



The rise of native advertising. Perspectives, ethical challenges and lack of regulations

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Abstract

In the last decade, following a massive decline in online advertising credibility and trust, Native advertising has emerged as a prominent digital marketing strategy, seamlessly integrating promotional paid content within editorial and organic context across all existing social media and communication platforms. While native advertising offers brands an effective and distinctive means to engage with audiences, it also raises at the same time, critical concerns regarding regulatory overseeing, disclosure and transparency.

In recent years, regulatory bodies like FTC (Federal Trade Commission), have coped with the challenge of enforcing guidelines to distinguish native ads from editorial content clearly, to secure application of standardized advertising rules but also to protect all customers including vulnerable groups and children. Despite regulatory bodies' efforts to establish transparency standards, native advertising often blurs the line between paid promotional and editorial content, leading to instances of consumer deception and distrust. This paper firstly investigates the diverse forms of native advertising to clarify its unique influence, exploring its evolution from product placements and branded content to immersive experiences like sponsored social media posts and influencer collaborations. Secondly, this paper examines the failure of regulations to keep pace with the evolving landscape of digital marketing, highlighting instances where ambiguous disclosure practices have compromised consumer autonomy and integrity. Thirdly, it provides a solid baseline for furthering the current understanding, dynamic and regulations of Native advertising for all concerned stakeholders: Industry, Regulators and Researchers.

The research method is based on meta-analysis of key academic and practitioner sources and data, perspectives, highlighting the evolution, effectiveness, challenges, and regulatory concerns associated with native advertising with predefined key words search and clearly defined inclusion and exclusion criteria. The publication bias is also considered, minding that the native advertising forms are rather difficult to identify. Using the previously identified key words: Native advertising, digital advertising, social media advertising, promotional content, 19 research papers are identified and consulted, out of which 7 are selected as relevant for the literature review and the meta-analyses of this study. The selection criteria are: 1) peer-reviewed studies; 2) publication date (not later than year 2015); 3) Heterogeneity Tolerance: Studies with extreme heterogeneity may be excluded unless subgroup analyses are

planned; and 4) Adequate Data: Studies must provide sufficient quantitative data for inclusion.

Through an analysis of regulatory shortcomings and case studies of native advertising campaigns, this paper sheds light on the existing forms of Native advertising, followed by the need for more robust enforcement mechanisms and industry-wide standards for the benefit of all involved parties. Ultimately, achieving a balance between promotional objectives and ethical transparency is imperative for the sustainable evolution of native advertising in the digital era.

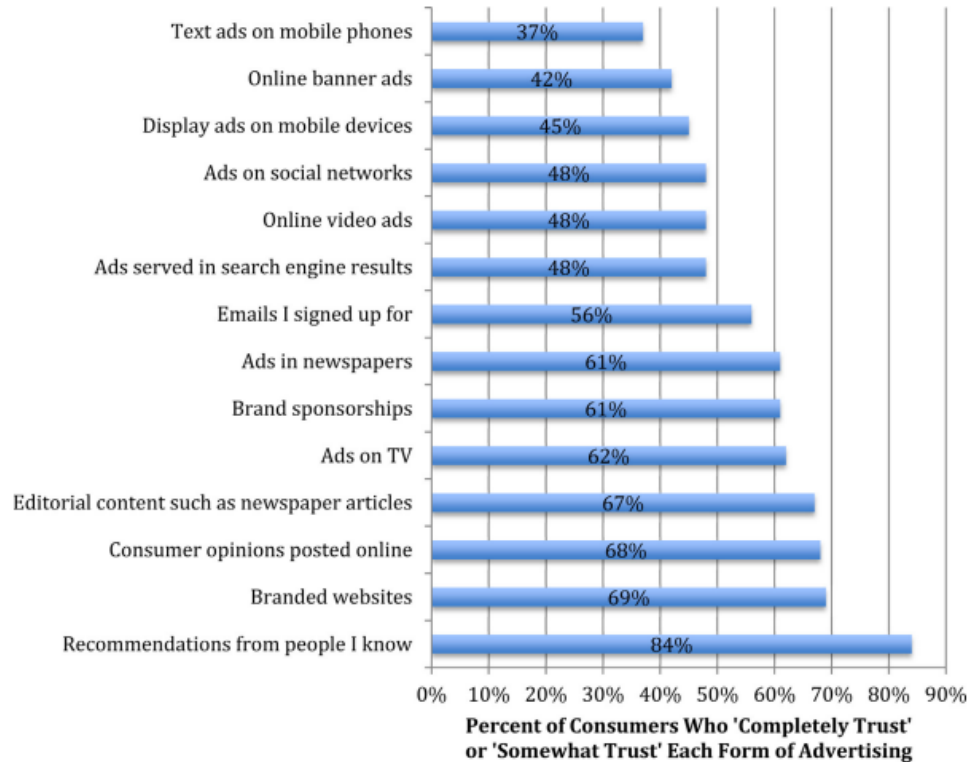
Keywords: Digital marketing; Native advertising, social media, online advertising regulations

1. Introduction

Native advertising has emerged as a pivotal strategy in digital marketing, characterized by its ability to blend promotional messages with editorial content. This paper aims to provide an in-depth analysis of native advertising, drawing from various scholarly articles to elucidate its effectiveness, challenges, perspectives, and regulatory issues.

Taking its description, the native advertising is designed to integrate seamlessly with the media platform's editorial content, thus providing a less intrusive advertising experience for consumers. By doing so, it is directly addressing the <TRUST> issue existing in online advertising in the last decade. Nielsen's Global survey of trust In Advertising from 2013, confirms that the trust issue in advertising is evolving for over a decade, where majority of the respondents are trusting mostly recommendations from people, editorial content and articles, whereas display ads, banners and mobile ads are least trustworthy. Native advertising can potentially enhance consumer engagement and credibility, as the native forms of advertisements are perceived as more relevant and less disruptive compared to traditional advertising methods. On the other hand, Native advertising standing visually as a form between paid and organic content clearly opens ethical questions on the disclosure issues, regulations and the potentially harmful effect on vulnerable groups.

Figure 1: Consumer trust in forms of advertising



Source: Nielsen's 2023 Global Survey of Trust in Advertising.

1.1 Research method

Search Strategy

In order to elaborate the theme, the paper utilizes a keyword-based search approach to identify relevant studies. The predefined keywords include terms such as native advertising, digital advertising, social media advertising, and promotional content. Hence, 19 research papers are identified from academic and practitioner sources, out of which 7 were selected as relevant for the literature review and meta-analysis respecting the following criteria:

Inclusion and Exclusion Criteria

The following criteria guided the selection of studies:

- **Inclusion Criteria:**

1. **Peer-reviewed studies:** Only studies published in recognized academic journals.
2. **Publication Date:** Studies published up to and including the year 2015.
3. **Heterogeneity Tolerance:** Studies with excessive methodological heterogeneity were excluded unless subgroup analyses were feasible.
4. **Data Adequacy:** Only studies that provided sufficient quantitative data were included.

- **Exclusion Criteria:**

1. Studies that did not align with the predefined keywords or objectives of the research.

2. Those with extreme methodological inconsistencies or insufficient data for meta-analysis.
3. Those with outdated data in comparison with the industry trends.

The paper does not specify a formalized quality assessment tool but emphasizes the following criteria for evaluating selected studies:

- **Peer-review Status:** Ensuring academic rigor.
- **Data Quality:** The availability of adequate and extractable quantitative data.
- **Relevance to Objectives:** Direct relevance to native advertising's evolution, effectiveness, challenges, and regulations.
- **Publication Bias Consideration:** Acknowledges potential biases due to the difficulty of identifying some forms of native advertising.

The paper outlines several key theories and concepts to guide the analysis of native advertising. These theories and concepts focus on understanding native advertising's structure, effectiveness, and ethical implications. Below is a summary:

- **Conceptual Foundations of Native Advertising**

Definition and Characteristics:

- Native advertising is described as paid content designed to match the form and function of the platform on which it appears, integrating seamlessly with editorial content. Key characteristics include:
 - **Integration with Editorial Content:** Mimics the style and tone of organic content.
 - **Platform-Specific Design:** Tailored to align with the layout and user experience of the host platform.
 - **Content-Driven Approach:** Focuses on providing value through engaging or informative content rather than overt promotion.

Trust and Credibility in Advertising

- **Nielsen's Trust in Advertising Framework:**
 - The paper references the Nielsen Global Survey of Trust in Advertising (2013), which highlights declining trust in traditional advertising formats. Native advertising is positioned as a strategy to rebuild trust by appearing less intrusive and more relevant to consumers.

Ethical and Regulatory Perspectives

- **Disclosure and Transparency:**
 - The Federal Trade Commission (FTC) Guidelines are central to the discussion. These guidelines emphasize the need for clear and conspicuous disclosure to differentiate sponsored content from editorial content.
 - Ethical challenges stem from the blurring of lines between paid and organic content, which may lead to consumer deception.

Consumer Behavior and Perception Theories

- **Consumer Engagement:**

- Research by Harms, Bijmolt, and Hoekstra (2017, 2020) highlights how native advertising fosters engagement by blending seamlessly into the user experience, leading to perceptions of greater relevance and lower intrusiveness.
- **Halo Effect:** Positive perceptions of the host platform can extend to the embedded advertisement, enhancing brand credibility.

Comparative Effectiveness of Advertising Formats

- **Effectiveness Comparisons:**

- Native advertising is compared to traditional forms (e.g., banner ads) regarding engagement rates, brand recall, and consumer favorability.
- Studies suggest that native ads are perceived as less disruptive and more relevant, making them a preferred advertising method.

Regulatory Gaps and Industry Self-Regulation

- **Lag in Regulatory Frameworks:**

- The rapid evolution of digital advertising has outpaced existing regulations. The paper discusses this gap and the challenges it creates for enforcement.
- **Industry Self-Regulation:** Proposals for ethical guidelines and best practices to foster transparency and trust.

Variants and Categorization

- **Interactive Advertising Bureau (IAB) Classification:**

- Various forms of native advertising are categorized, including:
 - **In-Feed Units**
 - **Recommendation Widgets**
 - **Promoted Listings**
 - **Custom Content Units.**

1.2 Definition and understanding of Native Advertising

Native advertising refers to paid content designed to match the form and function of the platform on which it appears. This approach aims to provide a seamless user experience, often making it difficult for consumers to distinguish between organic content and advertisements (Campbell & Mark, 2015). According to the Interactive Advertising Bureau (IAB), native advertising includes in-feed ads, search and promoted listings, recommended widgets, and custom content units.

Native advertising is distinct from traditional forms of advertising in several keyways:

1.2.1 Integration with editorial content

Unlike traditional banner ads or pop-ups that are clearly separate from editorial content, native ads are embedded within the editorial content itself. This can take the form of sponsored articles, promoted posts on social media, or branded content that mirrors the style and tone of the surrounding material. The goal is to create an ad experience that is cohesive with the user's overall content consumption experience and therefore, present the ad as part

of the overall content. Picture 1 gives an example of Altran Engineering in the Financial Times:

Figure 2: Altran Engineering in the Financial Times



Source: The Financial Times, "Hyperloop: Designing the Future of Transport?" (2018).

This native advertisement combines some of the best elements of digital advertising: video, a human-interest story, and classy hi-tech with an Elon Musk connection.

Produced by the Altran engineering company and published in the Industrial Tech section of the Financial Times, the above video, "Hyperloop: designing the future of transport?" tells the story of a group of students from the Technical University in Valencia, Spain who are competing in the 2018 Hyperloop Pod Competition run by Musk's SpaceX company.

This native video ad features a noticeable human element, showcasing both the students and the Altran staff who are assisting them in the challenging competition. It highlights a futuristic theme, with top talent striving to create the fastest transport pod that will revolutionize future transportation. Moreover, it is framed as a news story rather than a promotional piece for Altran or the SpaceX competition.

1.2.2 Adaptation to platform design

Native ads are created to match the appearance and functionality of the platform where they are displayed. For example, on a news website, a native ad might resemble a regular news article, whereas on a social media platform, it might look like a standard user post. This alignment with the platform's design helps native ads integrate smoothly, reducing the chances of users experiencing ad fatigue.

1.2.3 Content driven approach

Native advertising emphasizes providing value through content rather than blatant promotional messages. This strategy aims to captivate the audience by offering information, entertainment, or solutions pertinent to their interests and needs. By matching the ad content with user expectations and the norms of the platform, native advertising strives to create a more natural and engaging experience for the audience. Picture 2 gives an example of Show company AllBirds in New York Times.

Figure 3: AllBirds native ad in the Financial Times



Source: The New York Times, "The View From Above: Why Our Future May Depend on the Fate of Birds" (2015).

This example shows how special articles in The New York Times focus on creating an experience, not just a story. This is a great opportunity for native advertising to come into play. This paid post, *The View From Above: Why Our Future May Depend On the Fate of Birds*, was placed online and sponsored by the shoe company Allbirds. This example was placed as an in-feed/in-content ad on the platform's newsfeed.

The article discusses the crucial role birds play in our environment and how climate change endangers them. Allbirds, a company deeply committed to sustainability and aptly named after birds, uses this theme. The post features stunning animated graphics and a soundtrack of bird sounds, creating an engaging experience for viewers while also promoting the company. The example of the AllBirds-sponsored post, "The View From Above: Why Our Future May Depend on the Fate of Birds," is used to illustrate the content-driven approach of native advertising. By aligning the ad's environmental message with AllBirds' sustainability mission, the post offers an immersive experience through animated graphics and soundtracks.

1.2.4 Sponsored content and influencers marketing

Native advertising often appears as sponsored content and influencer marketing. Sponsored content includes articles or videos produced by publishers or influencers that highlight a brand or product in a style consistent with their usual content. Influencer marketing utilizes the trust and influence of social media personalities to endorse products, making the promotions seem more genuine and reliable to their followers.

2 Variants of Native Advertising

The Interactive Advertising Bureau (IAB) categorizes native advertising into several types, each tailored to fit different platforms and user experiences:

- **In-Feed Units:** These advertisements are embedded within the content streams of websites and social media platforms, designed to blend seamlessly with the natural content flow and minimize disruption to the user experience.

- **Paid Search Units:** Displayed alongside search results on search engine platforms, these ads are usually marked as sponsored but resemble organic search results in appearance.
- **Recommendation Widgets:** Found at the end of articles or in sidebars, these widgets recommend additional content, including sponsored links, and blend with organic recommendations to appear as part of the site's content discovery process.
- **Promoted Listings:** Common on e-commerce sites, these ads showcase promoted products within search results or category listings, typically labeled as sponsored or featured.
- **In-Ad with Native Elements:** These traditional display ads include native elements such as contextual relevance and in-content placements, making them appear more integrated with the surrounding content.
- **Custom Content Units:** These are tailor-made advertising experiences crafted for a specific platform, featuring unique design and interactive elements that align with the host site's user experience. In Picture 3 an example is shown by the company Glass Gem Corn in Business Insider 2012.

Figure 4: Company Glass Gem Corn in Business Insider 2012



Source: Business Insider, "This Multi-Colored Corn Is Real and There's a Fantastic Story Behind It" (2012).

The example provided resembles a typical Business Insider article. It discusses Glass Gem Corn, a colorful corn variety that gained widespread attention in 2012. The article narrates the journey of a man exploring his Native American heritage, which led to the creation of this unique corn. Under the variants of native advertising, the paper highlights an article from Business Insider as an example of a custom content unit. The story narrates the journey of a unique corn variety, "Glass Gem Corn," weaving product promotion into a visually compelling article. True to Business Insider's style, the story is vividly retold with bold, eye-catching visuals. The article includes links to purchase seeds online from Native/SEARCH, a nonprofit conservation organization that now owns the product. Thus, what essentially serves as a product sales page is presented as an engaging, colorful news story. Notably, Business Insider includes a disclaimer: "This article was originally published in 2013 and has been updated because the story is timeless." This highlights how evergreen content, when promoted natively, can achieve lasting success.

3 Effectiveness of native advertising

3.1 Engagement and Consumer Response

Studies by Harms, Bijmolt, and Hoekstra (2017) demonstrate that native advertising can effectively engage consumers by providing content that resonates with their interests. Their research indicates that well-executed native ads generate higher engagement rates compared to traditional display ads, as consumers perceive them as less intrusive and more relevant.

Harms et al. (2020) further examine consumer perceptions and find that native advertising's less intrusive nature leads to better engagement. They note that native advertisements, which blend seamlessly with the surrounding content, are often perceived as part of the editorial content rather than as advertisements, contributing to higher engagement levels.

3.2 Brand Awareness and Recall

According to Campbell & Mark (2015), native advertising enhances brand awareness and recall by integrating brand messages within contextually relevant content. This method leverages the credibility of the host platform, thereby enhancing the perceived value of the advertisement. Harms et al. (2020) also emphasize that native ads benefit from the halo effect of the host content, which can enhance brand recall and positive brand associations.

3.3 Comparative Effectiveness

Comparative studies indicate that native advertising often outperforms traditional banner ads in terms of user engagement and perceived relevance (Harms, Bijmolt, & Hoekstra, 2020). The study shows that consumers tend to view native ads more favorably, perceiving them as more informative and less intrusive, which enhances the overall effectiveness of the advertising campaign.

4 Challenges of Native Advertising

4.1 Ethical Concerns and Consumer Trust

One of the primary challenges of native advertising is maintaining ethical standards and consumer trust. Ming & Yazdanifard (2014) highlight that the blurred lines between content and advertising can lead to consumer deception, potentially eroding trust if consumers feel misled by covert advertisements. The inherent design of native ads, which aims to mimic the surrounding editorial content, can sometimes lead to confusion among consumers about the nature of the content they are engaging with.

4.2 Transparency and Disclosure

Eyada et al. (2017) emphasize the importance of transparency and proper disclosure in native advertising. The lack of clear labeling can mislead consumers, prompting calls for stricter regulations to ensure that advertisements are clearly distinguishable from editorial content. Kusawat (2021) also discusses the need for effective sponsorship disclosure frameworks to enhance transparency. Without clear disclosure, consumers may be unaware that the content they are engaging with is sponsored, which can lead to feelings of deception and mistrust.

5 Regulatory Implications

The rapid evolution of digital advertising techniques often outpaces the development of regulatory frameworks, creating a lag in effective oversight and enforcement.

Einstein (2017) discusses the Federal Trade Commission's (FTC) efforts to regulate native advertising. Despite the FTC's guidelines requiring clear and conspicuous disclosure of sponsored content, many native advertisements still fail to meet these standards, leading to calls for more stringent enforcement. The FTC's guidelines are designed to prevent consumer deception by ensuring that native advertisements are clearly labeled as sponsored content. In a different direction, Campbell & Mark (2015) argue for industry self-regulation as a means to address the challenges of native advertising. They suggest that industry players adopt best practices and ethical guidelines to foster transparency and consumer trust. Self-regulation can be more flexible and adaptive to the fast-paced changes in digital advertising, providing timely responses to emerging issues. Further on, Kusawat (2021) presents a theoretical framework for sponsorship disclosure in native advertising. This framework underscores the necessity for clear and effective disclosure practices to mitigate the potential for consumer deception and enhance the transparency of sponsored content. Effective disclosure frameworks help consumers to recognize and understand the nature of the content they are engaging with, thereby fostering trust and reducing the risk of deception.

6 Implications and practical recommendations

Regulatory bodies play a critical role in ensuring that native advertising practices are ethical and transparent. However, the rapid evolution of digital platforms often outpaces the development of regulatory frameworks, necessitating more proactive and adaptive strategies. The first and most important recommendation is to strengthen Regulations in regards to update guidelines, such as those from the Federal Trade Commission (FTC), to address the complexity of native advertising across platforms, followed by standardizing disclosure requirements to ensure consistency and clarity.

The consulted literature indicated an urgent need of enhanced monitoring and enforcement for leveraging AI tools to monitor compliance with transparency guidelines in real time as well as establish penalties for non-compliance to deter deceptive advertising practices. Perhaps the most obvious recommendations are to reinforce industry collaboration by fostering partnerships between regulatory bodies and industry stakeholders to develop best practices and promotion of self-regulation within the industry by incentivizing ethical behavior.

On the market side, the regulatory bodies should foster consumer awareness to educate consumers about native advertising through public campaigns and provide resources to improve media literacy and the ability to identify sponsored content.

7 Future perspectives and Research Agenda

Harms et al. (2017) propose that advancements in technology, such as artificial intelligence and machine learning, could enhance the effectiveness of native advertising by enabling more precise targeting and personalization of content. These technologies can analyze vast amounts of data to identify consumer preferences and behaviors, allowing for the creation of highly targeted and relevant native ads. However, further research is needed to understand the long-term effects of native advertising on consumer behavior. Ming & Yazdanifard (2014)

advocate for longitudinal studies to assess how consumer perceptions and trust evolve over time in response to native advertising practices. Understanding these long-term effects can help advertisers develop more effective strategies and mitigate potential negative impacts. In addition to this, Eyada et al. (2017) highlight the importance of considering cultural differences in the execution of native advertising. Future research should explore how cultural contexts influence consumer responses to native ads and the effectiveness of various disclosure practices. Different cultural contexts may have varying expectations and norms regarding advertising and content integration, which can impact the effectiveness and ethical considerations of native advertising.

Finally, Yao et al. (2020) emphasize the need to compare native advertising with traditional advertising to understand its unique benefits and challenges. Their research suggests that native advertising offers more subtlety and integration within content, which can lead to higher engagement but also presents challenges in maintaining transparency and trust. Comparative analyses can provide insights into the relative strengths and weaknesses of different advertising formats, informing better strategic decisions.

8 Conclusion

Native advertising represents a dynamic and influential component of digital marketing and its effects can be observed in a multidisciplinary context. While it offers significant benefits in terms of engagement and brand recall, at a parallel stream poses challenges related to ethics, transparency, and regulation. By synthesizing insights from key academic sources, this paper underscores the need for a balanced approach that prioritizes consumer trust and regulatory compliance. Future research should continue to explore technological innovations and cultural factors to enhance the efficacy and integrity of native advertising, as well as profound system for standardized regulations.

The recommendations outlined in this chapter provide a roadmap for navigating the complexities of native advertising. Practitioners are encouraged to prioritize ethical transparency and creative innovation, researchers to deepen their exploration of cultural and technological factors, and regulators to develop adaptive and enforceable guidelines. By working collaboratively, these stakeholders can ensure that native advertising remains a valuable and trusted component of the digital ecosystem.

As digital advertising continues to evolve, it is crucial for both industry practitioners and regulators to keep pace with these changes to ensure that advertising practices remain ethical and effective. By fostering transparency and consumer trust, native advertising can continue to be a valuable tool for brands while respecting consumer rights and expectations.

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