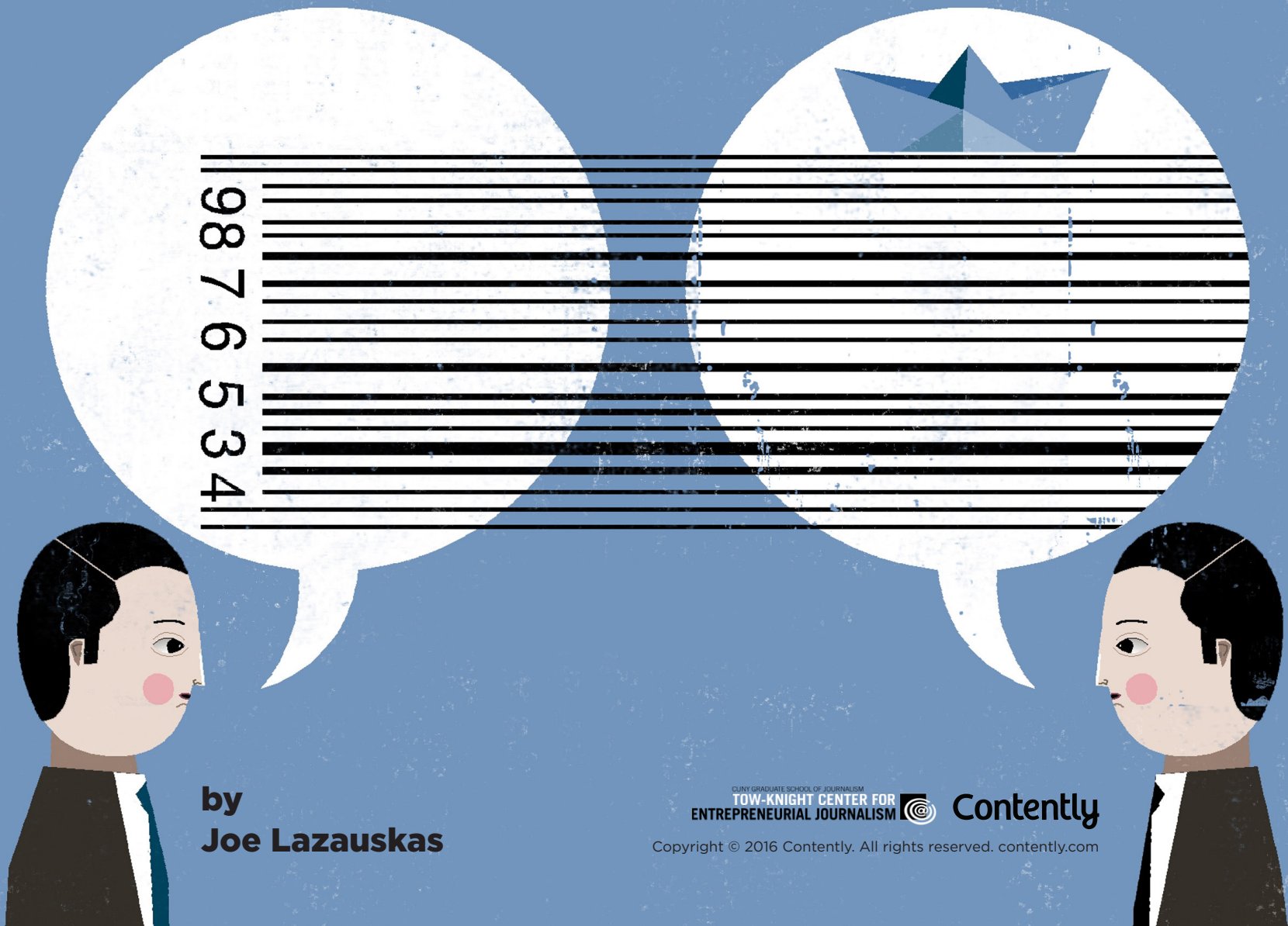


Fixing Native Ads:

What Consumers Want From Publishers, Brands, Facebook, and the FTC



by
Joe Lazauskas

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TOW-KNIGHT CENTER FOR
ENTREPRENEURIAL JOURNALISM



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**“You’re blending in so
you can be seen.”**

—KARYNA, A 24-YEAR-OLD FOCUS GROUP MEMBER, ON NATIVE ADVERTISING

Executive Summary

Native advertising has become a crucial part of publishers' business models. At companies like Slate, The Atlantic, and The Daily Beast, native ads—sponsored articles or videos that resemble traditional editorial work—now account for the majority of digital ad revenue.

These publishers don't just create native ads on behalf of brands. They also use paid advertising on social media platforms to drive traffic to the ads, primarily through Facebook, which offers access to a targeted audience at a relatively cheap cost. As publishers expand their offerings to meet increased demand, some—like The New York Times, BuzzFeed, and Vice—have even positioned their internal native ad studios as full-service creative agencies.

Yet native advertising remains a Wild West. Last December, the FTC released guidelines for how publishers should display native advertising. The goal was to help consumers identify these posts as a form of advertising, not news. However, major publishers continue to label and disclose sponsored content in a disparate fashion.

Publishers have adopted dozens of labels for sponsored content, to the point that readers can seemingly find a different disclosure on every site. (“Paid Post” at The New York Times, “Brand Publisher” on BuzzFeed, “Presented By” on The Huffington Post.) Terms like “sponsored” or “advertising” are rarely used. Where and how those labels appear on the page varies just as much. A MediaRadar audit of publishers in 2016 found that [70 percent of websites](#) are not compliant with the FTC’s guidelines—although as we discuss later in this report, much of that is likely due to ambiguities in the FTC guidelines, rather than bad intentions on the part of publishers.

This trend indicates that even though there has been significant research on native advertising—most notably by the FTC in producing its guidelines in 2015 and by Edelman in 2014 (see Appendix B)—the format is still plagued by a lack of standards. In addition, existing research leaves many other pertinent issues unexplored and unquantified—particularly when it comes to native ads’ impact on consumers’ perception of both the advertiser and publisher. We generally have little idea of what specific factors make native advertising clear to consumers and effective for advertisers.

Although native ads have become ubiquitous, many questions remain unanswered:

Do consumers perceive native advertising as advertising or editorial content?

Which labels and disclosure tactics confuse consumers the least?

How do certain distribution tactics affect the way consumers perceive native ads?

How does native advertising impact consumer trust?

How much value does native advertising deliver to the brands that invest in it?

This fall, Contently partnered with The Tow-Knight Center for Entrepreneurial Journalism at CUNY and Radius Global Market Research to understand how consumers identify and perceive native content. In our study, we presented people with native ads across different pathways, such as Facebook versus a homepage. We also tested responses to different degrees of self-promotion, such as when a native ad focused on the sponsoring brand versus when the sponsor wasn't mentioned at all.

The study findings point to possible solutions that will help the FTC set standards for the industry, provide guidelines that will help publishers run more effective and transparent campaigns, and offer tips for brands hoping to derive business results from native ads.

KEY FINDINGS INCLUDE:

- **Fifty-four percent** of respondents felt deceived by native advertising in the past, and 44 percent were not able to correctly identify the sponsor of the native ad they read.
- However, **59 percent of consumers** who were interested in a native ad claimed they were more likely to purchase from that brand as a result. This suggests native advertising can deliver a great lift in purchase intent if executed well.
- When a trusted publisher features native advertising for an untrusted brand, **43 percent of consumers** lose trust in that publisher. Conversely, when a trusted publisher features native advertising for a trusted brand, 41 percent of consumers gain trust in that publisher.
- **“Sponsored”** is the clearest label for native advertising and should become the industry standard.
- Consumers have an easier time **recognizing native advertising** on Facebook than on publisher sites, indicating that the paid distribution of native ads on Facebook is a viable path forward for the industry.
- When it comes to design, **74 percent of respondents** believe that including both brand names and logos is the clearest way to label native ads, and half said that native ads should be given a dedicated place on the homepage.

We reviewed prior studies of native advertising and interviewed a variety of experts to prepare this report. We also engaged Radius GMR—a leading market research firm—to conduct original qualitative and quantitative consumer research.

The qualitative research consisted of four in-depth dyad interviews (two respondents and a trained moderator), conducted in August 2016, in order to understand terminology and behavior related to native advertising. Its findings were used to construct our quantitative research a national online survey of 1,212 respondents age 18 - 64 who used the internet frequently and had accessed at least one of four representative native ad publishers (The New York Times, BuzzFeed, Business Insider or Huffington Post).

The survey was conducted from September 1 - 13, 2016. Respondents were chosen from a demographically representative panel of consumers who had volunteered to participate in surveys in return for compensation that included points redeemable for retailer gift cards or products.

Respondents were randomly assigned to complete the survey for one publisher based on visiting such websites at least once a month. Each publisher was evaluated by about 300 respondents, and each respondent focused on only one of four stimuli:

- A native ad for Wendy's on The New York Times, accessed via an in-feed Facebook ad.
- A native ad for Ford on BuzzFeed, which they accessed via the BuzzFeed homepage.
- A native ad for Kia on The Huffington Post, accessed via an in-feed Facebook ad.
- A native ad for GE on Business Insider, accessed via the Business Insider Digital Industry Insider homepage.

Data was statistically tested across publishers at a 90% confidence level.

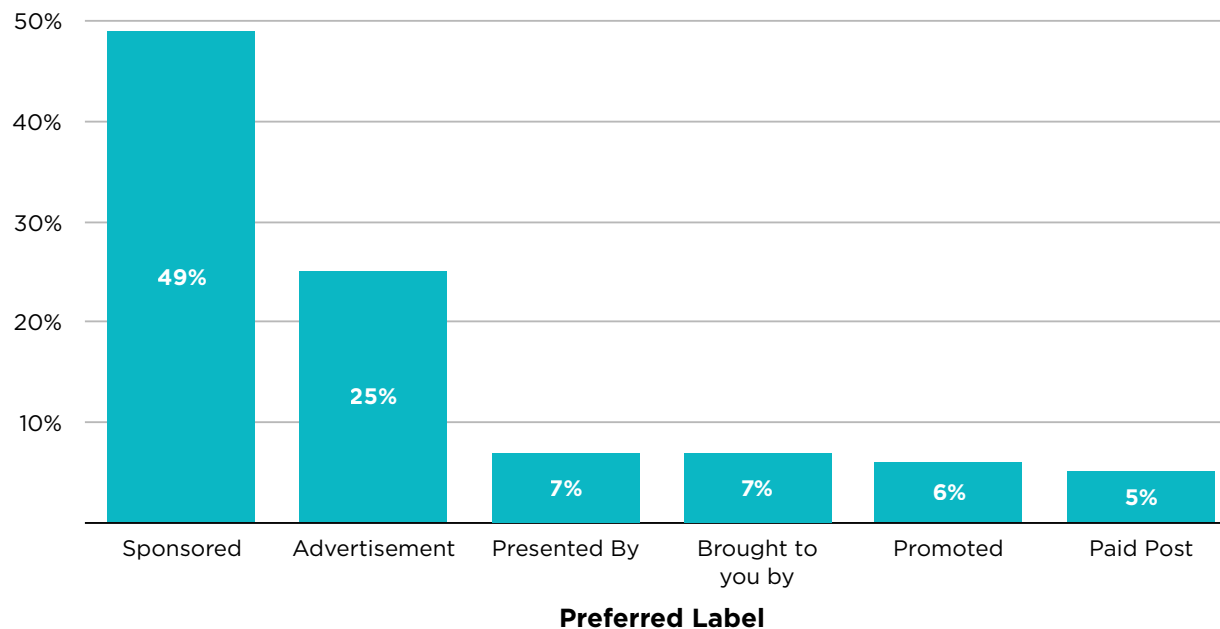
Panel members were recruited exclusively using permission-based techniques and were invited using unsolicited email in order to reduce bias towards any particular type of net user and ensure a diverse panelist profile. Poorly engaged respondents were flagged and not included in

the ending sample that was used for analysis. For more details on the research, please see Appendix A on Page 86.

KEY FINDINGS

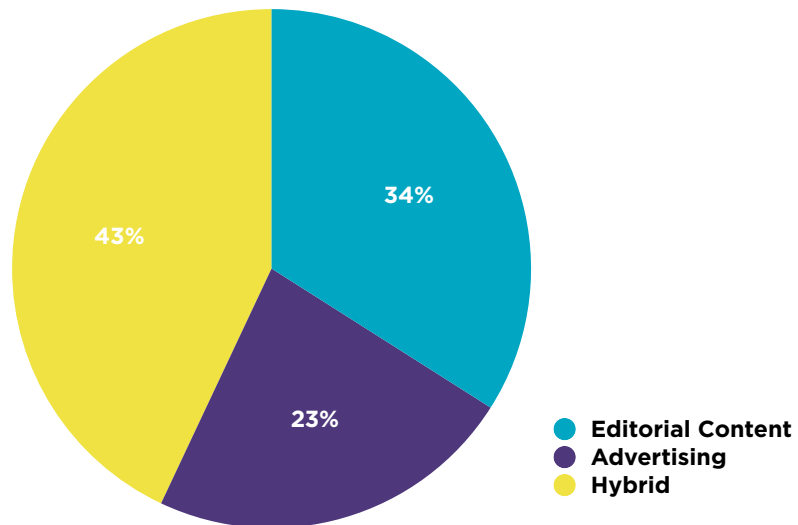
- **Consumers consider “Sponsored” the least confusing label** for native advertising (49 percent), trumping all other options by almost a two-to-one margin. Advertising (25 percent) was the next most popular choice, and the one that the FTC most strongly recommends.

What label is the least confusing way to identify native advertising?

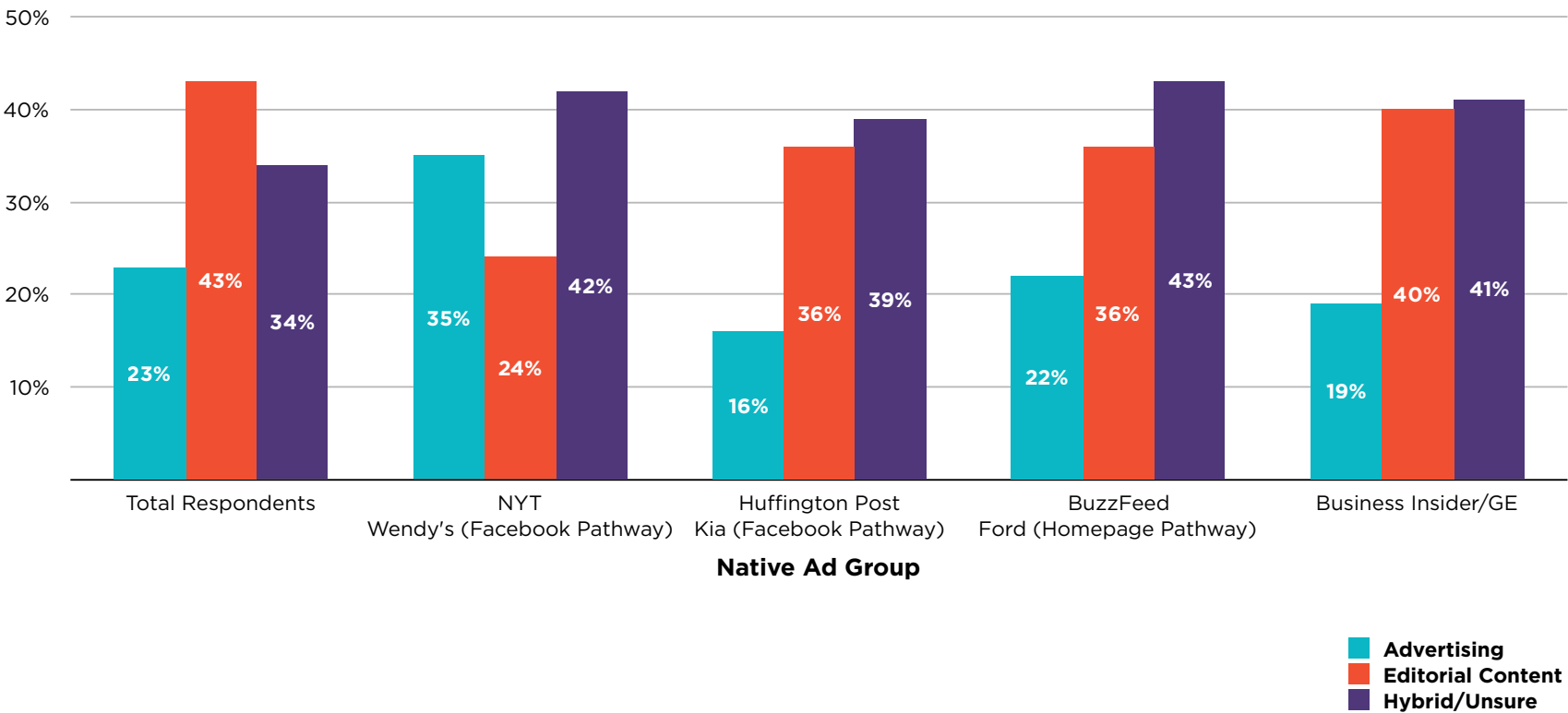


- **Just 23 percent of consumers described the content they saw as advertising.** Respondents were more likely to identify native ads as editorial content (34 percent) or a hybrid between editorial content and advertising (43 percent).

How consumers identify native ads on publisher sites

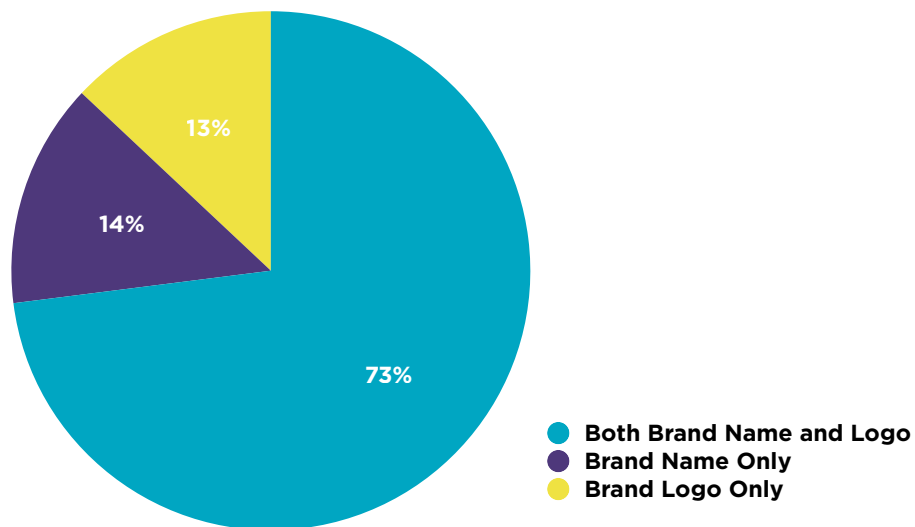


How consumers classify native ads after reading them

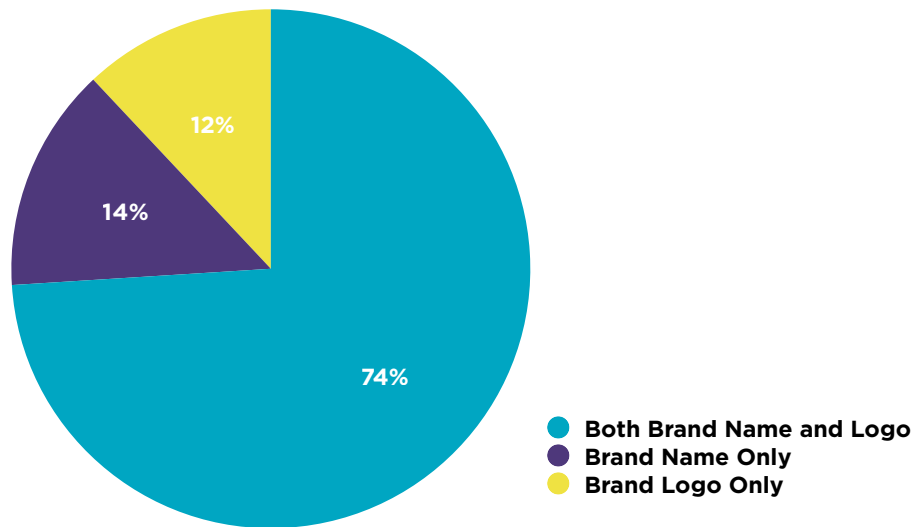


- **Seventy-four percent of consumers prefer to see both a sponsor's name and logo** on a native ad when it appears on a publisher website. Seventy-three percent prefer to see a sponsor's name and logo when the ad appears on a social media site. Yet, the FTC's guidelines do not recommend logo usage.

How should brands be identified in native advertising on social media?



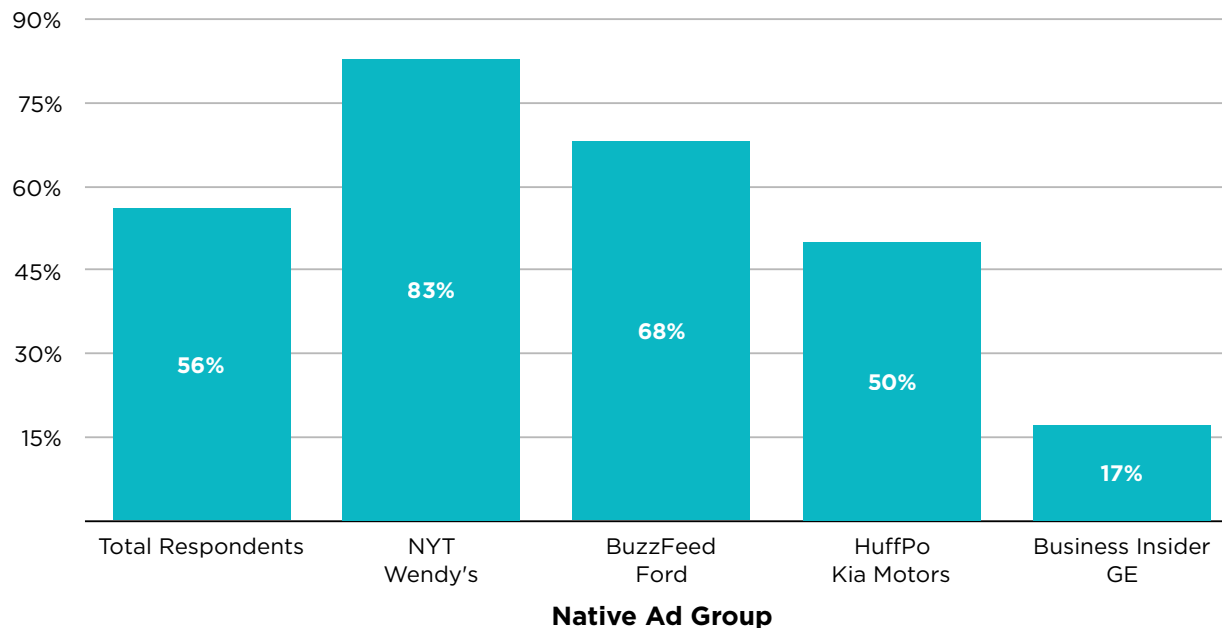
How should brands be identified in native advertising on publisher sites?



- **The ability for people to correctly identify the sponsoring brand** varied greatly based on how the sponsor was represented within the content and how promotional the native ad was for the sponsoring brand. For instance, 83 percent of consumers were able to discern that Wendy's sponsored the native ad in The New York Times, while only 17 percent of consumers identified GE as the sponsor of the Business Insider content.

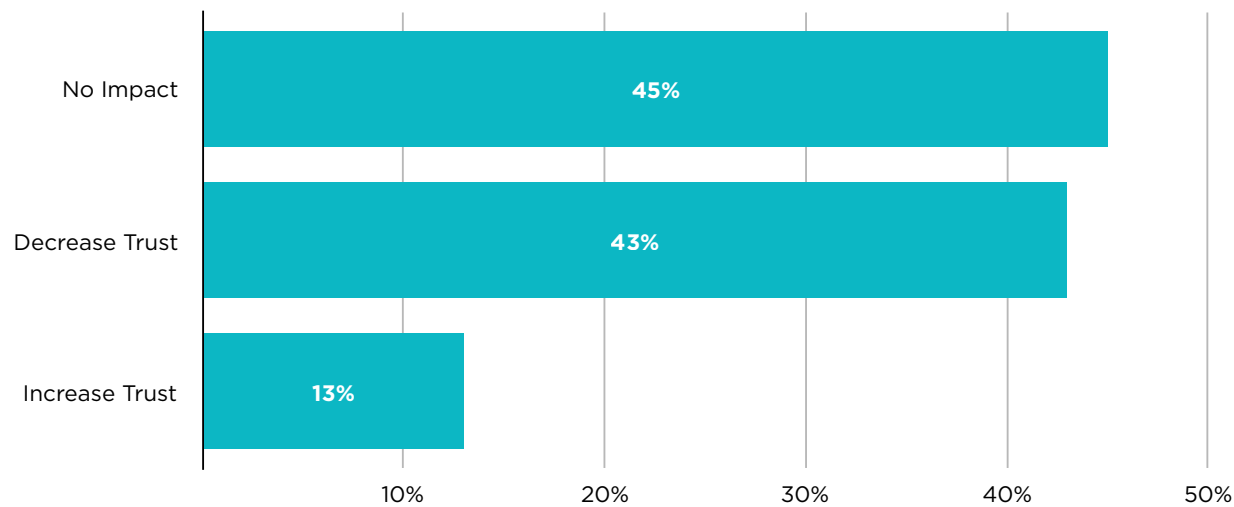
This discrepancy likely stems from the degree of brand promotion. On The New York Times, the native ad focused on how Wendy's gets fresh food from farms to its fast-food restaurants. Meanwhile, on Business Insider, GE sponsored a report created by BI Intelligence, Business Insider's research unit, about the Internet of Things, which did not promote GE in any way. (See pages 27-30.)

Percentage of respondents who correctly identified the ad's sponsor



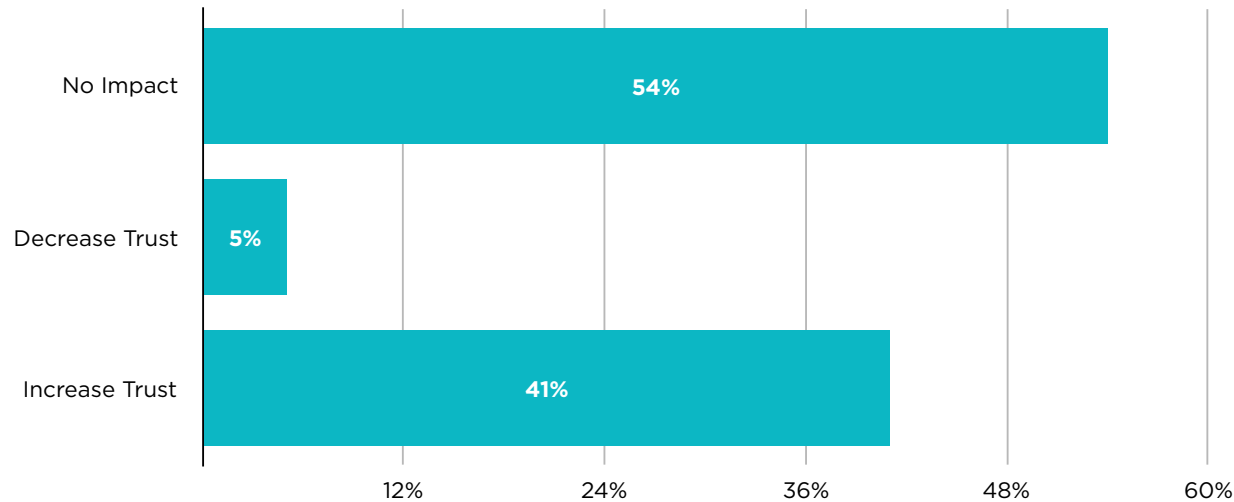
- **Publishers should choose brand partners wisely.** The most trustworthy publishers have the most to lose when they run native ads for brands that consumers view as extremely untrustworthy.

How would your impression of a trustworthy publisher change if it featured a native ad for an untrustworthy brand?



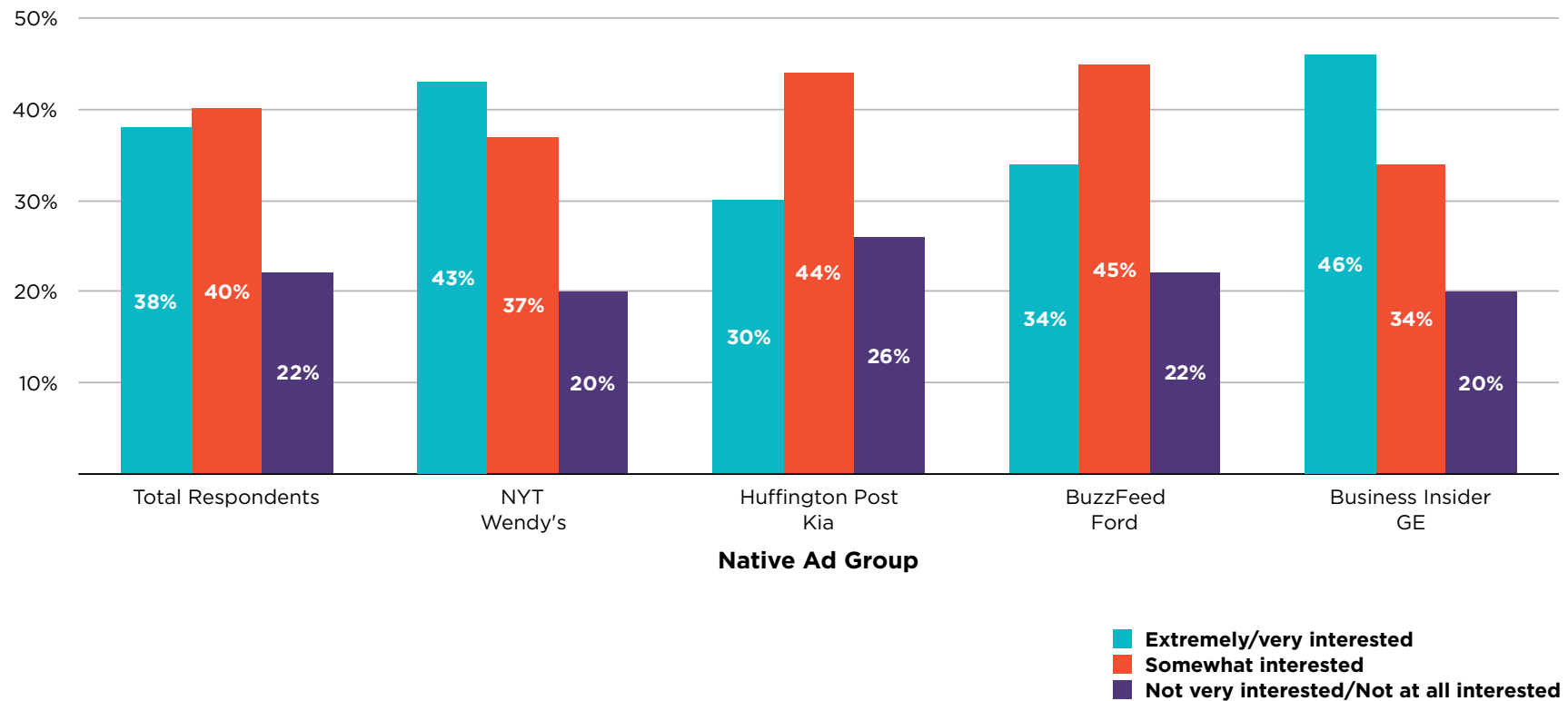
- On the contrary, extremely **trustworthy publishers can increase audience trust** by featuring native ads for extremely trustworthy brands.

How would your impression of a trustworthy publisher change if it features a native ad for a trustworthy brand?



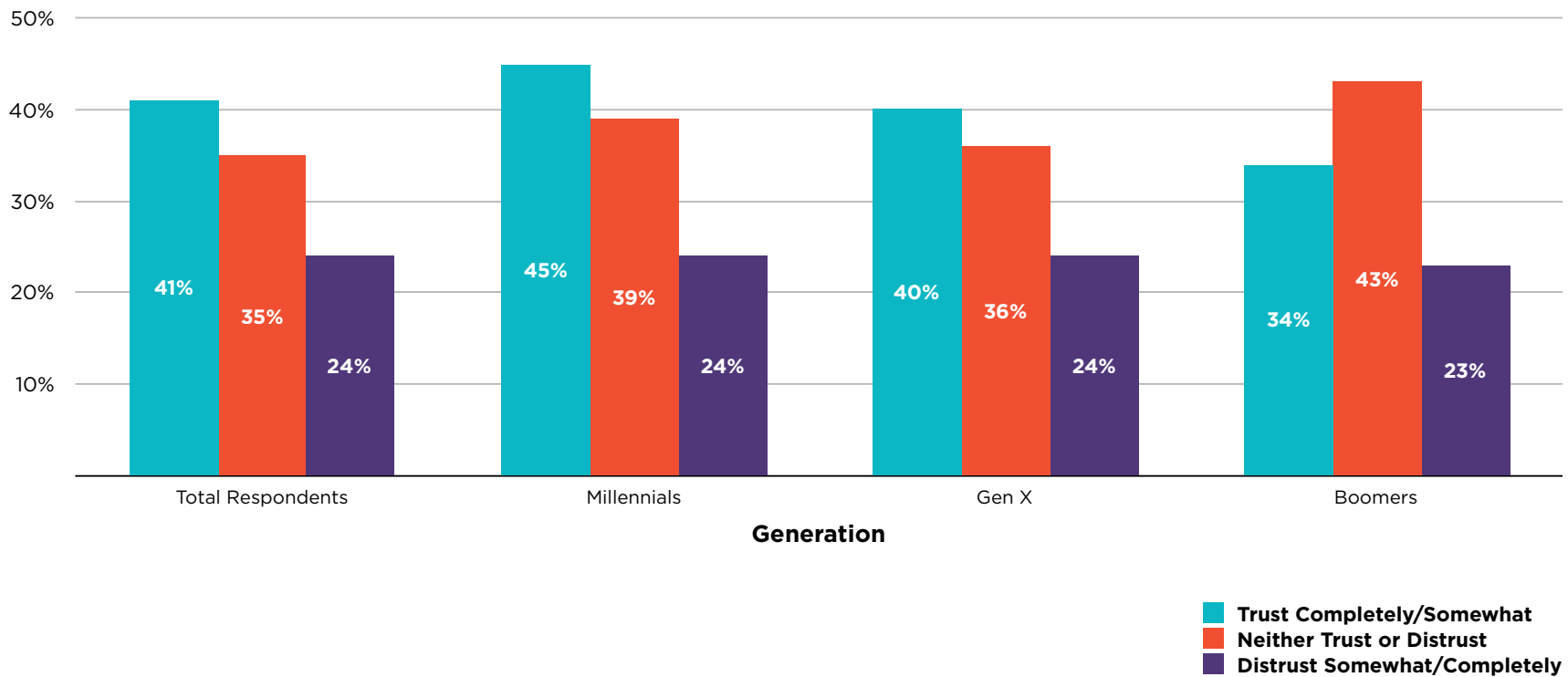
- There is **significant consumer interest in the content of native advertising**. After viewing a native ad, more consumers are extremely or somewhat interested in the content (78 percent) than not (22 percent).

How interested were consumers in a native ad after reading it?



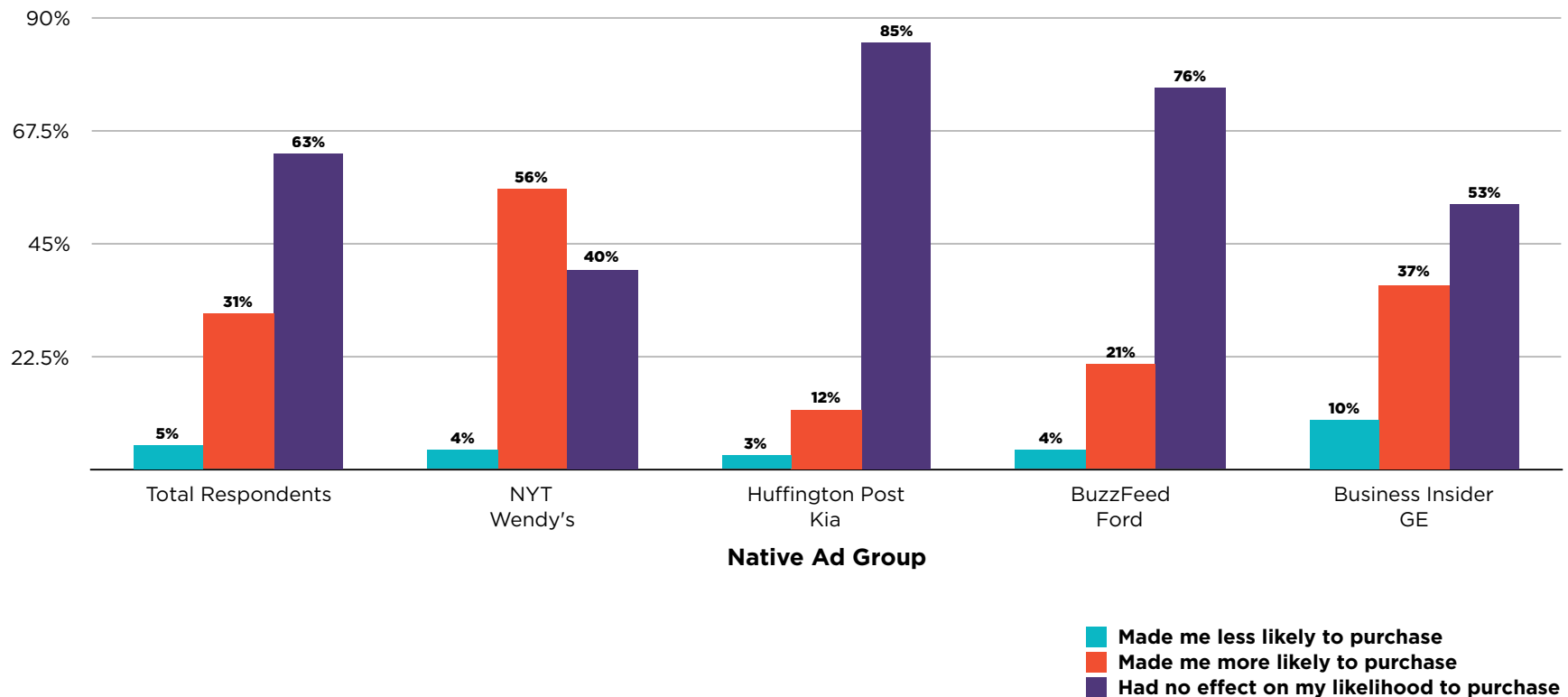
- **Millennials are the most likely age demographic to trust native advertising** (45 percent for millennials vs. 40 percent for Gen X vs. 34 percent for Boomers).

Consumer trust for native advertising



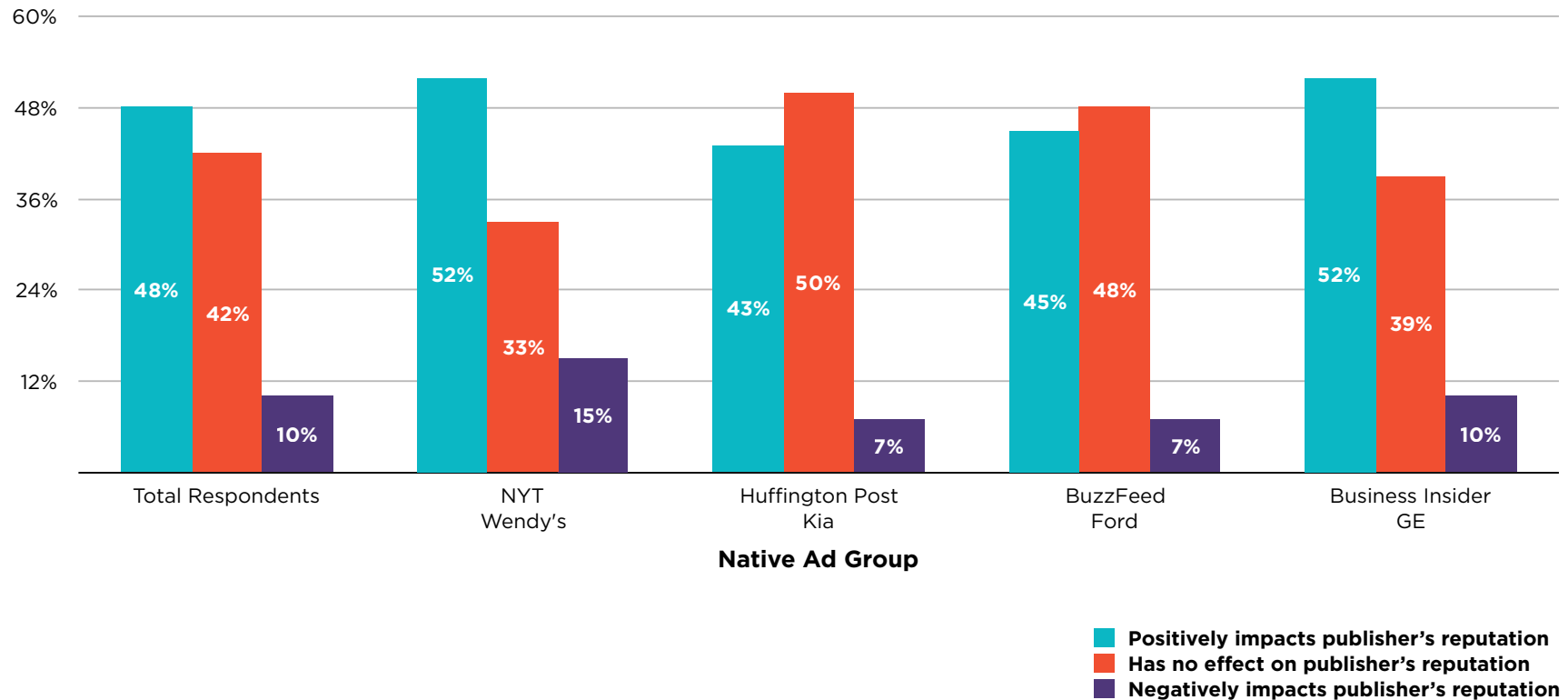
- **Native ads have a positive impact on purchase intent.** Thirty-one percent of respondents said they were more likely to purchase from the sponsoring brand after exposure to the native ad, while just 5 percent said that they were less likely to purchase.

How did a native ad impact purchase intent?



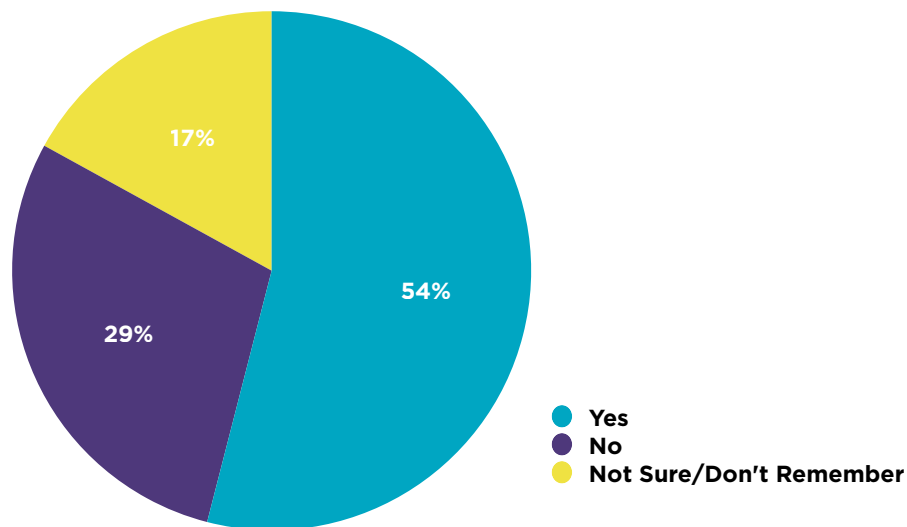
- **Forty-eight percent of respondents claimed that the native ad they read positively affected the reputation of the publisher,** while just 10 percent said that it negatively affected the reputation of the publisher.

How native advertising impacts publisher reputation



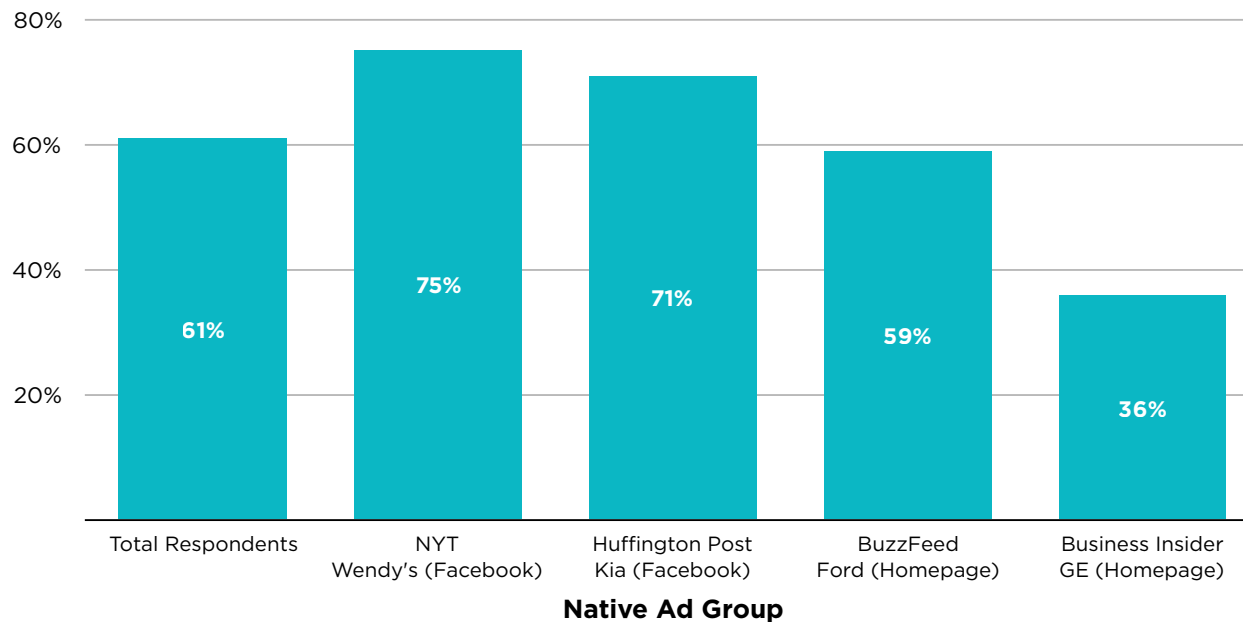
- Nonetheless, **native advertising has great potential to deceive**. Fifty-four percent of consumers have felt deceived upon realizing that a brand paid for a native ad—a figure that was significantly higher among ad block users vs non-users (62 percent vs 46 percent) and males vs. females (60 percent vs 48 percent).

Have consumers ever felt deceived after realizing that a native ad was paid for by a brand?



- **Consumers are better able to identify native advertising distributed via in-feed Facebook ads** than ads distributed on publishers' homepages. (75 percent for New York Times/Wendy's and 71 percent for The Huffington Post/Kia on Facebook vs. 59 percent for BuzzFeed/Ford and 36 percent for Business Insider/GE.)

Percentage of consumers who identified native ad as an ad at first exposure



The Pathway Problem: Growing Complexities in Native Advertising on Publisher Sites

As New York Times writer John Herrman [reported this July](#), publishers have seen increased demand for full-service native ad campaigns from advertisers—not only to create content on behalf of brands, but also to drive traffic and engagement to those campaigns.

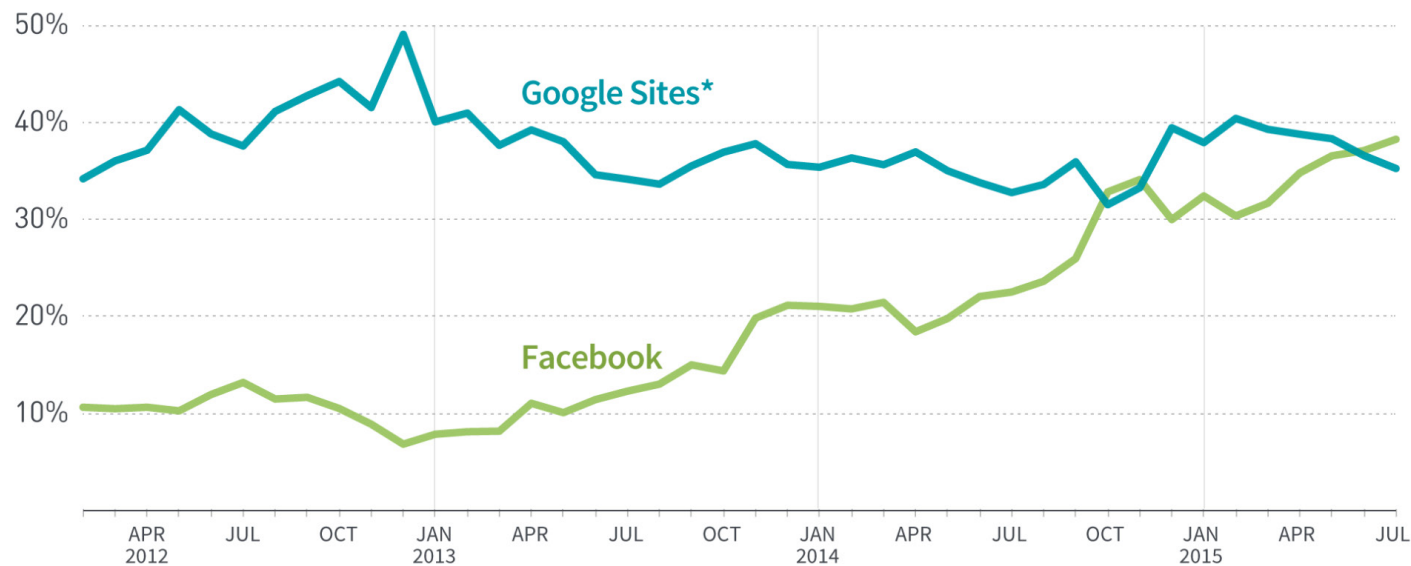
For most publishers, this has become a necessity. Publishers are running more native ad campaigns, but they can only drive a limited amount of traffic to those ads organically through their own websites—particularly as readers arrive at content sideways through social media. In order for the native ad model to succeed, publishers have no choice but to pay for additional traffic. Facebook—with granular targeting options and a relatively low CPC—has emerged as the most popular option. (Facebook now drives nearly 40 percent of all traffic to publisher sites.)

“

Publishers like BuzzFeed spend millions of dollars each month on paid ad campaigns through Facebook. But how does this impact whether consumers can recognize native ads?”

GOOGLE VERSUS FACEBOOK REFERRAL TRAFFIC IN PARSE.LY'S NETWORK

Of note: As of June 2015, Facebook has surpassed Google as a top referring site to the publishers in Parse.ly's network.



*Google Sites represents the aggregate all of Google-owned properties, e.g. Google.com, Google.ca, and Google News.

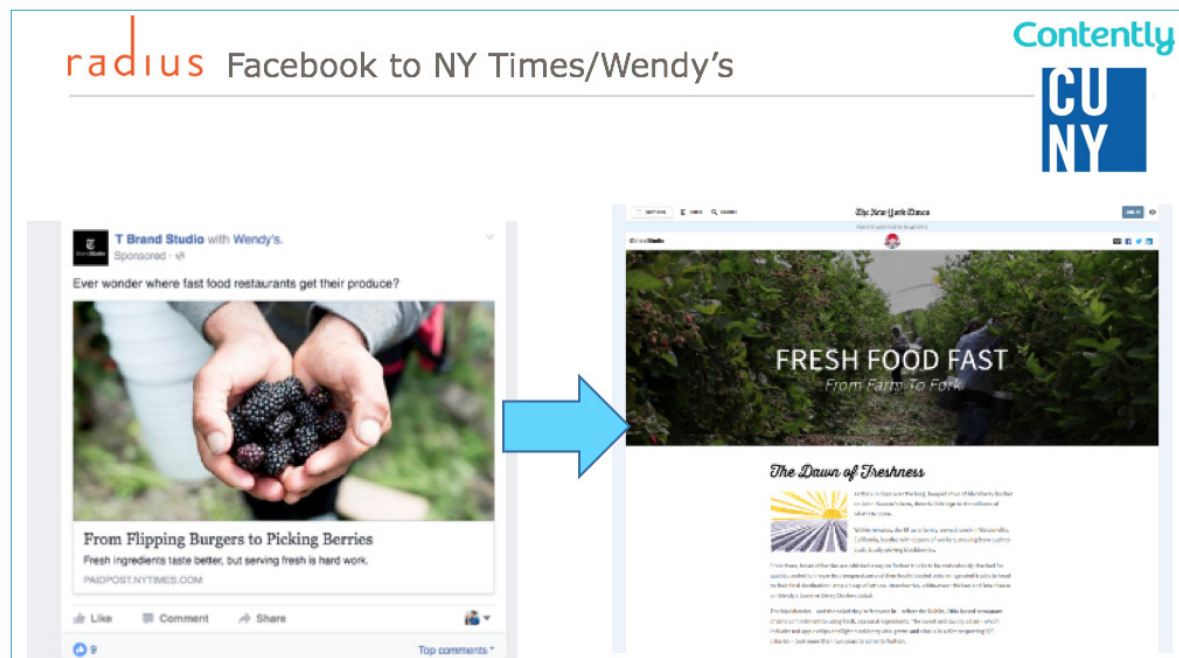


Publishers like BuzzFeed spend millions of dollars each month on paid advertising campaigns through Facebook. But how does this distribution strategy impact whether consumers can recognize native advertising on a publisher's site and identify the sponsoring brand?

To tackle this question, we created four cells, each with roughly 300 respondents who were regular readers of sites on which they would view native advertising. Two of the four cells were first exposed to the native advertising through a sponsored Facebook post, and then taken to the native ad content. Respondents in the other two cells were first exposed to the native ad on the publisher home page, and then taken to the native ad content.

CELL 1

Sponsored Facebook post by T Brand Studio that led to a [native ad for Wendy's on nytimes.com](#).



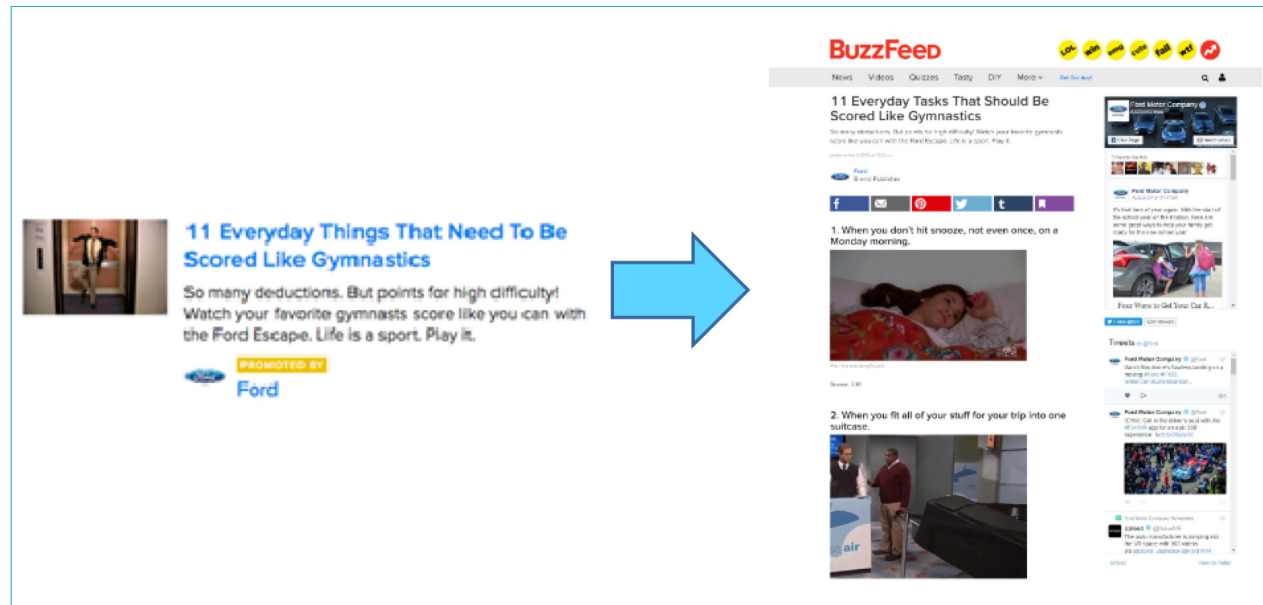
CELL 2

Sponsored Facebook post by HuffPost Partner Studio that led to a [native ad for Kia on huffingtonpost.com](#).

The diagram illustrates the pathway from a sponsored Facebook post to a native advertisement. On the left, a Facebook post from 'HuffPost Partner Studio with Kia Motors' is shown. The post includes a photo of a group of people and the text 'Internet unites us like never before!'. A large blue arrow points from this post to the right, where a native advertisement is displayed on the Huffington Post website. The native ad is titled '7 Incredible Communities The Internet Has Brought Together' and is presented as a regular article on the website, complete with a byline, date, and social media sharing options.

CELL 3

Homepage unit on the homepage of BuzzFeed.com that led to a [native ad for Ford on BuzzFeed.com](#).



CELL 4

Homepage unit on [Business Insider's Digital Industry Insider homepage](#) that led to an [Internet of Things report sponsored by GE on businessinsider.com](#).



The screenshot shows three sponsored content units at the top of the Business Insider Digital Industry Insider homepage. Each unit is labeled 'SPONSOR CONTENT' in the top right corner. The first unit features a swimmer and the headline 'How the cloud helps Olympic athletes avoid injury'. The second unit features a server room and the headline 'These are the latest trends in the Industrial Internet of Things'. The third unit features a factory floor and the headline 'Digitization is creating a talent gap for manufacturers'. A large blue arrow points from these units down to a report titled 'How the 'Internet of Things' will impact consumers, businesses, and governments in 2016 and beyond' by John Greenough. Below the report title is a social media sharing bar with icons for Facebook, LinkedIn, Email, Print, and a share icon. The report is part of the 'DIGITAL INDUSTRY INSIDER' series, co-created by GE and BI. The report text states: 'The Internet of Things (IoT) has been called the next Industrial Revolution — it will impact the way all businesses, governments, and consumers interact with the physical world. For more than two years, BI Intelligence has closely tracked the growth of the IoT. Specifically, we've analyzed how the IoT ecosystem enables entities (i.e. consumers, businesses, and governments) to connect to, and control, their IoT devices in'. To the right of the text is a diagram titled 'The Internet of Things Ecosystem' showing the flow of data from IoT devices through a gateway to the internet network, then to analytics and data storage, and finally back to the devices via a command/control path.

SPONSOR CONTENT

How the cloud helps Olympic athletes avoid injury

SPONSOR CONTENT

These are the latest trends in the Industrial Internet of Things

SPONSOR CONTENT

Digitization is creating a talent gap for manufacturers

How the 'Internet of Things' will impact consumers, businesses, and governments in 2016 and beyond

John Greenough · 1st
@ Jul 18, 2016, 10:24 AM · 150,977 · 20

FACEBOOK · LINKEDIN · EMAIL · PRINT

DIGITAL INDUSTRY INSIDER

CO-CREATED BY GE + BI INTELLIGENCE

The Internet of Things (IoT) has been called the next Industrial Revolution — it will impact the way all businesses, governments, and consumers interact with the physical world.

For more than two years, BI Intelligence has closely tracked the growth of the IoT. Specifically, we've analyzed how the IoT ecosystem enables entities (i.e. consumers, businesses, and governments) to connect to, and control, their IoT devices in

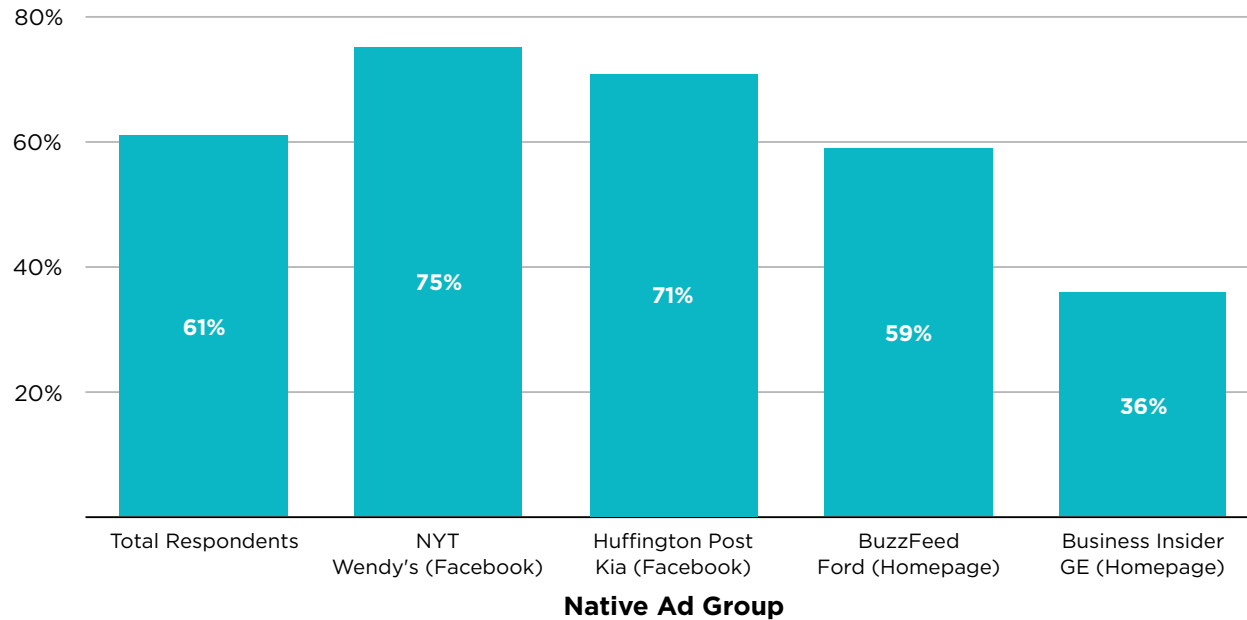
The Internet of Things Ecosystem

Remote Command/Control
Data
Analytics
Data Storage
IoT Devices
Gateway
Internet Network
BI INTELLIGENCE

The likelihood that consumers would identify the unit as advertising varied greatly depending on how they accessed the article.

Most consumers exposed to the native content on Facebook identified it as advertising before clicking through to the publisher's site. (NYT/Wendy's: 75 percent; Huffington Post/Kia 71 percent).

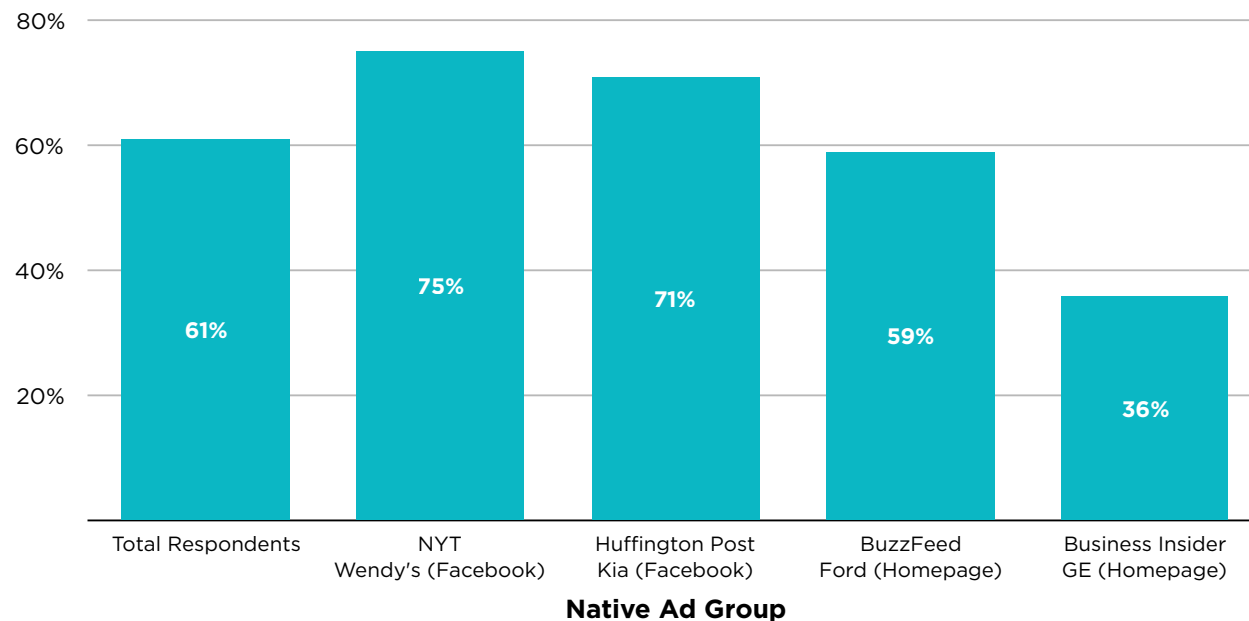
But consumers introduced to the native ad through a homepage were less likely to identify it as advertising. (BuzzFeed/Ford: 59 percent; GE/Business Insider: 36 percent.)

Percentage of consumers who identified native ad as an ad at first exposure

While it may seem surprising that native advertising is easier to detect on Facebook than a publisher's homepage, a few key reasons could explain the dynamic. Consumers are accustomed to seeing advertising in the Facebook News Feed; on average, users spend [50 minutes on the social network each day](#). Also, consumers' preferred label for native advertising is the one that Facebook uses: Sponsored. (It's possible that preference exists precisely because Facebook uses the label.)

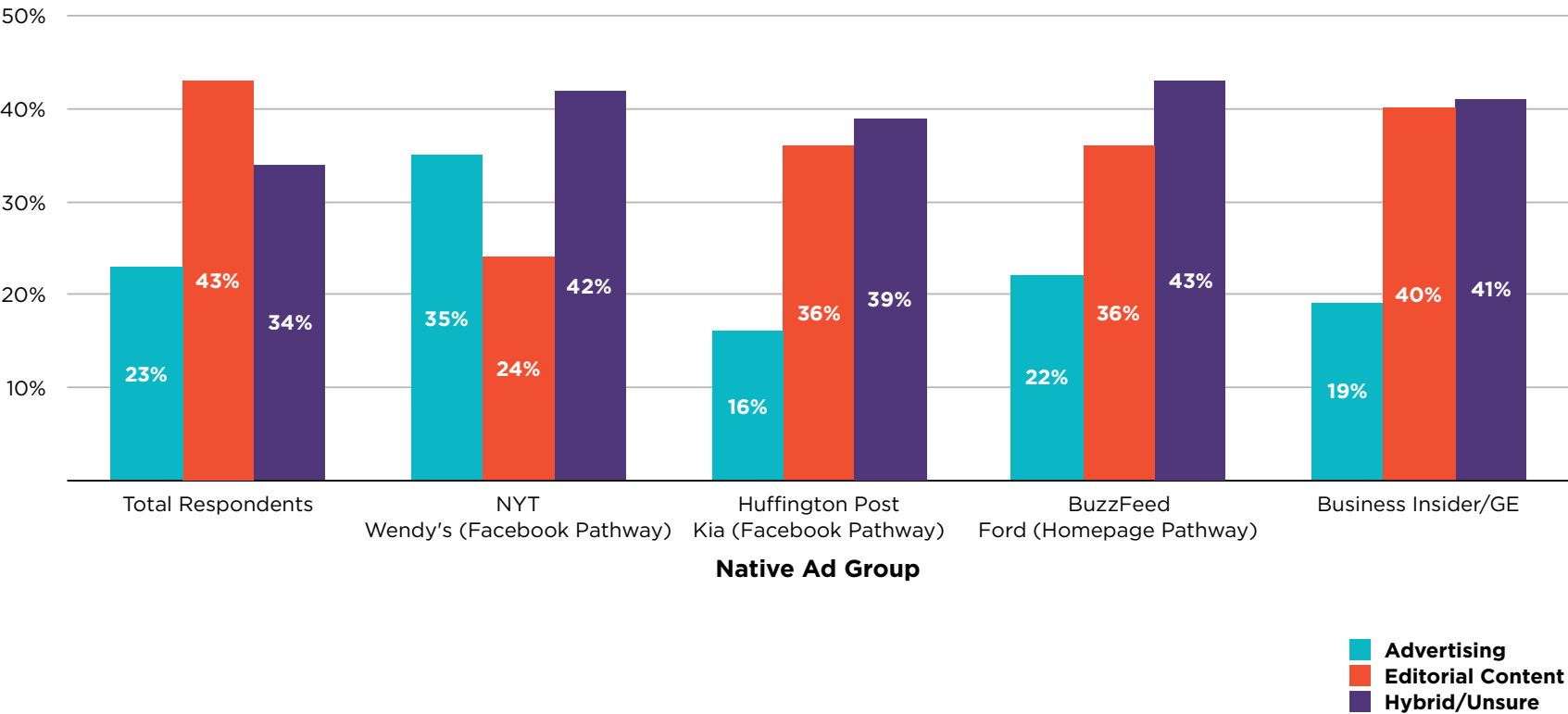
“The way they had it advertised on Facebook was easy enough for me to catch that it was an advertisement, but it wasn’t obnoxious. It just had the word, whether it was Dell or Wendy’s, you could see it was hyperlinked in the blue,” said Sara, a 29-year-old focus group member from Port Chester, New York. “Right then and there, I knew it was an ad, and it was a little different than the site content, but it still blended in.”

Percentage of consumers who identified native ad as an ad at first exposure



Once consumers actually read the native ad on a publisher’s site, their perceptions continued to shift. The vast majority of consumers did not sense that their native ad was a piece of advertising once they viewed the content.

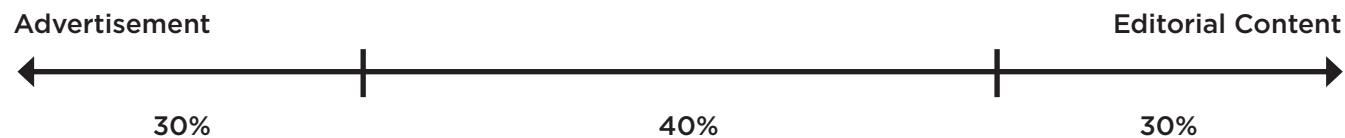
How consumers classify native ads after reading them



This is an area where it's worth discussing our methodology in greater depth. After the final exposure to the native ad, respondents were asked to describe the content on a scale from "Advertisement" to "Editorial Content."

After reading the content on the previous page, how would you describe this content?

Please click on the place on the line below that best describes this content from an advertisement to editorial content. If you think it's more of an advertisement, click more to the left, if you think it's more editorial content, click more to the right and you may click anywhere in between.



If a respondent clicked on the 30 percent of the scale closest to "advertisement," we recorded that they described the content as an advertisement. If a respondent clicked on the 30 percent of the scale closest to "editorial content," we recorded that they described the content as editorial content. If a respondent clicked on the middle 40 percent of the scale, we recorded that they considered the content a hybrid between editorial content and advertising.

An alternative explanation to our analysis, however, is that consumers did not identify what they saw as a hybrid but are confused by the nature of the native ad. They may be unsure what it is, exactly.

“I think it’s an article and an ad,” said Sara, the 29-year-old focus group member, as she viewed a native ad on BuzzFeed for Google Maps. “They are clearly promoting Google Maps. They’re showing it—I don’t know what this is.”

Added Glenn, a 48-year-old focus group member, while viewing a native ad co-created between GE and Business Insider: “Well, I guess they co-created it, so I guess maybe that’s not ad.”

Most focus group members, however, did understand that the sponsoring brand had some impact or control over the content, and that it was different than news content.

“I think the brand is probably giving them the information to actually do the article,” said Patricia, a 53-year-old focus group respondent from Stratford, CT. “I don’t think they are just doing it solely by themselves. I think they probably have the way they are going to do the layout and everything. I think the brand is giving them what information they need to create it.”

“I think that they may have a bias. They obviously do. They’re getting money to do this,” said Donna, a 59-year-old respondent from Westport, Conn.

“It’s smart. Smart advertising,” said Lynn, a 60-year-old female focus group member, after viewing the New York Times native ad for Wendy’s.

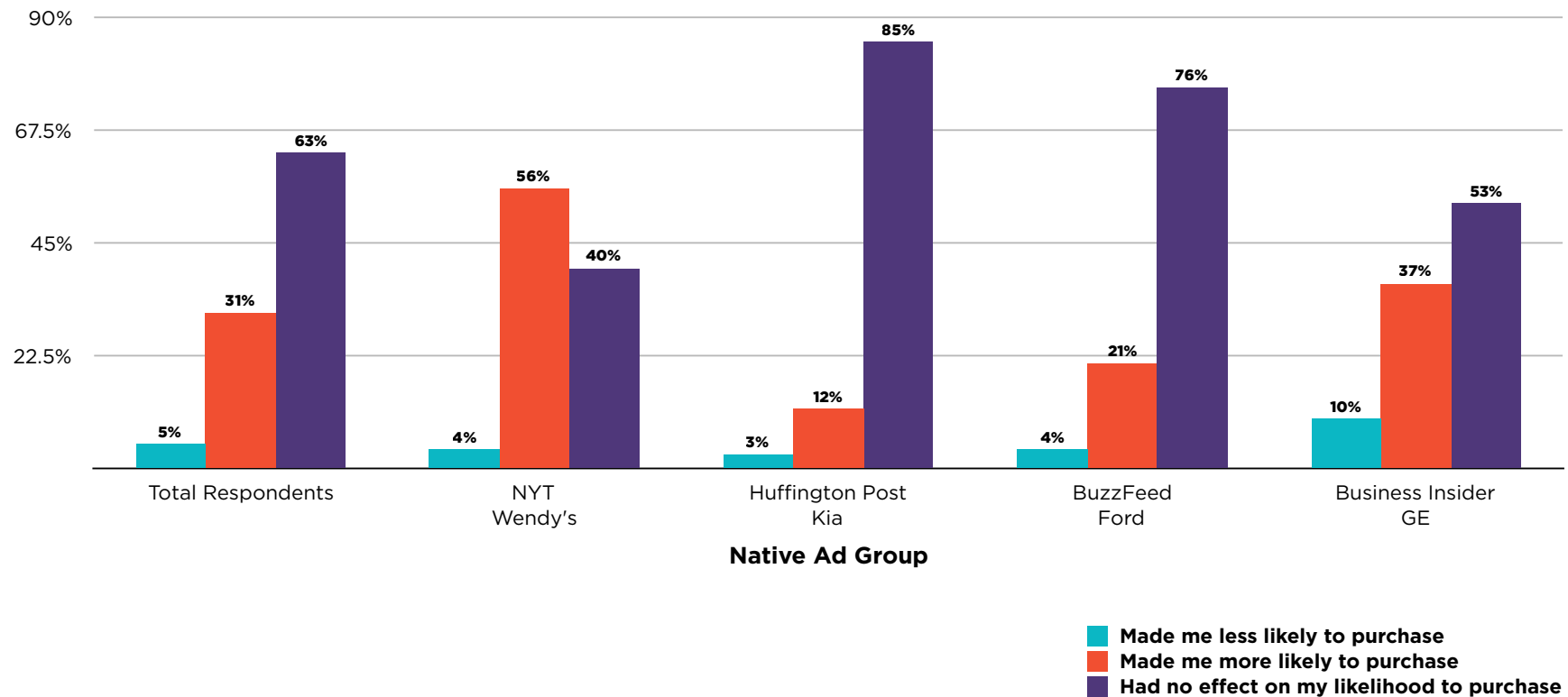
“It’s an ad, but it’s a story as well,” said Patrick, a 22-year-old male focus group member, while viewing the native ad for Wendy’s.

As Patrick’s quote highlights, it appears that consumers do not clearly distinguish native advertising on a publisher’s site as either advertising or editorial content. Although native advertising is advertising, the nature of the format—particularly longform articles—may blur the line. Even the native ad for Wendy’s, which transparently promoted the fast-food chain and the freshness of its food, was viewed as editorial content or a hybrid by 65 percent of respondents.

On Business Insider, The Huffington Post, and BuzzFeed, more people viewed the native ad as editorial content than advertising. The New York Times article was the only exception.

This is potentially alarming for newsrooms, particularly if readers believe they are responsible for advertising copy. But the confusion did not seem to impact advertising effectiveness. Thirty-one percent of respondents were more likely to purchase from the sponsor after viewing the native ad, compared to just 5 percent of respondents who were less likely to purchase.

How did a native ad impact purchase intent?



“This may switch me from going to Burger King to Wendy’s,” Patrick, the 48-year-old focus group respondent, said.

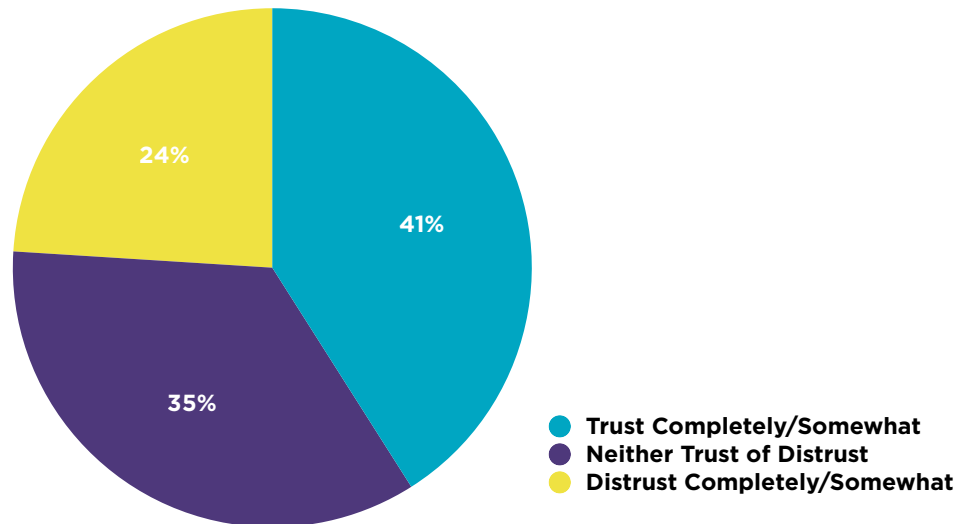
“Absolutely,” Patricia, the 53-year-old focus group respondent, agreed.

“Our native distribution modules that we use on the Times site do look and feel similar to those of adjacent editorial placements to cue readers to know it is content, but [we] always include the advertiser logo in the blue Paid Post label so they know what they’re getting into,” said Lauren Reddy, director of audience development and insights for The New York Times. “You are positioning it as content of value that we are proud of, that we think enhances the experience on the Times site for our readers.”

Native advertising also had a largely positive effect on publisher reputation. For 48 percent of respondents, the native ad they read positively impacted the reputation of the publisher, while just 10 percent claimed it negatively impacted the publisher’s reputation.

Even though 54 percent of respondents felt deceived after realizing a piece of content was sponsored by a brand, consumers are still open to the format. Less than a quarter of those surveyed (24 percent) do not trust native content.

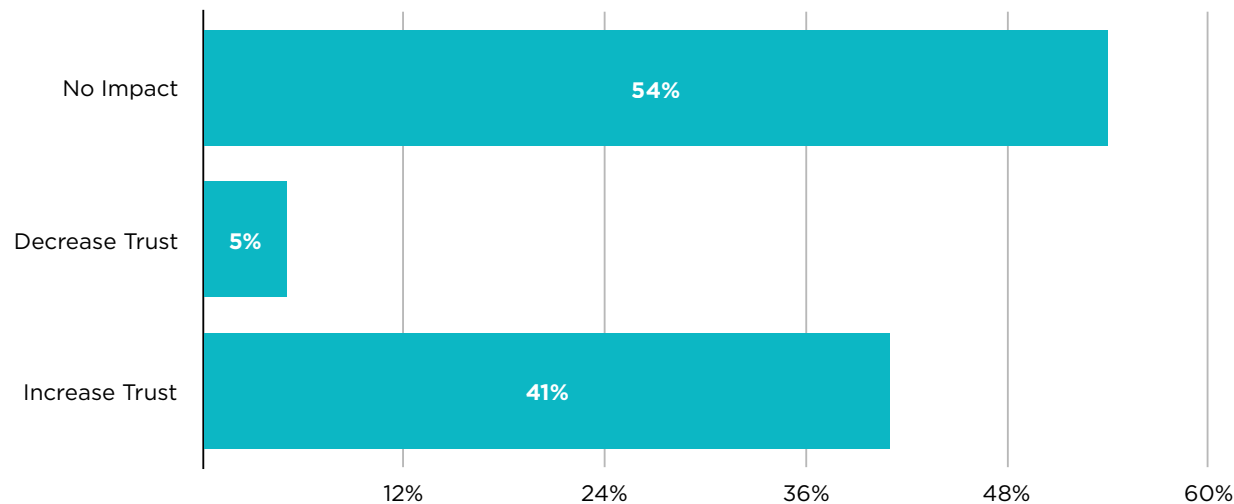
How much do consumers trust the content in native ads?



And when native advertising is executed with a strong brand partner, it can be beneficial to both publisher and brand. When consumers were asked how they would feel if their most trusted publisher featured a native ad of their most trusted brand, 41 percent asserted that it would increase their trust in that publisher. Just 5 percent said that it would decrease their trust.

Indeed, consumers appear to trust the publishers they read to make responsible decisions about the native advertising partners that they choose and the content they run.

How would your impression of a trustworthy publisher change if it features a native ad for a trustworthy brand?



“[The New York Times is] not going to waste their time for Wendy’s if it wasn’t something that they felt, that they believed that it would actually be meaningful to read,” said Glenn, the 48-year-old focus group respondent. “The New York Times is huge, so they wouldn’t be putting stuff in there that isn’t good content.”

What the FTC Gets Right—and How It Could Improve Its Standards

In December 2015, the FTC released guidelines for the disclosure and execution of native advertising on publisher sites. The strongly worded instructions largely condemned the way publishers had been approaching the format:

“

With the emergence of digital media and changes in the way publishers monetize content, online advertising known as “native advertising” or “sponsored content,” which is often indistinguishable from news, feature articles, product reviews, editorial, entertainment, and other regular content, has become more prevalent. In digital media, a publisher, or an authorized third party, can easily and inexpensively format an ad so it matches the style and layout of the content into which it is integrated in ways not previously available in traditional media. The effect is to mask the signals consumers customarily have relied upon to recognize an advertising or promotional message.”

The most widely discussed excerpt from the guidelines was the FTC’s recommendations on labeling:

“

Terms likely to be understood include “Ad,” “Advertisement,” “Paid Advertisement,” “Sponsored Advertising Content,” or some variation thereof. Advertisers should not use terms such as “Promoted” or “Promoted Stories,” which in this context are at best ambiguous and potentially could mislead consumers that advertising content is endorsed by a publisher site. Furthermore, depending on the context, consumers reasonably may interpret other terms, such as “Presented by [X],” “Brought to You by [X],” “Promoted by [X],” or “Sponsored by [X]” to mean that a sponsoring advertiser funded or “underwrote” but did not create or influence the content.”

By and large, our research supports the FTC guidelines. The larger issue facing the organization—and the publishing industry at large—is most publishers are still not complying with them. A MediaRadar audit of publisher sites earlier this year found that [70 percent of websites](#) are not compliant with the FTC’s guidelines, including many major publishers.

However, conversations with publishers on background indicate that this is due to widespread ambiguities. The FTC provides 17 separate examples of how native ads should be labeled, and they’re confusing. As one attorney for a publisher that prominently uses native advertising told me, it took them six months to even figure out what the guidelines were asking for.

Example 2 in the guidelines, for instance, implies that if a native ad does not explicitly promote the products of that brand, it does not need to be labeled as advertising at all. That is the case for two of the publishers that we examined in this study; both Business Insider’s native ad for GE and BuzzFeed’s native ad for Ford did not promote the product of the sponsoring brand in any way. By some interpretations, they are exempt from the FTC’s guidelines.

The ambiguity of the guidelines also allow publishers to assume that labels other than the ones the FTC recommends are compliant. The New York Times, for instance, believes that its Paid Post label is FTC compliant even though it is not one of the labels recommended by the FTC.

“[Paid Post] clearly labels the nature of the relationship as being a paid relationship,” said Reddy, the director of audience development and insights at The New York Times. “There’s also a footnote noting that the news and editorial teams here at The Times did not work on this content, making it clear that it is produced by T Brand Studio, a brand marketing unit.”

The end result is widespread confusion and dozens of different labels for native advertising across publisher sites. What follows are five recommendations to the FTC to improve its guidelines and move the industry forward.

1. PUSH “SPONSORED” AS THE STANDARD LABEL FOR NATIVE ADVERTISING ON PUBLISHER SITES.

It’s logical that the FTC’s main recommendation calls for publishers to label native advertising as advertising. After all, that’s what it technically is.

Website/ app	Label on link	Where it appears	Label on page	Where it appears
The Atlantic	Sponsor Content: Brand name, boxed with grey shading.	Above headline, with yellow highlighting	Sponsor Content: Brand name and logo	At top and bottom of page. Also separate “Sponsor Content” label that scrolls with you.
Bon Appetit	Sponsor Content, byline by company	Above headline	Took me off page, onto the brand’s. Probably not always the case, but I couldn’t find another example. So probably safe to go with what it was before: “Sponsored by”	“In the byline with the name of the advertiser”
Business Insider	Sponsor Content	Above image	Sponsor Content, company name in byline	Above headline
BuzzFeed	Promoted by	Below headline, above brand byline	None, other than the byline (“Brand publisher”)	
Chicago Tribune	Paid post. Also “Sponsored by brand” next to headline	At top of page, in banner	Brand publishing. Note on no newsroom involvement below headline.	Top right of article
The Daily Beast	Presented by brand logo	On top of article box	“Branded content:” above headline, with “Presented by” and brand name/logo below headline.	
Elite Daily	Promoted by brand name and logo	Below headline, above brand byline	Promoted by, with brand name and logo and dek	Below image, in yellow-shaded box
Facebook	Sponsored	Below page name, top left	N/A	N/A
Refinery29	Paid for by brand name	Above headline	Paid for by brand name	Above headline
Slate	Sponsored content	Above headline	Sponsored content above the headline, provided by brand below the headline	
Twitter	Promoted, with little arrow	Bottom of box	N/A	N/A
The Verge	From Our Sponser above headline, Presented by brand logo below		From our sponsor logo	Top of page and above headline

Website/app	Label on link	Where it appears	Label on page	Where it appears
The Wall Street Journal	Paid program above headline, and logo below		Paid program, with logo and studio logo	Top of page. Footnote at bottom explaining sponsored content.
The Washington Post	Content from brand name	Above headline	Content from brand name	Top of page, next to studio name (WP Brand Studio). Scrolls with you.
Forbes	Brand nameVoice, or just brand name/logo as byline (very, very minimal labeling)	in headline	Brand name, logo as byline	Above headline
Gizmodo	Sponsored	Top of the box	Sponsored	In byline with advertiser's name and logo
The Huffington Post	Presented by brand name	Above headline	Presented by brand name	Above headline
Instagram	Sponsored	Top right	N/A	N/A
LinkedIn	Sponsored	Top left	N/A	N/A
Mashable	Paid content by brand name	Bottom of box, very east to miss	Paid content at top, Paid content by next to brand name and logo	
The New York Times	From our advertisers	Box separated from other content	Paid for and Posted by brand name and logo	Top of page, scrolls with you. Explanation of edit/ad seperation at bottom.
The Onion	Sponsored by brand name	Sometimes below image, sometimes below headline	Sponsored by brand name and logo	Top of page and below headline
Quartz	Sponsor content by brand name	Above headline	Sponsor Content Bulletin by brand logo	Above headline, also explanation at bottom

Native Ad Labeling on Publisher Sites, Observed by Contently 10/19/2016

But it's nearly impossible to find a major publisher or social media platform that labels native ads as advertising. They uniformly reject doing so, perceiving native differently than display.

“A great display ad will divert people’s attention from what they sought out to do,” Mike Dyer, president of The Daily Beast (which uses the label “Sponsored Content”), [told Adweek](#). “Content is the thing people are seeking out. It is the end of the behavior chain.”

“Nuances and labeling aside, we offer marketing solutions for brands,” said Stephane Krzywoglowy, director of ad product at BuzzFeed. “We embrace the fact that a variety of advertising exists and know that even within the ‘native’ category, it takes a variety of forms.”

Some critics, however, believe that publishers avoid labeling native ads as advertising because they believe their effectiveness depends on reader confusion. “[I]t’s a question of which level of deception are you engaged in,” Andrew Sullivan, an outspoken critic of native ads, [told Digiday](#). “That’s all it is. If they wanted not to deceive, they would have these as ads, not as paid posts.”

In addition, as noted in the executive summary at the beginning of the report, the FTC provides examples that seem to exempt publishers from any specific labeling standards if native ads are non-promotional.

Pat Howe, a Cal Poly professor who's conducted extensive research on native advertising, rejects the idea that only some of the content that's sponsored by brands should be labeled as advertising.

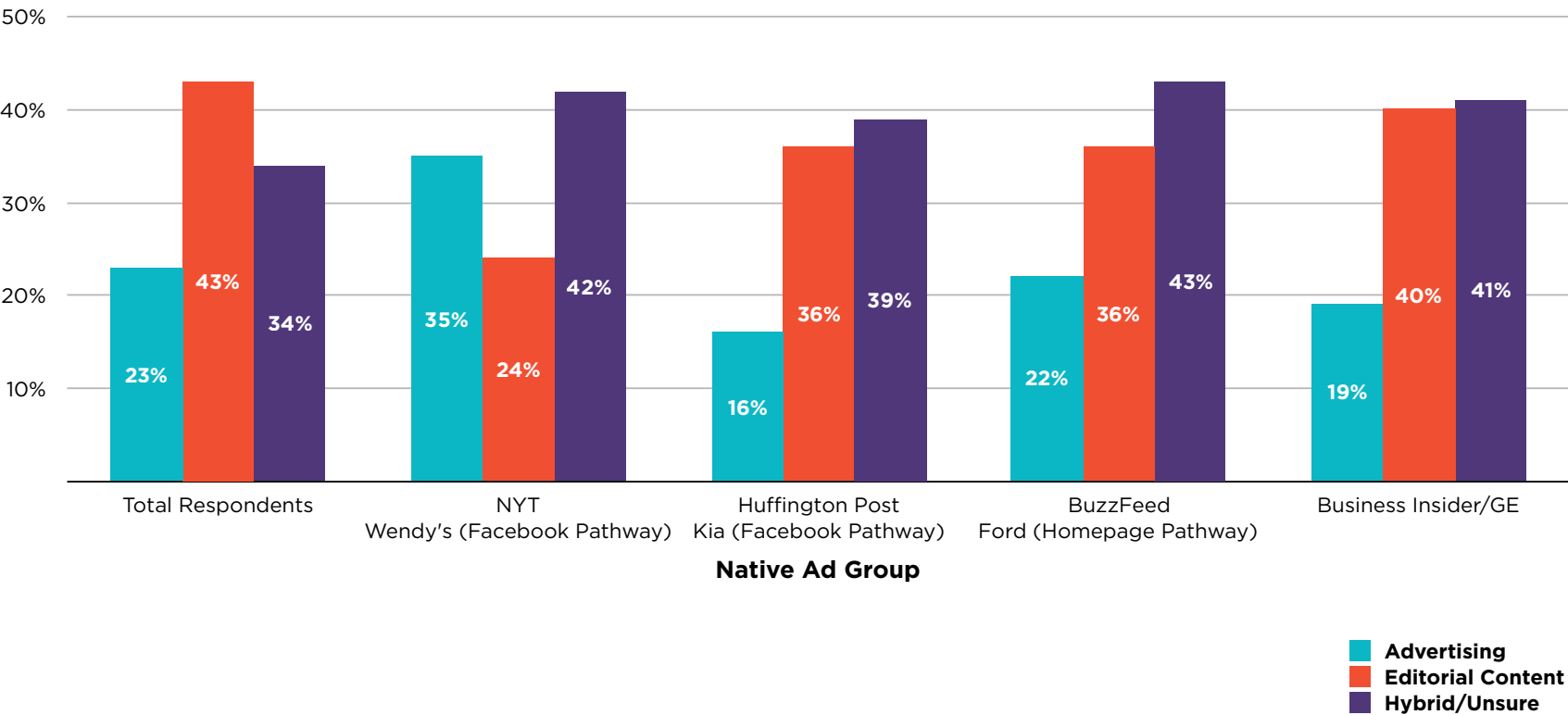
“If a company is paying for it and it appears in a publication, it's an advertisement,” said Howe. “If nobody pays for it, then it's not an advertisement. I don't see any wiggle room here.”

Howe agrees that publishers should either adopt an “advertising” or “sponsored” label.

“I really don't see this as a complicated issue in any way,” said Pat Howe, a Cal Poly professor who's done extensive research on consumers' reaction to native advertising. “I think that consumers have come around to understand sponsors and promoting. They seem to get ‘sponsored’—and that's fine with me too—but just call it an ad. Put a little ad tag on there and be done with the issue.”

The responses to our survey seemed to reflect this confusion. Only 23 percent of consumers view native advertising on publisher sites as advertising after they read it. Native ads often have the same structure, narrative, and level of information that you’d expect from a piece of editorial content.

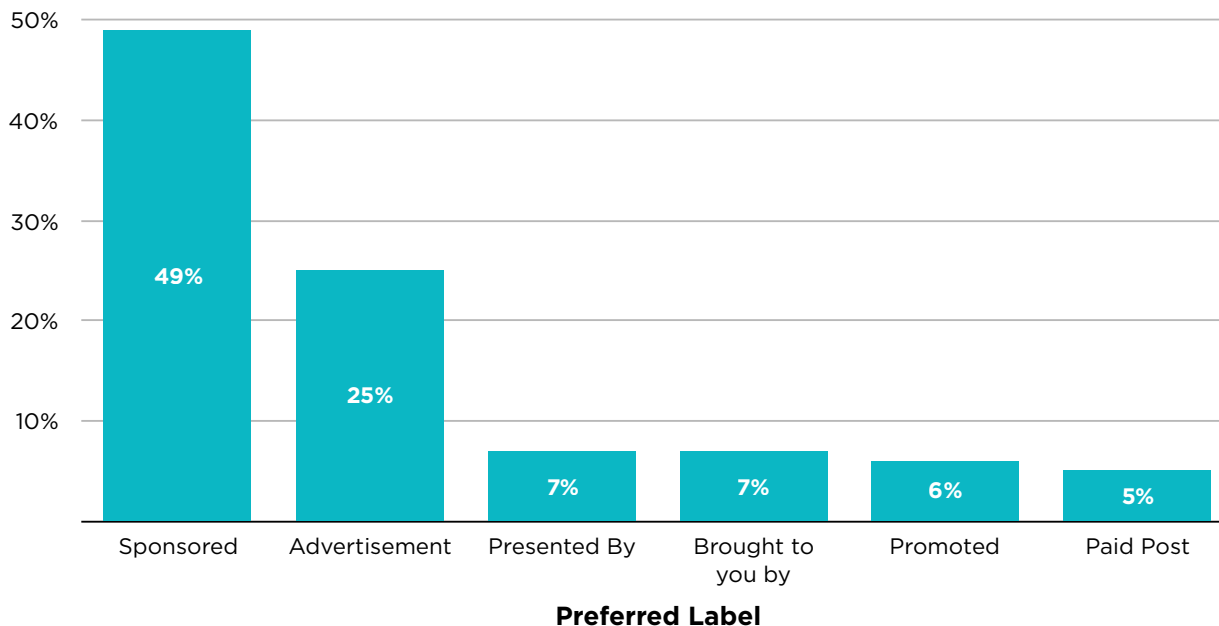
How consumers classify native ads after reading them



Instead of pushing for the label of “Advertising”, the FTC would be wise to consider also advocating for “Sponsored”, which early half of respondents thought was the least confusing (versus 25 percent who thought “Advertisement” was the least confusing).

Many sites have already adopted the “Sponsored” label, including Facebook, the world’s largest distributor of native advertising. A single standard label enforced across the industry would help consumers identify native advertising and make smart choices about the content they choose to consume.

What label is the least confusing way to identify native advertising?



“I thought when GE said ‘Sponsored by’ it was the most appealing,” said Sara, the 29-year-old respondent.

“Sponsored content,” said Donna, the 59-year-old focus group respondent, when asked for the best label.

“I like ‘Sponsored’ also,” agreed Lynn, the 59-year-old respondent.

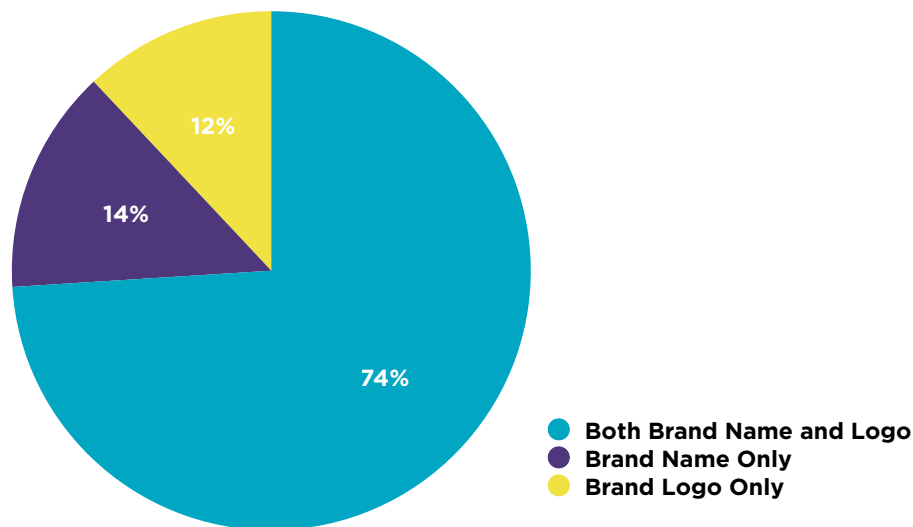
In fact, every member of our focus groups suggested some form of sponsored was the best label.

Ultimately, it is paramount that the media industry move towards uniform labeling. A [December 2015 study](#) by researchers at the University of Georgia’s Grady College of Journalism supports this, finding that consumers were “seven times as likely to identify paid content as a native ad when it is marked with terms like ‘advertising’ or ‘sponsored content’ than if it carries terms like ‘brand voice’ and ‘presented by.’”

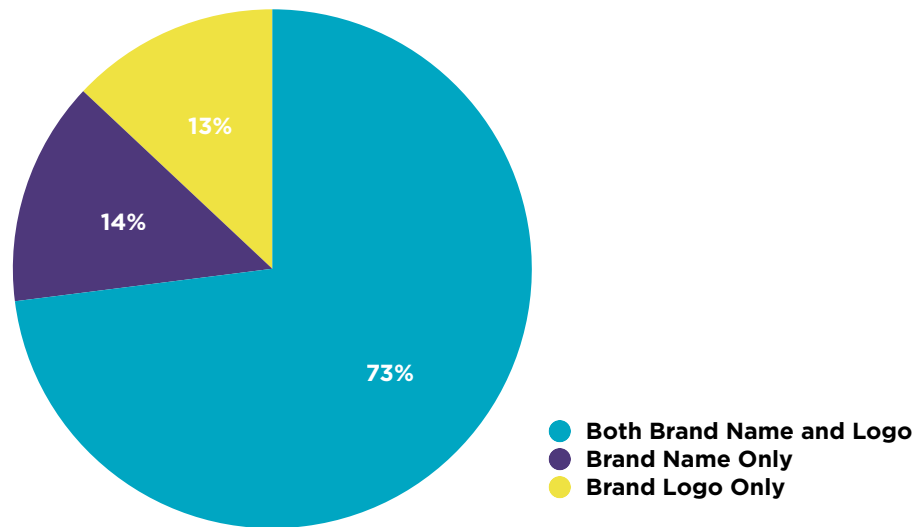
2. REQUIRE PUBLISHERS TO INCLUDE BOTH THE SPONSOR BRAND'S NAME AND LOGO WHEN DISCLOSING NATIVE ADVERTISING.

By an overwhelming margin, consumers believe that the sponsor of native advertising should be disclosed with both the brand name and logo on both publisher sites and social media sites.

How should brands be identified in native advertising on publisher sites?



How should brands be identified in native advertising on social media?



Currently, logos are an afterthought in the FTC guidelines. The only mention of them notes that logos should not be used on their own without text disclosures.

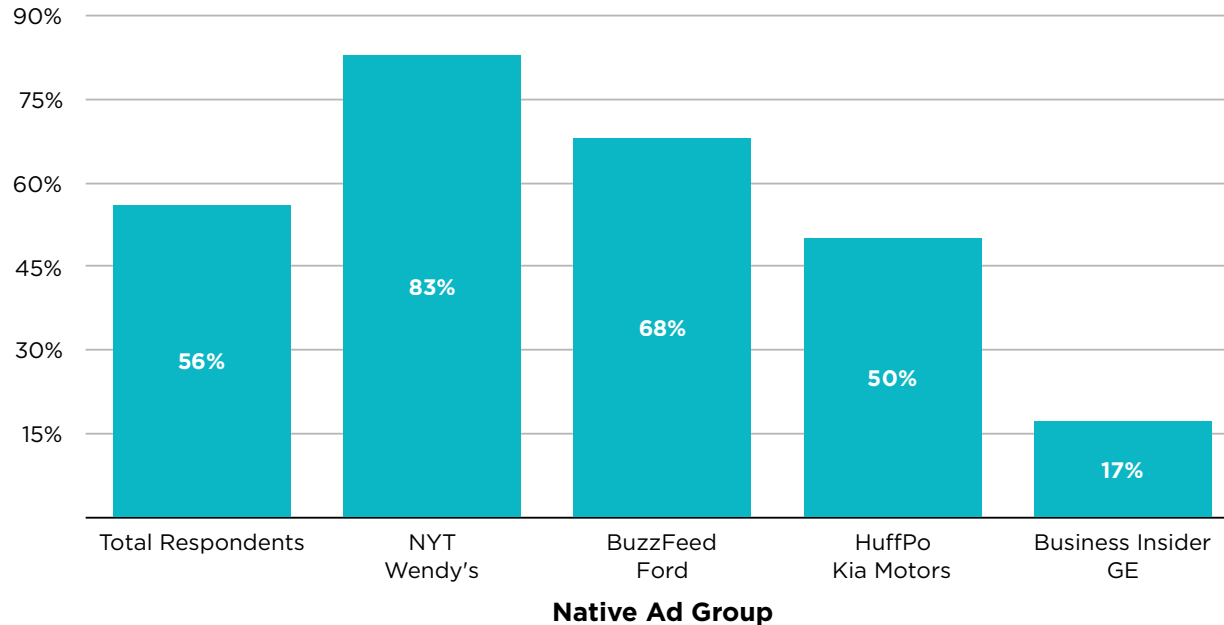
Yet, in our focus groups, logos were consistently the trigger that helped respondents realize a piece of content was sponsored.

“Without the logo there, we wouldn’t have even known,” said Patrick, the 22-year-old focus group respondent, after viewing the native ad for Wendy’s on The New York Times.

The FTC should also recommend that brand names and logo remain at the top of the page as the reader scrolls down.

The New York Times executes all three of these elements (name, logo, placement) well. By a large margin, consumers were most likely to identify the Times' native ad as advertising and to recognize the sponsor.

Percentage of respondents who correctly identified the ad's sponsor



3. INVESTIGATE THE IMPACT OF LOGO SIZE, AND MAKE RECOMMENDATIONS ACCORDINGLY

When it comes to logos, our focus groups suggest that size does matter. Respondents consistently expressed a desire for larger logos on native ads that have them.

“The Wendy’s [logo] should pop more....so you know it was advertising Wendy’s,” said Glenn, the 48-year-old respondent, while viewing the native ad for Wendy’s.

“They try to hide [the advertiser],” Karyna, a 24-year-old focus group respondent from Greenwich, Conn., said.

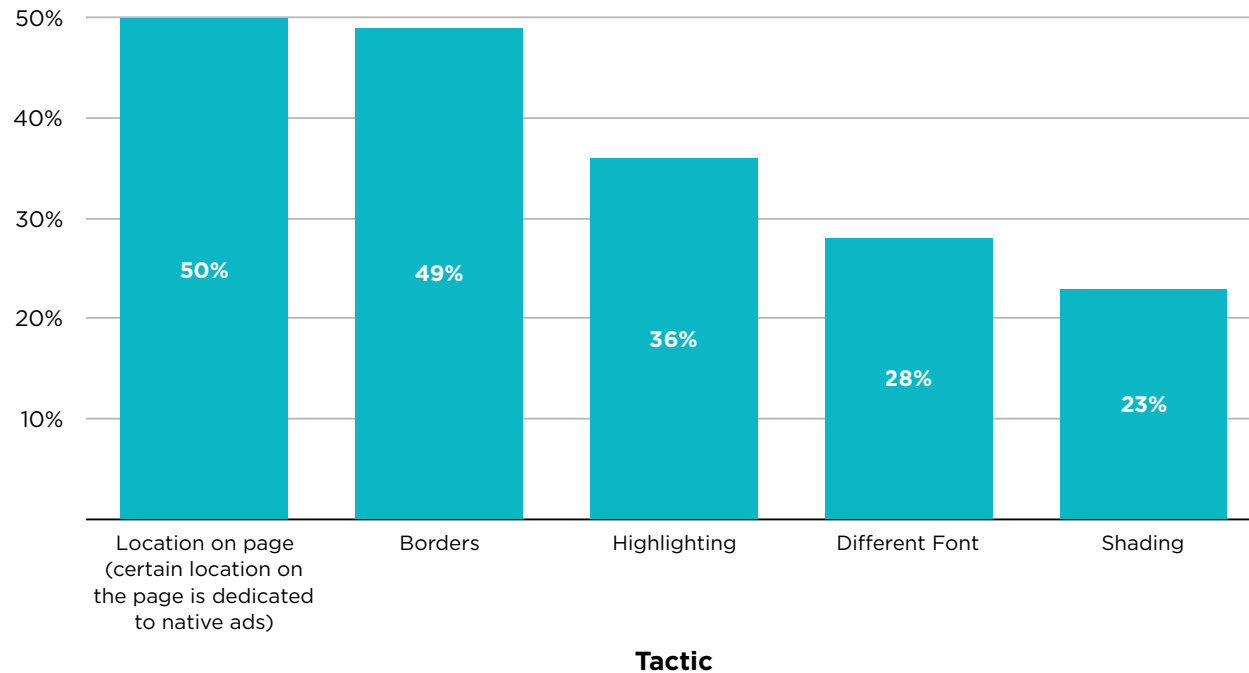
It’s only logical to hypothesize that logo size impacts consumers’ ability to identify native advertising. While the FTC should require both logos and brand names be used in disclosures in the long term, they should also investigate the impact of logo size, and make recommendations accordingly.

4. REGULATE THE PLACEMENT OF NATIVE ADS ON PUBLISHER HOMEPAGES

As our focus groups progressed, a surprising trend emerged: Consumers consistently struggled to locate the native advertising on BuzzFeed’s homepage, despite the fact that there are sponsor labels throughout the content feed in the left rail. Instead, respondents guessed that the non-advertising content in the right rail was advertising since the right rail is where they expect to see advertising.

When we asked consumers what design element would help them identify native advertising more accurately, the most popular response was the location on the page. In other words, there should be a dedicated area on every homepage to promote native advertising.

How should native advertising be identified?



“I don’t like where they have the ads. I like it with the ads on the right and more of the published articles on the left-hand side,” said Lynn, the 60-year-old focus group respondent.

The FTC should recommend that publishers create such a dedicated space on their sites.

5. RECOMMEND THAT ALL SOCIAL MEDIA SITES ADOPT FACEBOOK'S APPROACH TO NATIVE ADS

The FTC is particularly concerned with “deceptive door openers”—or posts on social media sites from influencers or advertisements that lead people to a native ad without them knowing it.

They shouldn't be worried about Facebook, however. Consumers were best able to identify advertising while on Facebook, and that is in part thanks to the great lengths the social network has gone to make advertising transparent. Facebook's use of the sponsored label resonates with consumers, and it also implemented the Handshake tool, which requires publishers to tag the sponsoring brand when distributing native ads.

Social media sites like Twitter, LinkedIn, and Instagram should be encouraged to adopt a similar approach.

Recommendations for Publishers

In recent years, publishers have found themselves fighting a war on numerous fronts. Facebook and Google now account for [74 percent of all digital ad revenue](#). And consumers are increasingly spending more time on mobile, where apps and social platforms reign supreme, than the open web, where publishers control their own audiences.

Native advertising, which can be distributed and hosted both on publisher sites as well as social media channels, has emerged as a very attractive revenue stream. “We have gone all in [on native advertising],” [said](#) Mike Dyer, president of The Daily Beast, which generates over three-quarters of its revenue from native advertising. “We like our approach. We like how much we can handle.”

Dyer’s enthusiasm is common throughout the industry. The New York Times’ native ad agency, T Brand Studio, has grown to over 100 employees in less than three years and is a key part of the publisher’s goal of doubling its digital revenue to \$800 million by 2020.

According to a recent Business Insider [report](#), “Sponsored content, which is categorized separately from native-display due to the direct relationship between publishers and brands in creating the format, will be the fastest-growing native format over the next five years.”

While the rewards of native advertising are great, so are the risks. Fifty-four percent of consumers have felt deceived upon realizing that a piece of content on a publisher site was sponsored by a brand, and 43 percent would lose trust in a publisher if it ran a native ad for an untrustworthy brand.

Moving forward, here are five things that publishers can do to mitigate those risks and maximize the opportunity that native advertising presents.

1. PROACTIVELY FOLLOW FTC RECOMMENDATIONS OUTLINED ABOVE.

The FTC released its guidelines on native advertising just 10 months ago. As a result, the organization may not update the guidelines right away, even if it finds this research compelling.

Nonetheless, publishers should proactively self-regulate and follow the recommendations outlined in the previous section.

What Research Recommends

- Adopt “Sponsored” as the universal label for native advertising and encourage partners and others in the industry to do so as well.
- Use both the brand name and logo when disclosing the sponsoring brand in a native ad.
- Keep the disclosure affixed in-view at the top of the page as the reader scrolls, as The New York Times does.
- Differentiate native ads through clear borders and highlighting.
- Give native advertising dedicated real estate on the homepage—preferably a clearly delineated section in the right rail.

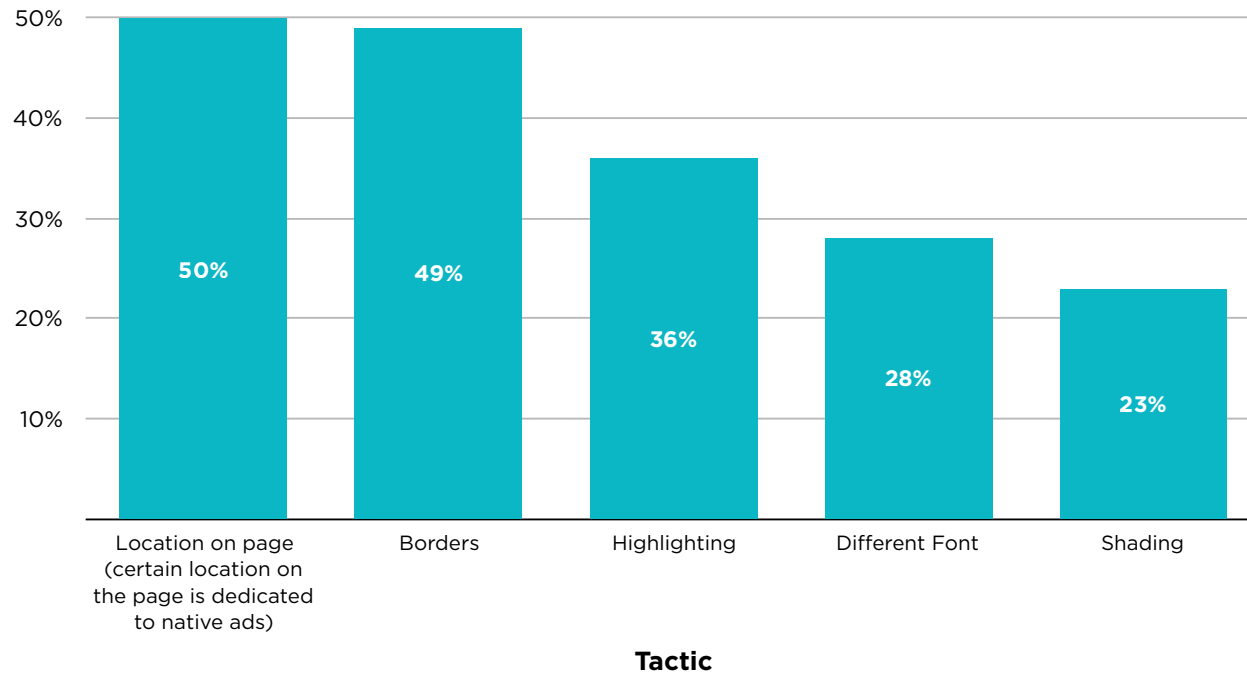
These changes will strengthen publishers' relationships with their audiences by allowing them to tell the difference between editorial content and advertising. They will also increase the likelihood that the reader can identify the sponsor, which will help deliver brand lift to advertisers.

2. CHOOSE BRAND PARTNERS WISELY.

There's a lot to gain—and lose—with native advertising based on the partner publishers choose.

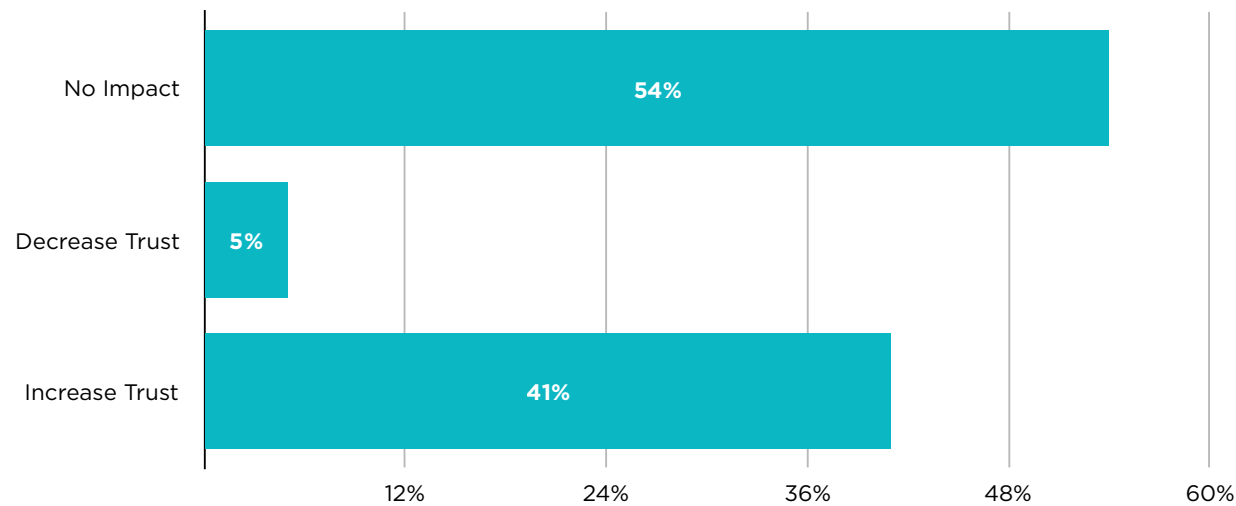
When a trusted publisher runs a native ad with a brand that consumers trust, a large share of consumers (41 percent) say that it increases their trust in the publisher. Just 6 percent say that it decreases their trust in the publisher.

How should native advertising be identified?



Conversely, choosing a brand partner that readers do not trust is a huge risk. When publishers run a native ad by a brand that readers don't trust, 43 percent claimed it decreases their trust in the publisher.

How would your impression of a trustworthy publisher change if it features a native ad for a trustworthy brand?



“I would think that they are only in it for the money,” said Karyna, the 24-year-old respondent, when asked how she would feel if The New York Times ran a native ad for McDonald’s.

“I feel like they need to be selective in what they put on their sites and who they allow to, I guess, buy into their sites,” said Sara, the 29-year-old focus group respondent. “You want something reputable or it will take away from the credibility of the site.”

Relatedly, a [2014 study on native advertising](#) by Edelman and the Interactive Advertising Bureau found that “brand relevance, authority, and trust were the most important factors to driving consumer interest in in-feed sponsored content across all media verticals.”

3. DON'T BE AFRAID TO MAKE NATIVE ADVERTISING BRAND-CENTRIC, AS LONG AS THE EXECUTION IS SOLID.

In the media industry, there seems to be a consensus that consumers are averse to native content that focuses on the sponsor. That belief should be reexamined.

The New York Times native ad with Wendy's was by far the most brand-centric and promotional of the four ads we tested. As the title, "Fresh Food Fast: From Farm to Fork," suggests, the longform article is all about how Wendy's uses fresh produce in its fast food. Yet, it was the native ad consumers were most interested in (80 percent, tied with GE/Business Insider), and the one that had the biggest impact for the sponsoring brand (56 percent of respondents were more likely to purchase from Wendy's).

"It puts them out there, and like you said before, it might make you say, okay, you know what? I really don't go to Wendy's, but Wendy's has put it out there, let me know, okay my products are fresh, this is how we pick them, this is what our restaurant workers do, this is how we pride ourselves on our stores, and keeping them clean and everything, so then you're going to start thinking, I'm going to start thinking, 'Huh you know what? I'll give it a shot,'" said Patricia, the 53-year-old focus group respondent.

“It actually improves my perception of Wendy’s,” said Lynn, the 60-year-old respondent.

In our survey, consumers also said that they appreciated native advertising that informed their purchase decisions. This doesn’t mean that self-promotional content is the best approach to native advertising; the opposite tactic can work as well. The content that GE sponsored in Business Insider did not mention GE at all and presented content that was primarily focused on delivering value to the reader: a report on the Internet of Things. Thirty-seven percent of people who read it said that they were more likely to buy from GE in the future.

“[The native ad tells me] that they are concerned about the consumer... [They want to make me] a better consumer,” said Glenn, the 48-year-old focus group respondent.

He went on to recall one time that a brand-centric native ad affected his purchase decision. “It was a Paul Newman’s salad dressing thing because I kind of liked it, so I clicked on it. It told me how he founded it, and donated all the money. It was an interesting story...I went and bought the product.”

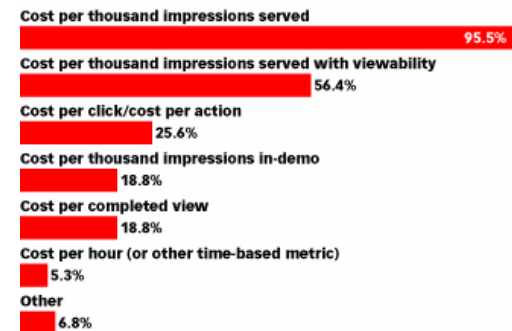
Indeed, it seems that the future of native advertising on publisher sites may be content that more closely resembles the approach of TV commercials and other traditional advertising, in which the brand is the central focus and hero of the story, rather than content that resembles news and confuses readers as a result.

4. MEASURE NATIVE ADVERTISING'S ABILITY TO IMPACT PURCHASE INTENT AND OTHER BRAND LIFT METRICS.

After viewing a native ad, 31 percent of consumers said that they were more likely to purchase from that brand. That's an impressive figure. For context, a 30-second view of an online video ad through Google's TrueView platform [only delivers a 4 percent increase in purchase intent](#).

Many publishers currently measure impact and performance based on [reach and engagement metrics](#)—impressions, page views, readers, and shares. While those metrics can be very valuable, they're only a proxy for what most brands ultimately want: to have people remember the sponsor and buy something one day.

Metrics that US Publishing Professionals* Guarantee for Campaigns, Sep 2015 % of respondents



Note: n=133; *focused on publisher ad operations on a daily basis
Source: AdMonsters, "State of Ad Ops 2015" sponsored by Sizmek, Nov 16, 2015
201269 www.eMarketer.com

Importance of Select Metrics When Measuring Digital Branding Campaigns According to US Digital Advertising Professionals, April 2016
 % of respondents

	1—most important	2	3	4	5	6—least important
Reach and frequency	39.3%	20.1%	12.7%	15.3%	7.0%	5.7%
Engagement rate	27.5%	26.6%	18.3%	14.4%	6.6%	6.6%
"Cost per" metrics (CPC, CPM, CPA)	10.0%	10.5%	10.5%	13.5%	21.0%	34.5%
Video completion rate	8.7%	14.8%	21.0%	25.3%	15.7%	14.4%
CTR	7.4%	11.8%	24.5%	15.7%	17.0%	23.6%
Total minutes watched/time spent	7.0%	16.2%	13.1%	15.7%	32.8%	15.3%

Note: n=229 working at publishers; numbers may not add up to 100% due to rounding

Source: Mixpo, "The State of Digital Advertising for Publishers"; eMarketer calculations, July 12, 2016

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www.eMarketer.com

Some publishers actively measure and report the impact of native ads based on brand lift metrics like brand awareness, favorability, recall, and purchase intent. In February, Forbes started guaranteeing advertisers that spend \$250,000 on a native ad campaign in 60 days will see a lift in one of those four aforementioned metrics—or they get their money back. BuzzFeed regularly includes brand lift metrics in most of its [native ad case studies](#). If publishers can show advertisers that native ads can deliver brand lift, they'll be much better at demonstrating the value of these partnerships to brands.

“Different clients come to us with different KPIs of what objectives they want to achieve through their marketing efforts when they partner with us. Some want to lift purchase intent. Some, for example, may come to us to highlight a brand attribute they want to promote or a particular feature they want to show off,” said Krzywoglowy, BuzzFeed’s director of ad product.

The New York Times partners with Millward Brown to measure brand lift for its advertisers.

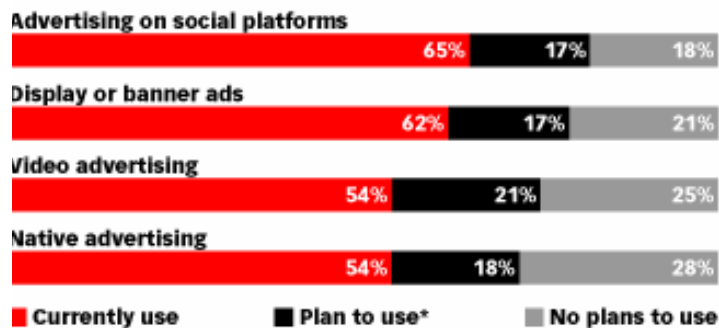
“We are measuring Brand Lifts and ad effectiveness for our brand content and focused on creating the content that will help our advertisers track towards their objectives, be that brand awareness or other objectives,” said Reddy, The Times’ director of audience and insights.

Recommendations for Brands

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In a short period of time, native advertising has become one of the most common advertising tactics; 54 percent of marketers currently use native advertising, on par with display and video advertising, according to a Salesforce report featured on eMarketer.

Current vs. Planned* Use of Select Digital Ad Formats Among Marketing Leaders Worldwide, Jan 2016
% of respondents



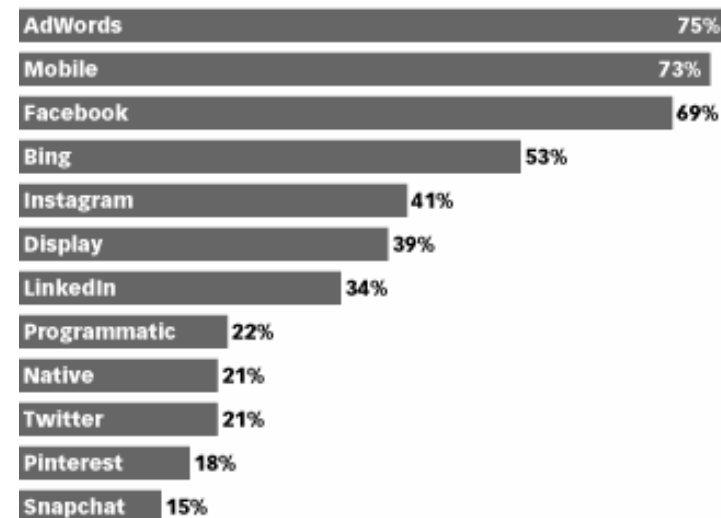
Note: among those who use digital advertising as part of their marketing strategy; *piloting or plan to use in the next 12 months
Source: Salesforce, "2016 State of Marketing: Trends and Insights From Nearly 4,000 Marketing Leaders Worldwide"; eMarketer calculations, March 30, 2016

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www.eMarketer.com

According to eMarketer, 21 percent of marketers expect to increase their spend on native in the next year.

Areas in Which US Marketing Professionals Plan to Increase Their Budget, Aug 2016
% of respondents



Note: in the next 12 months
Source: Hanapin Marketing, "The State of PPC 2016-2017," Sep 26, 2016

217292

www.eMarketer.com

At top publishers like The New York Times and BuzzFeed, the minimum spend for a native ad campaign is \$100,000.

Although native advertising has an ancestor in the advertorials that ran decades ago in print magazines, the current ads that appear on publisher sites have a unique format. As the FTC's native ad guidelines state: "In digital media, native ads often resemble the design, style, and functionality of the media in which they are disseminated."

The fact that native ads often resemble the editorial that surrounds them so closely presents potential downsides. Will consumers feel deceived? Will they be able to identify what brand sponsored the content they enjoyed?

Although native advertising had a largely positive impact on consumers' impression of the sponsoring brand, these concerns are legitimate. More than half of consumers felt deceived after figuring out a brand sponsored the content they read.

Even so, the format still shows great potential, with 31 percent of consumers more likely to purchase something from the sponsoring brand after viewing the native ad. Moving forward, here are some guidelines for how brands can ensure that they get maximum value from native advertising.

1. INSIST UPON CLEAR LABELING

Some critics of native ads have said that their appeal to brands is their deceptive nature—that brands stand to benefit the most from consumers reading a piece of content that depicts that brand positively without realizing that it was sponsored by that brand.

As our study makes clear, brands have little to lose if they push for clearer labeling. The New York Times native ad for Wendy's was the most clearly labeled native ad we studied. Eighty-three percent of readers were able to identify Wendy's as the sponsor, and 56 percent were still more likely to purchase Wendy's after reading the promotional piece of content.

If a native ad comes out well, brands should want their names and logos clearly displayed atop it. Brands can push publishers to adopt better standards by insisting on the stricter labeling outlined in the sections above.

2. FEEL FREE TO TELL A STORY ABOUT YOUR BRAND, AS LONG AS IT'S DONE WELL.

As explained in the “Recommendations for Publishers” section above, consumers are open to stories about the brand, as long as the story is high-quality.

“I think it’s a smart move for Wendy’s that they do this,” said Donna, the 59-year-old female respondent. “I wouldn’t mind stopping at a Wendy’s, but I learned that through being on The New York Times.”

“We’re collaborating with the brand partner to find the most interesting stories that they have to tell,” said Reddy, explaining the approach of The New York Times. “Those are often stories that center at the heart of the brand, but they’re also stories that relate to themes that they care about, topics that they’re passionate about that may be aligned with brand themes or somewhat removed from brand themes. I think it’s depending on the objective of the advertiser on where we really see the strongest story.”

3. WELCOME THE PAID DISTRIBUTION OF NATIVE ADS ON FACEBOOK—AS LONG AS IT'S TARGETED CORRECTLY.

In the early days of native advertising, native ads were primarily distributed to the publisher's audience through promotional units on the home page or article pages.

Today, much of the traffic to native advertising comes through sponsored posts on Facebook created by the publisher. This appears to be a fine model since consumers were better able to identify a native ad as an advertisement when they first encountered it on Facebook. Facebook distribution also had no discernible impact on the native ad's effectiveness.

Publishers may also be able to achieve a better CPC when they promote content on Facebook on behalf of brands, as opposed to when brands promote content on their own.

"If the media brand is truly valuable in the eyes of consumers they'll be more effective promoting content to their readers on Facebook than the advertiser would alone," said Alex Magnin, CRO of Thought Catalog, in an interview earlier this year.

Advertisers should make sure that publishers are reaching the right audience through Facebook's targeting options. The risk here is that publishers will just purchase traffic from the cheapest audience possible, not the audience that the advertiser wants. That's why advertisers should insist that publishers be transparent about the audience they target through Facebook ads and ask them to report that information back.

In our focus groups, respondents welcomed native ads that were tailored to their interests.

"It should be customized [to my interests] because if it's something that doesn't interest me, I'm not going to look at it," said Glenn, the 48-year-old respondent.

"I think [native advertising] works only if it's relevant, only if this stuff actually makes sense," said Patrick, the 22-year-old focus group respondent.

Areas for Further Research

79

Our study has revealed important, actionable takeaways for the industry, but further research is needed to fully understand the impact that native advertising has on consumers, advertisers, and publishers. Below are some recommended areas of further research for publishers, the FTC, and industry trade groups.

“

In general, there's an issue of the proliferation of social media platforms. It makes it harder to keep on top of all the marketing messages out there.”

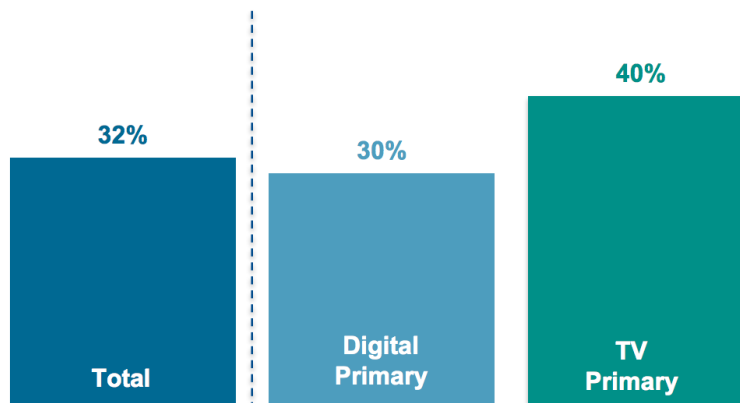
—MARY ENGLE, HEAD OF THE
FTC'S AD PRACTICES DIVISION

Video Native Advertising

Video native advertising is booming. A [2016 IAB Video Ad Spend](#) report from this year found that ad spending on original digital video doubled since 2014, with one-third of that spend going to native ad opportunities.

On Average, One-Third of Original Digital Video Dollars Goes to Native Advertising

Share of ODV Ad Dollars Allocated to Native Advertising (Avg. Percent)



Q164. What percent of the ad dollars you spent in 2015 on professionally produced original digital video programming/content was spent on native advertising?

Base: Total Respondents

Publishers like BuzzFeed, Mashable, and Vox are growing their video capabilities, in part to serve this growing demand. This study focused on native ads that appear in an article format. Future research needs to recommend best practices for video.

How are native ads perceived when published natively on social platforms vs. publisher platforms?

Increasingly, publishers are publishing native ads directly to social platforms—either through native videos on Facebook, Twitter, YouTube, Instagram, and Snapchat or through Facebook Instant Articles.

Our study examined how consumers react when publishers use Facebook to distribute links to native ads and drive traffic to those ads, but as publishing native ads directly to social platforms becomes more pervasive, that practice deserves further research.

Influencer marketing

Influencer marketing—in which influential social media users create and distribute content on behalf of brands—is one of the fastest growing subsets of native advertising. In August, Chute and Thuzio reported that 87 percent of U.S. marketers planned to increase their budgets for influencer marketing in 2017.

The FTC has recommended that influencers use tags like #ad or #sponsored to clearly mark advertising content and avoid any “deceptive door openers” in which consumers do not know that a piece of content is sponsored by a brand before they choose to interact with it.

For now, many brands are not following these guidelines. In April 2016, TapInfluence and Altimeter Group found that 13 percent of U.S. influencers had never been asked to disclose that their post was an ad. Another 35 percent had only sometimes been asked by brands to add a disclaimer that follows FTC guidelines.

In many ways, influencer marketing is [the Wild West of native advertising](#). Disclosures in influencer marketing will only become trickier with the proliferation of platforms like Snapchat, where ads disappear instead of staying in the feed.

“In general, there’s an issue of the proliferation of social media marketing platforms,” Mary Engle, head of the FTC’s Ad Practices division, [told Contently](#) in an interview earlier this year. “It makes it harder for us to keep on top of all the different marketing messages out there.”

How consumers perceive native ads: hybrid or just confused?

In our study, just 23 percent of consumers viewed the native ad they read as advertising. Thirty-four percent said it was editorial content. Another 43 percent rated it somewhere in the middle.

It’s unclear whether these consumers view it as a hybrid between advertising and editorial content, or whether they were simply confused about the nature of native ads. The answer may lie somewhere in between. But this subject deserves further exploration.

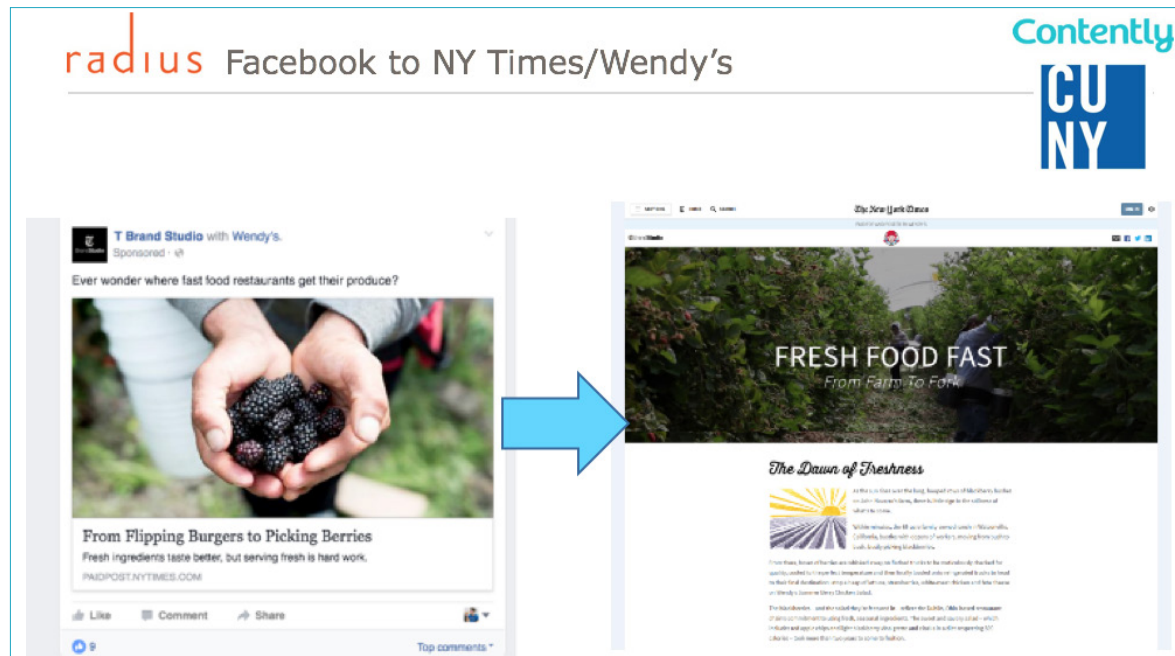
Effects of advertiser-created content vs. underwritten content

One of the most confusing aspects of native advertising on publisher sites is distinguishing between native ads that were created by, for, or in collaboration with the advertiser, and native ads that the advertiser simply underwrites (i.e. sponsors) without editorial input or control.

Even for someone like me who writes and studies native ads constantly, it's incredibly difficult to distinguish between the two on most publisher sites. Further research should explore whether consumers understand the difference and how that distinction impacts how they perceive native advertising.

Effects of Facebook distribution through partner studio pages vs. publisher Facebook pages

Publishers are only going to distribute more native ads through Facebook. Currently, the most common practice is to distribute those ads through the Facebook pages of native ad studios, as The New York Times ([T Brand Studio](#)) and The Huffington Post ([HuffPost Partner Studio](#)) did in our study.



But how do perceptions of native advertising change when those stories are distributed through the publisher's primary Facebook page? Does it affect how consumers interpret and respond to the content? What are the advantages and disadvantages for publishers and brands, particularly in terms of transparency and effectiveness?

Appendix A

Methodology

We utilized a two-phased research approach to dig deeper into consumer attitudes toward native advertising.

PHASE I

In-Depth Interviews

Four in-depth interviews with a trained moderator conducted August 2016, with the purpose of understanding consumer terminology and behavior when it comes to native advertising.

informed



PHASE II

Quantitative

A 15-minute online survey among 1,212 adults who use a laptop, notebook/Chromebook, tablet, or mobile phone to access the internet at least one day in a typical week, and qualified from a U.S. national representative sample.

Sample Selection

Respondents to the Phase II Quantitative online survey were selected from a panel of demographically representative individuals who have volunteered to participate in surveys in return for compensation that includes points that can be redeemed for retailer gift cards or products.

From this sample panel, questions were asked based on criteria set for this research to find those respondents that qualify. For this reason, the ending sample used for analysis was different than the original pool hence different from census proportions.

Sample Criteria

Adults aged 18 - 64 years old who use a laptop, notebook/Chromebook, tablet or mobile phone to access the internet at least one day in a typical week.

- Access any of the following publisher websites at least once a month:









ENDING SAMPLE: 1,212

- Qualified adult respondents yielded the following age/gender breaks:

	Total	Millennials	GenX	Boomers
	#	#	#	#
Base total respondents	1212	494	534	184
Male	581	231	260	90
Female	631	263	274	94

- Respondents were randomly assigned to complete the online survey for one publisher based on visiting such websites at least once a month.
- Each publisher was evaluated by about 300 respondents.

The New York Times	BuzzFeed	Business Insider	Huffington Post
n = 305	n = 307	n = 299	n = 301

Online Survey

- Respondents viewed images of native advertising as it would appear via each publisher to mirror a realistic reading environment.
- Each publisher featured a different brand in the native ad.

Website/Publisher	Brand
Facebook/The New York Times	Wendy’s
BuzzFeed	Ford
Business Insider	GE
Facebook/The Huffington Post	Kia

- Respondents were shown the initial screen as well as the full native advertisement article to evaluate at specific sections of the survey.

Respondents were exposed to publisher site with native advertisement embedded as it would appear in real life. They were then asked to recall content on page.

Respondents were shown the same concept with native advertisement identified by green outlined box. They were then asked to identify the content.

Respondents were shown the same concept with native advertisement highlighted by red outlined oval. They were then asked to click on the image and read the actual article.

Respondents were asked to evaluate the content including: Identify brand, rate brand, rate publisher, purchase intent, impressions of the brand and publisher.

Sample Selection

PANEL SOURCE

Respondents were presented with the opportunity to join the panel and participate in online surveys. The panel has a double opt-in respondent base and a high level of respondent engagement.

- Members were recruited exclusively using permission-based techniques and were invited using unsolicited email. This ensures no bias towards any particular type of net user and a diverse panelist profile.
- This quality approach to panel management insured that the panel included only “fresh” engaged respondents while at the same time purged hyperactive respondents, and panelists that might jeopardize sample integrity.

CLICK BALANCING

Outgoing and incoming sample panel was balanced to U.S. census demographics including age, gender, ethnicity and region. This procedure ensures a representative random sample creating an equal chance for all respondents to qualify. Sample proportions were within 4% of U.S. census.

- Sample was monitored daily for duration of field period: September 1 - 13, 2016

ENDING SAMPLE

For the duration of field, poorly engaged respondents were flagged and not included in the ending sample that was used for analysis.

- This includes respondents who - “speed” through surveys (finish survey within an unrealistic time frame based on expected survey length i.e., 2 minutes) , deliver inconsistent answers to identical questions asked the same way; and straight line responses (those that give identical answers to all items where a combination of positive and negative options were available).
- The head of Advanced Analytics was consulted on which respondents to replace.

ANALYSIS

Data was statistically tested across publishers at a 90% confidence level.

Quantitative Details/Quality Control

BIASES/LIMITATIONS

All research methodologies have inherent biases and limitations. We control for biases related to individual online panels and use the highest quality standards in the industry. All respondents included in the research are re-contactable and traceable, which supports validation efforts. That said, sometimes panelists that are not good respondents slip through the system. We understand the potential impact of poorly-engaged respondents and have the means to identify and flag less than optimal engagement levels, manifested in a number of different ways.

- Respondents who “speed” through surveys.
- Panelists who deliver inconsistent answers to identical questions asked the same way or incorrect answers to trap questions
- Panelists whose length and content of open ended responses are subject to scrutiny
- Respondents who straight line responses. These are respondents who give identical answers to all items where a combination of positive and negative options were available

In addition to monitoring sample validity and performance, Radius builds into every survey the means to identify straight-liners. Throughout data collection we generate reports that monitor respondent’s answer patterns, and make an assessment of:

- Number of questions where straight lining has occurred
- Length of interview
- Quality of other data

The number of such tests depends on the content of the survey, but the presence of three or more infractions provides sufficient data for a panel to confidently recommend the replacement of respondents.

Appendix B

Past Research

As part of this project, we wanted to provide context on some of the research referenced above that can serve as a guide for further exploration:

A 2014 [study by Edelman and the IAB](#) found that business and entertainment news readers are highly receptive to native advertising, while general news readers are less so. It also found that that “brand relevance, authority, and trust were the most important factors to driving consumer interest in in-feed sponsored content across all media verticals.”

A [2013 study by Sharethrough and IPG Media Labs](#) used eye-tracking technology to find that consumers looked at native ads 53 percent more than display ads and that “native ads registered 18% higher lift in purchase intent and 9% lift for brand affinity responses than banner ads.”

A [December 2015 study](#) by researchers at the University of Georgia’s Grady College of Journalism found that consumers were “seven times as likely to identify paid content as a native ad when it is marked with terms like ‘advertising’ or ‘sponsored content’ than if it carries terms like ‘brand voice’ and ‘presented by.’”

A [2015 study conducted by Contently](#) found that consumers who read native ads that they identified as high quality reported a significantly higher level of trust for the sponsoring brand. It also found that 48 percent of consumers have felt deceived by native advertising. A [2014 study by Contently](#) found that two-thirds of consumers have felt deceived by native advertising.

A 2016 study produced for the Tow-Knight Center for Entrepreneurial Journalism at CUNY [found that](#) 11 of 14 publishers use an in-house team or staff member to produce content, either exclusively or in collaboration with the sponsor.

Thank you.

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