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Recognizing Native Advertising and Its Challenge to Traditional Advertising

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Abstract

Native advertising has continued to show its influence in the digital media market, as one of the representative online advertising types over time. Consequently, it has become highly significant for marketers and advertising participators. The impact has also been witnessed in the case of the market of native advertising, which has experienced a rising trend over the past years. Although the advertising industry and companies have advocated in support of native advertising, regulators and experts have signaled concerns regarding its transparency because its contents are designed based on the style and purpose of the media hosting. Through conducting a detailed review of the relevant literature, this study aims to define native advertising, trace its history, and discuss the close relationship between the young generation and native advertising. Meanwhile, the study illustrates that native advertising causes conceptual, ethical, and regulatory challenges. Further, the findings of the research demonstrate that the effectiveness of native advertising may be enhanced to a certain degree through imitating non-commercial content design, tone, and style. However, it may not be a long-term solution for advertisers to deal with a decreased advertising effectiveness. Therefore, there is a need for both advertisers and policymakers to investigate challenges posed by native advertising and find valuable solutions for improvements.

Keywords: Native Advertising, Challenge, Young Generation, Ethical, Regulatory.

Introduction

In contemporary society, the internet and social media not only play influential roles in individuals' daily life but also significantly impact marketers' communication opportunities. Here, the behavior of consumers transforms in a short time because of the constantly changing online information, especially for the young generation that is "native" to the internet word (Pescher et al., 2014). Thus, considering the significance of the internet in influencing consumers and a lower traditional channel communication method efficiency, there is a need for marketers to remain abreast with trends and demands (Kang, 2019).

In 2011, Fred Wilson introduced the concept 'native advertising', as a kind of online advertising format designed from the platform and users' experience. Over the last years, it has become a novel solution for corporations to develop their market strategy. The primary purpose of this technique is to present products or services as partners for the target consumers and blend the promotion messages into the media platform (Eyada and Milla, 2020). In this regard, this idea of partnership transforms advertising industry, as instead of acting like a promoter such as in the traditional advertising context, native advertising aims to be a friend in the process of transmitting advertising information (Eyada and Milla, 2020; Kim et al., 2017). This substantially affects the intentions and behaviors of consumers owing to the evolving information and high relevance to the young individuals (Pescher et al., 2014). This suggests that it can be adopted over other communication methods to improve the efficiency of the marketing activities (Kang, 2019).

In the case of native advertisements, the content is well-integrated, so it has a lower probability to interrupt the activities of the audience. Carlson (2014) has stated that native advertising enhances consumers' experience and reduces their adverse reactions. Therefore, it continually shows its power in the digital media market, so its importance has increased among marketers and advertising participators. In this regard, ADYOULIKE, a leader of native advertising in Europe, has planned to increase spending on native advertising with an overall increase of up to 372% in the next five years. It means that growth from \$85.83 billion in 2020 to \$402 billion in 2025 is expected in the market of native advertising. Moreover, in terms of Asia Pacific, the market is forecasted to have a nearly 371% increase from \$25.3 billion to \$119 billion by 2025.

Over time, native advertising has continued to become popular in the advertising industry. Nevertheless, similar sentiments are not shared by regulators and experts, as they are concerned about the transparency of these activities since their content is developed following the style and requirements of media hosting. For example, appearing more realistic in outlook and reflecting editorial nature are the primary impacts of employing native advertising and content can be adopted in various ways to achieve these effects (Harms et al., 2017). Hence, considering these unique characteristics, regulators and experts are concerned that native advertising may lead to deceiving individuals.

Beyond focusing on the deceptiveness of native advertising, both marketing communication professionals and scholars need to understand native advertising in a more profound and comprehensive manner to digest and reconstruct this debatable promotion tool. Wang and Li (2017) have demonstrated that there is an immediate need to closely recognize native advertising, including its definition and identifying the ways in which it exposes challenges to traditional advertising. Therefore, this study aims to define native advertising while examining the challenges posed to traditional advertising.

Native Advertising in the Earlier Age

The concept of "native advertising" was first proposed by Fred Wilson in 2011. Following, it continued to achieve popularity among marketers and advertisers. Over time, it has been utilized by marketers to produce commercial content, which can enhance the interaction with their target consumers. In the 21st century, mainstream websites like Google and BuzzFeed regard native advertising as a primary tool to promote their service to potential customers,

which causes individuals to assume that native advertising is a modern-day creation (Eyada and Milla, 2020). Nonetheless, the appearance of American's native advertising may date back to the 19th-century when John Deere published an agriculture magazine called "The Furrow" to promote his product to farmers, which also acquired notable success. In later years, the audience adopted a positive attitude to the magazine, and it has continued to remain popular in the USA until today.

Consequently, native advertisements began to have different forms on various platforms. In the early days, radio and television made numerous contributions to the growth of native advertising, as they were the primary medium of information transmission (Eyada and Milla, 2020). Companies funded radio programs to promote their advertising messages. In 1923, the National Carbon Company funded a radio program named "The Everyday Hour" to promote its Eveready Batteries. In this way, The Everyday Hour became the first commercially sponsored radio show in the United States. Besides, companies also started to fund television programs to operationalize their marketing strategies. For example, in 1923, a major corporation named Proctor and Gamble (P&G) started to advertise its products through sponsored daytime drama. Summarily, in the earlier age, native advertisements were mainly showed on radio and television because these two media mediums were the main channels for people to receive information (Kim, 2021).

Native Advertising in the 21st Century

In the 21st century, digital platforms have offered an effective environment for native advertising. Unlike the 1900s, businesses have greater choices to release native advertising. Major online platforms such as Google, Yahoo, and Baidu allow marketers to create diverse and multiple native advertisements to promote services or goods (Amazeen & Vargo, 2021). It is viable to customize advertising content and style following the way they can be presented according to different platforms (Wang & Li, 2017). As the representative producer of native advertising, BuzzFeed customizes advertising content for all its partners. For example, it collaborated with Tic Tac in 2013 and at the end of an article titled "11 Reasons Why the Year 2000 Was the Best," it inquired the readers to vote on Tic Tac's next flavor. This article was published in a manner similar to other regular posts on BuzzFeed though it showed a minute label "Brand Publisher" below the headline.

In this way, the strategy for native advertising has similarities with respect to the design, style, format, and tone (Chung and Kim, 2020). Considering that there are limited differences between general content and advertising content, it makes it challenging for customers to recognize native advertising resulting in the consumption of advertisements in an unconscious manner (Wojdynski, 2016b). These types of activities are also highly common on social media platforms such as Facebook, Twitter, and WeChat where native advertising is extensively conducted by users. Here, it normally appears in the form of posts on brand pages, in-feed advertising, display advertising, and advertorials. Even though advertisers name native advertising differently, their aim is primarily to minimize the commercial features of advertisements. In this way, they have to make efforts to ensure that native advertisements can produce positive results such as high advertising exposure and user interaction (Lee et al., 2016; Matteo and Zotto, 2015). Hence, the positive reactions of consumers to native advertising can translate into purchasing the advertised products (Kim et al., 2017; Kim et al., 2021). This suggests that the potential of social media has stimulated native advertising,

which has been able to offer high advertising effectiveness leading to greater popularity in the advertising industry. It has also been highlighted in the research literature that the internet provides an ideal environment for native advertising development (Amazeen & Vagro, 2021). Further, it breaks the barrier between content and advertising resulting in effectively satisfying the tastes of the younger generations (Youn and Kim, 2019).

The Young Generation and Native Advertising

As mentioned earlier, social media is the mainstream space for native advertising. Presenting it on diverse social media platforms gives it elements of innovation, entertainment, and attractiveness (Kim et al., 2021). These features prove to be valuable in formulating effective campaigns and reaching the young generation. A major reason behind this is that majority of young individuals rely on various social media platforms to carry out their communication and socialization activities in daily life while they also rely on the information shared by friends to obtain product recommendations and offer to others (Dodoo et al., 2020). In this way, it provides a fast, convenient, and effective way for young consumers to search product information, which may influence their purchase decision process as well (Wang & Huang, 2017). Moreover, the young generation has been born with the internet boom and economic development, so they have distinctive features. These features include a high affinity for smartphones, a sense of pride for domestic brands, the pursuit of free choice, and a willingness to spend time for informative, interesting, and high-quality content. In this context, traditional advertising is unable to fulfill the requirements of young consumers. Alternatively, native advertising is flexible on forms, innovative on content, and smooth on usage (Wang & Li, 2017; Flix, 2018; Eyada and Milla, 2020). Specifically, it can integrate with several types of media mediums and adopt diverse outlooks. For example, it can be presented as a regular post on Instagram or disguised as a regular post on Weibo while promoting a particular product. Here, a change in the advertisement medium also leads to changes in the form of native advertising. In other words, viewers do not have to deal with a monotonous form of advertising format and the flexible formats enhance their enjoyment, which is particularly significant for the young generations (Chung and Kim, 2020).

The marketing model of native advertising is based on the provision of smooth and engaging content to the target market. The analysis of the form and content of native advertisements show that they are highly interesting, novel, and sticky, so they become notably attractive for young people (Felix, 2018; Zamith et al., 2021). Further, another factor behind their popularity among the young generation is that they offer valuable information in a natural instead of intrusiveness manner leading to making it convenient for people to make decisions (Youn and Kim, 2018). In this perspective, Youn and Kim (2019) have found out that young consumers are resentful of intrusive advertisements, but native advertising is conducted in a natural, interesting, and relevant manner resulting in broader support. Here, it is important for brands to notice youth's attitude towards native advertising and try to employ it to reach more target consumers

Defining Native Advertising

The internet allows audiences to engage in online content creation, so ordinary content is unable to fulfill audiences' requirements. Therefore, marketers need to find other ways to reach their target customers (Eyada and Milla, 2020). Along with higher audiences' online content requirements, advertisers have made numerous attempts to align their content in a

way that it can attract the audiences' attention. This, in the modern-day advertising industry, native advertising is more effective than another type of advertising. It presents commercial persuasive messages to consumers such as non-third-party content offered by the same publisher in a natural manner. The concept of these activities is similar to paid non-third-party editorial content such as branded journalism and sponsored or partner content (Wojdyski, 2016). Kung and Kim (2020) have indicated that the primary aim of native advertising is to increase the possibility of audiences' engagement with the campaign. Therefore, it can be achieved by concentrating on the creation of suitable content that meets the audiences' requirements.

Nowadays, widespread social media usage has expanded native advertising, so it has been investigated by scholars from diverse perspectives. An advertising participators Dan Greenberg, who is the CEO of Share, has defined native advertising as "a form of media that is built into the actual visual design and where the ads are part of the content." Moreover, Will Hayward, vice-president of advertising at BuzzFeed, has expressed that native advertising is sponsored content by social media. Similarly, Mitch Joel, the President of the Canadian marketing association, considers native advertising as an advertising format created particularly for one media channel in terms of the technical format and the content.

In addition to the above, academics have explained native advertising from various perspectives. Campbell and Marks (2015) have stated that native advertising relates to a series of new forms of online advertising with the focus on minimizing disruption to consumers' online experience by appearing in the news feed. In the same way, Wojdyski et al (2016) have discussed that it can be used to describe any sponsored advertising that is designed and formulated on a particular platform. Its content resembles users' regular content. Moreover, same or similar format, design, and tone are regarded to be the key points of native advertising creation (Johnson et al., 2019). In this way, there is a lower likelihood of consumers feeling disturbed when they encounter advertising content. Thus, Matteo and Zotto (2015) have suggested that it is a new communication tool, which is supposed to be entertaining, relevant, and informative for customers. An important consideration is that this tool appears less intrusive because its design is like surrounding non-commercial content. Here, Campbell and Grimm (2019) have also stated that it refers to commercial content that appears to come from a publisher or consumer, and there is only a limited difference between this content and the surrounding non-commercial content, so it integrates well with the users.

Native advertising has been defined from different perspectives and its connotation can be summarized into four aspects. Firstly, the content and form of native advertising are integrated into the context media environment and the seamless integration of the commercial content into native media content enhances the effectiveness of the advertising activities (Wojdyski, 2016). Secondly, native advertising gives higher importance to the target audience and their characteristics so that good advertising information and can be integrated into regular content in an entertaining manner so that advertising intrusiveness can be reduced effectively (Huang, 2019). For example, native advertisements mostly appear in users' news feed on the Facebook platform, so it does not cause disruption in users' activity.

Third, in native advertisements, information that is valuable to the audience is expressed. In this way, the audience obtains valuable information while interacting with the advertisement

information (Wojdyski, 2016a, Wang and Huang, 2017). Fourth, aiming to reach brands' requirements, advertisers and platforms work together to create and deliver typical advertising content. So it serves the needs of advertisers and opts form to customize the content in a manner that is highly relevant (Windels & Porter, 2019).

Thus, based on the analysis and summary of various relevant studies, this study defines native advertising in terms of content, as the strategy that integrates and improves user experience, provides information, and aligns with users' habits. In terms of form, it integrates the media environment and audience information receiving context. At the same time, users mainly browse this kind of advertising format on social media, so it primarily categorizes as in-feed advertising.

Challenges Presented by Native Advertising

Native advertising is a highly successful advertising strategy, as it brings effectiveness to the activities leading to high user acceptance rate and financial benefits (Landford, 2016). These advantages of native advertising and the capability to conduct campaigns on mobile networks, social media, and video content attract marketers to incorporate it in their activities. Consequently, the revenue of native advertising has achieved a significant increasing trend. Alternatively, traditional advertising such as television and print media platforms have lost their dominant position in the advertising industry. In other words, native advertising poses several challenges in many aspects. In light of the existing research literature, this study considers that native advertising poses several challenges including conceptual, ethical, and regulatory. In the next section, these challenges have been discussed in detail.

The Conceptual Challenge

Scholars in the marketing field have studied native advertising from different perspectives, and there is a general consensus that its key aspects involve embedding media environment, providing valuable content, and relying on the internet platform to reach the audience (Chung and Kim, 2020; Wang and Huang, 2017; Windels and Porter, 2019). In contrast to traditional advertisements, "display" is no longer the most significant concept in the context of native advertising. Thus, it challenges the concept of traditional advertising to a certain degree. It expects to influence consumers' behavior through presenting product features, service content, and brand culture, traditional advertising.

Traditional advertising is domineering, as there is limited consideration of the relevance of the content and the message for the audience, their needs, preferences, and opinions (Rodgers and Thorson, 2012). In this way, consumers are wary of traditional advertising, so in the case they encounter these advertisements, they can automatically recall their own persuasive knowledge to distinguish or challenge persuasive messages leading to lowering their effectiveness. Once the advertising is evaluated as an unnecessary message by the viewer, then further display brings resistance and disgust, which causes difficulty to bring a suitable user experience to consumers (Dahlén and Edenius, 2007).

On the contrary, native advertising is more likely to bring a good experience for the consumer. IPG Lab and Sharethrough cooperated on a project to explore the effectiveness of native advertising in 2013. They found that respondents view native advertisements with 53% higher

frequency compared to display advertisements. Meanwhile, there are 35% of consumers having the intention to share native advertisements with friends and family members. Traditional display advertising leads to consumers' disgust and escape. Nevertheless, in the case advertising seamlessly integrates with the publisher's content, then consumers may not be able to differentiate between the commercial and regular content (Dodoo et al., 2020). Consequently, they will not experience the feeling of disgust and continue to view the advertisement and receive the commercial information implicitly. Thus, native advertising is more effective compared with other types of advertising (Carlson, 2014). Here, Campbell and Marks (2015) has also stated that native advertising is welcomed by audiences since it offers a valuable experience. In the case of native advertising, commercial content reasonably integrates with original page content, so it can meet the expectations of the users (Wojdynski, 2016b).

Simultaneously, it does not interrupt the user's viewing process, as the content is generally enjoyable, practical, and relevant for the audience (Huang, 2019). Further, viewers can decide whether to continue watching the advertising content or share it with others. From the perspective of communication, it differs from traditional advertising, as it also provides a two-way communication channel for both advertisers and audiences (Wojdynski, 2016a). Here, a simple display of product information or service in advertising appears less effective for consumers, as consumers now expect to communicate with advertisers to deliver their feedback (Campbell and Grimm, 2018; Han et al., 2018). In this way, it meets consumers' requirements and enables advertisers to not only act as promoters of products and services but become friends with the audience. To summarize, the growth of native advertising challenges the concept and format of traditional advertising.

The Ethical Challenge

To attract consumers and provide a good experience, native advertising has tried to hide its commercial feature through mimicking non-commercial content's style and layout. Consequently, these types of paid content have made meaningful contributions to the revenue of media organizations, especially for traditional news sites such as New York Times, Wall Street Journal, and others. From the perspective of media organizations, formulating native advertising for enterprises may help them to deal with the problem of declining revenues and income (Zeng, 2018). However, both journalists and critics rightfully point out that native advertising involves an ethical problem of deception. Specifically, it successfully pretends advertising content as editorial content, which can cause deception to consumers (Campbell and Evans, 2018). In some ways, the content of native advertising is deception, so it can infringe upon the autonomy of consumers and undermine journalistic integrity (Zeng, 2018).

Thus, this study considers that the emergence and popularity of native advertising bring ethical challenges. The following section discusses this issue in detail. First, native advertising poses a challenge to the ethical order of the current advertising industry. From the beginning till now, advertising has been served as a tool that transmits product information to consumers (Dahlén and Edenius, 2017). In society, advertising plays a major role in providing information to people, so the major potential issue that arises is deception. It can be used to provide misleading information to people, so they can make unwise purchase decisions. Thus, regulators and policymakers make much effort to standardize the functioning and order of

the advertising industry. Here, Leiss et al. (2018, p374) have stressed that compliance with relevant laws and regulations in advertising activities is the prerequisite to guarantee its orderly development. In this perspective, advertisements that may deceive or mislead consumers are illegal and harmful to the order of advertising (Han et al., 2018).

However, a few manifestations of native advertising have touched relevant laws and regulations and caused concerns for violating people's rights. For example, a famous Chinese news organization named Phoenix has acquired substantial success in creating native advertisements. It promoted a kind of representative native advertising named "Native Brand News", while the "news" was written by the professional editorial staff specific to the brand. In 2012, it published news "A Day in the life of a Chinese cowboy" to show the whole process of Yili milk production. Here, it was not acknowledged that the news had commercial intentions. Alternatively, it was published by Phoenix to help Yili build a brand image of safe dairy products for the commercial business.

Moreover, various brands such as American International Assurance, Mengniu Dairy, and Longines have conducted marketing campaigns with the help of Phoenix. However, this promotion method violates the Chinese 'Advertising Law'. It stipulates that no mass media can publish advertisements as news coverage. Therefore, "Native Brand News" is not journalism, as it relates to commercial advertising and the publishing company has adopted a news reports format to diminish its commercial nature. It aims to employ its credibility among the audiences to gain their trust, and achieve advertisement results for the commercial client (Campbell and Grimm, 2018). In this regard, borrowing news publishers' credibility and authority are the key elements of native advertising's success. However, it may not conform to the industry order. In other words, the growth of native advertising means that the advertising industry may face challenges of standardizing its order.

Second, native advertising poses challenges to the code of the journalist professional ethics. In all contexts, academics consider the role of news media to be the vehicle of citizen information and profit-making (Carlson, 2014). However, after the 19th century, an increased number of news organizations accepted brand sponsors while journalists tried their best to avoid the external effects (Schudson, 1978). The reason behind this is that news organizations require money to sustain while journalists hold objectivity and autonomy of news coverage to be supreme (Schauster et al., 2016).

It has further been stressed by Pauly (1988) that "The myth of editorial autonomy not only protected the self-regard of the news workers, but also affirmed the higher social goals claimed on behalf of the daily newspaper as an agent of civilization." However, journalistic integrity must give way to commercial profits to a certain extent despite pursuing editorial independence. The relationship between journalism and business has become more tense and complicated in the era of digital media.

The reliance on native advertising, as the core element of the internet platform, overturns the traditional advertising making model. A larger portion of the traditional advertising is conducted by advertising enterprises; however, the primary native advertising production originates from news organizations. Once news organizations accept commercial sponsors, creating native advertising and branding content becomes another responsibility of

journalists (Ferrer-Conill et al., 2020). Here, journalists have the capabilities to create effective native advertisements, as it follows news style, layout, and forms (Zhou & Xue, 2019).

Therefore, the need for advertising revenue forces news organizations to produce commercial content, which is similar to regular news content (Campbell and Grimm, 2018). However, it is unethical in nature since the main task of journalists is to report the truth instead of creating advertising content. The integration of advertising and news has broken long-held professional norms for editors and deprived journalists of reporting autonomy to a significant degree (Wang & Li, 2017). Moreover, critics argued that the rise of native advertising has influenced editors to face new realities that they may have to write unauthentic content (Ferrer-Conill et al., 2020). Hence, in the case news organizations take part in native advertising production activity, then it becomes challenging for journalists to follow the code of journalist professional ethics.

The Regulatory Challenge

The appearance of native advertising has presented challenges for regulatory authorities. Deceptiveness is crucial to the success and effectiveness of native advertising (Campbell and Marks, 2015). Specifically, native advertising is not only similar to news content in form, but it may be published by the same platforms utilizing identical interactive elements. Further, in the case the platform that publishes native advertisement changes, its appearance will also change. In this perspective, Lazauska (2016) has highlighted that the persuasive intent of native advertising is challenging for consumers to recognize in most cases.

Thus, to some extent, native advertising deceives people by mixing advertising messages within regular information (Ferrer-Conill et al., 2020). To ensure transparency and avoid deceptiveness, regulators have to update policy so that consumers' rights can be protected. In the past years, various regulatory organizations have been formulated updated policies to regulate native advertising. In the next section, policies implemented by a few organizations to supervise native advertising have been reviewed.

The Federal Trade Commission (FTC) has issued the "Enforcement Policy Statement on Deceptively Formatted Advertisements". It offers explanations for truth-in-advertising standards in their context. Later, in 2015, FTC released "Native Advertising, A Guideline for Business" that provides informal guidelines to help enterprises use the policy statement in diverse contexts to improve advertisement making process in accordance with the regulations. FTC requires native advertisements to have clear and prominent discourse to remind consumers of its commercial features.

Similarly, the Interactive Advertising Bureau (IAB) has stated that companies must use explicit words to label native advertisements, which will help audiences to become aware of their commercial nature. Considering that various types of native advertising formats continue to evolve, IAB issued "Native Advertising Playbook 2.0" in 2019. It categories native advertising into 3 types that include in-feed native advertising, content recommendation advertisements, and branded native content. The document highlighted that native advertisements need to design specific disclosure related to promoted products, advertisers, and brand publishers to inform the audience of its nature being paid content.

Moreover, the American Society of Magazine Editors (ASME) updated its advertising guideline in 2015. An emphasis has been given to the disclosure in native advertising and the need to use clear labels such as “sponsor content” or “paid cost” to show the commercial feature of advertising. Apart from western countries, the Chinese new “Advertising Law” also states that the mass media shall not publish advertisements disguised in the form of news reports. When mass media publishes advertisements, then it is required to label it as ‘advertisement’. In this way, it can be distinguished from other non-commercial content and misunderstanding for consumers can be avoided.

In conclusion, the covert format of native advertising has drawn significant attention from policymakers. While attention has been given to regulating native advertising, standard policies to specifically govern native advertising have not been fully developed. Unlike traditional advertising, native advertising can show numerous variations in a short time and appear on various platforms such as sites, apps, and other online services (Johnson et al., 2019). Thus, it is difficult to supervise native advertising through general policies. Instead, regulators need to develop specific operation modes according to native advertising disclosure context to ensure that commercial profits do not detriment the rights of the people (Wang and Li, 2017).

Conclusion

The analysis of native advertising has shown that it appears attractive and effective with growth capability and high acceptance among consumers. However, it has further been highlighted that it poses conceptual, ethical, and regulatory challenges. In native advertising, “display” is not the most significant concept, as advertisers hope to build a communication channel with their target market. In this way, consumers have a better experience viewing promoted content leading to enhancing advertising effectiveness. Nevertheless, ethical problems are a major concern. Here, mimicking non-commercial content design, tone, and style can mislead or deceive consumers due to the lack of awareness (Carlson, 2014). Over the past few years, regulators have tried to deal with native advertising’s ethical problems, however, there is a lack of comprehensive and specific standards capable of regulating the deceptiveness of native advertising. According to Windels and Porter (2019), regulating native advertising is an ongoing process, which requires policymakers, advertisers, and publishers to comprehensively understand the uniqueness of native advertising and the publishing context. To summarize, the current study makes contributions to the existing literature by discussing native advertising in terms of its definition, history, and challenges to traditional advertising.

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