

December 2017



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Native Advertising Trends in News Media

Jesper Laursen

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About the author



Jesper Laursen is founder of the Native Advertising Institute and has a degree in journalism from the Danish School of Journalism. Laursen founded a journalistic production company called Media Movers, content marketing and native advertising agency Brand Movers, and the educational institution Clever Content — all of which he is running today.

The Native Advertising Institute (NAI) is an international think tank on a mission to help publishers, brands, and agencies become successful with native advertising. NAI runs the world's largest two-day industry event, Native Advertising DAYS, which is held every November in Berlin. NAI also conducts global research, publishes several reports on media about native advertising, and organises the Native Advertising Awards.



About the International News Media Association (INMA)

The International News Media Association (INMA) is a global community of market-leading news media companies reinventing

how they engage audiences and grow revenue in a multi-media environment. The INMA community consists of nearly 8,000 members at 600+ news media companies in 60+ countries. Headquartered in Dallas, INMA has offices in San Salvador, São Paulo, Antwerp, and New Delhi.



Native Advertising Trends in News Media was produced by the Native Advertising Institute and the International News Media Association (INMA). The data for this report was collected July-September 2017 in an online survey e-mailed to a sample of news media executives amongst INMA members. 231 executives from 51 different countries completed the survey. The data was then analysed by the Native Advertising Institute and INMA in collaboration, and the report was produced in December 2017.

Foreword

Native advertising is ... tricky.

It works. It brings in revenue. When done well, audiences like it. And if audiences like it, advertisers like it. And if advertisers like it, news media companies like it.

Still, in an industry built on black and white, native is a tad gray.

For the second year, INMA has partnered with the Native Advertising Institute, based in Copenhagen, for a deep dive into what's happening worldwide with native advertising. Author Jesper Laursen and his team surveyed news media companies around the world. The 231 responses paint a fascinating picture of what's happening right now.

This report is full of incredible information, pretty charts, and case studies from CNN, Helsingborgs Dagblad, and BILD. Boiled down, here's what we found:

- Unlike print advertising in general, which is in rapid decline for most publishers, native advertising is holding steady.
- Fewer publishers are labeling native ads: 11% of those surveyed compared to 7% last year. Why? To meet budget demands.
- Video is the second most-effective type of native advertising (after online articles).
- Native advertising is generating 18% of overall ad revenues, up from 11% last

year. Publishers expect that number to be 32% by 2020. One publisher brings in 100% of ad revenue from native!

- Slightly more news media companies are offering native advertising as an option, 51% this year compared to 48% last year.
- Last year, 35% of publishers surveyed described native advertising as “very important” to their companies. This year, 50% did.
- Last year, 26% of publishers were working with an external agency to deliver native advertising. This year, that number is half at 13%.
- 27% of news media companies surveyed have a dedicated native advertising team, up a bit from last year’s 20%.
- Publishers charge more for native advertising (66% charge more than traditional advertising), and for good reason: Research shows click-through rates quadruple that of traditional advertising. And while last year 42% had a challenge trying to determine pricing, this year only 29% do.

Native advertising’s journey is still unfolding. We hope this industry-wide snapshot helps you plan how it might look at your news media company in 2018.

Enjoy!

Dawn McMullan
Senior Editor, INMA

Introduction

This is the second time INMA has partnered with the Native Advertising Institute in Copenhagen to take a deep dive into what the global news media industry is doing in the native advertising space. This year, 231 media executives from 51 countries share their insights on this fast-growing — and revenue-producing — trend.

We found surprising and positive — as well as alarming — news to be found: Native advertising continues to grow at a record-breaking pace all over the world, and it is now becoming a vital and integrated part of the business model for more and more publishers. More than half of all news media publishers now offer native advertising solutions, and revenues are growing at a very high rate. The bad news? Fewer and fewer publishers actually label native advertising.

Let's dig in.

A. The importance of clear labeling

This year, 11% of the publishers said they do not label native ads at all, which is considerably more than last year's 7%, and even higher than the magazine industry that, in a similar survey, has gone from 11% last year to 10% this year.

It's good news that native advertising is becoming a more integrated and accepted part of the publisher's offerings. But it is bad news if it becomes so integrated into the product that the audience cannot tell it from editorial content.

The reasons for this practise can vary, but the one we hear the most when talking to publishers off the record is that they are so behind on budgets, they feel the

need to bend the rules. This is a serious problem — not only because it is illegal and can completely ruin the credibility of news media, but because the audience will eventually figure it out and then turn its back on native ads, just as it has on traditional online advertising.

B. Revenue growth

We found a great deal of positive news in the numbers. First and foremost is the continuing growth in revenue. Native advertising is now generating 18% of the overall advertising revenues, up from 11% last year, and publishers are expecting that number to be as high as 32% by 2020.

It is no surprise that the majority of publishers are now offering native advertising solutions, with another big group considering following suit.

C. Greater strength and fewer challenges

Publishers also seem to be getting the hang of native advertising. They are experiencing fewer challenges and are acting with more confidence — and moving with greater strength, often into new areas and platforms. We're seeing the native ad studios of publishers acting as media agencies, event agencies, and even digital agencies on occasion.

Some publishers are now openly talking about "going to war" with ad agencies and media agencies, because, as they say, the alternative is that they will be left with a low-margin business model, as happened with programmatic.

Of course, this new and more aggressive behaviour has been noticed by other agencies, and it will be interesting to see what happens with the ecosystem going forward. Our guess is that it will be much more flexible with agencies, publishers, tech companies, and brands working in a wide range of constellations depending on the project.

If you're a publisher or agency, you may find the answers as to how you should position your company in this report. ■

Integrating native advertising content

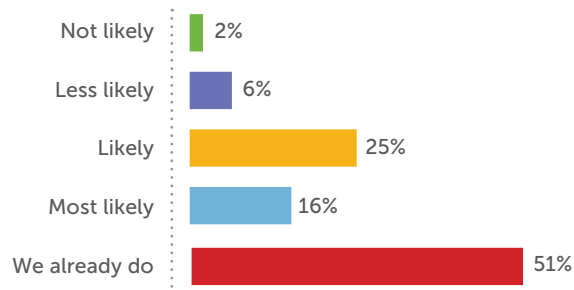
There is no doubt that as native advertising is becoming a more important part of the revenue stream for publishers, more news media companies are integrating it into their core business models.

It's also without doubt that it is a somewhat controversial format. But as publishers gain more experience — both on the commercial and the editorial sides of the business — native advertising seems to be increasingly accepted and even popular.

A. More publishers are adopting native advertising

Many publishers are hesitant to offer native advertising as an advertising format, but simultaneously, more are slowly opening up their media to this new tactic. This year, 51% are offering native advertising solutions compared to 48% last year. Comparably, 8% are “less likely” or “not likely” to offer native advertising, down from 13% in last year’s report. So the pushback is also declining.

How likely are you to use native advertising as an advertising or service option?

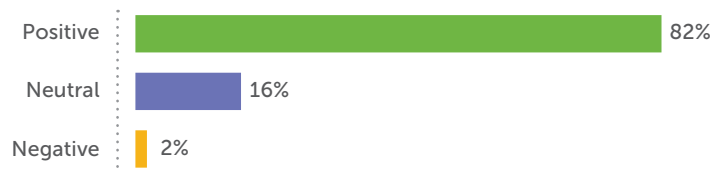


B. Publishers feeling positive toward native advertising

An overwhelming and growing majority of the publishers are positive toward native advertising. Last year 76% proclaimed that they were positive, but this year that number is even higher, at 82% with only 2% being negative — half as many as last year.

There can be different reasons for this. It may be the growing budgets, the low number of complaints, or more positive experiences. But it is indisputable that the resistance is as good as gone.

What are your feelings toward native advertising?

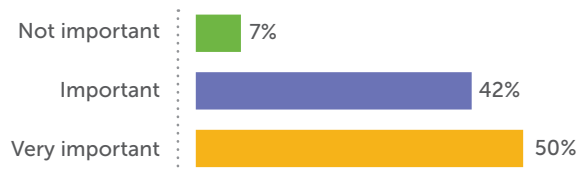


C. Native advertising is growing in importance

While native advertising is hardly driving actual subscriptions for publishers, it is an ad format that the audience is actually accepting, and thus a format that drives significant advertising sales. And this, in turn, makes it crucial for publishers.

This year 50% of the publishers say that native advertising is “very important” to their company — up from just 35% last year. At the other end, 7% do not believe it to be important, down from 11% last year. ■

How important is native advertising to your company?



The effect of native advertising on the bottom line

Declining revenue is leading many publishers to test new sources of revenue — such as cars, travel, or new businesses — to solve their financial headaches. Some show promise, but fade as quickly as they appeared. Others are more resilient.

Native advertising falls into the latter category and is now accounting for significantly more of the overall advertising revenues than last year. The growing demand from the brand side now means that many publishers are dreaming big when it comes to the financial potential of native advertising.

This chapter explores projected growth in native advertising from 2016 to 2020.

A. Anticipate significant growth in share of revenue

Last year, publishers were expecting native advertising's share of total ad revenues to grow from 11% in 2015 to 25% in 2018. This year, we can see that it is much more than mere hope on the part of the publishers, as native's share of revenue has grown 63%, and is now at 18%. At the same time, publishers are, on average, expecting native advertising to account for 32% of the total ad sales in 2020.

Average native advertising share of total ad revenues from 2016 to 2020



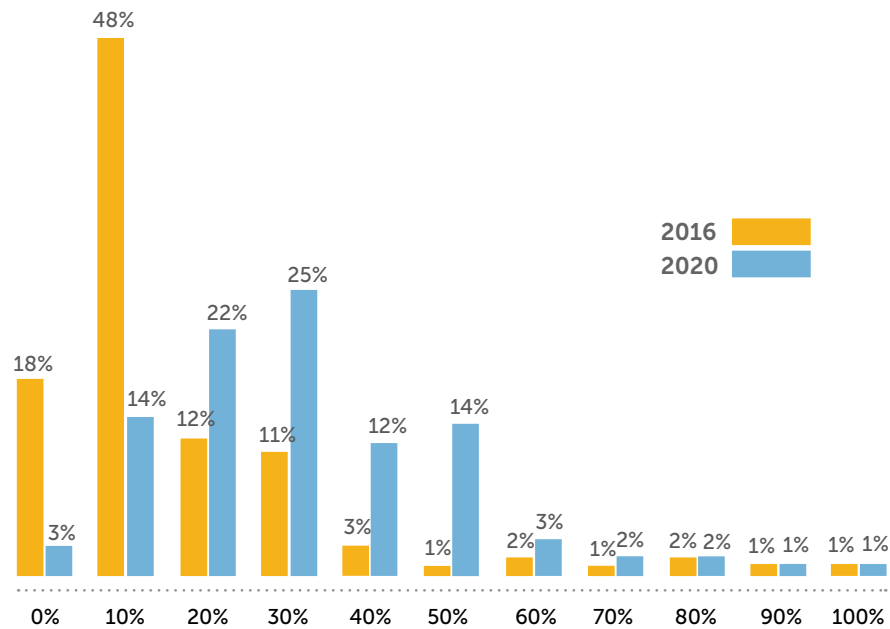
In comparison, the Native Advertising Institute and the trade organisation FIPP earlier this year released the second-annual [survey on native advertising in the magazine industry](#). Magazines seem to experience a lesser growth than the newspaper media, getting 21% of their advertising revenue from native in 2016, up from 19% in 2015. They are, however, expecting native advertising to account for 40% by 2020.

Diving a little deeper, the majority of the news media publishers in our report are getting 10% of their ad revenue from native. Some news media are, however, already getting 50% to 70%, and one of the participating publishers is getting 100%.

Compared to last year’s survey, there are compelling findings. In 2015, 30% of the publishers were getting 0% of their advertising revenue from native advertising. But in 2016 that number dropped to 18%. Concurrently, 8% got half or more of their advertising revenue from native in 2016, up from only 4% in 2015.

B. Anticipate significant growth in share of revenue

Expected native advertising share of total ad revenues from 2016 to 2020



C. Print is not declining

Whereas print advertising in general is in rapid decline for most publishers, native advertising is a different story. In 2015, print on average accounted for 38% of the total revenues coming from native advertising. In 2016, that percentage was the same.

It was more or less what the publishers expected. And it could have something to do with the fact that native advertising is very often used as a top-of-funnel activity driving, for example, brand awareness. If the emphasis was more on relatively hard core, sales-related activities, digital would most likely be a growing part of the pie.

If we look to the magazine publishers again, they have experienced a steep decline in print's share of native advertising income. In 2015, print was as high as 42% of the total native advertising spend, whereas in 2016, the number was down to 32%. It will be interesting to see if the news media industry will follow the magazine publishers or if print will remain strong. ■

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Native
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Native advertising: Solutions and sources

Native advertising represents a new and rapidly growing source of revenue for publishers around the world — not merely as a replacement for a declining traditional ad spend, but rather as a brand new revenue driver through agency services.

In the early days, publishers were simply making advertising space available for what were most often very product-focused advertorials. But as native advertising has evolved into more audience-focused and editorial-like products, publishers find themselves playing an increasingly active role, sometimes even that of the lead agency in a campaign.

Jimmy Maymann, former CEO of Huffington Post, once claimed that though he was happy with the performance of the company's in-house studio, he would much rather do without it. The only reason for having it was that no one else seemed able to deliver the kind and quality of content needed to gain traction on Huffington Post.

Many publishers seem to be experiencing the same phenomenon, and thus more and more are making the actual production of native-ad campaigns a core service — if not to make money on the actual creative work, then for fear of missing out on native ad campaigns that cannot run without quality content.

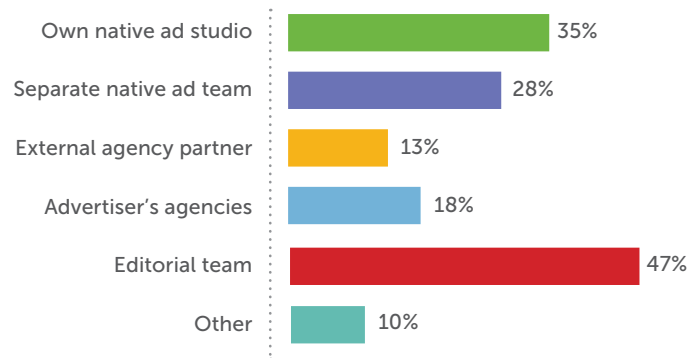
Some publishers are struggling to make a solid profit out of the agency business. And it is probably not a business for every publisher to be in. But before giving up, it is important to realise that it takes time to excel in any new business. It takes time to learn the skill set, competencies, and general modus operandi of an agency. If an agency wanted to become a publisher, it is fairly safe to say that that, too, would take a while to master.

A. Publishers are pulling production closer

When we conducted the survey last year, 26% of publishers were working with an external agency partner to deliver native advertising. This year, however, that number is exactly half, with 13%.

On the other hand, 35% of the publishers have established an in-house studio, up from 33% last year, and 47% of the publishers will let advertisers use their editorial staffs to produce native advertising — up from 42% last year. Now, while the latter opens up many interesting discussions about the division of church and state, it also shows that publishers are pulling production of the creative solutions closer. And that they are betting harder on these services.

How do you provide native advertising solutions?



To Ana Plisic, editorial director at Croatian publisher Hanza Media's Native Ad Studio, this is a very natural development: "Content is king, and who is the king in creating content? The editorial team."

B. Moving away from home

Publishers are still providing their clients with classic products and offerings — such as written content (84%), video (65%), layout (50%), and infographics (48%) — very closely related to their core business. Many, however, are also starting to offer services that would normally fall less naturally to them, such as media buying on social media platforms other than their own (35%), as well as on traditional media platforms other than their own, and even content solutions on client's own platforms (29%).

"I think all publishers are looking at how they use their capability around data and

audience understanding and how they can extend their client's content off-platform," says James Hunt, vice president at CNN International's content studio, Create Group. "That is also a big focus for us and something we are starting to do more and more."

CASE STUDY

Content is journeying beyond CNN's own platforms

By Alexander Højfeldt Lund, editor, Native Advertising Institute

CNN International Commercial's branded content studio, Create Group, has grown from its debut as an internal studio for high-end television commercials to a global content studio spanning multiple platforms.

But native advertising wasn't an important part of the studio's strategy in the beginning: "We were conceived to make traditional TV commercials for clients who didn't have access to that kind of service themselves," says James Hunt, vice president, Create Group.

The studio's first venture into the world of native advertising, CNN International Commercial (CNNIC) was around 10 years ago. Since then, native advertising and branded content have become vital to Create, just as they have to the rest of the publishing world.

"Branded content and native advertising has exploded in the last couple of years. It is an upward trend that other publishers are also experiencing," Hunt says.

In fact, as of 2016, 54% of all advertising revenue at CNN International came from deals that incorporated branded content made by Create: "We are very much intertwined in the fabric of the business," he says.

Story is at the heart of it

Create is responsible for the development, production, and delivery of all branded content for CNN International Commercial clients: on-air, online, and social media.

"Ultimately, our focus is on storytelling," Hunt says. "We understand our clients. We understand our audience and we understand what resonates with our audience. We are fortunate enough to have a client base that we have been

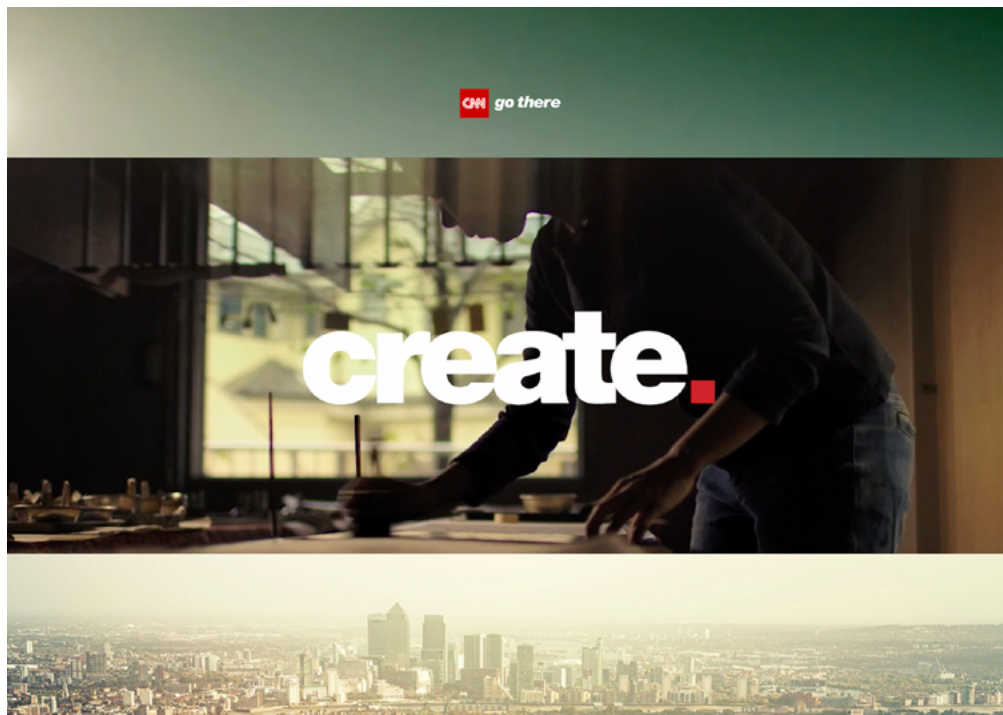
CASE STUDY *(continued)*

working with for a long time, and for us it is about extending the brand's story in interesting and engaging ways. And story is at the heart of it."

Create has around 35 permanent staff, which includes directors, producers, editors, designers, filmmakers, etc. But Hunt underscores that the most important competency to have is credibility: "We have a network of writers and copywriters that we draw on who are specialists in their field[s]."

Client industries include travel, tech, finance, luxury goods, and infrastructure, as well as multi-national companies and governmental organisations.

"Because of the global nature of our business, you really need the local inside knowledge to make content relevant to the audience consuming it," Hunt says. "So we supplement the core staff with very credible creators from around the world. We work with them on a regular basis and they are really tapped into how the brand is perceived in that particular market."



Although Create Group has around 35 permanent staff, including directors, editors, producers, designers and filmmakers, the agency's most important competency is credibility.

CASE STUDY *(continued)*

On other platforms

The creative agency does everything from video and written content that sits across CNN's own channels, to off-site content like 360-degree videos for Facebook and Snapchat. And Create is focused on producing content for the clients that is applicable off CNN's own platforms, as well.

"I think all publishers are looking at how they use their capability around data and audience understanding and how they can extend their clients' content off-platform," Hunt says. "That is also a big focus for us and something we are starting to do more and more."

In early 2016, CNNIC established a partnership with Sharethrough, software that helps publishers manage their native content over many different platforms. Sharethrough created a product for CNN International Commercial that allows it to manage its native content over all the CNN-owned platforms.

When presented with the idea that such a collaboration in the future could lead to Create publishing content on news media sites other than its own, Hunt explains that that is already beginning to happening.

"What we are trying to do is move to a model where we are a full, end-to-end marketing solution for our clients," Hunt says. "At the moment, our focus is on our CNN clients, who are advertising on CNN International Network and CNN-operated platforms. But there is great potential within the next two to three years to really begin pushing the client's content across all kinds of different media.

"At the same time, it is important to walk before you run. But as tech improves, I think we will see publishers talking to clients more broadly about how they can service them above and beyond their own platforms."

More brands are turning to publishers — not only when looking for agency partners, but also when they need help on platforms other than the publisher's own. And that is also true also for Create.

"We like to consider ourselves now as a proper strategic partner," Hunt says. "We

CASE STUDY *(continued)*

no longer talk about spots and banner[s]. That can still be important, but the lion's share of the conversations we are having with our clients are about solving tangible business challenges and delivering solid marketing results."

Clear separation

Even though Create works with global businesses, writers, and copywriters from all over the world, the agency still strongly believes it is important to have people who understand the CNN audience and the CNN voice. However, there is no crossover between editorial staff and the team delivering branded content.

"There is a clear separation between my team, responsible for delivering branded content, and the editorial side," Hunt says. "But when it comes to the audience experience and providing a proper experience, you need to make sure that you have a dialogue between the commercial and the editorial side[s] of the business [so] that what you are proposing makes sense."

Data informs creativity

Over the last 10 years, the rapidly changing media landscape has demanded that Create change very quickly as well. Although the studio began as an internal studio for television commercials, it had to rapidly change its offerings to match

"Branded content and native advertising has exploded in the last couple of years. It is an upward trend that other publishers are also experiencing."



James Hunt
Create Group

CASE STUDY *(continued)*

the fact that news and media are consumed in hundreds of new ways compared to a mere five years ago.

“At the same time, we have to be flexible between the two extremes,” Hunt says. “We still make TV commercials, but ... we must work to extend those campaigns across mobile and social. It is a great creative challenge.”

Concurrently, there has been a huge development regarding the use of data that has given agencies the ability to get under the skin of the audience, Hunt explains: “The data is really used to inform creativity. We have a number of proprietary tools that allow us to pull trends or topics relevant to the client’s audience and that help the creative process at the front end.”

But the largest change that the studio has experienced is the increase in volume, according to Hunt: “Not many years ago only 6% to 10% of the revenue ran through the studio. Now it’s 60%.”

C. Combined selling is becoming more popular

Though many publishers are trying to create native advertising that will help at the very bottom of the sales funnel, most native advertising is still primarily used for top-of-funnel content. Display, on the other hand, is better the other way around, which is why the two work so beautifully hand in hand.

Maybe that is what publishers are experiencing as well, since 65% of them are selling native in combination with traditional advertising, up from 54% last year. It could also be a sign that publishers are getting better at selling integrated, and more strategic campaigns.

How do you sell your native advertising solutions?



“If you focus on hiring individuals who have creative business sense, and are focused on building relationships, it can be done. It’s beneficial to your business, and great for the client.”



Melissa Rosenthal
Cheddar Inc.

Finally, we are seeing native advertising moving from a new thing that advertisers and media agencies are trying out for the first time, to a more accepted part of the campaign mix.

D. Creatives participate in sales

News media publishers seem to be ramping up on their dedicated native advertising sales teams. Of those who responded to our questions, 27% have a dedicated team, up from only 20% last year.

There are many variations across the board, but there seems to be a tendency for people with an editorial background to get involved in the process. In an interview with the Native Advertising Institute, Gary Quinn, editor at The Irish Times Content Studio, put it this way:

“Journalists have a different approach to storytelling than sales people. Particularly for winning customers, we see it as an advantage because the brands prefer that representatives of the editorial staff [are] involved.”

And Melissa Rosenthal, executive vice president at Cheddar Inc., takes it one step further, purveying the thought of creatives being the actual sales people.

“Why can’t your sellers be your creatives and account managers? Are these skill sets not interchangeable? It’s time to break the mould and try something new. If you focus on hiring individuals who have creative business sense, and are focused on building

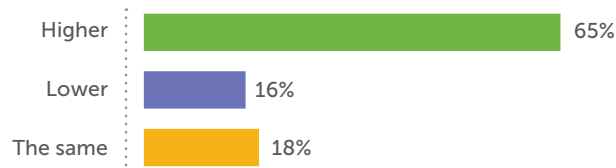
relationships, it can be done. It's beneficial to your business, and great for the client." Whatever the background, there seems to be a shift toward more specialised teams in the sales departments.

E. Native is more expensive

Whoever is doing the actual selling, they are, in general, charging more for the native advertising solutions than traditional advertising: 65% are charging a higher price, while 18% are charging less, and 16% the same as traditional advertising.

In comparison, only 56% of the magazine publishers were able to charge more for native advertising, and 12% charged less, according to a similar study that the Native Advertising Institute did with FIPP in the magazine industry. ■

How do you price native advertising vs. traditional advertising?



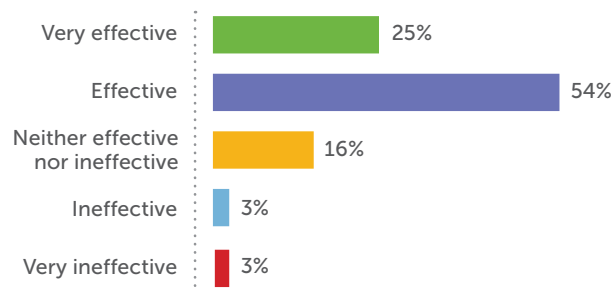
Measuring the effects of native advertising

One of the biggest challenges for the native advertising industry today is to prove the effectiveness of the format. There is no doubt that publishers and agencies are on a steep learning curve, and we're seeing more and more wonderful work. This is, however, not sufficient and the industry needs to get better at measuring the results of the native advertising campaigns.

A. Selling the effectiveness of native advertising

It is, for obvious reasons, fairly unthinkable that publishers selling native advertising would ever say to an advertiser that it is ineffective. The same goes for this report, as 79% of those surveyed consider native advertising either effective or very effective.

How effective would you consider your native advertising solutions to be?



There are quite a few statistics to back up this premise. One of the most popular is the click-through rate, which in numerous studies has been shown to reach four times that of display ads.

B. Engagement is important

In last year's survey, the most popular key performance indicator (KPI) for measuring native advertising success, was traffic — with 60% of publishers weighing in here. With 58% this year, it is still a very popular metric, but the audience engagement is now in the lead with 69%, up from 58% last year.

In Sweden, Helsingborgs Dagblad (HD) is experiencing audience engagement as popular amongst clients — especially one of the biggest and most consistent native advertising clients, the city of Helsingborg. Says Fredrika Haglund, Brand Studio manager, at HD: "There are daily goals set for pageviews, the number of visitors from local IP-addresses, and pageviews per visit, and of course we measure much more. However, one of the city's most important measures for success is qualitative engagement from citizens, people contacting them directly, thanking for their information and asking for more — that has never happened before."

: CASE STUDY

: Helsingborgs Dagblad publishes city information : as native advertising

: *By Pelle Estborn, content marketing editor at Helsingborgs Dagblad's and
: Sydsvenskan's Brand Studio, now a part of Bonnier News Brand Studio*

: For more than a year, the city council of Helsingborg in Sweden has published
: community information as native advertising with Helsingborgs Dagblad (HD), the
: leading newspaper of the region — and also the main investigator of the council's
: work and spending of taxpayer's money.

: One of the city council office's most important tasks is informing citizens of what
: it does: "The information we provide should be available where the citizens are,"
: says Mattias Hennius, former head of press relations for the city.

: HD's news site and app, hd.se, is the largest news platform in the area and the
: place most citizens go for information and news. It's also the most diligent
: investigator of the city and its administration.

: "We are the digital news hub in the region," says Jonas Kanje, editor in chief, HD.
: "The core content is news, but you can also find job listings, traffic information,

CASE STUDY (continued)

lunch menus from the restaurants, and nowadays also information from the city council.”

Editorial independence

The biggest concern in forging a native partnership between the city and the local newspaper was editorial independence — not only for the newspaper’s staff, but more importantly, in the eyes of Helsingborg’s citizens.

Many parts of the company’s organisation are involved in making this relationship work:

- The Brand Studio team helps customers’ production and evolution of the ads.
- The editor-in-chief reads every ad before it’s published — and can stop its publication if need be. Since the editorial team and the native advertising team cannot know the other team’s plans, the editor-in-chief has sole responsibility for this. In case of a conflict, it is the advertisement, not editorial content, that gets the knife.



Helsingborg’s native advertisement in “Hallå!”, the free printed newspaper distributed to homes in Helsingborg.

CASE STUDY *(continued)*

- The tech team develops custom publishing solutions,
- The analysts's work enables the city to follow ad performance in real-time.
- And on the city's side, its content staff had to make sure all departments were on board and willing to help with the project.

"This kind of cooperation between a city council and a news outlet is yet today unheard of in Sweden, where they cooperate but are still 100% independent from each other," says Fredrika Haglund, Brand Studio manager.

The city publishes two ads every week at hd.se. The content type varies with the ad's objective. It can be a 1,200-word personal story, practical information on construction work in the area, or a tongue-in-cheek video on snow clearing.

Most of the content is, in some form, repurposed on social platforms. Some of it is also published in a free printed paper from HD, delivered to all homes in the area. The campaign is ongoing, except for six weeks over summer.

A long-term partnership

The key to the campaign's success is its longevity — it began in September 2016.



Before the native partnership resulted in any published ads, HD held workshops with the city of Helsingborg on subjects such as the news outlet's voice and editorial principles.

CASE STUDY *(continued)*

“The long-term commitment creates possibilities to work in new ways, [and] through that reach the specific goals with lesser effort,” says Pelle Estborn, content marketing editor at Brand Studio.

Before the launch, Helsingborg reorganised its communication department and assigned three to four staff members to work with this campaign.

“We had workshops with their staff on how the ads were to be produced in order to add the most user value.”

The visual appearance

Since this is not a commercial native campaign, this campaign has a slightly different appearance — these ads are coloured green instead of yellow as other native ads are. The content is called community information, instead of advertisement.

“The ads are a natural part of the content of the site, but they are clearly marked as content from the city council,” Kanje says.

For community information to “earn” the special labeling that sets it apart from commercial advertising, certain criteria must be met.

“We demand that the content must be of interest to the community and not push sales,” Kanje says. “Public sector advertisers have to participate in a workshop to understand the media channel and the editorial independence. And they may never use the channel as a platform to give response to investigations made by the newspaper or to express party politics.”

To make sure every ad meets the standards of hd.se, the editors at Brand Studio read and discuss the ads with the city.

“It has proven to be well-invested time for both them and us. It has led to better timing, choice of stories, text structure, images, etc. It’s often subtle changes in the storytelling techniques,” says Brand’s Estborn. “Today, we spend less time editing their ads than we spend on the material we get from professional content agencies, because they do not know our sites like the city of Helsingborg [does].”

CASE STUDY *(continued)*

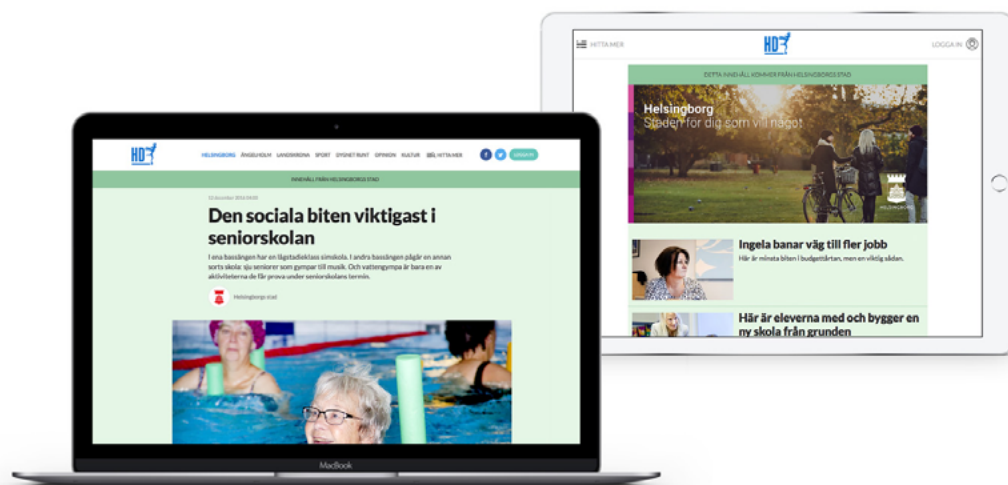
Different KPIs than for traditional business campaigns

Since the city is different than a business with profit goals, KPIs are different than regular campaigns. The main goal of the campaign is for as many citizens as possible to gain a better understanding of what the city council is doing with tax money. But the city also hopes to boost citizen interest in the community and its possibilities.

For the city's central information team, the native partnership has also meant that the different departments' information desks are connected more closely and working for a common goal. This new method of content creation has, in fact, affected the whole council's way of communicating with citizens. Today the council reaches citizens — every day, all year (except for the six-week summer break).

"The aim for us as a municipal[ity] is to be more open and let our citizens know what we can provide for them, this by using storytelling in different forms: text, picture, film," says Cecilia Lundgren, head of editorial for Helsingborg.

"The editorial team works strategically, and we provide our content not only to Helsingborgs Dagblad but also to our own channels and social media. We need to be where our citizens are receiving information — that is why we focus on this native partnership."



The city of Helsingborg uses a native advertising campaign designed together with Helsingborgs Dagblad to provide news as well as job listings, traffic information, lunch menus, and information on city council activities.

CASE STUDY *(continued)*

Results

In numbers, the partnership is one of the most successful native campaigns that have been published on hd.se.

- Up to 10,000 visitors per ad, with an average of 2,500.
- Up to 3:15 minutes in average reading time for an ad, with a total average of 1:30.
- Up to 5.1% click-through rate on an ad, with an average of 2%.

In total, the city has published over 100 ads online, and more than 30 in print.

C. Video is increasingly effective

It is no secret that video is all the rage these days. According to Cisco Visual Networking Index, 82% of all consumer Internet traffic will be video by 2020. And according to the participating news media publishers in this report, video is increasingly becoming the most effective type of native advertising.

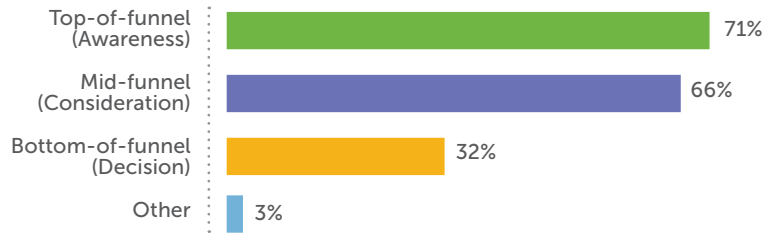
Last year the most effective type, according to the respondents, was online articles with 77%. That percentage is down to 69% just as printed articles have dropped from 63% to 50%. Video, on the other hand, is growing from 54% to 61%, and publishers see it as the second most effective type of native advertising.

Another interesting jump comes from promoted posts in Instagram, which went from 8% last year to 15% this year.

D. Native is top-of-funnel

As previously stated, native advertising is not so much seen as a bottom-of-funnel tool by publishers. Only 32% create content for this part of the buyer's journey, whereas 71% use it for top-of-funnel activities and 66% for the middle of the buyer's journey.

Which stage of the buyer's journey are you creating native advertising for?



This question was not included in last year's survey and, thus, we do not have any clear vision of how this is going. But there are many publishers — The New York Times being one of them — that are working systematically to create bottom-of-funnel content, as many advertisers for good reason have a strong focus on commercial outcome. It will be interesting to see if this statistic will change next year.

E. Native advertising adds value

Many advertisers and media agencies have tried to convince publishers that they should, in fact, be allowed to publish native advertising for free on the publisher's platform. They argue it is, after all, valuable and relevant content, and that it will add value for the audience.

So far publishers have been declining that generous offer from the brand side, and probably will continue to do so for financial reasons. As for the actual value of the commercial content to the audience, a very high and growing number of publishers do in fact believe that it does add value. This year, 84% of the respondents think native advertising adds value for their audience, up from 77% last year. Only 3% have the opposite opinion. ■

Native advertising: Opportunities and threats

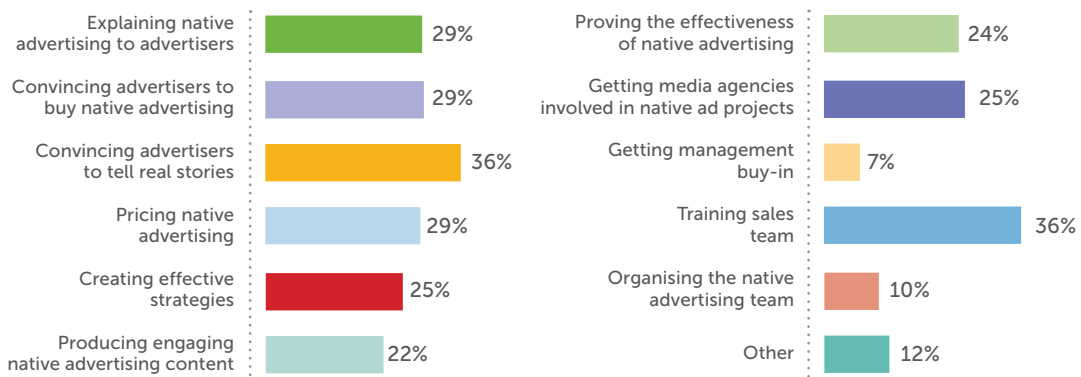
Done right, native advertising can be one of the biggest opportunities for publishers. Budgets are pouring into the industry, and advertisers seem very much in love with the format. If this enthusiasm is to transform into solid ongoing business in the long run, there are a great many problems and challenges that need to be dealt with.

A. Easier to tell real stories

It seems that publishers are experiencing fewer challenges in terms of native advertising. Last year the biggest challenge was explaining the discipline to advertisers, with 46% of publishers running into this issue. That percentage has dropped to 29% this year. Pricing native advertising was also a big problem last year, as 42% had that challenge, whereas this year only 29% are facing this challenge.

One challenge still on the radar is convincing advertisers to tell real stories, although

What is your biggest challenge regarding native advertising?



that, too, has seen a decline from 44% to 36%. Robert Heesen, head of BILD Brand Studio Consulting, is seeing that development and mentions their campaign, Allyouneedfresh for Deutsche Post DHL, which won a gold medal at the Native Advertising Awards in 2017.

CASE STUDY

How BILD brought online groceries to the Germans

By Alexander Højfeldt Lund, editor, Native Advertising Institute

When Germany's leading online supermarket, Allyouneedfresh, contacted BILD Brand Studio, it had three goals:

1. To increase the awareness of online supermarkets.
2. To build trust among Germans toward shopping for groceries online.
3. To show the advantages of buying milk, beef, and cucumbers on the Internet.

"They were searching for a way to inform people of the advantages of online grocery stores," says Robert Heesen, head of consulting, BILD Brand Studio.

"Compared to other countries, German online supermarkets were lagging behind, mainly due to prejudices such as [beliefs] that the groceries are not fresh enough, they are not being delivered on time, and so on. In 2016, online supermarkets in Germany only saw a 1.2% share of the overall German food retail market. That is a comparatively small market share. In Great Britain and France already, 5% of food sales were generated online in the same timespan."

When Allyouneedfresh (owned by Deutsche Post DHL) approached BILD Brand Studio in October 2016, the store was pretty sure it could not change people's minds through traditional brand advertising.

"From the beginning they said: 'We need to build a story around it and make it informing and entertaining,' explains Heesen. "They were searching for stories and were all in on native advertising."

The online grocery was aware that to scale its business, it could do traditional brand advertising, but only at the moment when customers had thrown their scepticism overboard.

CASE STUDY *(continued)*

“Through native advertising, they could broaden the market by making the concept of shopping for groceries online more familiar to people,” he says.

Four people at BILD Brand Studio were tasked with educating people, building trust, and providing information about the advantages of shopping for groceries online.

Individually tailored stories

Among the challenges for an online supermarket in Germany are the high density of brick-and-mortar markets as well as German consumers’ persistent scepticism about ordering perishable food online. In particular, German customers do not trust in the warehousing and delivery cycles of online supermarkets.

In the move toward removing these prejudices, BILD Brand Studio chose to focus on three target groups for the campaign:

- Those who run family households.
- Young women with an interest in lifestyle and physical fitness.
- Young men with an interest in technology and innovation.



Robert Heesen
BILD Brand Studio

CASE STUDY *(continued)*

"Allyouneedfresh had those target groups. Their typical customer is either a young mother or a tech-savvy urban man," Heesen says.

For each of the three target groups, BILD Brand Studio translated the client's goals into unique stories, developing an integrated campaign that was built on three of BILD's most successful platforms — BILD, Stylebook, and Techbook.

- On BILD.de, independent experts put the spotlight on seven myths regarding online grocery shopping.
- On stylebook.de, Germany's Instagram queen, Pamela Reif, revealed her fitness and food secrets.
- On techbook.de, experts presented trends of online grocery shopping in Germany.

"The three stories were ... individually tailored for the three individual platforms because we have different target groups on the different platforms," Heesen says. "But the focus was always on the added value: 'How can I be as fit as Pamela Reif?' for example.

"The multi-platform approach meant a lot more complexity because we had to write completely different stories. We had to find a trigger to get people into the story on the different platforms and on social media — which is 90% Facebook. We had to create headlines that also worked for social media. And we had to figure out how to define a story that was both interesting to the audience on the platform and also had relevance for the Alleyouneedfresh target groups."

Branding in a more subtle way

To drive sales, BILD Brand Studio developed re-targeting campaigns on BILD.de and stylebook.de. Each re-targeting campaign consisted of individually designed display ads that were promoted to brand story readers. Each ad referred to the content of the respective story.

"The main driver in converting brand users into new customers was the

CASE STUDY (continued)

re-targeting campaigns, where readers of the brand story would see a traditional banner ad, but always with a hook to the story," Heesen says.

During the campaign, BILD Brand Studio increased the brand awareness of Allyouneedfresh by 45% and managed to get a 100% higher conversion-rate of Web site visitors, who came to Allyouneedfresh.de after reading a brand story (compared to users from AdWords and standard display campaigns).

"The increase in brand awareness was actually relatively easy because the brand was not really that well known," Heesen explains. "But, of course, the users have to understand that it is a branded article and which brand was actually sponsoring the article. We did that in a more subtle way and presented Allyouneedfresh more as a partner in providing added value for the reader."

The image displays three examples of native advertising content from BILD Brand Studio for Allyouneedfresh. The first example is a 'TECHBOOK' article titled 'So we buy in the future!' featuring a group of people using mobile devices. The second example is a 'STYLEBOOK' article titled 'Blog-Star Pamela Reif verrät ihr Fit- und Food-Geheimnis' featuring a photo of Pamela Reif. The third example is an article titled 'The 7 biggest myths of the food trade' with a colorful illustration of food-related scenarios.

BILD Brand Studio increased the brand awareness of Allyouneedfresh by telling different stories to its three different target customers.

CASE STUDY *(continued)*

Three key takeaways from the BILD campaign:

1. Always have a look at the added value that you are supposed to bring to the target audience and tailor the stories to match the different platforms. The same article on three different platforms would not have had the same effect.
2. All the know-how publishers have from their editorial work should be used to drive traffic to the brand stories. BILD Brand Studio used teasers that looked like editorial teasers, which, of course, are labeled as advertising and have top positions on the home page.
3. Social media should play a major role in all campaigns. Many companies do not use Facebook wisely in the branded content setting.

Results

The campaign ran from November 1-28, 2016, on BILD.de and techbook.de. On stylebook.de, the campaign ended around Christmas the same year. The campaign resulted in 240,000 article views overall, and an average dwell time of 1:42 minutes.

The accompanying market research showed the following increases:

- 45% increase in brand awareness.
- 38% increased willingness to buy groceries at [Allyouneedfresh.de](#).
- 48% increased willingness to buy perishable food online.
- 48% increase in consumers that would consider a specific purchase at [Allyouneedfresh](#) post-campaign.

Allyouneedfresh's own Web site analysis during the campaign period showed:

- 100% higher conversion rate of Web site visitors who came to Allyouneedfresh.

CASE STUDY *(continued)*

de after reading a brand story (compared to users from the the company's AdWords/standard display campaigns).

- 25% higher average shopping basket by brand-story users compared to users from the AdWords/standard display campaigns.
- 23% higher re-purchase rate by brand-story users compared to users from the AdWords/standard display campaigns

And finally, today, BILD Brand Studio employs 12 people – twice as many as last year.

B. Long live video

When it comes to opportunities, the native advertising landscape has changed dramatically. Last year, there was nothing even close to written content, with 90% seeing that as a big opportunity. This year, however, that number is down to 73%. And we find an even steeper decline in layout, which drops from 54% to a mere 15%.

These two shifts make perfect sense when we look at video. This year, 64% see video

What are the biggest native advertising opportunities for your company?

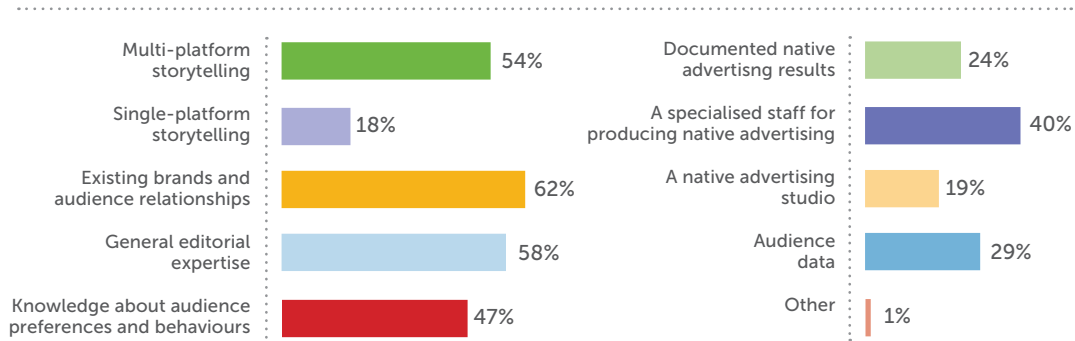
Written content	73%	Media buying on traditional media	
Video content	64%	platforms other than your own	15%
Multi-media storytelling	45%	Paid e-mail distribution	15%
Multi-platform storytelling	44%	Paid influencer distribution	12%
Audience data	35%	Paid search for content	12%
Strategy	33%	Artificial Intelligence	11%
Events and experience	28%	Online media (Advertising funded	
Research	24%	programs)	10%
Media buying on social media platforms		Virtual Reality	9%
other than your own	21%	Augmented Reality	7%
Content solutions on client's platforms	20%	Broadcast (Advertising funded programs)	5%
Infographics	18%	Other	1%
Layout	15%		

content as a big opportunity, up from 53% last year. It aligns very well with the overall development of video described earlier in the report, and there seems to be a clear shift away from the written word and toward more visual content.

C. Storytelling across platforms

For years, publishers have been experimenting with telling their stories on a wide range of platforms in ways that suit the particular platform. Now, the expertise gained from this work seems to be serving them well in delivering native-advertising solutions.

What are your greatest strengths when it comes to native advertising?



Whereas general editorial expertise was seen as the primary strength last year, that is down to 58% this year. Multi-platform storytelling capabilities, on the other hand, moved from 38% to 54%.

D. Fake news and ad blockers

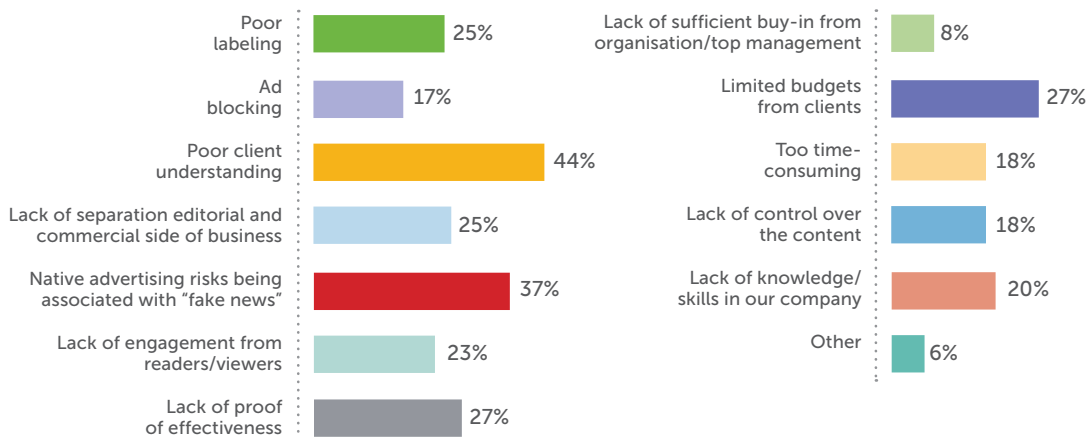
For this year's report, we have added a few more options in terms of the potential threats to native advertising. Poor client understanding is still No. 1, though this year with 44%, down from 55% last year.

At No. 2, we're seeing a newcomer, namely that native advertising risks being associated with fake news, which 37% of the publishers see as a threat to native advertising. And that threat is very real. Though it remains to be uncovered completely, there seem to be strong indications that Russian organisations were

in some way involved in fake news activities aimed at influencing the American presidential election. It is beyond doubt that fake and damaging news was indeed spread using different forms of native advertising, especially on Facebook.

Ad-blocking is also seen as a threat by the same 17% as last year. Interestingly, Dr. Laura Sophie Dornheim, head of communications at Eyeo, the company behind Adblock Plus, stated at the conference Native Advertising DAYS in Berlin, that native advertising and ad blockers are essentially after the same thing: enhancing the online experience of the users. This is also why, in general, Adblock Plus actually sees native advertising as "acceptable ads" that are allowed through the company's filter.

What do you consider the biggest threat to native advertising?



E. Fewer customer complaints

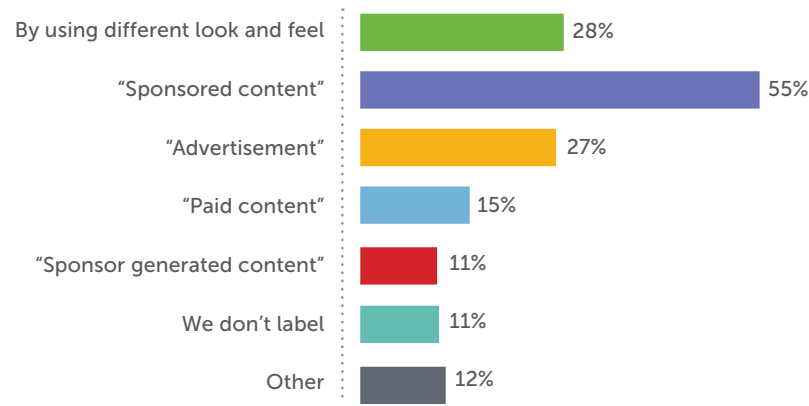
Native advertising is, without doubt, a radically new form of advertising, pushing the traditional boundaries between the editorial and commercial sides of the business. This leads to discontent among some groups of audiences, and consequently to customer complaints. Last year, 20% of publishers surveyed had complaints related to native advertising. This year the number is down to 15%.

There may be several reasons for this, but it is probably fair to assume that the audience is getting increasingly accustomed to the format, and that publishers are learning how to walk the fine line between catering to the commercial needs of the advertisers and the need of their audience for reliable, trustworthy journalism.

F. Publishers need to label native ads

Of all the new trends we can infer from this survey, the failure to label native ads is probably the most surprising and concerning. Fewer publishers seem to be labeling native advertising. Last year, 7% of the news media publishers didn't put any label on native ads; this year the percentage has increased to 11%. There seems to be a consensus that magazine publishers are more willing to blur the lines between editorial and advertising, but in fact, there is a decline in the percentage of magazines that don't label. With an average of 10% in 2017, they are actually more obedient to the rules and regulations than news media publishers.

How do you label native advertising?



Even if we gave the publishers the benefit of a very big statistical doubt, it is still a very serious situation that so many publishers are actively deceiving their audiences. Despite serious pressure on revenues, not-labeling is not the solution. It will alienate readers and eventually turn them against native advertising just as they have turned against intrusive display ads. ■

Conclusion

The overall conclusion is that native advertising has become an integrated and more accepted part of the business model for publishers. It is still an advertising method in its infancy, but it is already a thriving and dynamic one — where new offerings, new partnerships, and new opportunities are evolving quickly.

- **Native advertising is becoming more popular and important.** A staggering 93% of the publishers believe that native advertising is important or even very important to their companies, and 82% are positive toward native advertising. The popularity should come as no surprise, as budgets remain on a steep growth trajectory with native advertising's share of the overall advertising revenue, growing 63% in the last year alone.
- **Native advertising offerings are evolving.** Publishers are becoming better, and more sophisticated, at delivering native advertising on their own media properties. But they are also expanding the offerings to cover multiple platforms, many of which are not their own. In addition to this, they are moving well beyond the written word and focusing increasingly on video — probably not as a result of native advertising, but rather because it is what the audience is increasingly consuming and, subsequently, what the advertisers are asking for.
- **We can expect fierce competition between publishers and agencies.** Publishers are increasingly going after the production budgets. That will be seen as a challenge by both creative agencies that have traditionally been given those budgets, and by media agencies that have been acquiring and

building creative shops over the last couple of years. There are many examples of great collaboration between different agencies, but most of the time, the different counterparts are working together out of necessity, brought together by brands rather than genuine interest.

- **Problem with labeling.** As emphasised earlier, there are clouds on the horizon, one of which is the lagging labeling of native advertising, as 11% are not putting any label on it at all. Though we cannot prove it through the numbers in this survey, it is fair to assume that on top of the 11%, there are many more that do label, but not in a manner sufficiently clear for the audience to discover that the content is actually advertising. This practise must stop. ■