Ebook

Weathering the storm

A partnerships manager's guide to surviving economic downturns and uncertainty

impact.com

Contents

CHAPTER 1

Facing an imminent economic storm

Budget cuts loom for marketing teams when stormy economic conditions arise and consumer spending slows. Partnerships programs aren't exempt from cutbacks.

As a partnerships manager, you may need to consider some daunting questions during an economic downturn. Will your program be cut? Will you have to reduce your team size? Will you lose access to essential budget and other resources? What can you do to prove the worth your work contributes to the business?

Now more than ever, partnerships offer a promising way to weather economic tumult.

While anxiety often arises in the face of economic uncertainty, you can fight program cuts.

Now more than ever, partnerships offer a promising way to get through tough times. You just need to showcase the channel's true value to your company's leadership.

In this ebook, you'll learn about:

- Program changes to expect when the economy slows
- Points to emphasize when talking to leadership about your partnerships program's value
- Essential steps to help your program thrive

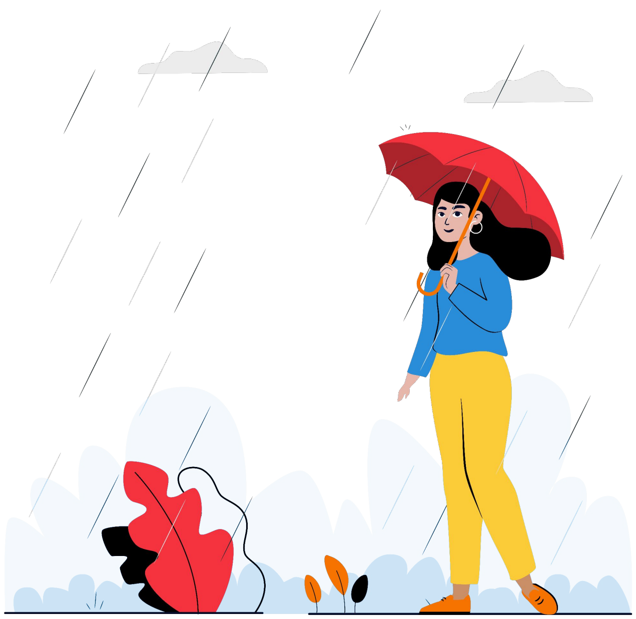
What qualifies as a partnership?

Before diving into how partnerships programs can help your brand survive an economic downturn, you may wonder whether this ebook even applies to your situation.

Partnership marketing is when a brand collaborates with another business in a way that benefits both parties — usually through a marketing campaign.

There are many different types of partnerships out there and each accomplishes unique business goals. You may currently be working with partners like:

- **Traditional affiliates.** Cashback, loyalty, and coupon sites.
- **Social media influencers.** Individual content creators that build subject matter expertise on social media.
- **Mobile partners.** Mobile apps that expose your brand to their audience.
- **B2B strategic partnerships.** Another brand with similar or complementary business offerings to yours.



- **Charities and nonprofits.** Organizations that use their income to support philanthropic initiatives.
- **Content creators.** Bloggers, vloggers, podcasters, and others that create engaging content for an audience.
- **Display partners.** Entities that serve your company's ads on their website or a network of contracted websites.
- **Media houses.** News sites, online magazines, and content networks.
- **Subaffiliate networks.** Entities where partners can sign up to be a part of a network and access multiple brand promotions.

If you manage relationships with any of these partner types, you can benefit from this ebook.

CHAPTER 2

The historic resiliency of the partnerships channel

Marketing budget cuts often come along with recessions and economic slowdowns for a few key reasons:

- **Core operations take precedence.** Although marketing professionals know better, marketing is often seen as a discretionary business expense.
- **Easy way to cut costs.** Many businesses view marketing cuts as a frictionless way to affect the bottom line compared to other cost-saving efforts, such as staffing adjustments.
- **Lack of tracking.** Directly connecting marketing spend to customer acquisition can be difficult if your company doesn't have robust marketing technologies.

The historic resiliency of the partnerships channel (con't)

Cutting marketing budgets during an economic downturn may seem reasonable at first, but may not play out in your brand's favor — and history proves it.

Studies from as far back as the 1920s show that brands come out on top when they increase branding and advertising efforts during a downturn.*

A few examples:**

- During **the early 1980s recession**, McGraw Hill Research found that business-to-business (B2B) companies that continued to build their brand and advertising grew 275 percent more than those that didn't.
- In **the 1990s recession**, businesses that increased promotional activity between 20 and 100 percent gained 0.9 percent of market share, on average.
- While brands decreased their advertising and marketing budgets during **the Great Recession of 2008**, Amazon promoted the cost savings of its new Kindle device; by 2009, the company had increased sales by 28 percent.

Although cutting marketing budgets during tough times may seem like an obvious approach, history teaches us it often comes back to haunt brands later.

This lesson is particularly true for the partnerships channel.

* Roland A. Vaile, "The use of advertising during depression," Harvard Business Review, April 1927, 323–331. https://archive.org/details/sim_harvard-business-review_1927-04_5_3/mode/2up.

** "Lessons learned from advertising during a recession," Thryv, April 2013. https://www.thryv.com/blog/lessons-learned-from-advertising-in-a-recession/.

A historical look at partnerships programs and economic downturns

Partnerships historically performed well amid economic crises, especially compared to advertising. Let's examine three major economic events and how the partnerships model evolved during times of significant change.

2001

THE DOT-COM BUBBLE BURSTS

The dot-com bubble infamously killed off many high-profile websites and ecommerce businesses. But it didn't kill partnerships. Affiliate programs grew out of the bust to emerge as a legitimate marketing channel that has grown and evolved over the past two decades.

2008

THE GREAT RECESSION

The collapse of the housing market and the economic hardship that followed led to a seismic shift in consumer behavior. Shoppers became wary of discretionary spending and didn't want to pay full price, so they sought out coupon, deal, and cashback sites.* These platforms proved excellent partners for brands across verticals and remain prominent players today.

* Samira J. Simone, "As recession lingers, coupon use jumps 27 percent," CNN, January 2010. http://www.cnn.com/2010/LIVING/wayoflife/01/29/coupon.clipping/index.html

A historical look at partnerships programs and economic downturns (con't)

2020

THE COVID-19 PANDEMIC

The economic downturn of 2020 came on fast and without warning as the pandemic hit. Consumer behavior changed almost overnight. Lockdowns, working from home, and personal health concerns altered purchase behavior and content consumption habits, leading to a dramatic rise in online shopping that's now the norm. Performance-based marketing channels fared particularly well in 2020. In fact, performance-based digital accounted for around 40 percent of U.S. ad spending in 2020.*

Brands consistently struggled with a lack of inventory during the early days of the pandemic. As a result, they often spent money on social and programmatic ads promoting products consumers couldn't buy.

Partnerships offered a smart alternative. Many brands kept their name in the market by leveraging partners to educate consumers about products and teach consumers how to buy online. Since payouts occur after events, brands only paid for actual product sales.

* Jonathan Dufton, "Performance marketing's next frontier," Plural, March 2022.
https://www.pluralstrategy.com/performance-marketing-next-frontier/

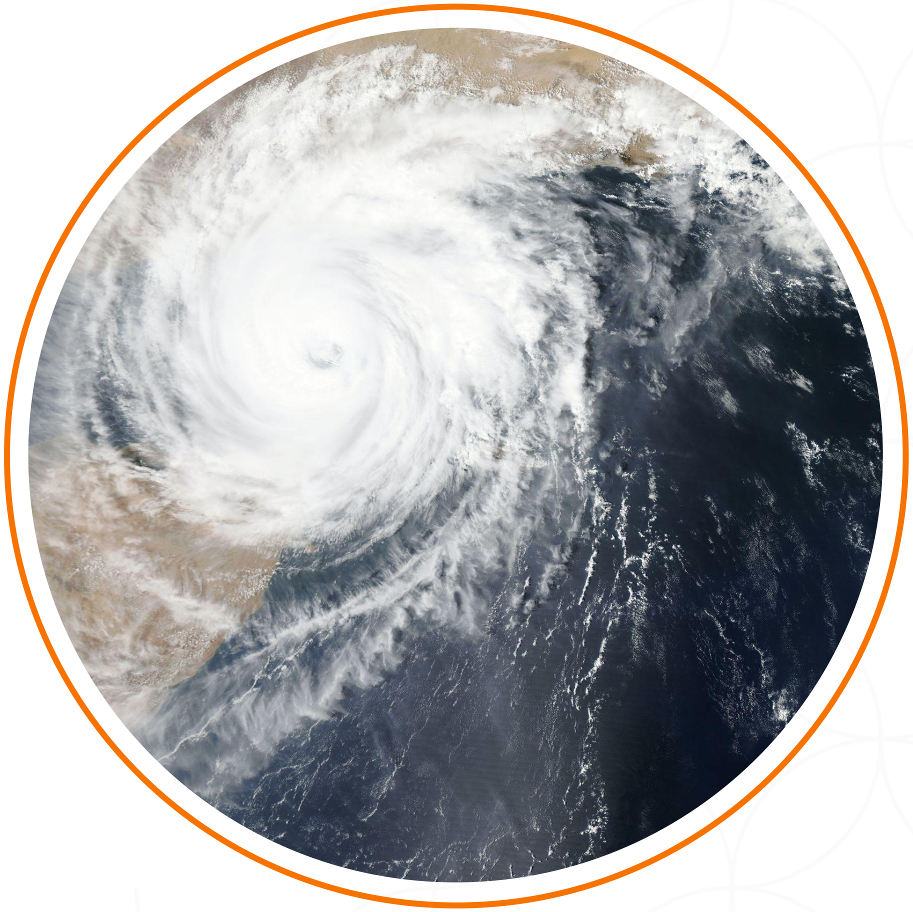
CHAPTER 3

How partnerships programs change during stormy economic conditions

The partnerships channel not only carries brands through recessions — it can help them thrive. However, in the face of uncertainty, partnerships managers still need to prepare for significant changes.

Before you push back on company leadership about budget cuts, it helps to know which storms may be headed your way.

Here are four ways that budget decreases can impact your program.



* The state of marketing budgets 2021 (Stamford: Gartner, July 2021). https://www.gartner.com/en/marketing/insights/articles/marketing-budgets-drop-to-lowest-levels-in-recent-history

Product line cuts

If company leadership decides a partnerships program needs to downsize, brands often reduce the number of products they promote.

Ultimately, economic downturns result from changes in consumer behavior. When the product lines your program promotes match these new behaviors, you'll continue generating revenue. Keep your program productive and profitable by focusing on products with the highest demand at that moment.

Need help identifying high-performing products? Turn to your sales analytics and internal subject matter experts across your organization for guidance.

Fewer partners

With less money to go around, you may need to work with fewer partners. If you have insight into your full partnership life cycle, you know which partners drive the most traffic and revenue. Use this information to strategically cut less productive partners from the program.

Avoid cutting partners that bring incremental revenue and solo journeys to your website. A solo journey is when a consumer's single touchpoint with a partner generates a purchase. Solo journeys point to your most important partners, and a downturn offers an opportunity to deepen those relationships.

Partners are human, too. When your brand cuts ad spend, you affect an algorithm. When you cut partners, you affect individuals and their livelihoods. Take a thoughtful, careful approach when cuts are absolutely necessary.

Reduced commissions

Unfortunately, a smaller program budget often means reduced partner commissions. If possible, avoid lowering commissions to maintain strong partner relationships.

However, if you must cut commissions, sensitively and clearly convey that information. Answer any questions partners may have as quickly and directly as possible.

Try to offer assistance in other ways, such as relevant industry information or different types of opportunities.

Your partners will feel the negative impact of reduced commissions. Providing them with other resources or opportunities maintains your relationship and sets the stage for working together after the storm blows over.

Extended payment terms

Your program may need to extend payment terms for partners. Like commission cuts, payments are a sensitive matter. Avoid extending payment timelines if possible. You want partners to remain committed to your program so together you can get through the downturn and deepen your alliance.

Remember that every decision — reduced commissions, limiting the number of partners, and changing payout terms — has a trickle-down effect on your partners. Damage to those relationships can be hard to repair when it's time to ramp up your program again.

What partnerships managers can learn from times of hardship

When the economic outlook isn't rosy, you may be tempted to accept that your program will suffer. Program cuts may feel inevitable, but they don't have to be.

In 2003, the Danish toy brand LEGO found itself under the crushing weight of $800 million in debt.* The company had little insight into which products were profitable and went all in on everything but its signature LEGO brick: clothing, brand shops, amusement parks, TV series, movies, and video games.

Nearing the verge of collapse in 2004, LEGO's Head of Strategic Development, Jørgen Vig Knudstorp, and Finance Director, Jesper Oveson, teamed up to save the brand. They figured out why the company was bleeding cash and discovered gaps in product analysis and line productivity.

The duo put together an action plan that turned the company around. In a few short years, LEGO became one of the world's most profitable brands. Between 2007 and 2011 — during the recession — LEGO's pre-tax profits quadrupled, growing faster than Apple and Ferrari.

Program cuts may feel inevitable, but they don't have to be

* "A true toy story: LEGO's incredible turnaround tale," The CFO Center, October 2017. https://www.cfocentre.com/us/true-toy-story-legos-incredible-turnaround-tale-2/.

** Zoe Wood, "Lego shows profits in recession are child's play with sales up by a third," The Guardian, August 2009. https://www.theguardian.com/business/2009/aug/17/lego-sales-up-by-third.

What partnerships managers can learn from times of hardship (con't)

LEGO's success can be partially attributed to expanding into new markets to gain wider reach.** The leadership team also took the time to understand its audience, using what the brand learned from fans to create new products. It even launched a campaign that had fans design for the company.

The biggest takeaway to learn from LEGO's zero-to-hero story is that your brand can weather any storm when you:

- Refine your processes
- Understand your customers
- Expand your reach

One of the best ways for your brand to achieve this, regardless of the economy, is through collaboration with other brands, publishers, and influencers — by forming strong partnerships.

Shield your partnerships program

Partnerships managers can avoid getting caught in department-wide program cuts if they provide leadership with compelling reasons to keep their programs going (or even growing) during uncertain times.

Unlike many other marketing channels, businesses measure partnerships success based on performance. Additionally, brands only spend money on the channel when they make money. Return on investment (ROI) on marketing efforts will almost always be higher when you take this approach.

As a partnerships manager, you specialize in building relationships and persuading people. Use these skills to your advantage.

Other sales and marketing channels carry greater risk than the partnerships channel because they:

- Require upfront investment
- Don't consistently deliver sales and revenue
- Can't easily be measured and tracked

Propose programs with lower ROI wind down while higher ROI channels maintain current investment levels. Your partnerships program will almost certainly have a high ROI due to the channel's performance-based nature.

As a partnerships manager, you specialize in building relationships and persuading people. Use these skills to your advantage. You have a channel that's proven to justify its cost. Next you just need to present a compelling argument.

CHAPTER 4

How to defend your partnerships program amid budget cuts

During times of economic hardship, in an effort to be fair some businesses take a blanket percentage off the budget for every channel: search, social, even partnerships. But when it comes to managing marketing budgets, it's better to be strategic than fair.

Let's say leadership eliminates 20 percent from each area of the marketing budget. In that case, everyone in marketing experiences the same cutback even though the value they deliver may dramatically vary. This approach can harm a brand's ROI and cause even deeper revenue losses.

Partnerships are different and a different approach to cutbacks should apply. You know that, and astute leadership teams can, too — especially when you present them with the right information.

Get ready to defend your program. See some compelling reasons to present to leadership, your finance team, and anyone else looking to make cuts to the partnerships channel.

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Partnerships fuel growth

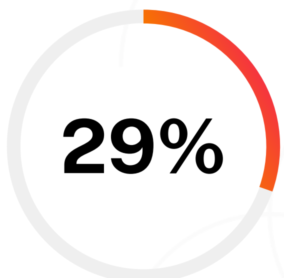
The partnerships channel endured the 2008 recession and the recent pandemic because the channel drives tangible results that justify its costs. In fact, the pandemic brought rapid behavioral change that supercharged the partnerships arena.

According to impact.com data, brands participating in partnership marketing experienced exceptional revenue growth from 2020 to 2022. Overall, these brands grew revenue by 29 percent per year over the last two years. Brands that invested in partnerships early in the pandemic reaped the rewards, seeing their revenue grow by 41 percent in 2021.

Growth percentage by year	2020–2021	2021–2022	2020–2022
Revenue	41%	19%	29%

With these numbers in mind, it's no surprise that more and more brands recognize the channel's value.

Partnerships programs have a proven track record of driving revenue growth; during times of economic hardship that's what you need the most.



Brands that invested in partnership marketing grew revenue by 29 percent per year over the last two years

Partnerships are performance-based

Programmatic advertising and paid social media impact your budget even when spending doesn't directly translate to revenue or acquisition. You pay these costs whether efforts result in a sale or not.

Partnerships don't incur these costs. You pay commissions based on performance, meaning you only make payments when a relationship demonstrates value.

When budgets tighten and earnings slim down, performance-based marketing tools can be a brand's best bet.

Partnerships deliver measurable value

Partnerships make it easy to measure ROI, especially if you deploy a partnership automation solution like impact.com.

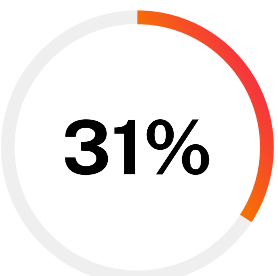
This software makes it easy to see your ROI across all kinds of partnerships, which isn't possible when you're looking across multiple paid media campaigns in different places. The impact.com platform makes it easy to manage partnerships throughout their entire life cycle, including measuring program performance at both a granular and big-picture level.

With easy access to your data all in one place you can make more strategic decisions and build a better case for your program. During times of economic hardship, it's crucial to show leadership that it makes sense to cut channels with opaque returns and let affiliate become the bellwether.

Partnerships create authentic connections

In a 2021 GWI survey, 31 percent of consumers found social media ads excessive and 32 percent felt the same about website ads.* More than a quarter of respondents also found ads on both social media and websites intrusive and distracting.**

Partnerships feel more authentic than paid advertising. Authenticity is always important, but it especially matters in a downturn when marketing and sales efforts can feel hollow.



of consumers found social media ads excessive.*

Partnerships sidestep this problem because they feel organic and provide value to the end consumer. For example:

- Deal sites make good partners because consumers want a bargain.
- Strategic relationships align you with partners the consumer already trusts.
- Loyalty programs help consumers feel even closer to your brand.

* Issac Hopkins, “What do consumers actually think of ads?,” GWI, March 2021. https://blog.gwi.com/trends/what-people-think-about-ads/.

** GWI, “What do consumers actually think of ads?”

Partnerships make you stand out during a downturn

Research shows that investing during times of economic hardship helps brands in the long run.* Larger brands tend to act with caution when the economy looks dicey.

As these brands cut spending across the board, your brand will face less competition for consumer attention.

Challenge your brand to think differently. Frame an economic storm as a big opportunity to grab market share by pursuing an active partnerships program.

* Nathan Hall, "Marketing through mayhem: Why brands shouldn't cut their marketing budgets in times of crisis," Forbes, June 2020. https://www.forbes.com/sites/forbesagencycouncil/2020/06/29/marketing-through-mayhem-why-brands-shouldnt-cut-their-marketing-budgets-in-times-of-crisis/

You maintain control over partnerships

Although partnerships are a two-way street, brands have leverage because they set the commission rate for their partners. This gives you a great deal of control over costs to maximize ROI. All other marketing channels, including paid search, have dynamic pricing models that brands can't control.

Partnerships programs are also customizable. It's easy to shift your strategy to emphasize high-demand product categories or those that generate the most revenue. This recalibration can make a difference in a world plagued by supply chain issues.

Your brand doesn't have to worry about running expensive programmatic ad campaigns promoting products that have already sold out. When that happens, you've paid to attract customers who can't make a purchase. Ouch.

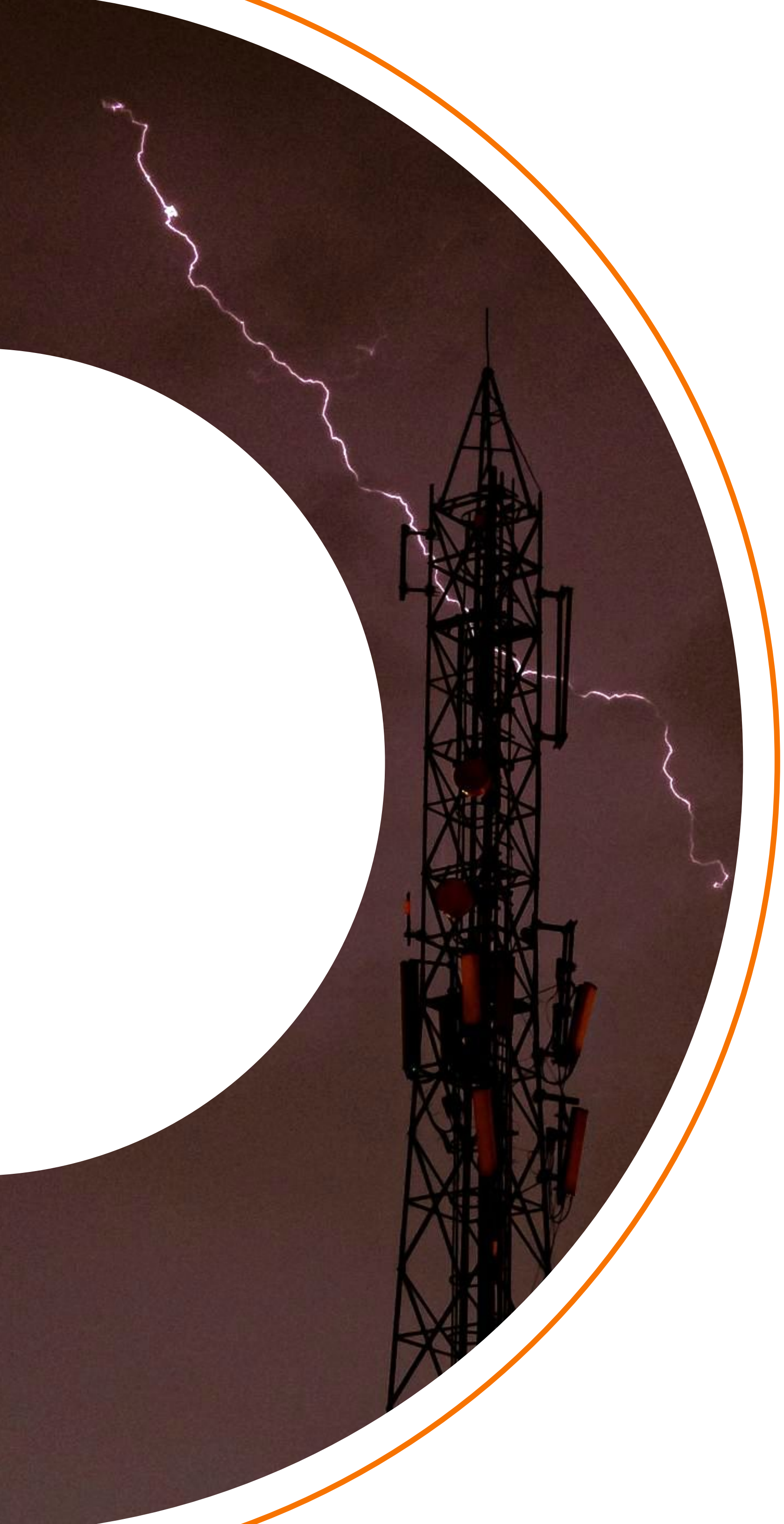
Partnerships give brands greater control over their marketing spend than other channels — an essential benefit when you're on a tight budget.

Consumers turn to partnerships for discounts

During the Great Recession, consumers weren't willing to pay full price for most items.* The affiliate channel saw huge gains as consumers searched for deals and cashback opportunities. This is an example of shifting consumer behavior, driven by a quest to find the best possible price.

Be prepared to offer deals that appeal to cash-strapped households. Deal and coupon sites are the perfect vehicle to use. However, you may face challenges executing discounts as your brand copes with rising costs and product prices.

* Samira J. Simone, "As recession lingers, coupon use jumps 27 percent," CNN, January 2010. http://www.cnn.com/2010/LIVING/wayoflife/01/29/coupon.clipping/index.html



Paying attention to strategic goals keeps your program on track

Every decision leadership makes stems from the brand's short- and long-term goals. This strategy applies in downturns as well.

How does leadership want to use partnerships during a downturn? As a growth channel or as a customer retention tool?

If your program provides a consistent revenue source to the business, emphasize that keeping costs flat will continue to bring in dollars. You just need the right tools and resources. If you prove that spending cuts will impact revenue, leadership will be less likely to limit your budget.

Position your program as a way to continue growing market share — and show how it can further the brand's goals as it faces economic challenges.

CHAPTER 5

Five steps to thriving during a downturn

Partnerships represent a real opportunity to grow your brand during a downturn. Partnerships managers that take the following steps can survive and thrive in the months ahead.

Strengthen your partner relationships

Remember, your partners are running a business and are just as worried about the economic downturn as you are. To maintain your relationship, be as transparent as possible.

The more they feel like part of the team, the more motivated they'll be.

Ensure that your partners have all the resources they need to succeed. Reach out to your top-performing publishers and start a conversation about how to drive more traffic. Keep them updated on new programs and assets that provide value to their audience. The more they feel like part of the team, the more motivated they'll be.

Keeping partners engaged can be time-consuming — especially when you ramp up those efforts. A platform like impact.com helps you automate certain aspects of relationship nurturing, including proactive communication tools, easy creative asset sharing, and robust performance reporting for actionable feedback.

impact.com

Attract new partners

Invest in partner recruitment during a downturn. Managers who keep commissions flat will likely have an advantage over their competitors. Partners want the opportunity to work with brands that offer consistent payouts.

Partners look for brands to fill revenue needs when other brands pull out. Take advantage of this shift by building lucrative new relationships.

Attracting partners during an economic downturn isn't much different than attracting them during normal times. Some efforts to focus on include:

- **Understanding your partners.** With a clear vision of who you're talking to you can effectively recruit partners. If you haven't already, build out detailed partner personas that outline your ideal partner's needs, desires, and concerns.
- **Establishing thought leadership.** Strategically positioning your brand as an authority in your industry attracts better partners. Work with other members of the marketing team and internal experts to build out thought leadership efforts.
- **Keeping an eye on your recruitment efforts.** Stay on top of your recruitment pipeline and gather actionable insights to determine which methods attract the right type of partners — and which do not.

Managers who keep commissions flat will likely have an advantage over their competitors.

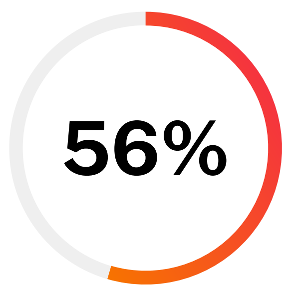
Carefully calibrate your messaging

Downturns already bring on stress, so avoid creating programs or campaigns around fear-based messaging.

It's ok to respectfully acknowledge the state of the world and the hardships people face. Tone-deaf creative or messaging can damage relationships with partners and customers. Keep sensitivity at the forefront of all messaging.

To make the task easier, engage your full marketing team and leadership. Get aligned on messaging. Understand how the brand wants to talk to customers and other external parties about current conditions overall, then apply that approach to your partner messaging.

If your brand has yet to develop a communications strategy for the downturn, drive the effort forward. Taking the lead on these conversations proves your value and emphasizes your willingness to adapt during tough times.



Only 56 percent of consumers felt that media publishers responded appropriately to the COVID-19 outbreak on social media.*

* "How consumers rate brands' social media response to COVID-19," WARC, April 14, 2020, https://www.warc.com/newsandopinion/news/how-consumers-rate-brands-social-media-response-to-covid-19/43484.

Build customer loyalty

Cultivating a base of loyal customers pays off. In fact, it costs companies five times more to acquire new customers than to retain current ones.* Existing customers also spend 31 percent more on average than new customers.**

Consumers seek relief from economic hardship by looking for coupons, sales, gift cards, rewards, and other loyalty efforts. When you adapt to this behavior, you'll deepen ties with existing customers and recruit new ones.

Consumers like trying new things when they can buy a product at an affordable price. If they discover your brand through a deal or coupon affiliate partnership, it only increases the chance they'll make a purchase and become a loyal customer in the future.

Reduce waste and inefficiency

Even if your budget remains intact, look for ways to reduce waste and inefficiencies within your program. Stretching your dollars challenges you to push your program further and impresses leadership.

Depending on your specific program and business goals, you'll need to get creative. Here are some ways to eliminate program inefficiencies:

- **Look inward.** Take a critical look at your team members and their individual talents. Are there people you could more effectively leverage? Can you outsource (or insource) specific tasks?
- **Dig into the data.** Your marketing data tells a story. Listen to it. When you use all the data at your disposal, you'll likely discover hidden efficiencies or program improvements you can implement to boost ROI.
- **Replicate successes.** You probably have a few top-performing partners that generate a lot of revenue. What's their secret sauce? Why does your brand resonate with their audience? Find out what your top performers are doing and recreate that success with other partners.
- **Build the right toolbox.** Spend your budget on tools that allow you to do more with less. Robust partnership automation tools like impact.com can quickly eliminate inefficiencies, free up more of your time, and potentially replace multiple tools in your current tech stack.

CHAPTER 6

Riding out the storm with thoughtful decision-making

During periods of uncertainty, partnerships managers need to anticipate changes that may come their way and affect their program.

Stay ahead of an economic downturn by reminding your executive and finance teams that partnerships historically thrive during trying times. Show that performance-based programs have inherent benefits over more volatile marketing channels by presenting historic partnerships program performance and data from your own program. You may also find an opportunity to expand programs and deepen relationships as others pull out of the market.

Most importantly, remember that this too shall pass. In the meantime, adapt to the current circumstances, give consumers what they crave, and watch your program thrive.

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Make informed choices with the Partnerships Experience Academy

During challenging times, knowledge is everything.

The more you know about partnerships and affiliate marketing, the more your brand — and your career — will grow. Get there fast with free courses from the impact.com Partnerships Experience Academy (PXA).

With PXA, you can access free training on partnerships and affiliate marketing to more effectively ramp up your campaigns than competitors. Reach target audiences and build your partnerships strategy with industry-approved best practices vetted by the PXA Council and recognized leaders in the affiliate marketing industry.

Sign up for a free course.

About impact.com

impact.com, the leading global partnership management platform, has been transforming the way enterprises discover and manage all types of partnerships — including affiliates, influencers, commerce content publishers, B2B, and more — since its founding in 2008. Its powerful, purpose-built platform helps businesses, including brands, publishers and agencies, to build authentic, enduring and rewarding relationships with both publishers and consumers. By providing visibility across the entire consumer journey they are able to aggregate, orchestrate and optimize the total value of the entire mix of partnerships with ease and transparency, driving growth and creating new value for consumers.

To learn more about how impact.com's technology platform and partnerships marketplace is driving revenue growth for global enterprise brands such as

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