

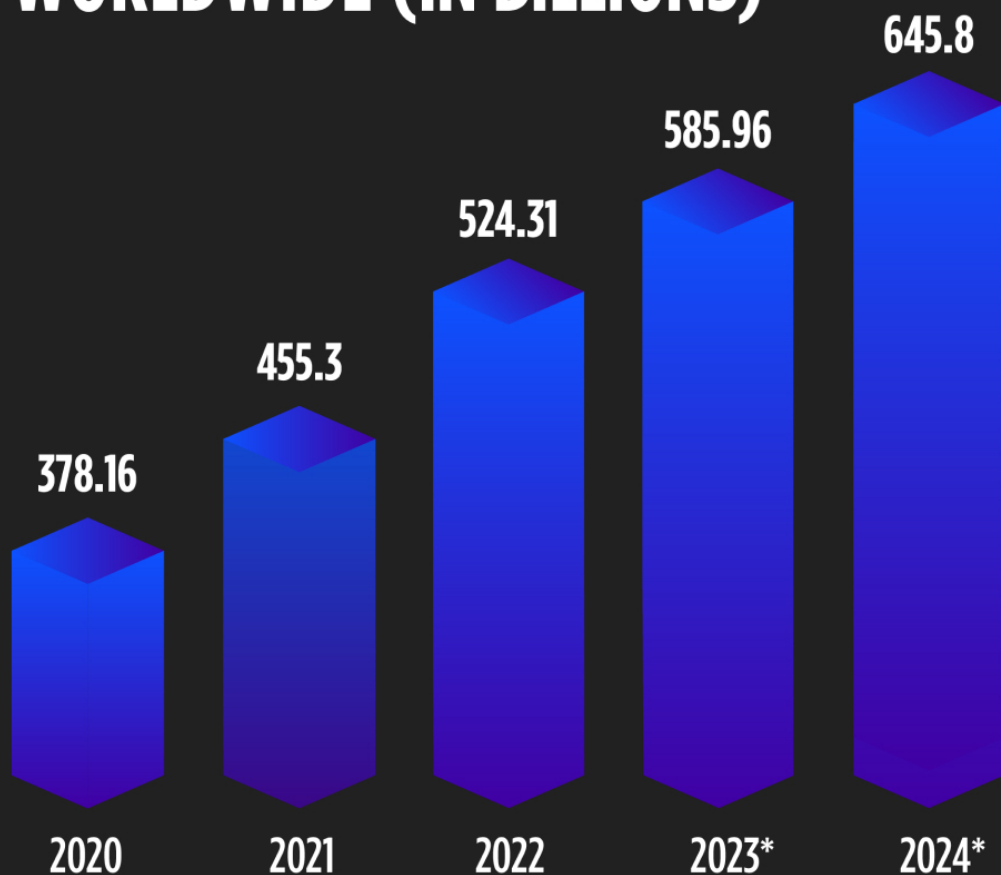
A Beginner's Guide to Performance Marketing: Everything You Need to Know



In 2021, worldwide digital advertising spending (including desktop, laptop and mobile devices) amounted to \$455.3 billion. [Statista](#) estimates this figure will steadily increase over the next couple years, reaching a whopping \$646 billion by 2024.

Considering this projection, it's no wonder that new forms of online marketing are popping up left and right — [social media advertising](#), [affiliate marketing](#), [email marketing](#) and, most notably, performance marketing.

DIGITAL ADVERTISING SPENDING WORLDWIDE (IN BILLIONS)



*PROJECTED TOTALS, ACCORDING TO STATISTA.



A combination of paid advertising and brand marketing, performance marketing refers to advertising programs in which affiliates and marketing companies are only paid when a desired action is completed, such as a completed lead, sale, booking or download.

This win-win marketing opportunity for a retailer (or “merchant”) and affiliate (or “publisher”) allows both parties to target campaigns in a strategic, high ROI way, all based on performance. By paying the affiliate when a specific action is completed, a merchant can feel confident that their money is being well spent, since they are already converting their target audience before they pay for the transaction.

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Plus, merchants can receive the added benefits of free brand exposure and targeted clicks along the way.

If this appeals to you, keep reading for a deep dive on how to get started with performance marketing in your own [ecommerce](#) business.

Is Affiliate Marketing the Same as Performance Marketing?

[Affiliate marketing](#) is a subset of the larger “performance marketing” umbrella, which includes [influencer marketing](#), [email marketing](#), [search marketing](#) and any other form of marketing where the marketing partner exchanges sales (or defined performance metrics) for commission payouts.

Affiliate marketing is the process by which an affiliate earns a commission for marketing another person’s or company’s products. The affiliate promotes the company’s product and earns a piece of the profit from each sale they make, which are tracked via affiliate links from one website to another.

Performance marketing, however, more broadly aims to improve the performance of the company. Rather than paying the marketing agency only when a sale of a specific product is made, the retailer pays when the affiliate achieves a desired result, which is the target for that campaign.

In short, performance marketing is affiliate marketing at scale, with new technologies and partnerships being enjoyed as part of the [performance marketing mix](#).

How Does Performance Marketing Work?

Performance marketing consists of four groups: retailers or merchants; affiliates or publishers; affiliate networks and third-party tracking platforms; and affiliate managers or OPMs (outsourced program management).

Each group is imperative and works in unison to drive the ultimate desired result. Here is a breakdown of each group:

Retailers or Merchants.

Also known as advertisers, these are the businesses that are looking to promote their products and services through affiliate partners or “publishers.” A retailer seeks out an affiliate partner, outlines their campaign goals and pays the affiliate once these goals are achieved.

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Considering 49% of consumers depend on influencer recommendations to purchase, retailers who invest in [performance marketing](#) have huge potential to drive sales, new customer acquisitions and real-time ROI campaigns.

Often the merchants that do the best in performance marketing are those who already have an online presence in several performance marketing channels, and their website has a minimum proven [conversion rate](#) that can help them. These retailers have affiliate partners that can produce a positive return on investment in exchange for marketing efforts, traffic generation and exposure.

Affiliates or Publishers.

Affiliates or publishers are the “marketing partners” of performance marketing and can come in many forms: coupon websites, product review sites, blogs, mobile apps and more.

In essence, affiliates act as an extension of the brand, using their site, social media and influence to enhance the performance of the retailer — but in return, retailers should also have a strategy and understanding of what these affiliates need from the merchant to be successful.

Influencers, as an example, are publishers that promote brands and products through their blog posts, social groups and [social channels](#). Their focus is to increase traffic and sales for the merchant while also building trust with their fan base through personal experiences and product reviews. This partnership holds a lot of value since it goes beyond the sale and builds loyalty for both the influencer and the brand.

Affiliate networks and third-party tracking platforms.

Affiliate networks or third-party tracking platforms offer a one-stop shop for information and tools such as banners, text links, product feeds, promotions and payouts (similar to a bank). These networks and platforms are also where merchants and affiliate managers create strategic commission structures, issue bonuses, send out newsletters and handle returns.

For both the merchant and affiliate marketer, this is a way to [keep track of leads](#), user clicks, conversions and overall campaign performance.

Below are some examples of leading affiliate networks and tracking platforms within the performance marketing industry:

- [Partnerize](#).
- [Commission Junction](#).
- [AWIN](#).

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- [Impact](#).
- [Avantlink](#).
- [PepperJam](#).
- [Rakuten Advertising](#).

Affiliate Managers or OPMs (Outsourced Program Management).

Affiliate managers, or OPMs, are the main driver between the merchant and affiliate.

While affiliate managers can be in-house, brands might also choose to work with agencies to either manage the entire program or support the in-house team, due to their expertise and an existing network of affiliate partners.

With existing proven processes in place and robust partner databases, marketing agencies can benefit in-house teams that may have limited resources and expertise by filling in the gaps and driving faster results.

Before choosing to work with a marketing agency, make sure you establish your marketing budget, specific goals, timeframes and brand alignment.

What are the Benefits of Performance Marketing?

With the digital marketing industry growing by the year, performance marketing has huge potential to scale your business when you embrace its full functionality.

Here are the top three reasons why your business should invest in performance marketing:

- **Brand awareness:** Through affiliates and agencies with their own established audiences, you can reach new audiences and increase traffic to your site.
- **Trackable performance:** Performance marketing is measurable and transparent. In fact, brands can now see the entire click-to-consume path of each buyer, and identify where to invest more and in which partners, which channels and produce better results.
- **Lower risk:** Since affiliates are paid only after a desired action takes place, [the CPA \(Cost Per Acquisition\) is often](#) lower and the ROI higher. This leaves more room in the budget for other performance marketing strategies to expand and be tested in order for you to grow and compete.

How Do You Measure Performance Marketing?

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ROIs are at the heart of performance marketing, as every action can be tracked and measured against key performance indicators (KPIs). Whether it be the number of clicks, page views or sales, these key metrics are crucial to measuring and enhancing performance.

Below we've highlighted some of the most commonly used metrics and KPIs so that you can have a better understanding of performance marketing pricing.

Pay Per Sale (PPS) or Cost Per Acquisition (CPA).

This is the amount a retailer or merchant pays when consumers complete a desired action, such as a sale, a click or a form completion.

In ecommerce, this is the most common payment model for merchants to set up.

Pay Per Lead (PPL).

A “lead” is typically a completed form registration or signup involving customer information — such as a customer’s name, email address or phone number — so that the merchant can follow up with the customer and drive sales.

Pay Per Click (PPC).

This is the price a retailer pays an affiliate for any ad clicks they refer to a desired landing page.

Pay Per X (PPX).

In this payment model, the “X” can represent whatever the merchant defines as the desired action outside of a lead, click or sale.

Downloads, upsells within apps and rewards program sign-ups are just a few examples of these.

Lifetime Value (LTV).

This metric measures the predicted “lifetime value” of a customer throughout their relationship with the retailer. Using predictive analytics, the LTV estimates how much a customer will spend based on their activity and actions with the brand.

What are the Most Common Types of Performance Marketing?

As mentioned above, performance marketing encompasses several different types of marketing.

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While one merchant might decide only one area is appropriate for their performance marketing strategy, others might use multiple areas within the larger “performance marketing” umbrella to fulfill their business goals.

Below we’ve outlined the different types of performance marketing and how each can [benefit your ecommerce business](#).

Affiliate marketing.

As explained above, affiliate marketing is any type of digital marketing that is affiliated with the advertiser and paid out after the desired action takes place. In many cases, this involves partnering with coupon, loyalty, review and [incentive sites](#), or it may involve working with an influencer, YouTuber or blogger.

Native advertising.

This is a form of paid media that, unlike display ads or banner ads, don’t truly look like ads.

Native ads tend to follow the natural form and function of the site they’re placed on — such as news or social sites. Instead, they fit “natively” on the page and can be fed dynamically based on each user viewing the content.

The most common payment models for [native advertising](#) are CPM (pay per impression) and CPC (cost per click).

Sponsored content.

A form of native advertising and content marketing, sponsored content involves including a dedicated post or video on a website that publishes similar content. This way the sponsored content will blend in with the rest of the content but include some indication that it’s sponsored.

Sometimes the compensation will be in the form of a free product or an experience, while other times it is a CPA-, CPM- or CPC-based payout.

Social media marketing.

This form of performance marketing uses [social media networks](#) to gain traffic and brand awareness, such as digital content showcased on Facebook, LinkedIn or Instagram.

Using various ad formats, and targeting options, merchants can reach potential clients while measuring KPIs such as engagement, clickthrough rate (CTR), CCP and ROI.

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Paid search marketing.

[Paid search marketing](#) occurs when an advertiser pays for clicks to sponsored ads on search engines such as Google Ads, Bing and Yahoo. Or, less commonly, an advertiser may pay each time their ad is displayed (CPM).

Search Engine Optimization (SEO).

The opposite of paid search marketing, organic search uses unpaid methods such as [search engine optimization \(SEO\)](#) and relies on the search engine's algorithm to rank in the top.

Some companies may measure their search engine marketing results on a performance basis, while others may partner and pay out commissions to SEM companies and campaigns based on results.

What are Some Performance Marketing Tips to be Successful?

Now that we've covered the basics, let's jump into our top tips for how to succeed in the performance marketing world.

Focus on a good landing page and offer.

When it comes to performance marketing, a bad landing page can deter visitors from converting, and a bad offer can prevent them from clicking through. Plus, this may deter partners from working with you and wanting to [promote your brand](#).

As an advertiser, make sure you have an enticing offer for your affiliates, and audit your site for any potential problems a visitor might run into.

Test the entire user experience from landing page to shopping cart. Audit links and offers, and regularly update content and any landing pages that are under-performing.

A/B test and optimize for revenue-driving KPIs.

As many good performance marketers know, testing and measuring are essential for a digital marketing strategy to work.

When it comes to performance marketing, try different techniques and strategies for optimization of [click-through rates](#), [conversion rates](#), [AOVs](#) and traffic by doing [A/B testing](#) for a clearer picture of what's working and what's not.

Choose your traffic sources carefully.

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[Making sure your traffic is coming from reputable sources](#) is extremely important in performance marketing. When less-than-reputable sources are advertising you, consumers may think twice about trusting you as a brand and might be deterred from visiting again.

Rather than generating lots of low-quality traffic, partner with affiliates that will [drive meaningful traffic to your site](#).

Track and monitor as much as you can.

Attribution, mobile vs. desktop, bounce rates, etc. all provide important campaign data points for better insights into what's working and what's not.

Just like testing, tracking and monitoring your gains and losses is equally important to getting the most out of your performance marketing campaign.

Be compliant.

Performance marketing is all about building relationships between brands and publishers to reach, engage and convert audiences to build your brand.

To do this successfully, both brands and publishers need to follow the rules.

The [Federal Trade Commission](#) (FTC), [GDPR \(General Data Protection Law\)](#) and the [CCPA \(California Consumer Privacy Act\)](#) have ever-evolving laws and policies in place, so it's up to both the brands and publishers to stay on top of these legal requirements to ensure that their programs and posts are aligned.

Take an in-depth look at each of the guidelines to make sure your business is in compliance, or work with a professional affiliate management company to help.

The Final Word

As marketing trends show continued investment into all things digital marketing, performance marketing shows huge promise for business owners looking to engage and convert new buyers at scale and at a lower cost. Working with publishers and affiliate networks allows for an added reach that you might never have working within more traditional marketing approaches.

No matter where you and your brand stand in the performance marketing space, there's always room to improve and grow.

Find out which approaches work for you and how to meet the needs of not only your brand but also your affiliate partners. Once you have your specific goals defined, jump in and start building

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those connections.

FAQs About Performance Marketing

Can I do performance marketing myself, or should I hire outside resources?

You can do performance marketing yourself, as long as you have the in-house marketing team size, expertise, budget and bandwidth to do so. Otherwise, you may want to hire an affiliate manager. While affiliate managers can be in-house, brands may choose to work with outside agencies to either manage the entire program or support the in-house team, due to their years of experience and high-quality network of affiliate partners.

What are the most common mistakes to avoid in performance marketing?

The biggest mistake to avoid in performance marketing is failing to track and analyze data. Without proper tracking, you can't measure the effectiveness of your campaigns, identify what works, or make data-driven decisions. This leads to wasted resources and missed opportunities for optimization. Ensure you set up robust analytics and regularly review your metrics to stay on course and achieve your marketing goals.

How do I target the right audience for my performance marketing campaigns?

To target the right audience for your performance marketing campaigns, start by defining your ideal customer profile based on demographics, interests, and behaviors. Use data from your existing customers and market research to create detailed buyer personas. Utilize tools like Google Analytics, social media insights, and CRM data to understand where your target audience spends time online. Implement segmentation strategies to tailor your campaigns to specific audience segments, ensuring your message resonates with the right people. Continuously test and refine your targeting to improve accuracy and campaign performance.

What are the latest trends in performance marketing?

The latest trends in performance marketing include the growing use of artificial intelligence and machine learning to optimize campaigns and personalize content. Video marketing is becoming increasingly important, with short-form videos on platforms like TikTok and Instagram Reels driving engagement. Influencer marketing is also on the rise, with brands leveraging micro-influencers to reach niche audiences. Finally, omnichannel marketing strategies that provide a seamless customer experience across multiple platforms are gaining traction.

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