



# AFFILIATE MARKETING 101

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# Effective Affiliate Program Management

Welcome to Effective Affiliate Program Management. I wrote this for one reason, and one reason only, and that's to show you how to maintain both your affiliate system, the affiliates contained within it, the offers you send them, and how to get the most out of all of the above. Also, I'll be talking to you about what not to do with them, why they're so important and some of the reasons that affiliates and affiliate systems are often underestimated or seen in a negative light from the perspective of program owners looking solely at their short to medium term profit.

One thing I will say is that it's important to acquire and consume this knowledge at the earliest stage possible for reasons we'll discuss shortly. Even if it isn't your top priority at this particular moment, you'll be able to see just how powerful affiliate marketing is and why you should start planning before even launching your products.

# Setting the Scene - Displaying the Power

Lets take it from the top. First up, how do you define an affiliate program, or affiliate system? A system in which an owner or licensee of a product allows people outside of his or her own company to promote for them for a percentage of the commissions.

Pretty much everyone online uses this resource to their advantage, because lets face it, it's far easier for 100 people to sell 1000 units of a product than it is to have one person sell a thousand units of a product. I'm sure it's possible, but we don't have all the time in the world, so affiliates are generally the answer, and should make up a large amount of your business' revenue if you're promoting your own products.

In case you're kind of underestimating the situation, don't have any affiliate system in place, or haven't decided to fully utilize this type of system within your business, let me put a scene to you to make this all crystal clear. Here's the situation;

You're a business owner, you've just launched your shiny new site, which just happens to sell the same product as Mr. X here. Both yours and Mr. X's product is priced at \$500. The difference is you've built yourself up a relatively modest 150 affiliates, and Mr. X is doing all the promotion alone.

Now imagine you each make ten sales in the first month through personal promotion. You both make \$5000.

Great, but when your affiliates come in, it's easy to see how this figure can double. Now of course not all of your affiliates are going to be heavy hitters, great promoters or even make any sales at all, ever. But lets say just 10% of your affiliates, just 15 of them, make a measly three sales each in that same month at 60% commissions, which I'll set higher than average right now for a reason I'll reveal in a moment.

Pulling out my handy calculator, I can tell you that through those three sales from a small percentage of your affiliates, you've just made an extra \$9000, bringing your total to \$14000 for that month. You're laughing, and poor Mr. X. He was one of the many marketers out there that didn't take this type of affiliate marketing seriously, or didn't see any real profit in it. Meanwhile, you've just pocketed in a month what it takes most of my friends in regular jobs to earn in four or five months, often longer. Cool huh?

# Why Don't You Set It Up? - I Asked Them.

So now you can see how important this is, never ever let anyone tell you it's not worth spending the extra money on the set up of an affiliate program, made even easier nowadays by the plethora of software and solutions available to you as an online business owner.

"So why not set one up? They're more than doubling my income", I used to say to my less experienced contacts in the online business world. Ask yours the same question if you like and see what they say. The reasons they'll give you when you ask why they hold their negative opinion on this subject, more often than not will be that in their experience hardly any of their affiliates promote. Well, they're not wrong, it varies from business to business, but many affiliates don't bother to promote, or sign up meaning to and forget, or just don't have their resources built to a point where they have the promotion power to make the sales. This doesn't mean that you shouldn't still grab them at every opportunity, as you can see here from just that small example above, just 10% of affiliates promoting, making a small (very small) amount of sales each can easily double, triple, quadruple your income and sometimes even more. Looking at these figures always gets me excited. Have you ever seen someone making 40-50, 60 or 100 thousand dollars a month and wondered to yourself how the heck they pull that kind of cash out of their products when you're struggling to hit five or ten thousand a month? Well let me tell you, this is a very big part of it. Don't miss out, or you might find

yourself just getting by instead of extremely comfortable where income is concerned.

The second reason you might be told that having affiliates promote for you is a waste of time and effort on your part, is that they're hard to find. It's another one of those little niggly things, like the list craze going on all around us. In general the more responsive your list, the more cash you're going to make out of them now and in the future. This is exactly the same. Don't ever let anyone tell you that you're making a mistake putting a successful affiliate program high on your list of priorities, even over making direct sales.

# So What Makes Your Situation Any Different?

What we're going to look at now is what to do with your affiliates to try and hit and exceed that ten percent promotion rate. Once again, if you're not sure about getting the affiliates in the first place and maintaining them doesn't interest you right now, not to worry. The moment you begin to build your list and launch products all of this will become relevant.

Continuing with management of affiliates, you might be surprised to find out it's not all that complicated and relates closely to other forms of resource gathering, from lists, to customers, joint ventures and the like.

# You're Making Money, Not Losing It - Dashing the Affiliate Doubts

We're going to jump ahead now, and start to build up a picture of the ideal affiliate program, with a view to getting your affiliates promoting. The rest of this report contains some fundamentals, so keep reading along with us even if you don't have a system set up yet, because it will provide solid knowledge base and assist you in understanding what your software needs to be capable of.

So where do we start with affiliate marketing? Well, the first and most important thing I want to get out of your mind is that you're losing money, or the amount of money you gain by putting in the extra time and effort to run an affiliate program isn't worth it. I want to show you a few more examples and sum it up with a couple of sentences that should dash any doubts you have in your mind about whether this is all worth it or not.

Let's look at a different example this time, one where the price and short term gains aren't quite so visible. Take a membership site. Lets say you're running it at a modest \$15 per month. I could sit here and tell you that with 200 members that you referred yourself is \$3000 per month. Not bad. A handy little earner there. The problem comes when you start talking about giving 60% commissions to affiliates who promote for you. It doesn't seem like a good deal at all. That leaves you with a rather tiny \$6 profit per sale per month.



I think this is where the whole affiliate program is a bad deal state of mind comes up a lot with the people I meet. That looks like a massive cut in profits, but lets say again that you have 150 affiliates, and this time, due to the lower price, and it being slightly easier to get people to part with their cash compared to a \$500 product, 15 of your affiliates refer 15 members each that just happen to stay with you for a year. That's a minuscule \$337.50 extra per week. Now some might see that as not worth it, but let's add that up. \$1350 per month, or \$16,200 per year. Looks a little better now. I could buy myself a 64" plasma screen with that, or 6 brand new top of the range computers. What would you buy with an extra \$16k a year? Not a bad little earner for something that originally took your profit per sale down to a hardly impressive \$6.

So here's the thing, and this applies to all cases I can think of. If it's viable to have an affiliate program, have one, because lets face it; a sale by an affiliate that cuts your profits on that sale by 60% isn't a 60% loss, it's a 40% gain on a sale that quite likely would not have been made without that affiliate. The potential for this is huge, but we're done with examples for now. If that didn't persuade you that having a solid line of affiliates ready to promote for you is as important, if not more important than having your own list, nothing will.

Look at it this way. With affiliate marketing you're kind of adding to the resources you have on hand, and your promotion power. As much as joint ventures and a big hungry and responsive mailing list are great, they're massively enhanced by a few hundred affiliates going for you.

Ok, it's time to look at management of your affiliates themselves, how to get them to promote in the most profitable way possible depending on your product.

## Not an Overnight Task

Doesn't Mean It Can't Be Fast

Ok, let's get started. The first thing I want at the front of your mind when going through this is affiliate sales and affiliate building is not an overnight thing. I could lie to you, but I won't. Affiliate building is like list building. The more products you create and promote, the more affiliates are likely to join you on the way. Like with list building, the more joint ventures and promotions you get sorted, the more people will join your list on the way. Understand that if this is your first day, and you don't have any affiliates they will only grow as fast as you promote. Keep in mind though, that even five good new affiliates will put you well on your way to earning a heck of a lot more.

# Your First Questions

In setting up your affiliate program, the first question you'll likely have to ask yourself is how much do I award to affiliates per sale and on how many levels? While there are many factors to take into account, the answer isn't really all that complex. Always look at things from an affiliates point of view. We've really been spoiled by commissions as of late, I've seen things up to 80%, and even 100% for the first month quick start bonuses. This is why it's important that your first level is at least 40%. Remember that's not a 60% loss, it's a 40% gain from a sale you may never have made. If there's one thing I'd like you to keep in mind at this point, it's that when getting started, affiliate promotion is more about resource building for future promotion than making immediate profit, something the big earners realized early on. Sure you'd give away 80-100% if it meant you'd have a list of several thousand to promote to as a result of the increased affiliate activity. Don't think in two dimensions, or you'll see your highly contested for affiliates go elsewhere for higher commissions.

Next up comes level two. It's really important to have a level two commission going, because this will give all the first level referrers a passive income (cliché, I know) once they've exhausted their first level promotion. I know some people who won't even promote products unless they have a second level commission there (very big tip, don't forget this widespread factor), or the first level commission is particularly high. So a second level is a must, unless you have a very high ticket product to start with. Use your discretion, and remember to test whilst

your selecting your levels and whilst your affiliates promote for you.

Now I understand that there may be circumstances where 40% commissions or a second level commission may not be possible. For example, if the products that you're creating are tangible, or have a high production cost, but still go ahead and create yourself an affiliate program, whether it's five or ten percent. It won't get you as much interest as a high commission program, but you really don't have much choice when paying a 40% commission rate would put you at a loss every sale.

# Taking into Account the Price of Your Products

The next thing you'll want to look at when trying to set your affiliate commissions is the price of your product itself, and its structure. It's far easier to get people to promote for you in four situations.

1. Where you have a high price
2. When your commissions are higher
3. When you have a second level
4. Where the commission is re-occurring over time

If your affiliate program doesn't meet at least one of those requirements, we have a problem on our hands. The more of these four points it meets, the stronger is your position both for attracting affiliates and keeping them promoting.

# Analyze Your Offer Objectively

I've had people ask me why they're having trouble getting affiliates to promote for them, and more often than not, they're trying to get people to promote a one off sale \$10 product, or something similar. Now if that's not re-occurring, and has no follow-up product, then what good is a \$5 one off commission for the promoter? Not a lot. Of course I'm not saying you wouldn't get any affiliates in this situation, but it may be harder than you expect to attract. The competition for joint ventures, lists, and affiliates right now is as harsh and as cut throat as the competition for actual sales of products.

So before you actually decide to shell out on some sort of affiliate software, make sure that you don't offer commissions that are too low, non-reoccurring, or don't have a second level.

Put yourself in the affiliates' shoes. Remember, they don't care about your profits. They care about theirs.

If you were them, would you promote your product? Would it be profitable for you? Would it even be worth your time? These are the things to think about when not only setting commissions, but deciding whether or not it's even worth having an affiliate program up there for people to take advantage of in the first place. If you can't answer those two questions with a confident 'yes' then your setup probably needs to be changed in some way until you can, because it's likely others will have the same reaction as you, and your tracking and testing results will tell you the same.

If you don't have an affiliate system up and running already, and have just skimmed through this so far, I would suggest coming back and using this as a reference when you do start thinking about setting one up. It should be soon though, how about with your next product?

# A Short Quiz. How Well Do You Analyze the Affiliate Profit Potential of Your Products?

Time for a little break from the figures. Just in case you're a little unclear about what I just said above, I want to hit you with a few examples to demonstrate my point, and to prove that you do actually know how to analyze the situation effectively and make changes to your advantage. So here are some examples, and some questions for you. You just learned how to do something new. Here's the proof.

Example one: A year or two back (This is a true story by the way), someone I met through one of my sites tried to strike a joint venture deal with me. It was a JV of the simplest kind. He gives me higher commissions, and I promote his product. Ignoring the quality of the product right now and just concentrating on it's earning potential, he had a \$57 product, and offered me two dollars per sale, one off commission. It's probably quite obvious at this point that I said no at the time, and for good reason.

Would you promote anything for \$2 per sale on a one off single level commission? There are far better deals out there.

So what do you reckon he could have done to entice me further, improving his offer at the same time? Try and come up with a couple of ideas based on what we've just talked about before reading on.



How about bringing the commissions up to an even 60% for a start? It was a JV after all, so I'd expect higher than average commissions. Even at 50%, I may have been tempted to accept. Hey, it's a quick burst of cash, it was possible I may have said yes. So how else could he have enticed me? Remember back to the four points we discussed a few minutes ago..

How about some commissions over two level? That would have meant my one off promotion, while not reoccurring isn't quite so one off anymore. If he wanted to entice me further, he could have dropped the commissions to maybe 45-50% and offer a monthly recurring commission if the product allowed this.

Taking things a step further, what if the product he had been selling for \$57 was a low ticket item that fed through to a high priced one off sale for \$200-\$2000 per sale at 50% commission? I definitely would have gone ahead then if the product was quality.

Do you see how bad design of a pay plan or product in general can doom it failure from the start, unable to be revived without some major overhauls to how the whole sales system works? You may wonder why you'd change the way your whole business works just to get me promoting, but that's not what it's about. In general, affiliates are after the same thing in a program they're going to promote, whether it's me, or any of the other thousands upon thousands of them out there.

Can you also see how through this last snippet of information about bringing a low priced product through to a high priced product, you can attract people who

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