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The Effects of Native Advertising Disclosure Format on Audience Perceptions of Legacy and
Online News Publishers

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Abstract

This experimental study examines elements of native advertising disclosures that influence consumers' ability to recognize content as paid advertising and contrasts subsequent evaluations of legacy and digital-first publishers with those exposed to online display advertising. Although fewer than 1 in 10 participants were able to recognize native advertising, our study shows that effectively designed disclosure labels facilitate recognition. However, participants who did recognize native advertising had lessened opinions of the publisher and the institution of advertising, overall.

Keywords: native advertising, journalism, media effects, persuasion knowledge model

The Effects of Disclosure Format on Native Advertising Recognition and Audience Perceptions of Legacy and Online News Publishers

As advertising and subscriber revenues continue to decline, “native advertising,” or paid content designed to mirror the format of non-paid content in the platform in which its placed, has drawn considerable attention and controversy. In the case of news, native advertisements take the form of news stories, feature stories, and editorial columns. Although native advertising is supposed to be more engaging than traditional display advertising, it raises ethical concerns when the message is not clearly labeled or understood by readers to be paid for or influenced by a third party (Wojdyski and Evans, 2016). Given that the goal of effective native advertising is to blend in with non-advertising content in format and content, often the only distinguishing characteristic that allows consumers to identify the content as advertising is a disclosure.

The goal of the present research is to empirically examine the recognition and effects of native advertising. An experimental design allows inquiry into particular elements of native advertising disclosures that influence consumers’ ability to recognize the content as paid advertising, and the subsequent evaluation of publishers which will be contrasted with effects of online display advertising. Understanding native advertising is important because while it offers the potential for increased revenue for publishers, its use has been shown to confuse consumers when they are unable to distinguish it as paid content (Kim and Hancock 2016). The lack of disclosure standardization in the industry serves as fodder for critics who contend that the inconsistency in naming conventions belies publisher claims to transparency (Einstein 2016; Garfield 2016). Moreover, in *Black Ops Advertising*, Einstein (2016) presents evidence of publishers toning down the prominence of labeling on their sponsored material in response to advertiser concerns that it was too recognizable. With publishers such as [Politico](#) now partaking

in the practice, native advertising theoretically goes beyond commercialism with the potential to confuse the policy makers that comprise *Politico*'s audience. Thus, the empirical study of an increasingly common advertising tactic that is affecting the content of journalism contributes to a better understanding of the ethical dimensions and normative implications of this journalistic practice.

While native advertising is not new, the shift in news towards digital media has offered new territory in which it proliferates and can be seen by a growing number of audiences. According to a 2013 FTC report, nearly three out of four online publishers offer native advertising opportunities (Gilley 2013). An update to a Wojdyski and Evans (2014) content analysis indicates that 92% of the most-visited online news sites engaged in native advertising in 2015-2016. Even local online news publishers are offering native advertising. According to a 2016 [survey](#) by the Tow-Knight Center for Entrepreneurial Journalism, over half of independent, local news sites are selling native ads, up from 20% a year earlier (McLellan 2016). As other traditional revenue sources face continued downward pressure, spending on native advertising is expected to grow (Adyoulike 2015).

The heritage of legacy publishers presents both advantages and disadvantages as they attempt to keep pace with their digital-only competitors. On one hand, many traditional publishers have built up brand reputations over the years providing their journalism a great deal of credibility and authority. On the other hand, with these reputations comes increased risk when adaptations are made to journalistic conventions. Thus, when newspapers such as the *New York Times*, the *Washington Post*, and the *Wall Street Journal*, as well as magazines like *The Atlantic* and *Forbes*, offer sponsored content to their readers, what impact will this have on their own publishing brand reputations? Because this study offers a direct comparison between legacy and

online publishers as well as consideration of both native and display advertising, the results should be of particular interest to the journalists and publishing executives who are faced with the practical decisions of sustaining their publications and profession. Furthermore, policy makers who must balance communication and consumer protection laws with fair business practices will also find this research of value. Finally, consumers who are concerned with their ability to recognize the source and content of mediated messages along with the academics who study journalism and advertising may also benefit.

Persuasion Knowledge, Native Advertising Disclosures, and the Effects of Recognition

The growth of native advertising has been driven, in part, by consumer attempts to avoid advertising (Austin and Newman 2015; Wojdyski and Golan 2016). When consumers recognize a persuasive attempt as advertising, they are more likely to skip or block the content (Fransen et al. 2015). According to the Persuasion Knowledge Model (PKM), before consumers can react to a persuasive attempt in a manner that serves their own goals, they must first recognize the attempt to influence them. However, the ability to recognize a persuasive attempt is contingent upon prior experience with similar content (Friestad and Wright 1994). Because contemporary covert advertising practices are continually evolving in presentation format, consumers may be unfamiliar with the new cues (if present) that traditionally signified the presence of sponsored material (Evans and Park 2015; Wojdyski 2016). Furthermore, consumers selectively attend to disclosures (Stewart and Martin 1994). Thus, it is important to understand the effectiveness and effects of the disclosures used to identify native advertising.

Consistent with the tenets of PKM, the clear and prominent placement of disclosures in native advertising is required by the FTC in order to increase the likelihood of recognition thereby reducing the prospect of consumer deception (FTC 2015). Although the use of

disclosures in various forms of advertising has been demonstrated to increase the likelihood of advertising recognition by consumers (Amazeen and Muddiman 2017; Campbell Mohr and Verlegh 2013; Kim and Hancock 2016; Wojdyski 2016; Wojdyski and Evans 2016; Wu et al., 2016), experimental studies have frequently shown that less than 20 percent of readers of sponsored articles correctly identified them as advertising (Amazeen and Muddiman 2017; Wojdyski 2016; Wojdyski and Evans 2016). Lack of disclosure standardization within the industry further complicates the ability of consumers to recognize a persuasive attempt as labels can vary widely, from “partner content,” “in association with,” “brought to you by” to “sponsored by” and other language (Conill 2016; Einstein 2016; Garfield 2016). Even if a disclosure is noticed, many people do not understand that “sponsored” indicates the content is paid advertising (Austin and Newman 2015; Gilley 2013; Lazauskus 2014, Wojdyski 2016).

Past research has shown that the effectiveness of a disclosure in fostering advertising recognition can be influenced by the language used, visual prominence, the disclosure’s position with respect to the content, and the use of a sponsor’s logo (Kim and Hancock 2016; Wojdyski 2016; Wojdyski and Evans 2016). The clarity of language used for a disclosure can affect a consumer’s ability to recognize a native advertisement, but the results have been mixed.

Although Wojdyski (2016) found no effects of language clarity on advertising recognition when comparing low (“partner content by [sponsor]”) to high (“paid advertisement by [sponsor]”) conditions, Wojdyski and Evans (2016) found that the use of “advertising” or “sponsored” in the disclosure increased likelihood of recognition compared to when other language was used. The visual prominence of, or ability to see, a disclosure also affects recognition. By manipulating the font size, weight, and contrast of a disclosure in an experimental study, Wojdyski (2016) demonstrated that respondents were significantly more likely to recognize a disclosure label

when it was high in visual prominence compared to when it was low in prominence. With respect to positioning, Wojdyski and Evans (2016) showed that disclosures appearing above the content headline were less effective than those positioned either immediately or well after the beginning of the content. Finally, use of a sponsor's logo in disclosures has had mixed results. Although it increased the likelihood of advertising recognition, it also increased the likelihood of misidentifying the label itself as display advertising (Wojdyski 2016). Based upon these past findings, we predict the following:

H1a-c: Native advertising recognition will be more likely for disclosures a) that are higher in prominence, b) that are more explicit in their language clarity, and c) when a sponsor's logo is present.

Scant research exists about the characteristics of individuals most likely to recognize native advertising. Although Howe and Teufel (2014) found younger participants were more likely to report seeing advertising, it is not clear from their study whether this was a self-reporting bias or actual recognition of native advertising. Because of the absence of literature on who is most likely to recognize native advertising, we pose a research question to explore this topic.

RQ1: What demographic characteristics predict native advertising recognition?

Although the effects of native advertising on audience perceptions of the message, brand, and publisher have been mixed, the variance has generally been a function of advertising recognition (Amazeen and Muddiman 2017; Kim and Hancock 2016; Wojdyski and Evans 2016; Wu et al. 2016). For instance, although one study found advertorials were more persuasive than traditional advertising, it was because study participants did not perceive the material to be an advertisement (Kim and Hancock 2016). When sponsored content is recognized as a

persuasive message attempt in the form of an advertisement, the effects of this recognition have been generally negative. Native ad recognition has been shown to result in lower evaluations of the message content (Amazeen and Muddiman 2017; Wu et al. 2016), lower evaluations of the advertised brand (Wojdyski and Evans 2016), lower evaluations of publisher credibility and attitudes toward a publisher (Amazeen and Muddiman 2017; Wojdyski and Evans 2016; Wu et al. 2016), lower intentions to share content (Wojdyski 2016), and lower intentions to adopt the persuasive behavior (Kim and Hancock 2016). These findings are consistent with the “change-of-meaning” hypothesis (Friestad and Wright 1994, p. 13) which suggests that when a consumer recognizes a persuasion attempt is being experienced in an unexpected manner – like an ad disguised as a news article from a trusted journalistic outlet – they will refine or alter their attitudes toward the agent. Thus, our expectations are that recognition of native advertising will negatively affect publisher evaluations:

H2a-b: For viewers of a native ad, advertising recognition will result in a) lower attitudes toward and b) lower perceived credibility of a publisher.

Few studies have made direct comparisons between online native advertising and online display advertising. Compared to an online display ad, online advertorials have been shown to activate concepts related to persuasion, but not concepts of being an advertisement (Kim and Hancock 2016). Another study comparing effects of banner advertising versus native advertising found no effects on publisher credibility (Howe and Teufel 2014). However, it is not known how the *recognition* of native advertising affects evaluations of a publisher relative to online display advertising. Furthermore, little is known about differences in how native advertising may affect legacy publishers versus online-only publishers. To the degree that legacy publishers are perceived as more credible than online-only publishers, some studies have found that although

native advertising recognition lowers the perceived credibility of both types of publishers (Amazeen and Muddiman 2017; Wu et al. 2016), it does so more for online-only publishers (Amazeen and Muddiman 2017). Thus, we pose related research questions to disentangle the relationships between advertising format, publisher type, and native ad recognition on evaluations of publishers:

RQ2a-b: What is the relationship between advertising format (native article vs. article with display ad) and a) attitudes toward and b) perceived credibility of a publisher?

RQ3a-b: What is the relationship between news organization type (legacy vs. digital-only) and native advertising recognition on a) attitudes toward and b) perceived credibility of a publisher?

An unintended consequence of native advertising is that it may result in lower evaluations of the advertising industry and other media institutions as a whole (Armstrong et al., 1982; Darke et al., 2008; but also see Semenik, 1980). Based upon the defensive consumer model, native advertising may produce general distrust toward advertising if consumers feel that they have been misled (Darke et al., 2008). Because the normative foundation of trust on which advertising is supposed to rely has been violated, consumers may observe additional advertisements defensively, feeling like no one in the industry can be trusted (Darke et al., 2008; Pollay, 1986). These perceptions may spill over into other institutions such as journalism, business, and more broadly, the government. Thus, based upon this premise, the following predictions are offered:

H3a-d: Recognition of native advertising will negatively affect evaluations of a) advertising, b) businesses, c) journalism, and d) the government.

Method

Our study was carried out using an online survey among a representative sample of the U.S. population. The survey was administered January 26 - February 9, 2017 by an internet-based research firm, YouGov.¹ Among the 800 participants who completed the survey, 53% were female, 77% identified as White, 39% were high school graduates while an additional 17% had a four-year college degree, 47% were married, 37% were employed full time, and the average respondent age was 48. The median survey length was 18 minutes.

Stimuli: The main stimulus was based upon an actual native advertisement produced by Brandpoint, titled “America’s Smartphone Obsession Extends to Online Banking,” and sponsored by Bank of America (*Las Vegas Review-Journal* 2015).² The native advertising article was 515 words in length and was selected based upon a pretest indicating mid-range performance among four different native advertising articles on the measures of interest and enjoyment.³

In total, there were 24 different treatment conditions and 2 control conditions to which participants were randomly assigned (see Appendix). All participants were exposed to a webpage that included either an article in the form of native advertising (treatment conditions) or an article with a display ad (control conditions). In all conditions, the article stimulus was identical except for a) the disclosure variables identifying its origin – as either a traditional news article with a reporter byline or as a native advertisement with various disclosures, and b) the type of image

¹ YouGov constructs samples using a method called “sample matching” where a random probability sample is approximated from an opt-in internet population. For more on its survey methodology, see <http://psfaculty.ucdavis.edu/bsjjones/rivers.pdf>

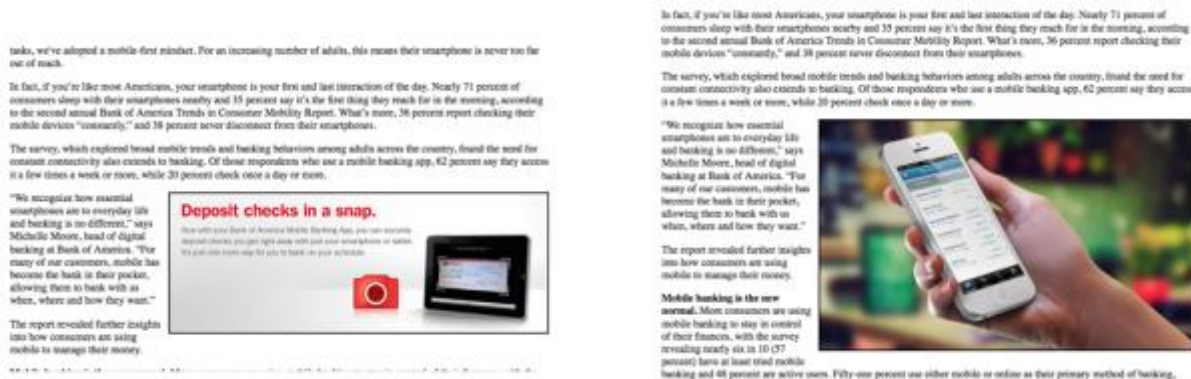
² Brandpoint is a content marketing agency in the U.S. that provides “content to editors, ad directors, designers, publishers and bloggers” (Brandpoint n.d.).

³ The pretest was administered on November 3, 2016 using the online Qualtrics system among Amazon’s Mechanical Turk workers. A total of 60 participants completed the pretest.

embedded in the middle of the article. In the two control conditions in which participants were exposed to a news article, the embedded image was a display ad related to the topic of the article. In the treatment conditions (the native advertising conditions), the embedded image was a photo related to the topic of the article that was not a display ad (see **Figure 1**).

Figure 1. Sample Stimulus Images

(display ad vs. photo)



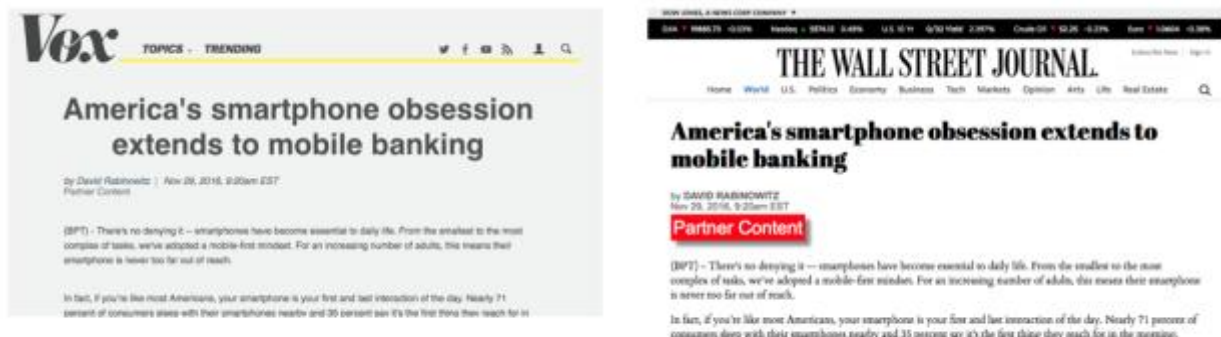
The treatment conditions with the native advertising varied on four different criteria: news organization type, disclosure language explicitness, disclosure language prominence, and sponsor logo presence. We manipulated news organization type by embedding the article within a content page from *Vox.com* for the digital-only conditions and in either a *New York Times* or *Wall Street Journal* page for the legacy media conditions.⁴ To avoid hostile reactions to a perceived partisan news source, the legacy publisher was consistent with a respondent's

⁴ A pretest was administered on November 3, 2016 using the online Qualtrics system among Amazon's Mechanical Turk workers. A total of 60 participants completed the pretest. The *New York Times* (3.92) and the *Wall Street Journal* (3.82) were evaluated as having higher credibility than *Vox* (2.66) based upon a 5-point scale where 1=low credibility and 5=high credibility. Participants also evaluated each on perceived ideological slant using a 5-point scale where 1=very conservative and 5=very liberal. The *New York Times* was perceived as the most liberal (3.51), the *Wall Street Journal* was the most conservative (2.60), and *Vox* was in between the two (3.39).

ideological disposition as reported from an initial branching question. Self-reported liberals (or liberal-leaners) were exposed to the *New York Times* and self-reported conservatives (or conservative-leaners) were exposed to the *Wall Street Journal*. Disclosure explicitness had 3 variations by using language that differed in terms of how clearly it identified the sponsor: a) low (“partner content”), or b) medium (e.g. “sponsored content”), or c) high (e.g. “paid advertisement from [sponsor]”).⁵ Disclosure prominence had 2 variations based upon the size, color, weight and typeface of the font (see **Figure 2**). Finally, all disclosure stimuli were varied by either the presence or absence of the sponsor’s logo.

Figure 2. Sample Stimulus Materials

(varied by digital-only source vs. legacy source and low vs. high disclosure prominence)



Protocol: Participants received an email invitation to participate in our study from

YouGov. We first asked a series of questions measuring their media habits and attitudes as well

⁵ Disclosure explicitness and prominence were both based upon a pretest administered on January 4, 2017 using the online Qualtrics system among Amazon’s Mechanical Turk workers. A total of 46 participants completed the survey. Participants were asked to evaluate the clarity of language used to indicate that content is paid for by an advertiser rather than written by a publisher. A 7-point scale was used where 1 = extremely unclear and 7 = extremely clear. Participants were also asked to evaluate how prominent, or easy to see, each of 7 disclosures were where 1 = very hard to see and 7 = very easy to see.

as political party identification. After exposure to the stimuli, a thought-listing question asked participants to indicate what they were thinking about when they were viewing the webpage. A distractor task was then employed, followed by the dependent measures. Participants answered questions regarding their perceptions of the publisher, their awareness of the presence of advertising, measures of attitudes toward and trust in various institutions, source recall, and demographics. After answering the questions, participants were debriefed, thanked for their time, and compensated by the sampling organization.

Measures. Source recall was measured by asking participants to identify which of five news organizations published the article they were shown. Aided recall levels varied by source type. In the digital-only conditions, only 27% of participants were able to correctly identify *Vox* as the source of the article. Just over half of these participants admitted they did not remember (53%). Aided recall was more successful in the legacy publisher conditions. Thirty-eight percent (38%) of these respondents correctly identified the *New York Times* (with 45% indicating they did not remember), and 42% correctly identified the *Wall Street Journal* (43% did not remember). Thus, participants were significantly more likely to recall a legacy media source (40%) than a digital-only news source (27%) ($z = -3.88, p < .0001$). These low recall figures are consistent with other studies measuring source recall (Amazeen and Muddiman 2017; Funt, Gourarie, and Murtha 2016; Newman, Fletcher, Levy and Nielsen 2016).

Ability to discern advertising content from editorial content – or, *advertising recognition* – was measured by asking participants whether there was any advertising on the webpage they saw. Following other studies measuring ad recognition (Amazeen and Muddiman 2017; Tutaj and van Reijmersdal 2012; Wojdyski and Evans 2016), respondents who reported affirmatively to the first question (48%) were asked open-ended questions regarding where they thought they

had seen the advertising, and why they thought it was advertising. Responses were coded as 1 (recognized advertisement) if they mentioned anything about the article or the whole page being or seeming like advertising. For example, this included participants who mentioned that the disclosure referred to the article (“the top of the page said it was a paid advertisement”), those who said the article was or seemed like it was paid for by Bank of America, or those who said it seemed like it was basically advertising or promoting the company. Two research assistants coded the open-ended questions (Krippendorff’s $\alpha = .81$). Responses coded as ambiguous by the coders (18 of 800 responses) were resolved by the authors. Among participants in the native advertising conditions, 9% recognized the content as advertising.

Among the dependent measures were *attitudes* toward the publisher which was measured using a series of 7-point semantic differential scales that included unappealing/appealing, good/bad, unpleasant/pleasant, favorable/unfavorable, and unlikeable/likeable (with lower scores being less favorable). After reverse coding to match word polarity, the five items were combined to form an index measure of attitudes toward the publisher ($M = 4.44$, $SD = 1.25$; $\alpha = .91$).

Perceived credibility of the publisher was measured using a series of 7-point Likert scales on the attributes of honesty, trustworthiness, conviction, bias, and credibility where 1 = strongly disagree and 7 = strongly agree. After reverse-coding to achieve word polarity, the five items were combined to form an index measure of publisher credibility ($M = 4.41$, $SD = 1.20$; $\alpha = .83$).

To investigate evaluations of various institutions, participants responded to several feeling thermometer questions. They reported whether they felt cool/unfavorable (0), warm/favorable (100), or somewhere in between toward advertising ($M = 44.50$, $SD = 25.36$), businesses ($M = 56.07$, $SD = 23.38$), journalism ($M = 51.38$, $SD = 29.98$), and the government ($M = 42.10$, $SD = 26.93$). In addition, a trust measure (1 = never, 2 = rarely, 3 = sometimes, 4 =

often, and 5 = all of the time) gauged how often participants perceived advertisers to communicate accurately ($M = 2.66$, $SD = 0.84$), businesses to operate fairly ($M = 3.02$, $SD = 0.85$), news media to report information in an unbiased manner ($M = 2.67$, $SD = 1.01$), and federal regulators to do what is best for the country ($M = 2.72$, $SD = 0.95$).

Results

To determine which disclosure attributes predict recognition of native advertising (H1a-c), a logistic regression model was specified with recognition as the dependent variable and disclosure explicitness (using dummy variables for low, medium, and high), prominence, and logo presence as the independent variables [$X^2(703, 4) = 22.29$, $p < .0001$; Cox & Snell = .03, Nagelkerke = .07]. Coefficients for both disclosure prominence ($p < .05$) and disclosure explicitness ($p < .01$) were significant. High prominence disclosures increased the odds of recognition by 1.97 times over low prominence disclosures. Moreover, compared to low explicitness disclosures, high explicitness disclosures were 3.66 times more likely to be recognized and medium disclosures were 3.01 times more likely to be recognized. Presence of a logo was marginally significant ($p < .10$). Disclosures containing a logo increased the odds of recognition by 1.64 times compared to those without a logo. These findings lend support to H1a-c.

To explore which, if any, demographic characteristics predict advertising recognition (RQ1), we respecified the logistic regression model by adding a second step with the demographic variables of age, gender, race, education, marital status, employment and party identification (see **Table 1**). Including the demographic variables strengthened the robustness of the model [$X^2(598, 14) = 66.60$, $p < .0001$; Cox & Snell = .10, Nagelkerke = .24]. Coefficients for disclosure prominence ($p < .05$), high and medium disclosure explicitness ($p < .0001$), and

logo presence ($p < .05$) remained significant as were coefficients for education ($p < .0001$) and age ($p < .01$). Participants with more education had greater odds of recognizing native advertising. Age had an inverse relationship with recognition – older respondents had lower odds of recognition than did younger participants. A marginally significant coefficient for gender ($p < .10$) suggests men may be more likely to recognize native advertising than women.

Table 1. Binomial Logistic Regression of Factors Affecting Advertising Recognition

	Model 1		Model 2	
	B	St. Error	B	St. Error
Disclosure Prominence	0.68 ⁺⁺	0.29	0.78 ⁺⁺	0.34
High Explicitness Disclosure	1.30 [*]	0.42	1.85 ^{***}	0.50
Medium Explicitness Disclosure	1.10 [*]	0.42	1.32 [*]	0.50
Logo Presence	0.50 ⁺	0.28	0.81 ⁺⁺	0.32
Age			-0.32 [*]	0.01
Gender			-0.56 ⁺	0.33
White			0.65	0.40
Education (Years)			0.31 ^{***}	0.08
Married			-0.38	0.35
Working			-0.27	0.34
Income			0.10 ⁺	0.06
Democrat			-0.09	0.63
Republican			-0.78	0.69
Independent			-0.36	0.66
Constant	-4.65	0.65	-7.83	1.63
Nagelkerke R^2	.07		.24	
N	707		612	

Note: Low disclosure explicitness was referent category on the disclosure explicitness measure.

*** $p < .0001$, ** $p < .001$, * $p < .01$, ++ $p < .05$, + $p < .10$

Among participants in the native advertising conditions, attitudes toward the publisher (H2a) were significantly lower among those who recognized the content as advertising ($M =$

4.08, $SD = 1.58$) compared to those who did not ($M = 4.49$, $SD = 1.19$) [$t(709) = -1.98$, $p < .05$].

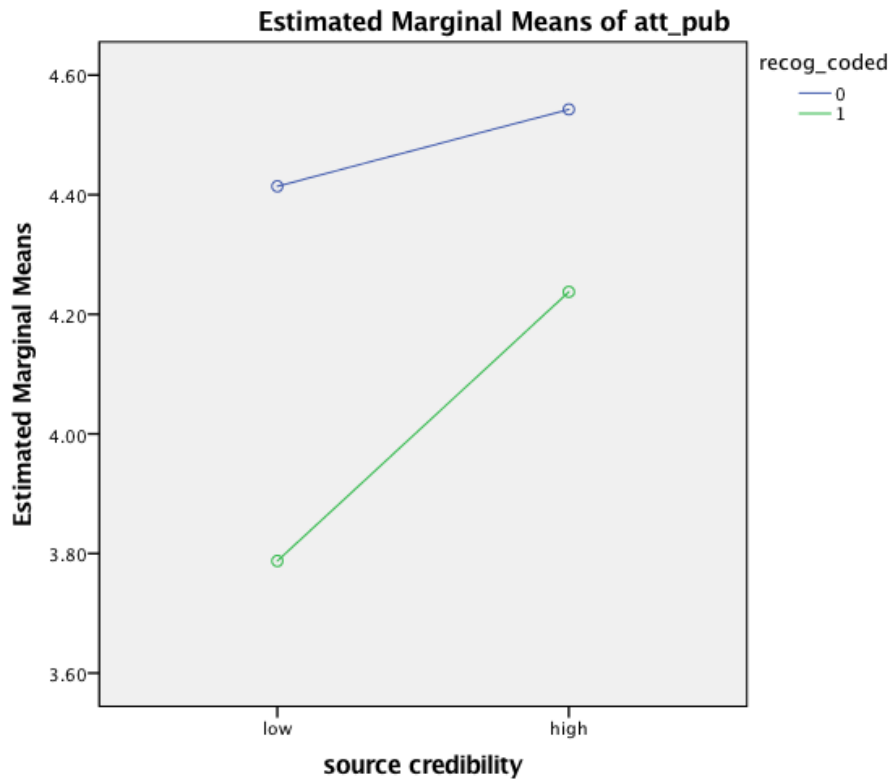
As expected by H2b, participants who recognized the content as native advertising had significantly lower perceptions of publisher credibility ($M = 3.92$, $SD = 1.65$) than those who did not ($M = 4.46$, $SD = 1.13$) [$t(702) = -2.47$, $p < .01$]. Thus, H2a and H2b were supported.

To explore the relationship between advertising format (native article vs. article with display ad) and attitudes toward the publisher (RQ2a), t-tests were used to compare means. No significant differences were revealed [$t(770) = 0.72$, $p > .05$]. Attitudes toward the publisher were no different for those exposed to a native ad ($M = 4.45$, $SD = 1.24$) compared to those who were exposed to the article with a display ad ($M = 4.33$, $SD = 1.36$). Similarly, there were no differences in perceived credibility of publishers [$t(761) = 0.50$, $p > .05$]. Participants exposed to a native ad ($M = 4.41$, $SD = 1.20$) perceived publisher credibility no differently than did those who were exposed to the article with a display ad ($M = 4.33$, $SD = 1.26$). Thus, general exposure to native advertising does not affect evaluations of publishers differently than those exposed to online display advertising.

To explore the effect recognition of native advertising may have on audience attitudes toward publishers (RQ3a), a univariate analysis of variance was conducted. As shown in **Figure 3**, there was a significant main effect of recognition on the attitudes toward the publishers [$F(1, 766)=8.30$, $p < .01$]. A simple contrast test revealed that the attitudes toward the publisher – no matter which type – were significantly lower when a native ad was recognized ($M = 4.01$, $SD = 1.61$) than when not recognized ($M = 4.48$, $SD = 1.20$). There was a marginally significant main effect of source type on the attitudes toward the publisher [$F(1, 766)=3.20$, $p < .10$]. A simple contrast test revealed that attitudes toward the publisher were directionally lower for the online-

only source ($M = 4.36$, $SD = 1.15$) than for legacy publishers ($M = 4.52$, $SD = 1.32$). The interaction between ad recognition and source was not significant.

Figure 3. Attitudes Toward Publisher By Source Type and Ad Recognition



Note: Among participants who did (1) and did not (0) recognize native advertising.

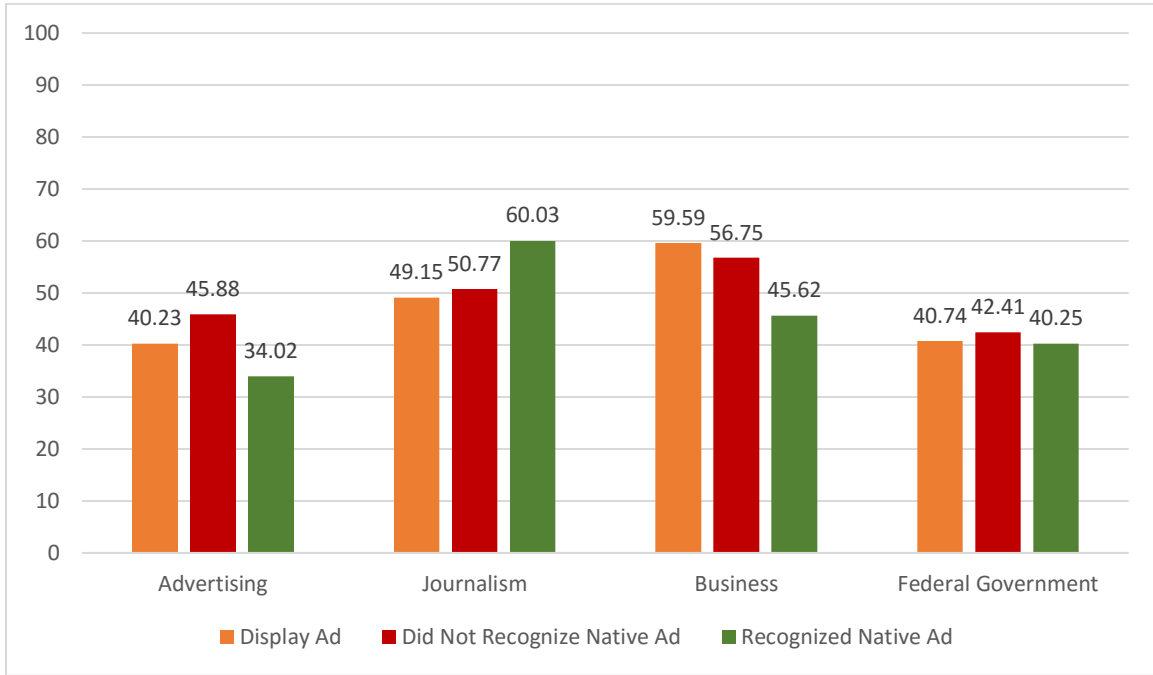
A similar effect was found on the measure of perceived publisher credibility (RQ3b). A main effect was revealed between recognition and perceived credibility [$F(3, 760)=5.20$, $p < .01$]. A simple contrast test revealed that the perceived credibility of the publisher - no matter which type - was significantly lower when a native ad was recognized ($M = 3.89$, $SE = 0.15$) than when not recognized ($M = 4.45$, $SD = 0.05$). However, unlike the attitudes toward the publisher

measure, the effect of source type on publisher credibility was not significant [$F(1, 757)=2.56, p > .10$]. The interaction between ad recognition and source was not significant.

Hypotheses 3a through 3d predicted that native advertising recognition will lead to more unfavorable evaluations of advertising, business, journalism, and governmental institutions. These differences were tested using ANOVA between independent groups of participants exposed to an article with display ad, a native advertising article, and those who recognized the native advertising article as advertising. Attitudes toward advertising (H3a) were negatively affected by recognition [$F(2, 757)=7.08, p \leq .001$]. Planned comparisons showed that those who recognized the ad had significantly more negative feelings toward advertising ($M=34.02, SD=22.59$) than those who did not recognize the article as advertising ($M=45.88, SD=25.11, p < .0001$) and marginally more negative feelings than those exposed to display advertising ($M=40.23, SD=28.14, p < .10$). Attitudes toward business (H3b) were also negatively affected by recognition [$F(2, 762)=7.13, p \leq .001$]. Planned contrasts indicated participants who recognized the native article as advertising had more negative feelings toward businesses ($M=45.62, SD=25.30$) than those who did not recognize it as advertising ($M=56.75, SD=22.91$) or compared to those exposed to display advertising ($M=59.59, SD=24.13$). Unexpectedly, attitudes toward journalism (H3c) were positively affected by native advertising recognition as indicated by a marginally significant ANOVA [$F(2, 758)=2.85, p < .06$]. Planned contrasts revealed that participants who recognized native advertising had more positive feelings toward journalism ($M=60.03, SD=32.46$) than did participants who did not recognize the article as advertising ($M=50.77, SD=29.21, p < .05$) or compared with participants exposed to display advertising ($M=49.15, SD=34.41, p < .05$). Finally, attitudes toward government (H3d) were not

affected by recognition [$F(2, 758)=0.26, p > .05$]. Thus, this measure lends support to H3a-b but not H3c-d (see **Figure 4**).

Figure 4. Attitudes Toward Institutions by Content Type



Trust was another measure used to gauge evaluations of these institutions. Similar to the attitudes measure, trust in advertising (H3a) was also negatively affected by recognition [$F(2, 782)=7.96, p < .0001$]. Planned contrasts indicated that those who recognized the native advertising had significantly less trust in advertising to communicate accurately ($M=2.37, SD=0.87$) than did those who did not recognize the article as advertising ($M=2.71, SD=0.82, p < .01$) but not any less so than those exposed to display advertising ($M=2.39, SD=0.95, p > .05$). Unlike the attitude measure, trust in businesses (H3b) was not affected by native advertising recognition [$F(2, 783)=1.23, p > .05$]. Trust in news media to report in an unbiased manner (H3c) was marginally affected by recognition [$F(2, 786)=2.39, p < .10$]. Planned contrasts revealed that those who recognized native advertising more often trusted media ($M=2.81, SD=1.01, p < .05$) compared to those exposed to display advertising ($M=2.43, SD=1.18, p < .05$) but not compared

to those who did not recognize the article as advertising ($M=2.68$, $SD= 0.99$, $p > .05$). Finally, trust in federal regulators to do what is best for the country (H3d) was marginally affected by native advertising recognition [$F(2, 784)=2.36$, $p < .10$]. Planned contrasts indicated that participants who recognized native advertising trusted regulators to act in the country's interests more often ($M=2.95$, $SD= 0.93$, $p < .05$) than did those who were exposed to display advertising ($M=2.60$, $SD= 1.01$, $p < .05$) and to a degree that was marginally more often than those who did not recognize the article as advertising ($M=2.71$, $SD= 0.94$, $p < .10$). Thus, the trust measure lends further support to H3a but not H3b and contradicts the expectations of H3c-d.

Discussion

The results of this study strongly indicate the potentially negative consequences for publishers who participate in native advertising. When audience members recognized that the content they were reading was advertising rather than the editorial story it resembled, attitudes toward and credibility of publishers declined. However, publishers may be both relieved and concerned about our finding that *general exposure* to native advertising does not adversely affect evaluations of publishers because only 1 in 10 consumers recognized the ad. We found no differences between those who were exposed to native advertising and didn't recognize it as such and those exposed to online display advertising; It was recognition that triggered the negative reactions. Thus, a theoretical contribution of this study is explaining how exposure to covert persuasive attempts affects attitudes toward an agent. Consistent with the PKM, an observable feature of a persuasive attempt – such as a disclosure – will take on meaning as a persuasive cue only if people perceive it as connected to how they should interpret a message.

Furthermore, the present research underscored that the negative evaluations of publishers when native advertising was recognized differed based upon the source. Confirming past

research (Amazeen and Muddiman 2017), recognition of native advertising negatively affected attitudes toward digital-only publishers to a marginally significantly greater degree than attitudes toward legacy news publishers. This same pattern was present, but only directionally, when considering how perceived publisher credibility was affected by native advertising recognition. Thus, while additional research is needed, online-only publishers without the same level of prestige as legacy publications may have more to lose from participating in native advertising than do their more established brethren. Nonetheless, legacy publishers must be aware of the negative audience reactions to native advertising recognition.

These results also provide further confirmation of the difficulties consumers have in recognizing native advertising. Consistent with a growing body of academic research (Amazeen and Muddiman 2017; Kim and Hancock 2016; Wojdyski and Evans 2016; Wu et al. 2016), only 9% of our respondents who were exposed to native advertising were able to identify it as advertising. Recognition was easier for people with more education and who were younger in age. It appears that educated, digital-natives are more adept at discerning online content than their older, less-educated counterparts. However, like other recent scholarship (Kim and Hancock 2016; Wojdyski 2016; Wojdyski and Evans 2016), our study also showed that effectively designed disclosure labels facilitate the recognition of native advertising. Recognition was significantly more likely with disclosures that were high in visual prominence (see **Figure 2**), that used explicitly clear language, and that were used in conjunction with a sponsor's logo. Rather than using typeface that blends in with the content and ambiguous language, best practices for disclosures include the use of visually striking features that highlight the label (such as enclosing it in a contrasting colored box) along with easily understandable words like "paid advertisement from [name of sponsor]" with their logo.

There were some unexpected outcomes that are positive for journalism related to recognition of native advertising. People who were able to recognize the native advertisement as advertising had more positive evaluations of journalism, media institutions, and federal regulators, writ large. The more positive feelings toward journalism suggest that those who were able to identify faux journalism have a greater appreciation for legitimate journalism than do people who were deceived by the native ad content. Similarly, those who recognized native advertising conveyed that they trusted media to report in an unbiased manner more often than those exposed to display advertising. This may be an indication that transparency breeds trust. Thus, it appears that facilitating recognition of native advertising may have positive consequences for journalistic media. Furthermore, those who were able to recognize native advertising also had greater trust in federal regulators to do what is right for the country. In these cases, we speculate that ability to interpret a disclosure may engender more faith in regulators to uphold and enforce clear labeling.

The spillover effects of native advertising recognition on the institution of advertising were less promising, as expected. Participants had significantly less favorable attitudes toward advertising in general when they recognized that the native advertising stimulus was an ad rather than an article. Future research should explore whether disclosure transparency may ameliorate these negative feelings toward the industry. In other words, do easily recognizable disclosures moderate negative industry feelings when compared to disclosures that are less transparent? Similarly, are more transparent disclosures less likely to result in negative evaluations of specific publishers? Although this study revealed that participants had less favorable evaluations of publishers when native advertising on their site was recognized, perhaps it may also be a

function of transparency whereby more obvious disclosures are less damaging than those that are harder to discern.

As with any experimental study, certain limitations need acknowledgement. First, although the disclosure stimuli used in this study were meant to emulate some of the industry's practices, they do not replicate the exact methods of any publisher or advertiser in particular. Even so, they do serve as a useful template for policy makers, publishers, and advertisers in establishing effective disclosures. Second, the display ad stimulus was not as intricate as display ads used by other advertising studies (see Kim and Hancock 2016). Nonetheless, it is an authentic online ad and is on par with other research on native advertising (see Howe and Teufel 2014). It also bears consideration that the sponsored news article employed here fits within the parameters of a standard online news story, but is considerably shorter than some of the sponsored native features that have garnered press attention, such as "Women Inmates: Why the Male Model Won't Work," a multimedia sponsored article published in the *New York Times* for Netflix. Finally, we also acknowledge that despite a thorough and reliable coding process, it is possible that the advertising recognition measure missed some valid cases of recognition. While even ambiguous cases were coded as recognition to minimize false negatives, it is possible that some respondents could have interpreted the questions about "advertising" to refer specifically to display advertising based on their personal experience, and thus have failed to record their valid recognition of the article as having been paid for and influenced by an advertiser.

In sum, the present study shows that the consequences of native advertising can be a double-edged sword for publishers. Coupled with the advertising industry's reports of greater engagement with such content, a majority of consumers, in a single exposure to a story, are unlikely to discern that the content is advertising, and as a result, are unlikely to experience

negative reactions. On the other hand, the findings show that native advertising in the form of sponsored content can be highly deceptive, and that consumers who figure out that article is sponsored have lessened opinions of the publisher, perhaps in part due to feeling deceived. The high likelihood of deception inherent in sponsored content may not only conflict with many news organizations' ethical codes, but it also runs the risk of alienating readers once they do figure out that some of the publication's content is sponsored by advertisers. We hope that these findings provide insight to publishers and advertisers regarding how real consumers view and perceive sponsored news, and how they might modify their disclosure practices to decrease the likelihood of consumer deception.

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Appendix

	Source Credibility		Disclosure Explicitness			Disclosure Prominence		Logo Presence		Display Ad Presence	
	low	hi	low	med	hi	low	hi	yes	no	yes	no
Condition 1	x		x			x		x			x
Condition 2	x			x		x		x			x
Condition 3	x				x	x		x			x
Condition 4	x		x				x	x			x
Condition 5	x			x			x	x			x
Condition 6	x				x		x	x			x
Condition 7	x		x			x			x		x
Condition 8	x			x		x			x		x
Condition 9	x				x	x			x		x
Condition 10	x		x				x		x		x
Condition 11	x			x			x		x		x
Condition 12	x				x		x		x		x
Condition 13		x	x			x		x			x
Condition 14		x		x		x		x			x
Condition 15		x			x	x		x			x
Condition 16		x	x				x	x			x
Condition 17		x		x			x	x			x
Condition 18		x			x		x	x			x
Condition 19		x	x			x			x		x
Condition 20		x		x		x			x		x
Condition 21		x			x	x			x		x
Condition 22		x	x				x		x		x
Condition 23		x		x			x		x		x
Condition 24		x			x		x		x		x
Condition 25 (control)	x									x	
Condition 26 (control)		x								x	