Native Advertising Trends 2016: The News Media Industry

Jesper Laursen and Martha Stone
About the authors

Jesper Laursen is the founder of Native Advertising Institute. He is a journalist from the Danish School of Journalism and currently studying an executive MBA at Henley Business School in London. Laursen founded a journalistic production company called Media Movers, content marketing and native advertising agency Brand Movers, and educational institution Clever Content – all of which he is running today.

Martha L. Stone is CEO of the World Newsmedia Network and founder of the annual Big Data for Media conference, launched in 2013 in London during Stone’s two-year tenure as associate researcher at the University of Oxford’s Reuters Institute for the Study of Journalism. The global conference has been a partnership between Stone and INMA since 2015. Stone is also a Ph.D candidate at City University in London, focused on how experimentation is key to media companies’ success in their Big Data strategies.

The Native Advertising Institute (NAI) is an international educational organisation on a mission to help publishers, brands, and agencies become successful with native advertising. NAI runs the world’s largest two-day industry event, Native Advertising Days, which is held every November in Berlin. NAI also conducts global research, publishes several reports on media about native advertising, and organises the Native Advertising Awards with partners on five continents.

About the International News Media Association (INMA)
The International News Media Association (INMA) is a global community of market-leading news media companies reinventing how they engage audiences and grow revenue in a multi-media environment. The INMA community consists of nearly 8,000 members at 600+ news media companies in 60+ countries. Headquartered in Dallas, INMA has offices in San Salvador, São Paulo, Antwerp, and New Delhi.
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To Register Go To: www.nativeadvertisinginstitute.com/conference
CHAPTER 1

The importance of native advertising today

Native advertising is one of the most talked-about solutions in the news media industry for good reason: Native advertising represents one of the most lucrative forms of digital advertising in the news media company’s portfolio today.

In an effort to dig into native advertising’s realities, opportunities, and challenges, the International News Media Association (INMA) and the Native Advertising Institute (NAI) conducted the first-ever global survey on the topic in the news media industry — with heavy emphasis on newspaper media. Our “Native Advertising Trends 2016: The News Media Industry” survey drew responses from 156 news media executives (each representing their company) in 48 countries, each sharing thought-provoking insights on this pressing industry advertising topic.

Several definitions of native advertising have been bandied about in the news media industry. To set the stage for the results of the survey, INMA and NAI would like to make clear the definition used in this report:

Native advertising is paid advertising where the ad matches the form, feel, function, and quality of the content of the media on which it appears. Frequently this advertising content topic is not directly about the advertiser’s brand, but rather is about a tangential or supporting topic or topics that may create a “halo effect” on the brand.

Native advertising appears on any digital media property, including those belonging to news media, magazine, and television, and on social media. A variety of content forms can be used in native advertising campaigns, including text, photos, videos, interactive graphics, and social media.
A. 100 years of legacy

Yes, native advertising represents big advertising revenue today. However, precursors to native advertising have been leveraged for more than a century.

In the 1930s, Procter & Gamble produced and ran the first advertiser-sponsored radio programmes, the so-called soap operas that later ported to television. Before that, in 1915, Cadillac ran an ad with the headline “The Penalty of Leadership” in the Saturday Evening Post. The ad did not mention Cadillac, and it is one of the first examples of what would, today, be considered sponsored content.

B. The issue of disclosure

Most news media publishers around the world consider labeling native advertising essential to helping their audiences to distinguish between paid-for and journalistic content. Some of the labels used by news media publishers include advertisement,” “featured content,” “sponsored content,” “suggested post,” and “promoted content.” In many countries, legislation has been passed to protect consumers from being deceived by misleading native advertising content.

The most disturbing finding of this report is that 7% of the news media publishers do not label native advertising at all. In the magazine industry, 11% of respondents in a survey published earlier this year said they do not label native advertising at all.

C. The perfect storm

Native advertising is building a perfect storm in the news media industry, earning millions of dollars, euros, and pounds per year. One of the pioneers of native advertising innovation is Forbes Media, which launched its native advertising ad units in 2010 and which reported in October 2016 that native advertising is its No. 2 most lucrative advertising source, earning 30% of the company’s revenues under its native advertising offering, BrandVoice.

Adding to the momentum is the format itself. As the “Father of Advertising” David Ogilvy once said: “It has been found that the less an advertisement looks like an advertisement and the more it looks like an editorial, the more readers stop, look, and read.”

A study on reader experiences in native advertising from the University of Antwerp
and Belgian publisher De Persgroep shows 86% of readers “are OK with native advertising,” and a number of studies show much higher click-through rates on native advertising than on traditional banner ads. In fact, some native advertising surpasses journalistic content as the “most read” on a regular basis, according to news media executives interviewed for this report.

Meanwhile, other headwinds are swirling in the digital advertising landscape. The adoption of digital ad blockers is approaching 500 million worldwide, showing consumers’ discontent with digital display ads.

As the audience’s preference shifts toward relevant, valuable, and engaging content, the advertisers’ demand for new and effective ad units is growing. According to the survey, publishers are seeing a significant growth in native advertising revenues today — and expect to see more in the future. News media executive respondents said 11% of their companies’ revenues were from native advertising in 2015, and expect to garner 25% of their ad revenues from native advertising in 2018.

An interesting and powerful ally in this transformation is social media. While brands have for years been able to distribute their content to a large audience for free on Facebook or LinkedIn, organic reach is disappearing and social media has increasingly become a “pay to play” game. This has made brands realise that even when their content is relevant and valuable, paid distribution on somebody else’s platform is the fastest and most effective way of getting in front of a desired audience.

D. The new ecosystem

The shift in ad formats represents a major opportunity for news media publishers. The key to successful native advertising is the ability to create content that truly resonates with the audience of a specific medium. And since no one is better at this than publishers, they increasingly find themselves involved in the creation and execution of campaigns, sometimes taking over the role of advertising agencies and even, in some cases, the media buying agencies.

Whatever role publishers decide to play in native advertising, it looks like a trend that is growing in size and impact. The road ahead is paved with threats and challenges, but also great opportunities for publishers. This report gives important insights into how news media publishers around the world are seeing native advertising in 2016.
CHAPTER 2

Integrating native advertising content

Native advertising is one of the most debated advertising formats ever launched. The commercial side of the business has embraced the new format rapidly, but editorial staff — from journalists to editors-in-chief — has been far more critical and hesitant. As one executive from India puts it in our survey: “There is a Catch 22, as there is always a risk of credibility with native. Readers take this as content, thus the onus shifts to publishers.”

HOW LIKELY ARE YOU TO USE NATIVE ADVERTISING AS AN ADVERTISING OPTION?

Almost half (46%) of publishers already offer native advertising, while 41% are likely or most likely to add it to their advertising option.
A. Publishers, audiences share feelings about native advertising

Most media executives (76%) are positive toward native advertising. Considering that native advertising is booming, the positive sentiments are hardly a surprise. Native advertising meets the challenges presented by ad blockers and, as an advertising format, it points to the need for a particular tone of voice and audience — cornerstones of the media industry challenged by distribution on social media platforms, programmatic advertising, and the like.

And what about the audience? In De Persgroep’s study mentioned earlier, readers are equally positive toward native advertising: 86% of readers in the survey are in favour of native advertising. The results are most positive when clear labeling was in place and when the brand message did not overshadow the storytelling.

An advertising director recently referenced a very heated discussion at a confidential meeting among top management of a news media organisation. The editors-in-chief kept pushing back on native advertising until the commercial executives made it clear that “there is no way we can deliver the revenue that you need for your journalism without this product. It is what the advertisers want, not the traditional ads.”
Whatever the feelings, there is no doubt native advertising is becoming more and more important to publishers. Of respondents, 89% say native advertising is important or very important.

**HOW IMPORTANT IS NATIVE ADVERTISING TO YOUR COMPANY?**

89% of the media executives believe native advertising is important or very important to their company.

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Not important</td>
<td>11%</td>
</tr>
<tr>
<td>Important</td>
<td>54%</td>
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<tr>
<td>Very important</td>
<td>35%</td>
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**WHICH TYPE OF ADVERTISING IS MOST IMPORTANT TO YOU?**

31% rate native advertising as more important than both programmatic and paid social media advertising, while 38% rate the different types of advertising as equally important.

<table>
<thead>
<tr>
<th>Type of Advertising</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Equally important</td>
<td>38%</td>
</tr>
<tr>
<td>Native advertising</td>
<td>31%</td>
</tr>
<tr>
<td>Programmatic</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td>Paid social media</td>
<td>1%</td>
</tr>
</tbody>
</table>
B. Publishers rank native advertising before programmatic

A plurality of respondents (38%) says all types of advertising are equally important. But one in three news media executives say native advertising is the advertising format of choice, whereas only one in five say programmatic advertising is the most important. Less than 1% say paid social media advertising is the most important type of advertising.
Helsingin Sanomat markets data storytelling tools for native advertising

Helsingin Sanomat, the largest subscription newspaper in Finland, has been exploring new digital storytelling methods.

These efforts are led by seasoned journalists who are rethinking the traditional, one-way communication model of newspapers — distributing pieces for a passive reader — in favour of a modern digital environment.

One of the most innovative initiatives is creating a set of “data journalism” tools and templates, which Helsingin Sanomat journalists can use to quickly produce unique storytelling visualisations, such as charts and graphs, interactive timelines, or maps.

These unique pieces of content add value for readers, and enhance online storytelling by allowing the media company to represent rich, complex data in effective, entertaining ways.

After journalists used these tools for a few years, leadership realised they might also be used commercially. Like many newspaper companies, Helsingin Sanomat still draws certain lines between journalistic content and commercially created content, so it took a while to recognise its stellar editorial tools could also serve clients well.

A proprietary set of “data journalism” tools is used on both the editorial and advertising sides to transform data into uniquely rich, powerful interactive stories and visualisations.

The first client to benefit from these tools, If, is a large Nordic insurance company. In September 2015, as the team reviewed results of the company’s existing marketing campaigns, they asked if a creative way could be found to present a large amount of car-insurance data they were set to release.

The team promised to figure something out. The client provided loads of spreadsheets, surveys, PDFs, and other documentation. Yet after a few days, team members were still scratching their heads, unsure how to proceed.
CASE STUDY

Then it dawned on them that the media company’s data journalism tools could also be used to present this complex data in an engaging, interactive, and meaningful way. But first, the team had to shake up the silos separating editorial and marketing teams.

Helsingin Sanomat’s new digital storytelling approach to native advertising emphasises reader experience, which in turn maximises reach and effectiveness for advertisers.

Sanoma Media’s content marketing unit is the central hub for commercial content creation, from strategy to production and distribution. Instead of presenting the findings from the car-insurance data in a traditional, text-centric article format, they used the data tools to produce a series of articles, supercharged by analysis and visualisations of that complex set of data and statistics the client had provided.

For example, the team developed an interactive quiz based on actual vehicle damage data, allowing the readers to compare his or her knowledge and assumptions of car accidents to actual data. Readers learned in an interesting, entertaining way what is actually happening on the roads, how age and sex affect the accidents, and in which parts of the country or what time of the year there are more damages.

Sanoma Media’s content marketing unit uses data tools to produce articles that are notable for their analysis and visualisation of complex data sets and statistics.
CASE STUDY

How did the campaign perform? Results:

- The articles reached about 500,000 gross visitors, with a total of 66,000 unique readers.
- Readers interacted with data tools more than 27,000 times.
- Time spent with brand content increased from three to four minutes.
- Engagement increased more than 45%, compared to previous campaign without the data tools.
- The readers loved it.
- The client praised the media company.

This campaign was a success on every metric, and the same model has been extended to cover other areas of this client's business. The team recently produced another campaign about fire damages.

It also led to broader successes for Helsingin Sanomat. Leadership tore down walls that separated the tools journalists use from the tools offered to advertising clients. Helsingin Sanomat let 126 years of journalistic and storytelling expertise guide its efforts to ensure that the content and message would resonate with readers. And the team took a leap from selling blank ad space to proactively creating value for the client, with content that functions more as a service for readers than as an advertisement.

The end result is an enhanced experience for clients and readers alike.

Helsingin Sanomat has continued working with the insurance company, creating native campaigns on the subject of burglaries and home protection, the most unusual damages to homes, and plumbing and water damages.

By Pietari Korhonen, product manager at Sanoma Media Finland, based in Helsinki
New York
21-23 MAY 2017
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The best global overview of how to adjust to the evolving contours of news consumption and the powerful new ways to make it pay off.

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CHAPTER 3

The effect of native advertising on the bottom line

It is no secret that publishers around the globe are struggling with declining revenues. Advertising and circulation are down for print publications, and digital subscriptions and advertising are not delivering the results to which many publishers are accustomed.

Yet one revenue stream that is on the rise is native advertising. Brands have taken to this new form of advertising, and the demand is growing so fast that some publishers are even running out of native advertising inventory.

A. Overall news media industry budgets

Of the overall advertising revenues in 2015, 11% came from native advertising on average, according to the survey by INMA and the Native Advertising Institute. In 2018, publishers expect that percentage to be as high as 25%. For some publishers, native advertising has already moved well beyond this point. An example of this is Quartz, a New York-based, online publication focused on world events and lifestyle topics, where branded content already represents about one-third of the company’s revenue.

The rather dramatic growth of native advertising in the news media industry exceeds the expectations in similar media industries. Earlier this year, the Native Advertising Institute and the trade organisation FIPP published a report on native advertising in the magazine industry. Magazine publishers project that 33% of their overall advertising revenues will come from native advertising in 2018, growing from 19% in 2015, according to respondents.

Native advertising is new to many publishers. In 2015, 30% were selling no native advertising solutions at all. In 2018, however, that number is expected to shrink to 6%.
AVERAGE NATIVE ADVERTISING SHARE OF TOTAL AD REVENUES FROM 2015 TO 2018

In 2015, 11% of the overall advertising revenue on average came from native advertising. Publishers are expecting this to be 25% in 2018.

EXPECTED NATIVE ADVERTISING SHARE OF TOTAL AD REVENUES FROM 2015 TO 2018

30% of publishers got 0% of their advertising revenues from native advertising in 2015. In 2018, that number is expected to be 6%. In 2015, 50% got 10% of their advertising revenues from native advertising.
Comparatively, 38% of publishers responding said that native advertising’s share of their total advertising revenues are expected to be 50% or more in 2018 — up from only 4% in 2015.

B. Print share is stable

According to an industry survey conducted by PricewaterhouseCoopers on behalf of the Interactive Advertising Bureau (IAB), advertising revenue at newspapers declined every year from 2010 through 2015. Internet advertising, on the other hand, was rising in the same period.

When it comes to native advertising, however, our survey shows that news media publishers expect print-based native advertising to grow almost as much as online-based native advertising. In 2015, print accounted for 38% of the total native advertising revenues, and in 2018 it is expected to deliver 36%.

![NATIVE ADVERTISING PRINT REVENUE GROWTH EXPECTED FROM 2015 TO 2018](image_url)

*In 2015, 38% of the native advertising revenue on average came from print. Publishers are expecting this to be 36% in 2018.*
Quartz on year 5 of Bank of America campaign

Quartz, a New York-based, online-only magazine focused on world events and lifestyle topics, is mainly financed by native advertising and events.

Quartz, owned by Atlantic Media, has produced a native advertising campaign for Bank of America each January since 2013, focusing on coverage of key topics discussed at the World Economic Forum’s annual meeting in Davos, Switzerland. The company has renewed the campaign for 2017.

Topics for native advertising campaigns often emerge from topics readers care about. The journalists at Quartz call these hot topics “obsessions” and include the mobile Web, digital money, energy, China, debt, and space. These “obsessions” also could be called “content categories” or “beats.”

Though the native advertising side of Quartz is separate from editorial, the content obsessions and focus on the user experience remains the same, explains Matthew Chamberlain, senior director of branded content, who oversees all branded and native content in a creative capacity.

“We work totally separately from editorial,” Chamberlain says. “We know our audience follows Davos closely. We cover it our way and (editorial) covers it in their way. We are a separate operation and forging our own path. We want to go the direction our readers are going and give the readers what they want.”

Bank of America and its advertising agency, Starcom, partnered with Quartz’s native advertising team to produce multi-media content on the Davos event, focused on the global economy, weather, education, and more. Content includes text, charts, and “interactives,” or visual features that readers could query for more information. For example, on a map about global competitiveness, readers can drill down into details about competitiveness in many nations.

The interactive chart was the most popular branded content of the campaign, which drove more than 1,500 organic (non-paid) social sharing and commenting actions, as
Quartz developed an interactive map on global competitiveness that allows readers to drill down into details in many nations.

well as an interaction depth of more than five actions per user.

“We wanted to do this content on the branded side,” Chamberlain says. “Bank of America was the perfect partner. This was an opportunity to do something special with them in a native advertising campaign.”

Quartz’s native advertising team is comprised of about 10 members, including writers, graphics designers, engineers, and a project manager. The team produced content related to the topics in Davos in real time, but remotely from New York and beyond. Team members set up a makeshift newsroom, where writers and researchers monitor news bulletins and social media feeds to inform their content.

Two months prior to the January conference, the team develops content based on the WEF’s robust Global Competitiveness Report, filled with data, graphics, and analysis about the most important economic trends around the world.
The 2015 campaign won first place in INMA’s 2016 Global Media Awards competition for its high-quality content and strong campaign results.

Bank of America has been motivated to reach Quartz’s affluent and influential, globally minded audience of about 16.8 million unique visitors in December 2015, up 65% from a year prior.

“As a strategic partner of the World Economic Forum, Bank of America looks for opportunities to extend the conversation happening at Davos to those around the globe obsessed with the global economy,” according to the INMA contest entry’s overview of the campaign.

“Quartz executed a branded content programme that put Bank of America at the front and center of the conversation with a thought leader audience, offering same-day, ‘real-time’ coverage of the events unfolding in Davos along with companion data visualizations that incorporated the forum’s themes.”

Branded campaigns reportedly represent about one-third of revenue at Quartz. The company landed 60 new accounts by the end of 2015 to bring the total number of...
active accounts to 105, according to Jay Lauf, publisher and president of Atlantic Media, which owns Quartz. Another revenue source is global events, having six events on four continents, according to an internal memo to staffers in December 2015.

The branded content was published during the January 2016 Davos summit, labeled “bulletins” from Bank of America. The branded items ran in the stream of editorial content about the forum, well labeled as sponsored content.

“Labeling is a major consideration for us in all of our programmes,” Chamberlain says. “We have rules in place in labeling at the article and social level. If you scroll one of the articles, there are three mentions that the article is sponsored as a bulletin by Bank of America, in the traditional byline space, and we have a disclaimer at the bottom of the article. In addition to the header, we feel that at any point of the story, the reader will be able to discover this is a sponsored article. We follow the FTC (Federal Trade Commission) guidelines issuing notification that anything we put out is sponsored.”

Quartz helps Bank of America extend the conversation happening at Davos, Switzerland, to those around the globe who are obsessed with the many facets of the global economy.
CASE STUDY

The biggest change in native advertising strategy at Quartz of late is the response to readers accessing this content on their mobile phones. This behaviour trend is driving in a more visual way to tell native advertising stories, Chamberlain says.

“The way in which you would try to appeal to the attention of someone in print or on the desktop Web is much different than how would you appeal to them on the mobile Web,” he says. “The way in which you would design a programme and the way in which you would write content are very different for the mobile Web.

“Quartz is designed and created around the idea of the mobile Web. It’s about visual storytelling and trying to find ways to show something visually instead of explaining with words and also getting to the point of the story. We get right to the point. The way we talk to our readers is to the point, contained. That is all around of what how our audience likes to read and consume in the mobile age.”

Audiences increasingly discover content on their mobile devices, Chamberlain says.

“This format trend is something that is consistent with the way readers want to consume information, given their reading habits. Right now what we’re doing at Quartz is very of the moment, and we definitely [have] an eye toward the user experience in a major way and [that] guides all that we’re doing within the branded space.”

Similarly, engagement is a key objective for the content. To optimise engagement, Quartz performs A/B testing on headlines for each portion of the coverage to drive traffic from social media and drive more time spent on each interactive, graphic, and text story.

By Martha Stone, CEO of World Newsmedia Network, based in Chicago, Illinois, USA
The rise of native advertising has shaken up the traditional ecosystem of advertising, with brands commissioning advertising agencies to come up with creative ideas that media buying agencies could then place on different media properties.

Native advertising is a very different discipline from that of traditional advertising, and the content needs to mirror that of the media in which it appears. This calls for editorial storytelling competencies, and thus the new situation represents a major opportunity for publishers willing to make use of their core expertise for commercial purposes.

Some publishers shy away, but more and more are diving in and taking a lead role as the creative partner and sometimes even the media buying one as well.

A. Native ad studios are on the rise

Among the publisher respondents, 33% provide their native advertising solutions through their own native ad studio. Some publishers, like The New York Times, insist on producing the content for native ad campaigns running on their platforms.

Among publishers using something other than an actual studio, 28% are using a separate native ad team and 26% are using an external agency partner to help them. The most popular solution, however, is letting brands use the editorial team of the news media company to produce commercial content-driven campaigns. Of the news media executive survey respondents, 42% say their companies produce native advertising using their editorial team. Comparatively, the magazine industry survey showed that 68% of respondents say their companies use their editorial team to produce native advertising content.
Anecdotally, many media companies producing native content hire freelancers and consider them part of the “editorial team.” In a variation on the theme of editorial involvement, the Danish tabloid newspaper Ekstra Bladet’s editor-in-chief has actively participated in a native advertising project by being featured in native advertising videos.

**HOW DO YOU PROVIDE NATIVE ADVERTISING SOLUTIONS?**

The most popular ways to provide native advertising are in-house through either the editorial team (42%), in-house native ad studio (33%), or separate native ad team (28%).

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<thead>
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<th>Percentage</th>
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<tr>
<td>Editorial team</td>
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</tr>
<tr>
<td>Own native ad studio</td>
<td>33%</td>
</tr>
<tr>
<td>Separate native ad team</td>
<td>28%</td>
</tr>
<tr>
<td>External agency partner</td>
<td>26%</td>
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<tr>
<td>Advertiser’s agencies</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
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**HOW DO YOU SELL YOUR NATIVE ADVERTISING SOLUTIONS?**

54% sell native advertising in combination with traditional advertising; 46% sell it as a separate product.

<table>
<thead>
<tr>
<th>Selling Method</th>
<th>Percentage</th>
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<tr>
<td>In combination with traditional advertising</td>
<td>54%</td>
</tr>
<tr>
<td>As a separate product</td>
<td>46%</td>
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</tbody>
</table>
B. Combined sale is most popular way to sell native advertising solutions

Though many publishers are seeing declining revenue from traditional ads, these still play a key role in advertising budgets in general and as part of native advertising bundles. From an advertiser’s perspective, native content is not about a call to action to purchase the advertiser’s product or service. Rather, native advertising is better at raising brand awareness. From a strategic perspective, advertisers aim for both: call for action and brand awareness, which display and native advertising bundles will deliver. Most news media publishers (54%) sell native advertising solutions in combination with traditional advertising, according to the survey.

C. Few have dedicated sales teams for native advertising

News media companies contrast significantly with magazine companies in the way they organise their sales teams to sell native advertising campaigns. While 54% of the news media companies surveyed sell native advertising in combination with traditional advertising, 76% of magazine companies do so. Meanwhile, 20% of news media respondents said their company has a dedicated team to sell native campaigns, while only 14% of magazine respondents said so.

DO YOU HAVE A DEDICATED SALES TEAM FOR NATIVE ADVERTISING?

80% of media companies surveyed do not have a dedicated native sales team.
D. Publishers charge more for native advertising

In the early days of native advertising, some publishers were able to fetch four to six times the revenue compared to what they could get from traditional ads. The market today is becoming more saturated with native advertising, and the prices are becoming more competitive. According to the survey, 65% of the respondents said their companies are pricing native advertising higher than traditional advertising, while 19% reported their companies are charging the same as traditional advertising, and 16% are charging lower.
CASE STUDY

Fairfax’s Brand Discover runs like an ad agency

Despite a slumping advertising market, Fairfax Media’s native advertising business, Brand Discover, has become the fastest growing digital advertising offering, growing its revenues 116% from 2015 to 2016.

Like other media companies around the world, Fairfax Media Australia saw decreases from 2015 to 2016 — revenue down 0.6% and profit down 7.6% according to Fairfax’s annual report.

The native advertising business launched in early 2015 with a staff of three. Now the team is comprised of 28 people in sales, technology, and content production, plus more than 3,000 freelancers with expertise on a variety of topics, such as travel, technology, and lifestyles.

In mid-2016, the department had about 70 active accounts, with six or seven expansive, ongoing native campaigns for large customers, according to Simon Smith, managing director/content marketing at Fairfax.

Smith lists several reasons for the success, not the least of which is that the department operates like an advertising agency, complete with advertising sales people; creatives such as digital designers, videographers, and writers; and strategic thinkers who help imagine and manage the campaigns with the client.

The agency model has afforded Fairfax some advantages: great care is taken in the storytelling process to produce high-quality content, and metrics show advertisers how well the campaign is performing.

“We have to get better at what are the metrics, and how much we value the engagement, the scroll rate — not just how much the ad was viewed on the screen,” Smith says. “Metrics are the growth area of the market. That’s why we are seeing the reshaping of ad departments, with mathematicians and statisticians.”

The campaigns are not about selling an energy drink or a new kind of shoes, he says.
CASE STUDY

Native campaigns are about engaging the user with relevant and useful content. The text, immersive graphics, photos, and video are branded as sponsored content with the advertisers’ logo. The brand gets positive “rub-off” with engaging, valuable content. The content is meticulously labeled as advertising.

In addition to the multi-media campaigns published across Fairfax’s many news and lifestyle publications, the native campaigns are also promoted through social channels such as Facebook and Twitter, and on the Web, mobile, and apps. Some campaigns even include a sales mechanism based on an algorithm about users and their engagement with the content, suggesting a possible intent to purchase.

Staff includes mostly client and brand strategists, plus social, creative, designers, sales and account managers, Smith says: “We have a freelance network of 3,500 at any time with specialties in content topics.”

Native advertising is the ideal format for news media companies because the industry has hundreds of years of experience and reputation as excellent storytellers, Smith says.

Native advertising multi-media campaigns, such as that for the South Australia tourism authority, are promoted through social channels, including Facebook and Twitter, as well as on the Web, mobile, and through apps.
CASE STUDY

“That’s what we do, that’s why we get out of bed: To inform and entertain the reader. That’s what has built publishing. Storytelling. We have to think brands think like that. We produce genuine quality content. We are sharing that knowledge and expertise with our clients.”

One such storytelling campaign recently won second place in INMA’s 2016 Global Media Awards. The South Australia tourism authority needed to differentiate itself from the many desirable tourism destinations in the crowded Australia tourism market.

“We needed to do more than just create a great campaign. With so many travel opportunities, South Australia couldn’t afford to cede the stage to competitors for months at a time. South Australia needed to move from being in market for a few months a year to ‘Always On,’” according to the Fairfax award entry.

The response to the challenge was to create a content marketing approach across Fairfax’s digital platforms. During the campaign, more than 200 stories and other content elements were published, including listicles, infographics, and itineraries.

“Keeping consumers reading was important: We needed to go beyond great writing — the Web allows us to engage in multiple ways,” according to the entry. The answers to engaging the users were video, photo galleries, and interactive quizzes.

Campaign analytics showed audiences spent a total of 512 days of reading time with the content, with an average of 1 minute 27 seconds per page, Smith said. The touch-device content delivered three times the number of page views compared to replica Web pages on mobile devices.

By Martha Stone, CEO of World Newsmedia Network, based in Chicago, Illinois, USA
CHAPTER 5

Measuring the effects of native advertising for greater success

News media companies are at the moment one of the primary driving forces behind the growth of native advertising. The demand from brands is certainly increasing rapidly, but broadly speaking it was the publishers who began pushing the agenda as they searched for additional streams of revenue. Some media companies are succeeding at selling native advertising to curious advertisers, but struggling to make the sale to the same client twice. One of the main reasons for this is the lack of ability to prove the effectiveness of native advertising, and indeed 19% of publishers do not measure native advertising at all.

A. Measuring native advertising

To measure if a marketing project is successful or not, one must first know the objectives of the campaign. Brands will usually stipulate campaign objectives such as brand awareness and sales. Media companies, however, tend to use “consumption metrics,” such as traffic (60%), audience engagement (58%), and time spend (39%), according to the survey.

Belgian publisher De Persgroep is trying to incorporate both objectives and metrics in its measurement as Research Manager Ilse Peeters put it:

“To measure the impact of advertising in a qualitative manner, De Persgroep Advertising developed a native post-test, which puts a series of questions to visitors of the Web site about the contents of the native articles in question. Questions are then also asked about the attitude to the product or the brand.”
B. Online advertising considered more effective than print

Native advertising campaigns can contain any combination of multiple media components, such as text, photos, video, interactive graphics, and social media. According to the survey, 77% of the executives responding consider online text content to be the most effective element of native advertising, followed by 63% saying printed articles are the most effective native content.

WHAT DO YOU CONSIDER TO BE THE MOST EFFECTIVE TYPE OF NATIVE ADVERTISING?

77% of publishers see online articles as one of the most effective types of native advertising, followed by printed articles (64%), and video content (54%).
Video content (54%) and infographics (25%) are the next most effective forms of content, while promoted posts on Facebook are the most effective social media content (44%), followed by promoted tweets on Twitter (10%) and promoted videos on YouTube (10%), according to the survey.

C. Native adds value for audience

It is perhaps not a big surprise that 89% of publishers responding believe native advertising adds value for their advertising customers. As for the readers, 77% of the respondents say their company’s native advertising adds value for readers, and only 4% think their native advertising does not add value for readers.

DO YOU THINK NATIVE ADVERTISING ADDS VALUE FOR YOUR AUDIENCE?

77% of news media publishers think native advertising adds value for readers and viewers; only 4% are not of that opinion.
CASE STUDY

De Persgroep: 5 positives readers find in native advertising

Initial research studies on the impact of native advertising on news Web sites show that three factors exert an important influence on the success of this form of advertising:

1. The number of articles read.
2. The degree to which the content is found to be interesting.
3. The credibility of the articles.

As such, these are the most important lessons drawn for marketers who are considering native advertising.

Native advertising is the buzzword among marketers today. Brands use native advertising to communicate through editorial content without explicit exposure to an advertisement. The articles are integrated in the content of the medium but separate from the journalistic aspect.

In 2015, De Persgroep Advertising began offering native advertising on the Web sites of its news brands, Het Laatste Nieuws and De Morgen.

Initial research studies show native campaigns have a strong impact on readers. Advertisers immediately wanted to gauge the impact of these campaigns.

How do you measure the impact of advertising that is not explicitly visible?

To measure the impact of advertising in a qualitative manner, De Persgroep Advertising developed a native post-test, which puts a series of questions to visitors of the Web site about the contents of the native articles in question. Questions are then also asked about the attitude to the product or the brand.

The respondents are divided into two groups: readers of the native articles (the test group) and non-readers of the articles (the control group). Both the test and control group are re-weighted according to the socio-demographic reader profile of the title.
CASE STUDY

The first results show a strikingly strong impact of the native campaigns.

The first impact measurements of native campaigns show that readers who read at least one of the articles of the campaign:

1. Are more positive about the product in general than non-readers.

2. Have a positive image of the brand in question.

3. Have a product awareness that is more than twice as high as that of non-readers.

4. Have twice as high an intention to purchase.

5. Give a likeability score that is 30% higher on average than an average online campaign.

This is good news for marketers. But is native advertising now the wonder solution that can guarantee great success for everyone?

Readers of native advertising have a more positive response to the product and the brand, and are more likely to purchase compared to non-readers.
CASE STUDY

Readers of native advertising campaigns were more likely to feel positively about the product and brand in question.

No two campaigns are alike, and some products and brands lend themselves better to focusing on the story than others. But the results of the first native post-tests point to a number factors that have a strong influence on the success of campaigns.

Factors that increase the impact of native campaigns include:

1. The more articles read, the more positive the attitude toward the project: Readers of several articles appreciate the product and the brand more. Both the image and the intention to buy are higher than among readers of only one article. It is therefore important to write pieces with strong content, that are easy to read and that retain the attention of the readers for the full story.

2. The more interesting the article, the stronger the impact: It may sound self-evident, but the degree to which the readers are fascinated by the articles and find the content interesting and relevant has a clear effect on the impact of the campaign. Readers who find the articles interesting appreciate the product and the brand more.

3. Credibility is the strongest booster for the native campaign: Readers do not let someone pull the wool over their eyes. Most readers are aware that the advertisers provide the content of native articles. Therefore, avoid articles that are too commercially tinted or far-fetched, as they can have the opposite effect on the success of the campaign.

Put the reader first and provide interesting and credible content. Advertisers who take note of these lessons are undoubtedly rewarded with better results.

By Ilse Peeters, Research Manager for De Persgroep in Brussels, Belgium
CHAPTER 6

Native advertising: Opportunities and threats

There is no doubt that native advertising represents some great opportunities for many publishers. Yet it also represents challenges and threats.

A. Internal and external challenges of native advertising

The challenges facing news media publishers regarding native advertising are both external (advertiser-focused) and internal (advertising team-focused). News media companies’ challenges with advertisers regarding native advertising involve explaining the ad proposition to advertisers (45%) and convincing them to tell real stories (44%). Challenges within the organisation include pricing native ad packages (42%) as well as training the sales team (42%).

Advertisers have to pay attention to and account for their media spend and thus some might be hesitant when faced with a new type of advertising.

A survey from the University of Antwerp and De Persgroep states that readers are much more prone to accept and enjoy native advertising with a lower brand prominence. As De Persgroep’s Peeters states:

“When a low brand prominence is compared to a higher brand prominence, readers considered the text to be more honest (79% vs. 66%), more credible (79% vs. 69%), more fun (75% vs. 64%), and more convincing (72% vs. 55%). With a lower brand presence, the brand itself was evaluated as being more attractive, better, more pleasant, more positive, and more fun.”
The written word tops everything

According to the survey, 68% of the news media publishers say that written content is the biggest native advertising opportunity, and video and multi-media storytelling come in second and third places with 53% and 45%, respectively.

These numbers reflect a strong trust in the written word produced by news media companies with a legacy of attracting and engaging loyal audiences. The numbers also underscore the most effective way to engage large audiences.

While written content is No. 1, emerging formats such as video and other multi-media formats show promise now and in the future. According to the Reuters Institute’s Digital News Report 2016:

“Although we are likely to see considerable innovation in both formats and production over the next few years, it is hard to see video replacing text in terms of the range of stories and the depth of comment and analysis traditionally generated by publishers. The high commercial returns currently available around video are unlikely to last if, as expected, more investment and more automated systems lead to a substantial increase in the supply of content, thus driving down advertising rates.”
C. Editorial expertise is an asset

Publishers’ biggest assets impacting native advertising are closely related to the core business of editorial expertise, according to 66% of the respondents. The relationship to existing brands and audiences is another unique quality and strength that news media publishers point to (45%). Almost half of the publishers believe that they know the preferences and behaviours of their audiences.
D. Client understanding is crucial to success

Though most publishers are betting heavily on native advertising, there is no guarantee that it will be successful in the long run. There are certainly several threats on the horizon, according to respondents.

The concern for poor client understanding of native advertising is the greatest concern among news media respondents (55%), while lack of engagement from readers and views ranked second (42%). Publishers continue to worry about the boundaries of the native advertising operation, with 38% saying the “lack of separation between the editorial and commercial sides of their business “is of key concern.” This is remarkable, considering that 42% of the respondents say they involve the editorial team when creating native advertising.

E. Customer complaints are not uncommon

News media across the world recognise the essential bond of trust between company and reader. One of the major concerns for publishers developing or planning to launch native advertising operations is how their audience will react. According to the survey, 21% of respondents say complaints from readers/viewers is the biggest threat to native advertising. Of news media publishers responding, 20% have already
received customers complaints about their native advertising, while 16% of the magazine publishers have received complaints.

While the survey did not delve into the reasons for the complaints, typical complaints would be lack of sponsorship labeling. The Federal Trade Commission conducted a deep investigation into native advertising practices in the United States and has focused on proper labeling on these campaigns to avoid misleading readers about the nature of the advertising content. Correct labeling and a maturing market for native advertising will likely reduce complaints in the future, as readers and viewers become more accustomed to this type of advertising.

**HAVE YOU RECEIVED CUSTOMER COMPLAINTS IN WORKING WITH NATIVE ADVERTISING?**

20% of news media publishers have experienced customer complaints because of native advertising; 80% have not received any complaints.

![Graph showing the percentage of news media publishers who have received customer complaints](image)

<table>
<thead>
<tr>
<th>Yes</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>80%</td>
</tr>
</tbody>
</table>

**F. How you label native advertising content**

One of the biggest discussions about native advertising is whether the general idea is to mislead the readers into believing the native advertising is actually editorial content. A cornerstone to this discussion is the issue of labeling the native pieces. The labels used by news media executive respondents include “sponsored content” (60%), and “advertisement” (24%). Another approach for differentiating native advertising to avoid readers’ confusion is to create a “different look and feel” for the native advertising.
package (24%). The FTC standards in the United States recommend the following: “Terms likely to be understood include ‘Ad,’ ‘Advertisement,’ ‘Paid Advertisement,’ ‘Sponsored Advertising Content,’ or some variation thereof.”

Despite most publishers labeling native advertising content, 7% of the news media respondents still say they do not label native advertising content at all. Of those respondents, 33% came from the United States and 50% from Europe. Needless to say, this is a troubling issue that needs to be addressed.

### HOW DO YOU LABEL NATIVE ADVERTISING?

“Sponsored content” (60%) is the label of choice for news media publishers when labeling native advertising, but a disturbing 7% do not label native advertising at all.

<table>
<thead>
<tr>
<th>Label</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored content</td>
<td>60%</td>
</tr>
<tr>
<td>By using different look and feel</td>
<td>24%</td>
</tr>
<tr>
<td>Advertisement</td>
<td>24%</td>
</tr>
<tr>
<td>Paid content</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
<tr>
<td>Sponsor generated content</td>
<td>11%</td>
</tr>
<tr>
<td>We don’t label</td>
<td>7%</td>
</tr>
</tbody>
</table>
CASE STUDY

Montreal Gazette creates native ad campaign for university

Postmedia’s Montreal Gazette’s “Showcase Concordia” underscores the quintessential formula for native advertising:

1. Tailor-made for advertisers who want brand rub-off for in-depth and impactful coverage of engaging topics.

2. Liberal use of multiple media: video, graphics, text, and social media.

3. Well-researched and written content.

4. Thoroughly labeled as sponsored when Postmedia writers create the content; labeled as advertising when advertisers create the content.

Concordia University in Montreal wanted to showcase its researchers as leading experts in their fields, and explain how that research is impacting the daily lives of Montrealers. The university wanted to change the perception of the school from that of a fine arts school to that of a university with leading researchers and experts.

Instead of investing in a display advertising campaign, the university and Montreal Gazette partnered to create a robust native advertising campaign about the future of the city, including economy, urban development, city planning, gentrification around subway lines, and parks planning for the green and blue spaces of Montreal Island.

The campaign exceeded expectations of usership and shareability because it tapped into citizens’ interest around the Je Vois Montréal/Future of Montreal debate and the 375th anniversary of the city, according to one of its producers.

“We try to achieve that from all of [our] campaigns. We want it to be entertaining, enlightening, and useful to the reader. The challenge is always to find the story angle that will be useful to reader,” says Olivia Collette, native advertising producer for Postmedia, who wrote the campaign’s 10 articles about the future of Montreal. Collette is a part of Content Works, the native advertising department at Postmedia,
CASE STUDY

which was launched in 2014. The department has grown considerably, to include hundreds of freelance writers, videographers, and designers.

The Showcase Concordia campaign comprised a five-part, 10-week print, tablet, Web, and video series in 2016. It won first place in INMA's Global Media Awards in May 2016.

In addition to the articles, the campaign included five infographics and five videos tied in to the future of Montreal theme. The elements were used to drive traffic through social media channels. The content met or exceeded its usership objectives:

- Targeted, sponsored content page views set at 10,000 but reached 14,333 pages, 40% over the target.

- More than 347 hours of reading were spent on Concordia sponsored content stories among the 11,488 unique visitors to those pages.

- A combined 65 hours of video was consumed over 3,666 video views.

The Showcase Concordia campaign on behalf of Montreal’s Concordia University featured infographics and videos tied in to a future of Montreal theme.
CASE STUDY

- Average social media engagement was more than 1.2%, surpassing the target of 1% engagement.

- Content was re-Tweeted even by peers at competing universities.

- The click-through rate on client brand ads within sponsored pages was four times the rate of those same ads outside the sponsored pages (or the Internet average CTR of .08%).

- Concordia visibility online reached 1,761,000 impressions (brand, co-brand, touch points, and social media).

- Print reach totaled 2,350,000 gross impressions (Montreal Gazette average daily readership times ad frequency).

The engagement and interest are no accident, Collette says. The content has been carefully prepared by seasoned journalists:

“To put it bluntly, I think for native advertising articles to be interesting, it needs a journalist’s touch,” she says. “It has to be overseen by a producer who understands how to make the videos and graphics interesting to the reader. We are thinking of the reader all the time, the experience they are having with their content. We are trying not to make it too sales-ly. We have that experience. We have that sensibility.”

Native advertising producers are a special hybrid, able to navigate both advertising and editorial expectations and objectives, she says.

“I am on the sales floor. This makes me privy to the realities of the sales floor. I can help deliver story ideas. I can help them orient their strategies and create content that is enlightening and entertaining.”

By Martha Stone, CEO of World Newsmedia Network, based in Chicago, Illinois, USA
Conclusions

There are many important insights that can be drawn from the findings of the report. Overall, it is safe to conclude that native advertising is an industry that is growing and developing very quickly. Budgets and efforts are being allocated and we should expect to see very interesting, impressive, and effective commercial content come to life in the years to come. Let us sum up a few of the facts that point to this conclusion:

1. **Advertisers are pouring money into native advertising.** After a few years of dipping their toe in the water, many brands have finally decided to jump in deep. And in just three years, the percentage of native advertising compared to the overall advertising revenues is expected to grow by 127%.

2. **Publishers are diving in, too.** To take advantage of the budgets going into native advertising and actually be able to provide advertising solutions that work, more and more publishers are jumping on the native ad train. One in three have already established an actual devoted native ad studio.

3. **Focus is on developing effective solutions.** Publishers are well aware that if native advertising is to be a long-term solution, they must deliver tangible business results to the brands. And they need to prove it. Publishers are developing measuring tools and are avoiding pitfalls like telling brand-centric stories without real value to the reader.

Tenets of success with a native advertising strategy:

1. **Full disclosure is inevitable.** Neither the audience nor the authorities will accept any kind of misleading or even missing declaration of what kind of content they are consuming. Some publishers and brands are still not fully transparent and need to follow best practices for labeling.
2. **We need to tell real stories.** Some advertisers get it, but most brands are having a difficult time converting from brand-centric marketers to acting like value-adding publishers. For native advertising to work, campaigns should include relevant, valuable, and engaging stories.

3. **We need to keep the advertising in native advertising.** No matter how good the stories are, and no matter how many readers or viewers they attract, no brand will continue to fund content endeavours if the commercial strategy is not solid and effective.