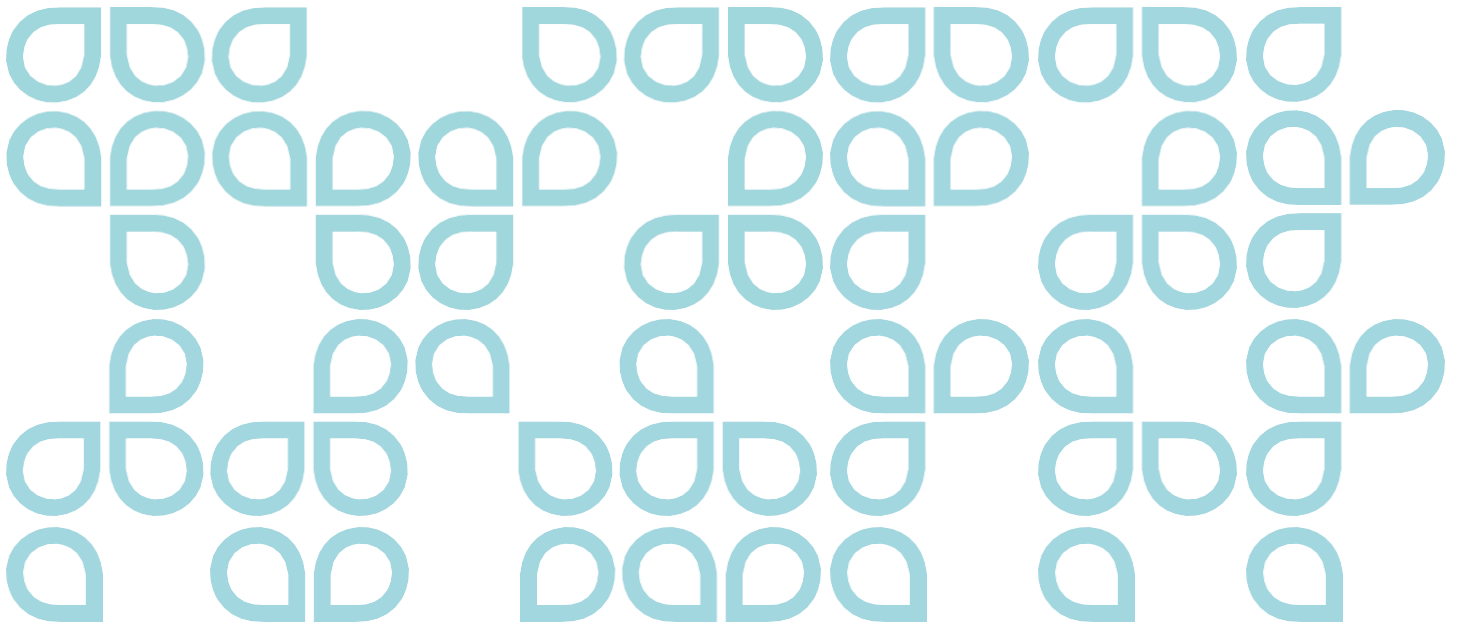




PERFORMANCE **MARKETING** ASSOCIATION



Subnetworks 101: A Guide for Advertisers and Publishers

created by the PMA Compliance Council | Performance Marketing Association

What Are Subnetworks?

In the landscape of digital marketing, subnetworks are dynamic entities that shape the relationships between advertisers (also called retailers or brands) and affiliates (also called publishers, influencers, or creators). Defined as networks within networks, subnetworks serve as intermediaries, facilitating connections between primary affiliates and a diverse array of smaller publishers. Through innovative technology solutions and scalable platforms, they revolutionize the monetization process, offering a plug-and-play approach for content creators and influencers to capitalize on their online presence.

At the core of subnetworks lies the concept of scalability, empowering advertisers to tap into a broader spectrum of partners and reach audiences they might have overlooked otherwise. By streamlining the monetization process, subnetworks bridge the gap between advertisers and publishers, opening doors to new and innovative revenue streams. From traditional affiliate platforms to emerging creator networks, the subnetwork ecosystem encompasses a diverse array of players, each contributing to the evolution of affiliate marketing.

One of the defining features of subnetworks is their role as mediators and arbitrators in the affiliate landscape. Acting as intermediaries, they negotiate deals, facilitate placements, and ensure compliance with advertising standards. Through their collective audience and expertise, subnetworks navigate the complexities of the digital advertising space, advocating for both advertisers and publishers alike. In doing so, they serve as catalysts for collaboration, fostering mutually beneficial relationships that drive growth and innovation.

Moreover, subnetworks serve as hubs of discovery, enabling advertisers and publishers to uncover new opportunities and optimize existing partnerships. Through automation and data-driven insights, subnetworks facilitate targeted connections, allowing publishers to align with advertisers that resonate with their audience. Similarly, advertisers leverage subnetworks to identify high-performing publishers and negotiate deeper, more optimized relationships.

From a technical standpoint, subnetworks operate by joining traditional affiliate programs offered by networks and Software as a Service (SAAS) platforms. Leveraging their own tracking mechanisms and proprietary technology, subnetworks track performance, manage commissions, and distribute revenue among their network of publishers. In this model, subnetworks act as aggregators, consolidating revenue from multiple sources and redistributing it to their partners while retaining a portion for their services.

Advantages for Advertisers in Working with Subnetworks

Efficiency and Scale: One of the primary advantages of working with subnetworks lies in their ability to enhance efficiency and scale. For advertisers managing multiple affiliate programs, the sheer volume of publishers can be overwhelming. Subnetworks serve as efficient intermediaries, providing access to a vast network of publishers, including smaller blogs, niche sites, and media platforms. By consolidating partnerships through a subnetwork, advertisers can streamline operations, reduce administrative burden, and reach a broader audience with minimal effort.

Market Expansion: Subnetworks offer advertisers a strategic avenue for expanding into new markets and territories. Whether entering emerging regions or targeting specific demographics, subnetworks provide access to local publishers and influencers with established audiences. This enables advertisers to penetrate new markets rapidly, generate early traction, and establish a presence in regions where direct relationships may be challenging to cultivate. By leveraging the global reach of subnetworks, advertisers can diversify their affiliate portfolio and capitalize on untapped opportunities.

Data and Insights: Another compelling advantage of working with subnetworks is the access to valuable data and insights. Subnetworks possess a wealth of information on affiliate performance, consumer behavior, and market trends. By analyzing this data, advertisers gain valuable insights into which partners are driving results, which placements are most effective, and which product categories resonate with their target audience. This enables advertisers to make informed decisions, optimize their affiliate strategy, and allocate resources more effectively to maximize ROI.

Effortless Optimization: Subnetworks act as strategic partners in the optimization process, providing advertisers with actionable recommendations and insights to enhance performance. By leveraging their expertise and industry knowledge, subnetworks help advertisers identify opportunities for growth, refine targeting strategies, and optimize campaign performance. Whether through A/B testing, creative optimization, or audience segmentation, subnetworks play a pivotal role in driving continuous improvement and delivering measurable results for advertisers.

Collaborative Expertise: Perhaps one of the most valuable aspects of working with subnetworks is access to collaborative expertise. Subnetworks serve as extensions of advertisers' marketing teams, offering strategic guidance, market intelligence, and competitive analysis. By tapping into the collective knowledge of subnetworks, advertisers gain a competitive edge, staying ahead of industry trends, and adapting to evolving consumer preferences. Moreover, subnetworks foster collaboration and knowledge sharing among advertisers, enabling them to learn from each other's experiences, benchmark performance, and explore new growth opportunities.

Compliance: Quality subnetworks ensure compliance with brand guidelines and regulations through open communication, regular checks, and monitoring. They monitor publisher activities to ensure only authorized placements occur, but acknowledge challenges with publisher transparency. Additionally, they collaborate with brands and agencies to educate teams, share compliance processes, and address changes effectively. This collaborative approach aims to standardize processes and foster transparency, ultimately simplifying partnerships and enhancing compliance efforts.

Concerns and Considerations for Advertisers

As with any business venture, working with subnetworks in affiliate marketing presents its own set of considerations and concerns. While there are numerous advantages to leveraging subnetworks, it's essential for advertisers and agencies to approach these partnerships with a clear understanding of potential challenges and contingencies.

Control and Transparency: One of the primary concerns when engaging with subnetworks is maintaining control and ensuring transparency throughout the affiliate ecosystem. Advertisers and agencies may find it challenging to monitor the activities of sub-affiliates, including their promotional methods and compliance with FTC regulations. Lack of transparency can also pose obstacles to trademark monitoring and brand protection efforts.

Communication and Responsiveness: Effective communication is crucial in subnetwork relationships. Advertisers and agencies should establish open lines of communication with subnetworks to address compliance issues, optimize campaigns, and resolve concerns promptly. However, not all subnetworks may prioritize communication or respond promptly to inquiries, which can hinder collaboration and hinder optimization efforts.

Optimization Challenges: Optimizing affiliate campaigns within subnetworks may present unique challenges compared to direct partnerships with publishers. Advertisers may encounter difficulties in adjusting commission rates, setting up creatives, or implementing specific targeting strategies within the subnetwork's framework. Junior affiliate managers may require additional education to navigate these complexities effectively.

Publisher Transparency and Data Accessibility: Publishers within subnetworks may also face challenges regarding transparency and data accessibility. Some publishers may not receive detailed information about commission levels or conversion data, limiting their ability to optimize their promotional efforts effectively. Lack of transparency from publishers can impede collaboration and hinder campaign performance.

Standardization and Industry Guidelines: The absence of standardized frameworks and industry guidelines in affiliate marketing complicates efforts to establish uniform practices across networks and platforms. While some networks may implement transparency measures such as passing back referring URLs or affiliate IDs, not all platforms may adopt consistent standards. This lack of standardization contributes to variability in tracking mechanisms, reporting metrics, and compliance requirements.

Competitive Advantage and Business Models: Each subnetwork may operate under its own business model and competitive advantage, leading to differences in transparency, communication, and data accessibility. While some subnetworks prioritize transparency and collaboration to foster trust with advertisers, others may prioritize data privacy or proprietary technologies. Understanding the business model and value proposition of each subnetwork is essential for advertisers and agencies to align their objectives effectively.

Despite the challenges, industry stakeholders, including networks, agencies, advertisers, and industry associations like the Performance Marketing Association (PMA), are actively working towards standardization and best practices in affiliate marketing. Initiatives aimed at defining industry standards for metrics, tracking mechanisms, and compliance requirements can help streamline processes and enhance transparency across the affiliate ecosystem.

Pros and Cons for Affiliates in Working Through Subnetworks

One of the primary benefits of working with subnetworks is the efficiency and simplification they offer. For publishers, particularly those just starting out or managing multiple platforms, subnetworks provide a centralized hub where they can access a curated selection of merchants. This curated approach streamlines the process of finding relevant partnerships and eliminates the need to navigate numerous individual merchant programs. This ease of access can be especially appealing for newcomers to affiliate marketing, providing a straightforward pathway to monetization.

Moreover, subnetworks often boast higher commission rates, despite the perception that they may result in diminished earnings due to intermediary fees. By leveraging their relationships with merchants, subnetworks can negotiate competitive commission rates, ultimately benefiting publishers who participate in their programs. This aspect highlights the potential financial incentives of collaborating with subnetworks, particularly for publishers seeking to maximize their revenue streams.

However, alongside these advantages, there are several challenges associated with subnetworks, notably the lack of transparency and tracking limitations. Publishers may find it challenging to obtain comprehensive insights into their performance and audience behavior when relying solely on subnetworks. This lack of clarity can hinder publishers' ability to make informed decisions about content creation and audience engagement strategies, potentially limiting their long-term growth and optimization efforts.

Furthermore, the absence of direct relationships with merchants can restrict publishers' opportunities for negotiation and collaboration. Without direct access to merchants, publishers may miss out on the ability to secure exclusive offers, negotiate higher commission rates, or request custom landing pages tailored to their audience. These limitations underscore the importance of fostering direct connections with merchants, which may offer greater flexibility and opportunities for collaboration.

The Future of Subnetworks

Subnetworks continue to play a vital role in the affiliate marketing landscape, driven by ongoing innovation and adaptation. As the industry evolves, subnetworks are diversifying their offerings to cater to various content creators, from bloggers and influencers to niche publishers. This diversification reflects the growing demand for affiliate marketing solutions tailored to specific niches and audience segments, underscoring the versatility and adaptability of sub-networks in meeting publishers' needs.

Looking ahead, the future of subnetworks in affiliate marketing appears promising, characterized by continued growth, innovation, and specialization. Publishers can expect to see an expansion of niche subnetworks catering to diverse content creators, along with advancements in tracking technology and transparency initiatives. Moreover, as affiliate marketing becomes increasingly integrated into broader digital strategies, subnetworks will likely play a central role in facilitating partnerships and driving revenue for publishers across various industries and platforms.

Ultimately, the evolving landscape of subnetworks underscores their significance as a cornerstone of affiliate marketing, offering publishers a multifaceted platform for monetizing their content and engaging with audiences in an ever-changing digital landscape.

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[View the original source material for this whitepaper, the free webinar entitled Navigating Subnetworks: Strategies for Retailers and Publishers.](#)

Panelists:

- Karishma Parmar, Siteplug
- Christen Evans, Spark Partnerships
- Jacque Wakim, PartnerCentric
- Erin Kristyniak, Partnerize
- Jessica Bishop, The Budget Savvy Bride
- Tricia Meyer, Sunshine Rewards

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