

## MAY 2015: MOBILE MARKETING WITHIN THE AFFILIATE CHANNEL, WEBINAR

### Slide 1

Welcome to the second of the Affiliate Window Strategy teams webinars. This month Matt and I will be looking at some of the affiliate marketing trends we're currently seeing in mobile. We're aiming to keep the presentation to around 25 minutes with time afterwards for questions.

You can ask a question by going to the Q&A app where you'll see a section on the right-hand side of the Hangout. In the bottom right-hand corner of the viewing window, click '**Ask a new question**', type in your question and click submit.

As the affiliate network that has championed the growth of mobile marketing over the past few years, we felt it was worthwhile pulling many of the strands together to give a snapshot of mobile affiliate marketing in 2015.

Before we start it's worth caveating that in the interests of brevity there are some topics that we won't have time to cover off in detail. Whilst we'll touch on the offline to online piece, we won't delve too deeply during this webinar.

We also won't be dealing with the app versus browser discussion. Affiliate Window took the decision a few years ago to focus on acquisition primarily via traditional mobile channels and therefore it's not an area we have particularly expanded into in any great depth.

With that in mind, what will be covering today?

### Slide 2

- ✓ The growth of mobile in which we'll look at the network's data in detail
- ✓ The tracking challenge and how many advertisers and affiliates are unaware about what goes untracked and what implications it has for their earnings.
- ✓ We'll then understanding the consumer and new affiliate models as well as the verticals that are succeeding in the mobile age.
- ✓ Shifting to how new tech is unlocking new insights we'll also touch on...
- ✓ The importance of understanding consumer journeys
- ✓ And finally we'll piece it all together.

### Slide 3

I wanted to first flag a brand new report that was published just this week. Ofcom's 'Adults' media use and attitudes' report contains some useful mobile data that provides a foundation for some of the things we're going to talk about today.

As you can see the data plotted in this graph shows the amount of time spent online, be it on mobile devices at home or on the go. 2013 to 2014 witnessed a massive leap from 16.9 hours per week on connected devices to 20.5 hours.

Much of this growth is attributable to smartphones and tablets and 16 to 24 year olds are now spending almost 30 hours a week online and as we shall see could account for certain brands succeeding in the mobile affiliate space where others are underindexing. Further compounding this trend is the propensity of younger people to shop via smartphones, now as many as one in four, with this increasing all the time.

#### **Slide 4**

Affiliate Window has been plotting mobile data in the form of a monthly mobile tracker for four and half years now, with all reports available from the network's blog.

The data is drawn from over 100 million sales from the network's 1,600 retailers and we believe represents the biggest cross-section of mobile data published by any UK agency.

If we scroll back to the beginning of 2011 just two percent of all traffic and sales originating from a tablet or handset. Fast forward to April 2015 and sales account for almost two of every five tracked by the network.

Contrasted to traffic, smartphones account for one in four clicks, with tablets scooping a similar amount. Boxing Day saw us hit the watershed 50% mark but more on that later.

Finally you'll notice I've highlighted Q4 for each year: this period marks rapid adoption of mobile traffic and sales, correlating with the most fevered shopping period of the year as well as gifting of mobile devices. 2015 has witnessed greater growth for smartphone sales and traffic than the correlating year on year period in 2014 thus bucking any perceived slowing down of mobile growth.

With those top-line figures in mind I want to hand over to Matt who will now cover some deeper insights that we see across the network.

#### **Slide 5**

We are able to break down this data by device to understand the role each device type plays. The chart on this slide shows the share of traffic and sales through smartphones and tablets. The bars represent traffic while the lines represent sales. We have always seen smartphones take the greatest share of mobile traffic across the network and this gap has increased further in the past few months. Last January there was a 50/50 split while our latest stats shows 60% of all our mobile traffic originated from a smartphone.

Turning our attention to sales, we have traditionally seen tablets driving the greatest share. However, this gap has been closing month on month. So what are some of the possible reasons behind this shift in mobile activity?

- We are seeing an increasing volume of tablet traffic originating from Android devices. We have found that consumers using an Android device are less likely to convert. We'll look at this trend in more detail later in this presentation
- Advertisers are placing a greater emphasis on their mobile strategies. Most advertisers are optimizing their sites for mobile traffic which is in turn improving their conversion rates. Additionally we are seeing advertisers add mobile tracking as standard rather than merely an afterthought. This is allowing them to benefit from additional mobile opportunities
- New devices on the market are changing the way that consumers are browsing and shopping. For example larger screen phones such as the iPhone 6 plus could potentially be replacing tablets. This goes some way to explaining traffic through smartphones accelerating further while also closing the gap in terms of transactions

The charts on the next few slides are going to break this down further to look at the behaviour of Apple vs. Android devices

**Slide 6** – Firstly we look at smartphones. Apple is dominating in terms of both traffic and transactions. Typically we see 70-75% of both traffic and transactions that originate from a smartphone coming through an iPhone. Despite Android being the dominant operating system, we see a different picture when it comes to online shopping. Apple users are more likely to not only browse, but also to purchase

**Slide 7** – Switching our attention to tablets, we see a different picture. Traffic through iPads and Android devices has converged. Despite traffic through Android tablets increasing significantly, this hasn't translated to sales. This disconnect between traffic and sales is indicative of poor conversion rates through Android. While Android users are happy to browse, they are less inclined to purchase. The share of sales through Android tablets has increased month on month but at a much slower rate than we have seen for traffic.

**Slide 8** – This is further highlighted in this chart. Here we have plotted the conversion rate and average order values for iPads vs. Android tablets. Android is in the lighter orange and the bars represent AOV while the line references conversion rates. From this chart it is evident that iPad users are not only more likely to convert, they are also spending more on average when they do. We have seen iPads convert at more than double the rate of Android tablets while average order values in April were almost £30 higher

**Slide 9** – We have also taken a look at how smartphone and tablet traffic behaves. This chart plots smartphone conversion rates in yellow vs. tablet conversion in brown. Smartphone conversion rates have been somewhat behind what we have seen for tablet devices. This can be attributed to a number of reasons:

- Larger screens allow for smoother customer journeys – especially where advertisers haven't optimised their sites for smartphones. When landing on a desktop version of a site through a smartphone, navigation can be extremely clumsy
- Typically advertisers don't have sites that have been specifically designed for tablets whereas they do for smartphones. When landing on a desktop version of the site through a tablet, there is no need to add additional tracking. For smartphones, tracking needs to be added in order to track sales – unless the site has been built on responsive design. This

- may not be a true reflection of conversion rate through smartphones if advertisers have not added this tracking. Kev will pick up on the impact of untracked revenue shortly
- A significant volume of smartphone traffic is likely to be researching traffic. We will come on to looking at this in more detail shortly

We have seen this gap has narrowed at the start of this year vs. the same period last year. Between January and April this year smartphones converted 59% of the rate we see tablets convert. In the same period last year this was 46%. The narrowing of this gap has been more down to the decrease in conversion rates for tablets rather than an increase in smartphone conversion.

As we have seen in the previous slides, there has been a significant increase in Android tablet traffic which we know converts at a much lower rate – reducing the overall conversion rates we have seen through tablets

## **Slide 10**

Untracked commissions was something we wanted to tackle a few years ago. We recognised that advertisers were launching dedicated m-commerce sites without affiliate tracking in place. Whilst the smartphone numbers were low in 2011 when we launched our initiative, we foresaw a future where affiliates were going unrewarded for significant volumes of sales as well as the channel underreporting its reach and scope.

We therefore embarked on a project called 'Making Mobile Count' and came up with a solution that gave advertisers two options: add the network's newly created re-direct solution in place so that traffic was forced through to a desktop page where sales would track, or pay a mobile 'compensation' for lost sales.

We met some initial resistance: no brand wants a poor consumer experience having invested in dedicated mobile content, but we also were unprepared to allow this traffic and the subsequent sales go uncredited.

Whilst people assume this problem has gone away – and certainly responsive web design seems to be more prevalent than dedicated m-commerce platforms, thus negating the need to add additional tracking – we believe the situation could have worsened generally within the industry as a number of big advertisers still don't have their tracking in place.

As an aside, tablets usually work off a desktop site thus avoiding this problem.

We wanted to show you the importance of ensuring mobile sales are tracked and what material impact it can have on affiliates. In this pie chart you can see the volume of smartphone clicks we recorded for a well known high street retailer in 2015 that we placed on the mobile fix a few years ago.

Whilst sales are lower they still represent a sizeable chunk of revenue, in fact one in nine sales, representing £3.8m in revenue in 2014 and a subsequent £133k in commissions that without the mobile fix in place would go untracked.

We would urge any agencies and advertisers listening to get this absolutely fundamental tenet of their programme in place. Affiliate Window has produced a simple one pager that explains why tracking should be added. Contact [strategy@Affiliatwindow.com](mailto:strategy@Affiliatwindow.com) for more details.

### **Slide 11**

To underline that point I've picked another advertiser who added their tracking just a few months ago. In what we're calling the instant 10% uplift, you can see how few smartphone sales were being tracked – some consumers will always persist and find a link to the desktop site regardless of how hidden it is – compared to the immediate period afterwards.

### **Slide 12**

So now we've established the importance of tracking smartphone sales, what is actually happening on the ground? Who are the advertisers who are championing the mobile charge?

What I've listed here are the types of products and brands we've tracked as overindexing on smartphones and tablets. We've take the networks top 500 advertisers by sales and plotted them according to the percentage of sales they're recording via both platforms to see what trends emerge.

Smartphones offer a diverse picture, a broad church of products and services that are doing well. Typically we see commoditised products such as CDs, books and DVDs, that don't require anything experiential in order to push the consumer into buying mode. They're low value, with key considerations being price and delivery rather than whether you feel confident buying via a different platform. Let's also remember Amazon has led the way in making it incredibly easy to purchase such products so there may be a halo effect at work.

Second up we have services that may have a short shelf life or are readily accessed via email. Groupon and similar companies do well on handsets.

Thirdly fast fashion leads is raking in the sales on smartphones. Referencing my first data slide in which I said young people were most likely to buy via their handsets it's not necessarily a surprise that advertisers who appeal to this demographic have seen an uplift. This tells us something about targeting by device that we may want to consider when speaking to affiliates.

Tickets also overindex as do fast food chains such as Dominos.

Flip to tablets and we see a much more consistent set of champions, typically older with higher basket values, the demographic a perfect fit with the iPad.

### **Slide 13**

Publishers too offer a real mixture of activity within mobile. Taking the same principle as advertisers and applying the percentage of sales generated by the top 500 affiliates on the network throws up some interesting and quite encouraging signs of growth.

It's worth pointing out that the major affiliates are absent from the higher echelons of such a list. Whilst there's no doubt voucher, loyalty and cashback sites are pulling in sizeable numbers of sales across multiple devices they have yet to come close to our top by percentage.

In fact the most successful ones are generating sales exclusively across smartphones and tablets.

First off we have companies like Tapjoy who are more lead generation focused, monetising mobile gaming with deals and offers that lead to bonuses or top ups.

Aside from that, one of the most encouraging trends has been the rise of the fashion mobile affiliate. Our first example here is an affiliate who has built a series of apps designed to appeal to fashion, clothing and accessories niches. Taking a menswear app they've created you can see the split of sales they're generating via phone and tablets. They've also generated 46,000 clicks for one menswear brand in 2015 so far but the conversions remain poor.

But actually are the conversions actually poor or do we need to consider how smartphones are more designed for casual browsing? If that's the case then more clicks are being recorded with less potential intent to purchase. Therefore the conversion, as such, isn't 'poor', just reflective of the positioning of the activity and the purpose of the device. This is something that isn't easy to measure.

Let's take another example, in this case Fashionchick. Their desktop and tablet clicks are neck and neck but they have a 30% lower click to sale ration on tablet for their biggest advertiser on the network. Interestingly their average order value is marginally higher on tablets so this offsets some of the impact of a lower conversion rate, but again we need to ask ourselves the question: is tablet and smartphone traffic created equally with desktop, or does it appeal to consumers at a different stage of the purchase cycle? Matt will have more on this later.

#### **Slide 14**

Many affiliates now offer multiple routes to market including online to offline via apps.

To elaborate on that point I've taken a straightforward voucher code for Burton Menswear that was available via two well-known affiliates' phone apps and was then redeemable in store.

As you can see there were positive increases across the board as such a compelling code might be expected to achieve, but the most interesting point for us was the code's ability to drive a higher average order value in store rather than online. Can affiliates act as an initial driver for consumers who are then compelled by a positive in-store experience, to spend more.

#### **Slide 15**

What was interesting about the last example is how codes can drive conversions at different times.

Our sales performance numbers across devices when plotted daily throughout a month give a further indication of this. As you can see from our March performance there is a convergence in mobile and desktop sales at the weekend, indicated here by the pink bars.



Various pieces of research have shown that consumers are more compelled to react to short term offers and therefore do we need to start thinking creatively about how we offer these to affiliates for limited periods at the weekends when consumers are far more likely to be on a mobile device?

Let's take that one step further and appreciate how consumers switch between devices throughout the course of a day.

Here you can see Affiliate Window's traffic patterns across Boxing Day – the day I previously mentioned as the first the network hit 50% of our clicks tracked via tablets and smartphones.

You can see there were two key periods – mid to late morning and the end of the day – when mobile traffic exceeded desktop. In other words consumers were probably switching between devices during the course of the day. What this illustrates to us is that it is imperative we track between devices. Conceptually this is nothing new but remains elusive for many advertisers. For affiliates they are working blind with little insight about how they're influencing sales on one device that won't then track on another.

This was one of the key spurs behind our decision to invest in a cross-device tracking solution. You can find more details of this on our blog or by contacting us.

## **Slide 16**

Certainly from a Strategy point of view, cross-device tracking is as much about insight as anything else.

One of the theories we wanted to prove was whether we would see more complex routes to market.

We also wanted to understand whether affiliates are influencing much earlier in the purchase cycle than our data has always shown us.

Typically cookie periods are set at 30 days across affiliate programmes and generally, once set, they're ignored and rarely spoken of again. But increasingly advertiser have tweaked with them, slashing them, sometimes to less than a week on the belief that the vast majority of sales through the affiliate channel happen within a single day.

Certainly our historic data shows this. Let's take a look at a cross device advertiser who now tracks single device sales as well as multiple device sales – that is sales that involve cookies being dropped on different platforms.

In this instance you can see the single platform sales in the blue column. 74% occur within one day. Compare that to the orange column that shows just 14% when consumers hop between tablets, smartphones and desktops. Equally compelling is the fact that the majority of sales when tracked across multiple devices actually happen in the final two weeks of the cookie period, compared to around one in ten on a single device.

This blows apart our theories on the importance of cookie periods. In other words, is it time we accepted that affiliates influence advertiser sales much earlier than we ever thought they did. This

illustrated to us just how little we know as an industry about the sales affiliates are driving for their advertisers.

It also demonstrates how we need to start thinking about affiliates as early funnel contributors rather than just closers of sales. Remember Affiliate Window offers assist payments for advertisers who are interested in identifying and then rewarding those affiliates who are driving early sale interactions.

I'm now going to hand back to Matt to pick up on some further cross device insights.

## **Slide 17**

Having looked at the conversion rates of each device earlier in this presentation, it was evident that smartphones were some way behind tablet. While there were obvious reasons for this that have been highlighted such as poor mobile customer journeys and lack of tracking – have we been underestimating the role of smartphones as an influencing device?

Just as the previous slide demonstrated that cookie lengths are in fact longer than we had first anticipated, our cross device insights have also enabled us to uncover how consumers are using smartphones in the research phase of the purchasing cycle.

This chart considers multi device sales that started on a smartphone. It is a little complicated to explain but essentially the lines show the time when the initial click took place (on a smartphone), while the bars show the time of conversion (of sales that started on a smartphone, regardless of the converting device). The colours highlight the difference in behaviour between weekdays and weekend. From this we can uncover that:

- Smartphones are responsible for a lot of research clicks early in the morning and later at night. Traffic outstrips conversions during these periods both at weekends and during the week
- During the week 24.5% of sales starting on a smartphone are between 22:00 and 08:00 whereas 12% of sales starting on a smartphone convert between these times
- At the weekend 18% of sales starting on a smartphone are between 22:00 and 08:00 whereas 11% of sales starting on a smartphone convert between these times

From this data it is evident that early morning and late evening traffic originating from a smartphone is converting at a later date on another device. While the conversion of traffic through smartphones may look poor on the surface, this goes some way to influencing a later purchase decision

## **Slide 18**

With the staggering increase in mobile activity over the past few years it has been essential for our advertisers to report on and benchmark their mobile activity. We first started offering mobile reporting in the interface in 2012. This allowed for advertisers to monitor their performance by



device type and also by the actual device. It also allows them to see how this varies by the affiliates on their programme. This includes metrics such as clicks, transactions, AOV and conversion rate.

Our business intelligence tool has also allowed us to benchmark mobile activity against similar advertisers or across certain promotional types.

This screenshot shows a snapshot of a report available to all account managers to help benchmark performance. Advertisers can be added to the advertiser filter to benchmark against a particular sector while publishers can be added to the filters to see how a certain group of affiliates perform in terms of mobile. It is also possible to exclude certain publishers – if you wanted to see mobile performance excluding incentivised traffic for example. This has helped us to extend our insights from an advertiser or network wide perspective to a particular sector or affiliate promotional type.

This can be drilled down further to understand each device and also on a number of metrics. If you are interested in finding out more, your account contact will be able to assist you with mobile benchmarking.

## **Slide 19**

So in summary let's cover off some of the key topics we've talked about today.

- ✓ Tracking is imperative and can have a very tangible impact on affiliate revenues
- ✓ Drilling into the data uncovers distinct trends that are often quite logical but reminds us why it is important to consider how these impact affiliate traffic
- ✓ There are significant demographic variances as well as significant sector and vertical variances
- ✓ New affiliate models are finally emerging, especially in retail and Affiliate Window data can be downloaded from the interface so every affiliate and advertiser can understand this in greater detail.
- ✓ Cross-device data indicates undocumented early affiliate influence that we now need to understand
- ✓ Putting a value on smartphone affiliate traffic is a priority that we have to collaborate to better document and reward.

## **Slide 20**

I hope you found this webinar useful. Remember we make our mobile data available every month, with further insights in the Strategy Newsletter, the next edition of which will be published next week. To sign up for the newsletter please email [Strategy@affiliatewindow.com](mailto:Strategy@affiliatewindow.com).

Matt has also produced a mobile document you can access by emailing us at the same address.

Now for any questions...