

The Importance of Cash Flow with Affiliate Marketing

A Reality Check Report
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"Make money today!"

"Start earning money instantly!"

Sound familiar? These are common claims we see all around the web every day: Especially in the Internet marketing industry. These types of claims are particularly popular when someone's talking about affiliate marketing. What's not talked about often though, is the reality of marketing affiliate products and programs.

Specifically: The reality of cash flow.

Affiliate marketing is one of the easiest businesses to get started with online. It takes practically no time to get set up, and you can earn a lot of money over time. Technically, you actually can start earning money almost immediately by promoting an affiliate program, or even putting AdSense ads on your website. The catch is: No matter how much money you make that first day, you are not going to have that money in your hand... or in your pocket... or even in your bank account for some time. In some cases it may be two to three weeks before you actually get the money in hand. Other times however, it can take two to three months. And it's because of this that most affiliate marketers run into trouble before they've really gotten fully started in their business.

They don't understand the concept of cash flow.

Cash flow is essentially the flow of cash in and out of your hands. You can't pay bills or put food on the table with money you've earned but not yet been paid. If you're earning money but you will not actually receive that money for some time, and you spend money out of pocket in the meantime, you may find yourself in a negative cash flow situation. In other words, you are spending all of your available

cash before you've received any profit you've earned. And it's not uncommon to spend much more than you've earned for the first several months.

Even if you're not spending the cash you have on hand before you receive your affiliate commission payments, you usually still need some sort of cash flow available to get you through the initial startup phases.

Let's say for example, that you decide to put up a website which is promoting a click Bank product. You then decide that you are going to market this site using free techniques such as article marketing. This way you won't have to spend money out of pocket in order to start making money from sales of the product you're promoting.

Now, if it takes you a full week just to get your articles approved then you may see little to no traffic at your new website. And with little to no traffic of course, you're not likely to get anything in the way of sales either. Even if your articles are approved quickly, there can still be anywhere from one to 10 days before you start seeing traffic generated from those articles. And how much traffic you see will depend on many different factors such as how many articles you're writing each day, how often those articles get viewed, and how often people reading the articles click on the link to your website.

If it takes you just two weeks to get the first sale from your new website, you're doing quite well. Depending on when that happens though, it may be a full three weeks before you actually receive the money for that sale. This means you've had to maintain yourself, your website, and your marketing efforts for] at least five weeks. And chances are, the commission you earned from that one sale will not cover five weeks worth of either business or living expenses for you. So essentially, you are still in a state of negative cash flow.

Things can be even worse if you are trying to make money from the Google AdSense program, or affiliate networks who only pay once a month or once each quarter. If you make an affiliate sale on the 5th of July for example, you will not actually get that money in hand for almost 2 months if you're being paid monthly. The same applies for the Google AdSense program. You may earn \$10 in clicks on July 5, but they will not send your payment to you until after August 25th. And even then, they will only send it to you if you have earned a minimum of \$100 before the end of July.

So if you are new to marketing online, and you are looking for a way to start making money quickly, think long and hard about the realities of the word "quickly". There are some products and programs online which will allow you to

be paid much faster. Some actually pay you instantly when a sale is made, and some pay once or twice each week. These are not easy to find however, and they are rare.

If you truly want to start an affiliate marketing business, it's critical that you factor cash flow into your plan. If you have a good handle on your cash flow, you're much more likely to be successful with your business efforts. And that is why a common suggestion is to keep your day job while your business is getting started. You don't technically have to keep your day job though if you have another source of cash flow to keep you going while the business is getting started.

Creating an affiliate marketing business plan is not difficult, but it is a step most people skip, and it can be a step which makes success come that much easier and faster for you.

An affiliate marketing business plan does not have to be large or complicated. You don't need an official corporate style business plan. You simply need a written list of steps to follow and goals or benchmarks to achieve. You also need an exit strategy.

Here is a simple beginners sample that you may find useful:

Business overview: here you write a brief description of what your business will be. For example: "I am starting an online affiliate marketing business."

Business focus: this section could also be called your business purpose, or your business description. Regardless, this is just a brief area for you to clarify exactly what your business is supposed to be doing. For an affiliate marketing business for example, your business focus might be something like: "the primary focus of my business is to connect targeted buyers with relevant sellers."

Notice that as an affiliate marketer it is not your business to sell products. Your business is simply to introduce buyers and sellers. This is an important point many affiliate marketers misunderstand in the beginning. The merchant you choose to promote is the one who should do the primary selling. Your job is simply to find buyers who want what your merchant has to sell. Then introduce them.

Business strategy: this area is where you detail the strategies and techniques you will use to get targeted buyers to your merchant products. Depending on what you choose to do, this area may say that you're going to create pay per click affiliate ads. Or maybe it will say that you'll create a product review page, or a shopping website, or just information-based articles on your website or

distributed around to various other places online. It might also say that you plan to create an e-mail list, or a comprehensive newsletter. It doesn't matter what strategy you choose to use, and this area is also called your marketing strategy. You can plan to use multiple strategies in your business, or you can decide to start with just one or two. [For detailed ideas of successful online business strategies, click here.](#)

Timelines, goals, benchmarks, or milestones: this area should consist of the bulk of your planning. You need to realistically evaluate how much work you can get done in a day, how much time each day you had to devote to the business, and how much progress you can make each week or month.

The timelines and goals section is not just about actions though, it's also about making realistic projections. Actions are important yes, because you need to plan how much work can be done within a specific time frame. If for example, your business strategy involves creating a comprehensive authority website with 100 unique articles and you plan to write those articles yourself, you need to estimate the amount of time you think it will take you to complete all of those articles. You'll also need to plan how much time it will take you to design a website, register a domain, set up your hosting, and deal with any minor tweaks or problems that might arise.

Different business and marketing strategies will require different timelines and milestones.

This is also where cash flow comes into play. You need to create a cash flow timeline that corresponds with your business or marketing strategy timeline.

Using the same authority site example above, if you estimate that it will take you one full week to complete your website design, domain name registration, and miscellaneous other set up steps, then it's unrealistic to think you may have commission earnings in the bank by the end of that first week.

Likewise, if you feel that you will only be able to write one article each day, and you have reason to believe that it will take you at least 20 articles before you start seeing affiliate sales being generated, then your cash flow plan should reflect that you don't expect to earn commissions and profits in the first month of business.

Exit strategy: an exit strategy is generally one of two things. The most common use of an exit strategy, is to decide right from the start how you will extract yourself from the business when you are finished with it. In other words, when you get to a point where you do not want to run this business any longer, what will you

do with it?

A common exit strategy is to simply put the business up for sale. And this is why you do some basic planning of your exit strategy right from the start. If you don't consider your exit strategy when you start, you may not design your business in a way that makes it easy for you to exit from when you're ready. So if you decide you'll sell your business when you're done with it, then you are more likely to set it up in a way that is easier to sell when the time comes.

For very small businesses - particularly an online business or an affiliate business - sometimes the exit strategy is more of a quit point. Eventually, you need to decide at what point will you consider this affiliate business to be not working? Or not working well enough for you? It may not actually be a failure, but you may discover that it's not working as well as you originally thought it might.

If for example, you write 100 unique articles on a targeted niche topic for your website, and after one full year you still have not had even one sale of the affiliate product you're promoting, will you quit and move on? Or will you attempt to promote a different product? Or will you try a different promotional tactic?

These are all important questions to ask yourself right from the beginning. They will help you get a handle on how well you're progressing, and they will also help keep you anchored so that you don't give up too soon. Most people will not decide from the start that if they haven't had a sale in the first week they're going to quit this business and try a different one. That's silly of course, because one week isn't nearly long enough to let everything get into motion.

You do have to take into consideration what you've put into the business though. Just because you feel like you've tried for six months straight, it doesn't mean you actually have. If you write five articles your first day, or start one advertisement and then do nothing for the next six months, you have not followed your plan and you have not actually tried to make your business successful.

So having an exit strategy can help you know what to do and when if the business does not work out as well as you thought it might, even if you have actually given it your all. An exit strategy can also help you set the business up correctly from the start, so that you can easily sell it to someone else in the future.

For a simple starter business plan, the above things are really all you need. A more advanced projection however, which can be quite useful even for someone new to the business world, is what's known as the breakeven point.

The breakeven point is just what it sounds like: when will your business break even? In other words, when in your timeline do you estimate that the business will have earned as much money as as you have spent on it?

If you're actually spending money in the form of advertisement for example, the breakeven point is easy to figure. If you spend \$100 on your business, then as soon as your business has earned \$100 it has broken even. There's no profit, but there's also no longer a deficit. So all you have to do is try to realistically estimate how long it will take for that to happen.

If however, you are investing time instead of money to get your business started, the breakeven point can be somewhat fuzzy. Using our article examples from above, let's say it takes you approximately 1 hour to write one article. You would need to determine what your hourly rate should be before you can determine your approximate breakeven point.

Some people determine their hourly rate based on what they would like to be paid, while others simply use a small number to start with an estimate. For example, if you decide that for now you can consider your hourly rate is \$10 per hour, and you write 20 articles before you start getting sales, then your breakeven point would be \$200. This of course assumes that you only write 20 articles. So if your affiliate sales commission is \$20 then you would need to make 10 sales to breakeven. Thus you would try to estimate your breakeven point based on how long you think it will take you to make 10 sales by writing 20 articles.

Many affiliate marketers prefer to treat the breakeven point as a living point instead. In other words, they prefer to estimate how long it will take them to earn enough money from their affiliate marketing to cover their monthly living expenses. And this can be somewhat easier to do, particularly when you're first starting, because that is a more solid, known number.

If you know that your living expenses total \$1500 every month then you know your affiliate marketing business must earn a minimum of \$1500 per month in order to cover those living expenses. Using this solid number, you may find it easier to create your cash flow timeline, particularly if you mix it with your goals. Because in your written plan, you can simply decide that your target earnings are \$100 a week for example. So the first week you may earn \$100, the second week \$200, the third week \$300, and so on. With these target goals, you'll be able to plan your cash flow accordingly.

You'll know that for the first couple of months, you will need another source of

income to help keep the bills paid. But if all goes well, then by about the 15th week - which is approximately 4 months - the cash flow from your business may be enough to cover all of your living expenses.

Armed with that knowledge, you can now clearly see how long you'll need to supplement your business with cash flow from another source.

If instead you make the mistake of starting an affiliate marketing business with the assumption that you'll be able to pay your bills next month from those earnings, you will most likely be setting yourself up for failure and frustration. So pay attention to cash flow, and work it into your overall plan. Doing so will make you much more successful at a much faster rate.

And just in case you're wondering, these same concepts apply if you choose to sell your own products instead of becoming an affiliate marketer. In fact, cash flow is even more important when you're selling your own products, because you need to keep a cash reserve just in case any of your customers ask for a refund. I'll save those details for another reality check report at a later date. :-)

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