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Saving Media or Trading on Trust? The Effects of Native Advertising on Audience Perceptions of

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Abstract:	Extending research from Wojdyski and Evans (2016), this experimental study replicates the challenges of effectively disclosing native advertising to readers and demonstrates a promising inoculation method that increases likelihood of recognition. Moreover, this quantitative research indicates that both legacy and online news publishers were evaluated less favorably for displaying native advertising. Attitudes toward the publisher and perceptions of its credibility declined for both, although online publishers suffered greater attitudinal damage than did legacy publishers who may benefit from their established reputation.

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SAVING MEDIA OR TRADING ON TRUST?

The effects of native advertising on audience perceptions of legacy and online news publishers

Michelle A. Amazeen and Ashley R. Muddiman

Extending research from Wojdyski and Evans, this experimental study replicates the challenges of effectively disclosing native advertising to readers and demonstrates a promising inoculation method that increases likelihood of recognition. Moreover, this quantitative research indicates that both legacy and online news publishers were evaluated less favorably for displaying native advertising. Attitudes toward the publisher and perceptions of its credibility declined for both, although online publishers suffered greater attitudinal damage than did legacy publishers who may benefit from their established reputation.

KEYWORDS framing; journalism; media effects; native advertising; persuasion; source credibility

Introduction

As advertising and subscriber revenues continue to plummet (Cillizza 2015; McChesney and Pickard 2011), legacy publishers are looking for ways to fund the costs of producing the content in their publications. With the technological revolution of digital media, a controversial practice is drawing increasing attention: the notion of “native advertising.” Native advertising refers to the practice of creating ads that mimic, or appear “native” to, the platform on which they appear. These messages adopt the same format, font and tone as a traditional piece of journalism or user-generated post, often looking nearly identical to the content created by the platform publisher (Austin and Newman 2015; Conill 2016; Einstein 2016; Sonderman and Tran, 2013). The Interactive Advertising Bureau (IAB) defines native advertising as “paid ads that are so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the viewer simply feels that they belong” (IAB 2013, 3). It is variously referred to with different types of disclosures such as sponsored content, branded content, or promoted content. This inconsistent labeling of native advertising complicates an audience member’s ability to identify the type of content he or she is consuming (Austin and Newman 2015; Conill 2016; Einstein 2016; Sonderman and Tran, 2013; Wojdyski and Evans 2015). Not only are there various pseudonyms for native ads, the IAB identifies six different forms of native including in-feed units, paid search units, recommendation widgets, promoted listings, in-ad with native elements, and custom (IAB 2013; see Conill 2016 or Einstein 2016 for overviews). This study focuses on customized native advertising: specially produced content by a publisher to look like online news articles.

The use of native advertising has become an ongoing topic of debate in advertising and journalism circles. Proponents of native advertising claim that beyond benefitting advertisers, it represents a promising stream of premium revenue for publishers to replace the income lost by

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3 declining subscriptions and the lower cost per thousand ad rates inherent in online advertising
4 (Carlson 2015; Howe 2015; Sonderman and Tran 2013). Whereas media scarcity once allowed
5 legacy publishers to thrive when audiences were hard to reach, in an era of media abundance,
6 online publishers must now persuade audiences to return and stay. Native purportedly facilitates
7 this effort because readers may find it beneficial and can respond positively to it (Austin and
8 Newman 2015; Carlson 2015; Egan 2016). While some evidence demonstrates native advertising
9 is more engaging than traditional display or banner advertising (Sterling 2015; Tutaj and van
10 Reijmersdal 2012), it becomes controversial when the message closely resembles editorial
11 content and is not clearly labeled or understood by readers to be advertising, thereby violating
12 the journalistic norm of transparency (Conill 2016; Einstein 2016; Kovach and Rosenstiel 2001;
13 Sonderman and Tran 2013). Moreover, critics argue that proponents are generally citing
14 industry-sponsored studies (Garfield 2016) and that the values and interests of advertisers
15 ultimately clash with those of journalistic publishers (An and Bergan 2007; DeLorme and Fedler
16 2005). Consequently, the use of native advertising raises important ethical and normative
17 questions about whose interests are being served by a practice that blurs the line between
18 journalism and advertising.
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21 While native advertising is not new, the emergence of digital media has offered new
22 territory in which it proliferates. Nearly three out of four online publishers in the U.S. now offer
23 native advertising opportunities (Gilley 2013). Although the U.S. leads in expenditures on native
24 ads, the practice is gaining global momentum with significant spending occurring worldwide,
25 particularly in China, Japan and the U.K. (AdYouLike 2015). Regardless of location, as legacy
26 publishers try to keep pace with their digital-only competitors, their heritage may present both
27 advantages and disadvantages. On one hand, many traditional publishers have built up brand
28 reputations over the years providing their journalism a great deal of credibility and authority. On
29 the other hand, with these reputations comes increased risk when adaptations are made to
30 journalistic conventions. Thus, when newspapers such as the New York Times and the Guardian,
31 or magazines like The Atlantic and Forbes, offer sponsored content to their readers, what impact
32 will this have on their own publishing reputations? This debate over the implications of blurring
33 editorial and commercial interests has been explored theoretically (c.f. Baerug and Harro
34 2012; Carlson 2015; Coddington 2015). As called for by Einstein (2016) and others, this study
35 offers empirical evidence to contribute to the growing interest on this topic in the academic
36 literature, particularly as it relates to legacy news publishers.
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39 This paper attempts to capture a novel format of the long standing coexistence between
40 news media and the advertising industry. The goal of this study is to empirically examine the
41 possible effects of using native advertising in legacy and online news media from the perspective
42 of readers. The paper first addresses the practice of advertising within the context of the
43 consumer persuasion knowledge model (PKM) and framing theory. It then considers how
44 publisher credibility may interact with native advertising recognition and consumer evaluations.
45 An experimental study provides empirical evidence of the effects of native ads on consumer
46 attitudes and perceived credibility of messages and publishers. Extending recent research from
47 Wojdyski and Evans (2016), we replicate the challenges of effectively disclosing native
48 advertising and demonstrate a promising inoculation method that increases likelihood of
49 recognition. Moreover, our research suggests that the reputational characteristic of a publisher
50 influences advertising recognition, which subsequently affects consumer behavior and
51 evaluations of publishers.
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Literature Review and Theoretical Development

Since the early 20th century, advertising was an integral part of American newspapers, providing nearly half of annual revenues. By the 1950s, advertising's contributions to the bottom line had risen to at least 2/3 of publisher revenues. With the growing presence of advertising, publishers and journalists became increasingly aware of the potential influences advertising could exert over their publications (DeLorme and Fedler 2005). In particular, journalists and editors were concerned with maintaining the editorial integrity of their publications when faced with advertisers who demanded favorable coverage or attempted to suppress unfavorable articles (An and Bergen 2007; Baerug and HarroLoit 2012; DeLorme and Fedler 2005). To preserve the editorial independence of journalists from the business side of running a publication, a proverbial "wall" was established separating these competing interests (Coddington 2015; Conill 2016; Kovach and Rosenstiel 2001). Journalists were encouraged to remain independent in their reporting by ignoring pressures to appease advertiser demands (Coddington 2015; DeLorme and Fedler 2005). Although journalists generally agreed that this boundary should exist in theory, today many are questioning what Coddington (2015) referred to as an "anachronistic relic of a time when the news industry's survival wasn't threatened" (p. 68). Indeed, as circulations have declined and readers have turned to ad avoidance and ad blocking software, publishers have been keen to find new sources of revenue (Austin and Newman 2015; Johnson 2013). With this search, the language of newsroom leaders has increasingly come to dispute the need for the church-state division and defends the use of advertising as content that no longer has to erode consumer trust (Conill 2016), despite years of evidence to the contrary.

Numerous studies have documented the less than favorable attitudes consumers have toward advertising (Calfee and Ringold 1994; Gao Zhang and Li 2014; Larkin 1997; Mittal 1994; Pollay and Mittal 1993; Shavitt Lowrey and Haefner 1998). Recent polls indicate that three out of four people believe advertisements contain exaggerated claims (White 2013) while only one in ten people trust advertisers to do what is right most of the time or always (Madden 2014). Indeed, practitioners of advertising consistently have been near the bottom of Gallup's annual list of professional honesty and ethics in the U.S. (just above car sales people and members of Congress) since the question was first asked in 1976 (Gallup 2014). With the fragmentation of media and the use of new technologies, advertising has become even more intrusive and has raised new concerns involving consumer annoyance and privacy (Austin and Newman 2015; Einstein 2016; Palmer 2005; Turov 2012).

Persuasion Knowledge Model

Many people have negative attitudes toward advertising because it is generally understood as a means of persuasion. According to the consumer persuasion knowledge model (PKM), the general public has a fairly clear understanding of the persuasive tactics employed by advertising (Friestad and Wright 1994) and will use various strategies to resist or avoid advertising (Fransen Verlegh Kirmani and Smit 2015; Friestad and Wright 1994). The PKM suggests that in order for an individual to decide how to react to a persuasion attempt, he or she must observe that a persuasive attempt is taking place. One's motivation to react to a persuasive attempt can be deterred by difficulties in identifying the agent or company responsible for the message (Friestad and Wright 1994; Shrum Liu Nespoli and Lowrey 2012). Indeed, the findings of recent studies demonstrating neutral and even positive effects of native advertising were

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3 attributed to most participants not recognizing that they were viewing advertising (Howe and
4 Teufel 2014; Tutaj and van Reijmersdal 2012; Wojdyski and Evans 2016).

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6 Native advertising has emerged as a tactic to avoid the unfavorable attitudes associated
7 with traditional, interruptive advertising yet still be able to transmit a persuasive message to an
8 audience (Austin and Newman 2015; Conill 2016; Einstein 2016; Sonderman and Tran 2013).
9 According to framing theory, the way in which content is presented can influence how people
10 interpret it (Goffman 1974). To “frame” something is a metaphorical reference to the boundaries
11 surrounding the context within which information is presented. Some attributes in a
12 communicating text are made more salient than others (Entman 1994). In the case of native
13 advertising, the source of the content is minimized while its consistency with the editorial
14 surroundings is critical. Because the practice of native advertising blurs the frames surrounding
15 what appears to be editorial and what is promotional content, readers are less likely to recognize
16 that they are being exposed to advertising (Carlson 2015; Conill 2016; Howe and Teufel 2014;
17 Sonderman and Tran 2013). Even when efforts are made to be transparent, research has shown
18 that people often do not notice paid advertising labels whether in print or online environments
19 (Cameron 1994; Gilley 2013; Kim et al. 2001; Wojdyski and Evans 2016). Furthermore, even
20 when labels such as “sponsored content” are clearly applied, a majority of people do not
21 understand what the word “sponsored” is supposed to mean (Gilley 2013). For instance, in a
22 study using the most recognizable language for advertising disclosure, “sponsored content,”
23 fewer than 1 in 5 participants understood that the article they read was paid advertising
24 (Wojdyski and Evans 2016). Thus, we expect attitudes toward a message will be influenced by
25 how its framing is perceived.
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31 H1a-b: Content presented as a news article will elicit (a) more favorable attitudes
32 and (b) greater credibility than the same content labeled as native advertising.

33 H2a-b: Content presented as a news article will elicit (a) more favorable attitudes
34 and (b) greater credibility than the same content labeled and perceived as native
35 advertising.
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37 Source Credibility and Attribution

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40 Similar to advertorials¹ of the print era, part of the appeal of native advertising for
41 advertisers is the perceived credibility of publishers by their audiences (Salmon Reid
42 Pokrywczski and Willett 1985; Sonderman and Tran 2013). Indeed, consumers are more likely to
43 read editorial content than advertising content (Elliott 1984; Simon 1986). Generally, editorial
44 material is perceived as more credible than commercial messages because, unlike presumably
45 unbiased news, consumers understand that advertisers are trying to sell something and will
46 therefore only provide positive information (Batinic and Appel 2013; Friestad and Wright 1994;
47 van Reijmersdal Neijens and Smit 2005; 2010). Furthermore, when source credibility is
48 perceived as high, consumers are less likely to counterargue and therefore more likely to be
49 persuaded than when source credibility is low (Grewal Gotlieb and Marmorstein 1994).
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52 The credibility of a source is comprised of multiple dimensions that include believability,
53 perceived expertise, trustworthiness and bias (Birnbaum and Stegner 1979; Friestad and Wright
54 1994; Hovland and Weiss 1951; Meyer 1988). Sources rated higher in expertise are more likely
55 to induce changes in attitudes compared to low expertise sources (Hovland and Weiss 1951;
56 Millburn 1991). Lower credibility sources are less persuasive (Greenburg and Miller 1966).
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Moreover, credibility is lowered for sources perceived as offering biased content or for offering content for an ulterior motive other than informative (Haas 1981). Compared to nascent digital only news organizations, legacy publishers have built up brand reputations over the years often providing their journalism a great deal of credibility and authority (Greer 2003). Indeed, the same article published by a high credibility source was evaluated more favorably than when published by a low credibility source (Go Jung and Wu 2014). Past research also indicates that banner ads for lower involvement products are affected by the reputation of the site on which the ad appears. Banner advertising was more persuasive when on a high credibility site than when on a low credibility site (Shamdasani Stanaland and Tan 2001). It is expected, then, that the credibility of a publisher will enhance the persuasiveness of a native ad.

H3: Native ads appearing on a news site with greater levels of publisher credibility will be more persuasive than native ads appearing on a site with lower levels of publisher credibility.

While the credibility of a publisher may affect the persuasiveness of a native ad, there may also be a reverse effect whereby recognition of a native ad influences the reputation of a publisher that hosts promotional material mimicking its editorial content. The PKM indicates that consumers attempt to understand the strategic behavior involved in the presentation of a persuasive message including how and why it was delivered (Friestad and Wright 1994). This understanding can be moderated by the perception of whether the reasons for a behavior are internally or externally attributable (Thibaut and Riecken 1985). For example, some people may interpret the use of native advertising as self-serving (internal attribution), while others may recognize the use of native ads as related to economic challenges in the news industry (external attribution). Moreover, the perceived status of a source has been shown to affect evaluations as a consequence of expected compliance with a behavior. Noncompliance with expectations leads to lower evaluations. The lowered evaluations, however, were shown to attenuate with lower status sources whose behavior was attributed to external factors beyond their control (Thibaut and Riecken 1985).

While message credibility has been shown to decline when the promotional nature of its content increases (Cole and Greer 2013), little research has been conducted to measure consumer perceptions of the publisher's credibility when sponsored content is recognized. One study demonstrated that reader attitudes toward a magazine were lower when it was published by a commercial brand rather than a neutral publisher (van Reijmersdal et al. 2010).² Another study showed no effects on the credibility of a generic news website among those exposed to a native display ad (Howe and Teufel 2014).³ Conversely, a study on the credibility of websites found that what was most detrimental were ads that were indistinguishable from the site's content (Fogg et al. 2002). Thus, although research exists on perceptions of content marketing credibility, no studies have been found addressing how recognition of native advertising affects consumer perceptions of legacy publishers. Therefore, the following research questions are posed:

- RQ1: Does recognition of native advertising influence the credibility of the publisher?
RQ2: Does recognition of native advertising affect reader perceptions of publisher credibility differently for legacy media versus a digital startup?

Media Literacy and Inoculation

Media literacy is the ability to think critically about the content one is consuming. More specifically, representational media literacy refers to one's ability to identify an agent or author's purpose, who the intended audience is, the presence of and type of bias, as well as point of view (Hobbs 2013). Similarly, how consumers perceive marketers and products is based upon their ability to perform schema-like functions such as guiding their attention, making inferences, generating predictions and evaluating the goal-seeking behaviors of a persuasion agent. These skills are not stagnant, but develop and mature over time (Friestad and Wright 1994).

Because an inherent characteristic of native advertising is its ability to blend in with other content on a site, consumers may not recognize it as a form of persuasion and therefore may misattribute a publisher's intent for providing the material, particularly when the native ad is in editorial format (Baerug and HarroLoit 2012). Thus, this study also seeks to test the theory of inoculation as a strategy to prepare audiences about native advertising content. According to inoculation theory, people who are forewarned about a persuasive message attempt are better able to resist the persuasion (McGuire 1961). For instance, college students who were forewarned about credit card marketing practices and the hazards of debt were more resistant to credit card solicitations than those who were not forewarned (Compton and Pfau 2004). Furthermore, in a study specifically about native advertising, participants primed about the presence of a native ad were more likely to recognize it and more likely to perceive its persuasive intent (Wu et al. 2016). Thus, it is expected that people who are alerted to the practices of native advertising will be more likely to recognize and interpret it when exposed.

H4: People inoculated by a forewarning of native ad content are more likely to recognize native advertising when exposed than people who are not forewarned.

H5a-b: People inoculated by a forewarning of native ad content are (a) more likely to perceive the persuasive intent, and (b) less likely to be persuaded by native advertising than people who are not forewarned.

Method

We tested our hypotheses using an online experiment administered via the Qualtrics online survey platform in March 2016 among participants recruited from Amazon's Mechanical Turk (MTurk) population.⁴ Among the 443 respondents who completed the survey, 55% were male, 73% identified as Caucasian, 40% had a Bachelor's degree while another 38% had at least some college or an associate's degree, and the average respondent age was 35 years. The survey took an average of 11 minutes to complete.

The study consisted of a 2 (source: legacy publisher vs. fictitious digital startup) x 3 (content: unbranded article, forewarned branded/native article, not forewarned branded/native article) experimental design with an offset control group (see Table 1). After obtaining informed consent, a series of branching questions sorted all participants, including Independents, into being either closer to the Democratic or Republican parties. Respondents were then randomly assigned to one of the 6 experimental groups or the control group.

Insert Table 1 about here

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One manipulation in the study was the source of the content. Anyone not assigned to the control group saw a static webpage with a news article.⁵ Those assigned to the legacy publisher source conditions saw a news article from either the New York Times or the Wall Street Journal. To avoid hostile reactions to a perceived partisan news source (Vallone Ross and Lepper 1985), self-reported Democrats (or Democratic-leaning) were exposed to the New York Times, and self-reported Republicans (or Republican-leaning) were exposed to the Wall Street Journal. Respondents assigned to the digital source conditions saw a news article from the fictitious digital news organization, UpdateNews.com.⁶ A fictitious news source was utilized to emulate the hundreds of sites that have been created on the Internet that appear to be journalistic in nature but which readers may not be familiar with particularly if they are accessing news via social media where even fake news sites can be amplified (van den Bosch Bogers and de Kunder 2016; Silverman 2016).

The other manipulation in the study involved the type of content to which participants were exposed. Although there are many different forms of native advertising (Conill 2016; Einstein 2016; IAB 2013), this study implemented the customized format because of its controversial resemblance to editorial articles (Einstein 2016; Sonderman and Tran 2013). Depending upon the content condition assignment, participants saw one of two articles that were identical except for the advertiser branding and authorship. Participants in the no branding conditions saw an article devoid of any branding with a traditional reporter byline. Participants in the branded conditions were exposed to an article in its branded native advertising format with the authored byline replaced with a “Sponsored Content” label. The branded article was an actual native ad from the Guardian titled, “Ben & Jerry’s Turn Ice Cream into Energy” (420 words) whereas the unbranded version had the altered headline, “Turning Ice Cream into Energy” (407 words).⁷ Before being exposed to the article, roughly half of the participants who were assigned to the branded article conditions were first forewarned that the content they were about to view was funded by a source other than the publisher, defined as “sponsored content” (see Figure 1).

Exposure to the article stimulus was followed by a brief distractor task, after which all participants (except those in the control condition) answered questions regarding their purchase intent, and attitudes toward and perceived credibility of the message and publisher. Understanding of persuasive attempts of the article and publisher was also measured using persuasion knowledge metrics. Participants then completed demographic measures before being debriefed and thanked for their participation.

Insert Figure 1 about here

Measures

Participant ability to discern advertising content from editorial content – or, advertising recognition – was measured by asking respondents whether there was any advertising on the news webpage they saw. Participants in the branded article conditions were significantly more likely to report seeing advertising (34%) than were those in the unbranded article conditions (21%) [$\chi^2(1, n = 375) = 6.88, p < .01$]. Following Tutaj and van Reijmersdal (2012), respondents who reported affirmatively were asked an open-ended question eliciting what made them think there was advertising. Responses were coded as 1 if they mentioned the “sponsored content” disclosure (18%) or 0 if they did not mention the disclosure (82%). Since only 10 participants met this “narrow” definition of advertising recognition, we also calculated a “broad” definition of advertising recognition. Broad recognition of advertising (60%) also included those who

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3 claimed the article was an ad because of cues such as the tone of the article, repeated mention of
4 the sponsor's name, or a link to the sponsor's website at the bottom of the article where readers
5 could get more information. Participant advertising recognition was used as an independent
6 variable throughout the analysis.
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8 Various dependent measures were used to measure the effects of native advertising. An
9 ad's persuasiveness was measured via purchase intent which was operationalized by asking
10 participants how likely they would be to purchase a product from the company featured in the
11 article they read. This was assessed using a 7-point Likert-type scale ranging from 1 = extremely
12 likely to 7 = extremely unlikely ($M = 2.80$, $SD = 1.68$). Attitudes toward the article and publisher
13 were measured using a series of 7-point semantic differential scales that included
14 unappealing/appealing, good/bad, unpleasant/pleasant, favorable/unfavorable, and
15 unlikeable/likeable. After reverse coding to match word polarity, the five items were combined
16 to form index measures of attitudes toward the article ($M = 5.77$, $SD = 1.20$; $\alpha = .64$), attitudes
17 toward the brand ($M = 5.65$, $SD = 1.05$; $\alpha = .64$), and attitudes toward the publisher ($M = 5.04$,
18 $SD = 1.22$; $\alpha = .66$). Credibility of the article and publisher were measured using a series of 7
19 point Likert scales on the attributes of honesty, trustworthiness, conviction, bias and credibility
20 where 1 = strongly disagree and 7 = strongly agree. After reverse coding to achieve word
21 polarity, the five items were combined to form index measures of article credibility ($M = 4.66$,
22 $SD = 1.25$; $\alpha = .85$), brand credibility ($M = 5.20$, $SD = 1.10$; $\alpha = .80$), and publisher credibility
23 ($M = 4.74$, $SD = 1.17$; $\alpha = .84$).
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27 Perceptions of persuasive intent were operationalized by assessing a participant's level of
28 persuasion knowledge (PK) about the article (Rozendaal, Buijzen, and Valkenburg 2010). This
29 was measured using six 7-point Likert items where 1 = strongly disagree and 7 = strongly agree.
30 Two items referred to article selling intent (e.g. "The article encourages readers to buy a
31 product"), two items involved article persuasive intent (e.g. "The article encourages readers to
32 think favorably about a specific company"), and two items were about the informational content
33 of the article. The six items were subjected to a principal component analysis with varimax
34 rotation. Two components had eigenvalues over Kaiser's criterion of 1 (Field, 2001) and in
35 combination explained 61% of the variance. One component represents selling intent and the
36 other represents persuasive intent. Following Wojdyski and Evans (2016), four items ($\alpha = .70$)
37 were averaged to form a single measurement of article persuasive and selling intent ($M = 4.71$,
38 $SD = 1.14$). Similarly, publisher PK was measured using four 7-point Likert items. Two items
39 referred to publisher selling intent (e.g. "The publisher is encouraging readers to buy a product")
40 and two items involved publisher persuasive intent (e.g. "The publisher is encouraging readers to
41 think favorably about a specific company"). The four items ($\alpha = .70$) were averaged to form a
42 single measurement of publisher persuasive and selling intent ($M = 4.48$, $SD = 1.28$). Since the
43 article and publisher measures of PK were significantly correlated ($r^2 = .66$, $p < .01$), the eight
44 items of article and publisher persuasion knowledge were averaged to form a single measure of
45 PK persuasive and selling intent ($\alpha = .84$, $M = 4.50$, $SD = 1.11$).
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51 Manipulation Checks

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53 Manipulation checks measured participant's article content understanding and source
54 recognition. The checks included measurement of article content recall and source recall. Article
55 content recall was measured using a nominal scale. Among those who saw a branded article,
56 100% were correctly able to identify the company as Ben & Jerry's. Among those who saw an
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unbranded article, 100% were correctly able to identify that the article was about no specific company. To measure source recall, participants were asked to identify which of five news organizations published the article they were shown. Among those in the digital condition, 35% correctly identified UpdateNews.com as the publisher. Another 35% incorrectly identified NewsToday.com as the publisher. While a majority of participants did not accurately recall the correct source in the startup condition, 70% did recognize the source as a digital publisher rather than a legacy publisher. Among participants in the legacy media condition, 51% correctly identified the New York Times (versus 22% incorrectly identifying NewsToday.com) and 42% correctly identified the Wall Street Journal (versus 25% incorrectly identifying NewsToday.com) as the publisher. Again, while not a majority, the largest plurality of respondents was able to correctly identify the source in the legacy conditions.

Results

The first two hypotheses predicted that content presented as a news article would be evaluated more favorably and more credibly than content labeled as native advertising (H1) or content perceived as native advertising (H2). These hypotheses were tested using multiple independent sample t-tests. Recognition of native advertising (i.e. perception) had a significantly negative effect on attitudes toward the content [$t(145) = 3.12, p < .01$] and perceived credibility of the content [$t(145) = 4.4, p < .0001$] when compared to content presented as a news article. Content labeled but not necessarily recognized as native advertising was not perceived differently than content labeled as a news article. Thus, H1a and H2a were not supported, but H2b and H2c were supported.

H3 examined whether publisher reputation moderates the effects of native advertising persuasion. Specifically, it predicted that native advertising on a news site with greater publisher credibility would be more persuasive than native advertising on a news site with lower credibility. No significant differences were found between the levels of purchase intent when comparing a native ad exhibited on a legacy versus digital-only site ($t = 1.44, p = n.s.$). Thus, there is no support for H3.

Our research questions explored whether (RQ1) advertising recognition influences credibility of the publisher, and (RQ2) whether recognition of native advertising affects reader perceptions of publisher credibility differently for legacy media versus digital media. A χ^2 test [$\chi^2(1, n = 100) = 7.34, p < .01$] indicated that people in the digital conditions were more likely (67%) to broadly recognize advertising than those in the legacy conditions (41%). In turn, native advertising recognition had a negative effect on attitudes toward both legacy [$t(75) = 1.65, p \leq .10$] and digital publishers [$t(66) = 5.34, p < .0001$] when compared to content labeled as a news article (see Figure 2). Moreover, narrow recognition of native advertising hurt attitudes toward digital publishers more than legacy publishers [$t(17) = 2.44, p < .05$]. In the context of affecting the credibility of a publisher, the results were directionally similar. However, the only relationship that was statistically significant was the decline in credibility of digital publishers between those who saw content labeled as a news article ($M = 4.08, SD = 0.88$) and those who narrowly recognized the content as native advertising ($M = 3.53, SD = 1.62$) [$t(64) = 3.61, p < .001$]. These results suggest digital publishers suffer more reputational damage from native advertising than do legacy publishers.

Insert Figure 2 about here

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4 H4 predicted that inoculation would influence the effects of native advertising on
5 recognition. Overall, only 23% of respondents correctly identified the native advertising article
6 as sponsored content. A χ^2 test [$\chi^2(1, n = 248) = 5.04, p < .05$] indicated that forewarned
7 participants (inoculated) were more likely to believe there was advertising on the news page they
8 viewed (40%) compared to those who were not forewarned (25%). However, those that believed
9 they were exposed to advertising were not always accurate in their explanations. For example,
10 some thought they saw banner ads at the top of the article or in a sidebar (neither of which
11 existed). Others were unable to specify why they thought they saw advertising. Forewarned
12 participants were directionally, but not significantly, more likely to (narrowly) recognize the
13 sponsored content label (27%) compared to those who were not forewarned (17%) [$\chi^2(1, n = 82)$
14 = 1.12, $p = n.s.$]. Using the broader definition of native advertising recognition, 60% of
15 respondents considered the article to be an advertisement and yielded marginally significant
16 results. Those who were forewarned were more likely (65%) to recognize native advertising
17 (defined broadly) than were those who were not forewarned (50%) [$\chi^2(1, n = 82) = 1.87, p < .10,$
18 one-tailed]. Thus, results suggest directional support for H4.

21 H5a**b** predicted that inoculation would influence the effects of native advertising on
22 persuasion. Specifically, it was expected that forewarned people would be (a) more likely to
23 perceive the persuasive intent of a message in terms of PK, and (b) less likely to be persuaded by
24 native advertising in terms of purchase intent compared to people who were not forewarned.
25 Inoculation did not have an effect on PK [$t(70) = 0.00, p = n.s.$] or on purchase intent [$t(70) =$
26 0.34, $p = n.s.$]. Even when comparing participants who were successfully inoculated based upon
27 a broad definition of advertising recognition, there were no differences compared to participants
28 who were not inoculated who did not broadly recognize advertising. Thus, the results do not
29 support H5a**b**.

32 Discussion

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35 The results of this study have implications for the news industry, FTC policy, and for
36 advertisers. First, this study expands the “uneasy relationship” Carlson (2015, 851) observed
37 between advertisers and journalistic publishers surrounding the use of native advertising to also
38 include audiences. That is, publishers need to consider carefully whether the seeming benefits of
39 native advertising – near term revenue – are worth jeopardizing their relationships with readers
40 by the potential loss of favorable evaluations and credibility among audiences that this study
41 indicates. Second, consistent with Wojdyski and Evans (2016), we find that simply labeling
42 native advertising is not sufficient for fostering recognition among readers. This study extends
43 their research by testing an intervention, an interruptive message that successfully forewarned
44 readers about the use of sponsored content by publishers. Last, the theoretical contributions of
45 our research demonstrate that characteristics of publishers influence both advertising recognition
46 as well as the role advertising recognition plays on consumer behavior and evaluations. These
47 findings may affect where advertisers choose to place native advertising but also whether certain
48 types of publishers want to accept native advertising on their sites – decisions that may be
49 incompatible.

50 The ability of consumers to recognize native advertising has been a concern of the FTC
51 (FTC 2015). As such, its guidance to advertisers is to employ clear and prominent disclosures
52 when the commercial nature of content is uncertain to a consumer acting reasonably in the
53 circumstances.⁸ Only 17% of participants in our study correctly identified material labeled
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3 “sponsored content” – the most recognizable language according to Wojdyski and Evans (2016)
4 – as advertising. However, consistent with inoculation theory, we find suggestive support that an
5 interruptive message forewarning readers about the use of sponsored content by publishers
6 directionally, but not significantly, increased recognition to 27%. Using a broader definition of
7 advertising recognition also demonstrated that inoculating readers with an interruptive
8 intervention marginally increased recognition from 50% to 65%. Thus, advertisers, publishers
9 and policymakers now have a choice in alternate interventions that can be effectively used to
10 increase consumer understanding of the commercial nature of content. Besides using the
11 “sponsored content” label (rather than language that is ambiguous to consumers), native
12 advertising that mimics journalism can employ middle-positioned (within-content) disclosures
13 (Wojdyski and Evans 2016) or an interruptive forewarning to alert readers about the nature of
14 the content. With the innovations of pop-ups and interstitials, the technological infrastructure
15 exists to employ the interruptive intervention. Although this proposition may be counter to the
16 intended obscurity of native advertising disclosures, it has precedence. Facebook is reportedly
17 considering using pop-up technology to alert its readers to fake news articles that have been
18 disputed by fact-checkers (Isaac 2016). At a point in time when media trust is at its lowest in
19 recorded history (Swift 2016), some media publishers may finally be confronting the moral
20 obligations and ethical standards of their industry even if it goes against their financial interests. □

21
22 This study also extends knowledge on the practice of native advertising by better
23 understanding how it interacts with and affects publishers. Although no differences in purchase
24 intent were noted between when native ads were present on legacy versus digital sites, people
25 were more likely to recognize native advertising when it was on a digital site. It may be that the
26 absence of reputational cues from a fictitious site made participants more aware of explicit
27 disclosures. Furthermore, both legacy and digital publishers were evaluated less favorably by
28 participants when native advertising was recognized. Attitudes toward the publisher and
29 perceptions of its credibility declined for both, although digital publishers suffered greater
30 attitudinal damage than did legacy publishers who may benefit from their established reputation.

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32 The implications of these findings appear to be conflicting for advertisers and journalistic
33 publishers. It is in the interest of advertisers to place native ads on legacy media sites because
34 they are less likely to be recognized as advertising. However, by accepting native advertising,
35 both types of publishers harm their reputations, although digital-only publishers are at greater
36 risk of reputational damage than are legacy publishers. What this study is unable to answer is
37 how perceptions of publishers may change across time and with varying amounts of native
38 advertising content. These are acknowledged limitations of the present study, but issues that
39 could be addressed by future research.

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41 The projected growth of native advertising (Adyoulike 2015) suggests either a lack of
42 awareness among publishers of the negative effects of native advertising on audience attitudes
43 and perceived credibility of publishers or a rejection of the normative principles enshrined by the
44 church/state wall as observed by Carlson (2015), Coddington (2016), Conill (2016) and others.
45 Best practices for ensuring editorial independence involve maintaining editorial control without
46 relinquishing responsibilities to funders of content – regardless of who those funders are (API
47 2017; DeLorme and Fedler 2005; Kovach and Rosenstiel 2001). Nonetheless, a growing number
48 of publications are enlisting editorial staff in creating native advertising, in some cases
49 contractually stipulating this as an obligation of writers (Bilton 2014). This includes legacy
50 publishers such as Conde Nast (with publications like *The New Yorker* and *Vanity Fair*) and
51 Time Inc. (People, Sports Illustrated, Time) in the hard-news business space where the church

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3 state wall should presumably be strongest (Moses 2015). News organizations should also be
4 transparent about who funded the content not only from a journalistic integrity standpoint, but
5 also because journalism demands transparency from other institutions (API 2017).
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7 Publishers can't have it both ways – obscuring the transparency of commercial content in
8 their publications, yet demanding transparency from those they hold to account in their reporting.
9 Although creating content confusion is not a new practice (Baerug and HarroLoit 2012;
10 DeLorme and Fedler 2005; Einstein 2016), this growing willingness to blur the boundaries
11 (Conill 2016) has established the conditions ripe for the proliferation of other content providers
12 who wish to operate in an environment of opaqueness: fake news purveyors. Thus, as Pickard
13 (2017) observes, “digital journalism’s increasing reliance on exposing readers to invasive and
14 deceptive advertising” is a problem and makes it much harder for journalists to call out practices
15 that fund their profession.
16

17 As with any research effort, some caveats must be noted. While the native advertising
18 stimuli used in this study were pretested for enjoyment and interest, it is possible that the
19 findings may vary if a different company was the focus of the ad. Given the furious criticisms
20 drawn by the Atlantic for its Church of Scientology native advertisement (Carlson 2015), the
21 type of client may, indeed, have an interaction effect with the publisher type, as demonstrated by
22 Wu and colleagues (2016). As native advertising is increasingly adopted by health
23 communication advocates and even for political advocacy, it will be important to test whether
24 these findings generalize to other types of companies and causes. Furthermore, article-based
25 content is but one of many variations on the types of native advertising currently being
26 employed. Thus, these findings are likely less applicable in cases where an advertisement is not
27 emulating journalistic content. It is also important to note that these findings are based upon one
28 of two legacy publishers and a fictitious digital publisher. The data indicating reputation damage
29 may be overdetermined by the lower source credibility condition publisher being unknown to
30 respondents. The results may differ if comparisons were made to a familiar digital-only publisher
31 such as Huffington Post or Vice. However, research does exist indicating that even unknown
32 sources can be just as credible and persuasive as known sources in certain contexts (Weber
33 Dunaway and Johnson 2012). Nonetheless, future studies should consider implementing genuine
34 sources in all conditions.
35

36 In conclusion, these findings expand on the types of discussions about advertising
37 editorial normative guidelines raised by Carlson (2015). The blurred boundaries surrounding the
38 convergence of news and commercialism do, indeed, diminish the credibility of online publishers
39 as critics have feared. What remains open is whether the reputational risks evidenced in the study
40 outweigh the potential for income generation from native advertising. What also remains
41 unsettled is whether this type of boundary-blurring journalism is acceptable to informed
42 audiences. If the emphatic response from one of our participants to the open-ended question
43 about whether they noticed any advertising is an indication – “The entire damn thing is an ad.
44 Everything is a goddamn ad now!” – publishers need to be doing more research on audience
45 responses to native.
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51 52 53 ACKNOWLEDGEMENT 54 55 56 57 58 59 60

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NOTES

1. An advertorial is “a print advertisement disguised as editorial material” (Kim Pasadeos and Barban 2001, 1).
2. In industry parlance, this genre of commercially branded magazine (such as Kraft Foods’ Food & Family) is referred to as “customer magazines” (van Reijmersdal et al. 2010) and is the equivalent of what API calls content marketing. Essentially, it is a brand’s owned media.
3. It is unclear from the conference paper how many respondents recognized the native ad as being sponsored.
4. Participants were required to be U.S. residents. Research has indicated that MTurk participants, though they tend to lean younger and are more highly educated than the U.S. population, are still more diverse than student samples, and they respond to stimuli in ways consistent with prior results (Berinsky Huber and Lenz 2012).
5. The control group was not exposed to the target stimuli.
6. An online pretest was administered to 200 students from a small, private university in the mid-Atlantic U.S. between November 1, 2015 and December 1, 2015. The pretest revealed that only 11% of participants thought they had heard of the fictitious UpdateNews.com, significantly lower than the awareness levels of the fictitious NewsToday.com (65%), the New York Times (88%) and the Wall Street Journal (100%). Furthermore, UpdateNews.com was evaluated lower on credibility (2.2) than was the Wall Street Journal (4.63) or the New York Times (4.71) when a 5-point scale was used with 1=low and 5=high.
7. Four actual native advertising articles were pretested to ensure they were unfamiliar, perceived as branded, and to allow selection of the most interesting topics. The Ben & Jerry’s article from The Guardian (Unilever 2014) was selected because it was the only article with low levels of previous recognition and high levels of branded memorability while also having the highest proportions of interest and enjoyment. The corresponding author may be contacted for copies of the article stimuli.
8. The “reasonable consumer” standard is based upon the FTC’s Policy Statement on Deception (Miller 1983).
 The extent to which this is happening is beyond the scope of this study, although it seems unlikely given that some publishers have actually sought to make native advertising disclosures less noticeable to appease advertisers (Einstein 2016, 106).

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Table 1. Experimental Design

		Source	
		Legacy Publisher	Online Startup
Content	Unbranded article	N=60	N=50
	Branded article (native ad) w/forewarning	N=70	N=62
	Branded article (native ad) w/no forewarning	N=56	N=67
Offset Control Group	N=60		

For Peer Review Only

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3 Figure 1. Screenshot of Inoculation Stimulus*
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8 News organizations sometimes produce content with funding from outside parties. These
9 sources of revenue allow them to explore, in more depth than editorial budgets would
10 otherwise allow, topics that they hope are of interest to their readers. The
11 presentation of the content is supposed to make clear how the content has been
12 commissioned and produced, and who has funded it.
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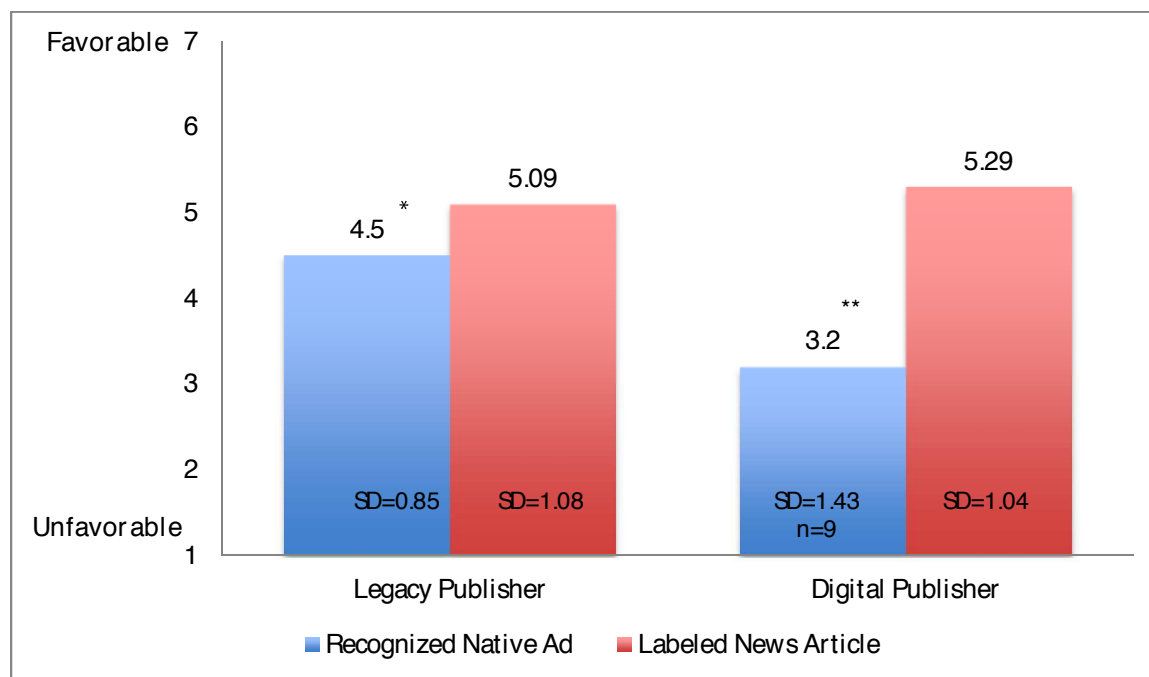
15 "Sponsored Content" is used to describe advertising features that are paid for and controlled
16 by the advertiser rather than the publisher and are subject to regulation by the Federal Trade
17 Commission. This content is produced by commercial departments and does not involve
18 editorial staff journalists.
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23 Powered by Qualtrics
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26 *Wording modified from The Guardian's definition of sponsored content.
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Figure 2. Effects of Native Advertising Recognition on Attitudes Toward Publisher



*t(75)=1.65, p ≤ .10, ** t(66)=5.34, p < .0001

View Only