

Internationalization In Affiliate Marketing: Spotlight UK

Introduction

The “internationalization” of affiliate marketing is one of the preeminent topics in the industry today. Affiliates and networks alike are now realizing the competitive benefits of tapping into strategic local markets around the globe. Online marketers everywhere are beginning to develop international sales channels and strategies to capitalize on this wealth of global business opportunity.

Affiliates face a number of challenges in marketing to region-specific consumers as they “internationalize” their online businesses. These challenges include:

- Dynamic buying behavior
- Differential online usage patterns
- Cultural values and aesthetic preferences
- Currency diversity
- Linguistic nuance

This white paper series will explore the challenges of internationalization in affiliate marketing by putting the spotlight on different regions in the global online landscape, country-by-country, beginning with the UK and moving on to France, Germany, and emerging e-commerce giants China and Latin America.

Our aim is to provide practical details and insights that affiliates can use to develop campaigns in these countries, customize their marketing and advertising creative to those regions, and grow their baseline revenue across national borders in the years to come.

As we discuss the major topics in affiliate marketing, we’d also like to shed some light on industry issues in a holistic way that includes consideration of both monetary factors and cultural values.

We hope you enjoy the first installment in this white paper series, *Internationalization In Affiliate Marketing: Spotlight UK*.

Section 1. UK Market Study

Market Overview

The United Kingdom is one of the largest, most productive economies in the world. With a population of 60.2 million people, a Gross Domestic Product (GDP) of approximately 2.4 trillion dollars, and an annual growth rate of just under 3%, it’s one of Europe’s economic juggernauts and the best strategic location to start your internationalization efforts regardless of where you’re located.

Online Retail Revenue

Recent studies by eMarketer reveal that the UK is estimated to have Europe’s largest online retail

market. In 2009, somewhere in the range of \$84 billion in e-commerce sales were made in the UK. That number is expected to mushroom to 336 billion by the end of 2020. (Adfero Ltd., 2009).

Income Brackets

Data shows that almost one quarter of the UK population have a household income of over €50,000 (\$100,000). For affiliates, that means there's a large, healthy market in the UK with disposable income, more and more of which is expected to be spent online.

Internet Access

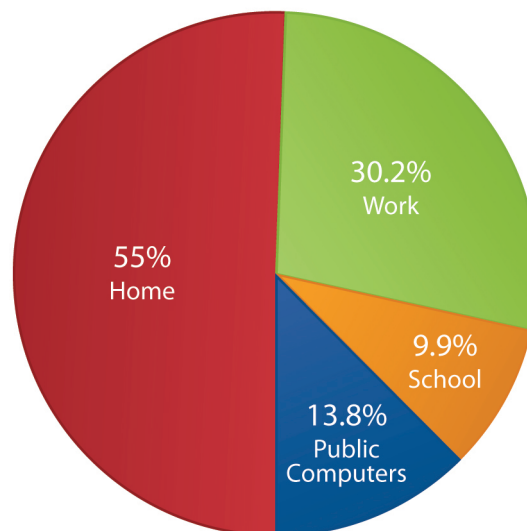
Approximately 60-70% of the UK's Population has regular access to the Internet – that's roughly 36 million people. Communications is one of the most crucial sectors of the UK economy, with revenue estimated at over \$85.5 billion annually in broadcasting and telecom networks and services.

Estimates for the first quarter of 2009 show that approximately 90-95% of UK households with Internet access have broadband connections and access to VoIP, which presents a huge opportunity for affiliates.

Internet Usage Patterns

Of the approximately 36 million people who have Internet, 55% of them access it from home; 30.2% access it from work; 9.9% access it from educational institutions; and 13.8% access it from Public Internet Access Points. 97% of that 36 million use the Internet to shop online. (Nielsen, 2009) Based on these statistics, there are around 35 million verified regular online shoppers in the UK and growing.

UK Internet Access Points (Nielsen, 2009)



Internet User Demographics

Gender: Women, aged 25-34, spend almost 20 percent more time online than their male counterparts (Ofcom Communication Market Report, 2008).

15-25 Age Group: This group is 25% more likely to be online than the general online British population and spends 24% more time online than average users. (Comscore, 2009).

35-44 Age Group: This group represents the largest online segment within the UK at 23% of the total population.

Silver Shoppers: This group is 55+ years of age and is overtaking the 35-44 age group for the largest representation online. This demographic is very interested in using search engines. Personals and shopping classifieds are some of the most popular categories for silver shoppers.

Slow Adopters: A little more than half of UK consumers view the web as something that doesn't make their life easier and actually find it difficult to keep up-to-speed with the ever-changing online environment (Neilson/NetRatings MegaPanel UK Digital Consumer Survey, September 2006).

Online Buying Habits

Preferred Product Verticals

The main product categories that appeal to British consumers are travel, clothing, groceries, and consumer electronics.

The UK market has a voracious appetite for consumer electronics, which means not only are people buying the latest and greatest technologies, but also the software that helps them fix and manage those technologies. This includes software such as multi-media transfer programs and diagnostic software, which are offered on the RevenueWire network and convert very well with online UK consumers.

Website Preferences

70% of UK online shoppers prefer to shop at British sites. A recent study shows that 72% of British Internet users don't like to shop around on a lot of different websites, but instead prefer to stick with 10 or less online stores they know and trust.

Online Payment Preferences

British consumers prefer to use one or a combination of all the following three payment methods for their online purchases: credit card, debit card, or PayPal. Commonly used credit cards for the UK are Visa/Delta/Electron, MasterCard/EuroCard, Solo/Maestro, Delta, and American Express.

Privacy and Security

As with most online consumers around the world, issues of privacy and security are of utmost importance to British shoppers. (Forrester Research, 2009).

Based on a report from the Office of Fair Trading (OFT), almost 79% of online British consumers are "very concerned" about online privacy and security. Almost 3.5 million British refuse to shop online because of a lack of trust and serious security concerns.

Gender Internet Usage Patterns

Women, aged 25-34, spend almost 20 percent more time online than their male counterparts (Ofcom communication market report, 2008)

Aesthetic Preferences

Recognizable visual cues are the most important component of advertising in the UK. In addition, humor and eccentricities unique to the British culture are used in advertising campaigns in order to create a “softer sell” and establish a more personal connection with the audience.

Social Networking

Research shows that approximately 1/3 of British online consumers use social networking and other online activities like blogs and podcasting. This number is double the European average (Forester Research, 2007). Social media should be an essential piece of your marketing mix in the UK.

Mobile Web

According to MobileWeb Metrix British Mobile, web users account for almost 67 percent of the entire mobile web audience in the UK. Mobile is the hottest niche in affiliate marketing right now, and the UK is a great place to tap into its immense revenue potential.

Trends In Online Ad Spending

A recently published report based on research by the Internet Advertising Bureau (IAB) and Price-WaterhouseCoopers has registered a 4.2% growth of the UK Internet advertising spending, which reached £3.5 billion in 2009.

IAB has also reported that between 2000 and 2009, the Internet marketing expenditure in the UK has grown by 2,200% going from £153 million to £3.54 billion.

UK Online Advertising Spending, 2007-2012 (millions)

	2007	2008	2009	2010	2011	2012
Dollars						
Online ad spending	\$5,280	\$6,410	\$7,160	\$7,770	\$8,240	\$8,670
of which:						
Search ad spending	\$3,168	\$3,846	\$4,296	\$4,662	\$4,944	\$5,202
Pounds						
Online ad spending	£2,640	£3,356	£3,934	£4,341	£4,682	£4,954
of which:						
Search ad spending	£1,584	£2,014	£2,360	£2,604	£2,809	£2,972
<i>Note: Converted at average annual exchange rates (projected for future years)</i>						
<i>Source: eMarketer, March 2008</i>						
www.eMarketer.com						

The two areas that have experienced the strongest growth in 2009 were (I) paid search and (II) online video.

(I) Paid Search grew by 9.5% reaching £2.15 billion, which represented 60.7% of all online advertising spending in the UK.

(II) Online Video represented the real success story as spending on video registered a 140% increase year over year, generating a total of £28.3 million in 2009.

Affiliate Marketing spending on the whole increased by 38.2%, reaching £72.6 million by the end of 2009. (IAB <http://www.iabuk.net/en/1/internetadexpendituregrows310310.mxs>)

Organic SEO

A recent report by HitWise stated that most top UK sites receive less than 1% of their search traffic from paid listings on sites like MySpace, Bebo, and BBC Online. In general percentage of clicks for organic versus paid search is somewhere in the 80:20 range (Panlogic.co.uk). What does this mean? Affiliates should definitely work on growing their organic UK rankings through natural SEO techniques, on top of using pay-per-click advertising.

UK Communications Paradigm

Close connections among UK society members mean that most UK citizens have a similar, intrinsic knowledgebase you can appeal to. UK society is logical, linear, action-oriented, and by and large the way they share information is explicit and formalized. They believe strongly in freedom of expression and protect the rights of the individual to exercise constitutionally protected freedoms.

On the whole, capitalist democracies like the UK, that are founded on freedom of the individual and elected government, are also highly individualistic and tend to value individual goals over group goals.

Section 2. Insights For Affiliates

Introduction

Now that we've covered some important facts about the UK market, let's take a look at what these stats mean for affiliates. The following section covers how you can use the market data (size and breakdown, revenue growth, online demographics, trends and key buying habits / and preferences) to help you plan out and build high-performing international campaigns for the UK.

Why The UK?

The UK offers several advantages for affiliates. It has a large consumer-oriented populace with disposable income, widespread Internet access, and a growing culture of trust around making retail purchases online. It also has the largest active online consumer base in Europe ahead of Germany and France.

For affiliates considering getting started in the UK, increased ad spending is a strong indicator that the market is in a significant growth phase and there's plenty of opportunity to generate new revenue. Affiliates can expect more and more competition in the coming months as the market picks up momentum, so the sooner you can get your UK campaigns up and running the better.

Other than recent growth, why should the UK be at the top of your list of targets to hit? Specifically for those affiliates versed in North American English, the language barriers in the UK are minimal. UK English is marginally different from North American English and usually only requires minor grammar and spelling changes. This makes the product and landing page translation easier - something you can do on your own or without having to spend a lot of money on.

Language

Despite the similarities, UK English and US English differ in terms of vocabulary, concepts and idioms, which can lead to some confusion and also the occasional humorous linguistic blunder. For example, the word "boot" in the UK is thought to mean the trunk of a car, whereas in the US it refers to a type of footwear. Be aware of these types of potential miscues in your copy before you release it into the wild.

The transition from North American to UK affiliate marketing campaigns is obviously less intensive for affiliates who are already promoting products in English. Translation costs will be higher for affiliates from non-English speaking countries than for affiliates from North America, but the rest of your campaign migration will be very much the same.

Target Market

Based on the market numbers, your primary target consumer shops from home and is probably in a leisurely mood with time to look around and weigh their options before they buy. So, while your sales copy still needs to grab their attention quickly, once you do get their attention they'll be willing to read more details about your product.

Your secondary target is the customer who shops online from their place of work. He or she is a very different prospect from the home-based buyer. Consumers who do their e-commerce shopping in the office generally have less time to shop if they're taking care of personal needs on company time. They want to find what they're looking for quickly and don't have time to wade through large amounts of product detail. However, if they're shopping for products and services that are work related, then you can expect their buying behavior to be similar to a home-based shopper.

Culture-Specific Themes

In UK advertising and web communication there are some common cultural themes that stand out: independence, respect for privacy, and emphasis on being unique. Independence, individuality and self-expression are dominant modes of thinking in the UK and should be taken into account when designing your campaigns. If you create your copy, design, and overall messaging according to these values, you will increase your chances of success.

Section 3. A Practical Guide to Building Affiliate Campaigns For The UK

Introduction

The key to promoting a website internationally is to create localized content and keywords, register local domains, and then promote through the local search engines. The following is a summary of how to localize your marketing campaign for the UK, including tips and best practices.

Localizing Your Site

Localization involves enabling the backend of a website or landing page to handle different languages, character sets, currencies, submit form data, site search capabilities, etc... and involves understanding what database and content management systems you're using to author, store and publish your site's content.

Localization also includes translating the front end of your website into different languages so that all your content (text and graphics) is translated in an accurate and culturally appropriate manner.

To localize from US English to the Queen's English there is software you can use for translation, but to truly localize you might want to invest in having a professional translator get the exact idiomatic and dialectical nuances for you. Translation costs for the UK will still be considerably lower than for any other country, and revenue probably much higher, so it will be well worth your while to spend the money on getting it done properly the first time.

Native web addresses are the gateway to the Internet for the majority of users searching for information and purchasing online in the UK. If a company chooses to have a .uk site in addition to its .com site, it's important to not only make the English site different in terms of UK spelling, grammar and idioms, it's also essential to offer at some original content unique to the UK audience. Aim to swap out at least 50% of your North American content for content specific to the UK. Adding UK testimonials to your landing page and swapping out headers for UK idiomatic phrases are excellent ways to achieve this.

This is not just a good localization policy to address each location uniquely, but is also necessary to avoid penalties from search engines like Google. As you already know, this is because Google identifies and penalizes sites that are carbon copies of one another.

Registering UK Domains

Make sure you use .uk URLs because British consumers are more likely to convert on sites with native domain names.

In the UK, Nominet is the national registry for registering ccTLD ending in .uk and they manage over 6 million domain names. This makes the .uk domain almost the 4th largest registry in the world after .com, .org, and .de.

These are several syntax rules that need to take into account when registering a .uk domain with Nominet (adapted from Baker and McKenzie).

- Two letter names are not allowed, except for ISO country codes
- Two character names are allowed, i.e., 3x.co.uk, but not aa.co.uk
- All second level names of .uk are banned from being third level names, i.e., nhs.co.uk
- All top level names are banned from being third level names, i.e., net.org.uk.
- All one character domain names, such as [a-z0-9].xxx.co.uk are reserved for possible future sub-domain usage

In addition, second level names by Nominet have a unique purpose. For example:

- .co.uk are used for commercial entities
- .me.uk are used for personal sites
- .org.uk are used for non-profit organizations
- .net.uk are used for Internet service providers' infrastructure

Promoting Through Local Search Engines

We recommend conducting some form of global search engine marketing (SEM) program in order to drive traffic to your new sites. This may include global search engine optimization of your localized web content, submission of pages to key country (local) search engines, and pay-per-click marketing campaigns run through services like Google Adwords or Overture. For more information on Global SEM Services, see www.globalizationpartners.com/SEM and www.mseo.com.

To successfully optimize search engine rankings, companies need to follow the latest organic SEO techniques to get better listings on major search engines, one of which includes using the .uk domain to be able to get higher placement in the local SERPS.

If you can get them, keyword lists from the merchant documenting top search terms specific to UK will also help strengthen your campaigns.

Maximizing Your Campaigns

Secure & Robust Shopping Cart

Using a secure shopping cart for your transactions has to be at the top of your priority list to ensure that any customer information entered during the purchase path is 100% secure and protected, especially credit card and other types of personal information.

Offer at least one of the preferred payment options (credit card, debit card, PayPal) through the online shopping cart you decide to use.

Trust, Security, & Privacy

Convey trust and legitimacy in every facet of your business. Selling high-quality products with

recognizable brands and providing top-tier customer support with testimonials to back their experience are both great ways of establishing that trust. (Forrester Research, 2009)

Communicate and deliver on security of information. This is paramount throughout the purchase path. Your sales pages and/or websites should have security certificates displayed prominently for consumers to see. This includes the payment processing system you use to complete transactions.

Clearly communicate your privacy policy and that of the merchant on landing pages and websites. If possible, back up your sales path with some kind of professional certified fraud protection as well.

Create sites and promote products that offer the consumer a combination of features they can customize and tailor to their individual preferences.

Design & Content

Websites that convert well are clear, to the point, and persuasive. Creativity is simply the accent that adds extra attraction.

Wit and wry humor work very well as a means of communicating to the UK audience.

For expensive, high-end products, advertising with people giving direct, intense gazes, a very formal and authoritative writing style, or people presented as experts, is effective.

For software and products sold at a lower price point, UK consumers prefer communication that addresses them as equals.

Emphasize colors, copy and graphics that reflect the values of achievement and material success when designing your website or landing page for the UK online consumer. Since the UK is both individually focused and logically cohesive, you will need to balance creative imagery, aesthetic and colors with quality content and a clear well-organized layout suitable for UK users.

There are over 600,000 words in the Oxford English Dictionary, and it's estimated that 25,000 new words are added every year. The more you can keep on top of emerging words and incorporate them into your creative, the more you'll be able to connect with your prospect in a meaningful way that ultimately leads to more conversions.

While having well-designed landing pages won't guarantee you top revenue, it will definitely increase your chances. Great design is just one element that has to be complemented with a quality product, a strong offer, visible trust elements, effective keywords lists, high-volume targeted traffic, and a secure payment processing system.

Top UK Search Engines:

www.excite.co.uk
www.ukindex.co.uk
www.ukplus.co.uk
uk.altavista.com
uk.yahoo.com
www.lycos.co.uk
www.dogpile.co.uk
www.ezilon.com
www.eurofind.biz
www.live.com
www.abacho.co.uk
www.alltheweb.com
www.oobdoo.co.uk
www.entireweb.com
www.spotjockey.com
www.mojeet.co.uk
www.searchuk.com
www.tellmeabout.co.uk
www.uknation.co.uk
www.uknation.co.uk
www.lifestyle.co.uk
www.splut.com
www.businesslink.gov.uk

According to HitWise, the top search engines in terms of use and popularity are:

<i>Use</i>	<i>Popularity</i>
• Google	• Alta Vista
• Yahoo!	• Tiscali
• Ask Jeeves	• Yell UK
• MSN	• Freeserve UK

Useful Links

www.eiaa.net
www.nielsen-netratings.com
www.startups.co.uk
www.berr.gov.uk
www.bbc.co.uk
www.direct.gov.uk
www.countrywatch.com
www.export.gov