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Partnership Life Cycle

- Discover & Recruit
- **Contract & Pay**
- Track
- Engage
- Protect & Monitor
- Optimize

Best practices: Contract & Pay

Create a relationship that drives mutual success

Contents

CHAPTER 1

The appeal of partnerships

A new path to revenue growth emerges

Partnerships are emerging as a clear opportunity for enterprises to grow their revenue. For many companies, partnerships contribute a large and growing share of revenue. On average, high-maturity partnership programs contribute 28% of overall revenue, according to Invest in Partnerships to Drive Growth and Competitive Advantage[1], a study commissioned by Impact and conducted by Forrester Consulting.

More than half of the companies surveyed for the study already get more than 20% of their revenue from partnerships — and that number promises to grow as enterprises further adopt partnerships as a new revenue channel.

The Partnership Economy™ has introduced new kinds of partnerships that benefit both companies. These new forms of collaboration have also brought with them unique life cycles that work differently from both traditional media buying and the previous concept of "partner marketing."

1. http://go.impact.com/PDF-PC-AW-InvestInPartnerships-Forrester2019.html

The partnership life cycle

A six-stage process for launching and sustaining a healthy program

The partnership life cycle refers to how a partner relationship progresses through distinct stages, from start to optimization.

Every successful program must manage the full Partnership Life Cycle.

The second of six, this eBook focuses on an important early stage of the life cycle: Contract & Pay, the time when program manager and partner determine the structure and terms of their relationship.

The six stages of the partnership life cycle

Contract & Pay is the second of six stages of the partnership life cycle. Here's what occurs during each stage of a successful partnership:

1. **Discover & Recruit.** Cast a wide net to discover partners from a universe of millions of potential candidates across the world and recruit them with scaled nurture campaigns.
2. **Contract & Pay.** Contract those eager to join your program and negotiate how you pay them for the incremental value they drive to your program.
3. **Track.** Set partners up with links to track the value of the traffic they drive across all your properties, on any device.
4. **Engage.** Engage partners with training to quickly turn them into productive partners. maintain continuous communication to inform them about new products, creative, and incentives that drive revenue and keep your program top-of-mind.
5. **Protect & Monitor.** Protect your program from bad actors seeking to defraud your program, and monitor for compliance to your brand guidelines.
6. **Optimize.** Optimize your partnerships by measuring incremental value, fine tuning your incentives to motivate your most promising partners.

CHAPTER 2

Contract & Pay

Determine each partnership's relationship structure

Following a successful Discover & Recruit stage, partnership managers will have made many connections with new partners eager to join their program.

The next stage of the life cycle is all about clearly outlining the structure of the partnership through formal contract and payment terms.

As the many kinds of partnerships provide different levels of value, they also require different types of contracts.

Never fear, however — no team needs to craft a custom contract for every partnership either.

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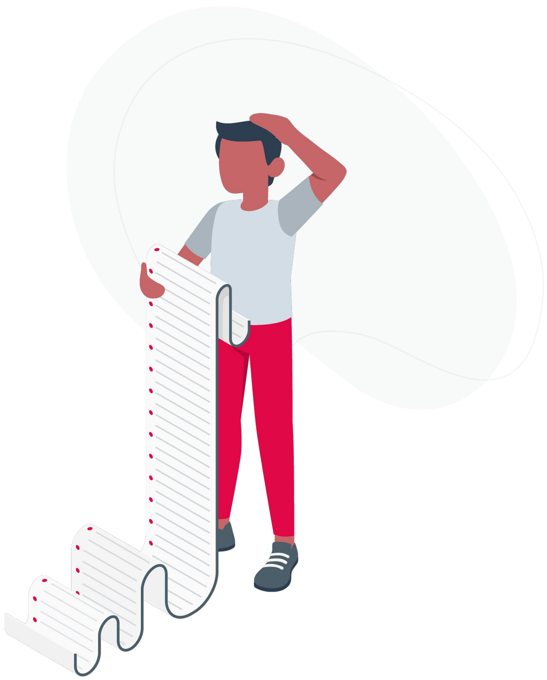
Templatize, then negotiate with key partners

Properly scaling a partnership program often requires putting partners into different buckets, based on where they fall in the sales funnel and the level of incremental value that they can provide. Creating basic contracts for each “partner bucket” helps scale programs rapidly.

For other, higher value partnerships, it makes sense to negotiate terms and develop specialized contracts that ensure both partners receive something of value, whether that’s monetary or shared exposure to new audiences.

Other kinds of partners may deliver awareness early in the funnel, but never drive direct conversions. It’s important to reward these partners for the value they provide as well.



Revisit and reevaluate in time

Of course, you can always tweak and tune a partner's existing contract, especially as you grow to understand the role a particular partner plays over time. It makes sense to revisit this stage to make terms more reflective of the value that a partner drives, or to incentivize them more if they prove effective in driving new customers or selling high-margin products.

Regardless, it's critical to make terms as clear as possible and to ensure that your partners are paid on time and in the currency of their choosing.

Automated software makes managing these tasks easier than ever, ensuring that partnerships get started on the right foot.

Core steps

The Contract & Pay process follows the same four steps for nearly every type of partnership:

- Contract
- Customize
- Negotiate
- Pay

While these steps remain the same, different types of partnerships need a slightly different touch, sometimes requiring additional steps when handling contracts and payment terms.

Affiliate and content partnerships, influencers, and mobile partnerships all have different best practices that should be taken into account when getting partnership programs off the ground.

Contract

Formalizing a relationship is key to ensure that both parties receive value from the partnership. Take the time to properly set up each partner's contract with terms that reflect the kind of value that this partner can provide. The goal is to find mutual value for each and every relationship, which keeps partners happy, engaged, and part of a vital, thriving partnership program.

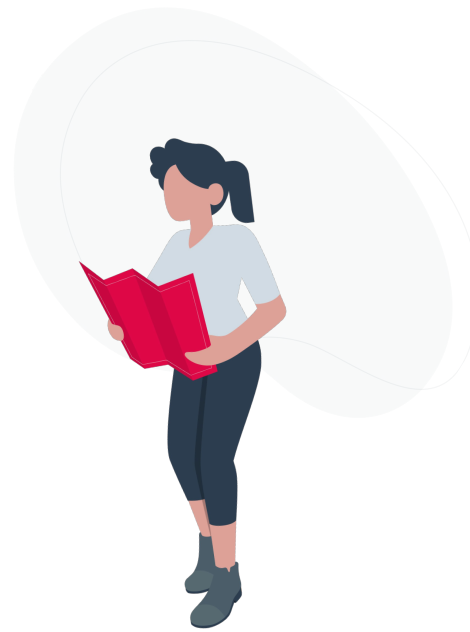
One popular technique is tiered incentives, where partners earn different payout levels for the different amounts of revenue they drive. This can be helpful for inspiring partners who are in the middle of the pack, productivity-wise, to step up their efforts.

These tiers can be included in contracts and adjusted if partners begin driving more value than originally expected.

Customize

All partners differ in some way, so it doesn't make sense to treat them all the same. This is true of the contract process as well.

When formalizing a relationship, consider where in the funnel the partner delivers the most value.



From there, tailor the contract to make sure the partner fits into the plan properly, and then tie compensation to what they can deliver. For example, influencers are often positioned at the top of the purchase funnel, while certain types of retail and affiliate partners come into the picture much lower in the funnel.

These differences may require the creation of different types of contracts relevant to particular groups of partners, or even bespoke contracts for special, individual partners.

Negotiate

Many times, partners will clearly see the kind of value that they can provide to a program and request certain terms. Partnership managers should negotiate these terms — such as payouts, tiered performance bonuses, or even special rates for high-margin categories — with the most important partners.

However, not every relationship requires a lengthy back and forth. Bespoke contracts make sense for valuable partners driving high levels of volume, but not for long-tail partners. In order to scale, programs may adopt a "take-it-or-leave-it" approach for potential long-tail partners.

It's always possible to return to negotiations and revise the contract when there is enough history and data on the partnership to properly assess its value and potential.

Pay

Many partnerships are tied to monetary compensation. Make it easy for partners to receive payment automatically and on time. Partnerships have no boundaries, so it's critical to pay on a global level, paying partners in the currency of their local market. Make sure your payment system can convert currency to make life easier for your partners.

Partners also must be paid in a timely fashion. Remember, partners are devoting resources to promoting your brand — in some cases, spending their own money. Even standard 30- to 60-day payments can become economically burdensome to some partners. Ideally, partners should be paid as close to the transactions cancellation or the expiration of the return period.

In the United States, paying out partners also requires you to create a 1099 form for your partners for tax compliance. You will need to have your partners submit all the relevant information in order to assemble the 1099. Note that the right partnership automation platform can streamline this workflow for you.

Spotlight on affiliate and content partnerships

Construct deals based on position within the customer journey

Contracting remains a key component for affiliates and content partners, especially with the loyalty, cashback, coupon, and reward sites that come into the picture late in the funnel. Partner managers may adjust payouts to these "shopping cart affiliates" when they notice that other partners are driving value higher up in the conversion path.

One way to do this is through contracts with lower payout percentages to these kinds of affiliates when it's clear other partners played a role along the conversion path.

Other websites, such as blogs and content sites, as well as review and comparison sites, engage consumers much higher in the funnel, so it's important that these kinds of partners are treated and rewarded differently.

Content publishers, like Buzzfeed and other media houses, receive 39% of affiliate spend,[1] the greatest portion across all affiliate categories. These sites typically interact with consumers early in the purchase funnel, and as a result aren't going to be credited for a conversion via the traditional last-click attribution methodology.

This makes them prime beneficiaries of the participation bonus model, rewarding partners when content is consumed during the purchase journey.

Participation bonuses open the door for partners to provide value for both awareness and sales.

1. https://thepma.org/wp-content/uploads/2019/08/2018-PMA-Performance-Marketing-Survey.pdf

Provide clear instruction of what's expected, and what's not allowed

One of the most important parts of any affiliate relationship is a clear Terms of Service/Terms & Conditions, which regulates the business relationship with affiliate partners. These agreements lay out what is expected of the affiliate partner, while also making clear what kinds of behavior are prohibited, including fraud.

ToS/T&C agreements should remove any questions that affiliates may have, so there's no need to keep them brief. Among the many pieces to include are an explanation of the enrollment process, outlines for FTC disclosure, coupon guidelines, and, perhaps most importantly, pay-per-click (PPC) Guidelines.

Trademark issues for PPC advertising are a frequent issue, as affiliates look to increase their audience on platforms like Google and Facebook. One way around this issue is to prohibit affiliates from bidding on your trademarked terms—including misspellings and variations—on any PPC platforms.

Spotlight on influencer partnerships

Understand how your partner's business operates

The ebook Partnership Life Cycle Best Practices: Discover & Recruit illustrated how influencers are unique in a number of ways, from who they are to how they operate. These differences become big factors in the Contract & Pay stage, because influencers may not have the same kind of business infrastructure around them that other partners have.

After all, many influencers are individuals, requiring a unique approach to the contracting stage. They may prefer not to share business tax and banking information until it's time to get paid, and influencers may even request payment through consumer-facing mechanisms like Paypal. Meanwhile, others are quite entrepreneurial and would like to be taken seriously and treated like small businesses.

This individuality also means that influencers may desire different payment terms, rather than waiting for the end of a traditional 30-day cycle. One approach is to let influencers cash out payments when they reach a certain threshold, such as $50, giving them faster access to their earnings and more incentive to continue promoting a brand.

Work together with your influencers in creative ways

While some brands may be tempted to pay their influencers with the products that they help sell, this doesn't necessarily work for all brands. A mattress company can't give an influencer a mattress every time they contribute to a sale, nor would the partner want that many mattresses!

It's therefore important to define terms around other ways influencers can get rewarded, including participation bonuses for driving awareness.

Content usage rights are another important part of this stage of the life cycle. Influencers strive to be as visually impactful as possible with each post, which is likely the same goal of your marketing campaigns.

By including content usage rights in the contract, brands can greatly reduce their content production costs and get as much as 50% (and even more!) of their marketing content from their influencer partners, with user-generated content assets that potentially perform much better than slicker, professionally produced content.

Therefore, influencer-generated content can be a great source for your marketing efforts, including social accounts, email marketing, and even website product pages.

Spotlight on mobile partnerships

Build contracts that minimize exposure to fraud

App marketers have a unique challenge in that they are pushing a multistep process. They want partners to help drive app downloads, yes, but they also want the end user to actually open those apps and become frequent users. This is what's driving many to move from a basic cost-per-install (CPI) payment model and instead explore the CPI+ model™. In this model, the payout to the partner only occurs after a confirming event (the "+" such as a financial transaction or a certain amount of time spent) takes place within the installed app.

CPI+ has emerged as one of the key ways to filter out fraudulent installs, which are still used by unscrupulous partners to increase their payouts undeservedly.

The vast majority of activity within these fraudulent installs end at the download, with the app never getting used more than once.

Paying out post-install, or withholding part of the payment until the confirming activity occurs, protects brands from losing money to fraud.

Incentivize driving traffic to an app experience

For companies selling a product, native app experiences are often far superior to the mobile web, which translates into conversion rates tripling in-app over mobile web.

The size of orders grow significantly, and users return twice as often to make a purchase. As a result, some partnership contracts are designed to pay out greater rewards on in-app purchases than those made on the web.

The logic behind this is to get partners to direct users to the app, and the superior, "stickier" experience that the app offers.

CHAPTER 3

Best practices for Contract & Pay

Contract & Pay is the second stage in the partnership life cycle, making it a foundational step in getting a program up and running. While recruitment is about dreaming big, Contract & Pay is about digging into the details to formalize the relationship with each prospective partner.

The core steps of Contract & Pay remain the same for every kind of partnership, but partnership program managers must take the time to adjust the process when working with content and affiliate partners, influencers, and mobile partners.

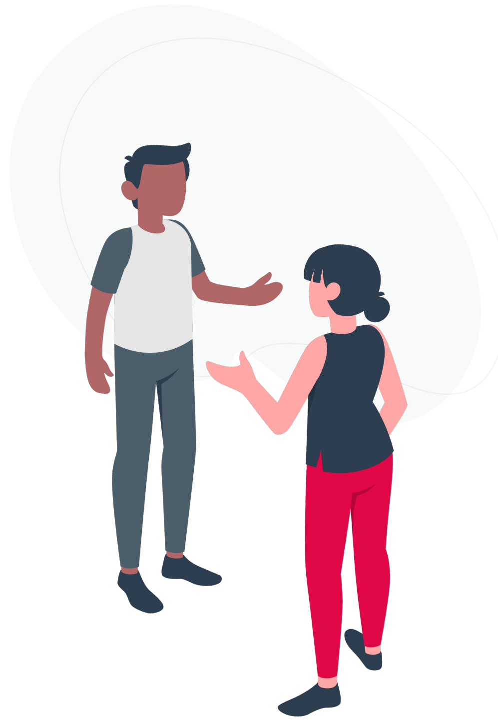
Adapting to the unique attributes of these partnership types will pay dividends as you move on to the next stages in the life cycle process.

To get the most out of the Contract & Pay stage, remember the following:

- **Contract** with your partners by properly setting up terms that reflect the value that this partner can provide.
- **Customize** your contracts depending on where in the funnel the partner will deliver the most value.
- **Negotiate** payouts, tiered performance bonuses, or even special rates for high-margin categories with your most important partners.
- **Pay** your partners in the currency of their local market, in a way that is easy, automated, and on time.

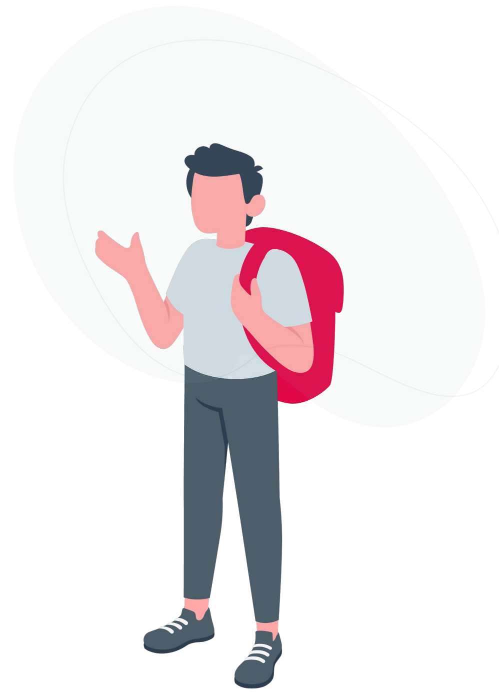
For affiliates and content partnerships

- Segment affiliate and content partnerships based on where you feel they are adding to the funnel.
- Use these segments to determine payout strategies, potentially rewarding higher funnel content publishers via participation bonuses.
- Provide clear Terms of Service/Terms & Conditions that lay out what is expected of the affiliate, as well as what is prohibited.



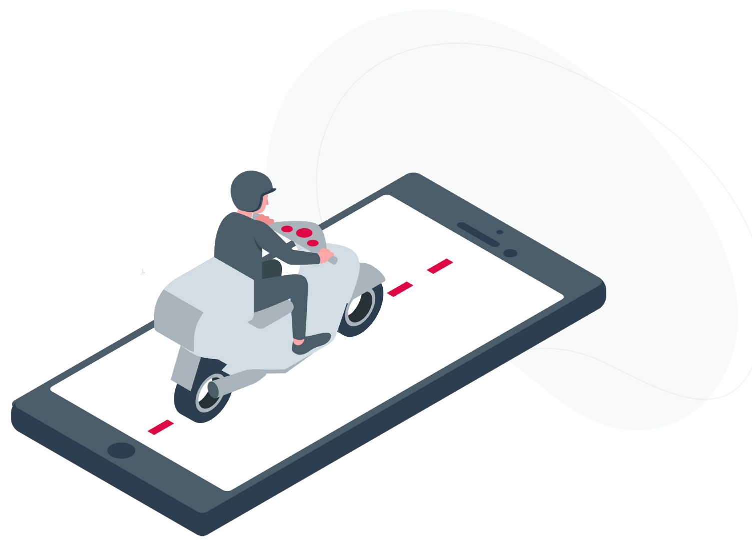
For influencers

- Account for the fact that influencers are individuals, so some information may come later in the contract process.
- Be flexible with influencers on negotiating different payment terms that reward them faster than the traditional 30-day cycle.
- Explore creative ways to pay influencers every time they contribute to a sale, through methods like participation bonuses.



For mobile partners

- Look into CPI+ models that deliver a payout only after a confirming event takes place within the installed app.
- Use CPI+ as a contracting method to naturally filter out fraudulent installs and the lost revenue that comes with them.
- Pay greater rewards on in-app purchases than those made on the web to incentivize partners to drive traffic to the “stickier” app experience.



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About Partnership Cloud

Impact's Partnership Cloud™ provides an integrated, end-to-end solution for managing all of an enterprise's partnerships throughout the world.

From discovery, recruitment, and contracting to tracking, protecting, and optimizing — through the entire partner life cycle — the Partnership Cloud helps you drive revenue growth from every type of partner, including traditional affiliates, influencers, strategic partners, app-to-app partners, premium publishers, and more.

To learn more, please visit https://impact.com/partnership-cloud/ or contact grow@impact.com to schedule a free demo.

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