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INDIA AFFILIATE SUMMIT



India Affiliate Marketing THE 2023 PRIMER

A research report on Affiliate Marketing in India

Prepared by
KANTAR

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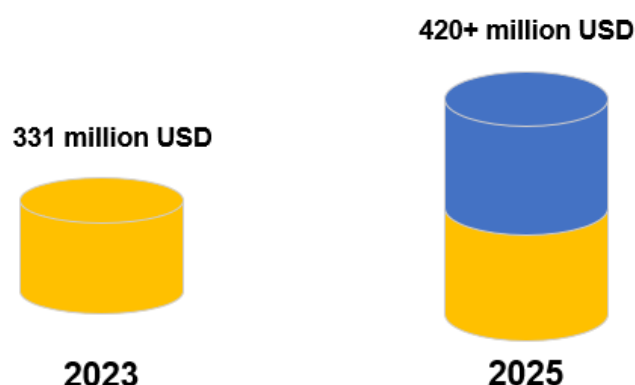
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Executive Summary

Today, gaining a consumer's attention and telling a convincing story which results in a decision to buy a product is a challenge. Consumers have plenty of options at their disposal. As we transact more and more in the digital world, this reality has made the role of marketing in the growth of a business increasingly vital. Among the various strategies of marketing a product, in recent years, Affiliate Marketing (AM) has attracted a great deal of attention from companies. In Affiliate Marketing (AM), an affiliate markets a product of a company with certain clear goals in mind. These are: leads, traffic or sales. Affiliate Marketing is a 'performance-focused' marketing channel which provides a reasonably good return on investments to companies which hire affiliates to market their products.

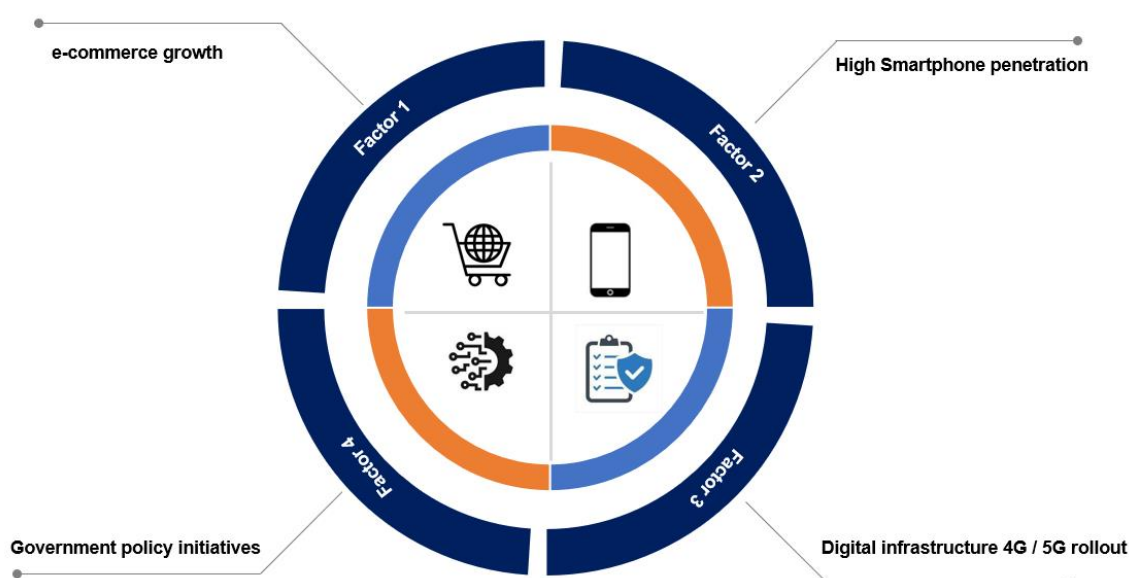
Since India's economy is growing fastest among large economies in the world, the future of Affiliate Marketing in India is bright. Based on the primary interviews done, in India today spending on affiliate marketing is around 331 million USD and it will be expected to grow to 420+ million USD in 2025. Given this growth in the size of Affiliate Marketing in the range of marketing strategies, this report provides a holistic picture of how the strategy of Affiliate Marketing is poised to pay rich dividends and contribute meaningfully to the sales of companies.

Affiliate Marketing in India



Source: India Affiliate Marketing - The 2023 Primer, IAMAI research 2023

Based on the primary interviews and validated by secondary research, Affiliate Marketing accounts around 10-12% of digital marketing spending of companies in India. In some of the matured markets, Affiliate Marketing accounts for 15% of digital marketing spending of companies. Given the size of the Indian economy and the fact that India is one of the top 10 countries in the world in Affiliate Marketing, there is much scope for growth of Affiliate Marketing in the country. Rising penetration of mobile phones high growth recorded in e-commerce business, strong digital infrastructure and the government's facilitating reforms such as Digital India are a few key factors that are likely to increase the role of Affiliate Marketing as a marketing strategy for companies in India.



Source: India Affiliate Marketing - The 2023 Primer, IAMAI research 2023

As more businesses embrace digital means of marketing, Affiliate Marketing is likely to emerge as a prominent mode of selling products. Our interactions with some of the reputed businesses in sectors such as Banking, Financial Services and Insurance (BFSI), Entertainment and Travel enlightened us in the growing acceptance of Affiliate Marketing in Digital Marketing. Companies are willing to experiment with Affiliate Marketing and more importantly are increasing their budgets towards it. They have clearly benefited from Affiliate Marketing. They were vocal about the achievement of their goals such as an increase in sales, increase in market share, and even in brand awareness.

However, to achieve growth in sales is not an easy task. Businesses have to identify the right partners and platforms for the execution of their Affiliate Marketing programs. A bigger

challenge comes from the point of view of consumers. Many times, in the past it has been proved that Indians suffer from 'Trust Deficit'. Though e-commerce has gained traction and there is a reasonably good record of e-commerce companies in India delivering good sales both online and offline, Indians have not developed sufficient trust towards brands displayed online. 52% of Indian consumers trust online advertising, which is lower than the global average of 61%. The average conversion rate for Affiliate Marketing in India is around 2%, which is lower than the global average of 4%. Since Affiliate Marketing is all about performance and in many cases, it is the conversion or sale, which is a key metric of performance, the role of an affiliate in delivering sales online is significant.

1. Research Methodology

Kantar followed qualitative research approach in understanding how Affiliate Marketing works across key sectors. We had a clear objective of understanding the benefits of affiliate marketing and how the segment can grow in the range of marketing strategies available for companies in India. We also rely on secondary market data and insights.

We did qualitative interviews with Affiliate Marketing Experts and Client Marketers related to Affiliate Marketing. These interviews involved in-depth questioning and delving into granularity of every aspect of affiliate marketing. The learnings or insights from these interviews are likely to address certain critical questions associated with affiliate marketing, which otherwise would not have been easily gathered or acquired through quantitative research.

In our secondary market research approach, we bridged the gap from the qualitative interviews as well as validating stories marketers shared with us.

2. Research Findings

We covered major players in Affiliate Marketing segment in India. The top five sectors in Affiliate Marketing segment in India are Banking, Financial Services, and Insurance (BFSI), Ecommerce including D2C brands, Gaming, Education/EdTech and Utility including online services.



Source: India Affiliate Marketing - The 2023 Primer, IAMAI research 2023

We interacted with key representatives of companies who led Affiliate Marketing programmes. We have focused on two key variables in these interviews. They are - understanding the marketing plan and the outcome of the marketing plan for a company. Following are the insights of our qualitative interviews with key representatives of the aforementioned sectors:

A Leading Direct to Consumer (D2C) Brand:


This is a company which manufactures premium skincare products (direct-to-consumer). It has an offline presence with focus on Tier-1 cities. The company has huge scope for expansion in India's beauty products' industry which has a market size of Rs. 65,000 crore. It plans to expand in Tier-2 cities through stores and go completely online in Tier-1 cities gradually.

Marketing Plan: The company allocated 65% of its marketing spends towards digital marketing and the rest on traditional marketing like print advertising, TV commercials, outdoor

advertising, radios and exhibitions. It spent 10% to 15% of digital marketing budgets on Affiliate marketing. Apart from online beauty expo and other digital marketing activities, the company also opted for influencer marketing. It engaged with a beauty blogger and a leading dermatologist specialized in skincare treatments.

The key representative of the company explained, “We have observed that there is an increasing adoption of affiliate marketing in the past two years. This is largely due to increasing penetration of e-commerce and emergence and huge acceptance of D2C brands.”

Outcome: Affiliate Marketing contributed more than 12% growth in total sales.

Sales 12% 

A Life Insurance Brand

Life Insurance in India is still sold largely through agency channel. In our interaction, a reputed life insurance company said that it plans to boost its sales further by also considering seriously the option of using Affiliate Marketing strategy.

Marketing Plan: The insurer allocated 30% of its marketing spend towards digital marketing and the remaining towards traditional marketing. The company has allocated 10-15% of its total digital marketing budget to Affiliate Marketing. The company launched an affiliate marketing program offering referral fee to existing agents to bring in more agents.

The company’s representative shared, “We anticipate that investments in affiliate marketing to grow two times in the next three years.”

Outcome: The outcome exceeded expectations. The company gained market share of 2.5% as opposed to its estimation or target of 1%. The company credits this gain to the agents hired for Affiliate Marketing Program.

A Telecom (broadband) Service Provider

The company offers broadband internet services to customers. The company engages local cable operators (LCOs) to expand its services in new areas.

Marketing Plan: This company has a sharp focus on digital marketing to attract new customers. It used traditional means of marketing such as banner advertising, setting up canopy, umbrella (kiosks offering information regarding launch of new services) in new areas and distribution of pamphlets from door to door to attract customers. Then, the company decided to opt for Affiliate Marketing. It launched a digital referral bonus program on its portal and social media handles to increase brand awareness and attract new customers. When an existing customer shares a social media post with the embedded link on his/her social media handles or sends it to 10 other individuals, then he/she gets free data for a certain amount of time – say 15 days.

The company's representative shared, "Transparency is the biggest challenge, and we want to educate our clients about affiliate marketing." The representative added, "Affiliate marketing definitely going to grow considerably because today's generation is complete online."

Outcome: Existing customers of the company has brought in many new customers. The cost of acquisition of new customers has been minimal.

A Travel Company

This company focused on offering tailor-made vacation packages. It plans to capitalize on a high growth phase in travel and tourism sector post the lull-period in the Covid-19 pandemic.

Marketing Plan: The company has been spending 80% of its total marketing budget on digital means and the rest on traditional channels such as the print media and others. It spends approximately 10% to 15% of its digital marketing budgets on Affiliate Marketing. Spending on Affiliate Marketing has been increased by 40% this year in comparison with the past year. The company opted for launching an Affiliate Marketing Program with the help of a third-party vendor. The vendor helped the brand to finalize websites based on target audience profile and click per view ratio. Then, the company embedded the link on the selected website. The services of the same vendor are also sought in creating an email-marketing program wherein the vendor is involved in sending high performance emails in bulk.

The company's representative pointed out, "The biggest support I need from the marketing association is making brands understand the importance of affiliate marketing and how it is

growing worldwide and how it can help them to grow transactions and they should increase their spending in this channel.”

Outcome: The company achieved about 90% to 92% of their goals due to Affiliate Marketing Programmes.

Automobile [Green Energy] Brand

The company sells two-wheelers powered by green energy. Individuals willing to spend Rs. 80,000 to Rs. 100,000 are the target customers of the company.

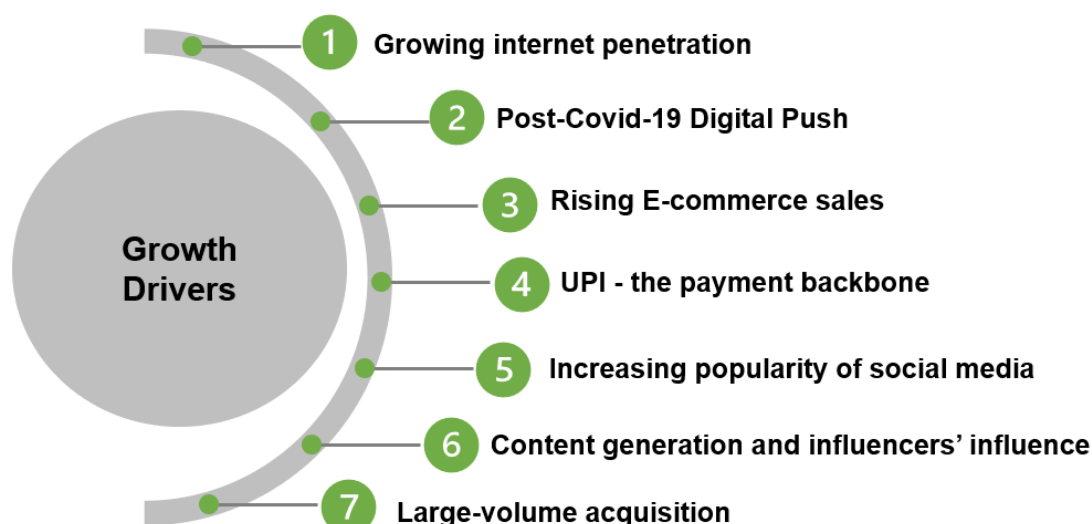
Marketing Plan: The company has been spending a sizeable amount of money in traditional channels of marketing. However, in recent years, it has gradually started allocating money to digital channels. It spends 15% of its total marketing budget on affiliate marketing program. It has identified a few influencers and third-party vendors with an idea of increasing brand awareness and generating leads. These influencers and third-party vendors are paid by providing a share in the revenues.

The company’s key representative explained, “The demand for affiliate marketing services should increase by at least 15% because the influencer tribe is increasing as more people are coming and becoming influencers.”

Outcome: Affiliate Marketing campaigns resulted in 20% increase in brand awareness. It increased brand awareness by at least 40% in festive times.

3. Growth Drivers of Affiliate Marketing

Given these benefits, it is clear that investments in affiliate marketing will rise in the coming years. Besides this, there are drivers which have emerged organically to sustain and further boost investments in affiliate marketing in India. Affiliate Marketing makes an overall marketing strategy of a brand more robust and comprehensive. The clear focus on performance on the well-defined grid of deliverables makes it an efficient means of marketing, this is well accepted by a growing number of businesses. Our interactions with marketing heads of businesses from various sectors provided us with insights into the structural growth drivers which would further propel the growth of Affiliate Marketing in the overall digital marketing pie. Let us understand these drivers in detail:



Source: India Affiliate Marketing - The 2023 Primer, IAMAI research 2023

Growing Internet Penetration

India is home to the second-largest number of internet users -over 700 million, which is expected to grow to over 900 million by 2025. The launch of Jio in September 2016 by the Reliance Group democratized the world of communication services. It came out with bundled offerings wherein users at all price points were offered smart phones and data packs with handsome benefits. This ensured that mobile phones reached the population sitting at the bottom of the pyramid too. Doing away with limits on data and calls, ensured that the time spent using internet increased substantially.

According to the data shared by Telecom Regulatory Authority of India (TRAI), wireless subscribers rose to 2.7 million month-on-month in July 2023 for the highest monthly net

additions since May 2022. The next phase of growth will be backed by expansion in Mobile Broadband (MBB) and Fixed Broadband (FBB). Mobile Broadband (MBB) penetration improved to close to 72.6% of total subscriber base with 6.1 million MBB net additions. FBB subscribers almost doubled in the past four years and were up a further 0.6 Million to 35.7 million— growth of 21% compared to a year ago. This expanding internet user base has been the universe that Affiliates keenly target.

To put it simply, advertisers realised that the target consumer is more likely to be seen in digital world than in physical world. In this context, Affiliate Marketing is likely to benefit considerably as it focuses more on consumers who use digital platforms.

While relatively cheaper and ‘truly unlimited’ internet packages played a key role in favour of encouraging consumers to spend more time on the internet, reforms of the government through Digital India ensured that many services go online. This encouraged Indian households to go online.

Post-Covid-19 Digital Push

Digital ecosystem became more robust in times of restrictions imposed to curb spread of the Covid-19 pandemic. Businesses became more internet-friendly and reluctant individuals and even senior citizens embraced digital life. While the spread of internet is one key driver for growth of affiliate marketing, the ability to ‘transact’ on internet matters much more. Many more individuals are consuming information and transacting online, this paves way for the growth in investments in affiliate marketing.

Rising E-commerce Sales

Increasing willingness among consumers to transact online has benefitted e-commerce companies in India. While leading marketeers such as Amazon has put in place systems to cater to almost all serviceable PINCODES (postal-index numbers-based delivery zones), Great Indian Festival the ‘online Sale event’ has been receiving orders from more than 99% of the PINCODES. India's e-commerce market is expected to grow to US\$1 trillion by 2025.

UPI- The Payment Backbone

Many affiliate marketing campaigns pay a marketeer only if a sale happens through referral link. These revenue share arrangements depend on a client's willingness and ability to

transact online. In India, consumers look for an alternative payment mechanism even though there is low penetration of credit cards when compared with the developed world. Unified Payments Interface (UPI) has been a large enabler in this regard.

In June 2023, UPI processed 9.3 billion transactions, compared to 151 million in January 2018. The big driver, however, is person to merchant (P2M) transactions taking over. For the uninitiated, UPI transactions include both – person to person (P2P) and P2M. In June 2023, P2M accounted for 57.5% of all UPI transactions, compared to 40.3% in January 2022. This is expected to go up further, enabling more transactions, as per publicly available sources.

Increasing Popularity of Social Media

According to Kantar's latest ICUBE data, by end of 2022, India already crossed 530 million social media users which is amongst the largest in the world. Social media platforms such as Facebook, Instagram and YouTube are popular among Indian consumers for consuming content, shopping and connecting with friends and family. As per publicly available sources - Tech and policy think tank, daily engagement in terms of time spent on social media stands at 194 minutes a day. This is far higher than 145 minutes spent on social media every day – the global average.

Content Generation and Influencers' Influence

Content generation across platforms is on the rise with rising participation and increased use of social media. More than 84% of the online content publishers work in Affiliate Marketing. The influencer marketing industry which is a sizeable segment in Affiliate Marketing in India is expected to reach US\$75 million by 2025.

Large-Volume Acquisition

Globally financialization of savings has emerged as a secular trend. More individuals are investing in financial assets. This trend provides strong business to banking and financial sectors. Another trend that is widely observed is digital entertainment. There is an increasing preference for Over-The-Top Platforms (OTT), which include entertainment and gaming services on streaming platforms. Service providers in these industries need to reach as many households as possible. This can be achieved through digital marketing, and a large chunk of customer acquisition can be possible by allocating significant resources to affiliate marketing



What is Affiliate Marketing?

- A marketing channel in which an affiliate gets paid a fixed commission or revenue share of sale, enrolment or visit generated for the merchant.

Types of Affiliate Marketing

- **Unattached Affiliate Marketing:** The Affiliate has no specific skill to neither recommend a product nor authority. For instance, an entertainment professional recommends a nutraceutical / health supplement
- **Related Affiliate Marketing:** The affiliate has domain expertise and authority over subject matter and can recommend a product. For instance, a healthcare professional / dietician recommending a nutraceutical/health supplement
- **Involved Affiliate Marketing:** A user of the product can recommend a product. For example, a sports person or a celebrity who used a nutraceutical/ health supplements to deal with health-related issues
- **Influencers** with significant amount of following on social media can also do affiliate marketing. They may fall in one of the three types described earlier

How does an affiliate marketer (AM) get paid?

- **Pay per Sale:** A fixed sum as commission or revenue share for each purchase by consumer referred by AM
- **Pay per Lead:** A fixed sum as commission is payable to AM for each enquiry filed by potential consumer referred by AM
- **Pay per Visit:** A fixed sum of money is payable to AM for each consumer reaching to portal by clicking on the referral link of AM
- **Pay per Install:** Paying the AM a fixed sum of money for each installation of a mobile application by a user referred by AM

4. Challenges of Affiliate Marketing

Despite these growth drivers, there are certain challenges in the growth of the Affiliate Marketing segment. These challenges can be dealt with easily when there is a clear understanding between a brand and an affiliate. In our interactions with companies, we found that these challenges emerge when they opt for marketing products through affiliates. Here are a few crucial challenges frequently highlighted by companies to us:

Creation of Engaging Content

Consistent creation of engaging content that would drive traffic is a big challenge. Affiliate Marketers need to continuously reinvent themselves to remain relevant. Brands connecting with Affiliate marketers need to be watchful of this metric.

Minimal Control Over Vendors

Brands may find it difficult to control the quality of the content posted by Affiliate Marketeer. There are times when a social media post can be detrimental to the positioning of a brand concerned.

Varying Return on Investment (RoI)

An outcome of an affiliate marketing campaign can vary depending upon the effectiveness of strategies employed by an Affiliate Marketeer, nature of product (or service) marketed, commission structure among other things.

Longer Gestation Period

Affiliate Marketing may have relatively longer gestation periods compared to other marketing channels as the process can be cumbersome involving complex decisions such as identification of affiliate marketer, setting up of campaign, making suitable modifications and tracking it.

Measurement of Campaign Effectiveness

Despite significant improvements in online tools that help track multiple matrices associated with an affiliate marketing campaign, many brands may find it difficult to ascertain effectiveness of their campaigns and choice of affiliate marketing partners. They may also be worried about possibility of frauds.

Lack of regulations

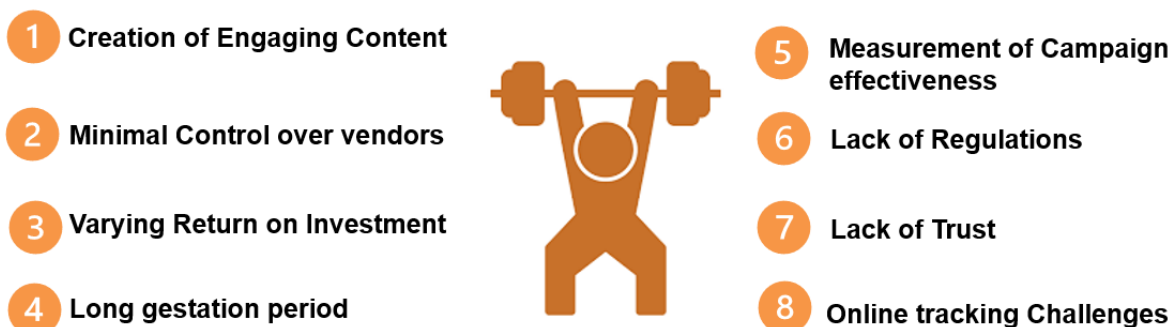
Social media and influencers' actions are largely not regulated in India. This may pose significant challenges in the form of misleading promotions and unfair claims. A regulatory action can change the dynamics of affiliate marketing. For example, Securities & Exchange Board of India (SEBI) has been working on the guidelines for financial services entities regulated by SEBI for their association with influencers.

Trust Deficit of Indian Consumers

Though Indian consumers have shown willingness and ability to transact online, they have been conservative in their approach when compared to their developed market counterparts. The average conversion rate for affiliate marketing in India is around 2% which is lower than the global average of 4%. Also, 52% of Indian consumers trust online advertising, which is lower than the global average of 61%. Brands present online and affiliate marketers need to work harder to build the trust of the Indian consumers.

Online Tracking Challenges

With rising internet penetration and increasing use of internet and social media, the complexity of tracking results in an affiliate marketing campaign increases multifold. Tracking and attributing sales or conversions to affiliates is not the end objective. A marketer wants to know which types of advertising/ campaigns are working, in which geographies, in which time slots. In some cases, a marketer wants to know the type of devices used to access the internet. Such granular data is required to optimise affiliate marketing campaigns.



Source: India Affiliate Marketing - The 2023 Primer, IAMAI research 2023

5. Future Outlook of Affiliate Marketing

The future of Affiliate Marketing in India is extremely bright. A key reason for this, there is an increasing tendency among the new generation buyers to trust influencers or well-trusted affiliates. Given the growth in digital marketing and role of affiliates, the future looks extremely promising for Affiliate marketing. According to various published reports, the digital advertising spending in India is likely to reach \$21 billion by 2028. This shows the potential for growth of Affiliate Marketing segment in India in the next five years.

Besides this, the rapid increase in User-Generated Content (UGC) is expected to give creators and influencers more power helping them to build their online presence. Brands can then use this to their advantage by running digital advertisements. According to various published reports, there is a strong group of 2.5 to 3 million creators which is expected to drive marketing spending in the range of US\$2.8 and \$3.5 billion by 2028. As the younger population embraces Mobile Broadband (MBB) and Fixed Broadband (FBB) and more transactions take place in the digital space, Affiliate Marketing is going to see explosive growth in the coming years.

Areas of future growth

- **Higher awareness of affiliate marketing**
- **Ease of Access for Small and Medium-sized Enterprises (SME)**
- **Better Integration between UGC & Influencer-led opportunities**

6. Future research opportunities

Affiliate Marketing is a growing industry in India, with immense potential for marketers. To leverage this potential, it is important to understand the motives driving adoption of affiliate marketing in India, estimate Affiliate Marketing trends in the next 5 years and explore the best practices for driving affiliate marketing campaigns. Additionally, there is a need to increase Affiliate Marketing awareness among Indian marketers.

Also, Affiliate Marketing is a promising channel for marketers in India. By understanding the market and exploring the best practices, marketers can leverage the potential of Affiliate Marketing to reach their target audience and achieve their business goals.

However, these require extensive research. Additionally, it is important to note that the Affiliate Marketing market in India is still in its early stages of development. As a result, adaptability and willingness to experiment with new strategies will be the key to success.

Areas of further investigation

- Category level factors driving Affiliate adoption
- Tracking tools & current gap areas
- Factors influencing CPL & CPS

About IMAI and Kantar

About Internet and Mobile Association of India (IAMAI)

Established in 2004, the Internet and Mobile Association of India (IAMAI) is a not-for-profit industry body and the country's only organization representing the digital services industry with over 500 Indian and multinational corporations as its members, which include established companies in diverse sectors of the digital ecosystem as well as start-ups. It is dedicated to presenting a unified voice of the businesses it represents to the government, investors, consumers, and other stakeholders. IMAI represents varied sectors such as digital payments, fintech, digital commerce, digital advertising, digital entertainment, traveltech, online gaming, edtech, healthtech, agritech, big data, ML, AI & IoT, AR/ VR, logistics-tech, D2C, EV, VC, gift cards and so on.

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About Kantar

Kantar is the world's leading marketing data and analytics business and an indispensable brand partner to the world's top companies. We combine the most meaningful attitudinal and behavioural data with deep expertise and advanced analytics to uncover how people think and act. We help clients understand what has happened and why and how to shape the marketing strategies that shape their future.

For more information, visit www.kantar.com

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