

Affiliate Marketing Concept and Performance of Online Businesses in Nigeria

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Abstract

To communicate effectively in today's business world requires a lot of traditional as well as modern or online skills. Online marketers have understood that the more they implement the traditional skills in the online process the more successful they become. Traditionally, organizations spend a lot of money promoting their business thereby reducing the rate of profit they keep on the long run as sales generated from such effort are usually not much. Therefore, affiliate marketing is a perspective strategy of internet marketing and e-commerce, which lies in the shift of responsibility for sale onto a third party in particular, on client who are rewarded commission after convincing other clients to purchase products offered by a sponsor. In this article, an emphasis was laid on affiliate marketing and how it is used to improve sales volume and profitability of online retail stores in Nigeria.

Keywords: *Affiliate Marketing, Business Performance, Sales Volume, Profitability, Internet*

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Introduction

The growth rate of the Nigeria retail business took a new shape since the inception of the internet. Business environment today is dynamic in nature and to survive in this dynamic nature demands for extra efforts even serious than before. In Nigeria, there online shops such as Konga, Jumia, Jiji, DealDey, Kaymu with affiliate programs etc. have embraced the concept of affiliate marketing and the services of affiliate marketers to promote their goods and services and in turn are paid commission on sales made.

Most organizations view their performance in terms of how effective their marketing campaign has been, how many persons has been reached and how many of these reached persons are able to make a purchase. Foss (2003), defined business performance as the result of activities of an organization or investment over a period of time. Moreover, the more the effort put in by the affiliate marketers the more the business gains popularity and hence increasing sales volume as well as profitability.

Today, traditional marketing activities within the retail industry have become insufficient to build a strong and competitive service brand. Online retailing shops have a way of building service brands since it appeals to intended customers (Burmam and Zeplin, 2005; Punjaisri et al, 2009). Traditionally, organizations spend a lot of money promoting their business thereby reducing the rate of profit they keep on the long run as sales generated from such effort are usually not much.

Therefore, affiliate marketing is a perspective strategy of internet marketing and e-commerce, Which lies in the shift of responsibility for sale onto a third party in particular, on client who are rewarded commission after convincing other clients' to purchase products offered by a sponsor (Grzegorz and Mchal, 2014). The person who assumes the role of an affiliate puts in his effort to ensure that more products are sold to be able to gain the reward. Jessica (2014) opined that affiliate marketing is a system of advertising in which site A agrees to feature buttons from site B, and site A gets a commission on any sales, clicks or lead generated for site B. Although, more attention is given to affiliate marketing, but little studies has been earned out with respect to affiliate marketing and business performance of online retail shops. To fill this gap in literature, this study intends to contribute to exiting literature on affiliate marketing.

LITERATURE REVIEW

Affiliate Marketing

Marketing communication is the main element business organizations could use to connect with their customers by communicating ideas and product information with the intention of imparting particular perceptions of the products to customers and other stakeholders. Communication has been traditionally approached and managed from the fictional perspectives of informing, persuading, reminding and reinforcing. Duncan, (1998) observed that many marketing roles especially in the services sector, consist of positions in which communication represents the central element of marketing activities.

According to Kitchen and Schultz (2000), marketing communication is at the very core of all company activities under the slogan "you cannot not communicate." According to these authors, organizations should integrate a wide range of activities and functions to influence the flow of information between an organization and its stakeholders because the marketing environment has become technologically dynamic. Organizations that are new in the market or have new products have a stronger need to communicate.

Affiliate marketing is used as a way to attract attention to your business or provide an incentive for a customer to take a desired action. Affiliate marketing typically last for a specified time period and are designed to achieve a defined purpose like helping to launch a new business or luring customers away from a competitor (Chris, 2018).

The development of affiliate marketing strategies requires that a firm must determine its best potential markets in order to select appropriate tool with which to encourage potential customers to patronize them through their products (Ekankuma and Henry, 2011). Affiliate marketing tools are many but individual banks should concentrate on the specific combination that seems to yield desire and most successful results. Akpan, (2009) cited in Olalekan (2011) contended that maximizing returns and optimizing profitability became the focus of online businesses and these can only be achieved through enhanced patronage; that is, increased customer base with attendant satisfaction sufficient to consolidate loyalty through affiliate marketing activities.

Affiliate Marketing Concept

The origins of affiliate marketing can possibly be found in the USA in 1996. "As legend has it, Jeff Bezos, CEO and founder of Amazon.com, chatted with -a woman at a cocktail party about how she wanted to sell books about divorce on her website. After that exchange, Bezos pondered the idea and thought about having the 'woman link her site to Amazon.com and receive a commission on the book sales. This was the impetus for creating the so-called "first on the Web" Amazon.com Associates Program which was launched in July 1996." affiliatedirectoryinfo.com (Grzegorz and Michal, 2014).

Aniaffiliate marketing platform connects an e-commerce site of a merchant (called an advertiser in affiliate marketing), with a network of affiliates (Bede and Anuradha, 2015). Affiliates are third-party, independent websites, such as travel blogs, information pages on diverse subjects and interest groups, etc. who are willing to display advertisement links of different advertisers for a monetary gain.

Affiliate marketing is an extension of the traditional marketing mix when applied to selling products and services on the internet (Mathew, 2017). The essence of affiliate marketing lies in encouraging participants (so-called affiliates) that are independent from the advertiser (sponsor) to perform commission-based sales activities by means of affiliate networks (Duffy, 2005). Affiliate marketing is one of the genuine and oldest forms of marketing strategies. This type of marketing is done on the online portal only. It is a very trending form of marketing lately. Affiliate marketing is a form of marketing that is a process of earning a commission by selling or promoting other people or other company's products.

The people who get into this type of marketing earn on the basis of the commission on the product that they promote. The product is certainly not theirs. They promote someone else's product to people. If people are interested and buy it, then the owner of the product send the commission to the affiliates. It is processed on the permission and approval of the owner itself. The process is not illegal. The government approves of this kind of marketing (Mathew, 2017). An affiliate receives financial benefit (most often a commission) as compensation for attracting internet users to the offer of a sponsor promoting its product on the affiliate's website (Chai, Potdar, Chang, 2006).

Affiliate marketing is a system of internet marketing that involves two parties, an affiliate and a merchant. An affiliate is a website owner who sells another's products or services on his website. Simply put, the affiliate is the middle-man between online shoppers and the merchant's products (Bitochon 2016). The affiliate advertises for the merchant either with banner advertisements displayed on his website, or with redirecting links, or even promotional text and information about the product. Each time a sale is completed, the affiliate receives commission. It's pretty much a win-win situation for both parties; the product owner is generating revenue without incurring advertisement costs and the affiliate is profiting just by advertisement of the product. Some ecommerce sites like Amazon.com for example, coordinate their own affiliate or associate programs while other websites avail themselves of the many affiliate companies around.

Benefits of affiliate marketing

Affiliate marketing may be a more stable way to have your website advertised. SEO results are constantly changing as the algorithms do and it takes time and effort to maintain your ranking. With regard to PPC campaigns, sometimes they can become expensive depending on the amount of traffic they're generating, so it's always calming to know that you have implemented different marketing ideas to fall back on...

Affiliate marketing is a pay-for-performance campaign; in essence you are only paying if you are making money. If there are no leads coming, at least you are not pouring more and more money into a sour campaign.

Links- Sometimes when you have trustworthy links, they can help your general SEO. When you are connected to 'Google approved sites' it's great for your overall rating too.

Business performance

Business performance is the achievement of financial and operational marketing goals. Business performance helps to determine the status of an organization as compared to its competitors. Several indicators are used in knowing the performance status of a firm. Marketing achievements or attributes are identified as strong financial result satisfied customers and employees, high levels of individual initiative, productivity and innovation, 'aligned performance measurement and reward systems Nwokah and Maclayton (2006). Slater and Narver (1994) used return on investment, sales growth and market share in the evaluation of market performance. However, in this study we will consider sales volume and profitability.

Sales volume

Sales volume has been is the number of quality or number of goods or services sold in the normal operation of a business in a given period of time (Prahalad, 1994, cited in Oparaodu, 2008). This is the number of transactions that happens on the internet. Affiliate marketers contribute to the sales of these organizations regardless of their location by promoting its offers on the media and in turn are paid commission for each product or service sold.

Profitability

Profitability is the return on cash that a product, business or service generates within a given period of time (Amue, 2009). Income is money generated from the activities of the business. Forexample, if affiliate marketer sells products from Jumia or Konga.com the business gets profit and is able to pay her employees as well as affiliates.

Affiliate Businesses and Business Performance

Operating an effective online store requires continues information flow. This information generated by the affiliate marketers' enables the firm creates outstanding product services that in turn increase her sales volume and profit margin. McNair, (1[^]99) opined that most organizations discuss the growth of their business in respect to the use of affiliate marketers who go all out in the use of internet tools such as the social media, news media and other available tools in promoting their firm. He further opined that the rate of automated receipts received shows the impact this step in marketing development has greatly impacted them.

Another important communication concern for retail shop operators such as Konga, Jumia etc. is making sure that they have all it takes to meet up to the industries demand. Oparanma, (2012) opined that collaborative effort among widely dispersed individuals and teams, sharing of efforts arid integration of decisions have the potential of to increase organizational efficiency and effectiveness.

Conclusion

Proper communication is imperative for achieving set organizational objectives. Therefore, affiliate marketing is an emerging marketing tool used by virtually all e-commerce firms in Nigeria to increase sales and profit. It is a promising way for promoting a business's goods and services since it involves different sales persons who-are willing to trade at a commission.

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