

The Essential Guide to Native Advertising

The Rise of a Digital Ad Format and
Best Practices for Commanding Audience Attention

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In digital advertising, ad formats have always fallen into a few buckets – paid search, display/banner ads, video, etc. However, with the advent of a more cross-channel, cross-device world, it's only fitting that advertising has become more amorphous. Enter native into the mix as the advertising industry's breakout star this year. Native takes advertising content and packages it in a format that blends in naturally with editorial content on web sites, across desktop, tablet, and mobile devices.

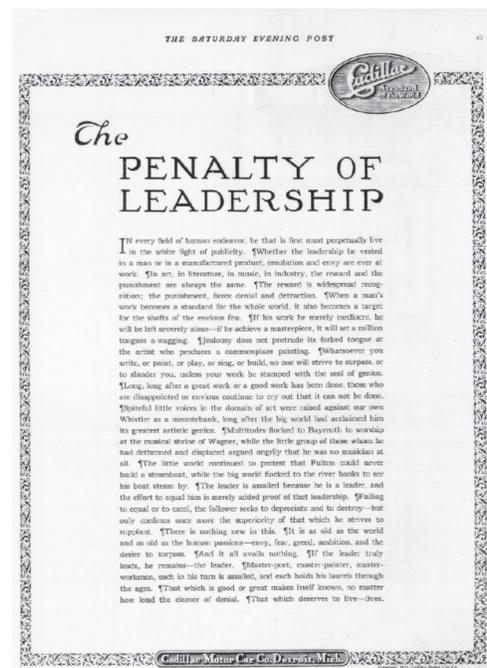
In this white paper, we'll provide you with all the information you need to know about native, share how advertisers are leveraging this exciting new format to reach a greater audience, and recommend easy ways to integrate native into your advertising strategy.

What is Native Advertising?

While there has been a lot of debate as to the exact definition of native advertising, there is general consensus in the industry that “[Native advertising refers to] paid ads that are so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the viewer simply feels that they belong.”¹ While there's ambiguity around what native is, its origins are also up for debate.

A Brief History of Native

Although it's gained a lot of attention lately in digital advertising, the concept of native has actually been around for decades. Back in the 1930s, a primitive form of the native advertisements we see online today appeared when Theodore MacManus wrote Cadillac's "The Penalty of Leadership" story, and placed it as an ad in The Saturday Evening Post. This story was an example of combining editorial content with an advertisement, creating an advertorial of sorts.



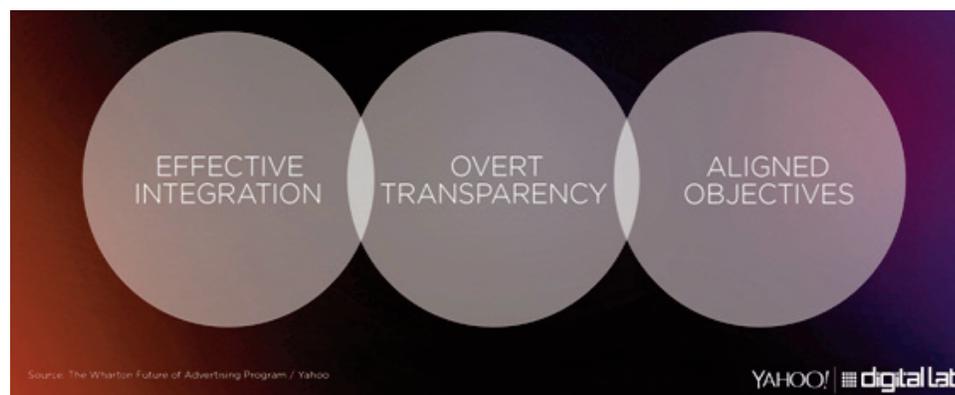
An 'advertorial' from the 1930s – one of the earliest examples of native advertising

1. IAB Native Advertising Play Book, Dec. 2013

From its start in print, native extended to radio and television with branded shows and sponsored programming. Fast forward to the 2000s, and native begins to make its way into digital advertising, with BuzzFeed most notably taking advantage of sponsored content to build up its brand. From there, sponsored content has taken on a more compact format with native advertising.

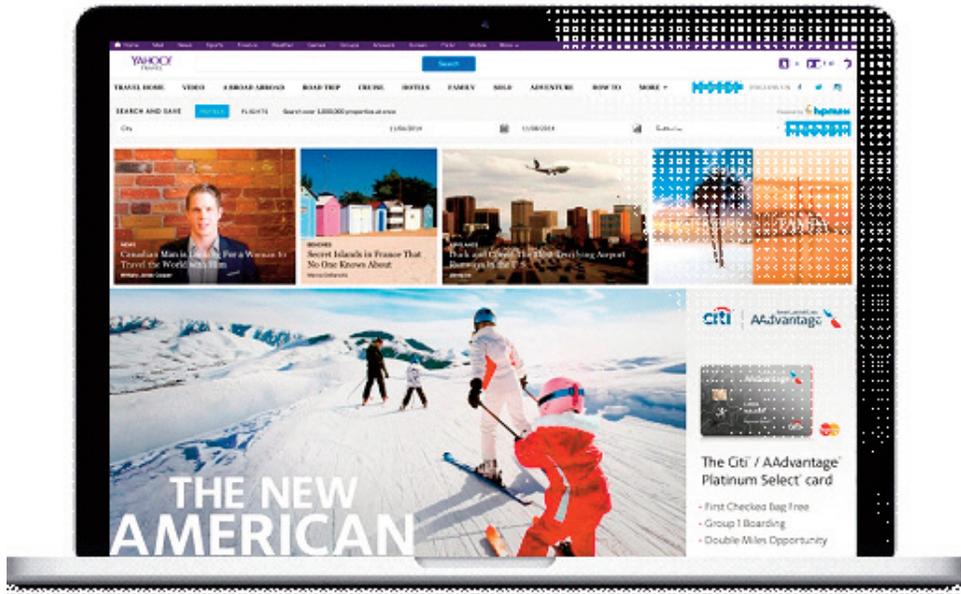
With the shift in consumer behavior towards mobile devices, increasing overall engagement with screens, and accessibility to the Internet, native advertising allows advertisers to reach their audiences, wherever they are, in a relevant and engaging way.

Recently, Yahoo and The Wharton Future of Advertising Program redefined native as an opportunity for brands to give back to consumers by making their online experience more enriching, and less disruptive.



The screenshot shows the BuzzFeed website interface. At the top is the BuzzFeed logo and a 'LOL' badge. Below is a navigation bar with 'NEWS', 'ENTERTAINMENT', 'LIFE', 'MORE', and a 'NEW!' badge. The main article title is '13 GIFs Of People Totally Nailing It'. The sub-headline reads: 'These people are winners. But don't feel bad if you've had a few slip-ups today. With Reebok ATV19 you can be a winner too!!'. Below the sub-headline is the text 'posted on July 11, 2013 at 4:31pm EDT'. At the bottom of the article preview is the Reebok logo and the text 'Reebok ATV19 BuzzFeed Partner'.

Buzzfeed's sponsored content has been highly successful in helping establish BuzzFeed's brand



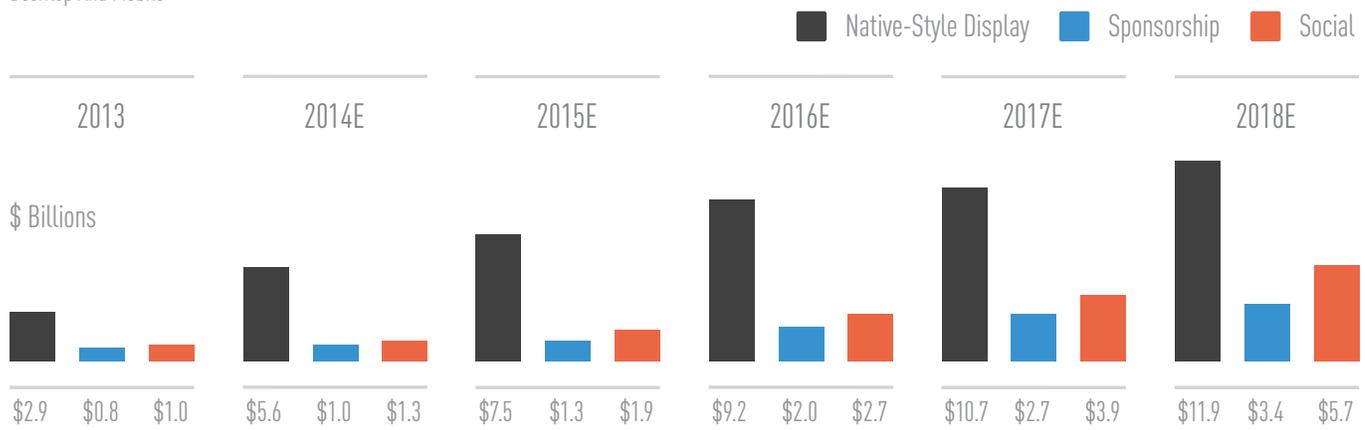
Yahoo's native ads blend in seamlessly with website content

The Native Advertising Marketplace

Advertisers are excited for native. According to the Association of National Advertisers, 63% of advertisers are planning on increasing their budgets for native advertising in 2015, bringing spending to \$10.7 billion,² an impressive 150% increase from 2013.

Native Advertising Revenue (US)

Desktop And Mobile



Native advertising spend is expected to rapidly grow through the next few years

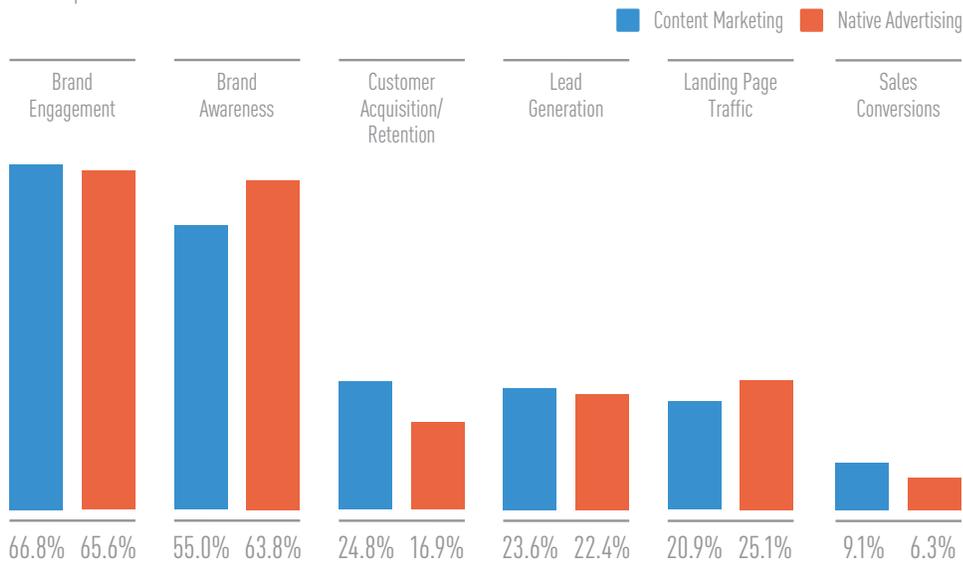
Source: BI Intelligence estimates, Interactive Advertising Bureau

2. <http://www.businessinsider.com/spending-on-native-ads-will-soar-as-publishers-and-advertisers-take-notice-2014-11>

Why are advertisers so bullish on native advertising? Early adopter results have helped to solidify native's place in the digital marketer's budget. Most generally compared to traditional banner ads due to similarities in appearance, native ads have quickly proven to be instrumental and highly effective at building brand awareness among consumers.

Marketing Objectives that Are Best Supported by Content Marketing vs. Native Advertising According to UK and US Agency / Brand Professionals, April 2015

% of respondents



Advertisers find native advertisements to be most effective at building brand engagement and awareness among consumers

Note: Respondents chose two objectives each for content marketing and native advertising

Source: PulsePoint and Digiday, "How Content Marketing and Native Will Drive a New Era of Engagement: A State of the Industry Report for Brands and Publishers," May 20, 2015

Yahoo reports show that native advertising boasted a 3.6x lift over traditional display ads for branded search activity and 6x lift for generic search activity.³

Reasons behind native's success include the fact that native ads blend in seamlessly with editorial page content, and tend to have compelling creatives and content. Additionally, with consumers increasing their mobile and tablet device usage, advertisers are looking for ad formats that are optimized and perform well on those devices. While native ads perform well across all devices, the new generation of ads were conceived with mobile in mind.

3. Yahoo/MillwardBrown Digital Behavioral Impact AdFx Study (Multi-Category Aggregate Analysis), May 2014

Capitalizing on the Smartphone Migration

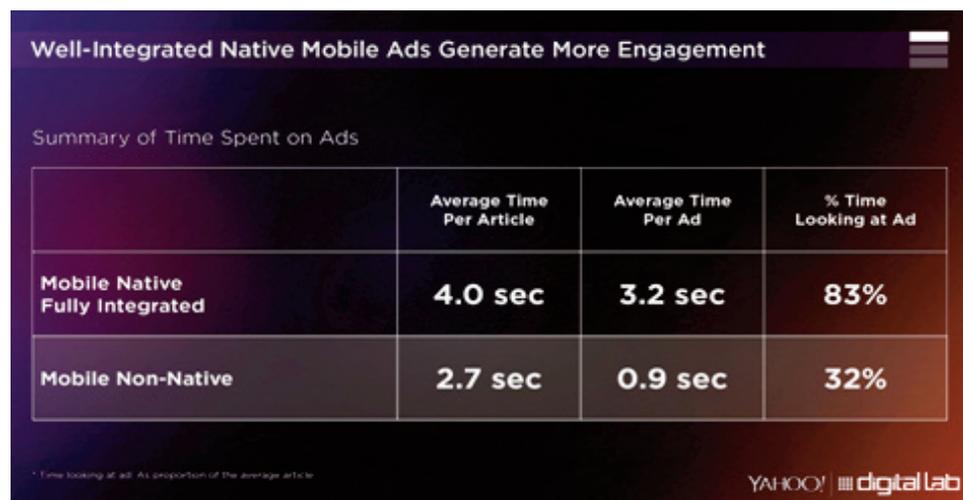
A recent study⁴ from Yahoo shows that in the U.S., approximately 20% of smartphone users consider themselves “smartphone dominant” — meaning their smartphones have supplanted their PC as their primary device to access the Internet. However, in the next five years, Yahoo reports that this number will grow by 3x, increasing the number of smartphone dominant users to 57% of users.

According to the study, Yahoo sees this shift in mobile adoption as driven by three factors:

- The increase in the size of smartphone screens now available
- The increasing importance of cross-screen experiences (being mobile **first** but not mobile **only**)
- And, the growth of the app marketplace

As a result, advertisers must adapt to larger screens and cross-device usage by employing responsive design in their ad creative, one of the most impactful features of native. Moreover, in this new Smartphone Dominant world it is important to leverage the tools we know work in driving ad engagement when compared to existing mobile banner alternatives.⁵

Given the mobile migration, worth noting is the rising concern of ad blocking software, specifically being implemented in mobile browsers. While marketers haven’t cited this as a massive problem yet, in the war to get noticed, native ads can prove to be part of the solution. Native ads, in some cases, are not affected by ad blocking.



Native ads increase the amount of time mobile users spend on ads

4. The Shift to Smartphone Dominance, Yahoo, May 2015

5. Source: Ad Environments – The Halo Effect, Yahoo & Innerscope, September 2014

The Different Flavors of Native

With the varied definitions of native advertising, there are many different ways for advertisers to incorporate native into their advertising mix.

The first digital native ad that comes to the mind of advertisers is often Yahoo's or Facebook's in-feed ads or Twitter's sponsored tweets. According to Business Insider, spending for these native formats is expected to drive the majority of native ad revenue between 2013 and 2018; still, there are a variety of other native options spanning search, social, and display channels.

Here's a brief summary of some of the most popular native formats and the leaders in each, according to the IAB Native Playbook:

In-Feed Units



Courtesy of IAB Native Advertising Playbook

As mentioned earlier, in-feed ads are the most popular form of digital native ads. These are ads that generally have content that's related to the surrounding content and is contextual. They can either link to other sponsored pages on a publisher's site or may link to a brand page, video, or other content. Publishers most commonly sell these types of ads either through guaranteed placement on a certain page or through a broad category, such as "sports" in Yahoo. Ad performance is most often measured through brand lift, CTR, and conversions.

Paid Search Units



Courtesy of IAB Native Advertising Playbook

Paid search native ads blend into the native search results on the publisher SERP. They are generally located before the actual search results, and the format depends on the individual publisher, as each one has their own style and layout. These ads link to the advertiser's landing page and are typically sold with guaranteed placement. Performance for paid search native ads is measured by conversions.

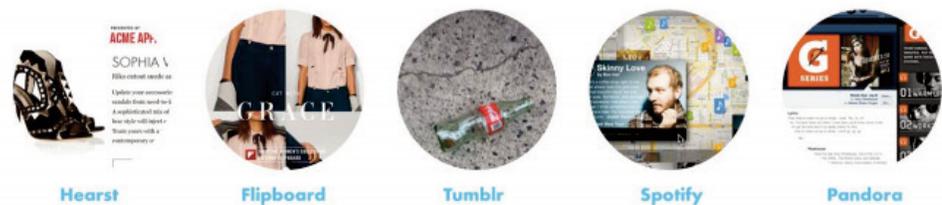
Recommendation Widgets



Courtesy of IAB Native Advertising Playbook

Recommendation widgets are the most similar to traditional display ads. The format of the ad does not necessarily match the native of the page that it's on, and the ad is delivered through a "widget." As the name suggests, these ads are presented to consumers as content they may be interested in and links to separate pages. The performance of these ads is usually measured through brand lift and interaction.

Custom / "Can't Be Contained"



Courtesy of IAB Native Advertising Playbook

There are many other native formats that are not easily bucketed and unique in their own way. However, just because these ads don't fall under one of the more recognizable formats doesn't mean they're not effective. A prime example of this is Pandora. With radio station ads displayed across devices and even in ads on connected cars,⁶ they've reached the number two spot in terms of total digital unique visitors, second only to Facebook.

6. <http://venturebeat.com/2014/02/05/pandora-to-ramp-up-native-ads-in-connected-cars-for-2014/>

Who's Using Native?

One of the great things about native is its wide appeal and relevance to advertisers across all verticals. With a bit of something for everyone, advertisers are sure to find a format that best suits their needs.

To provide relatable context for how advertisers have benefitted from native advertising and the results that can be achieved, here are a couple of case studies.

Goal: Increase Brand Impact – Bioré

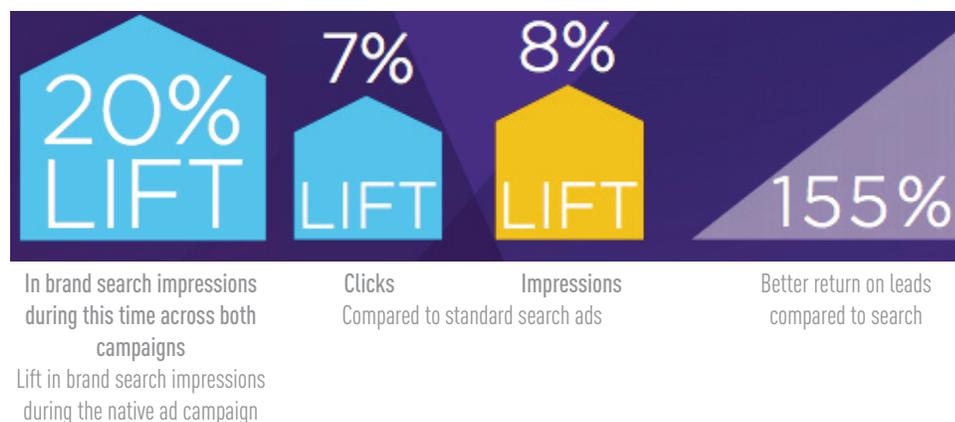
Background

To drive sales for the global Kao Group and its Bioré skincare brand, media agency Spark turned to native ads with Yahoo Gemini. Shifting from a traditional focus on search and display, the native campaigns for Bioré Deep Pore Charcoal Cleanser and Bioré Deep Cleansing Pore Strips delivered strong results.

Solution

Spark developed unique creative to run as native ads served by Gemini on Yahoo properties and across the web. The Bioré campaigns benefitted from Yahoo's data to target women between 18 and 24 interested in beauty and personal care. In addition to the targeting capabilities, Spark took advantage of the extra character length and the imagery options to best position the brand and its products.

Results



The campaigns delivered on two goals:

1. Conversions measured by clicks on the “Buy Now” button on Bioré’s site
2. Visibility and branding through the overall number of impressions – Spark also attributed the halo effect of native ads to an overall increase in search interest and brand awareness

Best Practices for Native

To help advertisers get started on native – or help those already on native improve their performance – here are some recommendations on how to make the most of your efforts.

Select the Right Platform

It’s important to acknowledge that consumers go to certain sites for certain reasons and to consume certain kinds of content. One might go to Yahoo to read the latest news, Facebook to get updates from friends, Tumblr to peruse popular GIF art to engage with their community, or Pinterest to gather and share inspiration.

In order to get the right message to the right audience, marketers must select the most appropriate channels. This simple concept is critically important as it relates to native advertising, in which the commercial content is fully immersed in the look, feel, and most importantly, the emotional tone of the site. This is vital for brands to consider when they decide where to communicate their brand message.

Social Platforms Fulfill Different Emotional Needs

	VIDEO	PHOTOS	TEXT	GIF	EMOTIONAL ROLES
YouTube	✓				Entertainment, Amusement
Facebook	✓	✓	✓		Connection
Instagram	✓	✓			Accessibility
Twitter		✓	✓		Staying informed
Pinterest		✓			Inspiration
StumbleUpon	✓				Experimentation
Tumblr	✓	✓	✓	✓	Multi-faceted

Source: Yahoo/Tumblr/Digital/Bazaarvoice Content Marketing Best Practices, Audience Theory's Branded Content Qual Interviews 2014

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Engage with Valuable Content

Ultimately, the content that marketers share needs to add value to the lives of the consumers that view it. In one Yahoo Food case study, users were appreciative that sponsored articles helped them do exactly what they came to Yahoo Food to do: learn how to cook, learn about new types of food, and create variety in their culinary chops.



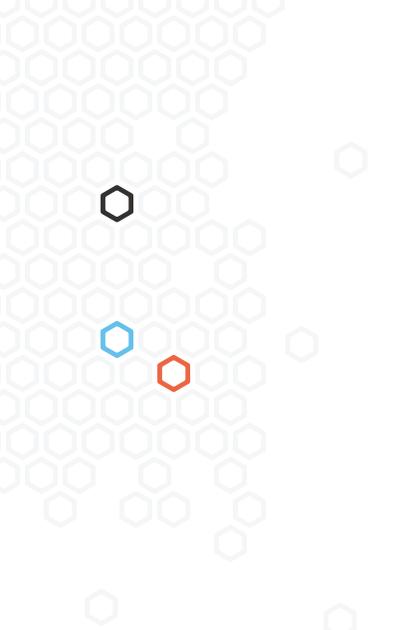
Be Transparent

Yahoo is constantly working with brands to measure the effectiveness of their campaigns. Our recent learnings⁷ show that when it comes to native advertising, if brands aren't transparent enough, they're less likely to see results. However, a balance must be struck – while consumers like transparency, they also appreciate the soft sell.

For example, Yahoo recently had a brand sponsor highly engaged sports content during a large sporting event. When a more prominent brand logo was included in the ad, this mobile native advertising campaign yielded better results. Additionally, consumers shared that they appreciated the transparency and clarity. They were also significantly less likely to feel duped versus the original ad, which only contained minimal branding.

Yahoo research shows that it's a fine balance to announce yourself with transparency. However, within a content environment, lead with content and not the hard sell.

7. The Native Advertising Frontier, Yahoo & BBDO, Dec. 2014



In Conclusion – the Unique Value of Native

As native advertising continues to increase in popularity among advertisers, you can use the information and recommendations in this paper to choose the right native strategy and format for achieving your business goals. The key thing to remember when integrating native into your advertising mix is to take advantage of its ability to connect and attract the attention of your target audience, since this is what sets native apart from all other ad types.

About Marin Software

Marin Software Incorporated (NYSE: MRIN) provides a leading Revenue Acquisition Management platform used by advertisers and agencies to measure, manage and optimize more than \$7 billion in annualized ad spend. Offering an integrated platform for search, social and display advertising, Marin helps advertisers and agencies improve financial performance, save time, and make better decisions. Marin's technology powers marketing campaigns in more than 160 countries. For more information about Marin's products, please visit: <http://www.marinsoftware.com/solutions/overview>.

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