This finding contradicts the other players’ belief that affiliates are primarily motivated by payouts. In fact, commissions and incentives are only mentioned by 7 out of 14 affiliates as critical enablers in affiliate marketing. The implications of this finding are significant. Potentially, it means a 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 affiliate programmes need to be treated as equals.

<table>
<thead>
<tr>
<th>Top four enabling conditions</th>
<th>Merchants</th>
<th>Affiliates</th>
<th>Agencies</th>
<th>Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission and incentives</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Relationship building (e.g., contests, events, affiliate support)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Quality affiliates (converting traffic into sales)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Quality of offerings (products/services)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Merchant’s website (e.g., usability, appeal, convertibility)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Affiliate’s website (e.g., usability, appeal, convertibility)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Presence on social media</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Match between merchants and affiliates</td>
<td>X</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Marketing communications tools (e.g., videos, banners)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Technology (e.g., tracking systems)</td>
<td></td>
<td></td>
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<td>X</td>
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</tbody>
</table>

Another finding indicates that the core players – merchants and affiliates – strongly believe in the development of close individual relationships between the partners as a key influencer on success. According to the data, these relationships should be built on engagement, respect, open communication and cooperation. However, agencies and networks (with a few exceptions) do not treat relationship building between affiliates and merchants as significant. Some affiliate networks see such relationship development as a threat (by potentially losing their customers who may prefer to organise their own relationships directly) and consequently forbid direct affiliate-marketing contact. Nevertheless, in spite of their strong financial interest in affiliate engagement and distinct commission-orientation, both intermediaries play a critical role in facilitating affiliate relationships. For example, to aid effective collaboration, affiliate networks ensure a good match between merchants’ and affiliates’ specialisation areas; and seek merchants and affiliates with good-quality, engaging websites that effectively convert visits into sales, provide good user experience and are easy to use.

The quality of affiliates and quality of offers (products, services) seem to constitute an important success factor from the point of view of merchants and agencies. Agencies also consider merchants’ websites to play a role in overall performance; whilst merchants focus on communications tools, such as videos, leads and banners, which should be continuously updated, correctly formatted and made available for download by affiliates. From the affiliates’ perspective, key factors are a quality website; a meaningful presence on social networking sites in order to generate quality traffic; and keeping up-to-date with technology, that enables accurate tracking, reliable verification processes and timely reporting.

Classifying conditions as internal and external provides another tool for analysis. Internal enabling conditions are conditions internal to the individual stakeholders’ organisations and controllable by the stakeholders. For example, internal determinants of success for merchants, outside the already mentioned top ranking enablers, are the type of adopted affiliate tracking technology (e.g., antifraud systems, reporting systems), commission size and structure, quality and type of affiliates, research and benchmarking (e.g., competitor analysis), and their website (e.g., its convertibility, user-friendliness and onsite optimisation). The internal enabling conditions, ensuring success of affiliates, are the amount of traffic they generate, presence on natural search engines and social media, paid search activities, extensive email database, knowledge of programming, SEO and HTML, and optimised website. The factors that agencies can control internally to succeed in affiliate marketing are their expertise in online marketing, proactive and long-term approach, effective affiliate management and ability to create appealing marketing materials. Finally, for networks,
internal enabling conditions consist of the type of affiliates they recruit, right customer-oriented personnel and robust tracking technology solutions. The external enabling conditions, in turn, involve the conditions that are outside the control of the individual stakeholders. The examples of such conditions are competition and Google’s changes of algorithms, both of which are able to disturb the affiliate marketing stakeholders and force them to adjust their activities accordingly.

**Research** Although ensuring enabling conditions are met is one of the most important influencing factors for success, affiliate marketing performance is also dependent on the repetitious and often concurrent processes of research, planning, implementation and evaluation of results. Ongoing research is central to optimisation, because evidence demonstrates that without research companies are unable to identify and create the necessary internal and external enabling conditions. For example, one of the hospitality merchants with an in-house team of one affiliate manager explained that the company withdrew from affiliate marketing because it brought the “wrong” type of clients (i.e., one-off and price-conscious) by the “wrong” type of affiliates (i.e., voucher code sites). Affiliate marketing, according to this interviewee, proved to be costly and brand damaging. Yet, a closer examination of the merchant’s strategy revealed that these disappointing outcomes could be due to the limited efforts used to engage with other types of affiliates (e.g., content sites) and unrealistic expectations to the amount of time and resources required for effective affiliate management. Effective research could have enabled a more positive outcome in this instance.

**Planning** As the analysis of findings shows, research should feed into the planning process, which should involve goal and objectives setting, identification of appropriate marketing communications tools, determination of commission and choice of metrics. Evidently, all these steps of the planning process affect affiliate marketing performance in a distinct and significant way. For example, formulation of goals (e.g., to generate revenue or to increase brand awareness) provides a direction for all affiliate marketing activities. Without such formulation, affiliate marketing may turn into a costly exercise (see example above). This direction should be agreed upon and formulated by all partners cooperatively; otherwise, the affiliated parties may find themselves working on the optimisation of different areas. The choice of tools should be aligned with the goals to support their successful achievement. Commissions too should be agreed by all partners, since they determine the level of affiliate, agency and network motivation. Metrics need to be directly linked to goals, tools and commissions, so as to ensure that the optimisation areas are continuously and correctly assessed and adjusted. Though the outlined recommendations are derived from the data, the empirical evidence shows that quite a few hospitality and tourism businesses operate relatively vague goals and engage in affiliate marketing only because competitors do so. In a number of cases, there is no evident collaboration with regard to joint goal-formulation between merchants and affiliates, and the communication is only one-way (from merchant to affiliate). Merchants decide on the tools, which they thereafter make available for download. The measurement of performance takes place through the specialised tracking platforms. And while affiliated parties typically rely on the same tracking provider, in some cases the tracking on the merchant and affiliate sides is facilitated through different platforms. The challenge with this, as several interviewees indicate, is that the discrepancies shown by the different tracking platforms can reach up to 20% and consequently highlight different areas for improvement. Furthermore, as one network exemplifies, collaborating merchants and affiliates are typically offered “tailored” interfaces, featuring different indicators – more commission-focused for affiliates, and more customer- and performance-oriented for merchants. The intention behind customised interfaces is to provide stakeholders with the most relevant information; yet, the unintended consequence is the provision of dissimilar basis for the potential decision-making, as to which aspects of the programme to optimise. Finally, the performance is too frequently measured by the “classical and standard” set of affiliate metrics, such as clicks, sales, leads and impressions, to mention a few. A considerable number of interviewed businesses blindly rely on such “standard” metrics, yet admit that at a closer look these metrics are neither aligned with the goals they set, nor capture the full impact of affiliate marketing.

**Implementation** Following planning, jointly conducted by the involved stakeholders, the affiliate programme should be implemented. According to the interviewees, however, no programme can be expected to deliver results without additional testing. Several respondents illustrate how they increased the efficiency and effectiveness of their campaigns by means of piloting and experimentation (e.g., in price, banners placement). Accordingly, testing and experimentation do not only allow businesses to check the accuracy and compliance with identified enabling conditions, but also enable necessary adjustments to the programme, subsequently optimising it to its fuller potential.

**Evaluation** Performance should be evaluated against the set targets and agreed performance criteria, which are first set during planning and then refined during implementation. This stage is critical for optimisation, as it reveals the results of undertaken activities, highlights areas for further improvement and feeds
into necessary enabling conditions, future planning and implementation, providing the basis for affiliate marketing optimisation.

Together, research, planning, implementation and evaluation represent stages of affiliate programme(s) realisation. As illustrated above, these stages are not separate or subsequent steps of affiliate marketing implementation, but are an iterative process of optimising affiliate marketing performance. Each stakeholder undergoes these processes individually, as each of them, in spite of cooperation with the other partners, is guided by the organisation’s agenda. However, evidence suggests that to improve 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, as 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 metrics and should be disseminated to all the involved parties. This process is visualised in the Affiliate Marketing Optimisation Framework in Figure 2.

Figure 2
Affiliate Marketing Optimisation Framework from a Multiple Stakeholder Perspective

The framework, built from the data, echoes marketing performance literature in that it offers both structural and step-by-step procedural optimisation recommendations (Folan and Browne, 2005); focuses on the process and not results only; suggests iterative, research-based and forward-looking optimisation (Haktanir, 2006); accounts for internal and external dimensions (Keegan et al. 1989); includes determinants of success (Neely et al. 1995); encourages alignment of goals, measures and strategy (Kaplan and Norton, 1992); and invites communication and continuous feedback between the involved stakeholders (Bititci et al. 1997). Unlike several previous marketing optimisation models (e.g., Sun et al. 2011), which primarily seek to optimise marketing efficiency (e.g., ROI), this framework provides recommendations for optimising marketing performance in its entirety. In other words, it provides a comprehensive framework for all the dimensions of marketing performance including marketing efficiency (i.e. relationships between inputs and outputs); effectiveness (i.e. ability to implement its goals within given environmental conditions); and adaptability (i.e. ability to adapt to the fluctuations in the environment) (Kerin and Peterson, 1998).

CONCLUSION

This study discusses the enabling conditions that may allow hospitality and tourism businesses, and their affiliate stakeholders, to optimise affiliate marketing to its fuller potential, and proposes an affiliate marketing optimisation framework. Following a grounded theory approach, this article adopts a multiple stakeholder perspective and generates the data from online affiliate marketing forum discussions and interviews.

As a result, the study makes theoretical and practical contributions. From a theoretical perspective, the paper constitutes one of the first articles in the nascent field of hospitality and tourism affiliate marketing. It contributes to the emerging conceptualisation of affiliate marketing by confirming existing and identifying new
affiliate marketing stakeholders; by adopting a more holistic approach to optimising affiliate marketing performance; and by highlighting the role of multiple stakeholders in effective affiliate channel management. From the managerial practice perspective, the article provides practical recommendations on how affiliate marketing channels can be exploited and optimised. It presents the views of multiple affiliate stakeholders on enabling conditions in affiliate marketing; highlights the issues associated with the conflicting stakeholder views and proposes how they can be resolved.

The main limitation of the study is its reliance on an exploratory methodology and its exclusive focus on hospitality and tourism industry. In future studies, the proposed framework could be applied to other sectors; and alternative methodological approaches (e.g., action research, case studies) could also be undertaken to test and validate the framework.

REFERENCES


