Which Affiliate Payment Plan Maximises Your Income?

By Richard Baker

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If you are an affiliate, or if you indeed wish to become an affiliate, it is fundamental that you know the different payment plans available and which, of them will maximise your income. That is what I will look at here.

The are effectively, 3 types of payment structure available:

1. Pay-Per-Click (PPC)

2. Pay-Per-Lead (PPL)

3. Pay-Per-Sale (PPS)

Note: Some merchants operate affiliate programs, which are a combination of PPC, PPL and PPS.

Pay-Per-Click (PPC)
PPC programs reward according to the click-throughs from your website to that of the merchant. One of the essential factors in PPC programs is that you receive commissions based on referrals from users with different IP addresses. Multiple clicks from the same IP address are only counted once.

PPC commissions tend to be at the lower end, usually no more than a few cents per click. You get a flat rate per click.

Pay-Per-Lead (PPL)
These programs require a visitor who has clicked through to undertake further action, usually a free registration, newsletter sign-up or to give contact details.

As PPL represents a greater opportunity for the merchant to develop the visitor into a customer, they tend to pay higher "unit" commissions than PPC programs. Notwithstanding, payment rates vary from $0.50 to $25 per lead. Again you receive a flat fee per lead.

Pay-Per-Sale (PPS)
PPS are considerable by most experts are to be the fairest of all payment schemes. You are only rewarded based on your referrals that actually buy from the merchant. Now this is good economics surely? PPS payments can be both flat fee based or a commission based, taken as a proportion of

the money spent by the customer.

If you have a high value and content driven website, it is generally considered best to promote PPL and PPS programs, however, this is an oversimplification.

At one time PPC programs were all the rage, but since the dot-com crash this is no longer the case, as good economics and PPS programs have taken hold. PPC programs have a mixed performance. You need a high traffic website if you are to earn a reasonable income from PPC as payments are rarely over 5 cents per click. A calculation suggestions that you need about 200 click-throughs in order to earn what you would from a $10 payment for a sale. Those are pretty daunting figures. Imagine...200 click throughs.

PPC programs are fast developing a poor reputation because some affiliates are abusing click-throughs and some visitors (especially, but not exclusively AOL users) are blocking their IP address. Consequently, the integrity of PPC has fallen. These factors taken together are seeing the number of PPC affiliate programs falling, as well as the overall value that they contributing to the affiliate sector decreasing also. In fact, Commission Junction (a leading affiliate back-end provider) has now abandoned PPC programs.

You have one aim and that is to maximise your affiliate income. Too many affiliates rush in for the programs that pay the highest rates. Unfortunately, this is too short- sighted. There are many more factors to consider than just the payment rate if you wish to maximise your affiliate income.

If you're running a "high-value" site with targeted traffic you're usually better off promoting PPL or PPS programs. If your site is little more than a portal or vortal then PPC programs maybe more suitable (although, I personally would only promote PPL and PPS programs).

Some of the other facts that you should consider if you wish to maximise your affiliate income include:

1. Your click-through rate or CTR (the number of visitors divided by the actual number that click the affiliate link). This will indicate how effective your website and the affiliate link are.

2. The Conversion Ratio or CR is the number of visitors who come to the merchant via your website divided by the number that actually sign-up/buy. The CR can vary from 0.5% to 20%. The CR indicates how well the merchant sells.

3. How well designed is the merchant's site? Is it easy to navigate? Is there a logical progression from entering the website to signing-up/buying? Is the information clear? Would you trust the merchant with your credit-card details? Are there any "leaks" (clicks out of the merchant's website)?

4. Are the merchants products high quality and reasonable priced? It's no good promoting a PPS program if the merchants products are overpriced - who will buy?

5. How long does the cookie last? Check the period of the program's cookie (this is the unique little code that is written to a visitor's computer to identify returnees). Some cookies will be lifetime ones (these are the most attractive), others will be 14, 30, 60 or 90 days and some are no more than a session! Again, there is little point in promoting a PPS program unless the cookie is of a reasonable length.

6. Will you receive lifetime commissions? If you will then you should consider the lifetime value of the customer. Is the customer likely to make repeat purchases? If the answer is yes, then consider

PPS programs.

7. Does the merchant have a good range of affiliate links? Do they have text link? Using text links "in-context" will on average lead to a CTR up to20 times greater than a banner ad.

You should consider all the above factors. You should test, test and test again. Try different programs, different links and compare PPC, PPL and PPS programs. Look at your CTR, as well as analysing the merchant's CR (which affiliate back- end providers like Commission Junction, Tradedoubler and BeFree) provide.

Resource Box

Richard Baker is author of:

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Common sense articles on exploding your affiliate income

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