

Internationalization In Affiliate Marketing:
Spotlight Germany

Introduction

The “internationalization” of affiliate marketing is one of the leading 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 business. These challenges include:

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

Part One of this white paper series explored the challenges of internationalization in affiliate marketing in the UK, which you can download from the RevenueWire Tutorial Center. In Part Two of our series, we move southeast to Germany to learn about the business opportunities there for affiliates.

The aim of this white paper is to provide practical details and insights that affiliates can use to develop campaigns in Germany, 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 second installment in this white paper series, *Internationalization In Affiliate Marketing: Spotlight Germany*.

Section 1. Market Study Of Germany

Market Overview

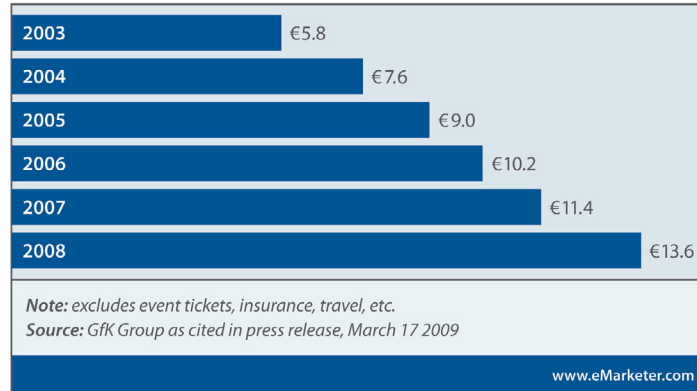
With a population of over 83 million, Germany is the fifth largest economy in the world with a GDP of approximately \$2.504 trillion. It is also, however, one of the slowest growing economies in the European Union at 2.7%. While it is true that many German retailers were slow to recognize the advantages of Internet sales – 30% of German firms selling on the Web last year launched their online stores in 2007 or later – that trend seems to be changing as the German e-marketplace undergoes a new phase of rapid growth.

Online Retail Revenue

Germany is expected to continue to be a major market in European e-commerce for the next 5

years. By the end of 2008, German retail e-commerce sales—excluding event tickets, financial products and travel—reached €13.6 billion (\$20 billion), up €2.2 billion (\$3.2 billion) from 2007.

Retail E-Commerce Sales in Germany, 2003-2008 (billions of €)



Preferred Product Verticals

Computer software is in huge demand in the German online marketplace. Since Germany is a highly educated, technologically advanced country, consumers are very active and discerning in their product preferences.

Interestingly enough, nearly half of all German online shoppers (49%) visit comparison sites first in order to weigh their options and choose the best possible product (Forrester Research, 2009).

Trends In Online Ad Spending

In 2008, eMarketer projects that German online ad spending will reach EU 2.4 billion (\$3.29 billion USD), and growth will continue at double-digit rates year over year.

Paid Search Advertising

Paid search advertising will continue to experience strong and steady growth in spending over the next five years as the popularity of the practice broadens among European marketers. Aided by the ongoing educational and promotional efforts of Google and Yahoo!, and the increasing competition for advertiser Euros from competitive platforms as offered by the likes of MSN and Ask Jeeves, the PPC marketplace is projected to grow at a rate of 28% to reach €2.9 billion by 2010 (eMarketer, 2010). At that point, paid search will represent 44 percent of all online advertising investment in Germany.

Consumer Income Brackets

Data shows that the GNI (Gross National Income) per capita in Germany is \$42,400 US (UNICEF). While Germany lags behind other European countries (UK, France, Spain, and Italy) in terms of economic growth, it has managed to maintain its foothold as one of the strongest economies in the world in terms of gross income.

Internet Reach & Access

As of 2009 there were approximately 55 million Internet users in Germany, comprising 66% of the total population. The German online population has grown steadily from just 29.2% of the total population in 2000 (Forrester Research, 2009).

Germany is the second largest Internet and broadband market in Europe after the UK. Broadband access is used in 44% of all households in Germany.

Internet Usage Patterns

60.8% of occasional shoppers and 72.4% of frequent online shoppers go straight to the search engines to find what they're looking for. 42.3% of occasional shoppers and 56.6% of frequent shoppers in Germany go straight to price comparison portals when they open up their browser (Forrester Research, 2009).

Internet User Demographics

Gender: In 2008 a Postbank report found that the busiest online shopping month for German male consumers was February, whereas it was September for German female consumers. The same study also found that German men as well as the younger age groups are significantly more likely to use online auction sites such as Ebay.de.

Age: In 2009 a total of 34.1 million Germans aged between 14 and 60 bought goods and services online. This represents a rise of 2.2 million customers on the prior year. The statistics include 15.2 million consumers who purchased travel services online and 7.9 million who bought products over the Internet.

Socio-demographic Segments

	Internet users over the past 12 months (%)	Online shoppers over the past 12 months (%)	Increase in proportion of online shoppers from 2005-2010 (%)	Above-average future potential for online shopping for:
Individuals aged 14-69 in total	81	60	+33	CDs, DVDs, computer software, small domestic appliances
Individuals aged 50-69	60	40	+88	Car rentals, computers, medical supplies, food supplements
Secondary level education/non-graduates	69	44	+47	Computers, computer games, books
Non-professionals	62	39	+66	Books, hotels bookings, medical supplies, food supplements

GfK Group, Germany, 2010

Website Preferences

German consumers are usually inclined to buy from German online retailers or websites with native German domains. Based on a study conducted by Postbank, nearly 75% of online shoppers visit retailers with whom they have a previous purchasing history. In such cases, shoppers go directly to the homepages of these businesses to buy direct from the merchant.

Online Payment Preferences

German consumers prefer to pay for online transactions with an electronic direct debit rather than with credit card. 60% of all online purchases are paid for with direct payment. Major accepted methods of payment in Germany include GiroPay, Sofort TuV, PayPal, and Commerz Finanz. Major accepted credit cards are MasterCard, Visa, and American Express.

Privacy and Security

Based on a study completed by Postbank, 77.3% of German e-shoppers have security concerns when purchasing from a new retailer they've never used before. In addition, 77.5% of consumers are concerned about unknown payment methods. If no security advice is provided, 75.2% of German shoppers will abandon the site, product page or shopping cart.

Aesthetic Preferences

German aesthetic sense tends to favor pragmatic qualities, including order, cogency, logic, and ease-of-use in design and graphic presentation.

Social Media

Research shows that social media in Germany lags behind other major European markets and globally compared to the USA and Asia. According to a recent 2009 report from Universal McCann, only 57% of the active Internet users in Germany regularly read blogs and just 50% have created a social network profile.

While Facebook is seeing significant growth, the biggest social network site in Germany is ShuelerVZ, with a community of 7.4 million students from 12 to 18 years old. Professional networking sites (see below) are currently more prominent in Germany.

There are presently some successful social media developments and trends going on in Germany:

- Facebook clone sites such as ShuelerVZ have attracted millions of users
- a LinkedIn rival called Xing has emerged and is getting stronger by the day, boasting 1.69 million users
- Q&A sites have gained footing in the German online space
- The blogosphere in Germany is small but active and opinionated
- Delicious™ bookmarking site is now widespread among online users in Germany

Mobile Web

With approximately 51 million mobile users, Germany is the largest mobile market in Europe. According to ComScore's latest research, the most remarkable statistic is the penetration of mobile applications, which were used by approximately 15 million people last year, or 31 percent reach of the total subscriber base.

About 7.5 million German subscribers access the Web via their mobile browser, while 15 million access mobile services through mobile applications. Growth in this area is being driven by better

data networks; unlimited data plans; consumer adoption of smart phones; availability of more compelling mobile content and services; made-for-mobile Websites; and the availability of useful applications from app stores.

Online Video Advertising & Viewership

Western Europe is the fastest growing market for online video advertising in the world. ABI Research projects that online ad spending in Europe will increase from \$200 million in 2008 to \$2.46 billion in 2012, and Germany, is expected to play a major role in this contributing to this statistic.

The number of German Internet users watching videos online has grown by 10% year-over-year to 28.5 million in December 2008, according to comScore. The same study also found that 77.1% of the total German Internet audience viewed online video, for a total of 223 million hours of video content in 2008. The average online video's duration was 4.1 minutes.

Germany Communications Paradigm

German society, much like the United Kingdom, has an advanced Western Democratic communications paradigm. The Basic Law guarantees the freedom of the press and freedom of opinion. Germany has around 350 daily newspapers with a total circulation of 24 million copies and coverage of 73% of the population, so the general public is highly educated about issues and matters of importance in German society.

Culture-Specific Themes

German culture has two dominant modes. The first is of the populace. It values self-reliance, achievement, independence and individual freedom as primary motivators. It is most common among Germany's youth and educated "liberal" professionals. Autonomy, competition, and non-conformity are also cherished in this part of German culture.

The other dominant part of German culture is very authoritative, top-down, and corporate in nature. It values awards, proof of trust and achievement, and hierarchical modes of communication. This mode is most common among government officials, business executives, and leaders of multinational corporations.

In general, German culture is generally conservative, highly-organized, and implements change at a slow rate. Germans are also known the world over for their steadfast manner and habitual character. That said, they also value independence and strong individual freedoms.

Germany also has one of the world's largest politically active "green" movements in support of current environmental issues. While "green parties" from other democratic nations tend to get marginalized by the voting public, the German Greens have managed to become the strongest in the developed world and have won actual seats in the Bundestag (Germany's parliament). Affiliates can build this type of environmental messaging into their sales materials, by adding elements such as Zero Carbon Footprint Certification and other environmental stamps of merit.

Section 2. Insights For Affiliates

Introduction

Having covered some important facts about the German online marketplace, we will now discuss what these statistics and trends 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 Germany.

Why Germany?

Germany offers several advantages for affiliates.

- A large consumer-oriented populace with disposable income
- Widespread Internet access
- A growing culture of trust around making retail purchases online
- Has the largest active online consumer base in Europe second only to the UK

For affiliates considering getting started in Germany, 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 competition in the coming months as the market picks up momentum, so the sooner you can get your German campaigns up and running the better.

One of the biggest opportunities in Germany right now is in the rapid growth of Mobile Web market penetration. Mobile has already been identified many trend spotters as the future of online advertising, and Germany is leading the rest of Europe in terms of adopting this brave new technology.

Affiliates would benefit from incorporating Mobile-formatted landing pages and sites into all of their affiliate campaigns, and the mobile-activated German consumer is a great audience to start testing on.

Affiliate Marketing Programs

As of present day there are 368 high-quality German affiliate programs listed at Partnerprogramme.com, a leading resource on affiliate marketing for webmasters and merchants in Germany, Austria and Switzerland. Realistically there are approximately 1500 affiliate programs in operation in Germany of varying grade. The majority of them are Pay-Per-Click, outnumbering Pay-Per-Action and Pay-Per-Sale programs by approximately 5 to 1.

Affiliate programs are widespread for certain product categories (especially books, software and telecommunication products). There are German affiliate programs in all product categories. Very few German merchants run their affiliate programs in-house. Of those that do, they rely primarily on American software solutions such as Groundbreak and MyAffiliateProgram.

The German market is dominated by four affiliate networks: Affili.net, Vitrado.de, Zanox.de, and Tradedoubler.com.

Organic SEO

In Germany, SEO is still an underdeveloped part of Internet marketing and on the whole is years behind the global market. It seems that most online marketers and advertisers in German don't have a deep understanding of how it works yet. This means if you invest some time doing organic SEO for your German campaigns, you won't be up against much competition and you'll be able to achieve front page rankings more easily than in other online markets.

Language

German is a West Germanic language and a member of the Indo-European language family. German is spoken by more than 120 million people in 38 different countries worldwide (Wikipedia.org). The primary countries in which German is spoken are Germany, Austria, Switzerland, Liechtenstein, Luxembourg, the South Tyrol province of Italy and parts of Belgium.

Some English words have been taken directly from the German language without any spelling changes at all. Some of these words include: angst, automate, kindergarten, rucksack, and wanderlust. That being said, when you design your affiliate campaign for Germany it is recommended that you hire a professional, native-speaking German translator to adapt your marketing materials in the right tone and taking into consideration cultural nuances in the written word.

Section 3. A Practical Guide to Building Affiliate Campaigns For Germany

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 Germany, including strategies and best practices.

Localizing Your Site

The following are some German-specific localization factors for you to consider.

Text Expansion: When some languages like English are translated into German, the text can expand up to 25%-35%. This means the text takes up more physical space on the page. The words inside the graphics, tool bars, tables, etc. can all expand.

Type Size: Use a slightly larger type size for the source language. That way if the translation expands too much, you can reduce the type size to make it fit.

Tables: Avoid using too many nested fields and indents as these can reduce available space for the expanded, translated text.

Capitalization: German capitalization rules are more stringent than those found in English. Don't use lower case just for stylistic reasons. German requires capitalization of all nouns. "Sie" and its variant are also capitalized in German.

Domain Registration In Germany

DENIC is the central registry for all domains under the top level domain.de. In June 2006, they processed the ten millionth application for .de domain, making it the second to top level domain, after .com.

The DENIC is also offering Internationalized Domain Names (IDN), which is a domain that can potentially contain non-ASCII characters. The introduction of the IDN standard not only permits the German umlaut or diacritic, but also a total of 92 additional characters that range from the French é to the Danish ø, which are now included in .de domains. Unfortunately the German ß are as of yet not included in the IDN standard.

Ten million .de domain users is a significant hurdle to affiliates beginning in the German online space; however, challenges aside, developing a site in German and using a .de domain will ensure that it will be seen by search engines, directories and other sites as a new website. This helps in obtaining additional listings in local directories, as well as The Yahoo! Directory, which will further enhance SEO efforts.

Promoting Through Local Search Engines

German search engines look at both a site's IP address and top-level domains, such as .de, .fr and others. It does not matter where a site is hosted. If it has a .de in the URL, it will be included in search engines as a page from Germany.

The local German search engines favor sites that are in German, hosted in Germany and have the .de in the URL. Make sure that the words used for SEO are not only linguistically correct, but also optimized for the market. Using local language talent to assist with this is suggested. You should also consider partnering with a good German-SEO firm.

Maximizing Your Campaigns

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.

Having a clear navigation and a secured site for online transactions will also help to minimize consumer uncertainty. Consider using calls-to-action that cultivate a sense of choice (for example “Buy without risk”, “Many payment options”, “Free returns”, and “Data protection” as ways to dissipate online buying fears.

Design & Content

When designing creative for the German market, affiliates should emphasize the functionality and practicality of what they are selling, as well as building these principles into their customer experience. Use elements that emphasize achievement, strength, material wealth and success. Highlight the product’s durability and its prominent or differentiating features.

Design your site and landing pages with clean, concise and logical elements. Content should be displayed in logical groupings, with a clean and linear look.

Use design and color schemes based on green, yellow, and blue, as well as any other colors that suggest an eco-friendly attitude.

Top Search Engines in Germany:

- Acoon
- AltaVista
- Fireball
- Freenet.de
- Google
- Lycos
- MSN
- Witch
- Yahoo! Deutschland

Top PPC Search Engines in Germany:

- Google Adwords
- Overture Germany
- Espotting
- QualiGo
- Mirago Deutschland

Useful Links

German Culture.com

www.germanculture.com.ua/library/weekly/aa022699

Forrester Research

www.forrester.com

Internet News.com

www.Internetnews.com

DMeurope.com

www.dmeurope.com/default.asp?ArticleID=15930

Postbank

www.postbank.com/pbcom_ag_home/pbcom_pr_press/pbcom_pr_press_archives/pbcom_press_archives_2004/pbcom_pr_pr601_15_11_04.html