

How much to pay affiliates for referrals, and for how long?

At one time I heard that Insurance companies have determined that an average life insurance policy lasts 17 years, so they pay their salespeople the full first year premiums, plus a small percentage going forward.

ex: Instead of paying a straight x% in perpetuity, what if you paid 50% for the first year then 10% thereafter?

This model was initially designed to measure commission payout for a subscription-based product or service, but for a one-time sale, enter '1' in the Assumptions / Months field.

Referral Payout Model

Assumptions	
Revenue	\$ 100 / month
COGS	15%
Term 1	6 months
Term 1 Payout %	50%
Term 2	12 months
Term 2 Payout %	10%
Term 3	12 months
Term 3 Payout %	0%

Even if you pay 0%, # of months beyond the initial term that you expect sales to continue

Even if you pay 0%, # of months beyond the 2nd term that you expect sales to continue

Months	6	12	12
Revenue / Mo	\$ 100	\$ 100	\$ 100
COGS	\$ 15	\$ 15	\$ 15
Referral Payout / Mo	\$ 50	\$ 10	\$ -
Profit	\$ 35	\$ 75	\$ 85
%	35%	75%	85%

Total	Term 1	Term 2	Term 3	Total	Average
Months	6	12	12	30	
Revenue	\$ 600	\$ 1,200	\$ 1,200	\$ 3,000	\$ 100.00 / month
COGS	\$ 90	\$ 180	\$ 180	\$ 450	\$ 15.00 / unit
Referral Payout	\$ 300	\$ 120	\$ -	\$ 420	14.00%
Profit	\$ 210	\$ 900	\$ 1,020	\$ 2,130	71.00%
%	35%	75%	85%	71%	