

Lesson #1: An Introduction to Affiliate Marketing

By Jerry Robinson

What is affiliate marketing?

“Affiliate marketing” is a **performance-based marketing model** that has become **extremely** popular on the internet in recent years. And an “affiliate marketer” is a person who is compensated for promoting **someone else’s goods or services** – usually online.

To better explain the nature of affiliate marketing, let’s take the classic case study of online shopping behemoth: **Amazon.com**.



Amazon is the brainchild of the innovative billionaire tech genius, Mr. Jeff Bezos.

And by the way, Bezos is not just a ‘billionaire.’ He is a ‘**mega-billionaire**’ with a massive net

worth near the tune of \$35 billion, as of January 2014. (Note: \$35 billion would fund the entire U.S. government for 10.7 days.)

Only *twelve* people in this world are richer than Jeff Bezos.

The man is rich. And he is clearly smart.

Bezos established Amazon.com in 1994 soon after quitting his job at a New York hedge fund. His Princeton education had taken him a long way, but the entrepreneurial streak coursing through his veins drove him to cut the cord from his employer and try flying solo in running his own online business. He and his wife, Mackenzie, wrote the business plan in the car while driving from Texas to their new home in Seattle. The business would be run out of their garage.



By 1997, the online retailer was riding the internet wave and had gone viral internationally. On May 15th of that same year, Amazon went public, allowing average retail investors to buy shares of the company through Wall Street.

In the wake of the dot-com bubble, Amazon.com has emerged as a fierce contender in the online retail space. Its disruptive nature was first noticed in the fatal pressure the company applied to your neighborhood book store. *(Remember the old brick and mortars bookstore? I have a really great used bookstore nearby. My wife and I love to wander the aisles and explore!)*

Today, traditional book stores are being forced online, and even then are unable to compete with Amazon's vast economies of scale.

Every year, many graduate level business students across the country spend a semester or two dissecting the rapid growth of the online retailer.

We'll save the analysis for the hard-working grad students...

For my point in this article is not to analyze Amazon.com entire business model, but only one important aspect, namely, their innovative use of **affiliate marketing** as opposed to **traditional marketing**.

Just like any other business, Amazon needs to advertise and market its goods and services.

The obvious way is through the purchase of *traditional advertising*.

But Bezos thought differently. He chose to **leverage the entire internet**. How? By creating a performance-based affiliate program, thereby turning online communities into paid salesmen.

Today, virtually anyone can join Amazon's affiliate program. When you do, you will be given a special ID code that is attached to a link. That link, or URL, contains within it important information that is sent back to Amazon.com. When someone comes to Amazon.com through your special URL and buys something, Amazon.com knows and instantly deposits anywhere from 4% to 8% of the final sale into your bank account.

The idea made Bezos even richer, but also made several smart internet marketers very wealthy. Today, people are making hundreds of thousands of dollars – if not millions – promoting Amazon products as affiliates. (*More about that later...*)

In truth, most affiliates fail to earn any significant amount of money. It's not a get-rich quick scheme, as some attempt to portray it.

af·fil·i·ate mar·ket·ing

a : affiliate marketing is an Internet-based system where you (as an affiliate) get paid for referring sales or customers to another business.

b : There are many different ways you can earn money from being an affiliate marketer, including commission-based affiliate programs and AdSense

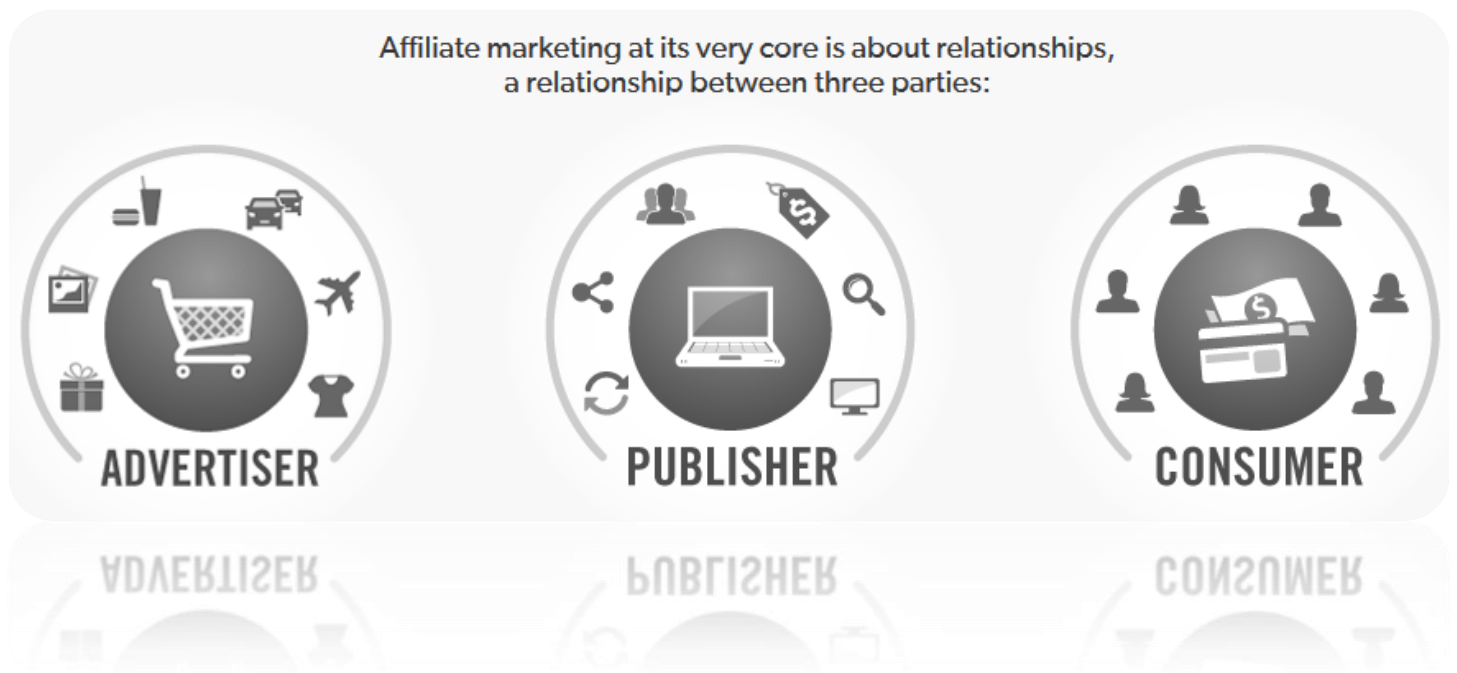
But Amazon.com is not alone in its use of an affiliate program to grow its business.

Today, thousands of companies offer affiliate programs that allow people just like you to earn money by promoting their goods and services.

Affiliate marketing exists because it is effective. The magic is in the URL tracking ability.

As an affiliate, if someone clicks on your unique URL provided to you by the company, it is instantly logged. Then, if that person who clicked on your link happens to buy something, you will receive some form of compensation. In the case of Amazon.com, they pay anywhere from 4%-8% of every referred sale. Other companies, like JustCloud.com (an online storage company) pay \$120 or more for every new customer you send them.

The Mechanics of Affiliate Marketing



There are **three parties** involved in a typical affiliate marketing program:

The Advertiser: This is the business that has a product or service to sell to the public.

The Publisher: This is the individual, or company, that promotes the Advertiser's products and services, in exchange for a commission. When the publisher joins an Advertiser's affiliate program, he becomes known as an "*affiliate*."

The Consumer: This is the person who seeks to buy the Advertiser's products or services.

Now, let's think about what each of these three parties are getting out of this relationship...

The **Advertiser's** incentives in this relationship are clear. The **Advertiser** wants to sell as much of his product or services as he can. *Anyone* who can help him accomplish that goal is **valuable**, and worthy of compensation.

This opens the door to the **Publisher** (or '**Affiliate**'). Like the **Advertiser**, the **Publisher's** goal is monetary, in nature, in that the **Publisher** wants to earn as much money as possible from the **Advertiser**.

How does the **Publisher** succeed in achieving his goal? By referring as many people (**Consumers**) as possible to the **Advertiser's** website through their own unique URL. To succeed, the **Publisher** will need to send **high-quality prospective Consumers** to the **Advertiser**. Sending more **Consumers** to the **Advertiser** increases the chance of a sale.

And in the world of Affiliate Marketing:

Sales = Commissions for the Affiliate.

So, the Advertiser and the Publisher have very clear goals: to maximize their profits.

That leaves the **Consumer**. What are his aims in this relationship?

The Consumer is seeking to trade money for something that adds value to his life in some way.

When a Consumer opens his wallet, he is doing so as a response to some 'pain.' Don't make the mistake that people spend money blindly. They do not. There is a strange sort of rationale to the apparent madness of consumerism! Again, when we trade money for a good or a service, we are doing so because we believe that

whatever we are buying is worth more to us than the money that we are holding. But because money is scarce, and because none of us ever feels as if we have enough, normal people only part with money when it solves a problem and soothes a pain.

For example, have you ever seen a local ice cream store commercial on television just after dinner? This is classic targeted marketing. You are full from dinner and just getting in the mood for dessert and then, BAM! Your local ice cream store runs a commercial showing their new banana split. (And it's on sale this week only!)

That is an example of a 'pain.'

If your pipes burst in the dead of winter, that is a 'pain' that requires a solution.

If your business is disorganized because you lack a good customer database, this is a pain that requires a solution.

If your lawn is growing faster than you can cut it, that is a pain that requires a solution.

And the list could go on and on...

My point is very simple: The most financially successful people in the world are those who deliver solutions to a customer's 'pain.'

Find out what causes people 'pain.' When you show **Consumers** how your product or service provides a 'better' solution to that pain, you **will** make money.

SUCCESS TIP:
If you want to succeed as an Affiliate Marketer, you must learn to find people's 'pain,' and then deliver a solution to that pain.

Finally, you should know that virtually all major online stores and businesses offer some type of affiliate program that you can join. But don't make the mistake that most **Affiliates** make; that is, they join a myriad of different affiliate programs without having a solid marketing plan. Instead, take baby steps. Keep reading and I'll show you how to get started.

How 'Affiliate Marketing' is Different from a 'Referral Business'

While the two concepts are similar, the difference lies within the business models. A referral business resembles the affiliate marketing model with one major exception: With a true referral business, I have much more leverage. That is, when I establish a referral business to promote the goods or services of another existing business, I can negotiate much better terms and have more control, in general. With online affiliate marketing, however, I am working with companies that are often well established and seasoned in this type of marketing. Unless I have a massive amount of web traffic, I have very little leverage and must settle for whatever terms are set out in their affiliate agreement. In short, both models are fantastic. They just each have their own strengths and weaknesses.



Q: Is making money with affiliate marketing easy?

No. While the principles of successful affiliate marketing can be learned rather quickly, it can take quite a long time to build a decent income.

For example, I first got started in affiliate marketing back in 2009. After one year of working 3-4 hours a day at my affiliate businesses, I was barely making \$500 per month.

After the second year, I was earning over \$1000 per month.

And today, my affiliate businesses earn a substantial amount (five figures) each month. Some people may look at my businesses from the outside and think that I make easy money. But I can assure you that they have no idea what they are talking about. Since permanently leaving corporate America in 2009, I have worked harder than I ever have in my life. To be completely honest, it would be much easier for me to go and get a job back in corporate America.

But I am not guided by a mad search for “ease.” To the contrary, my goal is to maximize my profits. This requires hard work, lots of effort, and lots of time. In addition, it requires an often intense amount of self-discipline along with a complete dedication to ongoing education. If you are naturally curious about the world, then you are that much closer to accomplishing your money-making goals. Curiosity is the spark that ignites the flames of innovation.

But seriously, don't let anyone fool you: Affiliate Marketing is NOT a get-rich quick scheme. Many people spend weeks, months, and even years, failing at Affiliate



Marketing. The failure rate of most Affiliates is most affected by a lack of consistency. Affiliate Marketing is not rocket science. But it is very labor-intensive and can be very monotonous. Most people fail because they are not promoting products and services that they ‘believe in’ and enjoy themselves. Those who achieve long-term success in

Affiliate Marketing do so by carefully choosing **profitable niche markets** that deliver solutions to the ‘pains’ of real people.

What is a niche market?

According to the Webster's New Millennium Dictionary of English, a niche market is defined as *"a **specialized and profitable** part of a commercial market; a **narrowly targeted** market."*

We will return to this concept of **profitable niche markets** in an upcoming lesson. For now, just know that the ability to **discover and exploit profitable niche markets** is by far the single most important factor to your success in Affiliate Marketing.

Q: Do I need extensive web or computer knowledge to be an Affiliate Marketer?

While you need not be related to Bill Gates, you should at least be mostly comfortable on a computer, and especially in browsing the internet. Additionally, if you are serious about succeeding as an Affiliate Marketer, there are some basic skills that you should learn.

First, while it is not required, I highly recommend that you gain some basic proficiency in a couple of basic web programming languages. Namely, **HTML** and **CSS**. You need not master them. Just a familiarity and basic fluency will suffice.

As an Affiliate Marketer, you will need a website. I personally build all of my websites on **Wordpress**. (I hand-coded my first websites back in the mid 1990's, but today, I exclusively use Wordpress.)



Wordpress is an amazingly simple, but highly robust, content management system. It is a 100% free application and creating a website with Wordpress is extremely simple. **In an upcoming lesson, I will walk you step-by-step through the process of setting up your own beautiful, but highly functional, Wordpress website in less than 30 minutes, and all for less than \$20.**

Finally, you will want to begin learning how internet search engines, like Google, work. Learning the basic strategies for optimizing your search engine ranking position is a vital component to your future success. There is a whole science behind optimizing your website for the search engines. It's aptly called: **Search Engine Optimization**, otherwise known as **SEO**. *(We will spend considerable time covering basic SEO strategies in an upcoming lesson.)*

Q: What is the income potential for affiliate marketing?

As I have already mentioned, I earn five figures per month and six figures per year in my affiliate marketing businesses. Of course, I run a small business so someone with more manpower and a bigger budget could earn even more.

Put simply, the sky is the limit when it comes to your Affiliate Marketing income.

Over the years, I have coached a large number of people on the basics of Affiliate Marketing. **I usually tell my coaching clients that if they are willing to spend at least 3-4 hours per day on their business, they can expect to make \$500-\$800 per month after one year from their affiliate marketing.**

I also show my coaching clients how to structure their business in such a way that their monthly earnings will remain stable -- even if they want to take a break for several weeks at a time.

To summarize, Affiliate Marketing is a great business, as you can earn as much as you want.

There is no income cap! But it can take up to a year to begin earning a decent income.



Q: How much time will I need to dedicate to my Affiliate Marketing business?

This is a subjective question as it really all depends on how much money you personally want to earn from your business.



For example, if you would be happy just earning an extra \$100-\$200 per month, then you can probably get away with spending about 8-10 hours per week on your new Affiliate Marketing business. However, if that amount of money seems too small, then you need to set aside a minimum of 3-4 hours per day to spend growing your business.

Today, I spend about 3-4 hours per day running my Affiliate businesses. Of course, many of my Affiliate businesses are now running on autopilot and only require occasional maintenance. **However, that is only because I worked very hard upfront and created systems that would allow me to work less later.**

Q: I have a full time job. Can I still succeed in Affiliate Marketing?

A: Yes, you can, if you are willing to make a time commitment that properly reflects your income goals. Again, if your goal is to create a sizeable and sustainable income from Affiliate Marketing, you should plan on spending no less than 3-4 hours per day on your businesses. Spend less time than that on your business and your profits will surely suffer in the long run.

If you already have a full-time job, this time commitment may seem daunting. So it may help if you think of your new venture as an extremely low-paying part-time job. Perhaps this will make the time commitment more acceptable. *(Besides, what other part-time job can you work at in your pajamas?!)*

Q: I've heard that some Affiliate Programs are scams. What are the warning signs?

A: In every industry, there are scammers. Affiliate Marketing is no exception. Scammers are attracted to the promise of big profits, so you should definitely be on guard. From my experience, Affiliate Marketing scams arise from three primary sources:

1) Unscrupulous affiliate marketing programs. Just because an **Advertiser** promises to pay you \$100 for every sale doesn't mean that they will. You should always do your due diligence on a particular company before promoting their products or services. After all, it's your reputation that is on the line.

One personal example that I can share from my own business involves an Affiliate Marketing relationship that I have with a well known technology company. Because the company is often slow to pay my commissions, it has created some tension at times. If I had done more research before signing up for their affiliate program I would have known this fact in advance and probably would have chosen another company within their industry. Aside from this one slow-paying **Advertiser**, I have never been stiffed -- or lost money -- with any affiliate program that I have joined.

2) Dishonest Affiliate Marketers. Just as some **Advertisers** may fail to honor their commitments, so too, **Affiliate Marketers** have come up with all kinds

of ways to scam **Advertisers**. This is a constant problem that plagues the affiliate marketing industry. But unless you are **Advertiser** seeking to start your own affiliate program, this shouldn't be an issue for you.

3) Overpriced affiliate marketing “education.” During the California Gold Rush of the 1800's, there was an old joke that the ones making the most money weren't the gold diggers. Instead, the ‘big money’ was being made by those selling the picks, axes, and other tools to the gold diggers.

This same principle applies to the business of affiliate marketing. Think about it... Most of the people who sell overpriced affiliate marketing “education” systems on the internet today are making most of their money from their students – and not from affiliate marketing itself.

Q: Do I need any money to get started in Affiliate Marketing?

Yes and no.

First, you don't need any money to join an affiliate program. (In fact, you should *never* pay money to join an affiliate program.)

However, you should probably have a small amount of money ready to spend on buying your own domain name, web hosting, and an email marketing account. You will also want to invest in a good keyword research tool. You should be able to get started with less than \$200, and even less if you want to take it slow.

Q: What are the biggest mistakes a new Affiliate Marketer can make?

There are several pitfalls that await the aspiring **Affiliate Marketer**.

They include:

Choosing the wrong product or service to promote. Many affiliate marketers make the mistake of focusing only on the highest-paying affiliate marketing programs without examining the quality of the underlying product or service.

Successful affiliate marketers spend their time promoting high quality products and services that are in high demand.

Promote products and services that people want – and that deliver solutions to people’s pains -- and you will drastically increase your chances for success.

Failure to learn about the product or service. This may seem petty, but it is actually very important. Why? Many affiliate marketers have only a surface knowledge of the products or services that they are promoting. (Even worse, many affiliate marketers promote products and services that they have never personally used. This a big ‘no-no’ with me.) If you have never used the product or service that you are trying to promote, your marketing efforts will lack conviction, and this will definitely impact your bottom line.

Failing to build an email list. There’s a saying in internet marketing that goes: *‘The money is in the list.’* Put simply, your success in affiliate marketing can only grow to the proportion that your email list is growing. The most successful affiliate marketers have built massive lists of email addresses over the years.

GET 100% FREE HELP WITH YOUR EMAIL MARKETING STRATEGY

If you do not currently have an email marketing plan, head over to emailmarketingcoach.org. That is a website that I personally run. Fill out the form and request a free 30 minute phone coaching session and I will personally help you get your own email marketing account set up so that you can start collecting leads online. Don’t delay on this! This is hugely important to your success.

Spending too much money on ‘overpriced education.’ Don’t fall for the gimmicks. Seriously, this is one of the biggest mistakes that I see made by aspiring affiliate marketers on a consistent basis. Most people don’t need to spend thousands of dollars to learn how to start making money with affiliate marketing. In fact, much of what you need to know you can learn from a handful of great books. Afterwards, stay up with a few important blogs and pay for a few hours of intense coaching from a pro to get started and you will be ‘armed and dangerous.’

Believing the ‘get-rich quick’ myth. This is probably the #1 reason so many people fail at affiliate marketing. As soon they realize that it takes hard work and that the results can be poor – or even non-existent -- during the start-up phase, many simply give up in frustration. This is unfortunate because profits await those who persevere in a good work.

A lack of focus. Many aspiring affiliate marketers try to promote too many different affiliate programs too fast. I have found it is best to focus on no more than 1-2 affiliate programs at a time.

Q: What is your biggest success story in Affiliate Marketing?

In early 2012, I was spending a lot of time searching out profitable niche markets for my next affiliate marketing business. After several weeks of research, I discovered a unique niche market. Next, I created a simple website and began spending time optimizing the site to improve my rankings in the search engines. Less than 24 months later, by the end of 2013, this website was cash-flowing just over \$2000 each month on a residual basis. While this is not my biggest single affiliate marketing income stream, it was definitely the income stream that grew the quickest. I had never had one single website begin earning that much money in a short amount of time. And my success was owed to my discovery of a very

profitable niche market. Finding this niche market required me to conduct **keyword research**. The keyword research process is something that I will share in an upcoming lesson in this course.

Q: What kind of products or services should I promote to maximize my income?

A: I have a simple rule on this topic: **Only promote products or services that you currently use, or have happily used in the past.**

Building a successful affiliate marketing business requires that you generate trust among your audience or email marketing list. This means promoting products and services that you understand and care about.

Q: Are there any legal ramifications to Affiliate Marketing? What kind of precautions should I take?

A: The Federal Trade Commission has issued some guidelines and best practices for affiliate marketers. **Put simply, you want to always disclose the fact that you are an affiliate.**

Some people try to hide that fact because they think that it will hurt their profits. I have found just the opposite to be true. When you are upfront and honest with people, you gain their trust. And as you know by now, trust is a major success factor in affiliate marketing.

So to summarize, always be sure to disclose your affiliate relationships and you should be fine.

Q: Is there a book you recommend for someone who is just getting started in affiliate marketing?

A: If you are just getting started, the first thing to do is to educate yourself on how search engines work. This is hands-down the best book I have ever read on the topic: [Search Engine Optimization by Kristopher B. Jones](#).

I would read it through one time and then keep it nearby as a handy reference. This one book contains so much of what you will need to know to succeed in this business.

Once you have read this book and have a good grasp on how search engines work along with some basic principles of search engine optimization, it is time to begin doing keyword research to discover profitable niche markets. We will discuss these next steps in an upcoming lesson in this course.

This was Lesson #1 of our educational series on Affiliate Marketing. More lessons will be released soon.

If you have any questions or comments, you may email Jerry Robinson at jerry@ftmdaily.com

Or you can call our offices at (800) 609-5530.