

WORKING WITH COUPON SITES – ATTRIBUTION AND FUNCTIONALITY

INTRODUCTION

Several LinkConnector (LC) merchants have expressed concerns related to working with coupon affiliates. Most of the concerns relate to (1) erosion of profit margins, (2) lack of control over coupon distribution within the affiliate channel, and/or (3) the belief that coupon affiliates do not provide incremental value, but instead, are simply disrupting the purchase process by gaining credit after a consumer reaches a purchase decision.

However, coupon affiliates can bring tremendous brand exposure, new customer acquisition, and incremental revenue growth to a merchant's Affiliate Marketing program. A properly designed campaign and promotional strategy can extract maximum value from this affiliate segment without interfering with other marketing efforts. For more on the value of working with coupon affiliates, go to <http://www.linkconnector.com/pdf/WorkingWithCouponAffiliates>

The purpose of this document is to introduce merchants to LC functionality and promotional strategies that can alleviate merchant concerns as they relate to working with coupon affiliates thereby enabling merchants to better work with these valuable sources of sales and revenue.

COUPON TECHNOLOGIES

Given the value that coupon affiliates have been proven to bring to most Affiliate Marketing campaigns and the concerns some merchants express over working with coupon affiliates, LC offers several attribution related technology solutions and other functionalities which allow merchants to structure an LC campaign optimally for these types of relationships. These technologies include...

- Coupon Code Attribution
- Blacklist Functionality
- Whitelist Functionality
- Margin Attribution
- Event Attribution

Each technology has specific requirements for implementation that should be carefully considered and discussed with your account representative to ensure targeted results are achieved.

COUPON CODE ATTRIBUTION

In LC, merchants can issue private coupon codes for their affiliate partners. This creates the opportunity to attribute a sale to a specific affiliate partner based on the actual coupon code used by the customer. This attribution can occur as part of the normal Affiliate Marketing channel (Basic Coupon Code Attribution) or through other promotional channels where a click isn't required (Naked Coupon™ Attribution). This allows for LC merchants to gain complete visibility into the value of the individual affiliate partners while eliminating affiliate concerns of coupon code hijacking.

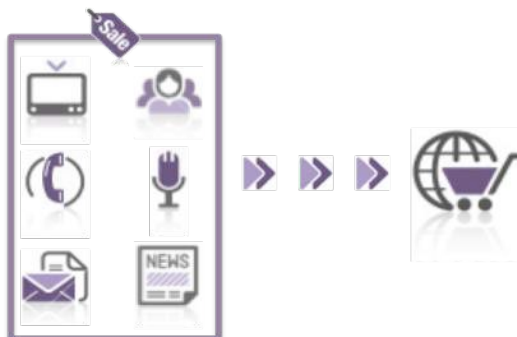


Figure 1 - Offline Affiliate Promotion with Naked Coupon Functionality

Naked Coupon Attribution, where a click (or cookie) isn't required for Coupon Code Attribution, opens affiliates up to a much broader range of promotional methods. This includes wider dissemination of opportunities to an affiliate's followers in social networks and the possibility of using offline promotional methods like radio, television, and print advertising. Armed with Naked Coupon functionality, affiliates can reach potential customers for a merchant in ways never before possible in the Affiliate Marketing space and in a way that specifically adds incremental value.

WORKING WITH COUPON SITES – ATTRIBUTION AND FUNCTIONALITY

IDEAL FOR:

- Merchants who desire to identify specific performance of each coupon affiliate partner
- Merchants who desire to discourage and eliminate coupon code hijacking
- Merchants who wish to open up promotional methods to include offline sources of promotion

REQUIREMENTS:

- Merchant ability to issue private coupon codes
- Merchant must pass coupon code used at time of purchase
- If not exclusive to LC or a merchant not calling LC event pixel 100% of time...
 - Merchant should enforce improper use of private coupon by invalidating in other networks and crediting (usually with a bonus) the rightful affiliate owner of a private coupon in LC
 - For Naked Coupon functionality, merchant must use Pixel Pre-Call solution

BLACKLIST FUNCTIONALITY

Merchants use coupons in their business for a variety of reasons. Many of these coupons issued are not always intended for the affiliate channel. These codes ultimately may find their way into this channel resulting in erosion of profit margins beyond acceptable levels for the Affiliate Marketing channel. Blacklist Functionality eliminates the need for merchants to waste valuable time ensuring coupon compliance by scanning coupon sites for the existence of unauthorized codes. Instead, Blacklisted coupons are directly communicated to affiliate partners as part of the promotional feed to inform partners that codes are not to be used*. Additionally, LC automatically invalidates sales when a specific, unauthorized coupon code is used by the customer. This removes all financial incentive for affiliates to use such codes while protecting a merchant's desired margins.

By way of example, a merchant emails its existing customers with a special offer to incentivize them to come back and make a purchase. At the same time, the merchant updates their LC Blacklist with this coupon code. If this code ends up in the User-Generated Content (UGC) area of a coupon site (shared by one of the merchant's customers) and is subsequently used to complete a transaction, LC removes any affiliate credit at the time of the sale. The affiliate partner is immediately aware of the use of an unauthorized code and subsequently is incentivized to remove the unauthorized coupon.

IDEAL FOR:

- Merchants who want to benefit from increased traffic resulting from maximum use of UGC through coupon affiliate partners
- Merchants who desire to discourage and eliminate use of coupons not intended for the affiliate channel

REQUIREMENTS:

- Merchant ability to upload Blacklisted coupon codes intended for other marketing channels prior to use
- Merchant must pass coupon code used at time of purchase
- If not exclusive to LC...
 - Merchant **MUST** invalidate transactions resulting from Blacklisted coupons used by coupon affiliates in other networks, or
 - Merchant **MUST** limit coupon affiliate promotion to LC

* Margin Attribution can be combined with Blacklist functionality to issue partial credit for blacklisted coupons.

WORKING WITH COUPON SITES – ATTRIBUTION AND FUNCTIONALITY

WHITELIST FUNCTIONALITY

Merchants who have an unknown quantity of coupons issued for other marketing efforts or whose management is extremely intolerant of UGC coupon functionality on coupon sites (and is willing to sacrifice all its benefits to the merchant), LC provides Whitelist functionality. Similar to Blacklist functionality, affiliates do not receive credit for unauthorized use of specific coupons. And, merchants are relieved from the time consuming task of ensuring coupon compliance. However, with Whitelist functionality, affiliate partners only receive credit for coupons made available to them by the merchant through LC[†].

IDEAL FOR:

- Merchants who can not accurately document all codes intended of other marketing channels
- Merchants who desire to discourage and eliminate use of coupons not intended for the affiliate channel
- Merchants willing to sacrifice benefits of allowing UGC on coupon partner sites

REQUIREMENTS:

- Merchant ability to upload ALL coupon codes intended for the Affiliate Marketing channel prior to use
- Merchant must pass LC coupon code used at time of purchase
- If not exclusive to LC...
 - Merchant MUST invalidate transactions resulting from coupons not authorized for the Affiliate Marketing channel used by coupon affiliates in other networks, or
 - Merchant MUST limit coupon affiliate promotion to LC

MARGIN ATTRIBUTION

Some merchants are not interested in limiting coupons used in the Affiliate Marketing channel and value the significant traffic that can result from coupon affiliates when a large variety of coupons exist or when particular affiliates are able to tout exclusive discounts. But, they do have a profit margin to protect. Margin Attribution offers a unique solution exclusive to LinkConnector whereby a merchant can identify a maximum margin to be used when computing an affiliate's commission that considers the value of the coupon used.

For example, let's say a merchant has a 50% margin that can be used to market a product. Many coupons from varying promotional efforts are available for use and many have differing values to the customer ranging from 10% off to 50% off. Using Margin Attribution, the merchant sets the commission to be paid to the affiliate to be 50% minus the value of the coupon code used in the transaction.

SCENARIO 1: A customer originating from an affiliate partner's site uses a 35% coupon. The commission paid to the affiliate is 15% (50% available margin minus the 35% coupon value).

SCENARIO 2: A customer originating from an affiliate partner's site uses a 10% coupon. The commission paid to the affiliate is 40% (50% available margin minus the 10% coupon value).

SCENARIO 3: A customer originating from an affiliate partner's site uses a 50% coupon. The commission paid to the affiliate is zero (50% available margin minus the 50% coupon value).

Because this technology is exclusive to LinkConnector, merchants **must** limit promotion from coupon affiliates to LC exclusively. This is necessary because without this exclusivity requirement, equity of commissions paid across multiple networks would not exist. While this LC technology would be set up to protect a merchant's margins, affiliates would simply migrate to other networks where they could use higher value coupon without

[†] Margin Attribution can be combined with Whitelist functionality to issue differing commission credit for various coupon discount values.

WORKING WITH COUPON SITES – ATTRIBUTION AND FUNCTIONALITY

potentially sacrificing commissions earned on each transaction. This would ultimately result in the merchant continuing to have little margin protection from coupon affiliates in the Affiliate Marketing channel—opposite of the merchant’s intended actions from employing this technological solution.

IDEAL FOR:

- Merchants who accurately understand available margins for marketing and want to empower coupon affiliates with maximum flexibility and control over coupons used

REQUIREMENTS:

- Merchant must pass LC coupon code and the code value (e.g., percentage discount) used at time of purchase
- Merchant **MUST** limit coupon affiliate promotion to LC

EVENT ATTRIBUTION

Most Affiliate Marketing Networks only offer its merchants the ability to credit based on last click. LC offers the ability for merchants to credit based on first click (synonymous to First In, First Out or FIFO) or last click (synonymous to Last In, First Out or LIFO). When multiple affiliates are involved in a transaction, FIFO tends to favor affiliates such as content sites and shopping comparison sites who generally introduce a potential customer to a product or service early in the sales funnel. LIFO tends to favor search and coupon affiliates who generally appear in the sales funnel much closer to a purchase decision. Depending on the type of affiliates a merchant most desires to reward; the merchant can select the appropriate event attribution for their campaigns.

LC can customize Event Attribution further to meet a merchant’s specific campaign objectives and requirements. Custom Event Attribution includes...

- Merchant desires to credit non-coupon affiliates when possible
- Merchant desires to share commissions when two or more affiliate types are involved
- Merchant desires to credit the first click within a certain time of the sale (e.g., within the last hour)
- Merchant desires to limit crediting to any affiliate after a customer has entered the shopping cart

For any custom Event Attribution solutions, the merchant should carefully consider all requirements and desired outcomes with their LC account representative to ensure a successful implementation.

IDEAL FOR:

- Merchants who desire to target specific types of affiliates for partnership and growth
- Merchants who desire to implement a shared attribution method
- Merchants who desire to limit crediting in certain situations

REQUIREMENTS:

- None, if simply selecting LIFO or FIFO crediting
- For custom event attribution, requirements vary depending on the desired custom solution

WORKING WITH COUPON SITES – ATTRIBUTION AND FUNCTIONALITY

CONCLUSION

Coupon affiliates can bring tremendous brand exposure, new customer acquisition, and incremental revenue growth to a merchant's Affiliate Marketing program. A properly designed campaign and promotional strategy can extract maximum value from this affiliate segment without interfering with other marketing efforts. LinkConnector offers many attribution options and other technologies to make it possible to build relationships with coupon affiliates without interfering with other promotional strategies. Contact your LC account representative to further discuss these technologies and the benefits of coupon affiliate partnerships!

ADDITIONAL RESOURCES

Working With Coupon Affiliates – <http://www.linkconnector.com/pdf/WorkingWithCouponAffiliates>

Forrester Research – <http://www.iab.net/media/file/ForresterRakutenLinkShareFinal.pdf>

Getty Images ASW13 Presentation – <http://www.slideshare.net/affsum/5c-b2-baffiliatecouponscohortanalysisresults-15954138>