Native Advertising the Effect of Native Advertising on Ad Credibility

Aleyna Kutlu
School of Economics, Shanghai University No. 99 Shangda Rd,
Baoshan District, Shanghai, China


Abstract
The aim of this paper is to summarize the current state of research on native advertising and its opportunities and limitations for advertisers. Scientific articles, studies and marketing websites are consulted for this purpose. The opportunities and limitations mainly refer to the credibility, advertising impact, positioning and advertising labeling of Native Advertising, as well as Native Advertising in the field of social media marketing.

Results show that Native Ads benefit from the credibility of publishers and have a positive advertising impact, as they are usually not recognized as advertising. Moreover, their positioning and labeling influences how they are perceived by Internet users. The difficulty of recognizing native ads as advertising is examined from the perspective of the companies and from an ethical perspective. Furthermore, implications for managers of advertising companies are drawn up in order to make native advertising marketing successful.

Keywords: native advertising, marketing, ad credibility, online marketing

1. Introduction
Conventional online advertising has reached its limits: Internet users perceive banner ads as annoying and try to avoid them. An increasing number of users are installing ad blockers to escape advertising and consume editorial content without interruptions. Click-through rates of banner ads and pop-ups now average 0.05%. From a marketing standpoint, problems arise from this development, as the reach and ultimately the success of online advertising is reduced. Based on this problem, native advertising offers itself as a possible solution. Native advertising is a form of advertising in which advertising messages are presented in the same style as the editorial content of the publishing medium. Since native ads are integrated with the publisher's content, adblockers have no influence on them. The aim of this paper is to elaborate the role of native advertising in the marketing credibility by clearly presenting the current state of research on native advertising, with the help of which the question of what opportunities and limitations the placement of native ads offers for advertising companies is answered. All study results, as well as articles from marketing magazines and books, are consulted and broken down for the subsequent investigation of the possibilities and limitations of native advertising. Finally, a conclusion is drawn from the knowledge gained through the theoretical foundations and the possibilities and limits, and a look is taken at possible future developments.
2. Methodology
After identifying the topic, a wide-ranging literature search was carried out, in which a literature selection was made with scientific papers relevant to the content. As part of the literature search on native advertising, Google Scholar searches were conducted to find suitable literature. The focus was on scientific articles, but relevant surveys and figures also proved to be suitable. Initially, 67 articles were found, but this number was reduced to 54 after checking them against the inclusion criteria of timeliness, relevance to the topic, repetition of the same information, and reliability. The first step was to search for appropriate keywords such as native advertising, native ads, online marketing and banner advertising. Scientific papers written in the years 2015 to 2022 and published by reputable publishers were preferred, but papers from earlier years were also included if they were relevant to the topic. With the help of the literature, a thematically organized state of research was developed.

3. State of Research
By adapting the advertising message to the layout of the editorial environment, advertisers have the opportunity to benefit from the credibility of journalistic publications and convey compelling messages in an unobtrusive setting. At the same time, native advertising also offers publishers a lucrative source of advertising revenue, which they need to fund digital services.

In addition to the success of native advertising, some academic articles also address its credibility and the ability of consumers to identify it as advertising. According to a lab experiment comparing native advertising and banner advertising by Tutaj and Van Reijmersdal, participants perceive native advertising as more informative, more entertaining and less irritating than traditional banner advertising. At the same time, scepticism about advertising seems to be strongly related to perceived advertising value.

On the other hand, this form of advertising makes it more difficult for consumers to distinguish between editorial content and advertising. Sponsored news articles are at the center of the debate because they raise some ethical concerns. This is discussed in the scholarly article "Native Advertising Is the New Journalism: How Deception Affects Social Responsibility" by Schauster, Ferrucci and Neill. The authors point out that the effectiveness of native ads lies in their ability to adapt to the editorial environment, hence the potential for deceiving readers and threatening the credibility of journalism. The press should not normally present paid content as customary articles, as it has a responsibility to convey information to the public. To investigate the extent to which native advertising hinders the social responsibility of the press, 56 qualitative interviews were conducted with journalists, advertising executives, and public relations executives. All participants in these three professions felt that Native Advertising raises ethical concerns in conjunction with journalism, primarily through the aspect that readers are usually unable to distinguish paid content from editorial content due to a lack of transparency. Based on these findings, the authors analyzed how native advertising threatens several tenets of social responsibility theory, which states that the press must meet six criteria to achieve social responsibility: serve the political system with information and provide discussion and forums for debate, assist the public in self-governance, act as a check on government, serve the economic
system with advertising, provide entertainment, and maintain sufficient financial independence, free from the pressures of special interests.

At the same time, participants emphasized the economic benefits of native advertising. It is a good tool to deliver content and generates revenue for publishers and advertising companies. Despite all participant groups' understanding that native advertising damages the credibility of the press, they don't see themselves to blame. For example, two marketing executives made it clear with their comments that they see publishers as responsible for ethical concerns. In addition, a number of other studies, for example by Wojdynski and Evans, reinforce the finding that the majority of consumers fail to identify native advertising as advertising. This happens, among other things, because of the overlooking of warning notices, as shown by studies in which consumers' eye movements were examined. As an extension of Wojdynski and Evans' research, the study "Saving Media or Trading on Trust? The effects of native advertising on audience perceptions of legacy and online news publishers" by Amazeen and Muddiman presents the challenges of effective advertising labelling and reveals a method for increasing the recognition value of native ads. Despite using the "sponsored content" designation, which Wojdynski and Evans say is most effective for disclosing native ads, only 17 percent of 443 participants in the experiment recognized the ad as an advertisement, and even fewer in the offline context. This number can be increased if attention is drawn to the advertising content beforehand with the help of a pop-up.

In addition, people of advanced age and those with a lower level of education find it difficult to perceive native ads as advertising. However, if they are identified as advertising, then according to several scientific articles, this can negatively affect the credibility and image of the publisher and the advertising company. One of the studies that notes this reaction is "The effects of disclosure format on native advertising recognition and audience perceptions of legacy and online news publishers" by Amazeen and Wojdynski. In their experiment with 800 participants, only nine percent were able to identify Native Ad in the form of a sponsored news article as advertising. However, once participants knew it was advertising, it negatively influenced their opinion of the publisher and advertiser.

In contrast, according to Sahni and Nair's research findings, native advertising is not a way to deceive consumers in the paid-search space. In their experiment, they examine the browsing behavior of over 200000 anonymized participants using CTRs and CVRs. Internet users appear to identify the ads and rate the advertiser. It turns out that native ads have a positive impact on the advertising company. In addition, the sole perception of the ad, without immediately clicking on it, is said to generate a large part of the incremental advertising impact. Following this, Beckert et al. also conclude that a reduction in the evaluation of the advertising brand after an ad has been identified is only a short-term effect and fades over time. Their results suggest that consumers value a sponsor disclosure even after reading native ads. As a result, the value of the ad message diminishes to a lesser extent for them. Similarly, Sweetser, Golan, Ahn, and Hochman's research in "Native Advertising as a New Public Relations Tactic" on how an advertising label to disclose that a news article is sponsored affects consumers' relationship with the advertiser does not result in negative effects on the relationship with the advertiser or on the
credibility of the article, even though the overall detection rate of the presence of the advertising was high. In their online public relations experiment with 105 participants, the effect of disclosing a native advertising sponsorship on consumer perceptions of credibility, brand attitude, and attitude toward advertising overall is examined. Although, as a result, brand attitudes decreased slightly for obviously sponsored content, both credibility and attitudes toward the native ad itself did not change significantly.

Finally, individual scientific papers deal with the positioning and labelling of native ads. Among them, the study by Wang, Xiong and Yang "Serial Position Effects on Native Advertising Effectiveness: Differential Results Across Publisher and Advertiser Metrics" is among the first to examine native ads and their effectiveness in relation to their position and number by analysing a dataset with a total of 120 ads. On the one hand, publishers such as Facebook and YouTube want to increase revenue by using more ads; on the other hand, too many ads destroy the user experience. The results point to the importance of tuning their Native Advertisement practices to contingency factors such as consumer gender and age. The opportunities and limitations for native advertising effectiveness created by this tuning are addressed in detail later in the chapter. In addition, Aribarg and Schwartz analyzed that highlighting an ad inserted into an email newsletter reduced clicks on that ad. In addition, by comparing survey and eye-tracking results of recipients' reactions to banner ads and native ads, they concluded that more recipients' attention is focused on native ads.

Furthermore, a study looks at consumer behavior in relation to various digital advertising labels. Edelman and Gilchrist recruited participants whose Internet searches were to be conducted via a Web browser window in which the "Sponsored Links" label was randomly substituted for the "Paid Advertisement" or "Ads" label. Participants who were assigned the "Paid Advertisement" label were 25% less likely to click on the ads, so their results suggest that the "Paid Advertisement" label may be more salient to Internet users. Furthermore, study "Brand disclosure and source partiality affect native advertising recognition and media credibility" by Li and Wang sheds light on the impact of text features on advertising recognition and perceived credibility of the advertising message and media channels. The findings show that multiple mentions of brand names increase consumers' recall of the brand while having no effect on credibility. In contrast, the use of sponsor-related source citations increases advertising recognition while decreasing message and media credibility. With this in mind, the authors recommend early and frequent sponsorship disclosure and advise against sponsor-related sources.

In summary, the current state of research is not yet clear, which is why an elaboration of the resulting opportunities and limitations for advertising companies is a useful addition.

4. Results
4.1 Credibility
Native advertising borrows the credibility of a publisher by adapting to the editorial environment of that publisher's content. As a result, it plays an important role in the online marketing economy.
Through native advertising, advertising companies have the opportunity to increase the credibility of the advertising due to the seamless integration into the media context of the publisher. This can be explained, among other things, by the fact that the credibility of advertisements is higher when they are placed in a congruent media context compared to an incongruent media context. In addition, consumers perceive advertisements in a congruent media context as more appropriate and relevant, since the advertisement is adapted to the content of the publisher.

Due to the often delayed or even non-existent advertising recognition by consumers in native advertising, advertising-critical attitudes are activated by them to a lesser extent than with traditional advertising. As a result, consumers perceive the advertising material more positively and feel a higher purchase intention towards the advertised products. In contrast, banner advertising tends to be less credible because a clear distinction can be made between the ad and the media context and thus an advertising-critical attitude can be activated immediately. However, this advantage of native advertising reaches certain limits when the ad is recognized as such. As stated before, some studies show that consumers' perception of advertising deteriorates in this case. Also, in "A Tale of Two Sources in Native Advertising: Examining the Effects of Source Credibility and Priming on Content, Organizations, and Media Evaluations," Wu et al. examine how different levels of credibility attributed to news organizations by consumers and different levels of credibility attributed to advertisers can affect consumers' attitudes toward sponsored online news. To do this, the 500 participants viewed four different versions of a travel article presented as a native ad as part of an online experiment. The authors found that knowledge about native advertising helped consumers recognize the ad. This lowered the perception of the article's credibility. It should be added that additional analyses revealed that both the credibility of the publisher and the credibility of the advertising company influence the evaluation of the sponsored content. Especially in the field of journalism, the implications of the results of the above-mentioned studies seem to be contradictory for advertising companies and for journalists. On the one hand, it is in the interest of the advertising company that their native ads are not recognized as advertising. On the other hand, news publishers damage their reputation through sponsored content. In the sense of advertising companies, Native Ads should be well adapted to their editorial environment for effective marketing, so that they are not immediately recognized as advertising. To their credit, as previously mentioned, several studies prove that consumers have difficulty identifying Native Ads as advertising. For example, one marketing executive argues in the article "Native Advertising Is the New Journalism," "[...] I think when you can't tell, that's when it's done right.[...]"

Overall, the authors find that native advertising is significantly more susceptible to contextual effects than banner ads. The findings suggest that consumers are more likely to recognize the intent of sponsored content when confronted with banner ads, which is why the authors advise against placing native ads in conjunction with banner ads in their environment.

4.2 Advertising effect
Due to the intrusive advertising effect of classic online advertising such as banners and pop-ups, consumers tend to skip and avoid them. A review of the literature shows that a higher degree of
perceived intrusiveness has a negative impact on customers' purchase intentions. As a result, this damages the users' attitude towards the website and the brand and leads to undesirable consequences such as reduced advertising effectiveness in terms of consumer memory, as well as a decrease in their purchase intention and thus sales.

In contrast, an improved attitude towards the website supports behavioral intentions to return to the website. Following on from this aspect, native advertising offers the opportunity to be less intrusive to consumers and is more engaging than other forms of online advertising. This argument is supported by findings from the scholarly article "A Double-Edged Sword? Predicting Consumers' Attitudes Toward and Sharing Intention of Native Advertising on Social Media," in which Lee, Kim, and Ham examine the impact of the interplay of various influencing factors on advertising effectiveness and, consequently, on consumers and their attitudes. In doing so, the authors find that the intrusiveness of the ad has a greater impact on consumers' attitudes toward native ads than the extent to which they perceive the ad as manipulative. Accordingly, consumers who perceive Native Advertising as less intrusive are more likely to forward the ad and are likely to consume it themselves.

In the experiment "Effects of online advertising format and persuasion knowledge on audience reactions”, the effects of subtle and common online advertising formats, or sponsored content and banner ads, on consumer reactions are tested. In addition, the importance of different elements such as the understanding of advertising intention and scepticism towards the advertisement in the perception of online advertising formats is examined. According to the participants' perception, sponsored content has a more informative, amusing and less disturbing character than banner ads. In terms of persuasive knowledge, all factors, i.e., identifying the advertising format and understanding the advertising intent, are more pronounced when perceiving banner ads than sponsored content. Due to this, scepticism towards banner advertising is greater, but this is strongly related to the perceived value of the advertising.

Also according to an online survey comparing native advertising and display advertising by Hubert Burda Media in 2016 with 571 respondents, they perceive native advertising as more interesting, more entertaining, more informative and less annoying than display advertising. Nonetheless, at the same time, they rate Native Ads as more erroneous.

In addition, according to an industry survey, the Seeding Alliance reports that about 84 percent of advertisers surveyed saw an increase in revenue in 2017 from native advertising compared to the previous year. Another 2017 survey by the Seeding Alliance indicates that positive brand awareness increased as a result of the advertising impact of about 87% of the companies surveyed.

To continue to increase the advertising impact of Native Ads, additional marketing efforts can be made. The interests of the target audience consuming the publisher's content can match the advertising content. Thus, Native Ads can be used to target a specific group of customers. According to a study that examined the impact of advertising characteristics on marketing results for advertisers and publishers, consumers respond positively to humorous and informative promotional videos. In addition to including humor and information, advertisers are advised to
test their promotional videos before actually running them for optimal marketing results. In two other studies in the article "The Role of Consumer Narrative Enjoyment and Persuasion Awareness in Product Placement Advertising," which focuses on sponsored content in the entertainment industry through product placement, Gillespie and Joireman advise making the ads helpful and integrating them into the context of the narrative to positively influence the evaluation of the advertised products.

4.3 Ad Positioning
As previously mentioned, the study by Wang, Xiong, and Yang, "Serial Position Effects on Native Advertising Effectiveness: Differential Results Across Publisher and Advertiser Metrics," is among the first to examine native ads and their effectiveness in relation to their position and number by analyzing a dataset of 120 ads. For each of the differently positioned ads, the authors collect data in separate experiments to compare their performance as a function of their positioning but also the moderating effect of audience age and gender. According to the results of this study, the effects of a change in ad positioning on the advertiser and the publisher are clearly asymmetric. The metrics of the advertising company are measured here on the basis of conversion rates or in English Conversion Rate (CRV), while those of the publisher are determined by their CTR. The authors distinguish between these metrics on the basis of the predominant Pay Per Click (PPC) billing method in online marketing, in which payment is made depending on the number of clicks, irrespective of the ad impression or the actual purchase of the advertised product or service.
Fig. 1: Changes in Native Ads performance across ranks as a function of moderators age and gender (Authors' note: Bars are plotted based on proportional values with rank 1 as 100% baseline and correspond to the left axis. Lines are plotted based on absolute values and correspond to the right axis. Age is treated as a continuous variable in the model. In graphs C and D, the younger and older groups are split at the mean for demonstration purposes).

Figure one illustrates how in the case of a lower ad position, where rank 1 is the highest position, there is relatively little change in publisher metrics, but a significant reduction in conversion rate on the part of the advertiser, which would result in almost no change in ad spend for the advertiser, but relatively little revenue generated by it. This finding is unique to Native Ads and has not been seen in previous studies and experiments in this subject area. Depending on the audience group, these findings vary, which is why it is important for advertisers to take advantage of the ability to adjust their ads for contingency factors such as gender and age of the
target audience. Therefore, in order to optimize CRV and return on investment (ROI), the authors advise placing native ads in the highest position if the target audience is predominantly women and younger customers or increasing the density of ads in the upper part of the website if the target audience is predominantly men and older customers.

4.4 Display of advertising
In addition to the positioning of the ad itself, the different ways of positioning the ad label and its wording should also be considered. Wojdynski and Evans analyzed the labelling and positioning of Native Ads' advertising labelling. Their results reveal that a label with wording that includes the words "Advertising" or "Sponsored" and is positioned in the middle or lower part of the website increases advertising recognition and thus generally leads to a more negative evaluation of the advertiser by consumers. Furthermore, click-through rates also change with the use of different advertising labels. According to Edelmann and Gilrichst, 25% fewer consumers click on advertisements that are labelled with the words "Paid Advertisement" instead of "Sponsored Links" or "Ads" in Internet searches. At the same time, there is also an opportunity for advertisers and publishers to mitigate this negative effect on consumer ratings by being highly transparent. Clear disclosure of advertising can even lead to a positive effect if consumers already associate positive experiences with the advertising brand.

5. Discussion
This scientific paper presents the current state of research on native advertising as a marketing tool and analyzes the opportunities and limitations that can be derived from it. Native advertising will become even more important for advertising companies and publishers in the future, as can be seen from the increasing investments and the suitable format for mobile devices, and appears to be an effective marketing tool according to current research. Thus, this form of advertising plays an important role in the marketing mix, as it offers the opportunity to create a positive advertising impact in an unobtrusive setting and to escape adblockers and banner blindness. The limits of native advertising are reached when consumers identify the advertising as such and subsequently develop a negative attitude towards the publisher or the advertising company. To avoid this, native ads should be integrated seamlessly and unobtrusively into the publisher's editorial content.

Thus, after considering all the possibilities and limitations of this form of advertising, the following marketing recommendations can be derived for advertising companies in summary:

1. The publisher's topic environment should match the content of the native ad advertising message so that a relevant customer group receives the advertising.

2. In addition, when choosing the publisher, great importance should be attached to its credibility, since native advertising benefits by borrowing the credibility of the publisher.

3. The native ad should be seamlessly adapted to its editorial environment so that it does not stand out as advertising.
4. In this sense, the advertising label, if legally required, should be chosen as inconspicuous as possible, which according to the current state of research is "Ads" or "Sponsored Links". This remains a question to be answered ethically, which will find its positioning in the form of a legal enactment.

5. In terms of positioning, care must be taken to ensure that the native ad is not placed next to a banner in order to positively influence consumers' brand attitudes. Instead, placing it alone without any other advertising in the surrounding area will deliver better results. Finally, native advertising should be preferred in the marketing mix due to its suitable format, especially for advertising on mobile devices.

Future research should deeply investigate short-term and long-term effects of advertising labels to determine lasting consequences on companies' image, credibility, and ultimately advertising success, and derive implications for management. As illustrated by some studies, the identification of native ads as advertising often has a negative impact on consumers' evaluation of the advertising companies and publishers. Researchers in the future could determine to what extent this reaction can be mitigated by transparency or if, after all, minimal transparency causes better consumer reaction. Furthermore, in addition to location and ad labeling, future research could further investigate other factors for Native Ads performance such as the type of environment in terms of presentation and content, such as a news website or a lifestyle website, or specifically subdivided consumer groups in terms of, for example, age, gender, location of residence. Furthermore, the perception of Native Ads in user-generated content such as on social media and in professionally generated content can be further investigated and compared.

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