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## **Guide on Affiliate Marketing Management with SaaS Products**

Market Research for BlufVPN – Affiliate Marketing

# **Guide on Affiliate Marketing Management with SaaS Products**

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## ABSTRACT

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The goal of this thesis was to clarify the process of affiliate marketing. The VPN market is used as an example of SaaS products and is utilized and analyzed for this thesis in pursuance of a more practical view of the subject. The task from the commissioning party was to enhance the efficiency of their affiliate marketing program for their VPN product.

The thesis explains related methodologies for better understanding of the subject. The materials used in this thesis were articles, books, network sources, and interviews from industry professionals.

The thesis provides detailed information about the key factors of affiliate marketing in practice and theory. The thesis analyzes the VPN market and investigates the affiliate operations of the industry and opens them up for thorough results.

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Keywords: VPN market, affiliate marketing, affiliate management, digital marketing, affiliate marketing guide

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# 1 INTRODUCTION

The objective of this thesis is to enhance digital marketing efficiency of a software as a service product developed by the commissioning party. The more specific field of digital marketing this thesis investigates is affiliate marketing. The thesis is commissioned by BlufVPN.

This thesis first investigates VPN services and examines its market and opportunities to reveal context and explain the field of business in which BlufVPN operates in. More heavily the thesis focuses on affiliate marketing and dives deeper into the structure of affiliate marketing and breaks down the core elements of this specific marketing method. Professionals working in the field of affiliate marketing industry are interviewed for their insights on the topics considered in the thesis.

All the specifics in the literature review are then analyzed for creation of a thorough walk through of affiliate marketing as a process. In addition, market research is done for providing context on project management of the topic and to distinguish points of parity in affiliate program management of the commissioning party and its competitors. For more context, the purpose is to create a clear picture of the current state of the industry of VPN affiliate marketing. The conclusion then provides key findings about affiliate marketing and points out different solutions on how the commissioning party can improve their state of affiliate marketing. In addition, the thesis provides a proper basis and a walkthrough of matters to consider for a software as a service (SaaS) company is starting an affiliate program of their own.

## 2 VPN SERVICES

In recent years people have become more aware of their online privacy and become more interested in their online data. When using services and browsing on the World Wide Web there are third parties collecting personal data of consumers and companies. These data collections are not always well protected and pose a threat for the users. This is what VPN services are for. They protect and encrypt data that flows through the public internet.

### 2.1 What a VPN Is and How It Works

VPN stands for Virtual Private Network. The purpose of a VPN is to create secure and private networks for public internet users. Originally VPNs were used in establishing connectivity networks. This kind of technology is quite aged already since there has been needs for protocols that keep transferring data private and secure since the beginning of the internet. The first VPNs were developed back in 1996 by a Microsoft employee Gurdeep Singh-Pall. These first VPNs were created to protect companies from data breaches (Mujovic 2022.). The specific method of encryption being developed is called PPTP “Peer to Peer Tunnelling Protocol”. This method in its simplicity creates a secure connection network between users by encrypting data through a tunnel over a network. That is a VPN in its simplicity. Of course, VPNs have been developed since their first appearance and there are more advanced VPN protocols such as IKEv2, OpenVPN, L2TP/IPsec (ExpressVPN 2022.). These protocols work with the same principle as PPTP but are more enhanced in terms of security and overall performance. How these network connections are used in practice is either via LAN (Local Area Network) and WAN (Wide Area Network) connections.

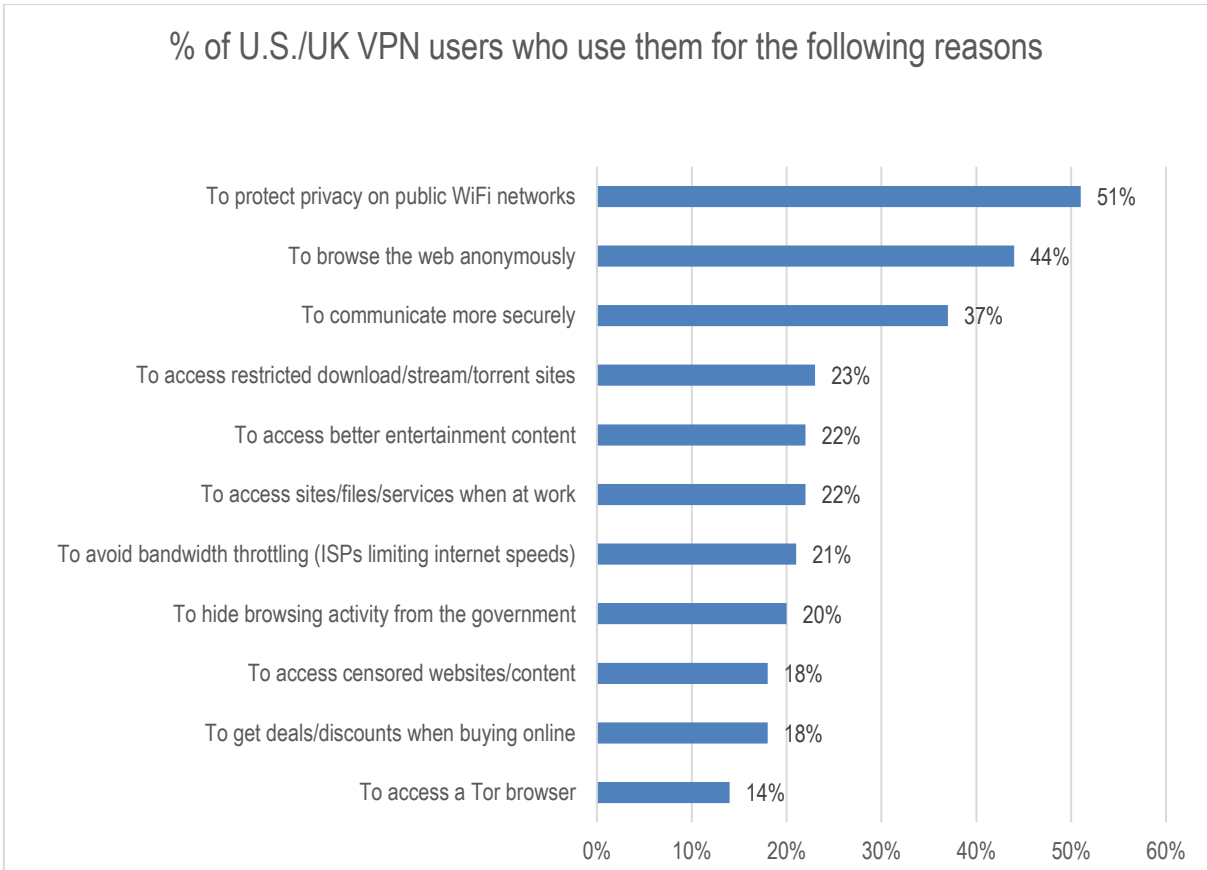
All one needs to know about LAN networks is that they consist of group of devices, which are connected to each other in a physical location. These kinds of groups devices can be connected through a physical client such as a router or a server, which then interconnects the devices used to larger WAN networks. How devices connect to these LAN networks is by wireless connections (WLAN or Wi-Fi) or by cable. The size of these LAN networks can vary from a single household network to a larger office network used by a larger corporation. However, a WAN is a larger network that connects these smaller LAN networks together and connects people to the internet (Cisco 2022).

When the user is using a VPN service and connecting to the internet, they connect directly via the server of the VPN provider. From the server the VPN provider provides an encrypted connection to the user, disguising the IP-address and data of the user. This way the VPN service creates a tunnel that encrypts the data of the user and secures the data when it is travelling between the user and the destination. In other words, a VPN disguises your online identity. This means that no third parties cannot track your data when visiting websites, including even your internet provider, from which your traffic would normally go through without a VPN. (Kaspersky 2022).

## **2.2 What VPN Services Provide for Consumers**

Data protection is the top reason for many using VPN services but masking your online identity in itself is not the only reason for the utilization of VPN services. There are multiple reasons why consumers use VPN products. According to research in 2020 conducted by GlobalWebIndex most VPN users use VPN services to protect their data and privacy (see picture 1). Protecting privacy on public Wi-Fi taking the number one spot, followed by anonymous web browsing and secure communication. After these accessing different kind of content is very popular reason for using VPN services. Additionally, notable reasons for using VPN services among the respondents were hiding browser activity from government or accessing deals or discounts when buying online. Another notable fact that we can see from the chart is that people avoid government supervision with VPN services.





Picture 1. Image of reasons for VPN usage in the U.S. and UK. (Top10VPN & Globalwebindex 2020)

**2.2.1 Geo-blocking**

Restricting content related to physical content is called geo-blocking. This is usually utilized by companies, governments, websites or other users that provide intellectual property or content. Geo-blocking is most often used on account of copyright restrictions (Techopedia 2022). The Great Firewall of China is one of the most well-known geo-blocks that restricts accessing content. It blocks many well-known western services such as Google and makes working for in China a bit more challenging for Western companies (NordVPN 2022). As some of the communication services may be geo-restricted in some regions, communication with friends and family can become difficult, especially for people such as expatriates.

As VPN service providers have servers located in different physical locations they can mask their users IP-addresses to these locations. For example, people can remotely access content of Finnish media such as YLE or MTV3 by connecting to a Finnish server by a VPN service provider. These

kinds of geo-blocks usually exist because of licensing issues between content providers and networks that share the content.

Via VPNs users can bypass the restrictions and browse internet more freely. Many private users change their IP-location to access regional content they cannot access in the country they are located. Most commonly this goes for streaming services such as Netflix and YouTube. Live sports are also popular content. (Bodnar 2022.)

### **2.2.2 Security**

As previously mentioned, VPNs were developed to encrypt data and protect it flow through the internet. This is still the main reason for corporate entities for VPN usage. Many organizations use VPN services for accessing company data safely from multiple locations. In recent years organizations have started to allow usage of remote devices in the workplace This allows to have multiple offices in different locations. Additionally, it provides the possibility for working remotely from home office without having to worry about outsider getting access to company data. In 2019 the percentage of commercial users was estimated to be 74,1% of all VPN users and 25,9% were estimated to be individual users. These numbers indicate that  $\frac{1}{4}$  of the VPN market is private networks owned by companies, which utilize VPN services for security related matters. (Grand View Research 2022.). In recent years universities have also started to utilize VPN services to protect their data from being breached and abused. Universities motivate students and teachers to use the VPN services by making usage of the university VPN mandatory when using university service.

Additionally, one security reason for users using VPNs is to be safe on public Wi-Fi. As there can be unknown users connecting via the same WAN network, it poses a threat for personal and company data. Additionally, the public Wi-Fi being used might have some restrictions set up. These restrictions can be bypassed with a VPN.

The kind of entities users are worried about and try to avoid by using VPN services are cybercriminals, governments (foreign and local), targeted advertising, internet service providers, retail sites, device manufacturers, subscription services, and employers. (Global Web Index & Top10VPN 2020.)

### **2.2.3 Dynamic Pricing**

Dynamic pricing determines the price you pay for a product or service online depending on your IP address and site visiting history. This means that the number of times you visit a site can affect the price you pay for a product or service you buy online. For example, if you look for flight tickets online and the second time you look for the tickets, they are more expensive than earlier. Another possibility is that if you live in a wealthier neighbourhood you might have to pay more for a product or service because of your IP address. VPN services can be used to encounter dynamic pricing by changing IP address, preventing the site from knowing your site visiting history and device data. (BlufVPN 2022.)

### **2.2.4 Compatibility**

There are many VPN services on the market that offer different kinds of features and software for different kinds of users. In a study conducted by Top10VPN and Global Web Index in 2019 (see picture 2), the most important features for users when deciding which VPN service to use, 54% of the users answered that reliable connection, ease-of-use, and speed were all the most important features. After those reasons, most notable matters were privacy policy and price, both with over 40% of answers. Between 20% to 30% of the answers were matters such as advanced security features, number of servers, access to streaming sites, reviews by other users, torrenting possibilities, customer support and free trial. (Global Web Index & Top10VPN 2020.)

### FACTORS IN CHOOSING VPNS

% of U.S./UK VPN users who say the following is important to them when choosing a VPN











**Question:** What is most important to you when choosing a VPN? Please select all that apply. **Source:** GlobalWebIndex January 2020 **Base:** 536 (U.S.) & 466 (UK) VPN users aged 16-64

Picture 2. Image of factors in deciding on a VPN service for users in the U.S. and UK. (Top10VPN & Globalwebindex 2020)

When investigating user behaviour and compatibility it is noteworthy examine, on which devices VPN services are applied for. Smartphones are the most used with 64% of the users using this platform to utilize VPNs. Second most popular platform is PC/laptop with 62%. The difference between these top two devices quite minimal when compared to the rest of the device types. At 21% are tablets and at under 15% comes TV streaming sticks, TVs, game consoles, and routers (see picture 3). (Global Web Index & Top10VPN 2020.)

### VPN USAGE BY DEVICE

% of U.S./UK VPN users who have used them on the following type of device

	Smartphone	64%
	PC/laptop	62%
	Tablet	21%
	TV streaming stick (e.g. Kodl)	14%
	TV	10%
	Games console	9%
	Router	8%
	Other	2%

Picture 3. VPN usage by device for users in the U.S. and the UK (Top10VPN & Globalwebindex 2020)

#### 2.2.5 Grey Side of VPNs

As VPN services can mask the address of the user and make them invisible to other entities on the internet, it is possible to conduct matters with more illegal nature on the web. 14% of the users use VPN services to access Tor browser, which is an open-source software enabling anonymous communication (Global Web Index & Top10VPN 2020). The browser itself is completely legal, but as it provides the possibility completely anonymous communication. People can have discussions about matters that you normally could not without being reported to authorities on a public website. These kinds of matters can be about trade of illegal substances, activism, or other matters that will not be available on normal search engine results. This applies also for governments with a stricter freedom of speech policy. An example of companies using Tor news BBC launched a version of the site on Tor browser in 2019 as some countries restrict their citizens access to this site. BBC launched the site in order to provide their readers access to their website, avoiding government surveillance and censorship. (BBC 2022.)

For users that use browsers like Tor and torrents it is important the VPN provider does not keep logs of the customers data. Torrenting is downloading content from the web. Torrenting in itself is

not illegal but uploading content with copyright for users to download is. Logs include matters such as browsing history, DNS requests, visited websites, usage of data, dates and times of connection, originating IP address, and VPN server IP (Tennent 2022.). Basically, logs are any kind of information stored from using the internet. It is important for customers to know that their data is safe in the hands of the VPN provider. For example, in 2016 a popular VPN provider named IPVanish leaked information to homeland security investigations about logs of a client of theirs (Maxwell 2022.).

### **2.3 Current VPN Market and Future Estimation**

The commercial use of VPN services launched in 2005 with the first commercial VPN, StrongVPN. The market started growing within the next five years as three other popular VPN providers (PureVPN, VyprVPN, and ExpressVPN) hit the market (TechNadu 2022.). Currently there are over 300 VPN providers on the market (Tennent 2022.).

VPN services are a growing market. According to all sources there is no sign of declination in the market. On the contrary the trend on the market is that its steadily rising and the size of industry market is to double its size by 2027. In 2020 the market size was evaluated to be \$30.05 billion, and the revenue forecast for VPN global market share is expected to be \$92.60 billion in 2027. The CAGR growth rate of the in the VPN industry is expected is expected to be 17,4% between the years 2020 and 2027 (Grand View Research 2022.). CAGR stands for compound annual growth rate and indicates the amount of an investment grows from its beginning balance to the ending balance during a certain period, in this case a year (Fernando 2022.).

As the major market in 2021 the United States VPN market size alone estimated to be one third of the global market size and was evaluated to be worth \$14.3 billion. Current fastest growing VPN markets are located in Asia Pacific due to urbanization and rising in per-capita income. China, India, and Japan having the biggest effects of the growing countries from the region. Chinese VPN market share is expected to grow by \$10 billion as a part of the Asian Pacific market by 2027 (MarketWatch 2022). Largest amount of VPN users compared to total internet users by country in 2020 were located in Indonesia with 61% of internet users using VPN services. Additionally, Countries restricting internet surveillance laws have higher growth in usage of VPN services (Global Web Index & Top10VPN 2022.). (Research and Markets 2022.).

Approximately 39% of VPN users are aged between 16 and 22. In addition, 77% of VPN users buy digital content every month (Vojnovic 2022.). Typical demographic for a VPN service user is a young male, who has a university level degree, with an interest towards tech products. In addition, they have are very likely to travel (Beer 2022.).

### **3 AFFILIATE MARKETING**

“Affiliate marketing is an advertising model in which a company compensates third-party publishers to generate traffic or leads to the company’s products and services. The third-party publishers are affiliates, and the commission fee incentivizes them to find ways to promote the company.” (Frankenfield 2022.)

Online affiliate marketing started in the mid-1990s. Amazon was the first company to make affiliate marketing popular by creating an affiliate program where websites and bloggers could review and discuss about products on Amazon, leave a link of the product and receive advertising fees for a successful sale. Affiliate marketing is a pay-for-performance marketing program, where selling of a product or a service is outsourced to a third party. (Frankenfield 2022.)

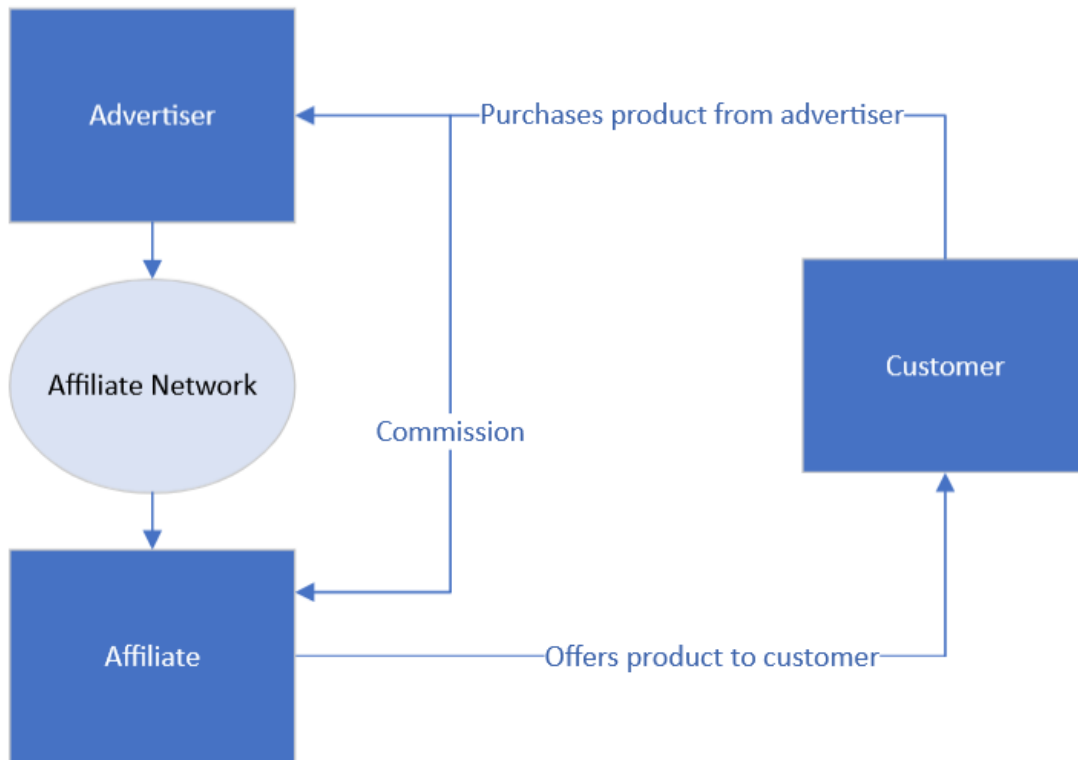
Overall affiliate marketing is a low-entry and a low-risk marketing method. Affiliate marketing can be used for boosting brand awareness, increasing lead generation, augmenting sales with cheap advertising costs. Successful affiliate program requires brand affiliates, who affiliate in the same niche or target the same target group. Additionally, brand affiliates can reach out to customers who feel easily intrusive. With the tools available today management of affiliate marketing, tracking of sales, payments for affiliates can be easily automated and analyzed. (Mileva 2022.)

According to a survey conducted in 2016 shows that over 80% of advertiser and brands run an affiliate program in order to increase website traffic and sales. Approximately 80% of affiliate advertisers have reserved 10% of marketing budget for affiliate marketing. Additionally, in Canada and the United States affiliate marketing makes up for 15% of sales of all digital marketing channels. (Mileva 2022.)

#### **3.1 Factors of Affiliate Marketing**

In every case of affiliate marketing there are at least three different stakeholders: the advertiser, the affiliate, and the customer. In some cases, there is also a fourth stakeholder, which is the affiliate network. See picture 4 for a larger view of the interaction between the stakeholders.





Picture 4. Picture of affiliate marketing cycle.

### 3.1.1 The Advertiser

Advertiser is the one promoting their products or services via an affiliate program. The advertiser is responsible for the marketing activity while also being reliable for providing marketing material to the affiliate (Blomster 2022.). In addition, the advertiser takes care of communication with the consumer and uses other marketing methods such as search engine optimization and social media presence to support the affiliate marketing activity (Kopponen 2022.). Most of the time the advertiser has some specific target audience or market they are trying to reach with the goal of reaching a larger audience. (Maile 2022.)

### 3.1.2 The Affiliate

An affiliate is the intermediary between an advertiser and a customer. The affiliate has an audience of customers, for which the affiliate produces content for. The task of an affiliate is to only bring audience to the products and services of the advertiser (Blomster 2022.). Affiliates are paid commission from the successful traffic they direct towards a product or a service, from which they are

paid depending on the deal they make. Affiliates can be any sort of promoter of a product who receives commission for advertising. Affiliates create some type of content for their follower base. Content is something that has value for the customer.

Most common types of affiliate marketers are bloggers and influencers. Additionally, review websites and e-mail lists are also quite popular. Over 84% of publishers join some type of affiliate program. For affiliate marketers, it is crucial that the affiliate program they choose to promote is relative to their target group. Additionally, this will have an influence on such matters as conversion rate and reputation of both the affiliate and the advertiser. (Mileva 2022.)

When managing affiliate marketing it is important to note the significance in different types of affiliate traffic. Search engine optimization (SEO) is one that is easily forgotten. Acquiring traffic from affiliates that trend on organic search and keywords that reaches your target audience is essential. (Rastas 2022.)

### **3.1.3 The Customer**

A Customer is the one who the advertiser is trying to reach. The affiliate attracts the customer towards the advertiser product or service. This is usually done with content. The content can be anything, what can be tracked and that lets the advertiser know where the traffic is coming from. Most of the time there is a link with a tracking code, or a coupon code inserted into the content, that the customer uses. (Mileva 2022)

### **3.1.4 Affiliate Networks**

However, there can be a 4<sup>th</sup> party, an affiliate network. Affiliate marketing networks bring together the affiliate and the advertiser, they work as the middleman of these parties. Additionally, networks may provide consultation for the affiliate and the advertiser. The biggest affiliate networks associate with over 100,000 affiliates and over 10,000 advertisers. Examples of the biggest affiliate networks are Awin affiliates, Rakuten, CJ Affiliate, and Amazon Associates. Affiliate marketing networks give the opportunity for small businesses to scale without requiring technical expertise on affiliate systems. However, these affiliate networks vary in different affiliate deals, costs, and impact radiuses. (Mileva 2022).

How affiliate networks work in practice is that advertisers and affiliates sign up and apply for the affiliate network. Usually for advertisers, there are some fees for setting up an affiliate program, and fees for each transaction they make via an affiliate. Once they are accepted into the network, advertisers can add their programs and other promotional material to the network and affiliates can access huge amounts of affiliate programs and their promotional materials. When affiliates apply for affiliate programs, the advertisers can accept the affiliates they see fit for their programs. When affiliates generated sales, their performance is tracked by the network with unique IDs additionally, this enables performance tracking for the success of the affiliate and the advertiser. (Sherer 2022)

### **3.2 Market Segmentation for Affiliate Marketing**

Considering different options for geographic segmentation, the scale affiliate marketing reach and target audiences are essential whether you are an affiliate or advertiser. You need to know the reach of your products/service or content for targeting customer traffic efficiently. Basically, considering about on what kind scale is conducting affiliate marketing the most beneficial as possible, for the sake of efficient resource utilization.

#### **3.2.1 Size of Market Segmentation**

Geographic segmentation divides markets into units based on their geographical aspects. These kinds of units can be countries, regions, states, cities or even a zip code. Utilization of local affiliates regarding your product and target market can boost the efficiency marketing in that geographic location. According to Blomster determining the market area is one of the most essential things when conducting affiliate marketing. Different geographic locations have different needs and ranges of income which can be useful to prioritize over other locations. However, other geographical locations can be tested out while primary focus remains on the main segments. Depending on the product, distribution possibilities may vary depending on different geographic locations. (Kotler & Keller 2016, 268)

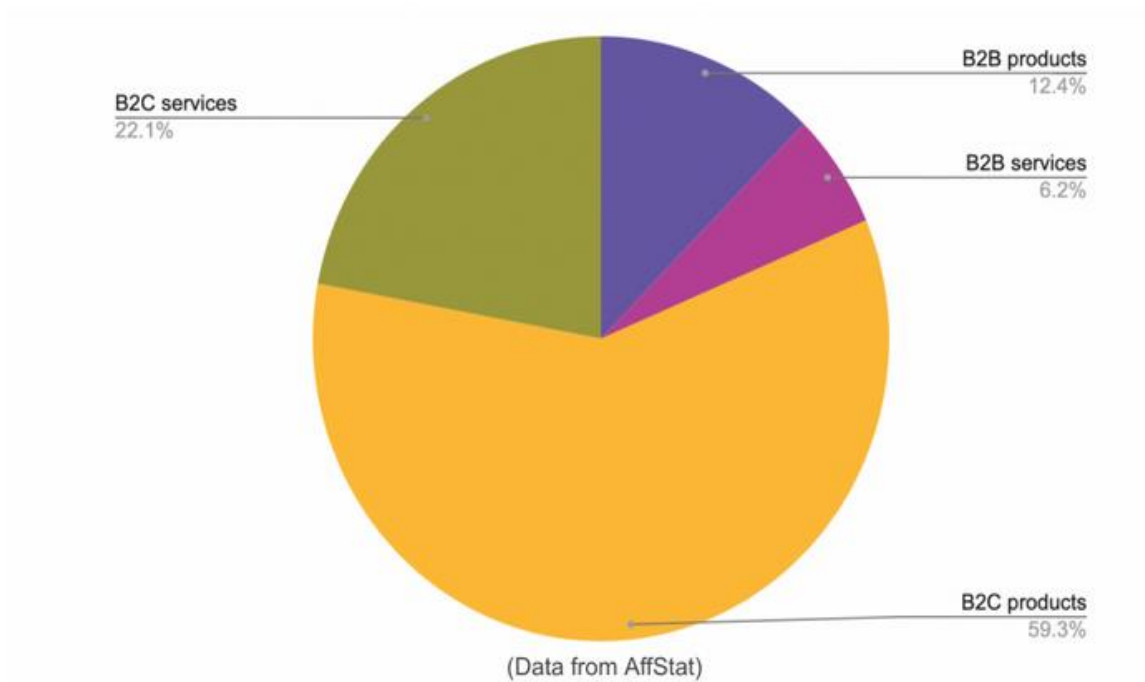
Cultural aspects of a geographical segment effect on how the customer base receives of the product. Different demographic varieties like ethnicities, age, gender, income, occupation, education, nationality, social class, generation, religion matter and effect on how they see the product when it

is presented to them. Behaviour is affected by these varieties and depending on these varieties people may find a product marketed in a certain way very useful whereas others may see it as useless. Finding out which features are important in which geographical segments are significant for efficient resource utilization. (Kotler & Keller 2016, 271-280)

When dealing with SaaS products matters such as distribution will not be a problem. Finding out effective ways of presenting the product to a possible customer with taking note of their behaviour and demographic factors helps finding the most suitable customers for the product. With affiliate marketing specific target groups can be targeted with good efficiency and at a low-cost.

### **3.2.2 Main Business Segment**

Affiliate marketing focuses highly on business to customer (B2C) market. As the pie chart of picture 5. describes, 81,4% of affiliates promote B2C products or services (Rastas 2022.). This is because of the fast nature of lead generation and quick decision-making opportunities for customers in B2C affiliate marketing. However, business to business (B2B) should not be excluded as a possibility for businesses considering affiliate marketing. When considering whether to reach out for B2B affiliate markets it is crucial to consider the audience being reached. B2B affiliate marketing tends to focus highly on niches. It usually takes a bit longer for B2B affiliates to start delivering conversion. Here it is important, to note that customer lifetime value in B2B sector is higher. This is something that should be noted when making deals with the between the affiliate and the advertiser. (Hughes 2022.)



Picture 5. A pie chart of business segment distribution in the field of affiliate marketing (Supermetrics 2022.)

### 3.2.3 Demographic Segmentation and Buyer Personas

Buyer personas take the targeting to an even more specific scale from market segmentation. Buyer personas determine what size of audience is being reached. Determining buyer personas is essential in finding the most fitting partners. These personas can be made by doing research and utilizing your customer data. This creates a fictional average customer, that represents your target market. Targeting this buyer persona helps in understanding perspective better and increases the efficiency of customer contribution. In addition, a negative buyer persona can be created which helps to identify the buyer persona that is not wanted. However, in every case a specific buyer persona is not required.

A good thing to take note of when doing research is to analyse the competition. Acknowledging what kind of audience, they are aiming their content gives insight on industry. In the case of VPN affiliate industry people who are interested in entertainment, security, enterprise VPNs, sports, crypto currencies are the main personas. (Mileva 2022.)

When creating buyer perspectives most only random facts of the target group cannot be considered. More thoroughly you can take note of matters such as age, location, income, social channels, social status, interests, hobbies, and gender. When creating a buyer persona not all matters considering the person must be taken note of, just the ones that help define what kind of person is the ideal customer. According to Blomster the biggest consumer base that can be reached with affiliate marketing are 20 to 30 years old post-graduates who find information on the web. (Mileva 2022.)

### **3.3 Managing Affiliate Marketing**

Managing of affiliate marketing can be complicated at first. When the setup is taken care of and deals are made, it will run with little management. When connections are established, marketing processes are automated, and different parties interact with each other properly, the affiliate program will run with minimal effort. However, it is important to be patient as affiliate programs tend to take time as they are low entry and low-cost programs. (Rastas 2022.)

Deciding whether to market your product via a network or creating your own network is a big factor to consider. In a network you have a ready set of affiliates who can start promoting your products or services. You just have to wait for them to apply and approve them. In a big affiliate network, there will most likely be competition. Things that will affect to the competition will be pricing of course, content and the product/service itself. If you decide to create an affiliate network of your own, you get to know your target group more thoroughly by finding out and scouting for the right affiliates. (Rastas 2022.)

When thinking about managing an affiliate market program it is important to consider customer experience. This can easily be affected by making special campaigns and deals for certain target groups and informing the target groups via affiliates. Value proposition is a must when considering these kinds of deals and how you present them. Welcome discounts and “try before you pay” offers remove risks factors and allow people to experience service, especially if the service is new and word of mouth has not gotten in to action yet (Brock 2019, 37-39.). (Rastas 2022.)

Providing content for publishers is a good way to boost affiliate marketing. Creating banners, custom links, video advertisements and other marketing content for affiliates to use make the affiliate

program for affiliates more tempting and the message goes through as you mean it to the audience more clearly. (Rastas 2022.)

### **3.3.1 Typical Team for Affiliate Marketing**

Like any other marketing method, affiliate marketing requires managing to be run smoothly. As affiliate marketing today relies on the internet, the people managing the marketing method need to be well trained on the subject and well aware of their environment. (Checkhovich 2022.)

First and foremost, what affiliate programs is an affiliate program manager. Someone to be reliable of running the affiliate program and directing it towards constant development. Good incentives for the affiliate managers are monthly fiat payment, performance bonus, and commission salary. (Checkhovich 2022.)

An alternative for a high-level affiliate manager is to outsource affiliate management to an affiliate agency. These kinds of agencies help in managing the affiliate program from all aspects of affiliate marketing. From building the program till final fine tuning and management. Additionally, these agencies keep the organization up to date on the industry and drive it towards maximum optimization of a successful affiliate program. (Checkhovich 2022.)

Whether an organization decides to use an affiliate manager or to outsource management, they need an affiliate marketer for managing tasks such as adhering to the rules and policies, monitoring terms and conditions, creating content, and other running management tasks there may be. Mainly they will be handling active communications with the affiliates. (Checkhovich 2022.)

### **3.3.2 Tools for Managing an Affiliate Program**

For affiliate marketing there are huge amounts of different kinds of software for improving analytics and management on the internet. Today affiliate marketing is mostly based on promoting products on the internet, where you can find numerous tools for improving the quality of your program and further running it smoother. The kind of elements you can improve in an affiliate program consider utilization of different kinds of software. Essential for these tools is utilizing big data and artificial intelligence. The software is automated for detecting problems and highlighting points of

improvement. How the software work is that they compare algorithms with how the systems are programmed. This kind of software can be utilized for forecasting, detecting flaws and trends, and enhancing productivity of affiliate programs. (Maile 2022.)

There are also tools for management and planning processes. These tools help categorize and strategize the goals of the affiliate marketing program. The management tools additionally, make reporting easier and help in communication with the company, the affiliates, and possible networks. Additionally, you can find channels on the web provide sets of these kinds of tools. (Maile 2022.)

### **3.3.3 Tracking of Affiliates**

Tracking is a necessary part of any affiliate program. Tracking is required for distinguishing affiliates from each other and finding the correct source for traffic. Affiliate sales can be tracked with several ways depending on the software or platform.

Cookies are one the most popular methods for affiliate tracking. Cookies are small text files that are used for collecting and storing data due to web server being unable to store data on their own. When a website is visited, a cookie is created to create a unique ID that allows the website to identify the visitor when they return to the site. This data that is collected can be used for tracking and analysing user behaviour. Additionally, cookies help the site identify where the traffic is coming from. Cookies also help the site remember things such as shopping activity, username, password, and items in a digital shopping cart. (McGuane 2022.)

There are different kinds of cookies which of first party and third-party cookies are the most essential ones. First-party cookies are used on a single domain. They collect data and the data remains there. First-party cookies help tracking the user activity on the site. Generally, first-party cookies help in tracking affiliate traffic and storing the information that the user came from an affiliate, while also help improve user experience. In practice, user experienced is improved with user customization when visiting the site, with language settings for example. These first-party cookies are used only on that one specific website and cannot be shared with other parties, such as other websites or advertising partners. However, third-party cookies are created on one site and shared to third-party domains using the same tracking code. This allows sharing of user data online. This provides the possibility of targeted advertising to be more efficient. For example, when you search for an



item on the web and later you will see more advertisements of the searched item, this is due to third-party cookies sharing. Important to note about third-party cookies is that their usage is about to end. As of 2023 Google Chrome will start blocking third-party cookies. This has already been done with Firefox, and Apple is giving more freedom in managing blocking third-party cookies. This in effect reduces risk of fraud for affiliate marketing (Kopponen 2022.). Additionally, there are second-party cookies. These cookies allow data to be collected by first-party and share them with trusted partner. (McGuane 2022.)

Another popular tracking method for affiliates is postback URL tracking. URL stands for “Uniform Resource Locator”, which basically is a website address (NIST). Affiliate programs hand out a unique URL for each affiliate, which allows the advertiser to find out who is bringing in the traffic. A not so popular tracking method is IP-tracking. This tracks down the last clicks of the users IP-address so the visiting site knows where they came from. (Csizmadai 2022.)

For offline tracking coupons can be utilized. The idea behind coupons is simple, the affiliate is granted a unique coupon code which they promote to use. Coupons can be also used in older forms of media like newspapers. It is common that these coupons have a special discount to encourage the customer to use them. (Csizmadai 2022.)

### **3.4 Risks in Affiliate Marketing**

#### **3.4.1 Affiliate Fraud**

Whether you are an affiliate, affiliate network or an advertiser you need to be aware of an affiliate fraud. Affiliate fraud is an act of deceitful activity with the objective of generating income off an affiliate marketing program. The kind activity which is seen as deceitful are things forbidden under the terms and conditions of an affiliate marketing program. Affiliate fraud is most likely to happen from miss use of affiliate links. They can be inserted to places they do not belong or spammed. These were more of a problem in the early phases of affiliate programs. The types of affiliate frauds that happen today are more likely to be usage of stolen items such as credit cards for creating sales, or data for generating leads. Stealing traffic by cloning a website, using adware, cookie stuffing, and spoofing are things that most commonly break the terms and conditions. (Chen 2022.)

As the affiliates have an influence on brand image it is important to make strict terms and conditions on lead generation especially if the deal is about directing traffic to a site. When there are strict and clear terms and conditions are an essential part of an affiliate program. Important to note is that the rules require monitoring. Investigating suspicious activity and establishing patterns for detecting fraudulent activities help monitoring terms and conditions. If affiliates commit affiliate fraud it is important to enforce the terms and conditions. (Chen 2022.)

### **3.4.2 Reputational Damage**

According to Blomster, the greatest threat when conducting affiliate marketing is reputational damage. In addition, when dealing bigger affiliate networks, it is harder to control the context in which the product is shown, as the affiliates might hurt the brand by providing different kind of message the company intends (Kopponen 2022.).

A company that is conducting affiliate marketing needs to keep an eye on the activities of their affiliates to see that they are conducting affiliate marketing according to the contract they have made (Blomster 2022.). Important when choosing affiliates is that their content is relevant, for finding the right customer base, such as long-term customers. Another factor that should be looked into is that the affiliate delivers the message of the company through their channels as the company means it. These things help in avoiding reputational damage. Another matter that can help avoiding reputational damage are right payment incentives such as tiered commission structure. More information about tiered commission structure in chapter 4.2.

### **3.5 Future of Affiliate Marketing**

Estimations for the future of affiliate marketing predict that usage of affiliate marketing will continue to be bright. With advancing technology and tools affiliate marketing is become easier and more efficient to use. Role of influencers, and especially the role micro influencers will increase due to their ability to convince their audiences. (WeCanTrack 2022.)

As browsers such as Google and Firefox are giving up third party cookies Kopponen estimates that the importance of professional affiliate marketing will not be churning any time soon. Additionally, he sees that competition between affiliates will increase in the future, and affiliate marketing will be

the easiest way to monetize content for people like influencers. To sum it up, he says that the affiliate market will grow but shatter in the process.

Blomster expects that the importance of quality and video material will rise in the future, and there will be more video material in content creation which reflects to affiliate marketing. He adds that affiliate markets will be shifting more towards media platforms.

## 4 FINANCIALS OF AFFILIATE MARKETING

### 4.1 Affiliate Deals

Affiliates are typically paid in commission for the leads and traffic they generate towards the advertiser. There are different kinds of compensation models for affiliate compensation. These deals vary depending on the field of business. If the product or service being advertised is low-cost the amount of compensation is higher than in a high-cost product. This can be seen on the high compensation of certain SaaS products, such as VPNs, where the affiliate commissions can be up to seventy percent. Whereas, for physical products it is quite typical to have 5% commission of sold products. Other things that affect the percentage of compensation are the product lifetime value, frequency of compensation, and competition.

#### 4.1.1 Cost Per Acquisition Models

Usual advertising pricing models can be applied for affiliate marketing. Cost per acquisition (CPA) has been around since the mid-2000s and is the most common compensation model in the affiliate market. According to Kinsta in 2022, 99 percent of affiliate programs offer a CPA payment model. In a CPA model advertiser compensates the affiliate for a certain action a customer conducts. Such actions can be purchases, registrations and subscriptions. (Byyd 2022.).

The cost per installation (CPI) model could also be implemented in customer acquisition context, when referring to software products, especially mobile applications. In this model the advertiser pays the affiliate for each installation of the advertised software that the affiliate has generated. (Publift 2022.)

Cost per click (CPC), is a compensation model that which provides the affiliate compensation for each click. Cost per click is based on the cost of an advertisement and the number of clicks the advertisement gains. (Byyd, 2022)

Cost per mille (CPM) measures cost of advertising for every thousand impressions of the advertisement. For example, if CPM deal is 3 euros, the affiliate is paid 3 euros for every 1000

impressions of the advertisement in their site. The CPM deals are utilized usually for brand awareness and visibility. (Publift 2022.)

#### 4.1.2 Revenue Sharing Models

In revenue sharing, revenue is distributed between certain stakeholders. This serves affiliates well as it is a performance-based program. Revenue sharing is usually done with well-known figures to incentivise them for better performance. Important to note when discussing about revenue sharing is that all the stakeholders share the operating profits and losses. When different companies work jointly, this motivates them towards a model that ensures that each stakeholder is compensated for their output on the project. In the case of affiliate marketing revenue sharing is a payment model that rewards the affiliate with a certain percentage for attracting new customers and drives the affiliates towards better performance. Additionally, there is an alternate version of revenue sharing, called profit sharing in which only the profits are shared and not the losses. Typically, revenue sharing percentages range between two to ten percent. (Ross 2022.)

Frequency of compensation has to be considered in the compensation models. What frequency consist of is the duration of the compensation. For example, is the deal flat fee, one time commission, recurring commission, or a combination. (Rastas 2022.)

Affiliates can be incentivised for promoting a brand with a tiered commission structure. This kind of commission structure awards affiliates for being more active and driving in more traffic. In tiered affiliate marketing there are tiers for different affiliates and when an affiliate reaches a new tier, they are awarded with additional commission. How this is conducted in practice is by setting a threshold for a certain number of sales. After reaching this threshold affiliate commission is increased by a few percentages, or they can be compensated with an additional flat fee. (Rastas 2022.)

Example of tiered commission rate:

Tier 1: 0-50 sales a month	=	40% CPA and 200 € threshold bonus
Tier 2: 51-150 sales a month	=	50% CPA and 500 € threshold bonus
Tier 3: over 151 sales a month	=	60% CPA and 1000 € threshold bonus

### 4.1.3 Special Price Promotions

Special prize promotions can be utilized for increasing efficiency, customer lifetime value and conversion rate of the affiliate program for both the advertiser and the affiliates.

Coupons can be utilized for offering discounts while tracking affiliates. In fact, there are sites that exist just for that, handing out coupons. As an example of these sites is Deala. The site showcases coupons for different kinds of products and categories in return for affiliate commission. However, most of the customers search for coupons as they are ready to purchase the product and see the “insert coupon here” to save money on their purchase. (Hughes 2022.)

Another special promotion that can be utilized in selling a product is a money back guarantee. KJ Dearie from Termly explains the subject concisely: “A money back guarantee, also known as a “satisfaction guarantee,” is a statement from a seller that promises refunds for customers who are dissatisfied with their purchases.” This is a common marketing technique as it provides the customer the feeling of safety, which is important when buying a new product or service, especially from a newly created business. (Dearie 2022.)

Bundle pricing products gives a customer a discount for ordering more than one product, which is based total price of the products in the bundle. This is usually a mix of items that support each other’s functionalities and brings additional value for the customer. When creating bundle offers it is important to be aware of how experienced and knowledgeable your customer is. The more knowledge and experience the customer has of the products, the less likely they are to buy bundles. (Kotler & Keller 2016, 410.)

Free subscriptions for SaaS products give the customer a possibility for a free trial of the product. However, giving out free service should still have some benefit behind it, so hard work does not go to waste. The core idea behind free trials is to turn a lead into a paying customer. Free trials can be used for attracting new customers to try out the product risks free, especially if the product is targeted to a niche. Additionally, they can be utilized for creating accounts to gather information on customers for example for email advertising. Revenue wise the goal is to make deals with customers with high lifetime value. A free trial will give a product higher number of signups but if customers do not have to invest to the product in any way, they are less likely to continue the deal once they are supposed to start paying for the service. (Highalpha 2022.)

There are three situations in which free trials are found to be effective. When acquisition costs are high, free trial can be used to lure in customers with a lower price. If the marketing department of the company has a wide reach but is inefficient in closing sales, distributing the product and incentivising customers with free trial to try out the product can prove efficient. The third case is that the customer wants some flexibility from the company and is not satisfied with the payment plans the product has. In other words, for the sake of trying it out, this is quite common in the B2B cases of SaaS products. (Highalpha 2022.)

With some SaaS products you can try the service out for an unlimited time free trial and use it as long as you want but unlock essential features once you subscribe. This is called a freemium trial as a combination of two words free and premium. As an examples of SaaS products, Proton VPN is a great example of this. In their free trial they provide a possibility to use the product for free but with only one essential feature, which is changing IP-address to another other location for one device. In their paid program they provide variety of options for the essential feature, and additionally other features, such as more device connections and additional internet safety services (ProtonVPN 2022). (Highalpha 2022)

#### **4.1.4 Terms & Conditions**

Boundaries between the affiliate and the advertiser must be set. When creating or agreeing to an affiliate deal, an essentials matter of the deal is the terms and conditions. Terms and conditions determine the ground rules of the deal. Matters considered in the terms and conditions of an affiliate program usually consider matters as an overview of the subject and definitions, obligations of both parties, termination of the agreement, modification of the agreement, payment terms, promotional restrictions and methods, access to affiliate program, licences, disclaimer, limitations of liability, warranties and representation, indemnification, confidentiality, and miscellaneous matters that may concern the parties. For the terms and conditions to be viable, they need to be signed by both parties. However, if you are creating an affiliate program it is good to consult a lawyer regarding these matters. (Palmer 2022.)

#### **4.1.5 Additional Factors Affecting Affiliate Deals.**

Different factors affect affiliates when they are choosing an affiliate program to partner with. What affiliates consider the most important factor is the relatability of the advertiser's product and their audience. When looking into an affiliate program, affiliates investigate matters such as company reputation, product quality and transparency in order to find a more holistic program for their audience. Competition is another factor that affiliates investigate when investigating an affiliate program. Things such as competitor suitability and compensation are matters that weigh in the minds of the affiliates. Additionally, technical things such as reporting, and tracking methods matter when comparing affiliate programs. (Adtraction 2022.)

Network recruitment bonuses are inducements that should not be forgotten. Network recruitment bonuses are basically commission for recruiting more affiliates. These tend to have naturally higher commission rates for affiliates than regular customers, as their purpose is to draw in more traffic.

According to head of acquisition at eCartic Kopponen, an affiliate marketing program is not a sufficient marketing method by itself. It requires an overall good marketing mix around it. An example of marketing methods that fit well with affiliate marketing are search engine optimization (SEO), social media presence, and overall communication with the consumer base. The consumer needs to see that the company has presence and can find information about their products and services in multiple locations to find it more trustworthy.

#### **4.2 Budgeting of an Affiliate Marketing Program**

Affiliate marketing is advantageous in several different ways but like all other marketing models its financial planning and costs must not be forgotten. Testing advertisements for affiliate marketing is cost-efficient because customer acquisition is not a problem once there is a working affiliate program. Additionally, affiliate costs are based on commission thus the invested money goes into results and performance. Affiliate marketing is a low-risk model to conduct, but like any business it requires investments. Matters such as affiliate commission, affiliate program management, and tools have to be paid in advance.



#### 4.2.1 Costs

When considering affiliate deals, there are additionally other fees involved than the affiliate commission. There are different costs in maintaining an affiliate program, which consist of one-time, monthly, and transaction fees.

First, there has to be a basis for an affiliate program. Forming a business is essential to this. Depending on the form of the business entity, setting up the affiliate program has a couple of things that may vary. Costs for setting up a business depends on local regulations of the business entity. Most business entities that are looking to set up an affiliate program, have already established a company. Companies can register the business details under their registry and act as the affiliate program owner. Additionally, there are costs such as permit license and lawyer fees. Permit licenses includes things like trademarks, copyrights, and patents. Lawyer fees are for setting up terms and conditions and taking of legal protection of the business venture. (Starterstory 2022.)

The affiliate program itself can be either outsourced to an agency, or it can made by the company. The easiest way to go is to join an affiliate network program. Affiliate networks require some fees, in almost every case they demand a transaction fee. In some cases, they require a sign-up fee. The upside of these affiliate networks is that they provide tools for managing, tracking, and analysing the affiliate program. However, if the company looking for an affiliate program is large enough and has an IT department, it can be utilized for creating an affiliate program software of their own, but this is very rare. However, the IT department can be utilized for helping with maintaining the affiliate program and web design. (Lever Interactive 2022.)

Setting up an affiliate program and software is the next step. Websites are essential for affiliate programs. Websites are used for representing the affiliate program and attract affiliates. Setting up a website includes costs such as paying for server hosting and domain name, website building, web design, and business email hosting service. Additionally, website visibility can be boosted with advertisements for example with Google Ads and optimized for example with Google Analytics and SEMrush, which focus improving the website overall effectiveness with artificial intelligence. These are just a few examples of tools which you can use in improving your website performance and drawing in more affiliate traffic. (Hughes 2022.)

Commission and salaries. These include affiliate commission for the customers they attract and the sales they make. The commission may vary depending on what kind payment models are available in the affiliate program, and which ones the affiliates use. Additionally, depending on your resource's employee costs are to be considered as usually affiliates programs require at least one person to handle the day-to-day management of the affiliate program. (Chekhovich 2022.)

Advertising content for affiliates and design are costs that may vary a lot depending on the budget. Important for an efficient affiliate program is producing content for the affiliates. This includes for example providing affiliate links, banners, and landing pages. Banners are good for promoting the products as they ease the work of the affiliates, while getting the message of the company more clearly through to the customer. Landing pages are pages which the customer is directed to, by the affiliate. These pages should be optimized for customer conversion as their goal is to make a sale. (Hughes 2022.)

#### **4.2.2 Determining Commission Rates**

If commission rates are too low, affiliates will not bother promoting. If the commissions are set too high the company may end up losing money. When determining commission rates for affiliates there are always a couple of factors in any business that remain the same and need to be noted. Knowing your costs and break-even point, competitors, and customer lifetime value are such things. Based on these three points realistic calculations on price of the product and commission rates for product distributors can be determined, in this case the commission rates for affiliates.

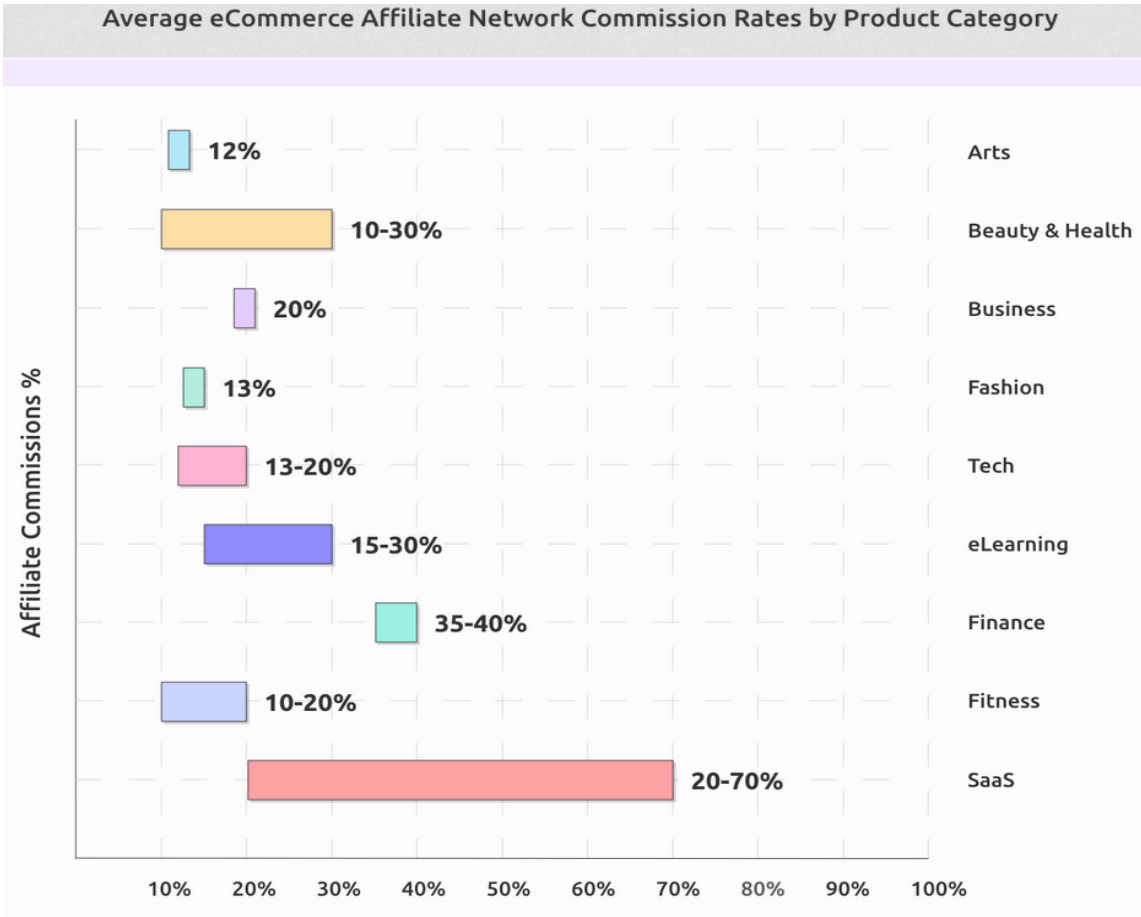
Firstly, there are production costs, that come with creating the product which the customers pay for. With SaaS products these costs consist of matters such as development costs, labour costs, utility costs, taxes etc. These set the basic development price of the product and help to determine the break-even point for the product. When costs are known, customer acquisition budget is set, and customer lifetime value is calculated the break-even point can be set. Important to note here is that affiliate commissions are to be included in the customer acquisition budget. (AM Navigator 2020.)

Customer lifetime value (CLV) describes how much money a single customer brings into the company during their interaction time with the company. CLV can be determined in a variety of ways

depending on how much data the company has at their disposal. One way to find out CLV is to determine it by average revenue per user, for example by dividing revenue over a chosen period by the number of customers for that chosen period. (Sharpa 2022.)

Customer acquisition budget is based on customer acquisition costs, which can be determined by dividing total costs of marketing and sales activities by the number of acquired customers. (Sales Rock 2022.)

Looking into overall industry, competition and their prices is good way of giving direction and estimations on what the price range and affiliate commission of the industry is like. According to Influencer Marketing Hub affiliate commissions for SaaS products are from 20% to 70% whereas other ecommerce are industries usually from 10% to 40% (see Picture 6 below). In addition to the price estimations, it can be beneficial to look at what kind of features competitors have in their affiliate program that are efficient. Things like commissions, special offers, and call to action points for example. However, following what competition does may not always be the best solutions. Especially in the beginning, companies may have to start lower and set up smaller but still competitive commission rates. This will leave room for raising commission rates in the future as well as for other opportunities that may come up. (Chekhovich 2022.)



Picture 6. Illustration of average affiliate commission in different eCommerce products. (Beatie 2022.)

**4.2.3 Determining Return on Investment (ROI) and Budget for an Affiliate Program**

No matter what the ROI is determined for, it always has a specific time frame. The time frame can be a month, quarter, bi-annual, or annual. For affiliate program ROI there are mainly customer acquisition costs after, depending on how the company decides to set up the affiliate program. The net return on the investment tells how much money was generated by sales from the leads of the affiliate program. To put it simply picture 7, an illustration by Investopedia, shows how to calculate ROI.

# How to Calculate Return on Investment (ROI)

ROI can be calculated using either of two methods.

First method:

$$\text{ROI} = \frac{\text{Net Return on Investment}}{\text{Cost of Investment}} \times 100\%$$

Second method:

$$\text{ROI} = \frac{\text{FVI} - \text{IVI}}{\text{Cost of Investment}} \times 100\%$$

**where:**

**FVI = Final value of investment**

**IVI = Initial value of investment**

Picture 7. How to calculate ROI. (Investopedia 2022.)

As for budget adjustment, the size of the affiliate program budget depends on the current state of the product. Finding out your potential costs, break-even-point, and customer lifetime value all affect these. However, minimum size for affiliate marketing budget depends on how the company plans to execute the affiliate marketing program. Creating your own affiliate marketing program can be costly whereas joining an affiliate platform can cost from \$500 to \$2000 (Chekhovich 2022.).

In addition, one has to pay for the customer acquisition costs. When the product gets more popular you can invest more money on customer acquisition as it scales on product growth. Finding growth potential can be done by promoting the product on other digital marketing methods for example SEO, online advertising, and content marketing, these methods can also improve the reputation and attract more affiliates to your affiliate marketing program. Additionally, aiming for niches, recruiting influencers and industry experts, and participating in affiliate events are ways to drive growth for affiliate marketing program. (Mileva 2022.)

For a well-executed affiliate program start approximately 5000€ should be enough for launch according to Kopponen. This cost estimation takes note of whole setup of the program which includes the costs of joining an affiliate network and creating material for the program.

## **5 UTILIZATION OF AFFILIATE MARKETING IN THE VPN INDUSTRY**

The features that came up in the study shall be put under investigation of firstly BlufVPN and afterwards its competitors NordVPN and PureVPN. First up is the to investigate the features the company provides for its customers. More thoroughly considering features what they provide for consumers geo block, security, dynamic pricing, compatibility with devices and marketing towards grey side of VPNs. Additionally, customer experiences are taken note of. To search information of the services of the company the company websites, Trustpilot website and GooglePlay websites were used.

Second fact that is looked at is their current management on affiliate marketing. This one considers the matters about usage of affiliate networks, market segmentation and demographics, management, and tracking.

Third subject to be investigated is of how affiliates are managed and how affiliate marketing is supported with other company activities. Here the matters more thoroughly investigated are affiliate deals, payment models, compensation and commission rates, special price promotions, and supporting marketing methods for affiliate marketing. Additionally, communication with the advertiser and the customer base is investigated to see how the advertiser takes care of customer communication. For this review platforms such as Trustpilot and Google Play Store where people share feedback are examined.

### **5.1 Utilization of Affiliate Marketing in The VPN Industry by BlufVPN**

#### **5.1.1 The Services of BlufVPN**

Services that BlufVPN provides to their consumer base are changing IP-address for hiding location and bypassing geo-block for accessing more content and avoid dynamic pricing, kill switch, data encryption, web security and no log policy. The product has 500 servers available with 60 locations in different countries. The devices which the service is available for are phones, tablets, desktop computers and laptops up to 5 devices at the same time. BlufVPN is also available for several

internet browsers such as Firefox, Google Chrome, and Edge. The product is suitable for usage of Tor network according to their website. (BlufVPN)

### **5.1.2 BlufVPN Affiliate Program Management**

The company promotes their affiliate program with monthly competition and high commission. The program provides marketing material such as images for affiliates the program also has a personal manager for each affiliate. (BlufPartners 2022)

For tracking, the affiliate program uses QR codes and direct links, which for the program offers multiple different landing page links. Additionally, the program provides geo-direct possibility for directing customers for a landing page directed towards a certain area. Statistics are available in the program, and they can be filtered in the following way: daily, conversions, offers, geo-links, operating systems, devices, countries, and cities. Affiliates can also set up statistics parameters by themselves. (BlufPartners 2022.)

Payments section that shows payments is available. Additionally, the program has a news channel for affiliates, which at the time of the investigation does not seem to work properly. If the affiliates need help, they can create a ticket to contact support. However, there is no live support. When signing up to the affiliate program terms and conditions on the limits of the affiliate marketing are mentioned. When fetching new links, the affiliate is reminded on the platform about affiliate fraud with the following quote when agreeing to promote the company products: "No bot, no fraud, no incent, no email traffic. Quality is checked on a monthly basis. Reversed sales won't be paid." (BlufPartners 2022.)

### **5.1.3 Affiliate Management of BlufVPN**

For affiliates the company has only revenue sharing payment models available. Below is shown how BlufVPN compensates their affiliates:

1-month plan (9.99€): New Sign-up 100%, Renewal of subscription: 50%

1-year plan (41.88€): New Sign-up 50%, Renewal of subscription: 40%

3-year plan (72€): New Sign-up 50%, Renewal of subscription: 40%



Different incentives how BlufVPN motivates their affiliates is by offering sign-up bonus of 75€, and 30-day free trial and a discount for the customers. (BlufVPN 2022)

The company does search engine optimization and creates content for its users every now and then. As supporting marketing methods BlufVPN has an active social media presence on LinkedIn, Facebook, Instagram. A non-active social media presence they have on YouTube and Reddit. Additionally, the company does search engine optimization. (BlufVPN 2022)

When searching for communication with customers on review platforms, it can be found that the communication with the customer base is minimal. On Trustpilot after October of 2021 there has been only negative reviews, none of which are answered by the company. Overall rating of 18 reviews on Trustpilot is 3.3 stars out of 5 (Trustpilot 2022.). On Google Play there are answers to the customer feedback which tell to contact the support email. Overall rating on Google Play is 3.5 stars out of 5 (Google Play 2022.). On the BlufVPN website, there is a live chat bot powered by Facebook, but the only means of communication with a human being is by email or contact form on the website. (BlufVPN 2022.)

## **5.2 Utilization of Affiliate Marketing in The VPN Industry by Competition: NordVPN**

### **5.2.1 The Services of NordVPN**

IP-address for hiding location and bypassing geo-block for accessing more content and avoid dynamic pricing, kill switch, data encryption and no log policy. Has the possibility for a dedicated IP-address which is not your real one. Works on phone, desktop computer, tablet, laptop, smart TVs, a few gaming consoles up to 6 devices. The service provides over 5400 servers in 59 countries. Additionally, NordVPN provides its customers and authenticator to help with web authentication. Access to Dark Web (includes Tor network) is available. The service is available for an extensive number of browser extensions. Offers their services towards B2B section. In addition to their normal services, NordVPN offers their customers other products to buy to add value to the sale. These products are a cross-platform password manager, data breach scanner, and a one terabyte cloud storage. (NordVPN 2022.)

## 5.2.2 NordVPN Affiliate Program Management

NordVPN website has content for reaching for affiliates in specific marketing platforms which include YouTube, Twitch, Discord, TikTok, Telegram, student ambassador program. Additionally, the company looks to reach different audiences with a student discount and “launch brand with resources”. (NordVPN 2022.)

The affiliate program of NordVPN provides marketing material for their affiliates in the form of different landing pages, infographics, videos, and banners. They also have a guide for new affiliates to instruct them on affiliate marketing. The program includes reports on past performance and conversions. The program is also available on mobile. The support can be contacted via email and each affiliate has their designated affiliate manager. When creating an account, the affiliate must agree to terms and conditions which determine in what limits the affiliate marketing can be performed. (NordVPN 2022.)

## 5.2.3 Affiliate Management of NordVPN

Below is shown how NordVPN compensates their affiliates with revenue share model:

1-month offer (from 11.99€ to 13.99€): New sign-up 100%, Renewal of subscription: 30%

1-year offer (from 56.28€ to 90.28€): New sign-up 40%, Renewal of subscription: 30%

2-year offer (from 94.23€ to 148.23€): New sign-up 40%, Renewal of subscription: 30%

There is free-trial and discount price promotions for new customers. For affiliates there are different revenues share deals on for example different regions but no other incentives such as direct bonuses. (NordVPN 2022.)

As supporting marketing methods NordVPN uses search engine marketing, search engine optimization. The brand has an active social media presence on Facebook, Twitter, LinkedIn, YouTube, and Instagram. The company creates content such as research on web privacy, cyber risks, security technology, and user attitude and behaviour related matters on and publishes it on their websites. (NordVPN affiliate program 2022.)

As for handling communication with the customer base according to Trustpilot NordVPN answers 99% of negative reviews within 24 hours. Important to note here is that the company has a paid plan with Trustpilot. Total rating of NordVPN on Trustpilot is 4.4 out of 5 with 21,393 reviews (Trustpilot 2022.). On Google Play NordVPN support answers most of the reviews with a unique insight to the problem and a link to their support email for more information. On Google Play NordVPN has received the rating 4.5 out of 5 with 612,000 reviews on their website NordVPN has chatbot and a live chat with a real person (Google Play 2022.). In addition to that the company can be contacted on different matters such as business development, B2B, affiliates, and a different contact section for press in their contact page. (NordVPN 2022.)

### **5.3 Utilization of Affiliate Marketing in The VPN Industry by Competition: PureVPN**

#### **5.3.1 The Services of PureVPN**

The features that PureVPN offers for the customer are IP-address for hiding location, bypassing geo-block for accessing more content on different services, avoiding dynamic pricing, kill switch, data encryption, and no log policy but the company has handed out information for FBI in 2017. The service has over 6500 servers in 78 countries. The service works with Tor network. The VPN service is available up to 10 different devices simultaneously. Browser extensions are available for Firefox, Google Chrome, and Edge. In addition, PureVPN provides a B2B option. When purchasing the product, a password manager is offered as a side product. (PureVPN 2022.)

#### **5.3.2 PureVPN Affiliate Program Management**

PureVPN is targeting towards specific user demographics, with content on their website that are directed towards developers with API program and students with a student discount. Additionally, on their website they are creating content for SaaS professionals and B2B market. (PureVPN affiliate program 2022.)

PureVPN provides guides for new affiliates on matters such as promotion, tracking, and links. As for content the program provides images and banners. The program has a variety of landing pages

to choose from for different demographics. The affiliate can also fetch links for sub-affiliates which are affiliates working for the affiliate. (PureVPN affiliate program 2022.)

The statistics tool provides reports on your impressions, clicks, sales, commission, trends, pay-outs for the affiliate and banner statistics. In case the affiliate has sub-affiliates that work for them, the affiliate can see those statistics too. If the affiliate uses different channels to advertise such as search engine marketing, and they can create their own channel to track those statistics also. For contacting staff, affiliates can send a message on contact form or go to the live chat on the website. When creating an account, the affiliate must agree to certain terms and conditions which include the limits the affiliate can do for their promotion. (PureVPN affiliate program 2022.)

### **5.3.3 Affiliate Management of PureVPN**

Below is shown how PureVPN compensates their affiliates with revenue share:

1-month offer (\$10.95): New sign-up 100%, Renewal of subscription: 35%

1-year offer (\$38.95): New sign-up 40%, Renewal of subscription: 35%

2-year offer (\$53.95): New sign-up 40%, Renewal of subscription: 35%

The affiliate program offers no bonus incentives for the affiliates. Offers 31-day free trial and special discount price promotions for customers. (PureVPN 2022.)

As supporting marketing methods, they have an active social media presence in Facebook, Twitter, Instagram, YouTube, and Reddit. Additionally, the company creates content, uses search engine optimization, and search engine marketing to promote their products. (PureVPN 2022.)

As for customer communication of PureVPN, according to Trustpilot 92% of negative reviews are replied within two days with a message that asks to contact them via email. PureVPN has a paid plan on Trustpilot and is rated 4.7 out of 5 with 14,408 reviews (Trustpilot 2022.). On Google Play PureVPN replies to most of the reviews ask to contact customer support by email, and on some reviews try to help the customer straight away to solve their problem if they are able to (Google Play 2022.). On PureVPN website there is a chatbot and live chat available if the bot is not helpful. In addition, there is a contact sheet which one can write to if they have enquiries or questions about PureVPN. (PureVPN 2022.)

## 6 ANALYSIS OF AFFILIATE MARKET UTILIZATION

### 6.1 Setting Up of an Affiliate Program for SaaS Products

Affiliate marketing is a marketing method that requires other a marketing mix with supporting marketing methods for efficient utilization. When conducting affiliate marketing there can be up to four different parties which are: the advertiser, the affiliate, the customer, and the affiliate network. Advertisers use affiliate programs to manage affiliates, in some circumstances these programs are products of affiliate networks. Affiliate marketing is mainly conducted on online environments, which require an internet connection for successful usage. As there are multiple variables in the process of affiliate marketing communication becomes essential. Since the advertiser starts the process of affiliate marketing, they are mainly responsible for communication and making sure that their affiliates deliver the message to the customers as intended. This requires additional supervision by the advertiser with methods such as adjusting terms and conditions on their affiliate programs and investigating how their affiliates are attracting traffic. For efficient affiliate marketing identifying market segments, business segments, and demographics are fundamental for profitable expenditure of resources.

Management of affiliate program starts with setting up an affiliate program. A company can develop its own affiliate program or join an affiliate network for this. Developing an affiliate program is a slow process and requires patience as they are low entry and low-cost programs.

A typical affiliate team consists of an affiliate program manager and an affiliate marketer or marketers depending on the size and resources invested into the affiliate program. Additionally, affiliate agencies can be hired for keeping up the program.

To get full advantage of affiliate marketing, different tools and software's found on the internet can be utilized for enhance program productivity. With these tools planning, forecasting, and detecting flaws and trends are simplified, and statistics can be analyzed for further development.

Tracking affiliates is mainly conducted with first party cookies as third-party cookies are phased out by search engines. Coupons are another considerable option for tracking affiliate traffic.

The most considerable risks when conducting affiliate marketing are fraud and reputation related. This requires surveillance and clear statement of marketing methods that the affiliates are not allowed to advantage of, in the affiliate program.

Affiliates can be compensated in different ways for their efforts to bring customers to the advertiser. The most common payment models offered by affiliate programs are CPA deals and revenue sharing models. Affiliates can be incentivized for better performance with a tiered compensation model and bonuses.

Supporting marketing activities are crucial to the success of the affiliate program. Other marketing methods utilized on the internet such as search engine optimization and search engine marketing are important. Creating content for affiliates is essential to the program, so that the affiliates have content to use, and the message being delivered is presented to the audience correctly. In addition, a presence on social media platforms increases the authenticity of the brand and effectiveness of the affiliate marketing program. Special prize promotions such as exclusive price reductions and a free trials help attracting the consumers to try out the product or service and lower the purchasing threshold.

Even though affiliate marketing is a low-cost program there are costs for maintaining the program. Setting up an affiliate program has more initial costs and joining affiliate program has joining and transaction fees. The biggest expense are the affiliate commissions, but those are paid after the sale is made. Additionally, tools, software, and employees used for developing and maintaining program have costs. Starting up an affiliate program that runs smoothly has an approximate cost of 5000 euros. The price varies depending on the scale of the program, field of business, and the market of the business. Determining commission rates can be calculated using customer lifetime value, by investigating the overall industry and competition, and determining return on investment.

As for future of affiliate marketing there will be increased competition between affiliates. Affiliates will also become more convincing to their audiences and produce higher quality of content to satisfy them. As quality rises the presentation forms of content changes, making videos more featured in affiliate content. Influencers will play a bigger role in the field of affiliate marketing.

## **6.2 Affiliate Marketing Analysis on BlufVPN**

### **6.2.1 Services**

BlufVPN covers basic VPN needs in their service categories which include changing of IP-address, bypassing geo-block, access to more content, avoiding dynamic pricing, dark web availability, and kill switch option. Security features like data encryption, web security and no log policy are also covered. However, the competitors have more features on their products when compared to BlufVPN. Both PureVPN and NordVPN have thousands of servers more, able to connect to more devices simultaneously, and a B2B section on their website. In addition, NordVPN has more variety in platform availability, and they offer more services for the customer when making a sale, for example a password manager and a cloud storage. However, BlufVPN has been keeping up by providing a browser extension like its competitors.

### **6.2.2 Management of the Affiliate Program**

Like the competition BlufVPN creates content to support their affiliate program, but less than its competitors. For example, NordVPN provides content with variety of details aimed towards certain social media platforms.

For tracking of affiliates BlufVPN utilizes QR codes and direct links, whereas the competitors use only direct links. All of the VPN services provide landing pages and banners for their affiliates, including NordVPN which additionally provides infographics and videos.

Other VPN services provide guides for new affiliates, BlufVPN does not. All the affiliate programs provide statistics for the affiliates to track their performance. In every affiliate program there is a possibility to contact support via a ticket or email. Another matter showcased clearly in all the affiliate programs are terms and conditions, which contain information about the rules of affiliate marketing clear for the affiliates.

PureVPN differentiates from its competition by providing the opportunity for affiliates to manage sub-affiliates on in the affiliate program. How BlufVPN stands out from the competition is its high commission on its low-cost product.

### **6.2.3 Affiliate Management and Support**

Out of all the brands BlufVPN has the highest commission for affiliates. All the brands featured utilize special promotions and discounts to make their products more attractive to the audience. Additionally, all the VPN brands have social media presence and post content on Facebook, Twitter, LinkedIn, YouTube, and Instagram. BlufVPN is the most inactive of the brands. Despite being a new company, BlufVPN has quite low ratings on Google Play and Trustpilot when compared to other VPN providers. Out of the three brands, NordVPN has the best communication with the users and solves their problems like no one else. Customers can contact all the companies can by email and have a chatbot, but BlufVPN as the only one does not have live chat support.



## 7 CONCLUSION

An affiliate marketing program is a mostly an online marketing method that is efficient when utilized properly. Factors that are of substantial importance when conducting affiliate marketing lie heavily on the field of business and marketing activities surrounding the affiliate marketing activity. Fields of business that are suitable for affiliate marketing are businesses that are capable of selling their products and services online. This is due to affiliate marketing relying heavily on online tracking methods such as cookies. As a marketing method affiliate marketing fits SaaS product marketing mix well due to both requiring an online environment to work efficiently. Overall affiliate marketing is a cost effective but time-consuming tool that focuses on bringing audiences from affiliates to the advertiser websites. As supporting activities for effective utilization of affiliate marketing, digital marketing methods such as search engine optimization, website optimization, social media presence, and content creation are in a crucial role.

Risks to watch out for when conducting affiliate marketing are related to affiliate fraud and reputational damage. However, these risks can be avoided with proper management and supervision. In the future affiliate marketing will focus more on quality of content and individual content creators such as influencers will play a bigger role.

The affiliate program of BlufVPN is executed well but includes a couple of flaws. There are sections such as news section which has a purpose but is not working properly or is unused. Additionally, there could be more content for affiliates, for example infographics and videos. Otherwise, the affiliate program is good, with its bonuses for affiliates and higher compensation than competition to attract affiliates.

When comparing BlufVPN to other NordVPN and PureVPN there is room for improvement in supporting activities, especially in communication with the customers. BlufVPN has all the same social media channels as its competition but some of them are very inactive with over half a year from last post. On review sites BlufVPN lacked communication whereas the competitors tried to help customers with problems. Investing resources towards customer service and customer problem solving would prove more worthy at the time of research than spending resources on marketing. After all, VPNs are technological products and people usually need more guidance with those than your everyday products and services.

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## APPENDICES

Interview questions and answers from both interviewees:

### 1. Overall Opinion on Affiliate Marketing and experiences

#### 1.1 What is your view on affiliate marketing today and what kind of experiences do you have with it?

Juha Kopponen: Has been working with different B2C affiliate verticals from stocklisted companies to small sized e-commerce businesses for ten years. Has been working as both an advertiser and an affiliate.

View on affiliate marketing: Affiliate markets are bigger than ever, but has transitioned from website more towards influencer perspective, which has become the biggest part of affiliate marketing. Smaller businesses utilize affiliate marketing even more.

Miikka Blomster: Miikka is familiar with affiliate marketing and has seen it in B2B consultation companies that sell other businesses affiliate services (affiliate networks). He has also encountered affiliate marketing in content creation, social media, and other media channels.

#### 1.2 What kind of **opportunities** does affiliate marketing have for a company?

Juha Kopponen: From affiliate point of view: possibility for pure sales action without being apart of product development or investing in the product. Even individuals can setup an affiliate business.

From owner point of view: biggest thing is transaction-based payment as most marketing methods are prepayment methods. Possibility to get more reliable promoters who are not directly linked to your product.

Miikka Blomster: Depends a lot on investing possibilities and budget size. Affiliate marketing is more of a risk free marketing method. Affiliate marketing has possibility for cheap marketing with low costs.

### 1.3 What kind of **risks** in affiliate marketing has for a company?

Juha Kopponen: From consumer perspective: big part of product reviews are paid and affiliate based so it is hard for consumers to get holistic information on products.

From company perspective: being unable to control the context of the product as affiliates might hurt the brand. Controlling fraud traffic on SaaS products from abusive affiliates is also a risk.

Miikka Blomster: Reputation risks because those can be fatal especially to new businesses. No other greater risks. Contracts with the affiliates can be risks. No financial risks.

### 1.4 What kind of marketing methods would you say are good for supporting affiliate marketing?

Juha Kopponen: Overall good marketing mix. Affiliate marketing alone is not sufficient. As an example, SEO, Social Media presence, and overall communication. Multiple sources of information for consumers improves product authenticity and reliability.

Miikka Blomster: Companies are responsible for their marketing. Affiliate should bring only audience, the company has to supervise affiliates and what they do, control the relationship to some extent. Providing content for the affiliates is also important.

### 1.5 Do you think knowing your niches is a must for affiliate marketing?

Juha Kopponen: Depends on the product/service and the business vertical. As an example, compare Amazon and Netflix, no niche required. Then compare SaaS marketing tools, which is a tight niche. Some fields of businesses require understanding of target audience to be successful.

Miikka Blomster: Depends on the product and company strategy. The decisions that the company makes has weight however, controlling the network might be a risk. You can always try out different strategies. Affiliate marketing is a slow strategy and requires perseverance like other marketing methods.



**1.6** Do you think it is possible to go for multiple niches in today's fast market environment at the same time with SaaS such as VPN, what kind of obstacles are there? What about in the future?

Juha Kopponen: As an affiliate it is possible and efficient, but it becomes more difficult due to increasing competition. This may result in people having to focus more on niches.

Miikka Blomster: Things that affect going for niches are possibility for developing products under a brand. Hyper competition in some fields of business. The number of companies developing their products.

## **2. Affiliates and Network**

**2.1** What do you think drives affiliates towards higher quality performance?

Juha Kopponen: Increased competition between affiliates. In a affiliate program, tier based payment structure for affiliates. Offering enough advertising material and information also affects and gives direction towards wanted results.

Miikka Blomster: Long-term profit, minimizing risks, and maximizing profitability for them. Effective payment models with incentives.

**2.2** What do you think are the most essential things to focus on when trying to break through on the affiliate market as a network?

Juha Kopponen: Unique product selection, competitive selection.

Miikka Blomster: Field of business, and markets (regions).

**2.3** What are the three most important features when choosing an affiliate marketing program?  
(as an example: pricing, relatability to content, long-term relationship)

Juha Kopponen: 1. Long-term relationship, especially with recurring commission. 2. Product quality. How competitive the product is in their own vertical. 3. Company presence and rest of the marketing mix.

Miikka Blomster: 1. Field of business and reputation. 2. Pricing. 3. content and seo traffic, also data for statistics.

**3. Financial and Marketing Approach**

**3.1** What do you think is a suitable size for starting an affiliate marketing budget with SaaS products?

Juha Kopponen: Around 2000€ for launch. Incentives for affiliate 2000€. Not under 5000€, but there is no limit.

Miikka Blomster: From manager perspective, it depends on the market and resources. Things such as network payments, content, and supporting marketing cost.

For a company with 100,000€ turnover, from 2 % to 7 % of marketing budget. If the company has a big budget and can afford it, and affiliate marketing is an efficient method, maybe even tens of thousands for content to make the affiliate business more effective. For a starting company, investing in other marketing methods would be wiser.

**3.2** Who is affected by affiliate marketing in today's world? – biggest demographic?

Juha Kopponen: 99% affiliate audience is online. To be more exact, people who are active online and can spend money online.

Miikka Blomster: People who try to find information on the web, are just graduated, and are 25- to 40-year-old professionals.

### 3.3 What is the value of affiliate marketing and what does it bring to the marketing set?

Juha Kopponen: The value is to get recommended support or content by third parties outside the company. Depending on the business might unlock traffic sources which not be reachable by the business itself. VPN products for example.

Miikka Blomster: Reputation of affiliates, helps in controlling the web presence of the product. Increases professionalism and expertise, assures customers of a reliable product.

### 3.4 3rd party cookies are use for following traffic through the internet. Multiple search engines are like Google and Firefox are banning them or have already banned them, is this a good thing for affiliate marketing?

Juha Kopponen: This is positive for businesses. Reduces and limits affiliate fraud and people have to be directed through the website to use the product. Intergrating 3rd party affiliate networks is more difficult with 1st party cookies than 3rd part cookies. Techincally setting up 1st party cookies is more difficult than 3rd party.

Miikka Blomster: Cookies can be used from Google. Affiliates always learn ways to track conversion. Increased costs in investing from companies.

## 4. Affiliate Marketing in The Future

### 4.1 Biggest **obstacles** for companies to conduct affiliate marketing?

Juha Kopponen: Time consuming, hard break through in the most competed verticals.

Miikka Blomster: Controlling the reputation is biggest obstacle. Empty promises with uncontrollable affiliates.

### 4.2 What is your future view on **relatability** of affiliate marketing? What is the future direction of affiliate marketing?

Juha Kopponen: It seems that influencer marketing is not going to start churning any time soon. There will be more publishers, and easiest way to monetize those sources is with affiliate marketing. The field of affiliate marketing will grow but shatter.

Miikka Blomster: No one knows for sure about the future but importance of media platforms, and a trend towards video and quality content are on the rise.