

Hidden gems

Itsik Akiva has been setting up and managing affiliate programmes for a decade. Here, he offers **INTERGAMINGi** an insight into the challenges affiliates face and just why they are so critical to the success of the i-gaming industry

BY any measure, the influence of affiliates on the i-gaming industry is profound.

But who is the affiliate? How do they impact the industry? What kind of power do they wield in regulated and unregulated markets? What kind of future can affiliates expect?

We put the question to Boston, Massachusetts-based gaming expert Itsik Akiva.

INTERGAMINGi: Can you offer a general overview of affiliate marketing?

IA: "Affiliate marketing is one of the most prevalent forms of performance-based marketing within the online gaming industry, and is often credited as being one of the main reasons for the growth and expansion of this industry over the past 15 years.

“AFFILIATE MARKETING ALLOWS GAMING COMPANIES OF ALL SIZES TO LAUNCH THEIR PRODUCT AND PENETRATE NEW MARKETS WITHOUT COMMITTING SIGNIFICANT CAPITAL”

"When properly managed and executed, affiliate marketing can be a very efficient, effective and targeted way to recruit, and sometimes also retain and reactivate, players.

"Due to its results-based nature and the fact that affiliates are paid after successfully referring qualified players, affiliate marketing allows gaming companies of all sizes to launch their product and penetrate new markets without committing (and potentially risking) significant capital.

"In saturated markets where hundreds of brands pursue the same players, affiliates and

their sites are often perceived by players as a reliable (or even unbiased) source where they can compare products, shop for the best offers and find information about the games they enjoy.

"Many players are therefore showing greater loyalty to affiliate sites than to gaming brands, which puts the affiliates in a strong position of influence.

"Due to their exposure to the performance of many operators and their experience in marketing to different audiences across markets and verticals, establishing a close relationship with affiliates may often represent a great opportunity for players to gain valuable insights."

So who are the affiliates?

"There is no single definition that can truly capture the essence of all affiliates. In most markets, anyone can become an affiliate regardless of the size of their organisation, or its funding, technology and assets.

"Some affiliates involve hundreds of employees in a very complex business environment. At the other end of the spectrum are smaller organisations that rely on one or several individuals who will sometime do this to generate a secondary income. And there is everything in between.

"It is therefore easier to define affiliates in general terms as anyone who refers potential customers through a dedicated and trackable link and is being compensated on a basis dependent upon the performance of those players.

"For successfully referring players, affiliates earn a commission. There are three primary compensation models. Firstly, revenue share – affiliate and operator share the net revenue generated by players (net of bonuses and admin costs). Normally, revenue share will be paid as long as the referred player is active.

"Then there's CPA, or cost per action, where the action is a first time deposit. This is a one-time referral fee. Thirdly there's a hybrid – a combination of CPA and revenue share.

"The choice of the preferred commission model would often depend on the type of affiliates and how they generate their traffic, as well as market conditions. Affiliates with larger organisations and higher fixed costs, or those that rely on purchased media to generate their traffic would often prefer CPA, while smaller organisations and those that rely on search and other organic methods of traffic generation would often take the revenue sharing route.

"In markets where there is a high degree of uncertainty, mainly due to regulatory changes, CPA is often the preferred option.

“Those that are new to the industry are often amazed at the number of affiliates attending industry conferences. While affiliates are a central part of the online gaming industry, not all affiliates are relevant for all operators. Some operate in many language markets and across multiple verticals, while others focus on a single market, a specific vertical, or even a particular niche within the vertical.”

What is the role of affiliates and what makes them so special in gaming?

“Affiliates play a unique role in a very unique industry. I believe that there is a direct correlation between markets’ legal and regulatory conditions and the dependency on affiliates. From a regulatory standpoint, the online gaming industry has operated in grey or black-and-white environments for many years. As such, access to most traditional marketing channels was either very limited or blocked altogether, leaving operators with very few options, including organic search and partnerships with affiliates.

“How do they do that? Well, some gaming affiliates use their SEO expertise to rank very well for a variety of keywords, others create sites and communities that become brands of their own and there are those who find creative ways to do what operators are unable or unwilling to do - be it finding ways to launch Google AdWords campaigns, advertise on mainstream ad networks, or even promoting to players in ways which cannot always be considered ethical.

MANY OPERATORS DON'T KNOW MUCH ABOUT HOW AFFILIATES PROMOTE THEM BUT ENJOY THE BENEFITS OF WORKING WITH AFFILIATES

“The truth is that many operators, especially the smaller ones, don't know much about how affiliates promote them but enjoy the benefits of working with affiliates. This 'don't ask, don't tell' approach works well for both sides.

“With regulation the gaming industry moves from a predominantly grey to a black-and-white environment and the role of affiliates changes. In grey markets, in which operators have limited access to traditional advertising sources, the affiliate channel may sometime represent more than 70 per cent of a company's overall acquisition.

“In regulated (or black-and-white) markets operators have access to a much wider selection of advertising opportunities and are therefore able to establish a healthy and balanced marketing mix. Affiliates would often still be part of this mix but their overall share would often decrease to around 20 to 30 per cent. In such markets, the role of affiliates often shifts from being a source of quantity to a source of quality as they often refer players who are actively searching for gaming offers.

WORKING WITH AFFILIATES MEANS GIVING UP SOME LEVEL OF CONTROL OVER HOW YOUR BRAND AND OFFERS ARE REPRESENTED

For affiliates, are there any standards or working practices that are unique to the gaming industry?

“Affiliate marketing is not unique to the gaming industry. It exists in similar forms in many industries, primarily those with an online aspect, where affiliates are often referred to as publishers. We must remember that working with affiliates, although often called 'partners', means giving up some level of control over how your brand and offers are represented.

“Traditional online marketing consists of buying media, deciding what will be advertised where, to whom and at what cost and eventually 'owning' the outcome - be it successful or not. Dealing with affiliates means giving them tools to promote and track while leaving enough freedom and flexibility so they can do what they think is right.

“While this is a collaborative process in which both parties want to be successful, affiliates are often the ones who take the risk, particularly with revenue sharing deals - if they cannot deliver they will not get paid.

“Newcomers to the industry are often surprised when they learn about the standards that are expected by online gaming affiliates. Forty per cent and even 50 per cent revenue share paid 'for life', or CPAs in the hundreds of dollars with very minimal requirements are not common in other industries, but are often the reality for gaming operators that rely on affiliates to generate the bulk of their player base.

“While the majority of gaming operators have been very successful with their affiliate programmes and are able to extract great value from this channel, there are still numerous operators who consider affiliate marketing to be high risk and prefer to concentrate their efforts on other more controllable channels.”

AFFILIATES NEED TO ADAPT TO AN EVER-CHANGING REALITY

How does the regulation of gaming impact the affiliates?

“With many jurisdictions moving towards local policies that are intended to regulate or ban some or all gaming verticals, affiliates are faced with the need to adapt to an ever-changing reality. Some of the changes include moving from promoting one 'dot com' property across many markets to promoting one 'dot country' site per market, ceasing to promote certain verticals altogether, dealing with the impact of increased taxation on marketing budgets and commissions and in some jurisdictions even needing to obtain a licence or register with the regulator in order to conduct business in their jurisdiction.

“On top of this there is the need to manage a business in markets with a high degree of uncertainty - the German states have been battling their proposed regulations in courts for the past several years. Some governments change their position on gaming after every election and regulation in new US states is taking longer than expected.

“This high-risk business environment is impacting both operators and affiliates, however affiliates, as small-to-medium sized businesses, are often far less well equipped to keep track and navigate through these changes.”

What does the future hold for affiliates?

“As a maturing industry, online gaming is impacted by two primary forces: regulation and consolidation. The move towards regulation has forced many operators to choose between adapting to operating in a predominantly licensed environment or taking the 'illegal' route.

“In this respect, affiliates do not differ much from gaming operators. They too will have to choose between the high-risk and potentially high-reward strategy of promoting non-licensed brands, or adapting to new market conditions. Those that choose the latter would need to accept that they are no longer operating in the 'Wild West' that was the online gaming industry of 2005.

IN REGULATED ENVIRONMENTS AFFILIATES WILL BE EXPECTED TO ADHERE TO A MUCH HIGHER DEGREE OF TRANSPARENCY, ACCURACY, COLLABORATION AND ACCOUNTABILITY

“In this new environment affiliates will need to establish or re-establish themselves as reliable partners that can add meaningful value to operators in comparison to traditional marketing channels. Furthermore, in regulated environments, where regulators hold licensees accountable for anything related to their brand and operations, affiliates will be expected to adhere to a much higher degree of transparency, accuracy, collaboration and accountability.

“When any violation might result in fines or sanctions, operators will need to be confident that they can trust their affiliates to understand and follow their guidelines.

“As a condition for operating in regulated markets, online gaming companies often join forces with land-based operators or other non-gaming brands. Many of these newly formed entities do not show the same degree of flexibility, understanding and patience that affiliates are used to getting from traditional online operators.

“Working in these new business environments often requires an established business entity, some form of licensing, written agreements, or in a nutshell, a lot more formality.

“Though the informal and casual atmosphere has always been synonymous with online gaming, I believe that affiliates who recognise these changes and work towards adapting to these new expectations will place themselves in a stronger position to succeed.”

Itzik Akiva is founder and CEO at Headway Consulting and has more than 10 years' experience in setting up and managing affiliate programmes. Akiva is an i-gaming expert whose company specialises in devising and executing marketing and product strategies for gaming companies in regulated and emerging markets. He was previously with online poker pioneer Everest Gaming where he was director of acquisition and director of affiliate marketing. Akiva will be attending EiG 2015 in Berlin.