Understanding Native Advertising

Dr. Colin Campbell
Kent State University

Tonight’s Talk

• What is native advertising?
• Where did native advertising come from?
• What we know so far
• Where native advertising is headed

What is Native Advertising?

The definition of advertising has never been more unclear.
— Randall Rothenberg, 2013

Ask just about anyone older than age 40 to define “advertising” and the answer would be pretty crisp: 
It involves someone—usually an organization of some sort—paying for the right to display a message of his or her own choosing at a particular space or during a particular time, usually in some form of mass media with the aim of persuasion of some kind. (American Marketing Association [AMA], 2013)

Ask the same question to a millennial, however, and the definition likely won’t be the same. Although the temptation might be to chalk up the response to inexperience, it actually is reflective of the multifarious nature of advertising in the digital age.

Labeling the ways in which people hear about brands used to be simple: If payment were involved in getting the message to consumers, it was “advertising.” If the press wrote the message, it was “publicity.” And if it came from a fellow consumer, we called it “word-of-mouth.”

It’s no longer quite so simple: The Internet—and the effects it has brought along with it—fundamentally have upended the “buckets” in which brand communications were kept. All that is certain online is that forms of brand-related content have multiplied.

Today, a brand can use the Internet to communicate with millions of consumers at no cost. Take Starbucks. More than 35 million people on Facebook have “Liked” the brand. This means that when Starbucks posts a picture to its page, millions of consumers potentially can see it when they next log in to Facebook. Is this advertising in the same sense of the traditional definition? Even though Starbucks did not pay to place this image in front of consumers, is it any less an advertisement than if they had?

Buffeted by falling readership—and corresponding falls in advertising revenue—the news media also blur the definition of advertising. Eager for new ways to make money, news media have found ways to incorporate advertising into their editorial content. In doing so, they are essentially creating new forms of advertising.

Advertisements Just Aren’t Advertisements Anymore

A New Typology for Evolving Forms of Online “Advertising”

For this Speaker’s Box, we’ve asked three researchers and thought leaders for their views on the need for a more standardized typology for Internet advertising:

• Dr. Colin Campbell is a researcher who examines consumer-generated advertising, social media, and consumer engagement. In particular, he has a research and teaching interest in how the Internet affects consumer response to online advertising.
• Dr. Justin Cohen brings a strong industry focus. As the head of Marketing Research at the Ehrenberg Bass Institute, he brings a strong industry focus.
• Dr. Junzhao Ma completes the trio with his experience as—and insight into—big-data marketing analysis and research.

In the words that follow, Drs. Campbell, Cohen, and Ma pool their intellectual-capital resources to explain the rationale for standardizing Internet advertising terminology and provide a number of useful best-practice examples.

Douglas West
Professor of Marketing, King’s College London
Executive Editor, Journal of Advertising Research
Forms of Online Brand-Related Content

<table>
<thead>
<tr>
<th></th>
<th>Brand</th>
<th>Brand and News Media</th>
<th>News Media</th>
<th>User</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid</td>
<td>Social Video</td>
<td>- Publicity</td>
<td>- Editorial Content</td>
<td>- Word-of-Mouth (WOM) - Consumer Generated Content (CGA)</td>
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<tr>
<td></td>
<td>Viral Video</td>
<td>- Branded (Editorial) Content</td>
<td>- Sponsored (Editorial) Content</td>
<td>- Sponsored WOM - CGA Competitions</td>
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<td></td>
<td>Native Advertising</td>
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<td>Paid</td>
<td>Advertorial</td>
<td>- Branded (Editorial) Content</td>
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<td>- Sponsored WOM - CGA Competitions</td>
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<td></td>
<td>Display Advertising</td>
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</tbody>
</table>

What is Native Advertising?

Branded Content

Sponsored Story

Content Marketing

Sponsored Post

Promoted Tweets

Sponsored Content

“Native advertising is a form of online advertising that matches the form and function of the platform on which it appears.”
- Wikipedia, 2015

Native ads: “paid ads that are so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the viewer simply feels that they belong.”
- IAB, 2014

In short…

Native advertisements are ads designed to not look like ads

Where did native advertising come from?
70-85% Click-Through-Rate (CTR)
"The web was made for people and their conversations"

Fournier and Avery, 2011

0.1% Click-Through-Rate (CTR)

The Uninvited Brand
“Brands seem inauthentic; their presence intrusive and out of place.”

Fournier and Avery, 2011

“We’ve moved from a world where the brand set the agenda, to a world where consumers decide if—and when—brands are invited in.”

Fournier and Avery, 2011

“Traditional digital advertising has become wallpaper. It doesn’t improve anyone’s experience on a site and readers, myself included, pretty much look past it.”

— Jason Hill, GE’s Global Head of Media Strategy

Newspaper vs. Google ad sales

- Newspaper print ad sales
- Google digital ad sales
- Newspaper digital ads

In US$ billions
Sources: Newspaper Association of America and Google
Google’s AdWords ads match how people use their search service.
Social media updates from brands match how people want to receive desired info

Marketers quickly realized consumers notice in-stream posts

52%
On desktops, native ads receive more visual focus than banner ads placed in-feed

Sharethrough and Nielsen, 2015

200%
On tablets, native ads receive more visual focus than banner ads placed in-feed

Sharethrough and Nielsen, 2015
Why such a strong reaction to The Atlantic’s native ad?

1. Breaking the separation of “Church and State”
Do you think a news site loses credibility if it runs articles sponsored by a brand?

- Yes: 59%
- No, business is business: 18%
- No, so long as the articles are good: 24%

Sponsored content is viewed by nearly half of business and entertainment audiences as enhancing the value of the overall website experience.

The value-add to the overall website experience is higher in the business and entertainment media verticals compared to the general news vertical—where the research demonstrated clearly that there is a higher bar to successful sponsored content execution.

1. Breaking the separation of “Church and State”

2. Disclosure

Source

Advertising Aim
Do you trust sponsored content?

- I generally trust sponsored content
- Only if I trust the publication it runs on
- Only if I trust the brand already
- No, I generally don't trust it

Contently, 2014

Argsments Fly During FTC Workshop on Native Advertising

Ad Industry Mourns Vigorous Defense in D.C.; Detractors Including Bob Garfield Blast Practice

The advertising industry descended on Washington, D.C., today, mounting a vigorous defense of so-called "native" advertising at a workshop hosted by the Federal Trade Commission to scrutinize the practice.

"As consumers, we stated saying: when we went online, things we that weren’t sure what they were," said Mary Ing, the FTC’s associate director for advertising practices, in reference to native ad repetition to editorial content, comments about deception, the said, sparked the FTC’s interest.
Regardless of native advertising unit type, the IAB advocates that, for paid native ad units, clarity and prominence of the disclosure is paramount.

The disclosure must:

- Use language that conveys that the advertising has been paid for, thus making it an advertising unit, even if that unit does not contain traditional promotional advertising messages.
- Be large and visible enough for a consumer to notice it in the context of a given page and/or relative to the device that the ad is being viewed on.

Simply put: Regardless of context, a reasonable consumer should be able to distinguish between what is paid advertising vs. what is publisher editorial content.

Have you ever felt deceived upon realizing that an article or video was sponsored by a brand?

<table>
<thead>
<tr>
<th>%</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.6%</td>
<td>Yes</td>
</tr>
<tr>
<td>25.8%</td>
<td>No</td>
</tr>
<tr>
<td>7.6%</td>
<td>Not seen sponsored content</td>
</tr>
</tbody>
</table>

Contently, 2014

What does the label “Sponsored Content” mean when you see it on an online news article?

<table>
<thead>
<tr>
<th>%</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>That a sponsor wrote the article</td>
</tr>
<tr>
<td>18%</td>
<td>That a sponsor paid for its name to appear next to existing content</td>
</tr>
<tr>
<td>20%</td>
<td>That the news site wrote it, but a sponsor’s money allowed it to happen</td>
</tr>
<tr>
<td>48%</td>
<td>That a sponsor paid for and influenced the article</td>
</tr>
</tbody>
</table>

Contently, 2014

Levels of Disclosure

- Missing (or Ineffective) Disclosure
Levels of Disclosure

- Implied Disclosure
- Missing (or Ineffective) Disclosure

Levels of Disclosure

- Explicit Disclosure
- Implied Disclosure
- Missing (or Ineffective) Disclosure

How likely are you to click on an article sponsored by a brand?

- 70%
- 52.5%
- 35%
- 17.5%
- 1%
- 33%
- Not as likely

- More likely
- Just as likely

Contently, 2014
Levels of Disclosure

- Consumer Opt-in
- Explicit Disclosure
- Implied Disclosure
- Missing (or Ineffective) Disclosure

So is all native advertising bad?

No.

In fact, good native advertising can be well-received.

What makes a native ad “good”? 
1. Fitting with the form and function of the site

Native ads: “paid ads that are so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the viewer simply feels that they belong.”

- IAB, 2014

2. Disclosure not deception

Levels of Disclosure

- Consumer Opt-in
- Explicit Disclosure
- Implied Disclosure
- Missing (or Ineffective) Disclosure

3. Offering value
3. Offering value

**Information**

**Entertainment**

**Over the past three decades, the number of**

Women inmates: Why the Male Model Doesn’t Work

By Heidrun Drechsel

TV GOTT BETTER

Difficult men and brilliant women turning popular culture into culture

By Grant McCracken

Mindy, 34

About Mindy

Tiny doctor in a big city looking for love, friendship, or a donut that’s so good it’s spiritual. I’ve got a Reese’s Whipped cream, and Frank Sinatra is more my summer than I am. Looking for the Channing Tatum to my “girl from Step Up.” Please note, if you’re a high-powered professor of a woman who has it all but only recently figured her DVR, do more research and tune-in to THE MINDY PROJECT this Tuesday at 9:00/8c on FOX.
In short…
Native advertisements are ads designed to not look like ads

To revise…
Native advertisements are ads we’re aware of, but don’t mind

Conclusions

Deceptive Ad < Ineffective Ad
Deceiving consumers into reading ads is short-sighted.

Ironically, native ads seem to both depend on trust in the publisher and brand, yet also erode it.

Consumers generally don’t mind relevant and informative advertising.

Native ads, by their very nature, can be incredibly targeted and thus highly relevant.

The Future of Native Advertising
$4.3B  
Estimated Native Ad Spending in 2015

$8.8B  
Estimated Native Ad Spending in 2018