



VOTE: Does native
cheaper the brand?
WATCH: John Oliver's
native rant
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in one graphic

Will native advertising save or kill your brand?

Publishers face a decision fraught with peril or prosperity. Bad native advertising is deadly; great native advertising is extremely lucrative. How can you get it right? Is it worth the risk? How do you prevent readers from feeling hoodwinked? How do you build a team to create high-quality native content? You can't afford to skip this chapter.





ast year, native advertising was a fierce debate.

This year, it's a war.

But native advertising's break-neck growth in 2014 could make this one of the shortest wars on record.

Native advertising (also known as sponsored content or brand content) became a full-blown phenomenon in 2014, according to *Digiday*. Advertisers spent a record US\$3.2 billion on native advertising, up 50 per cent over 2013.

That explosive growth, which is expected to continue this year, may quickly shift the native advertising debate from "Should we?" to "How soon can we start?"

But the battle is not yet over.

Editors, publishers, and ad directors are still fighting a full-fledged, take-no-prisoners war that is dividing the publishing industry like no issue since... well, there has never been an issue as divisive as native advertising.



Why the unprecedented acrimony?

Perhaps it is caused by the historically high stakes: Publishers have never seen a revenue decline of the magnitude they've experienced over the last five years when entire categories simply evaporated.

Native attracts significantly higher rates than most other forms of digital advertising; *The Guardian* announced its Unilever "partnership" as a seven-figure deal. With native advertising being touted as one of the most promising solutions to the revenue crisis, it becomes a lightning rod for critics and proponents alike.

Perhaps the fierce disagreements are also provoked by native advertising's perceived prostitution of a core tenet of traditional journalism: the separation of editorial and advertising, otherwise known as the wall between church and state.

Hoodwinking or helping?

Or, perhaps, the war is so bloody because native ads by definition are made to look like the editorial content around them, or "native" to their surroundings. Critics see that as an attempt to fool or "hoodwink" readers into thinking the content is part of the magazine's body of work created by its own writers. Proponents, of course, see the inclusion of branded content as adding valuable information or services for readers interested in the topic at hand.

Or perhaps the fight is intensifying because the use of native ads is intensifying. Twenty per cent of publishers already run native ads and 25 per cent more plan to introduce native

ads over the next 12 months, according to a survey by *Editor & Publisher* and software company Cxense.

Among companies using native ads, the revenue growth is also intense. For example, Huffington Post native advertising revenue grew a stunning 347 per cent from Q2 2013 to Q2 2014, according to *AdExchanger*.

Despite all the sound and fury surrounding native advertising, the *E&P* survey also found great confusion: An astounding 40 per cent of respondents admitted that they are still not totally sure they understand the concept of native ads.

In 2014, many studies claimed to have uncovered data supporting the arguments of each side with damning statistics making mincemeat of the other side's arguments.

The opponents: It's a bad idea that also doesn't work

"Publishers have talked themselves into believing that 'native' is the long-sought replacement for dwindling ad revenue," global content marketing agency Story Worldwide CEO Kirk Cheyfriz wrote last year.

A summer 2014 survey by New York-based content-creation company Contently found that two-thirds of Americans said they would feel deceived if they discovered a piece of content had been sponsored by an advertiser. Slightly more than half said they don't trust any content from an advertiser, no matter what. And almost 60 per cent said that a site running sponsored content would lose credibility in their eyes.

The Contently survey also found that two-thirds of respondents were less likely to click on a sponsored ad and only 24 per cent scrolled through sponsored content versus 71 per cent of readers who scrolled through editorial content.

An earlier 2014 study by real-time analytics company Chartbeat was equally troublesome for native ad proponents.

"The truth is that while the emperor that is native advertising might not be naked, he's almost certainly only wearing a thong," wrote real-time analytics company Chartbeat CEO Tony Haile about the study in *Time*. "On a typical article, two-thirds of people exhibit more than 15 seconds of engagement, on native ad

"I believe that (brands) should not rent their virtue out to the highest bidder; there is a name for that."

Journalist Bob Garfield,
speaking at the Assoc. of Data Driven Marketing &
Advertising 2014 Conference



content that plummets to around one-third... What this suggests is that brands are paying for – and publishers are driving traffic to – content that does not capture the attention of its visitors or achieve the goals of its creators. Simply put, native advertising has an attention deficit disorder.”

Publishers who use native advertising are trying to fool their readers by only subtly labelling native advertising content as advertising, native advertising critic and journalist Bob Garfield told attendees at the Association of Data Driven Marketing and Advertising (ADMA) 2014 conference. “I believe that (brands) should not rent their virtue out to the highest bidder – there is a name for that.”

Garfield is not alone. “We’re concerned about the audience experience,” Hearst Magazines UK group digital sales director Stephen Edwards told *The Drum*’s “Joy of CX” event in London last fall. “And it does undermine the brand, so we’re undergoing a massive process now, looking at how we create content for brands that really rings true to our audience’s expectations and our brand’s heritage and history.”

“Can we just stop hyping native advertising?” wrote JWT partner Todd Copilevitz in *Digiday*. “It’s not new. It’s not the next big thing. It certainly is not the answer. Native advertising... does nothing for the audience. That ultimately comes down to real people making real stuff, responding to real customers, and investing in experiences that create brand preference and a propensity to buy.”

Pretty damning stuff, right?

Well, not entirely.

The advocates: When done correctly, it engages readers and enriches publishers

First of all, native advertising, done correctly, delivers exactly what Copilevitz wants it to do: “Real people making real stuff, responding to real customers, and investing in experiences that create brand preference and a propensity to buy.”

Take Kraft Foods, for example.

Kraft is quadrupling its return on investment with content marketing compared with targeted advertising. “It (native advertising) is an invitation to engage; it’s not intrusive and

What IS native advertising?

Native advertising is content created by or for an advertiser that appears in the editorial stream of content, using similar, if not the same, typography, headlines and style as the editorial content itself, and focusing on a subject closely related to the topic of the editorial content it is paired with but graphically and typographically labelled as advertising or sponsored content. The controversy revolves around who produces that content (the advertiser, the publisher’s native content department, or the editorial team), how obviously it is labelled as advertising, the quality of the content, and the reputation of the brand being advertised.

invites the consumer in,” said Kraft director of data, content and media Julie Fleischer. She told *Advertising Age* that Kraft’s native ads generate 1.1 billion ad impressions every year.

BuzzFeed uses only native advertising and the company has projected US\$120m in revenue in 2014. “We have already worked with more than two-thirds of the top 100 brands across every vertical,” *BuzzFeed* executive vice president of business operations Eric Harris told the American Press Institute. “I do believe there is some form of native, content-driven advertising that will benefit every site out there.

“On mobile – which is now more than 50 per cent of our traffic and growing – I think native advertising is really the only monetisation strategy that’s working right now,” Harris said. “Overall, *BuzzFeed* brand customers see an average lift of 55 per cent in brand affinity and 88 per cent in purchase intent from our custom social content across our Nielsen Online Brand Effect studies.

“We work with our clients to create engaging content that communicates the attributes and aspirations that the brand wants to be associated with,” Harris said. “Less successful programmes are often the result of forced or too much branding diluting the human element.”



Even critic Garfield conceded in his largely damning comments: “Someone like an IBM has a lot to say about technology.” Indeed. Which is not to say IBM shouldn’t say it, only that they shouldn’t do so in a disguised fashion. We agree. As do most native ad proponents.

Native advertising critics also fail to mention that the negative Chartbeat report ended with a positive conclusion: “The story isn’t all bad,” wrote Chartbeat CEO Haile. “Some sites like Gizmodo and Refinery29 optimise for attention and have worked hard to ensure that their native advertising experience is consistent with what visitors come to their site for. They have seen their native advertising perform as well as their normal content as a result. The lesson here is not that we should give up on native advertising. Done right, it can be a powerful way to communicate with a larger audience than will ever visit a brand’s homepage.”

Another survey of 5,000 web users by the Interactive Advertising Bureau (IAB) and Edelman Berland later in 2014 found that nearly nine in ten web users accept that native advertising is a necessary part of the future if consumers want to continue to get free online content. Almost two thirds of consumers said they are open to native ads that “tell a story” rather than the ads that just sell something.

“Successful native advertising: a collaboration [creating] value for the brand, the publisher and, most importantly, the reader, by delivering high-quality, relevant, credible content.”

Media Vitals editor Rob O’Regan

According to US-based ad agency MDG Advertising, 70 per cent of internet users want to learn about new products through content as opposed to through traditional advertisements.

So, who’s right?

Both sides sound very convincing.

For us, results rule.

Big brands are not in the habit of spending billions of dollars on ads that do not work.

Consider this: Native advertising spending in the US alone is projected to reach US\$5 billion by 2017. That’s more than triple the US\$1.4 billion spent in 2012. And that’s only in the US.

Even as the new kid on the revenue block, native ads nonetheless constituted one-fifth of all digital display ads in the first half of 2014, according to marketing firm BIA/Kelsey.

By the end of 2014, native ad spending was projected to hit US\$2.29 billion, an increase of 21 per cent over 2013, according to eMarketer. By comparison, desktop display advertising was projected to rise one per cent in 2014.

That growth will continue. Fully 73 per cent of buyers surveyed by media company *Digital Media Review* and native advertising tech platform TripleLift in 2014 said they had a native ad strategy, and more than two-thirds of them planned to increase their native ad buys in 2014.

For those who know how to execute native advertising correctly (which we’ll get to in a moment), the returns are stunning.

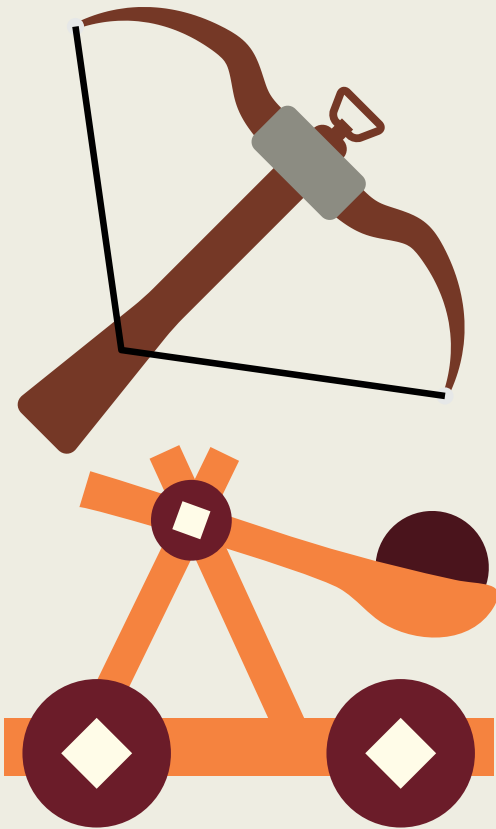
Time Inc reported a 40 per cent growth in profits from the digital arm of its custom publishing operation in 2013 on 20 per cent higher revenue, according to *The Wall Street Journal*. Time Inc’s native clients included such major brands as Procter & Gamble, Bank of America, and Jaguar Land Rover.

While Meredith was reporting an overall revenue decline of 2.4 per cent in 2013, the content marketing group reported a 35 per cent increase in operating profits.

Bad ads get bad results. Duh.

Here’s our take: It’s easy to prove that something done poorly will fail. That is exactly what the studies damning native advertising have done.

And some of what they found is true: Some



native advertising campaigns are terrible and others are insufficiently labelled. Those will (and should) fail every test, including impressing readers and providing results for advertisers.

It is also very easy to get consumers to say in a survey that they would object to being hoodwinked (who wouldn't?).

But why are consumers by the hundreds of thousands clicking on and staying with the best native ads? Because, done correctly, native advertising is delivering an experience that fulfils readers' expectations.

We firmly believe that native advertising can substantially help revitalise the magazine media industry and usher it into the 21st century – IF its practitioners (publishers, editors, ad directors, brands, and agencies) follow very simple but also very strict rules.

“Successful native advertising comes down to this: a collaboration that creates value for the brand, the publisher and, most importantly, the reader, by delivering high-quality, relevant, credible content,” wrote *MediaVitals* editor Rob O'Regan.

Who should create native advertising content?

Even among publishers who have decided to run native advertising, there is no agreement

about who should create the content for the ads.

The biggest debate is whether editorial staff should be involved.

Some publishers, such as Time Inc and *The Wall Street Journal*, have created in-house brand content teams separate from the editorial department. On the other hand, publishers such as *Mental Floss*, Dennis Interactive, and Say Media, use their editorial staff to work with advertisers to create native ad content.

Only editorial staff can guarantee high-quality, brand-consistent content

Publishers who use editorial employees defend the practice as the only way to guarantee a quality editorial experience for its readers.

“For us, it's a matter of trust,” *Mental Floss* co-founder Mangesh Hattikudur told *Digiday*. “We want to provide content that we can stand behind. I hate when I click on something that looks like editorial content but is actually a bland, horribly written ad.”

At the start-up magazine *Debrief*, the strategy always called for editors to write native ad content, but it took some getting used to for the staff. “It's not something they teach you in journalism school or that you learn early on in your career,” editor Hattie Brett told *Digiday*. “It's really important for editorial people to be commercially minded now. I don't think it means you have to sacrifice what's at the heart of your editorial integrity.

“Everything I focus on and think about is whether this is right for my readers,” Brett continued. “But our audience, certainly, expects content for free and are savvy enough to know that if they want that content for free, then someone's got to pay for it. [This works] as long as you're working with like-minded [people] who share your ideals and brand mission, and you can work them to create content that is actually valuable, rather than irritating.

“[Journalists] need to begin to feel a bit more comfortable with this... I'm a controversial editor for saying that I don't mind working on native deals, but my reasoning for that is that as long as you maintain your editorial integrity, actually it can be a good thing,” she said. “I'd prefer to be involved in [a deal] from the beginning to help shape it.”

Similarly, Dennis Interactive wants all of



the content on its site to have the same voice and vision. “A lot of people keep it (native ad content creation) separate – that’s missing the point,” Dennis Interactive managing director Pete Wooton told attendees at the *Digiday* Publishing Summit/Europe last year. “The best people to write compelling content for the target audience the advertiser is trying to hit are the editors.”

Over at Say Media, editors who write native content can also decline to work with advertisers they don’t believe share the Say Media vision.

Editorial staff writing branded content is “a trust parasite”

Other editors, publishers and agency people look with unmitigated horror at the practice of having editorial staff write native advertising content.

“Call me old school, but I don’t like the idea,” Jeff Dearth, partner at DeSilva + Phillips, told *Digiday*. “Over time, it erodes a reporter’s ability to report the ‘truth’ when it comes to the companies they’re shilling for.”

In August, 2014, John Oliver, host of “Last Week Tonight” on HBO, compared native advertising to raisins in cookies: Native ads are “ads baked into content like chocolate chips into a cookie. Except it’s actually like raisins in a cookie – because who really wants raisins in their cookie?”

Oliver also labelled an advertising executive’s defence of native advertising as simply sharing content creation tools with advertisers “repurposed bovine waste.” Letting advertisers create content or having journalists do it is a “trust parasite” for publishers, he later said.

Native advertising is here to stay

The credibility of publishers “would seem to be deeply wounded if something that looks like an article is up for sale,” wrote Harvard-based Neiman Journalism Lab director Joshua Benton in November. And yet it’s hard to find a major publishing company that isn’t looking to native as an important part of their business strategy in 2014, Benton wrote. “Like it or not, native advertising is here to stay – no longer reserved for digital natives (Gawker, BuzzFeed, Quartz) and a few traditional outlets with an edgier digital presence (*Forbes*, *The Atlantic*),”

“Like it or not, native advertising is here to stay – no longer reserved for digital natives and a few traditional outlets with an edgier digital presence.”

Joshua Benton, director
Harvard-based Neiman Journalism Lab

wrote Benton.

“And... there hasn’t been much sign of public resentment, much less a public revolt,” continued Benton. “Thousands of native ads have been published to a collective audience yawn.”

“Whether you like it or not, native advertising is now inside the big news tent. Maybe it’s just a new iteration on the advertorials newspapers and magazines have run for decades. Maybe it’s a scurrilous devaluation of journalism. Either way, it’s here, and at the highest levels of the business. What journalists can do is push for clear labelling, shame those who fall short, and hope that the business sides of their outlets won’t turn their brands into a non-renewable resource,” Benton concluded.

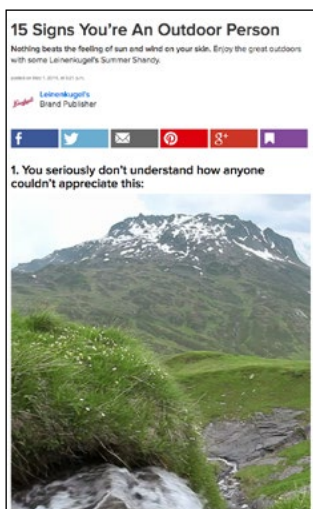
What’s the solution?

To us, the answer is a combination of both schools of thought: Make a commitment to hiring writers and editors of the quality that would make the editor jealous, but place them in an autonomous native advertising content creation team outside of the editorial department supervised by an editor the team respects.

Time Inc, for example, moved a top-level editor, *Sports Illustrated* group creative director Chris Hercik, out of the editorial department to lead an eight-person unit charged with working with advertisers, brand editors, and publishers to create native advertising campaigns across the company’s 25 titles.



Some of the best native ads, and why they're the best



BuzzFeed

BuzzFeed is the granddaddy of native advertising, having been at it for four years and having sold more than 1,000 native ad campaigns to more than two-thirds of the top 100 brands (among others) across almost every vertical.

BuzzFeed does so well because its clients do well with its native campaigns, seeing on average an amazing 88 per cent increase in purchase intent and a 55 per cent lift in brand affinity, according to *BuzzFeed's* Nielsen Online Brand Effect research. How do they do it? "We work with our clients to create engaging content that communicates the attributes and aspirations that the brand wants to be associated with, and less successful programmes are often the result of forced or too much branding diluting the human element of the content," said *BuzzFeed's* executive VP Eric Harris.

BuzzFeed's native campaigns also succeed when the client includes interactivity because that interactivity encourages social sharing. For example, *BuzzFeed* collaborated with

beer-maker *Leinenkugel* to market its "Summer Shandy" beer. The campaign was an interactive summer events calendar that more than half a million readers shared on social media.

BuzzFeed's native campaigns also work when they involve a game along the lines of what *BuzzFeed* would do anyway. For example, *BuzzFeed* partnered with "Game of Thrones" to create a native campaign featuring a typical *BuzzFeed* game: "How Would You Die on Game of Thrones?"

What does *BuzzFeed* think is the next big thing in native advertising? "Video is a huge, mega-trend, and the fact that it's being viewed on mobile at such a high rate and being shared at a high rate aligns all these things together," said *BuzzFeed* CEO Jonah Peretti. The company's "Dear Kitten" came from *BuzzFeed* Branded Video and had more than 20 million views on YouTube at the end of 2014. In just two years, *BuzzFeed* has created between 1,800 and 1,900 short videos that garnered 1.7 billion YouTube views. And it's not like a couple of viral videos accounted for most of those views. More than a quarter of all *BuzzFeed* videos have gotten more than a million views each.

Upworthy

Another publisher that appears to have figured out the native ad formula for success is *Upworthy*. The success of an *Upworthy* native ad campaign is rooted in the first step in its creation: A sit-down meeting with *Upworthy* staff to determine what part of the advertiser's brand or products would work best on the *Upworthy* site.

In a very *Upworthy* way, Unilever

sponsored a kids-making-inspiring-changes series as part of the company's "Project Sunlight" effort. Similarly, Skype promoted a feel-good original video about a technology school in Uganda.

Because *Upworthy* uses its editorial staff to create the branded content, building the native advertising in the distinct *Upworthy* style is not difficult. Native ads get a lot of A/B testing and the headlines mimic the *Upworthy* flavour.

The results are impressive by any measure. According to the company, *Upworthy's* native

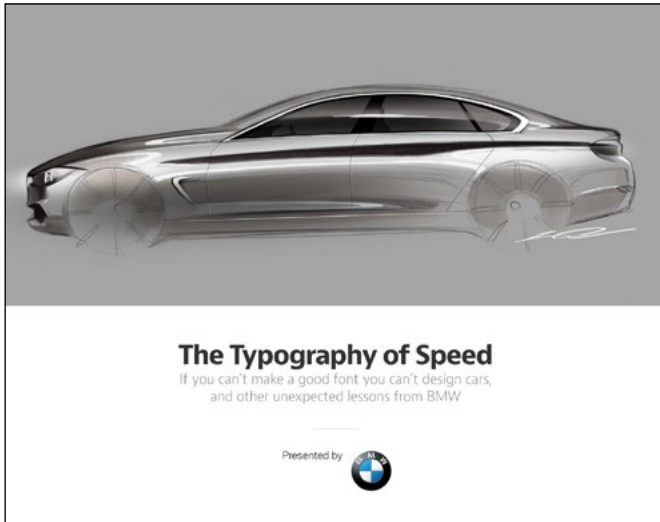


ads get almost three times the engagement time as the site's editorial posts, as well as more than triple the shares and page views. Often, *Upworthy's* native ad content beats out the editorial content, according to the company.

Time Inc

Time Inc's partnership with Land Rover eschewed a typical ad agency approach of using clichéd phrases and slick images to create a memorable experience related to the Land Rover.

"We wanted to create articles that weren't about Range Rover at all, [but] that aligned with a lifestyle our consumer would be interested in," Jaguar Land Rover North America digital marketing and social media manager Kim Kyaw told *The Wall Street Journal*



blog “CMO”. The native ad package, entitled “Seven Ways to Up Your Game in Tailgating,” gave readers high-end solutions to tailgating challenges such as regattas and Formula 1 races. It worked: The campaign scored double the number of page views (80,000) and a 50 per cent increase in time spent (three minutes) compared to Land Rover’s typical banner ads, according to Kyaw.

Medium

Medium teamed up with automaker BMW to create a digital mini-magazine about design, that was sponsored by BMW and included native ads about the auto-maker written by Medium staff writers.

Rolling Stone, Us Weekly, and Evolve Media

All three publications have instituted a controversial form of native advertising: campaigns that let marketers run native ads in the comments or opinion sections of their publications. Using a “Sponsored Comments” ad format from blog comment hosting service Disqus, advertisers can choose specific topics and readers. The format has attracted advertisers that include Ziploc, Maker Studios, and *The New York Times*.

The ad system’s algorithm not only places the ads, but also filters out comments sections containing objectionable content. The ads don’t actually appear next to the comments but above them, giving advertisers somewhat of a safe degree of separation. The attraction is that people who comment are the most engaged and thus, arguably, the most valuable. *The Washington Post* has its own version of this approach, giving advertisers the opportunity to place native ads next to opinion pieces on the paper’s Op-Ed page. The offering is popular with special interest groups and lobbyists who get the opportunity to state their case right next to what would otherwise be an unanswered argument by their opposition.

Forbes

One of *Forbes* most successful native ad campaigns features Gap International’s founder and CEO, Pontish Yeramyian, writing about running successful world-class businesses. Not only does Yeramyian write at a level commensurate with that of *Forbes* staffers, but she, like other *Forbes* native ad content partners and authors, does not mention her own company in her content other than in her own by-line.

New York Times

One of the most popular and successful native ad campaigns of 2014 ran in *The New York Times*. Entitled “Women Inmates,” it reviewed experiences of female prisoners in a journalistic style in keeping with *NYT* standards while never mentioning the sponsor (the Netflix original series “Orange is the New Black”). Instead, the piece was presented with graphics in the signature orange and black colours of the popular Netflix series. The native ad story was clearly labelled as an advertisement and had a URL with “paidpost.nytimes.com” in it. The campaign did so well that for many days it was in Chartbeat’s top ten most-read stories on the *NYT* site, with more than 50 per cent of the traffic coming from social media, demonstrating the powerful share-worthy nature of the “ad”, a perfect execution of the native advertising concept.





Condé Nast also created a separate operation and utilises former Condé editors and writers as well as Condé freelancers.

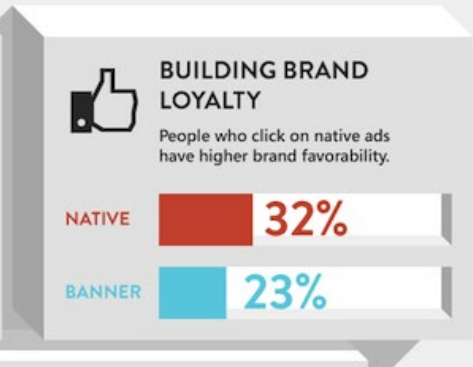
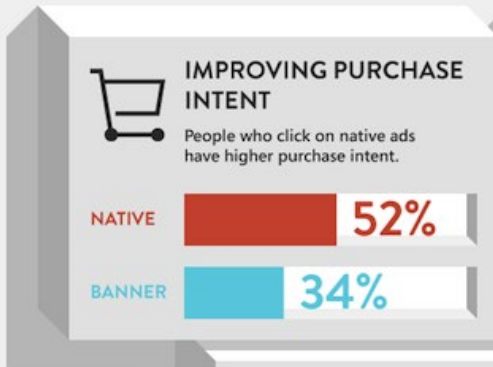
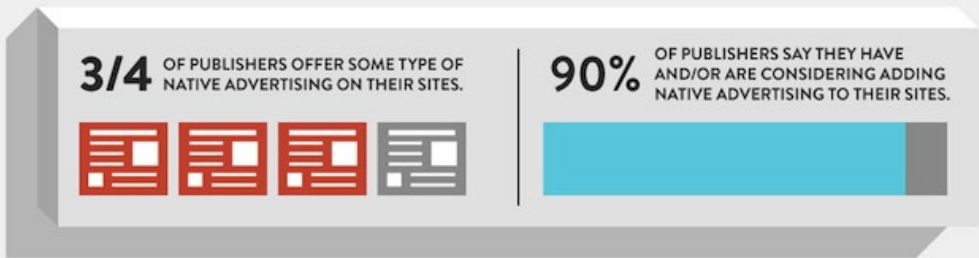
“We’ve hired people who used to work on editorial teams across the portfolio to work on our marketing solutions group so they have a very deep, intimate understanding of what the brand aesthetic and voice sound like so they can write branded or promotional content that feels very synergistic with the editorial stuff,” Condé Nast’s executive director of activation, marketing solutions Elizabeth Line told *The Line*.

What kind of native content works?

The content must be extremely relevant to the subject at hand, and the advertiser brand must be a respectable organisation, according to a study by the Interactive Advertising Bureau (IAB) and market research firm Edelman Berland.

Nine out of ten respondents identified relevancy as the top consideration in getting them to read a native ad, while eight out of ten cited brand familiarity and trust as well as subject matter expertise.

The publisher’s own brand reputation also



Source: mdgadvertising.com

drives native ad receptivity among readers, with 33 per cent more willing to read native ads on the site of a reputable publication.

A still impressive six of ten said they'd be more likely to click on a native ad that offered a story rather than a sales pitch. And half said that high-quality sponsored content could actually increase the reputation of both the advertiser and the publisher.

“When done correctly, native ad content can be a boon to publishers. It lets them do a better job of targeting paid, relevant content to readers – keeping them engaged and on

sites longer,” said Raman Bhatnagar, CEO of Cxense. “Getting to the point of offering meaningful native ad content, however, means using an ad server that can serve native ads in the format that matches the site, truly understanding the interests and context of each user, and then delivering to them the content they desire.”

Another conundrum: How to best label native advertising

Another hot button in the native advertising debate is the labelling of native content. Crit-



Nine companies to help ramp up your native ad services

This scaling challenge has prompted entrepreneurs to start companies dedicated solely to scaling native advertising content creation and distribution. Here are a few:

1 NATIVO: Automated look-and-feel mimicking: Nativo claims to be the ultimate “native advertising” scaling service because it can optimise ads in real time, on any device, and, in contrast to other native ad scaling services, keep a reader on the magazine’s site. Among Nativo’s clients are Reader’s Digest, Entrepreneur, and Wall St. Cheat Sheet. The company’s goal is to have the native ads it creates for its clients look like they came out of the publisher’s content management system. Nativo claims readers of its native ads spend an average of a minute and a half on their content.

2 SHARETHROUGH: More automated look-and-feel mimicking: Sharethrough has created a technology that can take a native ad, break it down in real time, and rebuild it to mimic the look

and feel of a publisher’s page, including images, on desktop and mobile devices alike. Sharethrough can scale ads by distributing them through its network of thousands of sites, including *Forbes* and *USA Today*. Advertisers get half a loaf, though, when it comes to the sites where their ads will appear: they can block sites they don’t want, but they can’t choose sites they do want. Advertisers also are restricted in that they are unable to retarget consumers who click on their ad. Publishers also get half a loaf: They get revenue but lose the reader because clicking on the ad takes consumers away from the publisher’s site.

3 MOPUB: Massive exchange numbers: Twitter took its promoted tweets (rather like native ads, right?) to a

new level in an arrangement with ad network MoPub. The combined companies created a mobile native ad exchange which leverages MoPub’s own billion-mobile-user exchange, and redirects it from banners to native. The new offering’s software development kit (SDK) empowers developers with the ability to create custom native ads within the exchange tool and then advertisers can bid for placement. Twitter and MoPub are trying to entice publishers by promising them the ability to build in powerful targeting options, frequency capping, and creative management.

4 NATIVEX: Predictive analytics: NativeX has created the first (and, at press time, only) native ad exchange for mobile game in-app advertising. NativeX applies its unique predictive analytics tool to the challenge

ics claim publishers minimise the labelling because some studies indicate that readers might be less likely to click on something that is clearly an ad.

For example, in a study by mobile platform company Polar, consumers were found to be more likely to click on native ads that were less prominently labelled. The use of a subtle background colour resulted in an almost 60 per cent higher click-through rate compared to native ads shaded with a more dramatic colour. Similarly, using a headline and body text style similar to the editorial style also resulted in higher click-through rates (64 per cent) over ads with dramatically different typography.

Because native advertising is so new, standards have not yet been created to regulate

the formatting and presentation of native ads. Some publishers use colour screens and/or labels with some variation of phrases like “sponsored by” or “brand content” or “partner content”.

The US Federal Trade Commission held hearings in late 2013 on native advertising, focusing intently on the question of transparency and labelling, but reached no conclusions and issued no guidelines.

No one at the hearings suggested that native ads for products or services should not be labelled. The point of contention was; how prominently (the type size and placement of the label and the use of colour screens).

There was also legal uncertainty over whether the author of native ad content should



of placing relevant native ads in games. Part of the attraction of NativeX's tool is publishers have the power to customise ad design to blend with the design, style and user interface of the app.

5 POLAR: Scaling native advertising production: In addition to scaling native ads across sites and platforms, advertisers and publishers face the challenge of creating the ads themselves. Polar aims to help publishers by streamlining native ad creation and reducing the production costs. Unlike the other services, Polar only helps create the ads, not sell them. Polar counts The Washington Post, Torstar, and Source Media among its clients.

6 LEADBOLT: Imagination and creativity: Ad network LeadBolt brings imagination and creativity to the native ad scaling challenge. The company's most delightful offering is called "Floating Ads." The ads literally "float" across a screen, drastically

reducing the issues of visibility, style-matching, and labelling because it's simply so unique and unanchored to one position on a page. Depending on the subject and the site, advertisers can change the type of floating frames (think UFOs for a sci-fi site). LeadBolt also offers unique native frames and interstitial frames that match the style and typography of the site or app.

7 ONESPOT: Look-and-feel matching plus targeting: Where some services can mimic a look and feel, and others can place ads, OneSpot does both, and more. What sets OneSpot apart is its ability to take the advertiser's own content or positive reviews of their products and use them to create ads to run on publishers' sites. And then, because OneSpot buys ads through exchanges, it can guarantee where the ads will appear (if not precisely what page). Another OneSpot advantage is its ability to allow marketers to retarget people who click on an ad.

8 LIVEFYRE: More look-and-feel matching: A company called LiveFyre is also in the native ad content creation race. Unlike OneSpot, LiveFyre exclusively uses social media feeds extracting content relevant to the advertiser's services or products. After gathering the material, LiveFyre then puts the content in a native ad or even a microsite. Livefyre also offers either automated or human intervention to remove objectionable material. LiveFyre can also target specific sites where advertisers want their ads to appear.

9 OPENX: In-stream ads on a network: OpenX has also created a mobile native ad exchange, promising "a seamless multiscreen experience at scale." The company is offering both rich media ads and content stream ads that are "a part of the content flow" and, thus, "won't jar the user."

be identified. More intriguingly, there was debate over whether native ads not promoting a product or service but instead just providing sponsorship for content of relevance to the advertiser's customers needed to be labelled.

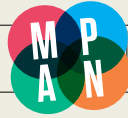
"From a legal or regulatory standpoint there's a reasonable debate about whether there needs to be disclosure if the content isn't actually promoting a product or service," advertising lawyer and partner at Los Angeles law firm Manatt, Phelps & Phillips Linda Goldstein told *The Wall Street Journal*.

Practices vary widely. *Quartz*, for example, places the brand logo at the top of the ad plus a "sponsored content" subhead at the top of the article as well as a disclaimer at the end of the piece.

Meredith uses editorial style headlines on its native ads and includes them in the stream of editorial content but delineates them as advertising with a grey screen and the label "Provided By" plus the brand's name.

Forbes includes a sentence at the beginning of the article identifying it as "Brand Voice" content and a link to learn more about native advertising.

BuzzFeed labels its native ads on the home page as well as on the ad page by inserting the brand's name and the label "Brand Publisher" at the top. In mid-2014, BuzzFeed de-emphasised the labelling, replacing "presented by" with "promoted by" and "brand publisher." The yellow screen that had wrapped around a native ad was removed, replaced by a yel-



low screen only over the initial label (“brand publisher”).

What’s the pricing model?

Native advertising is so new and has grown so fast that the industry has yet to find pricing models that everyone can agree on.

The Polar study mentioned earlier found that the flat-fee sponsorship model is the most popular, used by 41 per cent of the publishing companies surveyed. The second most popular model is the CPM or click-through model used by 18 per cent of the respondents in the Polar study.

Some companies are beginning to push an “attention web” or “time engagement” pricing model. Real-time analytics company Chartbeat CEO Tony Haile is leading the charge for the new pricing approach. In a bylined piece in *Time* magazine, Haile wrote: “Valuing ads not

simply on clicks but on the time and attention they accrue might just be the lifeline (quality publishers) have been looking for.

“Time is a rare, scarce resource on the web and we spend more of our time with good content than with bad,” Haile said. “Valuing advertising on time and attention means that publishers of great content can charge more for their ads than those who create link bait.

“If the amount of money you can charge is directly correlated with the quality of content on the page, then media sites are financially incentivised to create better quality content,” Haile wrote. “In the seeds of the ‘Attention Web’ we might finally have found a sustainable business model for quality on the web.”

If native advertising is so unique, how can it possibly be scaled?

By its very nature, native ad campaigns must be unique to the environment in which they are placed. The pieces must be related to the content around them and reflective of the magazine brand’s voice, style, and typography.

So, how can that kind of uniqueness be scaled across multiple magazine brands?

Several solutions popped up in 2014, some involving integrating previously published content that matched the brands’ style, content, and standards, while other solutions involved technological wizardry.

Many advertisers find it difficult and expensive to continually publish the kind of unique, fresh content a native ad campaign requires.

475

You are 475 times more likely to survive a plane crash than you are to click on a banner ad, according to research by advertising consultancy firm Solve Media





Some of those brands have their own content or they own the rights to content that has been published elsewhere but, until now, could not be published in a native campaign.

Last year, *Forbes* gave their native advertising partners permission to use previously published content in native ads. *Forbes* native ad teams are working with the brands to identify and vet content that could be included in *Forbes* campaigns due to its relevance to the *Forbes* readers.

If a system can be created to share native advertising in a way that is consistent with each publication's brand, publishers are ready to jump on the bandwagon: Three-quarters of publishers participating in the previously mentioned *E&P* survey said that if native ads can be shared in the same way as other digital ads and content, they might be interested in partnering with other publishers to create content/ad networks rather than have no network or working with third parties like Google.

What about results?

Done right, native advertising works spectacularly – high traffic, high engagement, high CPMs.

Do it wrong, and you've got a cockup of enormous proportion.

Readers are increasingly ready and willing to give native ads a chance. A 2014 Share-through study found readers much more open to clicking on native ads than banner ads (by 25 per cent) and found readers do not have the same "banner blindness" that afflicts banner ads, saying they noticed native ads 53 per cent more often.

Trusting readers will give publishers the benefit of the doubt. They expect relevant, high-quality content from an authoritative,

trustworthy source that enhances their experience and knowledge as well as perhaps giving them something of value (e.g., a coupon).

If that is the case, they are happy with native advertising and will click on another one... and another and another. The IAB study authors state the case simply: "Tell stories, share your expertise, but resist the urge to sell."

Violate the reader's trust, however, and there's hell to pay.

"Once abused, consumer confidence can be severely knocked," wrote DrumWorks MD and IAB Content Marketing Council member Justin Pearse. "I'd even argue that native/content marketing is more at risk [than all other forms of digital marketing]. Consumers today are far more forgiving of blurred lines between editorial and commercial content. But the lines must be there, clearly marked out. What people will never forgive is being hoodwinked, lied to or deceived."

When consumers feel hoodwinked, lied to or deceived, they don't take it lying down. Cloud contact centre New Voice Media found disturbing results of bad consumer experiences in a late 2013 study:

- 58 per cent of consumers never use that company again
- Half tell their friends and colleagues not to use that business
- A third exact revenge on social media with a bad review or complaint
- With 25–34 year olds, that social media revenge behaviour soars to nearly 60 per cent

Measuring results

As with pricing and labelling, there is no consensus on how to measure native advertising campaign results.





Engagement (time spent) is the most frequently used measure, but still by only 57 per cent of publishers surveyed by the Online Publishers Association in 2014... The second most frequent measure was traffic (43 per cent), followed by social media (33 per cent), comments (19 per cent), and cost per view or click (10 per cent).

Contently did a survey of more than 300 agencies and found “a crisis of confidence.” Of those surveyed, 91 per cent were not “very confident” in the metrics they use to measure native advertising effectiveness.

The agencies said that page views and unique visitors were the top measurements (69 per cent) followed closely by social likes and shares (65 per cent). The next three measurements were more than 20 percentage points lower, with time on site (43 per cent), followers (43 per cent), and conversions and sales (43 per cent). Incredibly, seven per cent admitted to measuring nothing.

If they could measure what they want to measure, marketers would choose: attention paid (60 per cent), impact on brand perception (55 per cent), effect on awareness (49 per cent), effect on sales (48 per cent), and purchase intent (42 per cent).

So what's next?

In 2015, in addition to the aforementioned ex-

plosive growth of native advertising use and revenue, we will see:

1. Increased standardisation of native advertising formats. Three of the six formats in the IAB “Native Ad Playbook” (Dec. 2013) – content recommendation, in-feed, and in-ad – are becoming standard. There are still too many, but 2015 should see a paring down as publishers discover what works and what doesn't.
2. A battle with brands over content creation and placement as brands are tempted to become publishers in their own right. To preserve our relationship with advertisers, we must establish ourselves as experts in story-telling and marketing, and help them both create the content and run the campaigns on our sites as well as on other appropriate venues.
3. The placement of native advertising will be done more and more through programmatic means (see our chapter on programmatic advertising). Global market intelligence firm IDC projected that by 2018 native programmatic will exceed US\$5 billion, nearly matching programmatic television advertising. The ease, laser-targeting, and measurability inherent in programmatic make its use with native advertising inevitable. As a result, publishers must gear up during 2015 for programmatic, hiring experts and/or training their staff to be ready to take advantage of this next step in the evolution of advertising.
4. Big data will be put to use in native advertising to improve its relevance and measure results. Now, first and third party data will be put into play in native advertising planning and pivoting.

Bottom line: If you are not using native advertising yet, get your act together and get started.

If you are, now is the time to continue training your ad staff, hiring top-notch writers and editors, educating your advertisers, pitching, launching and measuring campaigns, and monitoring the leaders in the field to stay on top of best practices.

No pressure: It's just your future that's at stake.

Five principles of great native advertising: Integrity, Transparency, Proportionality, Relevancy, and Appropriate placement.

Assoc. of Online Publishers & Vibrant Media 2014 Roundtable of leading UK publishers



The five principals of great native advertisements

Native advertising, unlike banner advertising which is loaded with formats and metrics, is like the frontier: Very little order and no sheriffs! “It can’t just be the Wild West with ranges of inconsistencies,” digital agency LiquidThread president Brent Poer told *Ad Age*. “Then it just becomes an internal version of the *Hunger Games* — who will change more to win the dollars that are

placed in the market?”

A group of publishing executives, assembled by the Association of Online Publishers and native advertising firm Vibrant Media spent a day trying to cobble together an outline of the essential principles of responsible native advertising. The group was able to agree on five essential principles:

1 Integrity
The group did not call for editorial creation of native content, nor for the complete separation of editorial and advertising, but for collaboration between the two departments to ensure the content meets the content standards of the brand. The editors are guardians of the brand values that create consumer trust. The editorial department should be involved from the beginning to ensure that marketing partners share the title’s brand values throughout to ensure that the content matches the quality level of the editorial content around it. “Working on a native deal with someone who doesn’t share your title’s brand values is going to antagonise readers and drive them away, which is not in the publication’s interest or in the advertiser’s interest,” *Debrief* editor Hattie Brett said. “Done correctly, done with integrity, native advertising is a really positive thing for the industry,”

Dennis Publishing head of digital sales Gary Rayneau told Vibrant Media. “If we get it right, it benefits everyone: It benefits publishers by keeping them commercially viable; it benefits users as we can create interesting content.”

2 Transparency
Clear labelling is not only the right thing to do, it is also the smart thing to do. Labelling must be done in a way that makes it clear to readers that native ads are commercial messages. Consumers should also be offered the opportunity to learn more about native advertising. “If you aren’t overt and you aren’t transparent, you will get negative user feedback” The Guardian’s head of investment Rob Smallwood said. “Actually, our initial testing shows that labelling ads as ads improves response rates.”

3 Proportionality
This guideline was the group’s least successful

effort. The resulting guideline was mostly common sense: Don’t overdo it. “Clearly any site that completely bombards the user with commercial messages is doing it at an inappropriate level,” said Immediate Media commercial director Duncan Tickell. “It depends on the readers, their age and the media title, but if publishers get the proportion wrong it can have a devastating impact on their relationship with their readers,” said AOL head of planning, insight and research Steve Payne.

4 Relevancy
To be compelling and successful (and not irritate readers), the content of native advertising must be relevant to the consumer, the surrounding content, and the brand. The ads must enhance the consumer’s editorial experience. And it’s not just the content, but it is also the placement that contributes to relevancy. “How it sits

within the content is a key part of a native ad being relevant to what the user is looking at and doing at that time,” said Condé Nast programmatic sales director Malcolm Attwells. “Native advertising needs to be relevant within the context of the content. The placement has to make sense.”

5 Appropriate placement
Native ads must not only be relevant, well-labelled, and appropriately placed, but they must also match the form and function of the title as well as function well on every possible device used by consumers. “On mobile phones, consumers want something that is relevant to that phone, at that signal, at that time,” said media agency network MEC’s managing director Justin Taylor. “On tablets, they want something that’s more in-depth. On the desktop, they want to be able to follow links to more information.”