

Reach New Markets

Tap into other people's networks
to build your business

by Gihan Perera



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Introduction

This is Gihan Perera. Welcome to this program which is about affiliate marketing – in other words, paying other people to refer people to your products and services and paying them a commission if they make a successful sale on your behalf.

A success story

Let me tell you a story about how I made some of the easiest money I ever made - because of an affiliate program. It happened a few years ago when I attended an Internet marketing seminar on the Gold Coast. It was a full weekend seminar which cost about \$1,600.

I didn't earn any income at the event itself. But they had an affiliate program, which gave me the opportunity to make money by promoting the seminar. It was simple. They would allow anyone to promote their seminars on their behalf, and all I had to do was send someone to their Web site. If someone booked as a result of visiting the Web site, they would pay me a referral commission.

It turned out to be a fairly hefty commission from this particular group: 50% of the ticket price, or \$800. As it turned out, I referred three people who booked as a result of reading about it on my mailing list promotion. So I not only covered my own cost of the seminar, but I made a profit as well.

There lies the power of affiliate marketing.

This was from the viewpoint of the affiliate; in other words, I was the affiliate and they were the marketer. In effect, I was a commission-only salesperson. I'll be discussing the subject throughout the rest of this book from the point of view of the marketer. In other words, you're running a business with products or services, which you'd like to promote to a wider market.

You have people currently in your network who can reach new customers through their own networks. By giving them an incentive to promote your business, you reach new markets and increase your sales.

Why is this different?

There is a lot of material available already about the benefits of affiliate marketing, particularly on the Internet. You can get e-books, books, special reports, online courses, even attend seminars where they talk about nothing else but how to run a successful affiliate marketing program.

So what makes *this* book different? Why am I even bothering to cover a subject that's covered thoroughly by other materials? Here's why: This book focuses on you as a small business owner looking to add affiliate marketing to your overall marketing mix.

Most of the existing material applies to those who want to make affiliate marketing their one and only marketing tool. Many of these business people set up products and services

purely for the sake of affiliate marketing. All they want to do, and their total aim, is to run a business to get affiliates to promote their products and services and make money in this way. That does work – in fact, I personally know people who have done that very successfully.

But for most of us, that's not how we run our business. We already have a business, and now we would like more sales from new markets. We will be using affiliate marketing as one – but only one – of our marketing channels.

So that's my goal: To help you make more money by adding affiliate marketing to your mix. Other programs promoted on the Internet are great if you have the time, energy and focus to make affiliate marketing work for you as your main marketing method. But if you want to add it to other marketing techniques you already use, take my advice here to get started.

If you find that this marketing method really takes off and it is something you really enjoy doing, by all means change course. You might even find that it is more profitable than all your other marketing put together and becomes so profitable that you don't have to market very much in other ways. But for many of us, you will find that paying people commissions for referrals is just one of the things you'll do as part of your marketing mix.

Overview

Here's what I cover in the book.

Benefits

In this first section, I'll cover the benefits of affiliate marketing. Some might be familiar to you; others might be new.

Common Mistakes

This very important section covers the most common mistakes businesses make when getting started with affiliate marketing.

Be aware that after reading this section, you might decide that affiliate marketing is not for you! You may realise that some of the things you must do to overcome the mistakes may be more effort than you are willing to expend. If so, that's a good sign! It's better that you know that now than struggle spending time, energy, effort, money and focus trying to make something work when really you're making some fundamental mistakes.

Key Principles

In this section, I will discuss what are, in my opinion, the three keys to affiliate marketing. We'll cover what is important in terms of doing the numbers and how to figure out the lifetime value of a customer. This latter will be a very important part in deciding how you will be paying commissions to your affiliates.

How To ...

In this section, we get into the nitty-gritty on how to sign people up, how to choose your affiliates, how to notify them about changes, how to monitor what happens, how to know when sales come in and how to know which affiliates got the sales, and of course, how to pay your sales force.

Enjoy the Program!

I've designed this in such a way that it's ideal for people who have never done any sort of affiliate or referral or commission based marketing ever before but it's also useful for you if you have some experience already. If you're already running an affiliate program or you're thinking about and you read a bit about it, I think you'll find some useful tips in here for you as well. So enjoy the program. I'm sure you'll get a lot out of it.

Benefits

These are my five key benefits to setting up and running an affiliate program.

1. Reach other people's markets

The main idea behind an affiliate program is that you've got a product or service to sell, and other people have access to people looking for that product or service. So why not bring them together?

So the first advantage or benefit from an affiliate program is using other people to reach the markets you can't reach easily, cost effectively or maybe not at all. By paying them a commission, giving them an incentive to refer people to you, you get access to those previously unreachable markets.

2. Get trusted referrals

The second key benefit is that the referrals you get in this way are usually higher quality referrals. We term this as a "trusted referral". This person is not just someone who visited your Web site from Google. It's somebody who was referred to your site or to your business by somebody they know and trust.

For example, this happened in the example I gave you above regarding the Internet marketing seminar. My mailing list subscribers knew from experience that I would only recommend high quality products and services. I got referrals for the seminar even before I had been to the seminar myself. They trusted my judgment, so they were more inclined to book for the seminar than if they had been introduced to it through some other form of advertising.

With your affiliates getting you business, you will likely get higher quality referrals that will buy from you. It's a great thing. Take advantage of it!

3. Reach *new* markets

Here's the third key benefit: You will be accessing new markets – markets that you wouldn't have had before. Perhaps you have only been marketing to one geographic area, but the affiliates you acquire may allow you to market worldwide. These new markets may only be small areas, but they may be areas that your affiliates have access to which you don't.

4. Get “warm” leads

If you work your affiliate program correctly, your affiliates are not just going to refer people to the home page of your Web site. Rather, they will refer people to a particular page selling one product or service. So you won't get “browsers.” You will get someone going there because they know what they want.

Even if you don't have a Web site, this works for a storefront business as well. The people visiting your store are ready to buy. And they trust you because someone they know and trust referred them.

5. Low risk

The fifth and final benefit of affiliate programs is that they have a low risk. You won't be paying your affiliates unless they make a sale; and your affiliates don't pay any fees to join your program.

Again with that seminar I used as an example above, as an affiliate I just wrote in my newsletter, "Hey I'm going to this seminar. If anyone else is interested, please have a look! Just click through this link." My newsletter recipients clicked through and they bought. There was absolutely no risk for me. There's no risk at all. If nobody buys, it's no big deal. Nothing is lost. And similarly for the company – they were quite happy to promote this program as far and wide as they wanted. There were only possible upsides of sales, and no downsides at all. Really a win-win proposition!

Common Mistakes

Having covered the five key benefits of having an affiliate marketing program, let's now look at the other side of the coin.

These are not necessarily *disadvantages* of running such a program. Rather, I'm showing you the common mistakes many businesses make. If you avoid these mistakes, you can run a very successful affiliate program.

As I mentioned earlier, after going through these mistake, you might decide that affiliate marketing is not right for you at this point. And that's fine. It means that you can invest your time, money, energy and effort elsewhere, which could be the right thing for you to do at the moment.

1. Unrealistic expectations

I personally feel that the biggest mistake most businesses make when starting any new venture – whether it's affiliate marketing, joint ventures, referral systems, or commission-only salespeople – is that they're too optimistic. They assume money is just going to come rolling in because now they have this huge fleet of salespeople working on commission, who will be referring people left, right and centre to their business.

In most cases that just isn't true. Many people start off with very optimistic views of how their affiliate program is going to work, but discover they have to downgrade their expectations very quickly. Most affiliate marketers on the Internet will tell you that a tiny, tiny percentage of their affiliates (perhaps 1 or 2 percent) generate 80 to 90 percent of their income for them. And most of their affiliates generate almost nothing.

You have to work hard to get your affiliates generating sales. If you don't, you'll only get a trickle of sales.

2. Poor sales conversion

If you don't get good sales conversion yourself, do you think your affiliates can do any better? If you haven't road tested your system before offering it to affiliates, they won't succeed either.

This is especially true of the Internet. I've heard people say to me, "How can I get access to affiliates with big databases – 100,000 people or more? Then they can promote my products and service to their list." Well, the first question I have is, "What's your conversion rate?" They usually say nothing because they don't know what that means – let alone what the rate actually is.

Briefly, your conversion rate is the percentage of site visitors who make a purchase. For example, if 100 people visit your Web site and 4 buy, your conversion rate for that web page would be 4%. I will cover this more in detail under "Doing the Numbers."

In affiliate marketing, a big mistake is not being able to sell successfully first, before embarking on such a program. If you can't sell your product or service to your own network of people, you will never be able to prove to your affiliates that they could sell the service or product. So what incentive would there be for them to sign up and send your promotion to their valued database? Why would they be interested in doing that?

People with the huge databases have built up trust with their customers. They have a particular relationship with the people in their database. They won't have the confidence that they should advertise your product to them, nor that they could even profit at all from this venture. Sure, you'll pay them a commission, but if you can't prove your conversion rate, they won't know what opportunity exists for them.

This may be the deal breaker for you in launching an affiliate program. Consider the products you have for sale currently on your Web site. Are they selling well? Are you happy with your conversion rate? If your answer is no, or if you don't even know the answer to those questions, you have no right to try and convince other people to sell for you.

So test your sales techniques and other marketing methods – and know that you can sell yourself – before you start offering it to your affiliates.

3. Poor incentives for affiliates

The third mistake is that any business people don't offer enough of an incentive to their affiliates. For the affiliate it really comes down to what's in it for them. It's not so much about the percentage of commission; it's about how much money they're going to make; and how many sales they need to make in order to create a decent income.

Take again the example of the seminar that I promoted. They were offering 50% commission to their affiliates. Is 50% good? Well, sure! But 80% is better or how about 100%? I've seen some affiliate programs that offer 80 or 100 percent.

You have to also ask, "80% of what?" I've seen people who sell e-books for \$29.00 and they offer 80% of that to an affiliate, or \$23.20. That's good, but not nearly as attractive as 50% of a \$1,600 seminar ticket and making \$800 for every sale.

Some affiliate programs offer higher commissions; but again it's not the percentage, it's the actual amount of money the affiliate makes and whether they're going to continue making money from the customer if they make future sales.

We will go into more detail on the numbers and later. For now, be aware that you can make a mistake by not offering an attractive enough bonus to your sales force.

Don't be stingy with your incentives for your affiliates. They have the market; they have the database; they have that list which you don't have. That is as valuable to you as the product or service that you have to sell.

4. The wrong partners

The next most common mistake is to choose the wrong partners. Because it costs you and your affiliates nothing, it's tempting to offer your affiliate program to anybody on the planet who could be willing to promote you. But if you're just starting out and *especially* if you're just running this as one marketing method in your marketing mix, it's really important to pick the right partners.

I have an affiliate program on my Web site, but I don't promote it publicly. If someone I know and trust asks me about the program, I invite them to sign up. But I'm careful about who I choose. I only have a very few affiliates who bring me occasional business. But I won't open it up to everybody.

Even people with big databases might not be the right partner for you. If they aren't the right market for you, you'll spend most of your time answering queries, handling customer complaints, etc. In brief, you'll waste your time with the wrong sort of people. So it's not always a good thing to get more traffic to your Web site.

5. Too much, too soon

The fifth mistake is to get too sophisticated too soon. There are some very sophisticated affiliate marketing systems available, and some of them are excellent. However, most are geared towards those who want to run their business using affiliate marketing as the only

marketing tool they use. I mentioned in the introduction that this book focuses on you as a small business owner looking to *add* affiliate marketing to your overall marketing mix.

Many of these sophisticated systems are beautifully automated. You can almost just sit back and let the money come rolling in. But these systems can be very expensive, they are hard to learn, and if you are just going to be using affiliate marketing in your mix to promote your products and services, these things can get in the way. They're fantastic systems but they also can be very complicated. It's a real pity if the intricate technology gets in your way of getting started. In fact, I'll be showing you ways that you can get started without any real system in place at all.

So we have now covered what I feel are the five most common mistakes that people make. Now we are going to proceed with some key points to make affiliate marketing work.

Key Principles

I believe that there are 3 key principles to fully understand when you are dealing with your affiliates.

Good Match

The first important key principle is having a good match between the two parties. In other words, you choose affiliates who have a list of potential high value clients for you. They have the market; you've got the product. A good match!

If you don't ensure there is a good match, you'll waste your time. You'll end up creating deals that cause more trouble than they're worth. For example, you will end up answering a ton of queries from customers because they don't understand what you've got to offer. If the client referred to you isn't really of high value or looking for something you are selling, they won't understand why they were referred to you.

Mutual Profit

With a proper affiliate program in place, there will be mutual profit with you and the affiliate. Money only changes hands on a successful sale. Affiliates won't be paying you to join the program and you won't be paying them unless they refer somebody who

eventually ends up making a purchase. This makes the whole deal of a low-risk proposition with benefit for both parties when business takes place and a sale is made.

A Good Deal

Finally and most importantly, the single most vital element of this joint-venture relationship is that both parties think they got the better end of the deal. How can this be the case? Well it is possible because you bring different things to the table.

You, as the vendor or the affiliate marketer, have a product or service that people want to buy. Your affiliates have access to a market of potential buyers. If you give your affiliates a good commission, then they walk away thinking they're getting money for nothing (which they are, because they're providing a referral that leads to a sale, and they really haven't put a lot of work into it).

You get a good deal because you now have access to markets that you wouldn't otherwise have. You are paying your affiliate only out of profits.

So when you structure your affiliate program in this way, both parties end up thinking they got the better end of the deal.

Doing the Numbers

So how do you structure an affiliate program so both parties walk away thinking they got the good end of the bargain? Like it or not, this is where you have to crunch your numbers. This is the mathematical part of the book, because in the end, it really comes down to just the numbers. If you can make the numbers work for you and for your affiliates, you have a good chance of having a workable and profitable affiliate program.

Commission Rate

The first thing you need to figure out is what commission rate you'll pay. This will be the percentage of the sale you are willing to offer to affiliates.

Obviously, the higher percentage you offer, the more incentive it gives them to sell for you. But on the other hand, the less profit you will get to keep. And on the reverse side, the lower your offer, the more money you get to keep, but the less willing the affiliate might be to work with you.

Remember also this is not just about percentages, but is about how much money your affiliate can make. Going back to that marketing seminar I promoted: They offered 50% commission, which could be considered a low percentage, but not when you take into consideration the price of the sale. Fifty percent of \$1,600 is quite a bit of money.

You'll only know the answer to how much commission you should pay by testing different options over time. If you aren't sure right now, start with 50-50. This is not necessarily the best split, but many people see it as fair, so they probably won't haggle over it. On the other hand, if you're comfortable offering a higher percentage, by all means do so. Make your deal as attractive as possible to the affiliates.

Profit or income

If your product or service has a significant cost to deliver, you might choose to offer 50% of the *profit* rather than 50% of the income. Again your affiliates will probably see this as fair as long as they know exactly how much they will receive.

Whatever you do, I recommend that you start by being too generous rather than being too stingy. The affiliates will be more motivated to work on your behalf. Again, remember that from their point of view it's not a percentage that matters particularly, it's the bottom line of the actual dollar value that they're going to get out of each sale.

Back end sales

One of the most important parts of calculating how much you're going to pay your affiliates is to know the lifetime value of your customer. Now, I'll get into more detail about this a little bit later, but in this section I am just addressing it as far as the numbers go.

At first, you might set your affiliate commissions based only on the initial sale. I've seen people set commissions that are 100% (or even more) of the sale price. When you look at that, you might say, "How can that work? I'll be losing the entire amount, or even paying the affiliate to sell my product for me".

However, the smart marketer knows the lifetime value of his or her customers. In order to obtain a loyal customer, they are willing to give away all the profits (sometimes even more) from that initial sale.

Of course, as an affiliate, this is extremely attractive because they get a large commission on each and every sale. In those particular structures of payment, they won't get an ongoing commission for future purchases from the same customer, but they are getting one large commission per sale.

But in these cases, if you are good at marketing, you will have a good "back end system" for making further sales. You would be quite happy to give away all of the income from that first sale, just to get this customer into your system. Your databases are your biggest asset. If you can get a customer into that database, you have somebody you know you will sell to over and over.

There is the "lifetime value of the customer" and how it fits into affiliate marketing. And as I say, we'll come back to this a little bit later in the book.

On-going commissions

Now the previous section raises an interesting point: What happens with ongoing commissions? You can in fact run your affiliate program so you are paying the affiliate on the initial sale as well as all future sales. This is a very attractive promise to your sales force because it will be a passive income stream for them. And they don't really have to do any additional work for their recurring income.

It works like this: Your affiliate refers a customer to you one time, and then that customer comes back and buys from you five more times. Each time he buys something, you pay the affiliate a commission. It doesn't always have to be the same amount, but you pay the affiliate a percentage each time because he originally referred the person to you. You pay them every time that customer returns and buys something.

The downside to this method is that it means you will need a much more sophisticated system for tracking the sales so you can give them the correct commission. Because of this complication, many Web site owners simply offer a higher commission on the first sale and none on future sales.

Conversion rate

I mentioned conversion rate before briefly as one of the biggest mistakes most Web site owners and business owners make when they want to set up an affiliate program or a referral system.

Again: Conversion rate is the percentage of customers you have that make a purchase, after visiting your Web site or brick-and-mortar store. This is an important figure. Before you launch your affiliate program, you have to know your conversion rate. You need to figure out what percentage of people visiting your Web site or your business end up purchasing your product or service. Many (most?) Web site owners have no idea about their Web site's conversion rate. But if you don't know it yourself, you are expecting your affiliates to base their referrals only on hope and faith. That's hardly an incentive for them.

On the other hand, if you do know your conversion rate and you can show that you're already converting a lot of visitors, it makes it very attractive for your affiliates. If you know that you can make, for example, one sale for every 100 people who visit your site, that gives your affiliates an indication of the results they might get as well.

This is only an *indication* because your affiliates will be sending different people to you, with different motivations and from a different source. But it's still a useful number to parade in front of prospective affiliates.

Let's say you know that out of every 100 people visiting your site, one person buys. Now is 1 in 100 good? Well, it's certainly better than 1 in 1000 but, of course, not as good as 1 in 10. But the exact number doesn't matter. Even if the number is 1 out of 1,000, if the affiliate knows this, and he or she has a list of 100,000 people, they can get roughly 100 sales from a promotion. And that's how they will decide whether to promote your program, somebody else's, or nobody's.

Price tag

Be sure that you set the right price on your products and services. When you sell the higher-priced products, your affiliates get bigger commissions, especially in terms of dollar value, so they might be willing to settle for a lower conversion rate. As in the Internet marketing seminar I promoted to my mailing list, the conversion rate turned out to be only 1 in 1,000 in terms of my database at that time, but I got \$800 for each sale, so I didn't mind!

Lifetime value

If you have a high-quality product and offer exceptional service, most customers will come to you and buy again. In fact, they may continue to buy from you over and over again. Most smart business owners have learned that they're going to get much more value from marketing to existing customers than they will from trying to market to new customers. Yet many business people aren't really aware of this and expend a lot of effort in trying to get new customers instead of concentrating on getting more value from the customers they already have.

So what is the lifetime value of a customer? In other words, When somebody buys from you once, how much are they going to buy from you over the rest of their life?

Knowing this puts you way ahead of the competition. Why? Because now you know how much money you're willing to spend to *get* that customer. If you know their lifetime

value, you can spend more to get them in the door than someone who is just working out their marketing costs based on the profits they make on the first sale.

To work out the lifetime value of a customer, figure out the total income you've generated in your business, divide that by the number of unique customers you've ever had, and that gives you the average lifetime value of each customer.

You can refine this in various ways. For example, if your business has changed significantly, you might choose to calculate this over just a few years rather than the life of the business. Or if you have many products or services, you might calculate it separately for each. In general, you're looking for the average amount of money a customer will spend with you over their lifetime.

Of course, you can also figure out the lifetime *profit* value of a customer as well – by figuring out your total profit and dividing that by the total number of unique customers.

This is where it becomes important for affiliate marketing. You can now determine how much money you're willing to spend in order to get that customer. If you know that someone will be spending \$1,000 with you in the future, but each transaction is only going to be \$100, how much are you going to be willing to spend to get that person as a customer?

Are you willing to spend \$50? Well, yes, because you'll make a profit in the first transaction.

Are you willing to spend \$100? Well probably yes. You won't make any profit on the first transaction but you will over the life of that customer's dealings with you.

Are you willing to spend \$200? Well in some cases, maybe you're willing to risk losing money on the first sale, because you know on average you're going to make that back in greater profit.

At this point, you will have to figure your options out and decide how you will play it. Are you willing to take this cash flow hit in spending twice your profit on the first sale? It might be a while before you make back that second \$100 and break even? Are you willing to take the risk that some customers aren't going to generate \$1,000 for you?

This is why it's really important to know the average lifetime value of your customers. If you do, you know how to arrange your commissions so in the long run you come out ahead. And if you can offer your affiliates a high commission on the sale, that becomes a very attractive proposition for them. They sell a product; they get more than what the customer paid for it. They're happy and you're happy. You have a new customer in your pipeline and you're going to sell them more and more products over their life and you're going to make much more profit than you gave away in the first sale.

Choosing Your Affiliates

The last critical factor in having a successful affiliate program is choosing the right affiliate. This point alone can make or break your program.

It's very tempting to just look for people with very big databases or access to very wide networks and approach them and say, "Would you promote my product or service to your database?" Fortunately for you, most of them will just say no. The reason it's fortunate is that they're probably just the wrong type of people to bring into your business. Even if you were able to persuade these marketers with the large databases to send people to your Web site or refer others to your business, they're not likely the right sort of people to bring on. But who *is* the right sort?

Who has them before you?

Ask yourself this question:

Who has your customers and clients before you?

Those people are your best potential affiliates.

For example, if you're a marriage celebrant, the people who have your customers before you could be florists, wedding photographers, bridal shops, bridal magazines, pretty much anyone involved in preparing for a wedding. Similarly if you're a baby photographer then

potentially your affiliates could include maternity hospitals, pre-natal classes, and authors of baby books. If you run dog obedience classes, the people who have your customers could be the pet shop owners. If your career is presenting leadership training courses, your affiliates could be other presenters who work with the same sort of organization in your target market but who aren't competing with you.

Finding them on-line

To find affiliates on the Internet, do a Google search (www.Google.com), looking for people offering those services. Approach them directly and ask them if they would be interested in becoming affiliates for your product or service. You have to be careful about your approach because many people on the Internet are now getting these sorts of unsolicited affiliate requests. They will just treat them like spam, and like any other unsolicited junk mail, they will just delete your message.

So be a bit more deliberate about it. You first search Google, find somebody who is a good potential affiliate for you, look at their Web site (looking to see the sort of things they do or sell), and then phone them. Calling these potential affiliates on the phone is much better than sending e-mail. It shows that you are taking the time to add a personal touch rather than just sending out mass e-mail.

When you speak with them, assess whether they're the right person for you. If not, move on to somebody else.

If you feel it would be better for you to send e-mail messages, that's fine. But you will need to structure your e-mail correctly to include something personal. It will show them that you have taken the time and trouble to learn about their business and they are not just one of millions of people who are getting a mass mailing.

Finding them off-line

You can, of course, find potential affiliates off the Internet. An affiliate doesn't have to only refer people to you through their Web site or via email. They could just as easily be promoting your products and services in their retail stores, at networking events, in their newsletters and other ways. But it's critical that you chose the right ones who will benefit you.

Many Internet marketers and many big affiliate-only marketers will offer their affiliate program to everybody. As I said earlier, that's fine for them, but it's probably not the right approach for you. In your situation, when you are trying to add affiliate marketing into your marketing mix, you've got to be a bit more selective. Choosing the right affiliates means that you have a much smoother ride with them rather than trying to offer your services to everybody. It will then become just one big hassle. Choose carefully and choose wisely.

Getting Started

Now we'll get into the practical aspects of running your affiliate program. In other words, we'll discuss what software to use, how to set it up on your Web site and so on.

"Finally!" I hear you cry. I know you have been waiting for this, so you can get busy right away. But I waited to start on this part of the book for a very good reason.

All the things that we've talked about so far are much more important than the technical aspects of the affiliate program. It's vital to know why you're doing it; it's critical to know you're not making the common mistakes many people make. And it's much more important to know that you've chosen the right affiliates.

Now you've done the numbers and you know the lifetime value of your customers. You know the profit you will be making from your affiliates. You have a plan in place. And all this is important before getting into the nitty-gritty of actually running your affiliate program.

One of the traps that many people fall into is they get caught up in the technology of the how-to before they have their plan in place. But you're different. You've passed that stage and now you're ready to have your affiliate program up and running. So here we go!

The challenge

We're going to get into the technicalities soon, such as the software you need and how to operate and use it effectively. But first, I've got a challenge for you.

I mentioned earlier in the book that you can actually set up an affiliate program without any special software. You need next to *nothing* to get going. So my challenge for you is this: Find *one* person or company that you would like as an affiliate. Talk to them; offer them whatever you're going to be offering in terms of commission. Tell them the deal that they're going to get and invite them to be an affiliate for your products or services.

Then, before you set up any affiliate software on your Web site, you're going to offer that affiliate the chance to promote your products or services.

Here's how: You create a special page for them on your Web site to promote whatever product you want them to sell. This page will be an exact duplicate of the public page on your Web site promoting that same product. But your affiliate's page is private – only they know the address. And you have some way of knowing if somebody orders through that page (For example, you can put some sort of code on the product that helps in identifying where it came from).

Now you have a hand-picked affiliate – one who you think will be a good person to market your product to their database. You have talked to them and have their agreement to work for you. You've convinced them you've got something of value to offer to them and it's completely ready to go.

Now, at this point it might be beneficial to give them some promotional material to use when promoting to their database. If you're good at sales and you've done successful sales copy, you could write the copy for them. Otherwise, you can let them do it themselves. Because they are more familiar with their network and database, they may be able to write strong copy. But then let them get on with it and watch what happens.

Go and do it now!

Now as I said earlier, the biggest mistake that most people make with affiliate programs is they're too optimistic. My guess is that you'll probably be disappointed with the results. Unless you've done a lot of marketing before and you know that you're probably only going to get a couple of percentage point response if you're very, very, very good, then you're going to be disappointed. You're probably going to end up getting less than what you expect. But that's not a bad sign. This is the time for you to now re-evaluate whether an affiliate program is right for you.

Think about it. You have an affiliate ready to find you customers, you've chosen you best product for them to promote, worked out the commission and have some promotional material sent to a database. You know what results you got. This was a test run.

If you feel that it's worth the time and energy, worth the money you are going to invest, and worth the focus and effort you will put in to making it work, do it – go ahead with a full affiliate program! If you feel you are better off doing other forms of marketing, that's fine too. At least you know exactly where you stand on affiliate marketing.

You now have information to permit you to make better choices. Maybe you will come to the conclusion that you should choose a different type of affiliate. Perhaps you should increase the price tag on your item so you can give affiliates a high commission. Would you be better off to once again figure the lifetime value of your customers so you can rethink the commission you'll give?

That has been my challenge to you. I wanted you to start out with just one affiliate and one promotion to see the results. Then you can honestly work out what to do next. You will be able to make a smart decision whether you want to continue with other affiliates or to revise your program or whether to just drop it for now. If you have gotten this far and made up your mind what you will now do, continue on with the next section.

Affiliate Software

Assuming you will be continuing with your affiliate program, your next step is to set up some affiliate software on your Web site, so your affiliates can sign up and refer people to your site.

Of course, there are many affiliate software packages out there on the Internet. I'm just going to talk about three, and then give you a sample of what's available. But you will find plenty of choices to explore.

First Step Shopping Cart

The first example is the one we licence to our clients (www.firststep.com.au). It's part of our whole shopping cart system and is a very simple affiliate-program system. This shopping cart allows you to take credit card orders over the Internet and will transfer funds directly into your bank account.

In this case, when you want to choose the affiliate and have control over who joins, you simply give them a special address to a page of your Web site which has the affiliate code in it. The Web site will keep track of this code so when the referred customer makes a purchase, the affiliates will get credit for it.

So this system keeps a record of how much the affiliate earned. And then it's up to you to pay the affiliate those commissions. You and the affiliate can agree on how you should pay them, and I suggest that the easiest way is through Paypal, at www.paypal.com.

ClickBank

A popular affiliate system on the Internet is Click Bank (www.clickbank.com), a marketplace where many, many people sell products via the Internet to a worldwide audience.

There are two catches with ClickBank. One, it works only with electronic products, such as e-books, reports that you would send electronically, online courses, and the like. In other words, you can sell anything on ClickBank that doesn't have shipping associated with the product. The second disadvantage is that ClickBank will only take payment in U.S. dollars.

If you're selling electronic products, and you don't mind only dealing in U.S. dollars, then ClickBank could be a very good system for you. It doesn't cost very much to set up. To sign up, there's an upfront \$50 fee in U.S. dollars. After that, they just take a percentage of every sale. To be honest, it's a fairly large percentage, much bigger than a credit card company would take for instance. But it's easy to use.

One advantage of Click Bank is that everybody who uses this system gets listed in the ClickBank directory. This is accessible to many people who can all look at your products.

And these people can also then become an affiliate for you. You don't have to do anything to set it up either. It's already built into Click Bank.

It happened to me. I have a few small e-books that I sell to some specific niche markets, and I occasionally get sales that come from affiliates – people I don't even know.

1 Shopping Cart

The third and last one I'm going to describe is one of the more sophisticated affiliate programs: 1 Shopping Cart (www.1shoppingcart.com). You get a full shopping cart system as well as a full affiliate program built in. In this system, affiliates can sign up themselves and they get a full details about how to become an affiliate, how to do the best job when selling your products, and how to track their sales. Each of your products will automatically get a special code so when a referred customer buys a product or service, the affiliate will get the commission.

They even have a second tier of affiliates. This means that if your affiliates refer other people to become affiliates then the original affiliate also gets a commission, though smaller, on future sales.

Affiliates can log in and have a look at what sales were made, what they have earned, and so on.

When you are just starting off with an affiliate program, 1 Shopping Cart is not necessarily the way to go straight away. On the other hand, if you're fairly confident that

your affiliate program is going to be a success, particularly if you've been through the challenge we talked about and see that your affiliates are going to be making money for you, then it's worth signing up for a service like 1shoppingcart.com. They also deal with multiple currencies and they allow you to link your system to different payment gateways (so money goes directly from the customer's bank account into yours).

The downside of systems like 1 Shopping Cart is that it just takes a little extra study to learn how to make them work. It therefore can take a bit of time to really get on top of it.

Bits and Pieces

As a final touch, I am going to cover a few miscellaneous things that we haven't covered already.

Keeping in Touch

A very vital question is: How do you keep in touch with your affiliates? Well, I recommend you collect together a mailing list and mail your affiliates regularly. You don't want to send mail too often and become a pest, but you want to let them know when there are new products and services available. This might be of value to them in promoting to their database.

You have to remember that most of your affiliates are not out there lying awake at night wondering how to promote your products or services. It's just not going to happen. They might sign up with a flurry of enthusiasm but pretty soon they're going to forget about it and they're going to be doing their own thing. Unless you remind them of your program and the money they can make, they will end up losing interest and going elsewhere.

Having a regular newsletter allows you to stay in touch with them. It should contain an article or two of some general but valuable information that will keep them reading it, and you can also promote your products or services. You can remind them to keep promoting your products or services to their database. Maybe once a month is sufficient or maybe it

can be sent less frequently. It doesn't matter if you have new products coming out or not. If you give them some information useful to them related to your products or the type of business you are in, they will be reminded to keep selling for you.

Helping them promote you

Another question that I often get is what sort of tools should you have available to affiliates to get them to promote for you? You are going to get a wide range of affiliates who may or may not have knowledge about the ins and outs of effective promotion. I recommend that you have a page on your Web site to help affiliates promote your products and services.

There are a number of things you should have on that page:

- ⇒ First you should have instructions on how to put a simple text link into an emailed newsletter or even a simple email message.
- ⇒ Secondly, instruct them on how to put some sort of HTML hyperlink into an email newsletter, because they will need this if their newsletter is the HTML variety and not just plain text.
- ⇒ And finally, teach them how to put a similar sort of link onto their Web site.

Now some affiliate programs go a lot further. They allow you to put special images or banners on other people's Web sites to promote your products and services. Taking advantage of these services is up to you, but the 3 most basic hints are a plain text link, an HTML link for email newsletters and an HTML link for their Web site.

By the way, in your instructions on your Web site page, put a statement along the lines of, "If you don't know how to do this, please pass this onto your webmaster, who will be able to do this for you." Remember, not all your affiliates are actually going to be the people running their own Web sites.

Fine-tuning your program

Another question I get asked is how you fine-tune the affiliate program once you have it running. Well, the most important thing to do is to keep monitoring it. You will then know which affiliates are selling the most for you. In the Internet marketing world, people who run big affiliate programs always know that a small group of people are going to be making most of their affiliate sales for them. It's called the 80/20 rule.

In many cases it's skewed even further so it's more like 90/10 or 99/1. In other words, 99% of your affiliate sales will come from 1% of your affiliates. This is just because most people who become affiliates aren't going to do very much with the affiliate links. They're not going to be promoting your products or services a lot as they lose interest, get distracted by other projects, etc.

To be honest, this has happened with me as well. I've become an affiliate for a number of different products but it's very rare that I proactively promote those products or services on behalf of the people who sell them. When I do, I get a sale and I get a commission on that sale but it doesn't happen very often.

And the affiliate marketers know that. They know that they're not going to get a large percentage of affiliates that do a large amount of sales. But once in a while they find a few who are making some money for them. These are the people they target. They are known as "super affiliates" in the Internet marketing world. They are the 1, 2, or 3 percent of people who are actually going to be making the most money for you. So consider making special offers to them. Perhaps you can offer them a higher commission or maybe you can offer them ongoing commissions, where other affiliates only get a commission on the first sale. You can even offer them some sort of discount so they can make the deal more attractive to their database.

"Added value" also can be attractive to your affiliates. You can offer special bonus offers if the affiliate can get them to purchase within the next two weeks. You have to look at the affiliates who are making you the most money and offer them a bit more incentive just to sweeten the deal for them because they're the ones who are going to continue making money for you.

Keep marketing!

And finally I think the key thing about an affiliate program is that you have to keep marketing. You have to keep marketing it so you keep the information out there. You have to keep looking for affiliates to work with you. And again, you have to choose them carefully.

And you should keep all your other marketing efforts in place, as well. Don't assume that your affiliate program is going to bring in all the business for you. In most cases, it won't unless you set out to build your business around affiliate marketing only. Chances are it's just going to be one of the things in your marketing mix. So carry on with all your other successful activities to reap the benefits of all.

Final Words

As we come to the end of this book, let's recap some of the things we covered. Affiliate programs can be wonderful marketing tools for you. They allow you to get access to markets you would never have otherwise reached. They allow you to have people selling on your behalf without paying them a salary or wage or any sort of fixed income. You only pay them out of profit that you would never have had otherwise.

On the other hand, these programs can also be a pain in the neck. There are many challenges to overcome. And many people are too optimistic about the results they will achieve. They haven't road tested the programs for themselves so they're not sure what will really come of it. Sometimes they choose the wrong sort of affiliates.

But if you do try it, make sure you maintain realistic views, do your numbers, and choose the right affiliates. Always remember to ask that question: "Who has your customers and clients before you?" Create an affiliate program that makes your life easy using some sort of affiliate software that's not too sophisticated.

If you remember these things, then you can actually create quite a comfy income. It can generate a steady stream of income for you even when you're not working, so you don't have to be actively marketing; your affiliates are doing it for you.

It's such a low cost form of marketing; it's no risk to you. It's low cost because you know that every dollar that you spend in commissions is coming out of your profits rather than coming out of expenses. And if you can make the affiliate program work really well, it can be the thing that brings you financial freedom! You could get to a point where you have hundreds of thousands of other people selling your products or services on your behalf with a great incentive.

I hope you've learned something useful about affiliate programs. I hope you decided now that it is the right thing for you and will pursue it with great rewards! But if you decided against it, and that's the best thing that you got out of this program, then at least you know it's the right time to focus your energy elsewhere.

If you are going for it, I wish you all the best. It can be one of the most rewarding things to wake up in the morning to find that people have been sending business your way and you've got money going into your bank account while you've been asleep. And you can now have the life you have always dreamed of.

If you would like to give me any feedback about this book or about how your affiliate program is going, you can visit my Web site www.gihanperera.com. I would love to hear from you! Best of luck for the future!

Now it's up to you!

I hope you've learned something from this special report. But more importantly, I'd like it to spur you into action – because, of course, what matters is not knowledge itself, but **applied knowledge**.

If you read this and do nothing, that's just as bad as not reading it at all. In fact, it's **worse**, because you've wasted your time!

So please **take action**, and start **now**.



About Gihan Perera

Gihan Perera is a business consultant, speaker, author and entrepreneur – with clients throughout Australia, and in New Zealand, South Africa, Singapore, the U.K. and Canada. He works with professional speakers and trainers, consultants, business owners, CEOs and strategic leadership teams to improve their marketing, sales and persuasion skills in one-on-one meetings, group presentations and on the Internet.

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