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[Essentials of Software-as-a-Service \(SaaS\) Business.](#)

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Affiliate Marketing vs. Referral Marketing

After harnessing social media to draw attention, SaaS companies often turn to affiliate marketing as a way to **bring leads inbound through partnerships**. Affiliate marketing is sometimes misunderstood, so we'll start by clearly defining what it means in a SaaS context and how it differs from referral programs. Then we'll take a look at how to set up and manage an affiliate program.

- **Affiliate marketing** in SaaS: **External partners** (not necessarily customers) promote your software to their audience; you pay them a commission per sale or lead.
- **Referral marketing** in SaaS: **Existing customers** recommend your software to friends/peers; you reward them (and sometimes the new user) usually with non-cash perks (or sometimes cash).

Let's start with **affiliate marketing**. **It is a performance-based marketing strategy**: a company incentivizes external partners, called affiliates, to promote the product, and in return, the affiliate earns a commission for each paying customer or lead they drive. So, it's a **revenue-sharing model**.

For SaaS businesses, affiliates are typically **bloggers, industry influencers, content creators**, or even **other companies** who have access to an audience that overlaps with the target market.

These affiliates might **write reviews and create tutorial videos**. Or otherwise recommend the SaaS product via special **tracking links** or **codes**. And **when someone in their audience clicks that link and eventually converts - for example signs up for a paid plan - the affiliate gets a predefined commission**.

Referral marketing, on the other hand, refers to programs encouraging **existing customers to refer new users**, typically in exchange for a **reward** like discounts or free premium features.

A classic SaaS referral example is Dropbox's early program where users earned extra storage space for each friend they invited who joined. So referrals leverage personal networks. Affiliates, by contrast, **may not be customers at all** – they are often more like freelance marketers who specialize in promoting products for money.

Both are “inbound channels” in the sense that the leads come to you rather than you directly reaching out. But affiliate marketing stands out because it can **scale beyond your customer base** – you can have hundreds of affiliates even if you only have dozens of customers, especially if those affiliates run websites or social channels in your niche.