

■ A SPECIAL REPORT:

Surviving the Economic Downturn with the help of Performance Marketing



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Opening

We live in troubled times. This is hardly news to you. No matter what we call it - economic downturn, recession or depression - the fact is many businesses are taking a hard look at how they spend their advertising and marketing dollars.

I'm happy to report that for e-tailers like you, there's a silver lining amid all the doom and gloom. Online sales continue to grow. Consumers are looking for the very values you offer through such things as free shipping, coupons or special savings.



Last but certainly not least, performance-based marketing, of which your affiliate program is such an important part, is fast becoming the most cost-efficient way to drive traffic, customers, sales and results.

Opening **(continued)**

At PartnerCentric, we've been singularly focused on ensuring that our clients' affiliate programs - and their brands - not only survive but thrive even as the rest of the world grapples with rising costs and shrinking profits.

As the stewards of affiliate marketing strategy and tactics, we spend a great deal of time examining all of the information about the current economic situation and what it means to you today, tomorrow and into the distant future.



Please accept this special report and know that it represents our commitment to helping your company thrive through innovation and hard work. Wishing you all success in 2009 and beyond.

- Your friends at PartnerCentric

Interactive markets up in down economy

Advertisers now seek the best ROI, and they're finding it through interactive performance marketing.

- Internet advertising revenues reached \$5.9 billion for the third quarter of 2008 - an 11% increase over the same period in 2007.
- Q3 2008's \$5.9 billion represents the 2nd highest quarter results ever.
- For the first nine months of 2008, revenues totaled \$17.3 billion, up from \$15.2 billion in the same period a year ago.

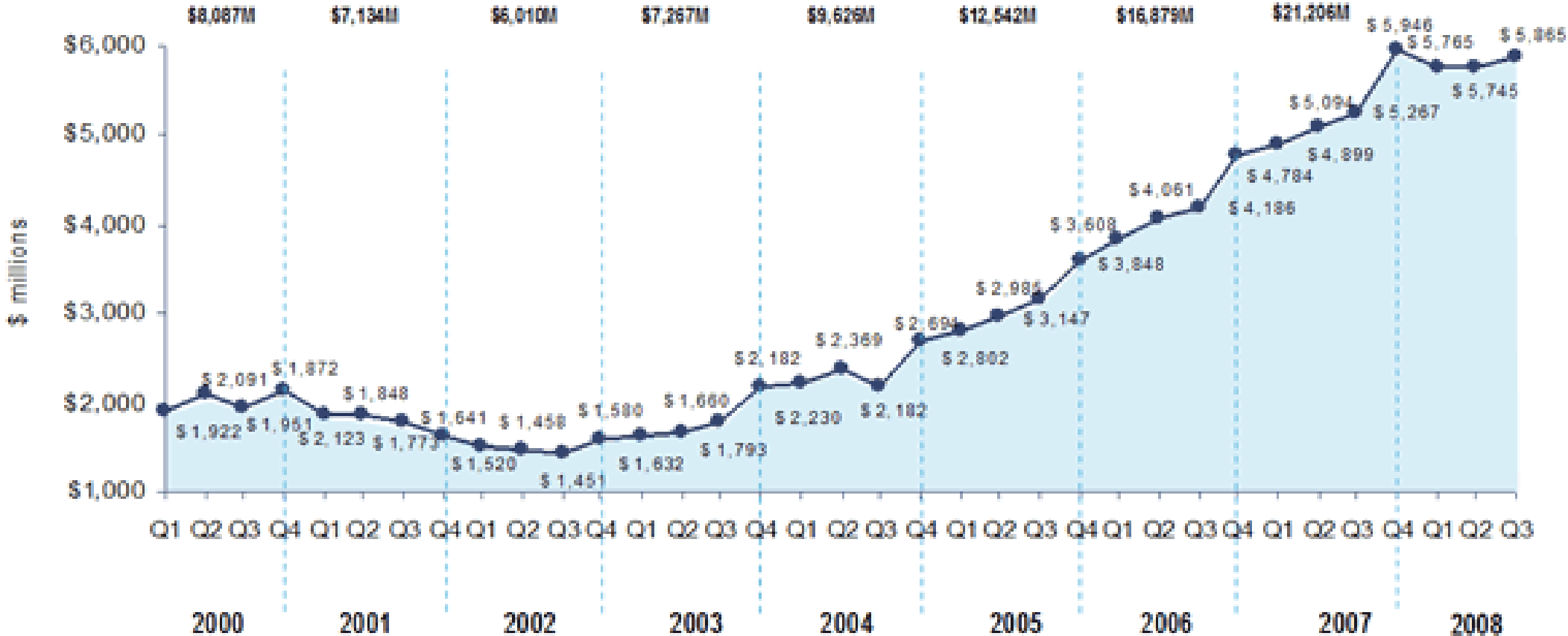
“Interactive advertising continues to be the most measurable and cost-effective way to reach consumers, and we see more and more marketers seeking to harness its power.”

- *Randall Rothenberg,
President and CEO of the Internet
Advertising Bureau ([www . iab . com](http://www.iab.com))*

Source: IAB report

Internet ad revenues continue to soar

This chart illustrates the quarterly growth for Internet advertising revenues year over year from 2000 to 2008. For the first nine months of 2008, revenues totaled \$17.3 billion, up from \$15.2 billion in the same period a year ago and surpassing the record set in the first nine months of 2007 by nearly 14 percent.



Source: IAB report

Why is Performance Marketing thriving?

Performance marketing agencies are not immune to the economic downturn. Rather, they are better able to cope with the changes.

- Instead of budgets being cut, CPAs are lowered.
- Certain ads no longer perform as well as they once did, perhaps when lead buyers go away, so it's a matter of identifying the most effective ads.
- Performance marketers don't have rigid constraints placed on campaigns and are able to adapt.

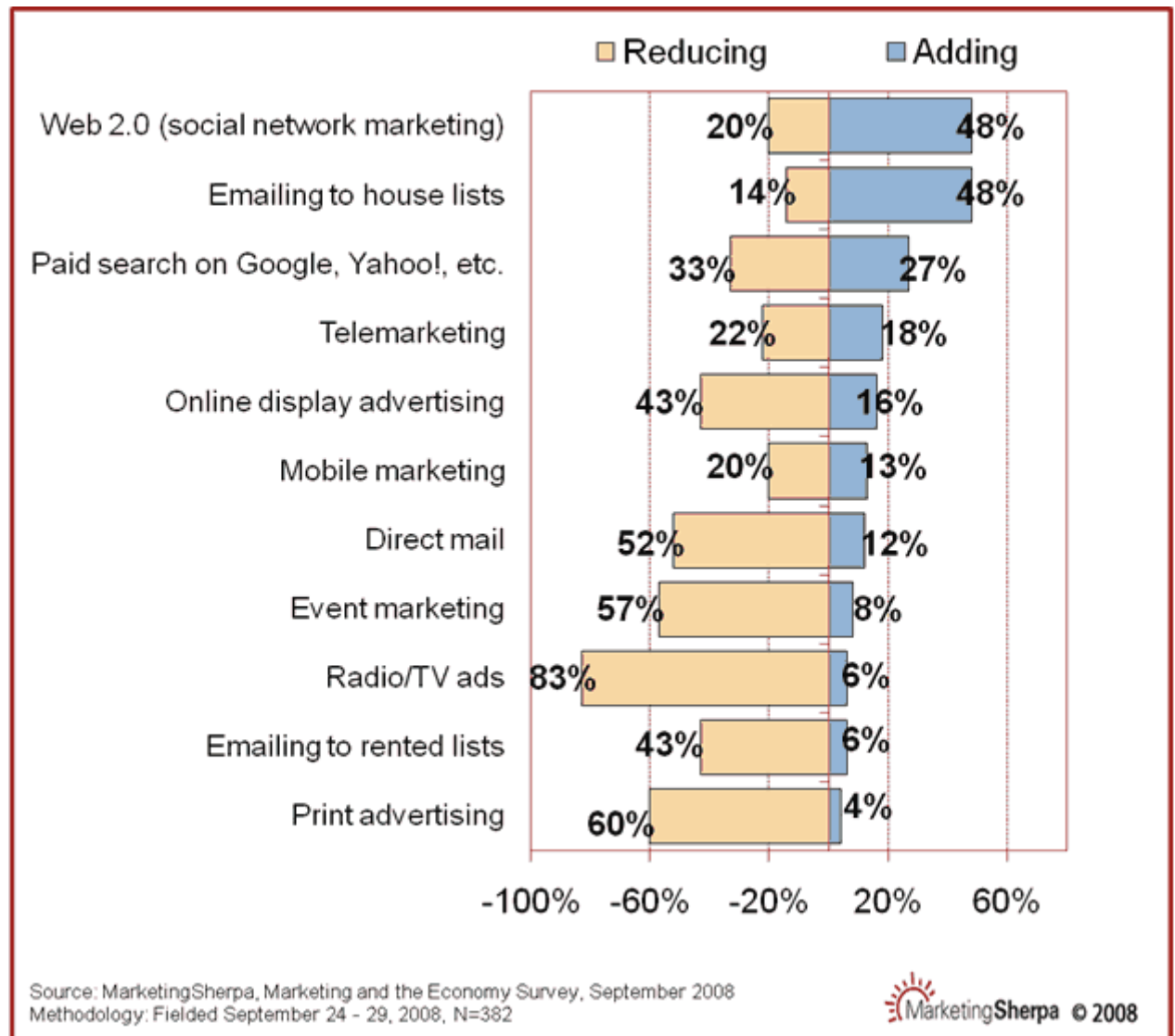
- Our size matters, too. Performance marketing agencies simply aren't that big. Our biggest advertiser spends 1/10 that of the largest brand advertiser if not less.

- Our biggest advertisers are really a mix of like advertisers who are interchangeable and ultimately replaceable.

Source: Digital Moses

Budgets expanding performance marketing spending for 2009 in bid to achieve best ROI

A growing number of companies are investing in performance-based marketing methods on an increasing scale as the need to meet ROI goals becomes even more critical during these uncertain economic times. From social media to paid search, we see a dramatic increase in the advertising spends being directed at performance-based campaigns.



Performance Marketing remains steady even as big brands recoil from recession

Here's a look at how ad spending is shifting toward performance-based marketing campaigns.

- **Ad networks** are gaining market share as improved demographic, geographic, and behavioral data become available and actionable. The top 20 ad networks earned more than \$7 billion in 2008 alone.

- **Social Media** will see aggressive ad spending IF social media sites such as Facebook and MySpace embrace lead generation and paid search ads.

- **Paid and organic search engine marketing** will continue to find favor in 2009, which will bring 10 percent year-over-year growth in U.S. search advertising.

- **Video Marketing** won't likely thrive in 2009. Performance marketers have been alienated video platform owners' attempts to monetize video. Despite video marketing's amazing reach, brand advertisers continue to be turned off by poor video quality and objectionable content.

Source: JPMorgan.com

Why Affiliate Marketing will achieve new heights well into the foreseeable future

Affiliate Marketing remains at the top of the heap of performance-based advertising channels that will drive greater revenue in 2009 and beyond. Some of the many reasons:

- Consumer behavior now favors methods employed by affiliate marketers.
- Comparison shopping and coupons are now paramount to shoppers seeking better savings and the greatest value for their money.

- Shoppers searching for the greatest values during the holiday season 2008 flocked to the Internet on Black Friday. Online sales for the day totalled \$846 million, up 15% over the same period in 2007.

- Affiliate marketers help you do what has now become critical – to reach consumers with ads that distinguish your products or services from those offered by your competitors.

Consumers get thrifty – and affiliates win!

The recession has consumers seeking the best savings and the greatest value for their money, and that's a formula that puts affiliate marketers in line for success. When consumers get thrifty, searching for the best value and seeking coupons and free shipping, affiliate marketers thrive. That's because they've already addressed these key concerns for consumers.

Shopping Strategies of US Consumers Who Are Decreasing Shopping Expenses, July 2008 (% of respondents)

Shopping less frequently

68%

Only shopping for basic necessities

66%

Using coupons more often

59%

Buying different brands (including generics)

52%

Reducing gift spending

41%

Shopping only when there are sales

40%

Buying in bulk at warehouse/club stores

27%

Shopping online for deals

24%

Source: comScore, "State of the US Online Retail Economy," August 6, 2008

Survival of the Fittest – how fit are you?

Only the strong will survive this recession. Here are some things to consider:

- Niche sites that speak effectively to a specific need thrive. Affiliates are masters of the niche site arena.

- Comparison engines and coupon sites (like FatWallet, one of our strategic partners), are reaching new heights, just as they did during the economic downturn of 2000-01.

- Paid search engines are expected to do very well, feeding consumers' needs to find the most relevant products at the best prices. Doing well with your PPC campaigns will keep your ROI strong.

- A company that maintains a dialogue with customers now will be better positioned to gain ground during the recession and build upon that sense of community for years to come.

Cutting Back on Marketing a BIG Mistake

When the economy goes south, many businesses immediately slash their marketing budgets and ad spends. It's a common mistake – and one of the worst decisions to come at a critical time.

- Cutting your marketing budget now leaves your company vulnerable during the recession AND in future.

- Unsteady spending means inconsistent sales and revenue.

- Surrendering market share to your competitors during a recession ensures a reduction in sales.

- Failing to maintain a presence in paid search and social media now will make it harder to take your rightful place in those spaces later.

- The saying is true: failing to plan for recession means planning to fail during this economic downturn.

How PartnerCentric Can Help Your Business

The marketing professionals at PartnerCentric have experience and expertise when it comes to creating and implementing a performance-based marketing strategy for you.

We help you:

- Differentiate your products from the competition.
- Identify affiliate marketing partners who will influence your target market to drive traffic and sales.

- Evaluate the competition and ensure your value proposition, affiliate commission structure and ROI are in line with goals.
- Develop the creative and technical support structure that will drive success for your affiliate channel.
- Produce and promote coupons, promotions, contests and other special offers that will keep your products in the public eye, ensuring a steady revenue stream.

Consult with the Experts today!

As you've seen in this report, your success in 2009 is closely tied to the commitment you make to performance-based marketing.

It's time to consult the experts at PartnerCentric. We'll help you define and implement a strategy that achieves measurable, sustainable growth for your business.

Our full range of performance-based marketing services are at your disposal. We hope to be part of your success in 2009 and beyond!

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