

The Rise of native advertising

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Abstract: *Native advertising is described both as a new way for promoters to engage audiences and as a new, clever, source of revenue for publishers and media agencies. The debates around its morality and the need for a wide accepted framework are often viewed as calls for creativity. Aside from the various forms, strategies and the need for clarification, the fact that native advertising works and its revenue estimates increase annually transforms the new type of ad into a clear objective for companies, marketers and publishers. Native advertising stopped being a buzzword and started being a marketing reality.*

Key-words: *advertising, native, monetization, content, media.*

1. Introduction

The first web banner was introduced in October 1994, in the digital version of the *Wire* magazine. In the days of the third millennium, this kind of advertising became slowly outdated, by being intrusive or simply out-of-content.

Apparently (Wasserman 2012), investor Fred Wilson first used the term "native monetization" for the Web at OMMA Global in 2012; he was describing a special kind of ads, "unique and native to the experience" of a website. CEO of Sharethrough, Dan Greenberg, liked the idea and he is credited with the term "native advertising".

What is **native advertising**? Even from the beginning, the definition of this method of promotion is strongly debated. Promoters, companies and journalists proposed various definitions, but failed to reach a mutual conclusion. Nevertheless, according to the Interactive Advertising Bureau (I.A.B. 2013), native advertising is a type of ad designed to blend in the page content, consistent with the general aspect of the page and with the respective media platform, from an editorial point of view.

The special interest this kind of advertising developed has two main sources:
- The novelty of the product: after all, it is a major innovation in the marketing promotion history of the last 20 years; and

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- The estimated volumes of revenue for this type of ad, very important in the eyes of the publicists worldwide, in a constant struggle for advertising income.

The expectations from native advertising, within the US market, are the following:

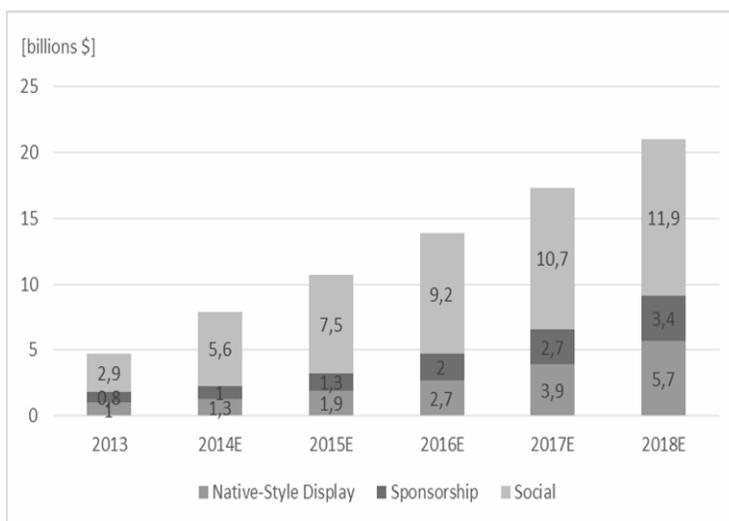


Fig. 1. *Native Advertising Revenue (US) – estimates (I.A.B. 2014)*

In the view of the next developments, every promoter and publication owner will target a considerable piece of the 5,2 billion dollar market.

2. Types of native advertising

Taking into consideration the objectives and specific form used for the ad, native advertising is divided into six major types (I.A.B. 2013):

- **In-Feed Units:** promoted articles in the normal feed section of the publication, with or without a guaranteed placement or surrounding context, written in standard editorial style; used disclosure language: "Advertisement/ AD", "Promoted (by)", "Sponsored (Content)", "Presented by", "Suggested Post"; current users: Facebook, Twitter, Yahoo, YouTube, LinkedIn, Instagram, Sharethrough, BuzzFeed, Gawker, Forbes BrandVoice, Mashable;
- **Paid Search Units:** special search results on the right column or in a different writing style (at the beginning of the result or inserted in the list), designed to attract a little more attention and with a guaranteed placement;

- commonly used disclosure language: "Ads related to..."; current users: search engines;
- **Recommendation Widgets**: sponsored ads in the column or cassette with the recommended articles; commonly used disclosure language: "You might like...", "Recommended by...", "Sponsored Content by...";
 - **Promoted Listings**: special products in the list of results designed by the client specifications; commonly used disclosure language: "Ads", "Sponsored Products", "What's this?"; current users: Amazon, Google, Foursquare, AutoTrader;
 - **In-Ad with Native Element Units**: ads placed outside the editorial articles, containing relevant material and measured on brand metrics; used disclosure language: a clearly distinguishable style from the rest of the page (different borders, other elements that set the article apart);
 - **Custom** elements, which are not contained in the previous types or are too platform-specific to form a separate category.

3. The year of native advertising

In US, the year of 2014 started with a report on the state of native advertising (Copyblogger Media 2014), based on a survey with more than 2,000 responses, which revealed little or no implications in the area; the answers were as follows:

- Do you know what native advertising is? Very knowledgeable: 3%, Somewhat knowledgeable: 24%, Hardly familiar with it: 24%, No, not at all: 49%;
- What are your feelings about native advertising? Oppose it, evil: 3%, Love it: 21%, Could't care less: 25%, Skeptical: 51%;
- Do you (or your company) have a native advertising budget? Yes: 9%, No: 91%;
- How much of your advertising budget do you spend on native advertising? Over \$5,000: <1%, \$2,001-\$5,000: <1%, \$501-\$2,000: 2%, \$101-\$500: 2%, \$0-\$100: 91%;
- How likely are you to offer native advertising as a service option? Very likely: 11%, Hardly likely: 22%, Somewhat likely: 30%, Not at all: 37%;
- Does native advertising mislead readers? Yes: 39%, No: 61%;
- How much would it concern you if a corporation or advertiser reported the news? Hardly: 12%, Not at all: 19%, Somewhat: 25%, Very much: 44%.

If 2013 was a year of discussions and debates, 2014 proved to be a year of investment and adoption (Sebastian 2014). First, New York Times introduced native ads in January, as an article series for Dell; then separated the team for this kind of ads into T Brand Studio, expected to run more than 40 campaigns annually. The rumor already made investors direct their funds into brand services

companies (Simple Reach and Contently \$9 million each, Percolate \$24 million, NewsCred \$25 million). In March the Wall Street Journal introduced their native ads, followed by Netflix and Wired in May. In August the native model raised \$50 million for BuzzFeed. In September Kraft and LinkedIn declared increased revenue, based on native ads, and in December Verizon ended their marketing experiment (SugarString site) after only two months, as a result of a biased content disclosure.

Finally, in January 2015, a survey report (A.N.A. 2015) from Association of National Advertisers revealed a different set of results:

- 72% of responders said native advertising is here to stay;
- 86% of consumers said the feel ads are necessary to get free content online;
- 63% said their companies will increase their native ad budget (but still only at 5% of their overall ad budgets);
- 30% of those who didn't use natives yet will launch a program in 2015;
- 33% lift in the perceived credibility for native ads on well-regarded news sites;
- 75% said ethics must play a role in offering native ads;
- 63% said it still needs to be contextually relevant to editorial.

The major barriers to native advertising are illustrated in the following chart.

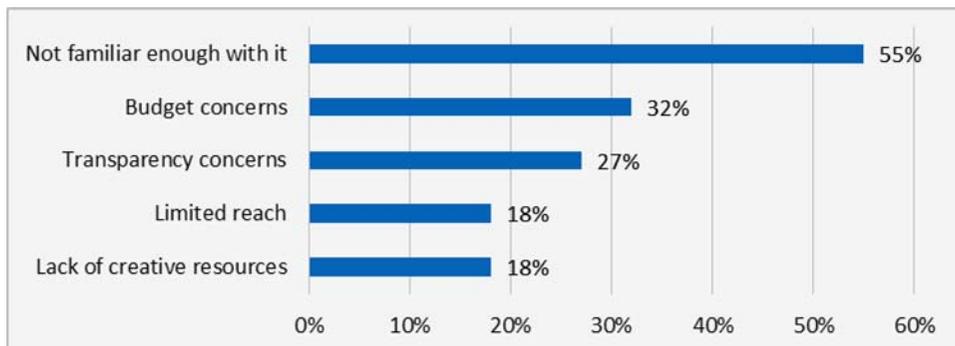


Fig. 2. *Major Barriers to Native Advertising* (A.N.A. 2015)

As creators of native advertising messages, responders pointed to the:

- Content marketing agencies: 24%;
- PR agencies: 26%;
- Specialized digital agencies: 27%;
- Creative agencies: 47%;
- Media owner/ publisher: 55%;
- Media agencies: 76%.

(The difference above 100% comes from the usage of a combination of creators.)

The metrics used to measure success are shown in the next image.

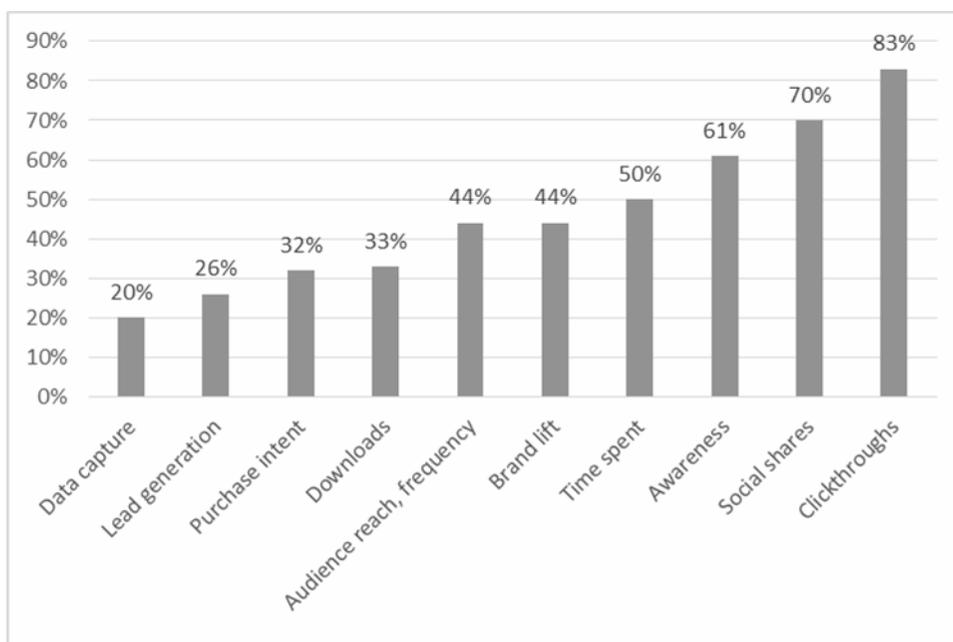


Fig. 3. *Metrics Used to Measure Success* (A.N.A. 2015)

In the survey, 74% of respondents measure success through a combination of metrics, therefore the sum exceeds 100%.

4. Native Advertising in Romania

In the Romanian market, the debates about the native advertising (Patranoiu 2014) are still in place. Aside from the necessary framework for the publishers, proposals are made for the public education and insertion of the media literacy in schools programs (Ioana Avadani, manager, CJI). Others would like to see that a general code of conduct for media staff is implemented (Mariana Popa, ActiveWatch). On the other hand, there are opinions that there are special types of journalism that can be made only with the support of sponsored content (Iulian Comanescu). Finally, there are voices that speak for the independence of the media consumer and especially for the constant development of the reader (Mihaela Radulescu, Innerout; Adriana Liute, Storience).

5. Conclusions

With native advertising, promotional content has moved from the standard place on the screen (top bar or side column) into the very content of the page. The ad evolved and it is now a full story that engages the reader, offering more than a simple link to a store. The future of native advertising is yet to be decided by both the educated consumer and the professional publisher.

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