

Technology-Driven Online Marketing Performance Measurement: Lessons from Affiliate Marketing

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ABSTRACT

Although the measurement of offline and online marketing is extensively researched, the literature on online performance measurement still has a number of limitations such as slow theory advancement and predominance of technology- and practitioner-driven measurement approaches. By focusing on the widely employed but under-researched affiliate marketing channel, this study addresses these limitations and evaluates the effectiveness of practitioner-led online performance assessment. The paper offers a comprehensive review of extant performance measurement research across traditional, online and affiliate marketing and, employing grounded theory, presents a qualitative in-depth analysis of 72 online forum discussions and 37 semi-structured interviews with the major affiliate marketing stakeholders. As a result, the research identifies a growing need for change in the technology-pushed measurement approaches in affiliate marketing, and proposes actionable improvement recommendations for affiliate and online marketing managers.

Keywords: *Affiliate Marketing, Grounded Theory, Marketing Measurement, Marketing Measurement Practices, Marketing Performance, Online Marketing, Performance Measurement Limitations*

INTRODUCTION

The measurement of online marketing performance is one of the most discussed and yet least understood subjects in both academic and practitioner communities (Germann, Lilien, & Rangaswamy, 2012; Malthouse & Hofacker, 2010; Ryan & Jones, 2009). In theory, the advancements in performance assessments of Internet marketing activities remain limited

and fragmented. The extant contributions only address the measurement of selected online marketing activities such as banner advertising and social media marketing (Ewing, 2009; Michopoulou & Buhalis, 2008) and largely rely on the theory-testing quantitative research tradition (Michaelidou, Siamagka, & Christodoulides, 2011). From the point of view of theory advancement, this constitutes a challenge given that Internet marketing performance measurement

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theories are only starting to emerge. On the other hand, the developments in online tracking, performance measurement and analytics in every day practice are rapid and accelerating. Marketing practitioners, excited by the 'big data' capabilities and emerging opportunities to turn what used to be called a 'slippery' marketing practice into an accountable business function (Homburg, Artz, & Wieseke, 2012; Ryan & Jones, 2009), willingly adopt new online measurement approaches and readily switch their attention towards monitoring new numerical performance indicators. While these indicators and technology-enabled measurements indeed capture the marketing impact in a more 'tangible' manner, they continue to be defined by IT-departments and technology developers, whose understanding of marketing function is generally partial and whose collaboration with the marketing department is frequently occasional, if not absent (Calero, Ruiz, & Piattini, 2005; Seggie, Cavusgil, & Phelan, 2007).

Due to the increased capabilities, practitioner-driven Internet marketing measurement and analytics have been met with much enthusiasm and support by the scholarly marketing community (Ryan & Jones, 2009; Wilson, 2004). A few researchers, however, have also expressed caution towards new technology-enabled measurements, calling for further evaluations of new measurement techniques and approaches (Winer, 2009). In this study, we set out to explore the effectiveness of this measurement and, in order to motivate further development in this field, aim to propose actionable recommendations for practice improvement.

Given that performance measurement is a non-generalisable and context-specific construct (Miller & Cioffi, 2004), we focus on a specific Internet marketing channel – affiliate marketing in the context of tourism and hospitality, where its use is particularly widely spread (Daniele, Frew, Varini, & Magakian, 2009). Affiliate marketing is defined in literature as a commission-based online partnership between merchants and affiliates, in which merchants reward affiliates for the referral of customers to their websites and for the promotion and

distribution of the merchant's goods through additional sales outlets (Bandyopadhyah, Wolfe, & Kini, 2009; Duffy, 2005; Goldschmidt, Jung-hagen, & Harris, 2003).

We begin the article by discussing the present state of research on offline and online marketing performance measurement and by highlighting existing research gaps. We then explain the research methodology adopted and present the results, where we depict the current approaches to performance measurement in affiliate marketing, identify the difficulties of the present measurement practices and elucidate the nature of change required. Finally, in light of the literature analysis and the empirical evidence, we highlight the theoretical and practical implications of the findings, discuss the study's limitations and set forth the future research agenda.

EXTANT RESEARCH LIMITATIONS

To gain a holistic view of the state of marketing measurement research, we critically analysed a total of 148 carefully selected marketing performance studies from three literature streams: generic (offline), Internet and affiliate marketing. Overall, the synthesis of the findings indicates that marketing performance is an extensively researched area. Much attention has already been paid to marketing performance first in the offline (Ambler, Kokkinaki, & Putoni, 2004; Barwise & Farley, 2004; Connor & Tynan, 1999) and later in the online domain (Bandyopadhyah et al., 2009; Daniele et al., 2009; Ryan & Jones, 2009). The responsibility for furthering the approaches to marketing performance measurement, however, seems to have gradually shifted from theorists to industry practitioners. Whilst generic literature on traditional marketing performance has a solid theoretical origin and base, subsequent work on Internet marketing performance and later on affiliate marketing performance is more fragmented, practitioner-oriented and nearly always initiated by the industry (Borelli &

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