

# The Role of a Companion Banner and Sponsorship Transparency in Recognizing and Evaluating Article-style Native Advertising



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## Abstract

Native advertising is a relatively new form of online advertising that matches the format of surrounding non-advertising content. The fact that native advertising blends into its context risks deceiving consumers who may be unaware the content they are viewing is actually advertising. Article-style native advertising, a native ad form that mimics the style of online news articles, is particularly concerning since consumers may not expect advertising to appear in such a format. Such concern is supported by research finding low efficacy of traditional disclosures on article-style native advertisements. We investigate a novel means of increasing ad recognition through the use of companion banner advertising. Across two experiments we demonstrate that inclusion of a companion banner boosts consumer recognition of the paid nature of article-style native advertising to the same degree as a traditional disclosure. In both cases we also find that the negative reactions caused by ad recognition are muted when a native ad is perceived as having higher sponsorship transparency. These effects occur for both familiar and unfamiliar brands. Taken together, results not only detail the efficacy of a new means of achieving adequate disclosure, but also develop greater understanding of how consumers respond to article-style native advertising.

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**Keywords:** Native advertising; Deception; FTC; Banner advertising; Congruence

## Introduction

Native advertising is a growing form of advertising that emulates the style and format of non-advertising content appearing in the context in which a native ad is placed (Boerman, Willemssen, and Van Der Aa 2017; FTC 2015a, 2015b; IAB 2013; Wojdynski and Evans 2016). Many different forms of native advertising exist, including those appearing in search results (e.g. Google AdWords), on social media (e.g. Facebook ads), and on online publishers (e.g. *The New York Times*' T Brand Studio). This latter form, article-style native advertising, can be considered an online equivalent of advertorials (c.f. Kim, Pasadeos, and Barban 2001; FTC 2015a; van Reijmersdal, Neijens, and Smit 2005). Article-style native advertising is on the rise, with many publishers such

as *The Atlantic*, *Forbes*, and *The New York Times* creating special divisions tasked with growing this new revenue source (Carlson 2015; Vega 2013; Wemple 2013). In fact, recent estimates predict that the top 5,000 publishers of article-style native advertising will earn \$6 billion in revenue in 2017 and that the overall market for this form of native advertising will hit \$20 billion by 2021 (Gupta 2017).

Accompanying the recent growth of article-style native advertising is concern that it is potentially deceptive (FTC 2013a, 2015a). Deception can occur because consumers may not anticipate advertising content to appear in the form of a news article. Such expectations, coupled with the relatively subtle nature of commonly used disclosures, may act to mask the true source and commercial nature of article-style native advertising (Wojdynski and Evans 2016). These concerns led the FTC to clarify disclosure requirements for native advertising (FTC 2015a, 2015b), as well as host dedicated workshops on the ad format (FTC 2013a, 2016). While limited, existing research on article-style native advertising

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indicates that such concern is well founded. In a study specifically exploring the efficacy of different disclosure phrasings and positions in article-style native advertising only an average of 7% of participants (17 out of 242) recognized article-style native advertising content as advertising (Wojdynski and Evans 2016). Even the most successful disclosure phrasings (“Advertising” and “Sponsor Content”) only led to advertising recognition rates of 12% and 13%, respectively. These results may even be inflated given that an increasing number of consumers now read articles on mobile devices, a context which may further obscure disclosure recognition (FTC 2015b; IAB 2016; Lella and Lipsman 2014). This suggests alternative means of achieving disclosure may be needed. Additionally, further understanding of the theoretical mechanisms driving recognition of native advertising would help to develop more effective disclosures.

Given article-style native advertising’s rising prominence among publishers, as well as demonstrated low levels of ad recognition among consumers, we investigate a novel means of achieving increased disclosure of this ad form. We hypothesize that when a banner advertisement is for the sponsor of an article-style native advertisement, i.e. is a companion banner ad to the native ad, it will trigger ad recognition and associated defensive processing (Friestad and Wright 1994). We purposely examine banner advertising as a novel form of disclosure for several reasons. First, publishers seem reluctant to include more traditional forms of disclosure on their article-style native ads, with some estimates pegging 70% of publishers as failing to meet FTC guidelines (Swant 2016). While it is unclear what is driving such noncompliance, it is concerning in terms of consumer welfare. Given such reluctance to include more traditional disclosure text, publishers may instead prefer to achieve disclosure through banner advertisements. Banner advertising is not only commonly found on online articles, including article-style native ads, but also represents a source of revenue for publishers. Additionally, we note that the FTC’s evaluation of disclosure efficacy is purely driven by consumer outcomes and does not prescribe specific means that must be used to achieve disclosure. The FTC is thus open to such an innovation and explicitly states that “in determining the overall impression communicated by an ad, the Commission also will consider any qualifying information contained in the ad” and that “a disclosure’s adequacy ultimately will be measured by whether reasonable consumers perceive the ad as advertising” (FTC 2015a, p. 13). Given such understanding,

investigation of an innovative means of achieving ad recognition for a novel ad form seems not only appropriate but also desirable.

Through two experiments we test the effect a companion banner advertisement has on consumer recognition of, and ensuing responses to, an article-style native advertisement. We demonstrate that inclusion of a companion banner ad triggers both the same effect and process provoked by more traditionally used text disclosure. We also show that the effect of a companion banner operates for both familiar and unfamiliar brands. Findings from our experiments make several important contributions. First, we introduce companion banner advertising as a novel means of achieving similar levels of ad recognition in article-style native advertising as compared to those achieved through conventional text disclosure. This provides empirical evidence of the efficacy of an alternative form of disclosure that reflects the more comprehensive conceptualization of disclosure currently in use by the FTC (2015a). Second, our studies develop greater understanding of the process underlying consumer response to article-style native advertising. In particular, we highlight the mechanism through which increased perceptions of sponsorship transparency (Wojdynski, Evans, and Hoy 2017) mitigate the negative responses brought about by ad recognition. These findings suggest that consumers are more accepting of native advertising that they perceive as more transparent. Finally, from a practical perspective, our findings suggest a means of achieving disclosure that publishers are likely to not only adopt, but also support.

In the following sections we develop a model outlining the effect of both text disclosure and companion banner ads on recognition of, and ensuing negative consumer reaction to, article-style native advertising. This model also describes how increased perceptions of sponsorship transparency, namely that a native ad is clear in communicating its nature and source, can reverse the otherwise negative effects of ad recognition. Below we develop our full model, shown in Fig. 1, in stages, beginning first with the effect of text disclosure on ad recognition.

**Effect of Disclosure on Advertising Recognition**

Disclosure is a common means of reducing the possibility of consumers being deceived by communications that may not necessarily be perceived as paid advertising. The FTC (1983, 2000, 2013b, 2015a) has a history of setting disclosure requirements and compliance with these regulatory requirements

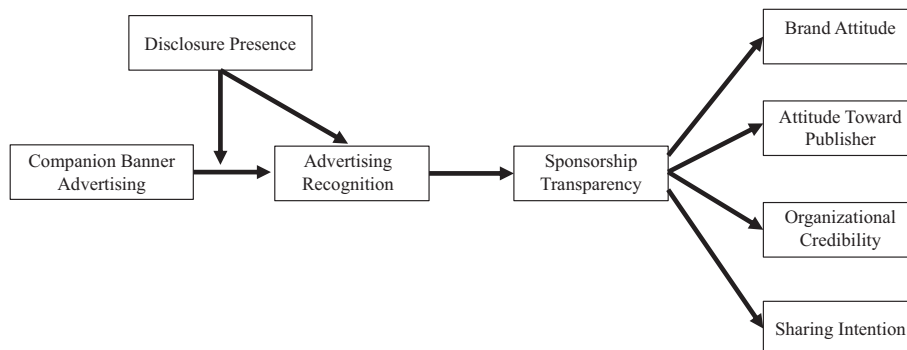


Fig. 1. Study 1 model.

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