2017

Native Advertising: A Close Look at an Emerging Advertising Unit

David Kamerer
Loyola University Chicago, dkamerer@luc.edu

Author Manuscript
This is a pre-publication author manuscript of the final, published article.

Recommended Citation

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Native advertising: a close look at an emerging ad unit

David Kamerer

serves as associate professor in the School of Communication at Loyola University Chicago, where he teaches courses in digital media, measurement and public relations. He is a former corporate director of communication, and has consulted for nonprofit organizations, startups, agencies and small businesses. He earned the Ph.D. in Telecommunications from Indiana University and has earned accreditations from the Public Relations Society of America (APR) and Google (Google Analytics Individual Qualification). He blogs at davidkamerer.com.

Abstract

This study is a content analysis of a random sample of in-feed native ads, as curated by the Sharethrough Native Advertising Leaderboard.

A native ad is paid content that looks like organic content and is served in the same feed. Native ads can earn premium CPMs for publishers, while giving advertisers a “lean in” format that online readers may actually enjoy.

What are these native ads like? They utilized a mixture of assets including text (almost all), photos (an average of five), videos (almost half had one or more), interactive elements (20 percent) and GIFs.

Only 75 percent of ads were disclosed, with a wide range of disclosure words, placement or graphic treatments used to communicate the disclosure.

The ads also used diverse persuasive approaches. Thirty-four percent of ads in the sample contained either no mentions of the brand or just one mention. While some ads were written with clear calls to action, a few had none and two-thirds had only one.

Many of the native ads in the sample used linkbait headlines, almost 40 percent used listicle headlines, and only a few used descriptive, or journalistic, headlines.

Keywords

Native advertising, ads, digital, display, banner, paid influence, disclosure
INTRODUCTION

It wasn’t up for long, but it was the ad seen ‘round the world: entitled “David Miscavige Leads Scientology to a Record Year,” it was posted to the website of The Atlantic monthly at 12:25 p.m. on Jan. 14, 2013. It came down less than 12 hours later, around 11:30 p.m.¹

What went wrong? Almost everything. The puff piece on the controversial organization rankled the mostly-liberal Atlantic readers. The content was not aligned with what readers expected. Comments appeared to be closely moderated — or scrubbed, said some. And what really bugged some people: the dang thing was an ad – mixed right in with the articles.

The Atlantic apologized to its readers:

We screwed up. It shouldn't have taken a wave of constructive criticism — but it has — to alert us that we've made a mistake, possibly several mistakes. We now realize that as we explored new forms of digital advertising, we failed to update the policies that must govern the decisions we make along the way. It's safe to say that we are thinking a lot more about these policies after running this ad than we did beforehand. In the meantime, we have decided to withdraw the ad until we figure all of this out. We remain committed to and enthusiastic about innovation in digital advertising, but acknowledge—sheepishly—that we got ahead of ourselves. We are sorry, and we're working very hard to put things right.²

What led to this debacle? As readers have moved online, publishers have struggled to find ways to generate revenue. The Internet is a boon to consumers, but also has disrupted the economics of publishing. The main revenue play online, banner ads, have failed miserably. The average cost per thousand (CPM) online is low, around $2.52.³ This is in part because almost no one clicks —
industry average click rates hover around .06 percent – less than one click per thousand impressions. On mobile devices, the largest category of clicks can be attributed to “fat fingers” that mistakenly trigger an ad. And consumers have declared war on obtrusive ads that push over, under and through the screen, junking up the online experience. In the last year alone, ad blocking grew 41 percent, reaching 198 million consumers.

What of other revenue streams? A few publishers, such as the New York Times and The Wall Street Journal, have had some success with subscribers paying for their subscriptions. Many blogs or other “pure play” digital sites have cashed in their influence for revenue. One approach brands use is to ply the blogger with free goods or trips in hopes they will write positive things about them. Many do; but often these raves are not disclosed to the reader, per US Federal Trade Commission standards for commercial speech. Companies such as IZEA and Adly have sprung up in this space to organize campaigns among these influencers. Another approach, the affiliate program, puts money in the pocket of a blogger or publisher when the reader clicks on or purchases an item on another site. Perhaps the largest affiliate program is run by Amazon.com; there are also many others that function in vertical industries, such as rewardstyle.com, which works with fashion bloggers.

Native ads are not new. For many years companies have paid for product placements in television shows (“Captain Kangaroo says Schwinn bikes are best”) or movies (James Bond is closely identified with Aston Martin and Omega,
but more recently he’s been seen driving a BMW and drinking a Heineken, all paid placements). While the US Federal Communication Commission frowns on it, radio or TV hosts often sell from the studio chair or in live remotes.\(^9\)

It makes sense that it was an Internet company, Google, which built most of its revenue from a kind of native ad – the paid search options that run on the top and right side of a search engine results page, and the paid recommendation widgets that accompany some searches for consumer products. While some people may not consider these to be native ads, they blend paid and organic content in a feed, the very definition of a native ad.

To a publisher, native ads seem to be manna from heaven. While publishers are tight-lipped about rates, native ads command much higher rates than banners. The actual cost is difficult to ascertain, because native ads may be bought as part of a retainer package and production costs may be included, so a CPM value isn’t directly comparable. One study shows the entry price of a native campaign on Time.com at $200,000, Buzzfeed.com at $100,000 and Realsimple.com or CNet.com at $30,000.\(^{10}\)

More importantly, native ads are also a “lean in” format – people do often want to read or engage with them. They’re not subject to ad blocking. They translate well to the mobile experience. They offer an earned media bonus, since many people share native ad content on social channels. In sum, native ads are the ad unit that most resembles the organic content that people want to consume.
Many native ads have worked well for their sponsors, and also have been embraced by publishers and readers. One example that has received wide praise is “Women Inmates: Why the Male Model Doesn’t Work,” an ad for the Netflix series “Orange is the New Black” and published by the T Brand Studio at the New York Times. This ad aligns more with the content one expects to find in the Times, and Times readers are also likely to be Netflix subscribers. It’s a long-form journalistic piece, related to the theme of the Netflix show, with three videos, two motion graphics and numerous infographics and high resolution photos included. It is disclosed at the top with the words “paid post” on a light blue bar, with a Netflix logo and a T Brand Studio logo just below. At the bottom, also in a blue bar, are the words “The news and editorial staffs of The New York Times had no role in this post’s preparation.”

Said Steve Rubel, chief content strategist at Edelman, “Instead of, ‘Watch my show and here’s why it’s great,’ it gets you into a bigger narrative that a Times reader might want to know more about.” Times reporter David Carr tweeted, “All brand-sponsored journalism does not suck. Witness this peach by @mdeziel on women in prison. From Netflix, natch.” Other journalists, ranging from NBC to The Hollywood Reporter, also tweeted enthusiasm for the piece.

The Times’ public editor, Margaret Sullivan, wrote about native ads in late 2015, revealing that at the Times Native ads accounted for 18 percent of digital advertising revenue in the third quarter of the year, or about nine million dollars. This, she said, was up from 10 percent of digital in the previous quarter.
Disclosure issues

As social media have become more commercial in nature, the US Federal Trade Commission has asserted its authority to regulate this new kind of commercial speech. One incident involved retailer Ann Taylor Loft, which invited bloggers to a preview party for their summer line of clothing. The bloggers were encouraged to write about the event with a chance to win gift cards with the retailer. The FTC advised Ann Taylor Loft that it is their duty to encourage disclosure of the material connection when bloggers are paid to write about their products in spaces that are generally considered by readers to be non-commercial in nature.\(^\text{15}\)

After several similar cases, the FTC released a set of guides to help both advertisers and publishers understand their responsibilities in this “grey” zone between organic and paid content. The guides said in part:

\[\ldots\] an endorsement means any advertising message (including verbal statements, demonstrations, or depictions of the name, signature, likeness or other identifying personal characteristics of an individual or the name or seal of an organization) that consumers are likely to believe reflects the opinions, beliefs, findings, or experiences of a party other than the sponsoring advertiser, even if the views expressed by that party are identical to those of the sponsoring advertiser. The party whose opinions, beliefs, findings, or experience the message appears to reflect will be called the endorser and may be an individual, group, or institution.\(^\text{16}\)

Native ads are successful, in part, because they blur the lines between organic and paid content. When the disclosures are minimal, the advertiser gets the benefit of reader confusion as to whether it is a commercial or organic
message. For example, one study found click through rates were 57 percent higher when native ads were set off with faint colors, compared with bright colors. The study also found that click-throughs were 64 percent higher when the disclosure words were in the same font as the body copy, compared to a contrasting font. However, this comes at a cost to the publisher in terms of brand equity – that, when found out, readers are less likely to trust the publication. Conversely, large, prominent disclosures help protect the publisher, but advertisers won’t get the benefit of reader confusion.

This kind of confusion is common across the Internet, where information is presented to audiences in ever-changing formats. Even Google results can be confusing. A British study found only 31 percent of 12- to 15 year-olds could tell the difference between organic and paid search results on the Google platform. With native ads, one study found, “on nearly every publication we tested, consumers tend to identify native advertising as an article, not an advertisement.” Additionally, the study found “62 percent of respondents think a news site loses credibility when it publishes native ads.” The study also found that 48 percent of respondents felt deceived when they realized that content was sponsored, rather than organic.

One reason for this confusion is that there is no standard for disclosure for native ads. Some ads are disclosed at the top, some at the bottom, some with text and some with graphics. The actual disclosure words vary widely. And some ads are not disclosed at all.
Kinds of native ads

The concept of “native ad” is broader than many people realize. The general idea is that the commercial content appears in the feed of the targeted consumer. There are many ways to do this. According to the Internet Advertising Bureau, “… most advertisers and publishers aspire to deliver paid ads that are so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the view simply feels that they belong.” The IAB has identified six kinds of native ads:

1. In-feed units. Examples include the Atlantic Monthly Scientology ad, or the New York Times Brand Studio ad for Netflix: Orange is the New Black. This is what many people think of when they hear the phrase “native advertising.”
2. Paid search units – such as Google AdWords
3. Recommendation widgets – Market leaders here are OutBrain and Taboola; these ads are often at the bottom of the page, headlined with phrases like “from around the web” or “you may also like” followed by links to a handful of sponsored stories.
4. Promoted listings – such as seen on ecommerce sites like Amazon.
5. In ad (IAB standard) with Native Element units – for example, when someone searches for soup recipes on a website, and sees a Campbell’s Soup ad on the page, with recipes.
6. Custom/”can’t be contained” – because the digital world is flexible and rapidly evolving.

This study is an early look at only the first type, in-feed native ads. This type of ad is what most people think of when they think of native ads.
METHOD

The sample for this study was taken from the Native Advertising Leaderboard, published by Sharethrough. This site curates native ads with additional metadata on their performance. (The database was removed from public view in February, 2016, when Sharethrough redesigned its website).

The sample consisted of only “in-feed” native ads. Native ads that consisted of only a video were excluded.

At the time of data collection, there were 3,800 native ads on the database, located at http://www.nativeadvertising.com/. The time filter was set to “all time” and the “content type” filter was set to “article.” Using a systematic random sample technique, we created a sample of 346 native ads. Of these, the top 100 – based on their impact score and social sharing - were coded and used in this study. The sample was drawn on Nov. 10, 2015.

Five coders were trained in a two-hour session. Intercoder reliability was assessed through the coding of two ads from outside the sample. The online tool ReCal was used to calculate agreement with Krippendorf’s Alpha. Agreement for the first ad was .952; for the other ad, agreement was .901. According to Krippendorf (2004), social scientists commonly rely on data with reliabilities $\alpha \geq .800$, consider data with $0.800 > \alpha \geq 0.667$ only to draw tentative conclusions, and discard data whose agreement measures $\alpha < 0.667$.

Coders recorded information on the performance of the ad, including a score calculated by Sharethrough, and information about social sharing which
was collected through the various APIs of the ad platforms. The attributes of the ad – including disclosures, amounts and types of content, and calls to action – were also recorded.

Data were keypunched into Excel spreadsheets, were combined into one file, and imported into SPSS for analysis.

RESULTS

Who were the publishers and advertisers in our sample? Figure 1 shows a word cloud of the most prominent publishers in the sample. Mashable (24 ads), Forbes (18) and Buzzfeed (17) were most represented. Also represented were native ads served by social media sites such as Someecards, Upworthy and Cracked, and news sites, including The New York Times, Slate and Huffington Post.
The brands (advertisers) represented in the study are presented as a word cloud in Figure 2. There is greater diversity of brands than publishers in the study. Technology brands were predominant; the most popular brands were Lenovo (7 ads), Virgin Mobile (4) and Oracle (4).
Social Sharing

Unlike most other ad units, native ads can reach a bonus audience through social sharing. While the total audience for each ad on its platform is private information, this form of earned media exposure on social channels is captured by the Sharethrough API. The measured platforms were Facebook, Twitter, LinkedIn, Google Plus and Pinterest.
The ads with the greatest overall social sharing were:

<table>
<thead>
<tr>
<th>Headline</th>
<th>Publisher</th>
<th>Sponsor</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>This girl can</td>
<td>Sport England</td>
<td>Youtube</td>
<td>210239</td>
</tr>
<tr>
<td>How Humans Of New York Story Turned Into A Class Trip to Visit Harvard-$1 million</td>
<td>Wyndham</td>
<td>Upworthy</td>
<td>50999</td>
</tr>
<tr>
<td>Seven Bridal Parties Who Totally Nailed Mismatched Dresses</td>
<td>Nordstrom</td>
<td>Huffington</td>
<td>33533</td>
</tr>
<tr>
<td>10 Must Have Apps for Dog Owners</td>
<td>Purina</td>
<td>Mashable</td>
<td>21867</td>
</tr>
<tr>
<td>My favourite type of girls night out is when we get drunk and stay in</td>
<td>Film District</td>
<td>Someecards</td>
<td>18058</td>
</tr>
<tr>
<td>Cocainenomics</td>
<td>Netflix</td>
<td>Wall St Journal</td>
<td>15267</td>
</tr>
<tr>
<td>Grit and grace: the intense practice and inexorable passion it takes to master ballet</td>
<td>Cole Haan</td>
<td>New York Times</td>
<td>9621</td>
</tr>
<tr>
<td>5 real life stories of twins creepier than any horror movie</td>
<td>Blackberry</td>
<td>Cracked</td>
<td>9096</td>
</tr>
<tr>
<td>3 Financial Firsts all parents should prepare their children for</td>
<td>Bank of America</td>
<td>Huffington</td>
<td>7899</td>
</tr>
<tr>
<td>15 things that wont happen if gay people get married</td>
<td>Virgin Mobile</td>
<td>Buzzfeed</td>
<td>7300</td>
</tr>
</tbody>
</table>

The mean number of shares for a native ad in our sample was 2,584 with a standard deviation of 4,656. The most-shared ad, “This girl can,” had 210,239 overall shares. The least-shared ad in the sample, “How Behance reinvented the online portfolio”, had 569 shares.

While Facebook was the dominant sharing platform overall, (mean shares were 4,078; standard deviation of 18,776; one ad, “This Girl Can,” had more than 178,000 Facebook shares), there were some variations across networks. The most-shared ads on Pinterest (mean pins 815; standard deviation 3,732) were targeted to female audiences, such as “Seven bridal parties who totally nailed
mismatched dresses” (23,678 pins); “10 must-have apps for dog owners” (18,231 pins) and “My favourite type of girls night out is when we get drunk and stay in” (15,996 pins). On Twitter (mean retweets 678; standard deviation 2,932), the most-Tweeted ad by far was “This girl can” with 29,730 shares on Twitter. On LinkedIn (mean shares 168; standard deviation 316), after the popular “This girl can” (1,696 shares on Linked In), business-oriented stories were most shared, such as “Larry Ellison and Mark Hurd emphasize Oracle’s cloud growth (1,636 shares). On Google Plus (mean shares 39; standard deviation 73), after “This girl can (576 shares), the next-most shared ad was “5 brain hacks that give you mind blowing power,” with 263 shares.

Overall, a powerful benefit to native advertising is earned media placements through social sharing.

**Disclosure**

In this study, 75 percent of the native ads were disclosed – but how they were disclosed varied greatly. Most commonly, the ads are disclosed at the top (65 percent). Fifty-four percent used a graphic device, such as a contrasting color with a disclosure statement, to set off the paid content. Twenty-seven percent of all ads were disclosed at the bottom. These figures do not sum to 100 percent due to multiple disclosures in some of the ads.

Sometimes an ad’s URL structure reveals disclosure. In 52 percent of native ads the brand is indicated in the URL. Seven percent had a disclosure word, such as “paid” or “sponsored” in the URL.
The most prominent disclosure words for the ads were:

- Brand Publisher (18) (used by Buzzfeed)
- Brand voice (8) (used by Forbes)
- Presented by (12)
- Promoted (post or story) 3
- Sponsored (by; content provided by) 8

One particularly candid disclosure came via UpWorthy: “Full disclosure: we were paid to promote this”.

**Content**

Of these top ten native ads, half featured headlines in a “listicle” format, such as “10 Must Have Apps for Dog Owners.” Only two of the top ten use a journalistic headline – these are “Cocaineomics,” which was published by the Wall St. Journal, and “Grit and Grace: the intense practice and inexorable passion it takes to master ballet,” published by the New York Times. The other common headline structure in native ads is the “clickbait” model, which forces the reader to click to get the full information hinted at by the headline. An example from the top 10 is “How Humans Of New York Story Turned Into A Class Trip to Visit Harvard into $1 million.”

Ads in the sample were dominated by text and images. The average word count was 809, with a standard deviation of 673. The ad with the most copy was
“Cocaineomics,” published in the Wall Street Journal for Netflix. Several ads were infographics or cartoons and had no words (words were only counted if they were rendered as text; words in an image could not be counted).

The mean number of images in the ads in the sample was 5.1, with a standard deviation of 6.2. While some ads had no images, one had 29 images. Videos were less common; the mean number of videos in native ads was .4, with a standard deviation of .8. The maximum number of videos was five. In the sample, two-thirds of the ads had no video at all, while 26 percent featured one video.

Other elements in native ads were audio clips, animated GIFs and interactive elements. Audio by itself was particularly rare, with only one ad featuring it. Animated GIFs were featured in 11 ads, with as many as 22 GIFs in play. Many of the ads with animated GIFs were from the Buzzfeed platform.

Interactive elements were featured in four of the native ads in the sample. An example of an interactive element can be found in the ad “Lights of Hope” for the American Cancer Society. On the ad you can connect with Facebook, then “light a virtual candle” for a friend who has cancer. You can then click through the ad, each click showing someone’s dedication.

It’s increasingly important today to format online content for mobile delivery. This was assessed with the Mobile Friendly test from Google. In the study, 96 percent of the ads passed this test. Of those that did not pass, all were served by Cracked.com.
Related to mobile use is the bandwidth required to serve the ads. Large file sizes can take a long time to load on a mobile connection, and count against data plans. A New York Times study found that daily visits to BostonGlobe.com would cost about $9.50 a month in data usage for the ads alone.\textsuperscript{24} To measure file sizes of the native ads in this study, we used the Google Chrome extension Quick Source Viewer.\textsuperscript{25} The average file size for the native ads in this study was 239k with a standard deviation of 154k. The largest ad, “Cocaineomics” in the Wall Street Journal, was almost one megabyte (984,437k).

**Calls to Action**

Do the ads try to sell? There is wide variation on this variable, which is difficult to operationalize and measure. At one extreme is a visual essay about a ballet dancer, produced by the New York Times Brand Studio for Cole Haan. Outside of the disclosures, the ad doesn’t even mention the brand. It’s just an interesting story, sponsored by Cole Haan. In a more traditional vein is an ad for Purina, produced by Mashable, entitled “10 must-have apps for dog owners.” In this example there’s at least an alignment between the content and the brand.

In the sample, the brand is mentioned an average of 13 times in an ad; the median is six. Almost one-fifth had no brand mentions at all. The high number of mentions is 66. It is important to note that brand mentions are only counted when they are rendered in text; if the brand is rendered as part of a graphic, it is not counted.
While intent can be difficult to accurately operationalize and measure, calls to action are clearer.

Calls to action that were measured include download content, social follow, donate, social share and other. Overall, the ads had an average of 1.3 calls to action. Social actions are the most common calls to action, with 80 percent offering a social share, and 44 percent a social follow. Donate and download were relatively rare, with only three percent each. Other calls to action were used in 32 percent of ads. Examples from the “other” category include things like “test your knowledge,” complete a purchase, comment, or subscribe.

**DISCUSSION**

Online advertising is at a turning point. Banner ads, long the dominant form of online advertising, are losing influence due to bad user experience, low click-through rates, ad blocking and poor performance on mobile devices. While the industry sports sophistication in terms of bidding, tracking and retargeting, the core product is ineffective.

Some brands have discovered the benefits of content, or inbound marketing – the process of creating or facilitating meaningful content that people actually want to engage with. Native advertising adds to this the ability to control the time and placement of the ad. Sure, brands would rather earn their way in than pay. But paying brings tangible benefits to both publisher and brand, allowing access to placements that you can’t touch with earned media.
This study shows that native ads are still finding their way – the category is broad and diverse. What good native ads share is the ability to pull a reader’s interest from the adjacent organic content. But some ads feature strong calls to action, while others are happy just for a branding opportunity. The technical and modal characteristics vary as well.

While time may show the maturing of native ads, there is one thing that publishers need to address today: disclosure. Publishers and advertisers dance around this issue today. Advertisers want minimal disclosures so their paid messages are understood more like organic content. But if publishers go along, they will hurt their most valuable asset – their brand equity, reader trust.

The Federal Trade Commission has consistently said that it seeks to reduce consumer confusion as to whether online content is an ad. Studies show consumers often can’t tell the difference. In this study, one-fourth of publishers didn’t bother to disclose. Publishers who did used inconsistent words, like “Brand Publisher” to mask their true intent.

It shouldn’t be hard to standardize disclosures and teach people what they mean. Publishers should expect stronger regulation – and possibly audience pushback – if they don’t tackle this issue.

Native advertising is one of the most promising ad units available today. It trades obtrusive and annoying banners for content that people actually want to engage with. Native ads command higher prices. They improve the online experience while helping to keep ad-supported sites free.
Publishers need to nurture this format, growing it carefully. If they exploit it, regulators and consumers may reject it, as they have already rejected the banner ads that came before.
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