

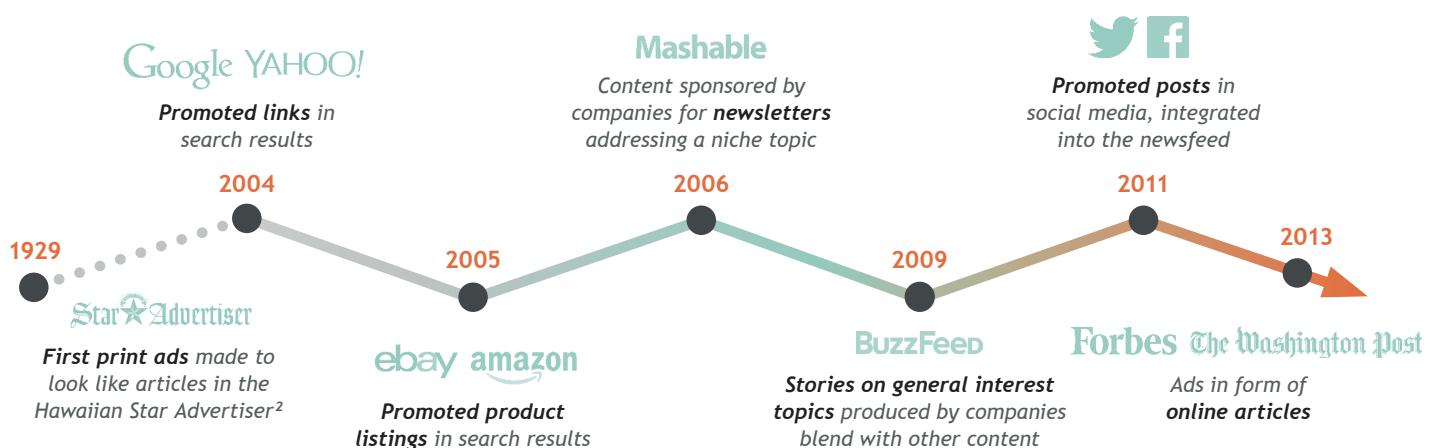
NATIVE ADVERTISING

SUMMARY

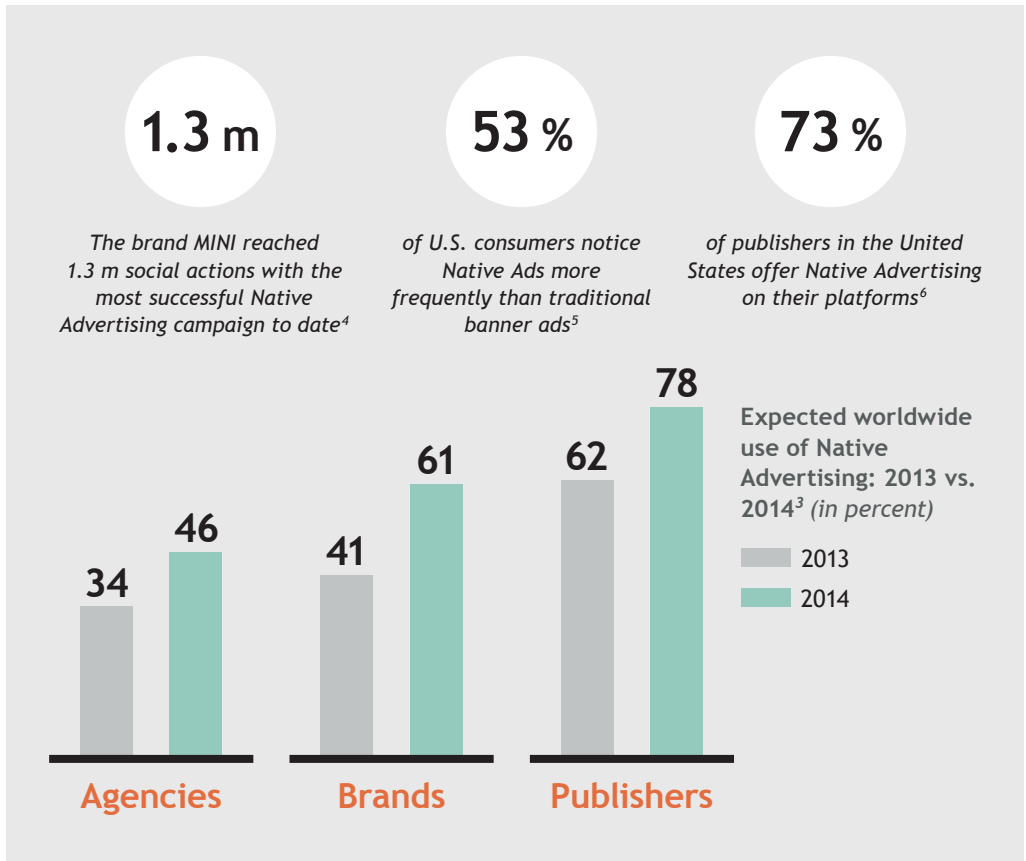
- Advertisers are looking for alternatives to conventional display advertising campaigns as consumers become more immune to them and click-through rates decrease.
- Thus, publishers are increasingly offering Native Advertising formats which seamlessly integrate with a website's original content. Critics see this as a threat to editorial independence.
- Nonetheless, 78 % of publishers and 61 % of brands worldwide plan to use Native Advertising this year – mainly on online editorial platforms and social networks.¹
- Native Ads can be displayed easily on small mobile screens, which further increases their relevance.

DEFINITION

The term Native Advertising describes high-value content created or commissioned by brands, which is integrated into a website's look and feel. Platforms such as BuzzFeed rely solely on Native Advertising. Lately, an increasing number of traditional publishers have jumped on the bandwagon and started selling Native Ads (e.g. NYT, WSJ, Forbes).



Native Advertising – a growing market



Difference to Content Marketing

Native Advertising		Content Marketing
Ads corresponding to look & feel of third party website	Which formats are used?	Content posted on company's own web properties
Third party publisher sites like Buzzfeed or on social media	Where is the content hosted?	Brand's own website, blog or newsletter
Sponsored posts in text, picture and video formats	What do these ads look like?	Mainly text with pictures, videos or charts
Content creation and advertising space on third party website	How do costs for advertisers occur?	Content creation, hosting, administration
Agencies, publishers and perhaps companies themselves	Who creates these ads?	Companies and brands, agencies

EXAMPLES OF NATIVE ADS

Sponsored videos
Video recommendations in search results



Sponsored playlists

Playlists' cover photos can be linked to URLs, playlists can be created by companies



Sponsored posts

Posts produced by companies blend into original content



Sponsored listings

Advised listings are shown in search results



Sponsored stories

Stories produced by companies mix with other content



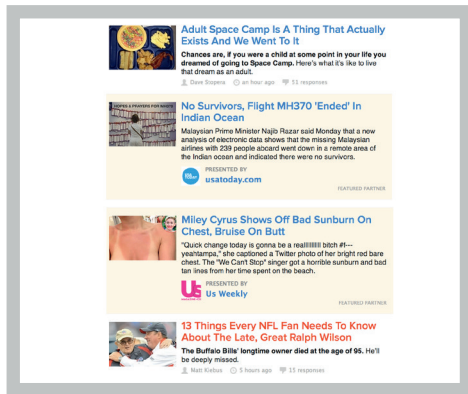
Sponsored links

Promoted links appear within search results

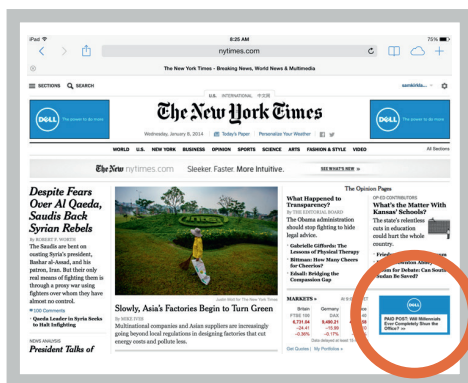


Sources: ³Hexagram/Spada (2013): sample size > 1000, ⁴Native Advertising Leaderboard (2013), ⁵Sharethrough (2013), ⁶Online Publisher Association (2013)

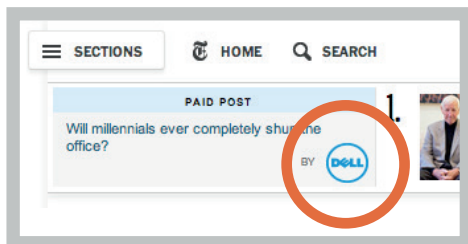
Publisher – Newcomers and traditional media



Promoted content is highlighted in yellow



The New York Times offers different kinds of Native Ads



BUZZFEED

- Revenues solely from Native Advertising
- CTR^a is at 1.5 %, therefore up to 16 times higher than traditional banner ads⁷
- Cost of a month-long ad campaign on Buzzfeed: approximately USD 100,000 (167 advertising partners in 2013)⁷

NEW YORK TIMES (NYT)

- Dell is the first partner publishing Native Ads on the NYT-website, paying a six-figure dollar sum for a three-month campaign⁸
- Dell produces the content itself and carries editorial responsibility
- Published articles are not deleted upon end of campaign, the reader can find them in the site's archive

FURTHER EXAMPLES



Elite Daily was among the first platforms to offer Native Advertising

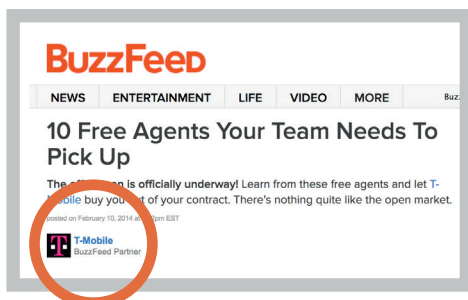


Native Ads are Huffington Post's approach to engage brands with consumers



Forbes created "Branded Voice" in order to run Native Ads for brands

Brand – Native Ads for image building



T-MOBILE

- As a BuzzFeed partner, T-Mobile publishes content on lifestyle topics
- BuzzFeed team creates content on behalf of T-Mobile
- T-Mobile is only mentioned with their logo and at the end of an article

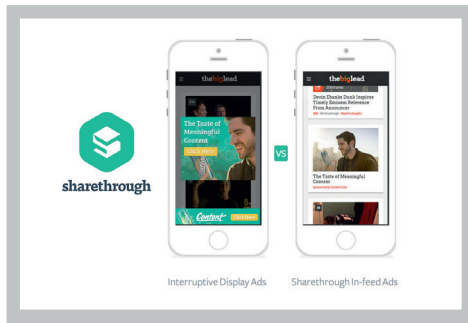


Coca Cola is an official Buzzfeed partner



Nestlé produces high quality video ads for Facebook

Platform – Marketplaces for publishers and brands



SHARETHROUGH

- > An online marketplace which allows publishers to sell their Native Ads
- > Sharethrough's software automatically transforms regular advertising into Native Ads
- > More than 200 m final users reached⁹
- > Customers: Pepsi and Nestlé

Adaptly

Adaptly is a start up which advertises Native Ads in social networks

mopub

Mopub creates social Native Ads for mobile apps (belongs to Twitter)

NATIVO

Nativo is an automated platform producing Native Ads

Outlook for Native Advertising

OPPORTUNITIES

> Unique, informative or entertaining content is less intrusive and can increase customer interest

Relevant for

Platform Brand Publisher

> 70 % of U.S. users prefer to learn about a company or a product through content than traditional print or banner ads¹⁰

Platform Brand Publisher

> Service providers such as Contently also start to offer content for Native Ad formats

Platform Brand Publisher

> 57 % of venture capitalists, business angels and private equity firms in the U.S. will probably invest in companies that sell Native Advertising¹¹

Platform Brand Publisher

RISKS

> Cost-intensive and time-consuming measure: Since ads are produced for single platforms, they can only be used once

Relevant for

Platform Brand Publisher

> Development of jurisdiction (e.g. FTC regulation in USA) still uncertain

Platform Brand Publisher

> Ad-blockers can be used to successfully block Native Ads

Platform Brand Publisher

> If customers get used to the new advertising format they may start ignoring it

Platform Brand Publisher

THE NUNATAK GROUP

DIGITAL MEDIA STRATEGY

Projects related to Native Advertising:

Establishment of a multimedia content team for a financial services group

Supervision and implementation of a content diversification strategy for a global consumer brand

Positioning and development of a content service provider, which offers creation of Native Advertising formats

The Nunatak Group is a digital strategy consultancy based in Munich. Our focus is on Mobile Media, Social Media, Growth Strategy, Digital Coaching and Investment Support for companies in growth industries.

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