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

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Why SaaS Companies Invest in Affiliate Marketing?

Let's explore the reasons why SaaS companies often invest in affiliate marketing.

- **Extended Reach:**

Firstly, there is extended reach. **Affiliates often have audiences you might not easily reach with your own marketing.** For example, a SaaS company offering accounting software could get an accounting blogger to write about them. That blogger's followers trust their content, so a positive review can bring many new prospects.

- **Performance-Based Cost:**

Secondly, affiliate marketing is **cost-effective** because **you typically pay for results like sign-ups, rather than for clicks.** In other words, you're sharing revenue after it's generated. This keeps customer acquisition costs in check. A rule of thumb is that a good affiliate deal is one where you pay an affiliate around what it would have cost to acquire the lead on your own. It means you're not spending more than your usual customer acquisition cost, and often less.

- **Trust and Content Alignment:**

Another reason is trust and content alignment. Many affiliates are content creators who educate or entertain. When they mention a SaaS product, it often comes in a context of useful content. This **contextual recommendation carries more trust** than a random ad. **In fact, customers are much more receptive to affiliate endorsements that feel organic and informative than to traditional ads.**

In a world where consumers see thousands of ads per day they can develop "ad blindness". Younger generations especially Millennials, and Gen Z tend to trust influencers more than brand advertising. A recent analysis found **around 70% of SaaS conversion via affiliates comes from Millennial and Gen Z customers.** These groups believe in the credibility of content creators and review-style marketing.

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- **Scalability:**

Next, an affiliate program **can potentially scale infinitely**: there's no limit to how many affiliates you can have. Contrast this with a direct sales team, which grows linearly with hires. Once you set up a solid affiliate infrastructure, adding new affiliates is relatively low effort. This makes affiliate marketing a scalable channel, especially for products that don't require heavy sales interaction. That said, quality control becomes important as you scale. You want productive affiliates, not just a lot of them.

- **SEO Benefits:**

An often side benefit is that when affiliates promote your product, they usually link to your website. These links can **improve your search engine rankings** if they're from reputable sites.

For example, if 50 different affiliates write articles about your software and link to your homepage, that could boost your SEO authority. Some affiliates might create "review" pages or comparisons that rank in Google and capture search traffic. This is an indirect inbound advantage of affiliate programs: **more web presence** and content about your product across the internet.

Now, while both affiliate and referral programs are valuable, they require different approaches to maximize. Referral programs lean on product integration and customer goodwill. Affiliate programs lean on recruiting the right partners and equipping them to effectively promote your product.



One interesting hybrid approach is what accounting software **Xero** did: they essentially **turned their customers - accountants and bookkeepers - into affiliates**.

Those accountants often recommend accounting software to their small business clients. Xero paid these accountants commissions for every new business client they referred who signed up for a paid plan.

They even offered free certification programs, training courses, and support materials to deepen their expertise. The result was that this tactic helped add over **350,000 subscriptions in one year**.

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It was a smart strategy because who better to promote an accounting software than accountants themselves? It was a win-win relationship. Accountants earned money, built professional credibility, and offered added value to their clients. For Xero gained a scalable, high-trust distribution channel with low customer acquisition costs.

To avoid confusion, Xero called it a referral program, but since they paid commissions to partners who weren't just referring friends but often recommending to their own clients, it functioned akin to an affiliate program. The terminology isn't as important as the concept - leverage those who know and love your product to spread it, whether they're external marketers or existing users.

Now, let's assume we want to build a thriving affiliate program. How do we structure it, attract great affiliates, and ensure it runs smoothly? We'll tackle that next.