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Native Advertising and its Effects on Online Advertising

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Abstract- According to Financial Times Limited (2013), the digital revolution has made many business models obsolete and advertising companies see this as a welcome change. Online social networking and internal structural changes in the media market have changed how online advertising is done. This change has many concurrent forms and implications, and the most apparent of them might be the change in the various strategies and tactics companies are adapting in response to said changes; mainly advertising online in the form of native advertising; while one company is inhibiting media profitability in its current form, at the same time furthering the its corporate sponsors' agenda to promote and implement native advertising- or "non-intrusive" advertising- as the norm of online advertising.

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Native Advertising and its Effects on Online Advertising

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I. INTRODUCTION

a) *Online Advertising and Growth*

Advertising conglomerates are not operating in a booming global economy, yet Financial Times Limited reported in 2013 that Publicis; a multinational advertising company based in Paris, France has reported an income growth of fifteen percent during the first half of 2012, tripling in share value in only five years. Financial Times Limited (2013) attributed the aforementioned success to Publicis' Digital Advertisement segment which made up 37 percent of Publicis' annual revenue of 7 billion Euros, which only barely made one tenth of Publicis' annual revenue in 2007.

Aside from advertising companies, as reported by Marketing News Weekly in 2013, Geoff Cook, the chief executive of MeetMe, a social discovery application, accredits company expectations of crossing \$1million monthly mobile revenue to the launch of Feed Ads in March of 2013 which yielded 200% higher CPM (cost per thousand impressions) than their traditional banner advertorials.

Marketing News Weekly reported in 2013 that the global online advertising industry's annual revenue is forecasted to reach an estimate amount of \$139.8 billion by the year 2018 while its compound annual growth rate is said to be 7.3% during the years 2013 through to 2018. When annual revenue \$91.6 billion was reached in the year 2012, the global online advertising industry saw

a compound annual growth rate of 12.4% from 2007 through to 2012. Marketing News Weekly also reported in 2013 that the reason for the success and immense growth of the online advertising industry was due to the growth of mobile advertising, increase in number of mobile subscribers, economical growth, expansion of online music and movie distributions, and users migrating to digital media, the constant change in customer behavior also contributed to the fact.

b) *Implications of Online Advertising Success*

Financial Times Limited (2013) reported that advertisers are capitalizing on the trend of online advertising and acquiring companies left and right, with Publicis alone making six acquisitions within six months, excluding 19 they made in the year 2012. However, this tactic seems to have met with mixed success; with Publicis reporting an increase to over 13 percent on capital return from 12.5 percent in 2007; to the contrary of Omnicom, which reported revenues among recently acquired overseas targets to be flat in the first half of year 2013, as reported by Financial Times Limited in 2013; however, as the price of targets are not disclosed by advertisers, determining the exact cost effectiveness of this strategy is difficult. Financial Times Limited also warned in 2013 that the acquisition of digital targets will become high cost and high risk as technology groups and advertisers join in bidding for them; and that digital advertising growth is looking to be priced in with WPP and Publicis both trading on 17 times their forward earnings – a high not seen in six years. Meanwhile in the UK, a surplus of 200% growth in display advertising in social media has prompted more than half of UK broadcasters planning to invest in online technology (Velaigam, 2011).

c) *Native Advertising*

Native advertising has been around as early as the 1930s, (Wilson, 2013); but a simple online search of the term "native advertising" procures articles titled: "Native Display Advertising Delivers Knock Out Punch to the Banner(referring to traditional online banner ads)" and "The Future of Digital Advertising" (Laird, 2013). However, native advertising in digital media is nothing more than the soap operas of the digital age; no different from print magazine advertorial pages; it is simply branded content tailored to the context of a publication (Wilson, 2013).

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Native advertorials are not to be confused with in-feed advertorials; as the latter is basically traditional banner advertorials camouflaged in a user's news feed, and do not offer relevant content (Aquino, 2014). As reported by Laird (2013), by adopting the same look as the blog or website it is placed in, native advertorials offer the user additional and relevant quality content beyond a traditional online advertorial, and is seen by some authorities as a more aesthetically pleasing, natural, and non-intrusive method for advertisers to reach consumers online; with most articles that refer to native advertorials as a superior alternative to traditional online banner advertorials proclaiming that native advertising will change the way business is done by advertisers in 2013, and that it already has in some ways.

Marketing Weekly News reported in 2013 that Sharethrough, a native advertising company, announced in the same year the first native advertising summit in the world; and called native advertising's market one of the fastest growing in digital media. It's hard to ignore the potential of native advertising when it allows consumers and producers such un-intrusive accessibility to each other; as per an example give by Crain's Detroit Business in 2014, a shopper who sees and is interested in a sponsored recipe in a grocery app clicks the recipe, and the advertised product that's included in the list of ingredients of the recipe is added to the shopper's grocery list- somewhat reminiscent of search advertising.

Advertisers and content publishers who were looking for different ways to display advertorials online have allowed native advertorials to gain momentum in the year 2012 (Laird, 2013). Native advertising is becoming more prevalent in; if not the norm of trending advertorial styles (Wilson, 2013); and native advertising will have an even more profound effect on digital advertising in the year 2013 (Laird, 2013).

As the very nature of native advertorials require an audience for it to interact with (Cooper, 2013); although less than 5 percent of IAC's dating division's revenue comes from advertising, Greg Blatt, who chairs IAC's Match group, said that matchmaking applications such as Tinder presents an opportunity for native advertising to expand on and is set to monetize; further adding that Tinder's existence is still too early as to realize its identity (O'Reilly, 2014).

Publishers are keen on understanding and implementing native advertising as a source of steady revenue; however, maintaining the credibility of their respective editorial brands comes above all else as not to jeopardize the readers' trust (Wilson, 2013). While prudent use of native advertorials can allow the right people to see the right content at the right times; when misused, native advertorials can damage brands and annoy consumers (Cooper, 2013). Research done by Liles (2009) show that consumers felt that

advertisements embedded in soft news stories compared to advertisements embedded in hard news stories to be less offensive; suggesting that properly constructed native advertorials could reduce instances of consumer backlash.

However, there are downsides to native advertising as well, for example, as discussed in an article by Steigrad (2013), native advertising carries an inherent element of deception; while some authorities mentioned in the article argue that deception is not required to advertise, another argues that it has been shown that the less obvious a piece of native content was an advertorial, the more a consumer was interested in it. Laird (2013) stated that some native advertising opponents see native advertising as an elaborate term for an advertorial or as another one of many a ways for advertisers to profit off of certain firms.

Lee (2010) predicted that producers will soon opt for semi-private associations of publishers instead of advertising networks; which in turn will cause advertising prices to go up; but the higher CPM might very well be worth it.

d) *What of Traditional Banner Advertorials and Pop-up Advertorials?*

A research done by Wu (2014) found that although in-feed advertorials achieved a better Click-Through Rate, Facebook Right Column Advertorials actually outperformed in-feed advertorials, effectively achieving a lower Cost per Action. While online properties differ in marketing strategies, such as Yahoo and AOL opting to upsize their ads to a full webpage akin to magazine or television ads; while other online properties such as Facebook and Twitter opting for smaller ad sizes; banner advertorials have become a common language in digital marketing, therefore will not go away, but will become a cheaper alternative to native advertorials (Lee, 2010).

e) *Adblock Plus and Paywalls- Ways Consumers and Publishers Avoid Ads*

The Economist (2012) stated that Till Faida, co-founder of Eyeo, the company that owns Adblock Plus- a plug-in that blocks online ads, agrees that content requires ads to be paid for; thus giving users of this plug-in the option to allow "acceptable ads" (native advertorials).

Some publishers, reported by The Economist in 2012, have opted to adopt the Paywall method, i.e. only showing advertorials to non-members while allowing paying members to view premium content ad-free; this method have been met with varying degrees of success between publishers.

A paper by Bennett (2011) talked about certain laws in discussion that if implemented could prevent companies from profiling consumers online. Those, such as the American Federal Trade Commission and Adblock Plus, who are with the implementation of such

laws argue that it is to protect consumer privacy; while advertising companies, who are against such regulations, argue that online profiling avoids wastage of marketing funds and aids both advertisers, consumers, marketers, and producers by being more precise in reaching target audiences with ads.

II. DISCUSSION

While those who successfully create quality native content and manage to publish it with minimal consumer backlash has greatly profited from native advertising, those who do not have the necessary ability, credibility, or resources to do so is perhaps doomed to fail. The monetization of Tinder has its chairman saying that the identity of the app not truly defined yet, perhaps suggesting that native advertising could define an existing product in its entirety. Companies such as Eyeo wants to further the native advertising trend by distributing a plug-in called Adblock Plus that blocks all advertisements except native advertorials by default, claiming that they are non-profit while the companies that fund them stand to gain substantial amounts of money if the native advertorials are to be the only form of advertisements accepted online. With the ability to basically control which advertisements can or cannot be seen - unless specifically requested by the user to be allowed - indefinitely, based on Adblock Plus' self-definition on acceptable or unacceptable advertisements; could a monopoly on online advertising be possible, or are we already looking at the beginnings of one?

III. CONCLUSION

As long as there are producers and consumers there will be a need for advertisements, regardless of which medium the ads are in; and as media moves from print to digital, with the exception of the television, so has advertisement styles needed to evolve. Social media is a very interactive platform, and because native advertisements require interactions between the consumer and the content, it has become the natural adoptee of advertising companies as a default style of advertising. With the exception of inherent content, native advertorials not only rely heavily on the credibility of its publisher, but has the potential to destroy the credibility of said publishers. This has forced publishers to dabble in the lucrative business of native advertising with prudence, while some publishers choose not to dabble in it at all, instead opting for the cheaper traditional banner ads or the Paywall method. Some agree that internet users should not be profiled, while others argue that profiling saves time and costs, and as Levin and Milgrom stated in 2010, irrelevant ads are a waste and a nuisance. In the end, better advertorial content is always welcome, because you cannot annoy someone into liking you.

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