

KNOWLEDGE AT HAND

| Native Advertising

October 2018 (Updated)

Executive Summary

During the last decades, new technologies have provided new platforms to consume media - and to reach consumers with marketing and advertising messages. Today, new media, devices, and platforms make it possible to reach consumers with print, audio, and video messages in new ways.

As new advertising platforms are entering the marketing landscape, a range of new strategies and formats have been developed, *primarily for digital and mobile media*. This report's focus is on ad forms usually referred to as "native", for which eMarketer (2018) and others have shown strong growth and predict further increases.

The new formats are based on principles of advertising and consumer behavior that have been employed successfully for decades. "Native" ads, product placements on TV, and print "advertorials" share the principle that commercial messages that align with the format and content of the medium are less disruptive and more likely to be noticed - often precursors of sales impact.

"Native" ads are most often defined as *paid media* designed to match the style and content of a platform in order to appear seamless to the user. However, given the many new strategies and formats, it is not surprising to see some lack of agreement on the definition for "native" ads and other new marketing tools.

Native ad formats are of particular interest to marketers since they have often demonstrated success in addressing the problem of ad avoidance and can provide more effective targeting. Further, there is growing evidence for branding and purchase intent effects.

The ARF encourages innovations in ad formats as its "How Advertising Works" project has established that formats which have been customized to a platform - the hallmark of "native" - are likely to be more effective than ads from another platform that have simply been repurposed.

As media, devices, advertising platforms and consumer behaviors continue to evolve, the ARF recommends that marketers continue to innovate and explore how to customize advertising to the new platforms and conduct research that enables them to make evidence-based decisions on how to optimize "native" advertising and other strategies and formats.

Defining “Native” Ad Formats

There is no central authority that tells us how to define new marketing tools. (Which is probably a good thing.) Consensus usually emerges over time and we seem to be getting closer to that point: Definitions for “native ads” differ, but they agree on key elements: **“Native” means paid ads that are customized to the platform to match its style and content.** Here are two examples:

The Native Advertising Institute: Native advertising is paid advertising where the ad matches the form, feel and function of the content of the media on which it appears. Many formats fit this definition. Some of the most common are Advertorials in newspapers and magazines, Advertiser funded programming on broadcast and Promoted or sponsored posts on social media like Facebook, LinkedIn and Twitter.

Sharethrough: Native advertising is a form of paid media where the ad experience follows the natural form and function of the user experience in which it is placed. Native ads match the visual design of the experience they live within, and look and feel like natural content. Native ads must behave consistently with the native user experience, and function just like natural content.

A review of discussions about “native “ formats (e.g., IAB, 2013; Fulgoni et al., 2017; Asmussen et al., 2018) shows that some differences in definitions stem from the fact that some focus entirely on digital platforms; others see “native” as an ad form that can be found in all media, on all platforms.

There is another reason for differences in definitions: As there are many new platforms with different designs, content, and consumer use patterns, customized marketing strategies are not standardized (like 30 second commercials, for example). “Native” ads vary with each platform’s characteristics and the content in which they are placed.

This point is well illustrated by the IAB’s “Native Advertising Playbook” which identifies six categories of “native” ad types commonly used: “In-Feed”, “Paid Search”, “Recommendation Widgets”, “Promoted listings”, “In-ad”, and “Custom”. This [link](#) provides examples of each type.

“Native” ads, Branded Content and Content Marketing

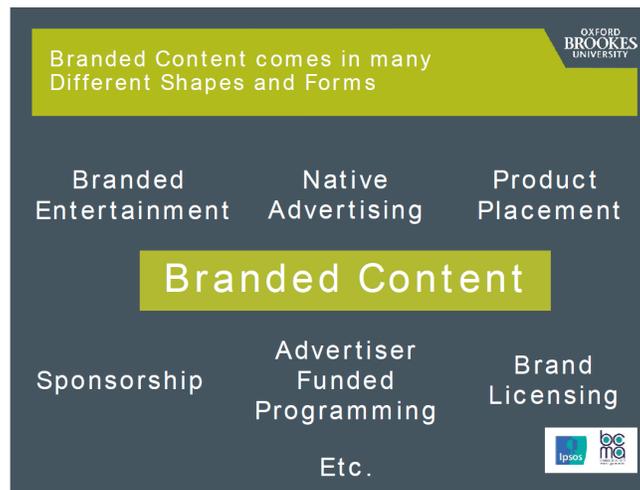
Most marketers classify “native” ads as a type of **“Branded Content”**, as discussed by Fulgoni et. al. 2017 and illustrated in the chart by the Branded Content Institute (Asmussen et al., 2018).

“Branded Content”, it should be noted, is different from **“Content Marketing”**. The Content Marketing Institute lists half a dozen of definitions; they offer this “formal” definition:

Content marketing is the marketing and business process for creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience - with the objective of driving profitable

customer action. A content marketing strategy can leverage all story channels (print, online, in-person, mobile, social, etc.), be employed at any and all stages of the buying process, from attention-oriented strategies to retention and loyalty strategies, and include multiple buying groups.

The main difference between “Native” and “Content Marketing”, then, is that the latter is *not* a paid ad, but rather content owned by the brand. What both have in common is that marketing messages are integrated into the platform style and content and that there are ambiguities in the definitions stemming from the large number of different marketing strategies and formats that are being developed to reach and impact audiences on the many, often new, marketing platforms (Hwang & Jeong, 2018).



Research on the Effectiveness of “Native” Ads

Throughout the 1950’s and 60’s market researchers were focused on researching television commercials. The ARF library contains dozens of research reports and sales brochures addressing issues such as: are TV commercials shown in the morning effective? Do commercials in color work better? In other words, the ad forms which today strike us as well-established had to be developed, tested and their effectiveness had to be researched. This, of course, is also true of today’s new ads forms – those developed for new platforms (such as mobile) as well as innovations for “traditional” media (such as short ads on TV).

The research needs of the past appear simple compared to today’s: Instead of establishing the impact of and the best ways to employ a couple of standardized formats we need to do the same for at least six types of “native” ads (per the IAB’s classification) in vastly different environments. Marketers are asking: How should “in-feed units” on Facebook differ from those on Twitter or BuzzFeed? And is my Facebook ad more effective if the creative and message are coordinated with my TV campaign? Which kind of “promoted listing” is most effective on Amazon, which one on Google? How do we best customize a “native” ad for a print and a web version of the same magazine?

The list of questions seems endless. No wonder, then, that the research evidence regarding the effectiveness of “native” ads is not yet conclusive. But there is a silver lining: Not only is there a fast growing body of research, the studies of the past, although dealing with different ad formats and different media, help explain the new findings:

As discussed, “native” advertising is paid advertising where the ad matches the form, feel and function of the content of the media on which it appears. That key element of the format has been employed successfully for decades in product placements on TV, in print “advertorials”, and through radio DJ endorsements. Research has shown that commercial messages that align with the format and content of the medium are seen by the consumer as less disruptive, are more likely to be noticed. In addition, studies have shown positive branding, purchase intention, and also sales effects.

For more detail on the research on the impact of such alignments see [Stipp \(2018\)](#) and the [ARF’s “Knowledge of Hand” on Context Effects \(2018\)](#).

The available research evidence on “native” ads confirms these principles. Studies have shown that consumers see “native” ads as less disruptive and are likely to pay more attention to them. As a result, findings are most positive for upper and middle funnel metrics, such as awareness, recall, click-through rates, brand awareness and brand liking, but there is also growing evidence for sales related metrics (Wong, 2014; Olenski 2015; Wright, 2015; IPG Media Lab/Weinroth, 2016; Fulgoni et. al., 2017; Nativo, 2017; Bella, 2018; Fried & Yadav, 2018). Consistent with past research on advertising effects, creative quality has been shown to be a crucial factor for “native” ad impact (Hwang & Jeong, 2018).

The principles underlying “native” advertising also mean better targeting: “native” ads don’t just target a certain demographic, they can zero in on specific consumer, product, and brand preferences as well as emotional and psychological factors that impact consumer response.

It should be noted that most researchers agree that the impact of “native” ads should not simply be measured in the same way as other ads, e.g., TV commercials. Dawson and Sharp (2015) and Hosford (2017) point out that different metrics are needed to capture the unique effects of “native”. However, Fulgoni et. al. suggest to also use “standard” measures, because it promotes “cross-media comparability and invites branded content into the marketing mix” (2017, p. 365).

Further, as “native” ads are specifically designed to take advantage of each platform’s unique features, and consumers’ usage of that platform, marketers have to create new advertisements to fit different platforms. This raises the question: is it worth creating different ads for different platforms and contexts?

This is a serious consideration. In fact, not all advertising on new platforms is customized. Video ads are often repurposed, primarily from TV. Based on extensive research, the ARF has concluded that *customization* to the platform

usually results in more effective advertisements. Therefore, showing TV ads on other platforms, i.e. mobile, is rarely optimal. Also, while shortening a TV ad can produce good results on mobile, ads specifically developed for a platform are usually more effective (Snyder & Garcia-Garcia, 2016).

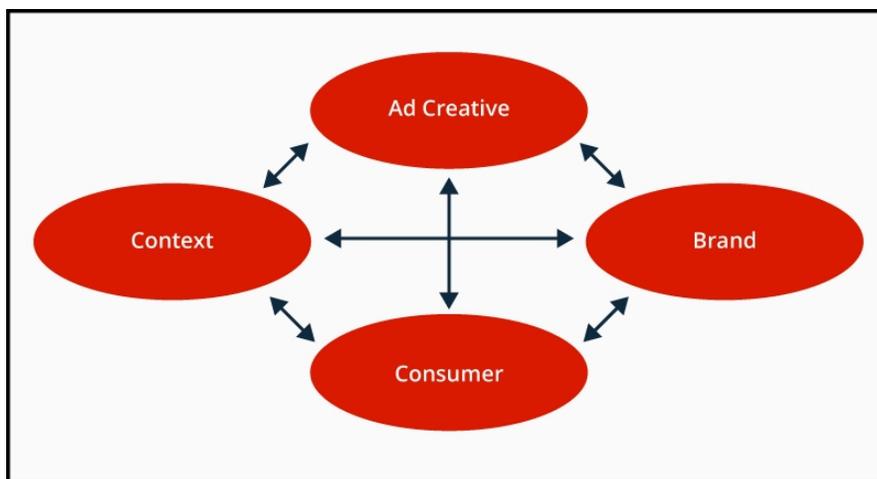
Finally, while matching the style and content of a platform and appearing seamless to the user is essential to the success of “native” ads, this strategy does have a downside and can invite trouble – from the FTC and the consumer.

The FTC has issued guidelines that require marketers to make “clear and prominent disclosures” to ensure that “native” advertisements are readily identifiable to consumers as an ad (FTC, 2015). Surveys show that many consumers do indeed report feeling deceived by sponsored content that they did not recognize as advertising (Lazauskas, 2014, 2016). On the other hand, in such surveys as well as studies on “native” ad impact referenced earlier, many, if not most consumers express a preference for “native” formats over traditional ads (Wright, 2015; Lazauskas, 2016; Noble & Steuer, 2018). As a result, marketers are still debating and testing how to find the right balance.

Best Practices

We found that the research on the effectiveness of “native” ad formats, especially with regard to sales effects, is not yet conclusive. Still, the ARF thinks that the evidence – both the established knowledge regarding TV, print, and radio advertising formats that are aligned with the format and content of the medium, as well as the findings from new studies on digital platforms - allows a number of best practice recommendations.

- The success of “native” ad formats is largely determined by how well the creative is aligned with the context, the brand, and consumer interests. As each platform is different and most are targeted to specific consumer interests, it is important to think of “native” not as one ad format, but as a range of formats.



- As with all advertising, marketers should select targets, media, and platforms that are best for their objectives. The additional step for “native” is effective integration: content should be personalized for the viewer, optimized for the device, and related to the context of the page or article. Research should be conducted to optimize to each platform and context.
- “Native” formats allow marketers to go beyond traditional consumer targeting and achieve a closer connection with their target. Marketers should consider their target’s preferences for platforms, media brands, and content as well as what drives the target’s interest in the product and the brand when they develop creative for a “native” campaign.
- Be transparent: make clear that the ad is sponsored content. Research can find the optimal balance between alignment and transparency.

Finally, marketers should continue to develop and conduct research on new ad formats. Since media, devices, advertising platforms as well as consumer behaviors are always evolving, marketers have to innovate and explore how to customize advertising to the new platforms and also fine-tune their multi-media strategies which typically employ “traditional” as well as new formats. Marketers need this research to enable them to make evidence-based decisions on how to optimize “native” advertising and other strategies and formats.

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SELECT RESOURCES

- Content Marketing Institute: <http://contentmarketinginstitute.com/>
- Branded Content Marketing Association: <http://www.thebcma.info/>

- Native Advertising Institute: <https://nativeadvertisinginstitute.com/>
- IAB Social Media, Native Advertising, and Content Marketing Hub: <https://www.iab.com/guidelines/social-media-native-content/>

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