Chapter 18
Business Case of the Affiliate Marketing Business Model

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ABSTRACT

This chapter will provide a description of affiliate marketing models, their advantages and disadvantages. A lot of companies use affiliate marketing models for providing better consumer acquisition and sales results in online arena recommending to other companies or users their products or services. The authors present business case of Catena Media and Askgamblers.com, the leading Casino Affiliate Business Model. Affiliate programs are business that use affiliate marketing to promote their casino worldwide. Today most online casinos offer commissions to private advertisers for sending traffic to their website. They usually use commission-based fee or revenue sharing models to pay affiliates.

INTRODUCTION

Affiliate Marketing has transformed traditional marketing and is seen as one of the most expanding online advertising led generation. It is viewed as a multibillion-dollar industry. According to (Mazurek&Kucia, 2011) affiliate marketing is a prospective strategy of e-commerce, the essence of which lies in the shift of responsibility for sales onto a third party (clients) who are rewarded commission after convincing other shoppers to purchase products or services offered by a sponsor (company using the e-promotion tools). The most common generic definitions depict affiliate marketing as an online partnership "which involves partners being paid commission for each sale or lead". (Quinton & Khan, 2009). A recent study shows that affiliate marketing is related to improved sales results: "It is about leveraging relationships to be able to tap into new audiences for incremental traffic, sales and sign-ups". (Oskam, 2017).

The online gambling industry - which is mainly led by betting, casino, and poker applications - had a market size of around USD 51.96bn in 2018. Almost half of this sum (47.6%) is generated by the EU markets. (BX study, 2018). Most research in the online gambling area focuses on sociopsychological topics, issues regarding law and security with very little business research attending to the operation of

an online casino. (Levin, 2013). This research gap provides us with an opportunity to examine the way how to make money for online casinos through the application of affiliate marketing models.

The market for online gambling is growing and knowledge of the profile of a typical online gambler is a start, but with such competition, online gambling operators must use additional methods for customer acquisition. (Hing et. al, 2014). For affiliate marketing users, new technology platforms give the opportunity to expand a third party consumer database in the growing online gambling industry. Affiliate marketing companies provide an opportunity to explore the power of electronic word-of-mouth for shoppers to purchase service offerings from online casinos. Engaging online gamblers is an ongoing challenge. Companies like Catena Media (Askgamblers.com) have taken advantage to interact with online casinos and this helped them develop a successful global brand.

LITERATURE REVIEW OF AFFILIATE MARKETING

The growing acceptance of the Internet among consumers and the growth of online retail sales has resulted in a large number of retailers using online advertising formats. (Purushottam &Amit, 2002). The majority of previous research in this field focuses on how to attract and retain appropriate affiliates (Martin-Gill et al., 2009).

As an online advertising tool, affiliate marketing is mainly aggregated in networks and acts as the middleman between a customer and the company. It can be understood as a business partnership. (Prabhu &Satpathy, 2015) There are many affiliates that build and manage websites to sell the products or services of advertisers. Most advertiser-affiliate relationships are managed through several major networks involving the technology to support tracking activities and the sales transaction. (Duffy, 2005).

In contrast, other authors (Bystrova, 2015) describe affiliate marketing as a performance-based online marketing channel enabling the company to gain more visibility with relatively low costs. Affiliate marketing combines the value of personal sales and technology solutions offered by online marketing. To companies with lower marketing budgets it provides an affordable opportunity to increase profits and raise awareness of their brand. (Jurišova, 2013). According to (Akcura, 2010) affiliate marketing programs help firms to increase their reach and acquire the customers of other firms, when the firm agree to refer their customers to third parties. Numerous merchants pay affiliates a referral fee for each referral that is converted into a customer (pay-per conversion). There are various levels of referral fees. For example, Amazon pays its affiliates up to 15% commission on sales made to a converted customer. Pay-per-conversion is sometimes considered a form of pay-for-performance because it reduces the merchant's risk of paying for referrals that do not convert into buyers. Another commonly used method is pay-per-lead. This is the case when affiliates are paid for referrals regardless of whether their referrals are converted into buyers. (Libai et al, 2003) The main goal of every company is how to transfer referrals into a converted lead.

AFFILIATE MARKETING: HOW IT REALLY WORKS

Affiliate Marketing programs began in 1996 when Amazon began to pay websites for referring customers to join their site. (Hag, 2012) The research study by (Venugopal et. al., 2013) came to the conclusion that the most active sectors for affiliate marketing are the adult, gambling, retail industries as well as

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