Welcome to the 2018 edition of our annual report on the native advertising trends in the magazine industry.

It’s the third time we’ve conducted this survey - this time among 150 executives from 41 countries - and we have some very exciting findings to share with you.

Native advertising has been on every magazine executive’s radar for at least the past five years and for very good reason. Though the hype might be wearing off, native advertising has become an extremely important part of the business strategy for many publishers.

This year, we’ve seen a dramatic increase in the financial importance of native advertising. On average, native made up 31% of overall advertising revenue for magazine publishers in 2017—up from 21% in 2016.

It’s no surprise, then, that this has lead to increased expectations among publishers for the 2018 results respectively. 69% of the magazine publishers expect that native will have driven more of their annual advertising revenue this year than last year, and they expect native to drive 46% of their total annual advertising revenue in three years. This is up from the 2017 three-year projection of 40%.

One reason for the growing importance of native advertising might be that publishers are increasingly able to place native ads at higher price points than traditional ones. 61% of publishers charge more for native advertising. This is up from 56% last year. Only 12% of publishers charge less for native ads, a number which has remained stagnant since last year.

Revenue is not the only thing that’s growing when it comes to native advertising and magazine publishers. So are investments in studios, along with competencies and confidence levels of publishers. Magazines are holding their heads up high in terms of native advertising and rightfully so. It is impressive what the industry is achieving.

We hope you enjoy diving deep into these findings and many more to come.

Enjoy.
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Native Advertising Trends 2018  The Magazine Industry
INTEGRATION

After testing the waters for a few years now, many publishers have made native advertising a fully integrated part of their business model. Smaller and more niche publishers are still somewhat hesitant, but most major publishers are all in.

There are several indicators that this is the case, evidenced by both budgets and organizational structures. And then there is the attitude. 80% are positive and only 5% are negative. 51% even call it ‘very important’ - up from 46% last year - and another 41% call it important.
How important is native advertising to your company?

- **Very important**: 51%
- **Important**: 41%
- **Not important**: 8%
What are your feelings toward native advertising?

- **Positive**: 80%
- **Neutral**: 15%
- **Negative**: 5%
How likely are you to use native advertising as an advertising or service option?

- Not likely: 1%
- Less likely: 5%
- Likely: 23%
- Most likely: 16%
- We already do: 55%
Native advertising has been seen, by many publishers, as the saviour that’s supposed to make up for declining revenue in other parts of the business. To some, it already has. To others, it’s proven a labour-intensive journey making it financially successful.

Budgets are, however, where we find the biggest surprise this year. On average, native made up 31% of overall advertising revenue for magazine publishers in 2017—up from 21% in 2016. And 69% of the magazine publishers expect that native will have driven more of their annual advertising revenue this year than last year. In 2021 publishers are expecting that number to climb to 46%.
Of your overall advertising revenues, what percentage came from native advertising in 2017?
Of your native advertising revenues, what percentage came from print in 2017?

- 0%: 13%
- 10%: 10%
- 20%: 5%
- 30%: 3%
- 40%: 7%
- 50%: 6%
- 60%: 8%
- 70%: 6%
- 80%: 8%
- 90%: 3%
- 100%: 31%
Of your overall advertising revenues, what percentage do you expect will be from native advertising in 2018?

- More than last year: 69%
- The same as last year: 28%
- Less than this year: 3%
Of your native advertising revenues, what percentage do you expect will be from print in 2018?

- 43% The same as last year
- 29% More than last year
- 28% Less than last year
Of your overall advertising revenues, what percentage do you expect will be from native advertising in 2021?
Of your native advertising revenues, what percentage do you expect will be from print in 2021?
The percentage of the overall advertising revenue coming from native advertising compared - 2016, 2017 and 2021

- 2016: 21%
- 2017: 31%
- 2021: 46%
How to organise around native advertising has been another hot sub-topic in the industry for a while now. Should there be a dedicated sales team? Should we have a studio? And how do we price our services?

This chapter provides some great insights on this. Compared to last year’s report, there seems to be a shift away from using editorial teams (55% down from 65%), toward having either an in-house studio (36% up from 24%) or a separate native ad team (24% up from 21%). Further, more and more are getting dedicated sales teams (29% up from 11%).
### What products and services related to native advertising do you provide your customers with?

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written content</td>
<td>86%</td>
</tr>
<tr>
<td>Video content</td>
<td>68%</td>
</tr>
<tr>
<td>Multi-media storytelling</td>
<td>50%</td>
</tr>
<tr>
<td>Strategy</td>
<td>49%</td>
</tr>
<tr>
<td>Multi-platform storytelling</td>
<td>48%</td>
</tr>
<tr>
<td>Layout</td>
<td>48%</td>
</tr>
<tr>
<td>Events and experience</td>
<td>47%</td>
</tr>
<tr>
<td>Infographics</td>
<td>43%</td>
</tr>
<tr>
<td>Research</td>
<td>35%</td>
</tr>
<tr>
<td>Paid email distribution</td>
<td>35%</td>
</tr>
<tr>
<td>Media buying on other social media platforms than your own</td>
<td>31%</td>
</tr>
<tr>
<td>Content solutions on client’s platforms</td>
<td>29%</td>
</tr>
<tr>
<td>Paid influencer distribution</td>
<td>25%</td>
</tr>
<tr>
<td>Media buying on other traditional media platforms than your own</td>
<td>20%</td>
</tr>
<tr>
<td>Paid search for content</td>
<td>11%</td>
</tr>
<tr>
<td>AFP Online Media (Advertising Funded Programs)</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>AI (Artificial Intelligence)</td>
<td>7%</td>
</tr>
<tr>
<td>AR (Augmented Reality)</td>
<td>6%</td>
</tr>
<tr>
<td>AFP Broadcast (Advertising Funded Programs)</td>
<td>3%</td>
</tr>
<tr>
<td>VR (Virtual Reality)</td>
<td>3%</td>
</tr>
</tbody>
</table>
How do you provide native advertising solutions?

- Editorial team: 55%
- Own native ad studio: 36%
- Separate native ad team: 24%
- Other: 14%
- External agency partner: 9%
- Advertiser’s agencies: 7%
How do you sell your native advertising solutions?

- In combination with traditional advertising: 63%
- As a separate product: 37%
Do you have dedicated sales teams for native advertising?

- Yes: 29%
- No: 71%
How do you price native advertising vs. traditional advertising?

- Higher: 61%
- The same: 27%
- Lower: 12%
Setting the right KPIs and measuring the effect of native advertising has long been one of the big tasks on the agenda for magazine publishers - and everybody else working with native advertising for that matter.

Traffic (67%) and audience engagement (73%) are still by far the most popular KPIs. They are simply prerequisites for success. Advertisers, though, are often times looking for ‘harder’ conversion metrics. Maybe that’s why using sales as a metric has seen a slight lift, from 26% to 28% and why purchase intent is being used in 17%, up from 10%.
Which stage of the buyer’s journey are you creating native advertising for?

- Top-of-funnel (Awareness): 73%
- Mid-funnel (Consideration): 61%
- Bottom-of-funnel (Decision): 31%
- Other: 6%
**What do you consider to be the most effective type of native advertising?**

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online articles</td>
<td>69%</td>
</tr>
<tr>
<td>Video content</td>
<td>68%</td>
</tr>
<tr>
<td>Printed articles</td>
<td>47%</td>
</tr>
<tr>
<td>Promoted posts on Facebook</td>
<td>33%</td>
</tr>
<tr>
<td>Infographics</td>
<td>26%</td>
</tr>
<tr>
<td>Advertorials online</td>
<td>26%</td>
</tr>
<tr>
<td>Promoted posts on Instagram</td>
<td>21%</td>
</tr>
<tr>
<td>Programmatic distribution</td>
<td>16%</td>
</tr>
<tr>
<td>Advertorials offline</td>
<td>15%</td>
</tr>
<tr>
<td>Promoted tweets on Twitter</td>
<td>8%</td>
</tr>
<tr>
<td>Promoted tweets on LinkedIn</td>
<td>5%</td>
</tr>
<tr>
<td>Other social media</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>Paid search for content</td>
<td>3%</td>
</tr>
<tr>
<td>AFP Online Media (Advertiser Funded Programs)</td>
<td>3%</td>
</tr>
<tr>
<td>AFP Broadcast (Advertiser Funded Programs)</td>
<td>1%</td>
</tr>
</tbody>
</table>
How do you measure the effect of native advertising?

- Audience engagement: 73%
- Traffic: 67%
- Time Spent: 41%
- Sharing: 39%
- Brand awareness: 32%
- Sales: 28%
- Brand recall: 19%
- Purchase intent: 17%
- Traffic Source: 12%
- Permissions collected: 11%
- We don’t measure our native advertising: 10%
- Other: 4%
MEASUREMENT AND EFFECT

Do you think that native advertising adds value to your readers and viewers?

- Yes: 84%
- No: 6%
- I don’t know: 10%
Another topic that keeps popping up - and for good reason - is the transparency and labelling issue. It’s crucial for us as an industry to maintain a good relationship, built on trust, with our audiences, advertisers and the authorities.

Despite awareness around the issue and the fact that 34% of the respondents name poor labelling as the second biggest threat to native advertising, this year’s report shows that too many magazine publishers, more or less, consciously keep operating in a grey or even black zone. 14% do not label native advertising at all, up from 10% last year. This needs to change.
### What are the biggest native advertising opportunities for your company?

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written content</td>
<td>64%</td>
</tr>
<tr>
<td>Video content</td>
<td>61%</td>
</tr>
<tr>
<td>Multi-platform storytelling</td>
<td>37%</td>
</tr>
<tr>
<td>Multi-media storytelling</td>
<td>35%</td>
</tr>
<tr>
<td>Audience data</td>
<td>35%</td>
</tr>
<tr>
<td>Strategy</td>
<td>33%</td>
</tr>
<tr>
<td>Events and experience</td>
<td>33%</td>
</tr>
<tr>
<td>Research</td>
<td>33%</td>
</tr>
<tr>
<td>Paid influencer distribution</td>
<td>21%</td>
</tr>
<tr>
<td>Layout</td>
<td>17%</td>
</tr>
<tr>
<td>Infographics</td>
<td>16%</td>
</tr>
<tr>
<td>Media buying on other social media platforms</td>
<td>15%</td>
</tr>
<tr>
<td>Content solutions on client’s platforms</td>
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<tr>
<td>Media buying on other traditional media platforms</td>
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<td>Paid email distribution</td>
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<td>Paid search for content</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>AFP Online Media (Advertising Funded Programs)</td>
<td>2%</td>
</tr>
<tr>
<td>AFP Broadcast (Advertising Funded Programs)</td>
<td>1%</td>
</tr>
</tbody>
</table>
**What are your greatest strengths, when it comes to native advertising?**

<table>
<thead>
<tr>
<th>Strength</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing brands and audience relationships</td>
<td>60%</td>
</tr>
<tr>
<td>General editorial expertise</td>
<td>59%</td>
</tr>
<tr>
<td>Multi-platform storytelling</td>
<td>50%</td>
</tr>
<tr>
<td>Knowledge about audience preferences and behaviours</td>
<td>47%</td>
</tr>
<tr>
<td>A specialised staff for producing native advertising</td>
<td>28%</td>
</tr>
<tr>
<td>Audience data</td>
<td>22%</td>
</tr>
<tr>
<td>Documented native advertising results</td>
<td>22%</td>
</tr>
<tr>
<td>A native ad studio</td>
<td>19%</td>
</tr>
<tr>
<td>Single-platform storytelling</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
</tbody>
</table>
What is your biggest challenge regarding native advertising?

- Convincing advertisers to tell real stories: 45%
- Producing engaging native advertising content: 31%
- Pricing native advertising: 25%
- Explaining native advertising to advertisers: 23%
- Getting media agencies involved in native advertising projects: 23%
- Proving the effectiveness of native advertising: 23%
- Convincing advertisers to buy native advertising: 23%
- Training sales team: 23%
- Creating effective strategies: 21%
- Organising the native ad team: 19%
- Other: 12%
- Getting management buy-in: 7%
- Other: 4%
What do you consider the biggest threat to native advertising?

- Poor client understanding: 47%
- Poor labeling: 34%
- Lack of separation of the editorial and the commercial side of business: 30%
- Limited budgets from clients: 27%
- Lack of proof of effectiveness: 24%
- That native advertising risks being associated with "fake news": 23%
- Lack of engagement from readers/viewers: 23%
- Lack of control over the content (i.e. clients having too much influence): 22%
- Too time-consuming: 21%
- Ad blocking: 20%
- Lack of knowledge/skills in our company: 9%
- Lack of sufficient buy-in from the organisation and/or top management: 7%
- Privacy and data concerns: 7%
- GDPR: 6%
- Other: 5%
Have you received any customer complaints from working with native advertising?

- Yes: 85%
- No: 15%
How do you label native advertising?

- "Sponsored content": 55%
- "Advertisement": 25%
- "Paid content": 16%
- "Sponsor generated content": 15%
- Other: 15%
- We don’t label: 14%
ABOUT THIS REPORT

Native Advertising Trends 2018 - The Magazine Industry was produced by Native Advertising Institute in collaboration with FIPP - the network for global media.

150 magazine executives from 41 countries across the globe participated in the survey. The report was published in December 2018.

About Native Advertising Institute
Native Advertising Institute is an independent think tank on a mission to help publishers, brands and agencies become successful with native advertising. We publish a blog, conduct research, and host the biggest native advertising conference in the world, called Native Advertising DAYS.

nativeadvertisinginstitute.com

About FIPP
FIPP - the network for global media, represents content-rich companies or individuals involved in the creation, publishing or sharing of quality content to audiences of interest. FIPP exists to help its members develop better strategies and build better businesses by identifying and communicating emerging trends, sharing knowledge, and improving skills, worldwide.

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