ThePMA.org

2022

Performance Marketing Industry Study

Report and analysis of affiliate channel marketing spending in the United States for the calendar year 2021.

US Market Data

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LETTER FROM THE PMA EXECUTIVE DIRECTOR

Dear Reader,

On behalf of the Staff and Board of Directors for the Performance Marketing Association, it is my privilege to introduce you to the 2022 Performance Marketing Industry Study. This vital research quantifies our industry's size and trends, unlocking insights into how our industry is changing.

This is our second industry study. Our first quantified the state of the industry for the calendar year 2018. While we planned to conduct a follow-up study last year, we delayed an additional year because of the extreme commercial anomalies that surfaced due to the COVID-19 Global Pandemic. COVID caused significant temporary disruptions in multiple industries. By waiting an additional year, we believe that the data are more reflective of the current/ongoing state of the industry.

To gather data and insights for this report, we solicited information from seven leading affiliate networks and sixteen affiliate partners of multiple sizes and types to understand this dynamic industry's full scale and scope. Our data reflect estimates for the entire industry, including non-participating networks/platforms and "house" programs managed by companies using homegrown toolsets.

The sixteen partners and seven networks/platforms made invaluable contributions to this research – without their commitment, a study like this would have been impossible. To assure these partners that their data would be kept confidential, the PMA contracted with PwC to manage the survey development and data collection phases. We thank the team of analysts at PwC for all their work.

The Industry Study is just one of the critical initiatives the PMA undertakes each year to educate, inspire, and promote the growth of the performance marketing industry. We invite you to join the PMA to support critical initiatives like this and our advocacy, industry events, whitepapers, and other programs.

Best Regards,

Tricia L. Meyer

Tricia Meyer
Executive Director
Performance Marketing Association

EXECUTIVE SUMMARY

The PMA Performance Marketing Study 2021 was designed and fielded to "take the pulse" of the performance marketing industry in the United States. The study was designed to provide an overall sizing of the industry, including overall spending, sales impact, composition of the partner/publisher community, and spending by industry.

In 2021, each dollar of performance marketing investment drove an average of $12 in e-commerce contribution.

This is the PMA's second such study. Our first study analyzed data for 2018.

Here are some of the key highlights of this research:

- **Total industry spending on programs reached $9.1 Billion, an increase of 47% over the 2018 estimate of $6.2 Billion.** That represents a compound annual growth rate (CAGR) of 13.7%.
- **The $9.1B in performance marketing spending drove $71 Billion in e-commerce contribution.**
- **The average return on ad spending (ROAS)** across all industries was 12:1, meaning each dollar of channel spending drove an average of $12 in e-commerce contribution.
- **The top publisher sector by revenue was Cashback, Loyalty, and Rewards.** 35% of total spending, or just over 1 in 3 dollars, went to Cashback, Loyalty, and Rewards sites.
- **Coupons, Vouchers, and Rebate websites garnered the second-largest share of category spending, at 16%.** These traditional affiliates continue to capture a significant portion of total spending.
- **Content and Subnetworks captured the next largest shares of total spending, at 15% and 12%, respectively.** Subnetwork share was significantly higher in this report than in 2018. Since a large portion of subnetwork activity is on mainstream content sites, the two categories show that less-discount-centric publisher types are now capturing a large portion of total channel spending.
- **Social, Influencer, and Content Creators now capture a significant portion of total channel spend, at 5%.** That represents a substantial increase in share versus 2018 as more such voices begin to accept performance-based compensation for their activity.
- **Technology Solutions, comprising a mix of Conversion Optimization, Buy Now/Pay Later, and other providers, now capture about 2% of total spending.** This is up from near zero spending and share in 2018.
- **Retail brands drive 76% of total category spending.** This represents a larger share of spending than in the 2018 report. About 1/3 of that spending was for clothing programs.

EXECUTIVE SUMMARY

- **Financial Services invests the next largest share of spending, at 12%.** This sector has historically been dominated by credit card customer acquisition programs but also includes acquisition programs for new "fintech" businesses and business models.
- **The Travel sector drove about 5% of total channel spending.** This represents a smaller share than in the 2018 report. COVID-19 had a profound impact on all Travel marketing spending, but these data indicate that Travel investment in our channel is returning.
- **Automotive and Healthcare spending has increased during the period.** This reflects the growing diversity of brands and industries active in our space.

These data reveal robust overall industry growth and a broadening of affiliate marketing and partnership definitions. Further, while categories like Retail and Travel continue to show strong usage of the channel, more industries are now adopting performance marketing as part of their overall go-to-market programs.

Affiliate marketing spending in the US reached $9.1B in CY 2021, an increase of 47% over the $6.2B figure recorded in our 2018 study. The figures include straight-performance-based spending and fixed-cost media investments with performance marketing partners for placements like tenancies and integration fees. That three-year growth rate translates to a 13.7% CAGR for the period.

US PERFORMANCE MARKETING INVESTMENT

$BILLIONS

$6.2
CY 2018

$9.1
CY 2021

A DYNAMIC, FAST-GROWING INDUSTRY

Affiliate marketing investment grew to $9.1B in 2021, up 47% over 2018. The PMA believes that a variety of forces contributed to that strong upward trend:

- Continued strong ROAS performance in the channel, coupled with more widespread awareness of its pay-for-performance model.
- Increased recognition of affiliate and partner marketing traffic quality after years of skepticism.
- Gradually increasing channel adoption in new verticals like Auto, CPG, and B2B Services.
- Shifts in consumer buying patterns toward digital shopping due to the COVID-19 global pandemic.
- Desire among brands to find scalable alternatives to increasingly dominant media players Google (NASDAQ: GOOGL), Meta (NASDAQ: META), and Amazon (NASDAQ: AMZN).
- The increased willingness of mainstream media companies and other partner classes to accept performance-based media contracts to combat the growing dominance of Google, Meta, and Amazon in CPM- and CPC-based digital media.
- Overall increases in digital spending as digital's share of total media investment climbs.
- Growth in mobile marketing spending and an increase in the ubiquity of mobile performance marketing tracking. Many brands moved from traditional third-party cookie tracking to first-party and server-to-server measurement during the period. Further, many more brands are tracking performance marketing conversions in mobile web and mobile app environments.

Affiliate marketing investment grew to $9.1B in 2021, up 47% over 2018.

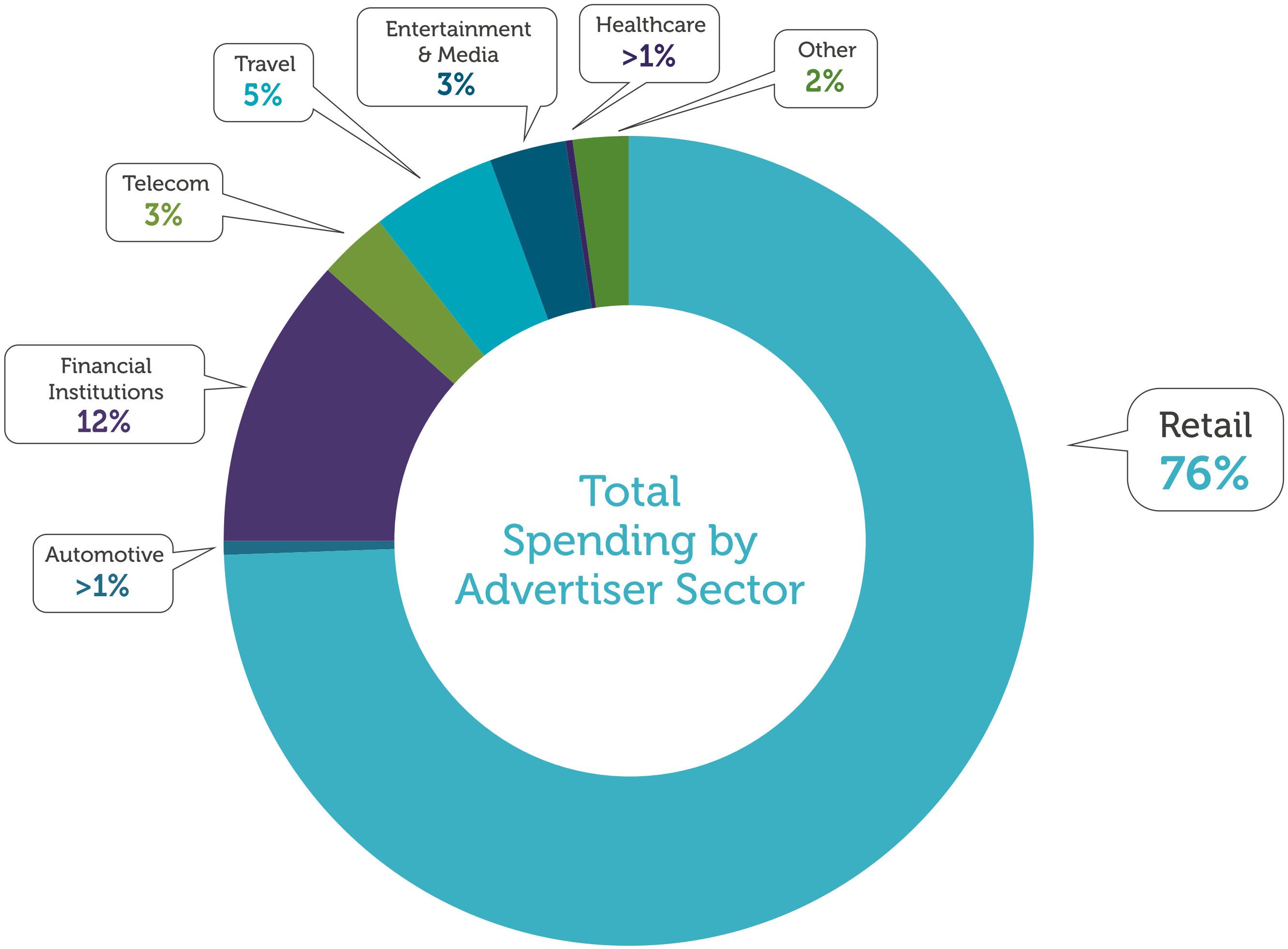
CONTRIBUTION TO E-COMMERCE

Our 2021 study revealed that the $9.1B industry investment drove $71B in e-commerce sales. This represents sales impact for all performance marketing investments, including both straight performance-based media and fixed costs like tenancies, integration fees, and other tactics.

CHANNEL INVESTMENT BY INDUSTRY

Retail drives the majority of performance marketing channel advertising investment. The sector drives 76% of total channel spending. Financial services contribute the next largest share, at 12% of total channel investment. Travel, Entertainment, and Telecom drive the next largest shares, at 5%, 3%, and 3%, respectively. Auto and Healthcare drive a bit more than 1% each.

TOTAL SPEND BY ADVERTISER SECTOR



PMA Performance Marketing Study: Full Year 2021

Percentage may not total to 100% due to rounding

Versus our 2018 report, Financial Services shows a significantly smaller share of total spending. Travel shows a much smaller percentage than in 2018. This is likely due to the immense impact that the COVID-19 pandemic had on the Travel business. Nevertheless, Travel spend is returning as air travel and hospitality categories begin their long-term recovery. Other industries showed similar shares versus three years ago, indicating continued dollar growth across most industries.

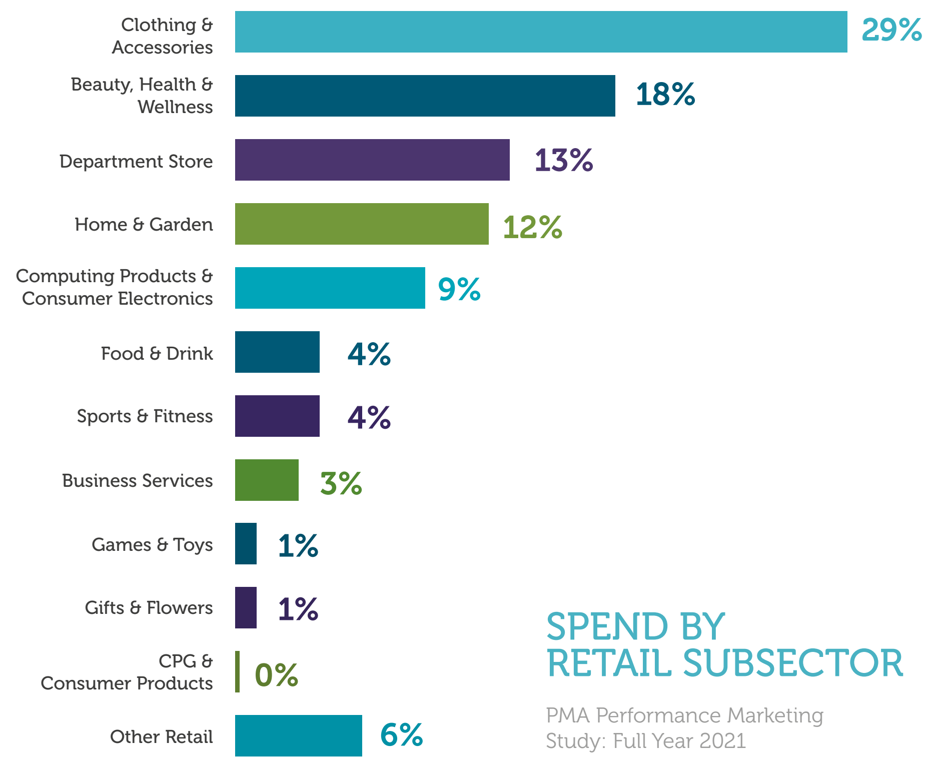
Retail drove more than three-quarters of total affiliate investment in 2021.

Retail Ad Spend

Because Retail represents such a large proportion of total channel spending, we analyzed the composition of those sales to understand which categories are strongest. As in past years, the strongest spending was on Clothing/Accessories, Beauty/Health/Wellness, Department Stores, and Home/Garden. Note: a large portion of Department Stores sales come from Apparel and Accessories, so those verticals likely represent an even larger share than our data show.

Other Notable Categories

Beyond those "Core" categories, Computers and Electronics, Food and Drink, and Sports and Fitness categories also represent a significant share of the total. In 2018, a similar set of categories followed the largest.



SPEND BY RETAIL SUBSECTOR

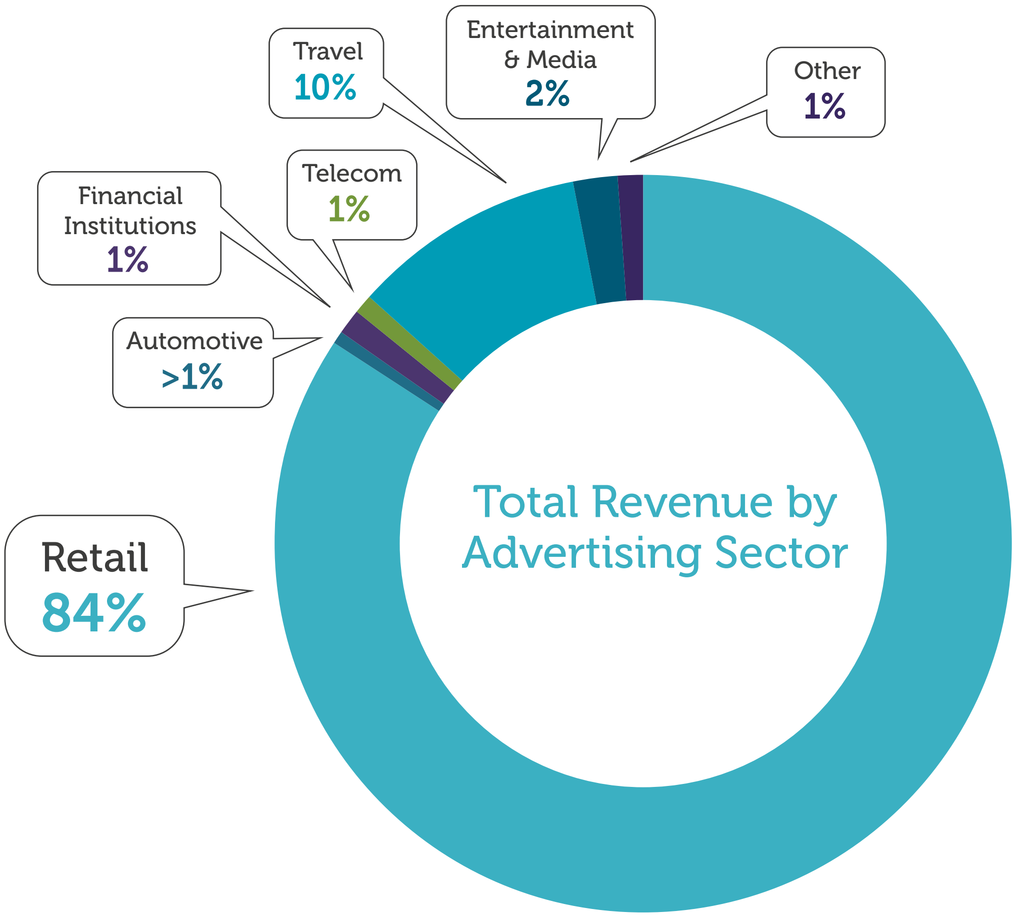
PMA Performance Marketing Study: Full Year 2021

Brick-and-mortar retail disruptions caused by the COVID-19 Global Pandemic appear to have accelerated spending growth in Clothing/Accessories and Beauty/Health/Wellness, among other sectors.

Clothing/Accessories and Beauty/Health/Wellness play a central role in our industry. While they have been strong sectors for some time, the brick-and-mortar retail disruptions caused by the COVID-19 global pandemic appear to have accelerated spending growth in these categories. Many affiliate marketers reported spikes in spending in 2020 and 2021 as lockdowns drove temporary store closings and some brick-and-mortar bankruptcies.

CHANNEL REVENUE BY INDUSTRY

Retail accounts for an even larger share of e-commerce revenue driven by the performance marketing industry than channel investment. 84% of total e-commerce revenue came from Retail in 2021, a higher figure than reported in 2018. Travel represented the number two category by e-commerce revenue, despite the many headwinds the industry has faced since the advent of COVID-19. Financial services drove a relatively small share of revenue despite its significant share of channel investment. This is because most of the income for financial services programs occurs long after the initial transaction or lead is captured.



PMA Performance Marketing Study: Full Year 2021

Percentage may not total to 100% due to rounding

TOTAL REVENUE BY ADVERTISING SECTOR

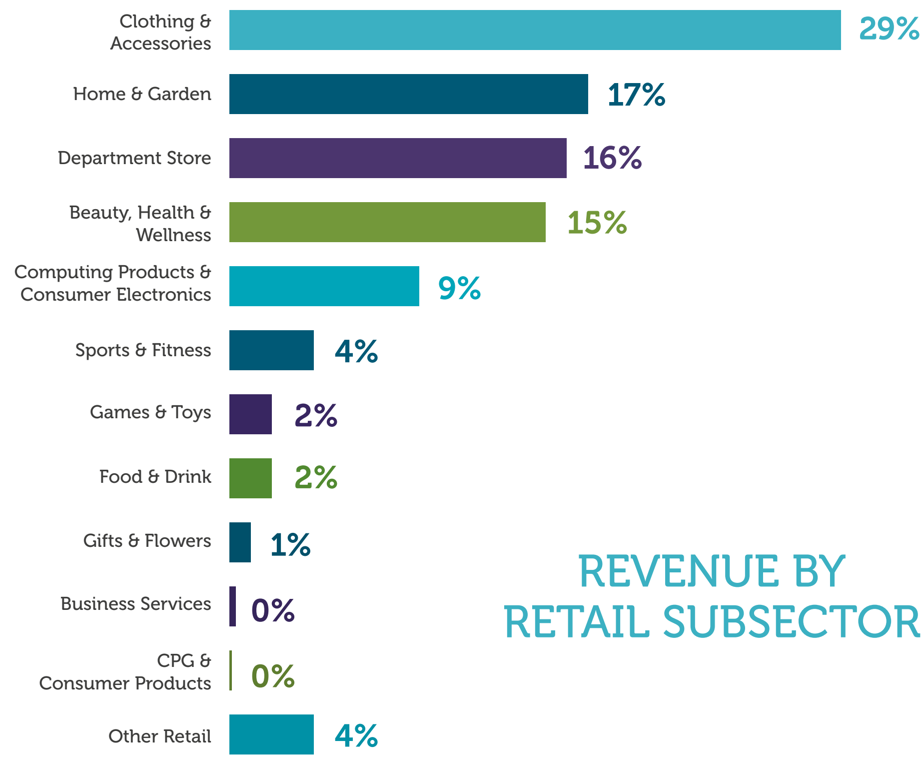
Retail, Travel, and Entertainment/ Media accounted for a similar share of performance marketing e-commerce revenue in 2018.

REVENUE BY RETAIL SUBSECTOR

Within the retail sector, the same four verticals dominate, with Home and Garden capturing a much larger share of revenue than its share of investment.

This was likely due to larger average order values (AOVs) in this category over those in the Beauty/Health/Wellness sector. AOV naturally has a strong and direct impact on e-commerce share.

About 4% of e-commerce sales fell into our "Other" category, which includes Art/Collectibles, Books/Magazines, Cards/Stationery, Office Products, Pets, Photography, and Wedding items.

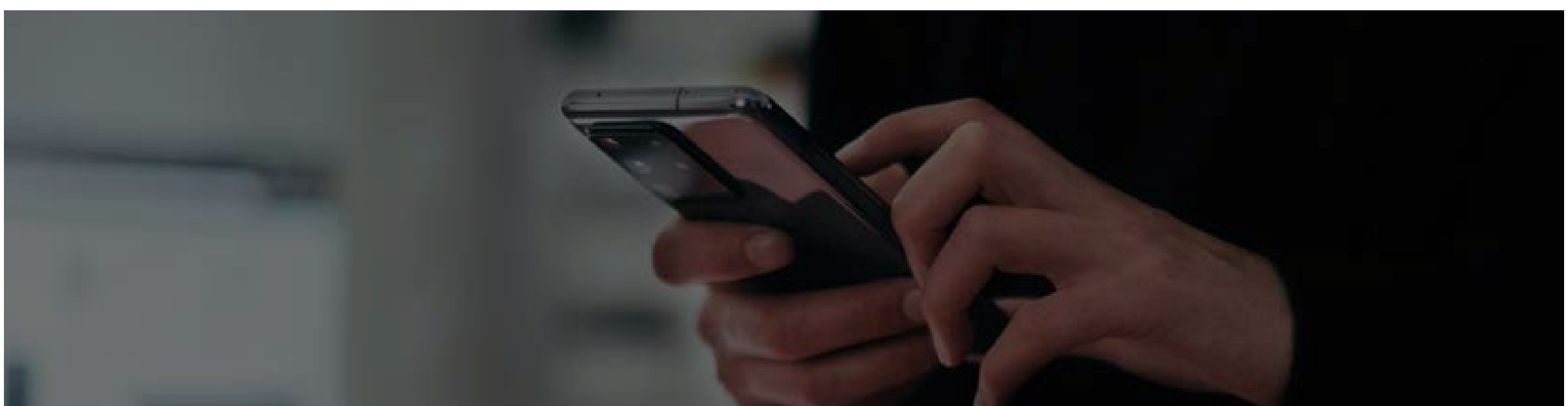


PMA Performance Marketing Study: Full Year 2021

Percentage may not total to 100% due to rounding

RETURN ON AD SPENDING (ROAS)

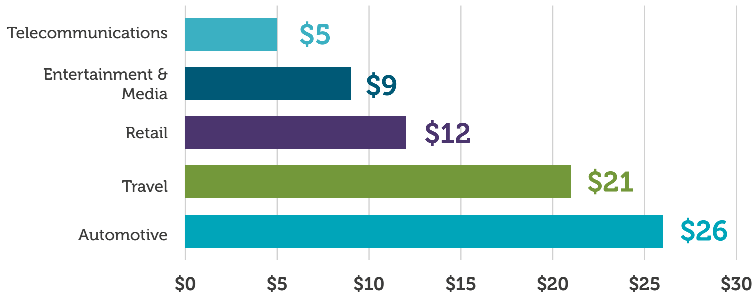
Performance marketing spending has historically shown an excellent return on advertising spending, which was reaffirmed in the 2021 study. Across all verticals, the category averaged 12:1 ROAS. A dollar invested in the channel drives $12 in sales. ROAS by vertical varies significantly but is consistently high versus other marketing channels and tactics.



RETURN ON AD SPEND (ROAS) BY SECTOR

12:1 ROAS represents an excellent return on investment for a marketing channel and is likely a key reason for the industry's strong growth. This chart shows average ROAS figures by sector:

Return of $1 of Performance Marketing Advertising Investment



PMA Performance Marketing Study: Full Year 2021

We also analyzed the ROAS for financial services. But because the bulk of the revenue benefits from performance marketing initiatives occur long after the initial transaction or lead capture, they do not accurately reflect the actual value of channel investments for that industry. Therefore, Financial Services Data are omitted from this report.

Retail maintained its excellent 12:1 ROAS in 2021, while the Automotive and Travel industries saw sizable gains versus the 2018 report.

Versus our 2018 study, Retail maintained its excellent 12:1 ROAS, while the Automotive and Travel industries saw sizable gains. Entertainment and Media ROAS declined. The PMA believes this is primarily due to macro changes in the types of entertainment products and services sold. Whereas tangible products like DVDs and purchased media played a more significant role in 2018, 2021 saw more sales from subscription services, where much of the benefit of a transaction comes from the annuity of monthly subscription fees. Those annuity payments are not captured in our data.

The average transaction value in categories like Automotive and Travel is far higher than for other categories studied. This helps explain the very high ROAS scores for these industries.

ROAS BY RETAIL SUBSECTOR

Since Retail contributes a large share of total channel investment, we analyzed ROAS by product category for this sector. Our data showed the highest Return on Ad Spend for Games/Toys and Home/Garden. Department Stores, Gifts/Flowers, and Sports/Fitness delivered the next highest ROAS. Clothing/Accessories reflected the average for the sector of 12:1.

Performance Marketing Channel
Average Return on Ad Spend by Retail Category

Advertiser Sector	Return on Ad Spent
Games & Toys	18:1
Home & Garden	16:1
Department Store	15:1
Gifts & Flowers	15:1
Sports & Fitness	13:1
Clothing & Accessories	12:1
Computing Products & Consumer Electronics	11:1
Beauty, Health & Wellness	10:1
Food & Drink	5:1
CPG & Consumer Products	3:1
Business Services	2:1

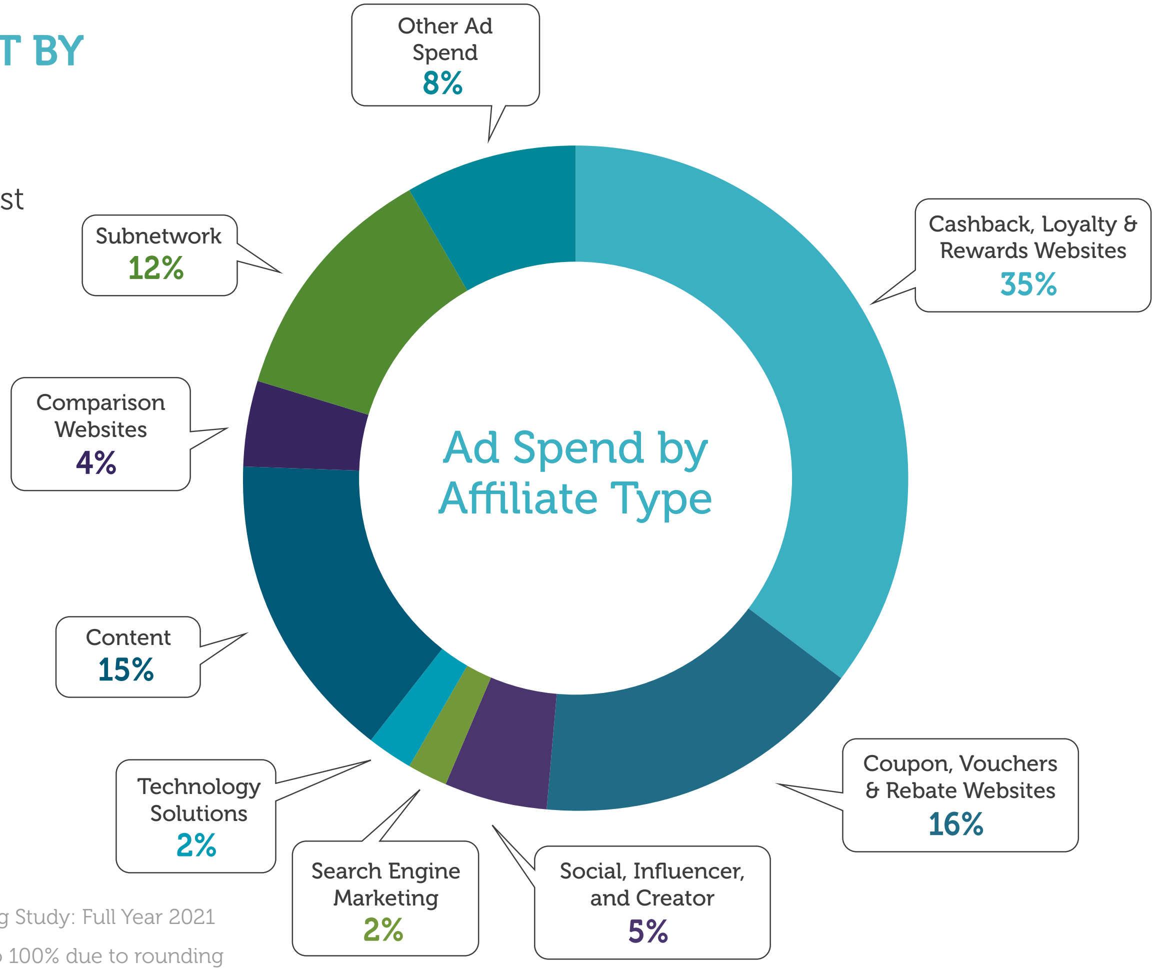
PMA Performance Marketing Study: Full Year 2021

Perhaps not surprisingly, the categories showing the lowest ROAS figures are less developed “emerging sectors" for the channel. Food and Drink, CPG/Consumer Products, and Business Services are among the newest categories to garner significant performance marketing investment in 2021.

CHANNEL INVESTMENT BY AFFILIATE TYPE

CHANNEL INVESTMENT BY AFFILIATE TYPE

Affiliate channel spending has evolved significantly over the past several years as new classes of publishers and advertiser industries have joined the space. Our industry has changed so dramatically in the past three years that we significantly revised our publisher categorization. Because of this recategorization, making comparisons to our 2018 study is challenging. This chart shows the share of total performance marketing investment by publisher class:



PMA Performance Marketing Study: Full Year 2021

Percentage may not total to 100% due to rounding

Cashback/Loyalty/Rewards and Coupon/Voucher/Rebate, two “traditional” affiliate types, captured the largest share of total category spending. They earned just over half (51%) of total category spending. Versus our 2018 report, this represents a significant increase.

Traditional affiliate categories continue to grow, with Cashback/Loyalty/Rewards and Coupon/Voucher/Rebates properties capturing just over half of total spending.

CHANNEL INVESTMENT BY AFFILIATE TYPE

In 2021, several other sectors captured large shares of total category spending. The third-largest was Content, which captured 15% of total spending. The next largest was Subnetworks, at 12%. Subnetworks aggregate ad inventory across hundreds or thousands of publishers, making it easier for advertisers to deliver offers in a diverse set of high-quality venues. Industry observers will note that many subnetwork publishers and traffic are content-centric versus discount-centric. Thus, content-centric publishers are driving an even larger share of total spending than indicated in the percentage figure listed in the chart.

Content and content-heavy subnetworks now capture 27% of total industry investment.

Social/Influencer/Creator publishers now capture 5% of total industry investment, a significant increase versus 2018.

The Other category grew its share since 2018, partly reflecting the growing diversity of publisher types in the industry. The Other category includes Ad Networks, B2B Partners, Email Affiliates, Media Brokers, Mobile Partners, and UGC Partners.

New to the spending "pie" are Technology Partners, which captured 2% of total category spending in 2021. Tech Partners is a category that includes both on-site conversion optimization technologies and Buy Now/Pay Later (BNPL) fintech partners. While their share in this report is modest, it is interesting that many of these partners are focused on monetizing existing traffic versus driving traffic. This is another sign that our industry is growing more diverse and strategically important to many businesses.

KEY INDUSTRY TRENDS

In reviewing the data, the PMA identified the following key industry trends.

New Verticals Begin to Invest

While they represented a relatively small share of total category investment in 2021, several "emerging" verticals seem poised to increase spending in the future. Automotive spending has continued to grow, and within Retail, CPG and Business Services also registered for the first time. It demonstrates how our advertiser community is broadening over time.

Cashback/Coupons Move from Strength to Strength

While much of the "talk" in our industry has focused on content and social publishers over the past several years, traditional affiliate classes, including the Cashback/Rewards/Loyalty grouping and Coupons/Vouchers/Rebates, actually grew their share of total category spending during the period.

The PMA believes that the COVID-19 Global Pandemic contributed significantly to the strong performance of these traditional affiliate sectors. Many merchants, facing abrupt disruptions in their brick-and-mortar sales, turned to affiliate to help drive the immediate transactions necessary to power these companies through challenging times. These categories also include many of the industry's largest and most technologically advanced publishers.

> Cashback and Coupon sites will likely show continued growth despite the coming economic downturn because merchants will increase investment in their "bottom-of-funnel" tactics.

Several top players in these categories have also developed innovations that have broadened their role in advertisers' go-to-market plans. These publishers are the dominant players in the browser extension arena, accounting for a growing proportion of total channel sales. Many have also developed products for precision targeting by geo, shopper behaviors, demographic characteristics, lifestyles, behaviors, and more.

While existing members of these communities significantly increased their average spending during and after the arrival of the COVID-19 Pandemic, their membership numbers also grew. Some economic analysts are warning of a recession beginning later this year. We expect Cashback and Coupon sites to enjoy continued growth despite the economic downturn because merchants will increase investment in performance media with high ROAS.

Mainstream Media Publishers Embrace Performance-Based Compensation

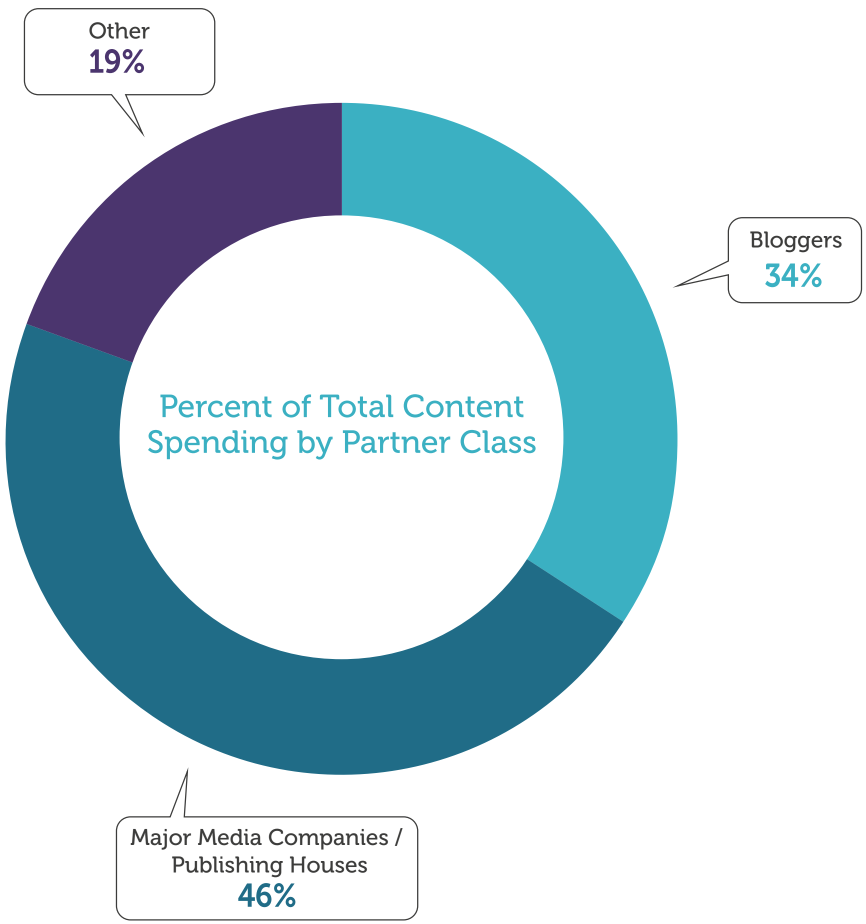
Years ago, most mainstream publishers like Conde Nast, Hearst, Meredith, and The New York Times monetized digital content almost exclusively via CPM-based agreements. But in recent years, the "big three" tech companies Google, Meta, and Amazon have taken a dominant place in the digital media business, capturing 64% of all ad spending in 2021, according to eMarketer[1]. Additionally, the rise of programmatic media buying diminished the perceived value of contextual relevance among many advertisers.

These two forces have significantly constrained mainstream content publishers in their efforts to attract sufficient advertising dollars. In the last several years, these mainstream content companies have embraced performance marketing by creating or acquiring new publications and developing new marketing vehicles sold on performance.

> Mainstream content publishers will play a growing role in the performance marketing industry in the years ahead.

In 2021, our data showed that these mainstream publishers captured almost half of the content spending. Further, many of these companies also leveraged subnetworks to monetize their content, so their share of total category spending is even higher.

PERFORMANCE MARKETING SPENDING FOR CONTENT



1) eMarketer, November 2021

Social/Influencers/Creators Become a Channel Force

Social/Influencer/Creator publishers now capture 5% of total industry investment, a large increase versus 2018. One key driver here is the growing willingness of such content creators to accept partial or total compensation based on pay-for-performance. In 2018, almost all spending with influencers was pay-for-activity (e.g., $50 per post) versus pay-for outcomes (e.g., 10% commission on actual sales driven.)

Tech Partners "Arrive"

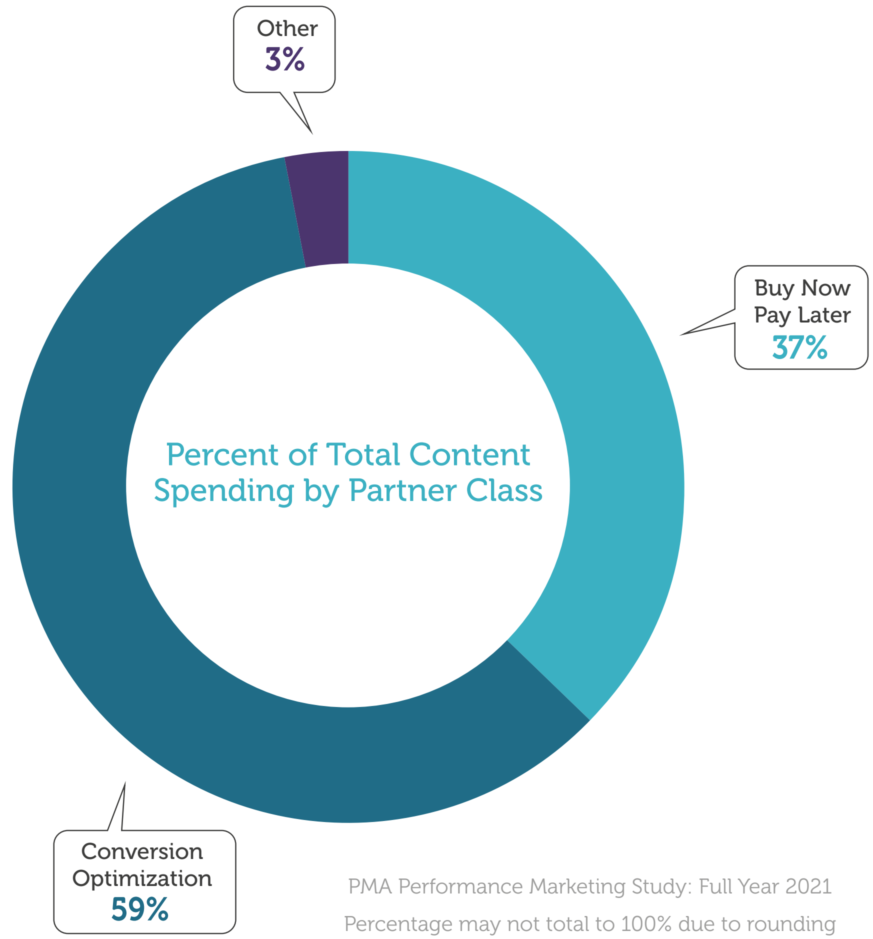
Tech Partners is a category that includes both on-site conversion optimization technologies and Buy Now/Pay Later (BNPL) fintech partners.

While currently a small share of total spend, the PMA believes this segment will show strong growth in the years ahead as advertisers explore ways to enhance their tech stacks on a cost-per-outcome basis.

> Tech partners will play a growing role in our industry as companies turn to them for ways to enrich their tech stacks on a cost-per-outcome basis.

On-site conversion optimization and personalization tech represented 59% of the total investment in this sector in 2021, with BNPL capturing more than a third. Such partners enable merchants to monetize traffic from performance and other channels better, providing strong ROI.

PERCENT OF TECH PARTNER REVENUE BY PARTNER CLASS



PMA Performance Marketing Study: Full Year 2021

Percentage may not total to 100% due to rounding

METHODOLOGY

Following the success of the inaugural 2018 Performance Marketing Study, PwC has worked with the PMA to design and facilitate a study that enables us to estimate the size of affiliate marketing in the US and how it has changed since 2018.

PwC collected and analyzed self-reported data from seven leading performance marketing networks and software platforms:

- Awin
- CJ
- LinkConnector
- Partnerize
- Ascend by Partnerize
- Rakuten Advertising
- ShareASale

Additionally, we fielded a second online survey of publishers of multiple sizes, to which 16 responded. A mix of small, medium, and large businesses were invited to complete the online survey to collect results representative of the market, including cash back and loyalty sites, influencers, bloggers, review sites, coupon sites, and others. These publishers played an invaluable role in helping us size the entire performance marketing industry, including:

- Participating Affiliate Networks and Platforms
- Non-Participant Networks
- Independently-Managed "House" Programs
- Other Affiliate Marketing Sources

The purpose of the publisher survey was to gather additional insight into the portion of the industry that is not represented by the seven participating performance marketing solutions providers. Data from both surveys have been reviewed and analyzed to determine the size of the performance marketing market and pinpoint changes to key market performance metrics since 2018.

The survey was conducted independently by PwC, including research by their in-house market research team, on behalf of the PMA.

We developed our 2018 study with the assistance and participation of eight networks and tech platforms. For this study, one of those providers chose not to participate. Because of this, and because we made some adjustments to the categorization of partner types, we urge caution in making year-to-year comparisons.

The survey was conducted independently by PwC, including research by their in-house market research team, on behalf of the PMA. Multiple steps were taken to keep the data from individual participants confidential. Only aggregate results are published, and individual company information is held in strict confidence with PwC.

PwC does not audit the information provided by the study participants and provides no opinion or other form of assurance with respect to the information.

ABOUT THE PMA

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The Performance Marketing Association (PMA) is a non-profit trade association founded in 2008. It is the only trade association representing the performance marketing industry.

The PMA's mission is to champion and protect accountable performance marketing. Our main goals are to promote the industry's growth, help model standards and best practices, and advocate for the businesses that comprise the performance marketing industry.

The PMA strives to raise the profile of performance marketing by demonstrating the value of this multi-billion marketing channel. With the PMA leading the charge, companies will continue to grow and succeed, the quality of work will be demonstrated, and further quality participation in the performance marketing field will be encouraged.

Learn more at thepma.com

ABOUT PWC RESEARCH

PwC Research is PwC's global center of excellence for bespoke research and insight, working with clients to help them build industry-leading insight capabilities and solve their business challenges. Our real-time insight and analytics and unique advisory frameworks help businesses achieve sustained outcomes as they transform in the digital age. For over 25 years, we have been trusted to undertake some of the most prestigious and thought-provoking research in the UK, Europe, the Americas, and Asia Pacific. We deliver impactful and visual insight for global clients ranging from Fortune 500 companies to national governments, informing strategy, driving performance improvement, and supporting change. With the unique ability to connect with subject-matter experts across the PwC global network, we can integrate and embed global citizen, customer, market, and employee insight at the right time within an organization's decision-making.

Our research and insight services include market sizing, insight consulting, market assessment, customer experience, product design and brand, conduct and culture, agile data collection, and thought leadership.

2022 PERFORMANCE MARKETING INDUSTRY STUDY

OUR SPECIAL THANKS TO THESE PMA INDUSTRY CHAMPIONS WHOSE SUPPORT IS CRITICAL TO OUR WORK.