



Native Advertising Trends 2016

The Magazine Industry

First Edition

Welcome to this first edition of our annual report 'Native Advertising Trends 2016: The Magazine Industry'.

140 magazine executives from 39 countries across the Globe have been kind enough to answer the questions in our survey and we are thrilled to share the insights with you.

Native advertising is one of the hottest topics in the publishing industry today. We see it in the massive interest demonstrated on our blog at Native Advertising Institute and at our annual event, Native Advertising Days. And we see it in the results of this survey. More than half of the publishers are already offering native advertising as a product and another 37% are likely to jump onboard.

The report shows us that native advertising is not without challenges (16% have had au-

dience complaints as a result of native advertising) but it also holds great opportunities and, on average, publishers expect 33% of their overall advertising revenues to come from native advertising in 2018.

Other topics that you can dive into in this report are how publishers sell, produce, measure, and distribute native advertising - just to mention a few.

Our ambition is to help publishers, brands and agencies become successful with native advertising. This report is one step on that journey and we are grateful that FIPP decided to take it with us.

Enjoy

Jesper Laursen
 Founder & CEO
 Native Advertising Institute



Benchmarks and trends

Turning to Wikipedia, that font of all knowledge which is always 100% accurate, they define native advertising as a “type of disguised advertising”. It’s a rather damning phrase which seems to imply that native is something furtive and sinister. Which is a shame. Native advertising, though it was never called that until recently, is something that the magazine industry has been doing for many decades and in a whole range of guises ranging from the very obvious advertorials, to simply acknowledging the brand of make-up used on a front-cover model.

In recent years native advertising has become a much talked about activity. Clearly it’s an increasing revenue stream for the media owner, and brands like the deeper relationship and engagement it has with consumers. But the activity has its critics with concerns over editorial integrity and the danger of deceiving the consumer.

FIPP, together with the Native Advertising

Institute determined to get something of a benchmark into how native advertising works in the global magazine industry and so undertook research with FIPP members. The questions were simple – how important and what are the current levels of native advertising revenue; what trends do people expect; what types of native advertising solutions are provided; what are the challenges and threats. The results were fascinating and adds useful context to the ongoing debate about the topic. Hopefully it’s a report we will be able to repeat and provide future updates.

Finally, I’d like to thank the Native Advertising Institute and in particular its CEO Jesper Laursen, for producing this report for FIPP.

Chris Llewellyn

President & CEO

FIPP – the network for global media



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Native Advertising DAYS 2016

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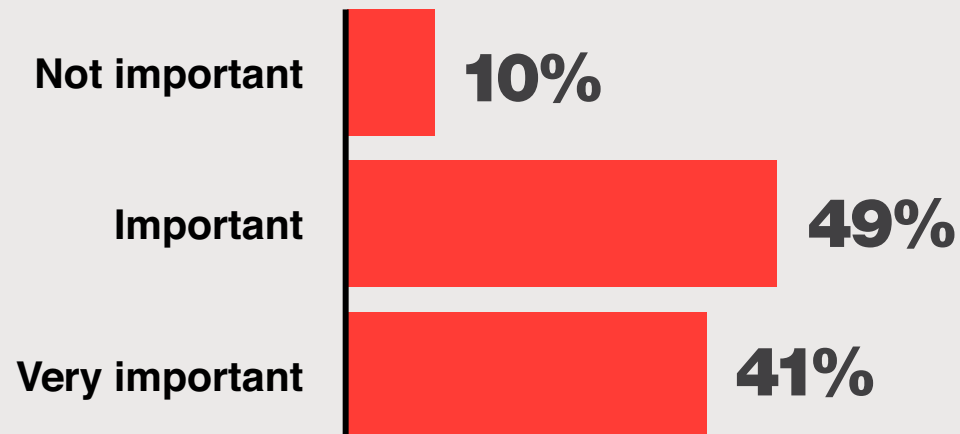
Integration

INTEGRATION

How important is native advertising to your company?

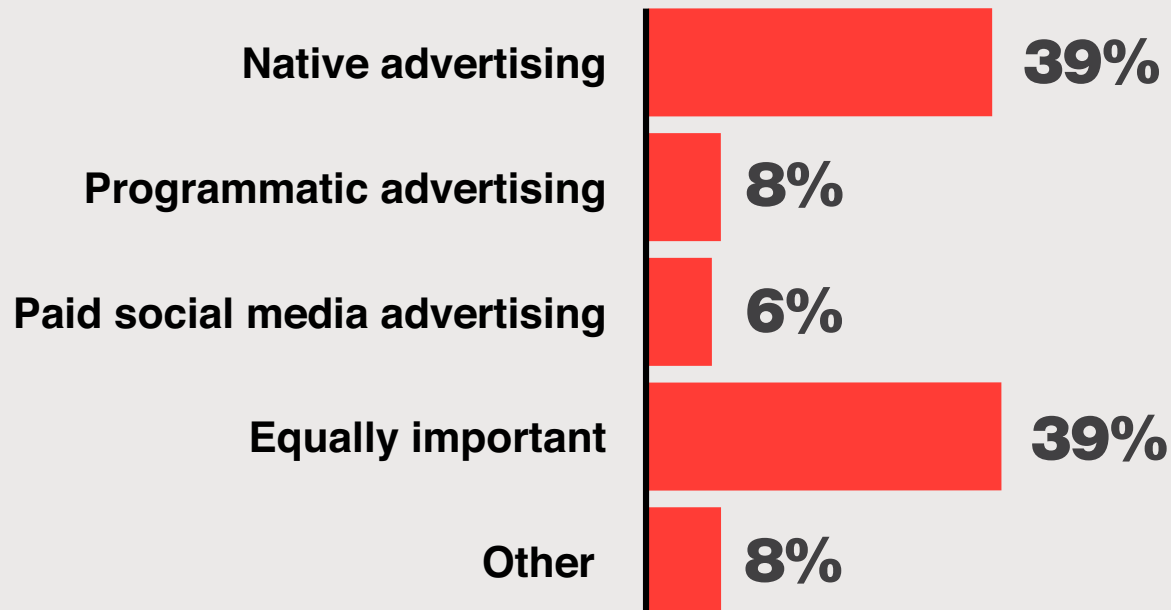
90% say native advertising is important or very important to their company.

As revenues are declining across the industry, publishers are increasingly looking for new streams of revenue. Native advertising is seen by many as one of the most promising sources of revenue driven by a rising demand from advertisers.



INTEGRATION

What is more important to you?



39% rate native advertising as more important than both programmatic and paid social media advertising.

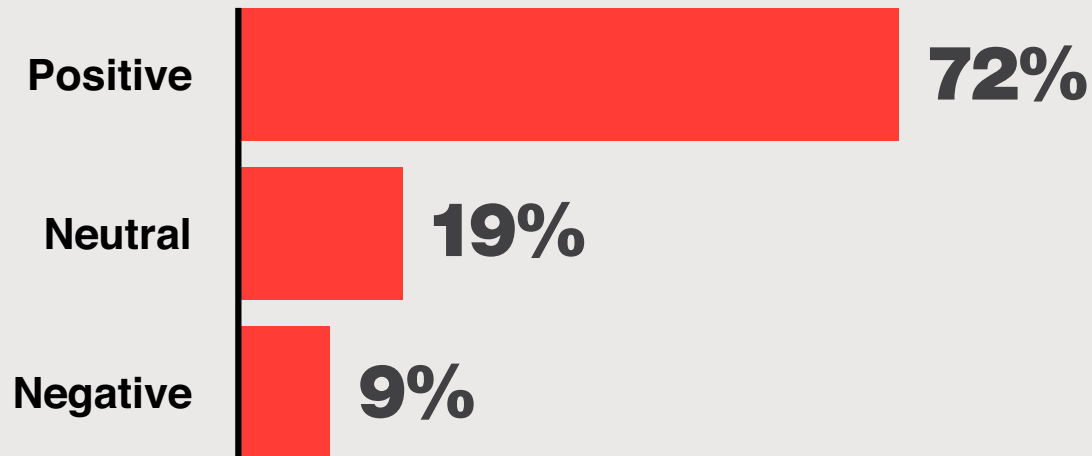
Programmatic has been all the rage for a few years now, but as a platform for traditional banners it is far less important to publishers than native advertising.

Native is also becoming an increasing part of the programmatic offerings and this will drive prices down on these particular units. Producing customized content for a specific media property is where the high margins lie.

A fair share of the respondents emphasise the importance of print advertising vis-a-vis the choices in this question.

INTEGRATION

What are your feelings toward native advertising?



72% are positive towards native advertising and less than **9%** are negative.

Native advertising is one of the most passionately debated topics in the industry at the moment. There are indisputable opportunities in native but there are also pitfalls which cause some people to reject the very idea of native advertising. They are, however, hugely outnumbered.

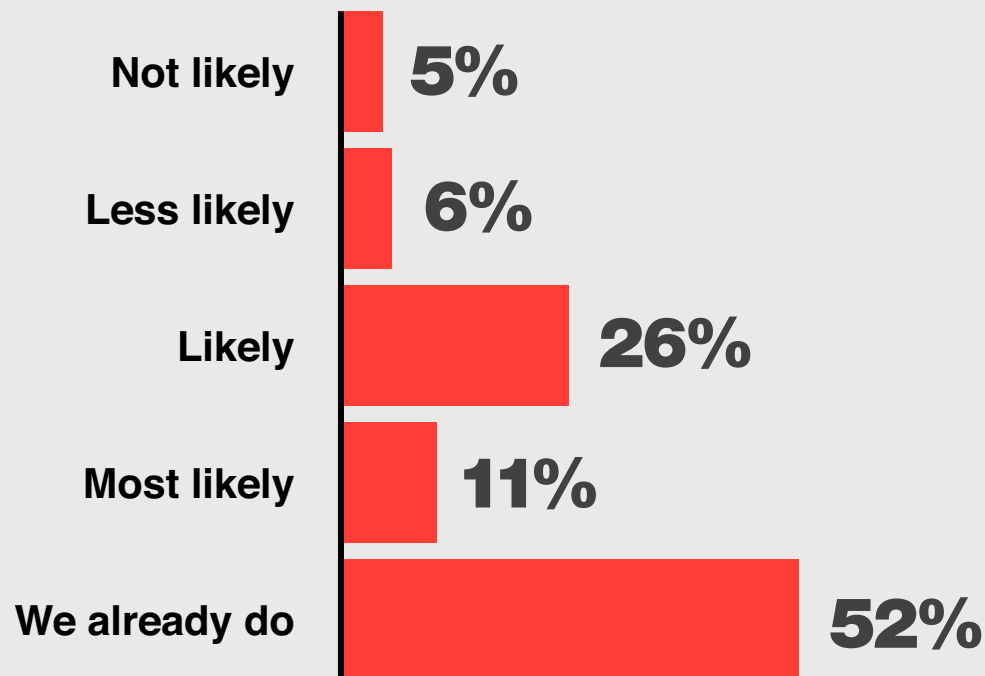
INTEGRATION

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

52% of publishers already offer native advertising.

Native advertising is a fairly new discipline but it has already been adopted by more than half of the publishers across the globe.

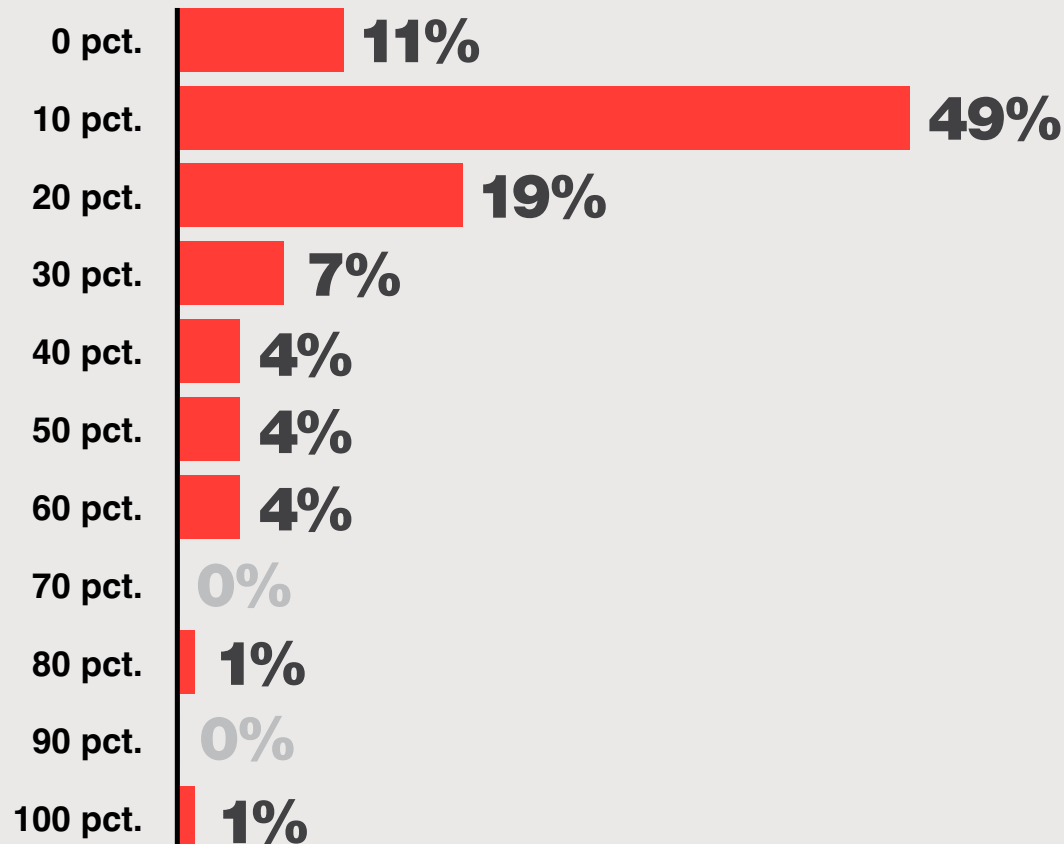
Another **37%** are likely, or most likely, to add it to their advertising or service options.



Budgets

BUDGETS

Of your overall advertising revenues, what percentage came from native advertising in 2015?



19% is the average percentage of publisher's overall advertising revenues that comes from native advertising.

49% earn **10%** of their advertising revenues from native advertising in 2015

19% earn **20%** from native advertising

10% earn **50%** or more of their total advertising revenues from native.

BUDGETS

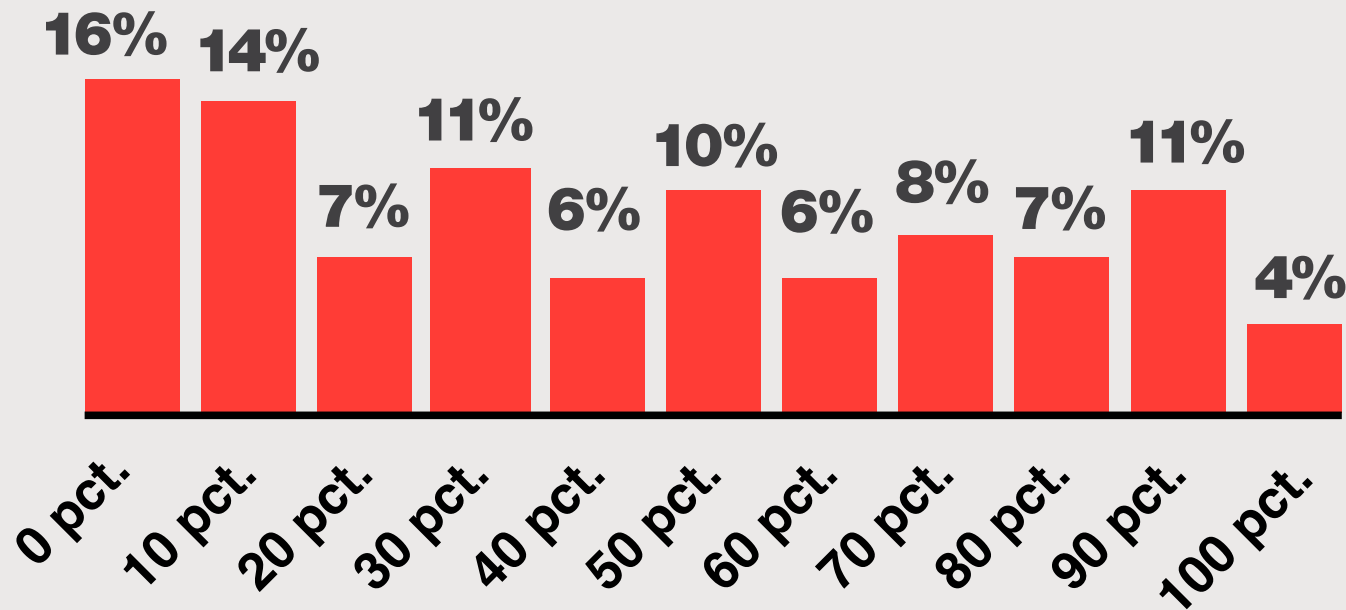
Of your native advertising revenues, what percentage came from print in 2015?

42% is the average print-share of native advertising revenues.

16% only have digital native revenues

14% have a **10%** print-share

46% earn half or more of their native revenues from print.

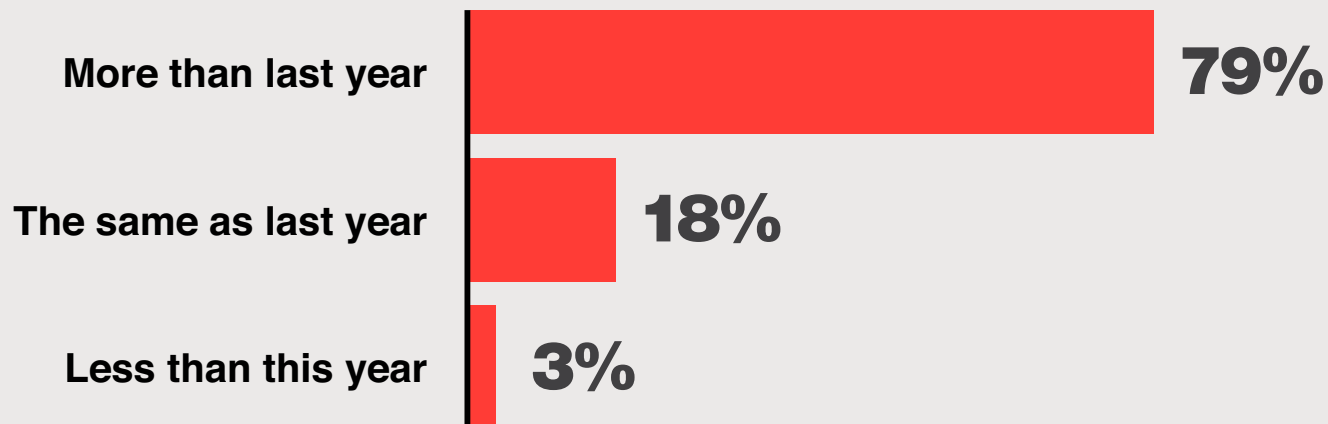


BUDGETS

Of your overall advertising revenues, what percentage do you expect will be from native advertising in 2016?

79% expect to increase the percentage of native advertising in their overall advertising revenues.

Native advertising is indeed increasing in importance as only **3%** expect it to be a smaller part of their overall advertising revenues and **18%** expect it to be the same as last year.

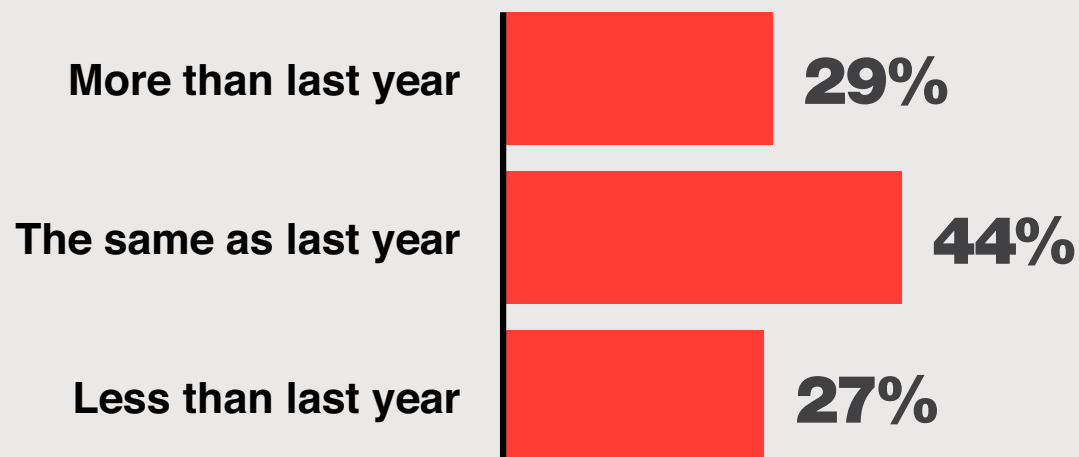


BUDGETS

Of your native advertising revenues, what percentage do you expect will be from print in 2016?

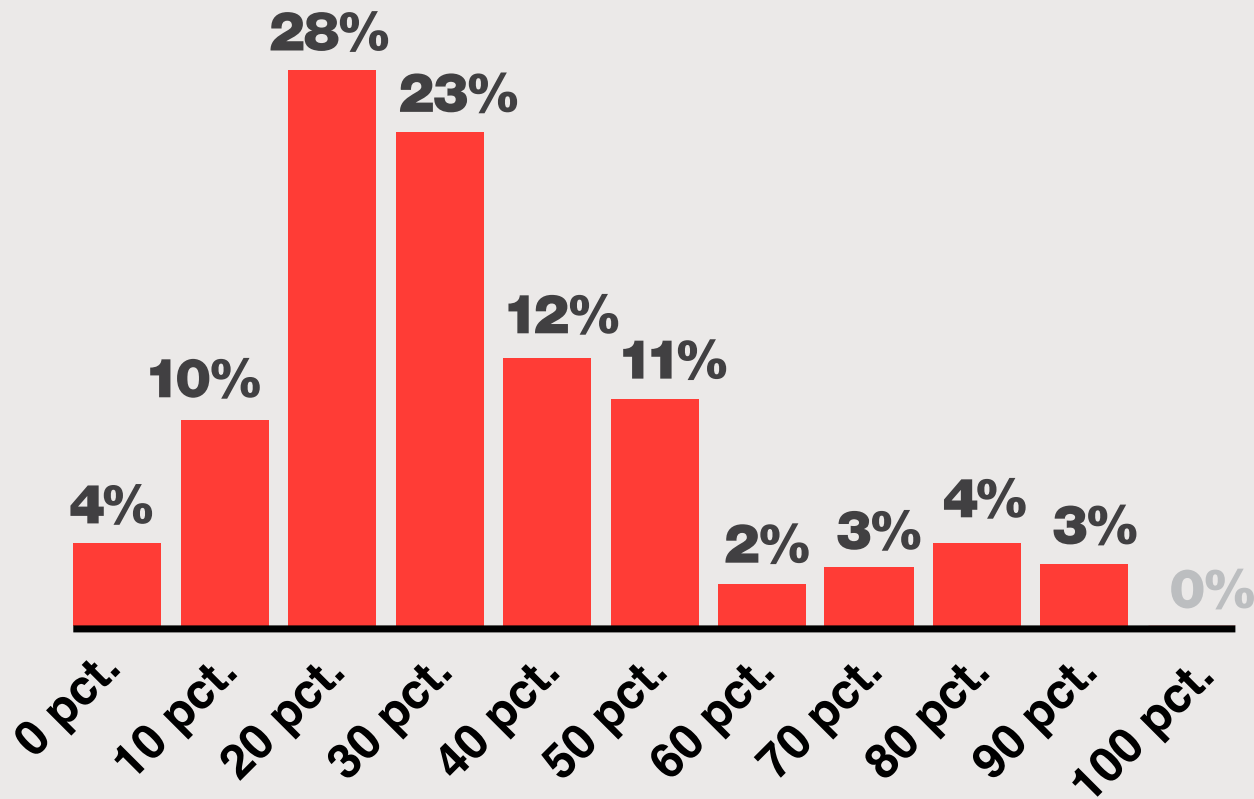
44% of publishers expect print to account for the same in 2016 as in 2015

Print is all in all expected to account for the same percentage of the native advertising revenues this year as they did last year.



BUDGETS

Of your overall advertising revenues, what percentage do you expect will be from native advertising in 2018?



33% is the average percentage of publisher's overall advertising revenues that comes from native advertising.

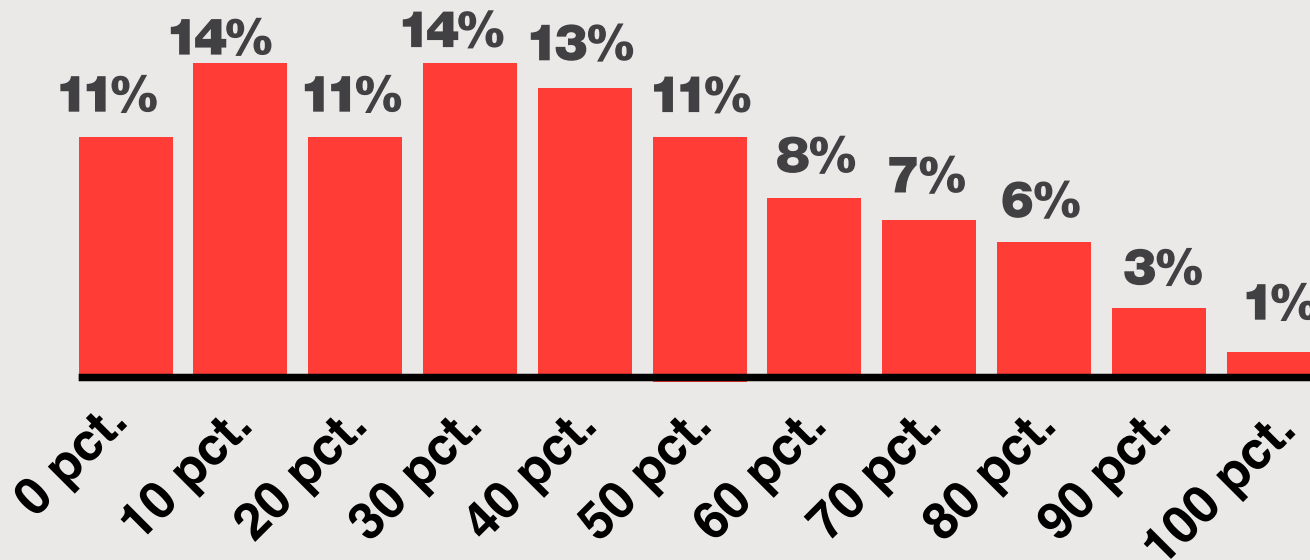
Publishers expect native advertising to have almost twice the percentage of their overall advertising revenues compared to 2015.

28% expect to earn **20%** of their revenues from native up from **19%** in 2015

23% expect to earn **30%** up from **7%** in 2015.

BUDGETS

Of your native advertising revenues, what percentage do you expect will be from print in 2018?



37% is the average print-share of native advertising revenues down from **42%** in 2015

11% expect to only earn digital native revenues

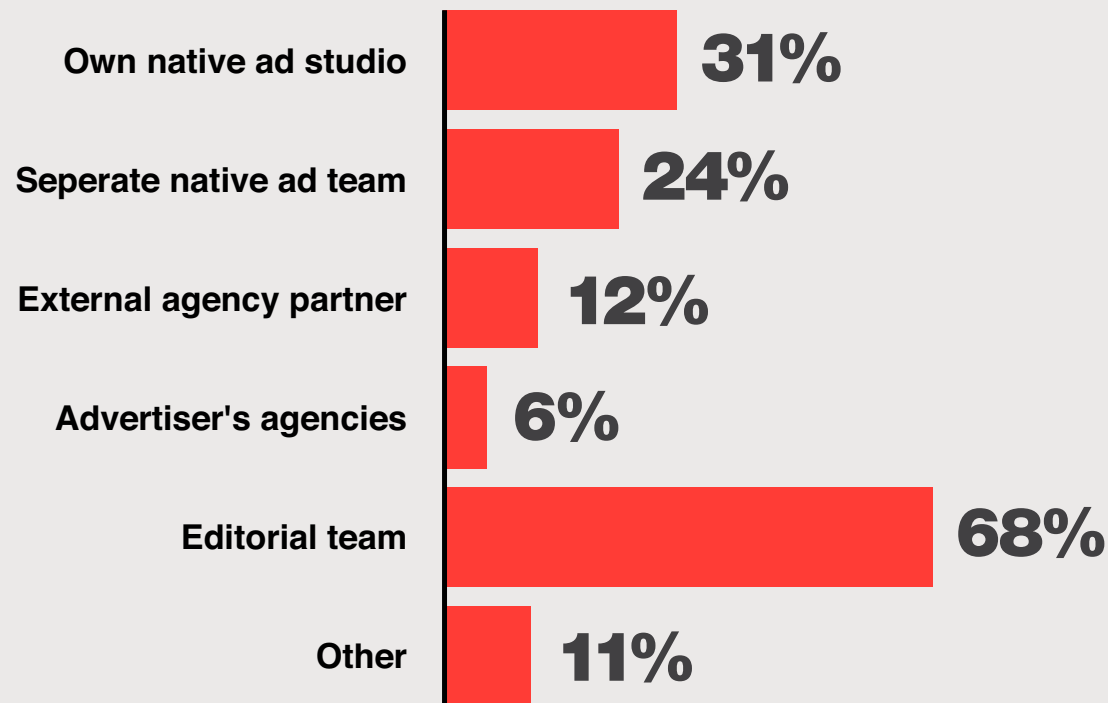
14% expect to earn a **30%** print-share

37% expect to earn half or more of their native revenues from print down from **46%** in 2015.

Sales & Services

SALES & SERVICES

How do you provide native advertising solutions?



68% involve their editorial team in providing native solutions.

Given the concerns about the division between church and state it is quite a surprising fact that such a big percentage of the publishers involve their editorial staff in the production of native advertising.

31% have their own native ad studio

24% have a separate native ad team

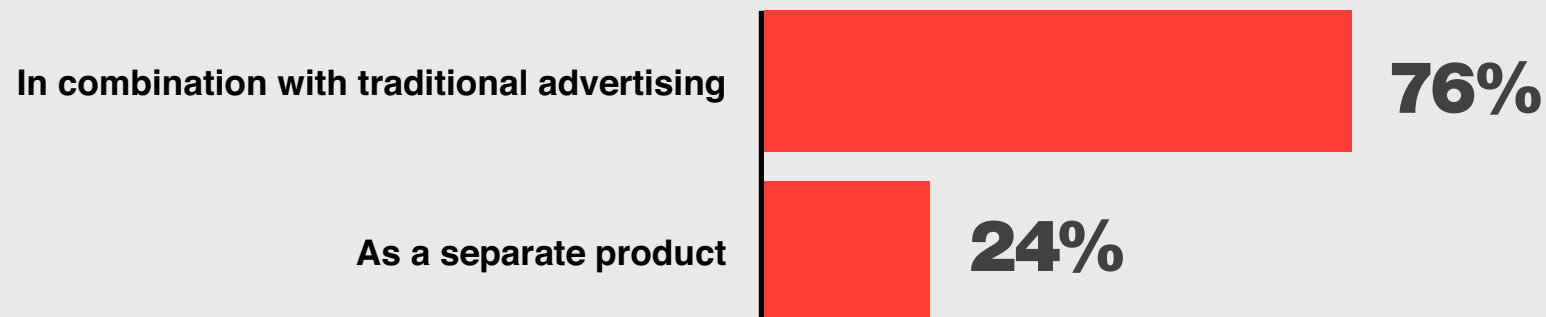
12% use an external agency partner.

SALES & SERVICES

How do you sell your native advertising solutions?

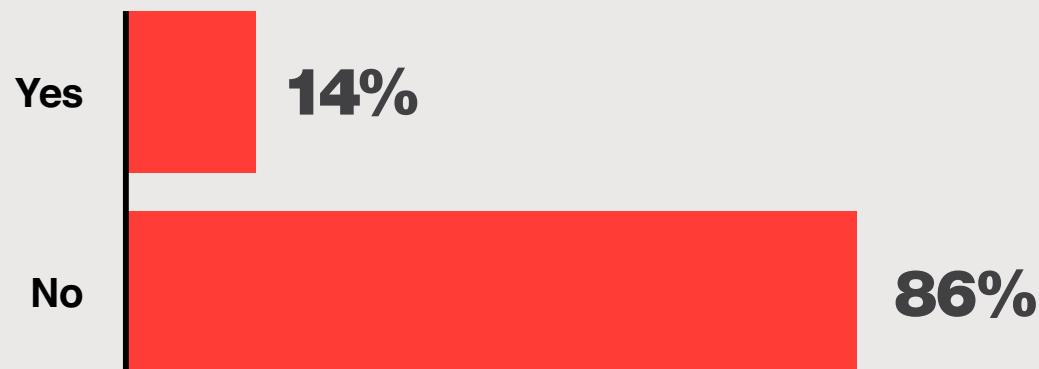
76% sell native advertising in combination with traditional advertising.

Turning to native advertising is not a farewell to traditional advertising for publishers or for advertisers, but rather a supplement. Indeed, many projects see a better return on investment when different platforms and formats are combined.



SALES & SERVICES

Do you have a dedicated sales team for native advertising?



86% do not have a dedicated native team.

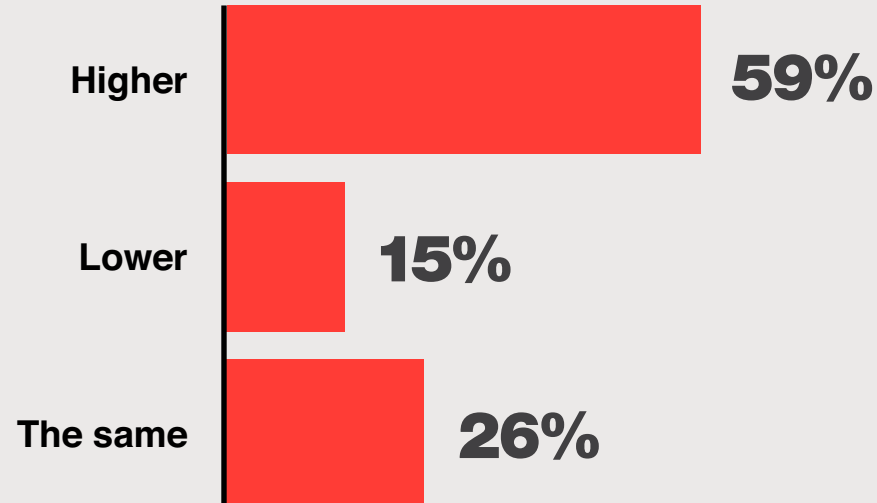
One of the biggest challenges to publishers when it comes to native advertising is training their sales teams. One solution to this problem might be for more publishers to have dedicated teams for selling the native advertising solutions. Currently only 14% of the publishers have that.

SALES & SERVICES

How do you price native advertising vs. traditional advertising?

59% charge more for native advertising.

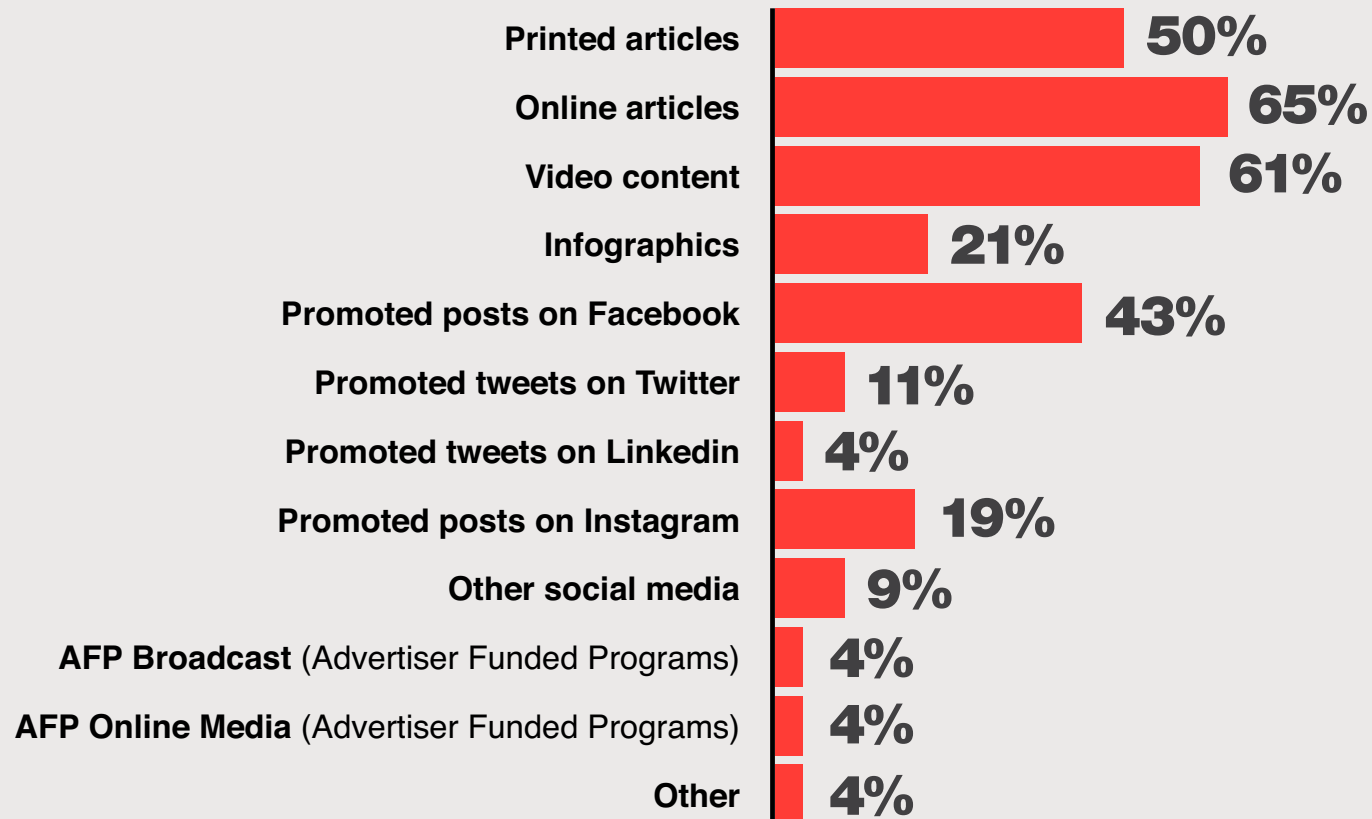
Native advertising is, to many publishers, seen as a premium product and rightfully so if we look at the pricing models. Only **15%** are able to charge less for native advertising than for traditional advertising.



Measurement & Effect

MEASUREMENT & EFFECT

What do you consider to be the most effective type of native advertising?

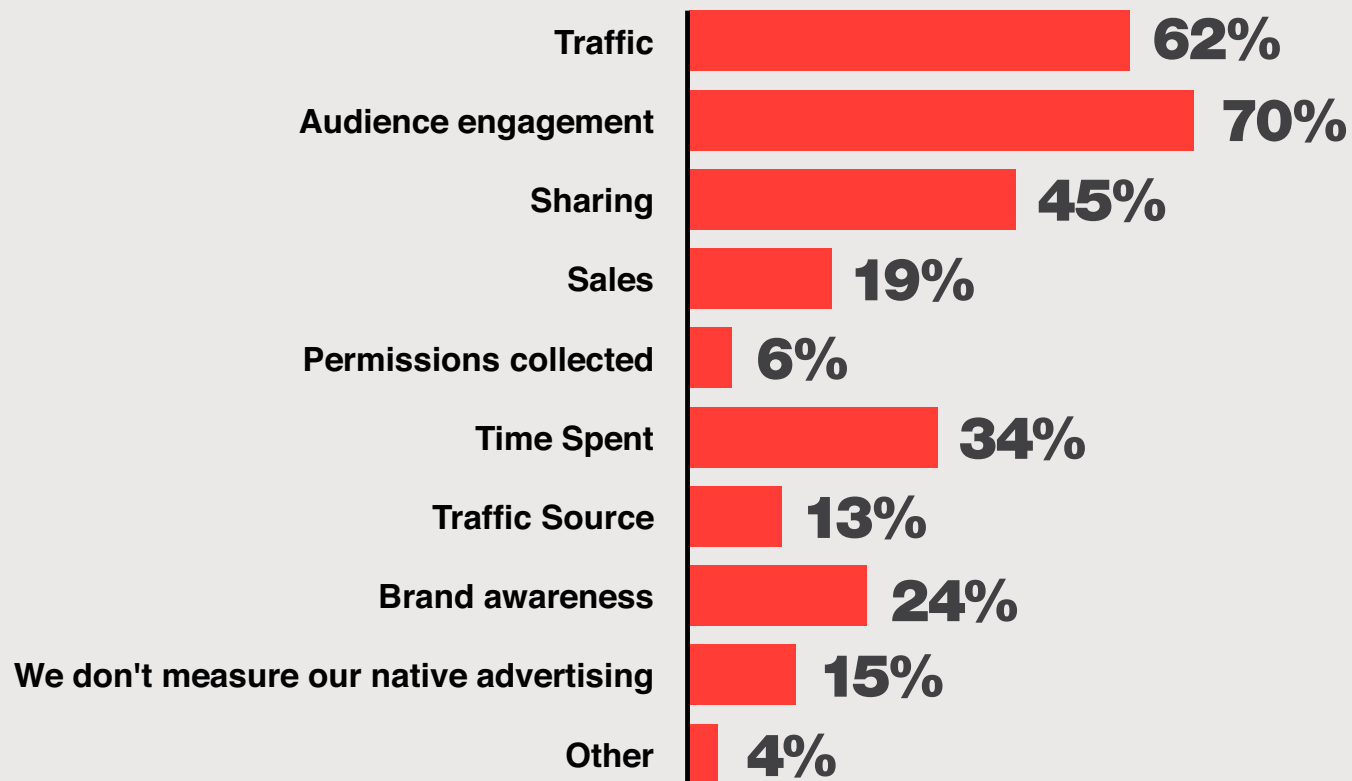


66% see online articles as one of the most effective types of native advertising.

Printed articles (**50%**), video content (**61%**) and online articles (**66%**) are among the most effective forms of native advertising according to the publishers. Interestingly enough, the fourth most effective form is not on the publisher's own platforms but, in fact, promoted posts on Facebook.

MEASUREMENT & EFFECT

How do you measure the effect of native advertising?



70% use audience engagement to prove native effectiveness.

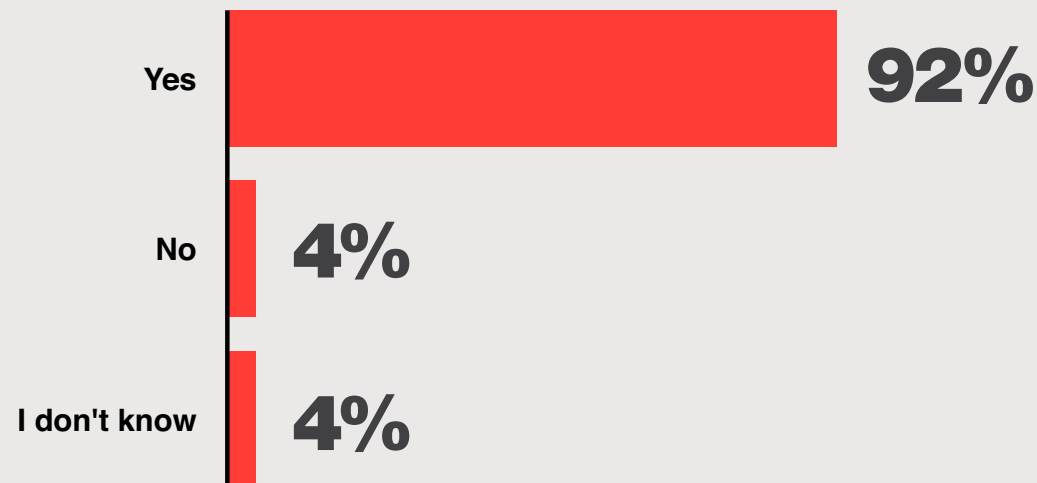
Proving the effectiveness of any type of advertising has always been of concern to publishers - as well as to brands and agencies. When it comes to native advertising the most popular key performance indicators are: Audience engagement (**70%**) Traffic (**62%**) Sharing (**45%**).

MEASUREMENT & EFFECT

Do you think that native advertising adds value for your customers?

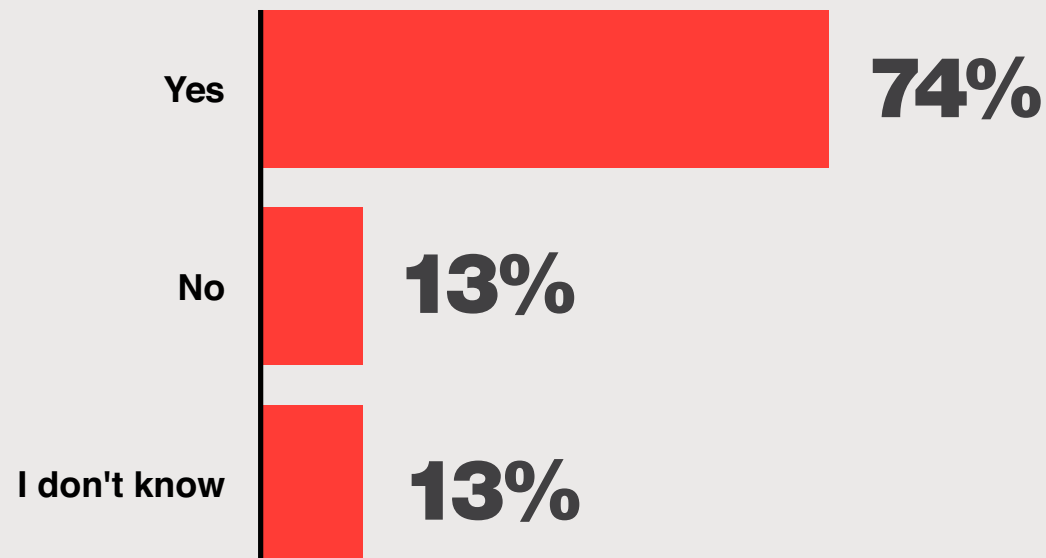
92% believe native adds value for customers.

Most companies are convinced of their own product and the same holds true for publishers selling native advertising. There is, however, a small percentage in this survey that do not feel advertisers will benefit from native (**4%**) and a similar number that do not know (**4%**).



MEASUREMENT & EFFECT

Do you think that native advertising adds value for your readers and viewers?



74% feel native advertising adds value for readers and viewers.

Some advertisers might be inspired to use this statistic to try to negotiate a better price. They probably will not succeed, but only **13%** of publishers do not believe that native adds value for their readers compared to **74%** that believe it does.

Opportunities & Threats

OPPORTUNITIES & THREATS

What is your biggest challenge regarding native advertising?



37% are challenged with convincing advertisers to tell real stories.

The challenges facing publishers when it comes to native advertising are both internal and external.

36% are challenged with training their sales team

30% struggle to produce effective strategies

24% are having a hard time convincing advertisers to buy native advertising

18% are fighting to get media buying agencies involved in native projects.



OPPORTUNITIES & THREATS

What are the biggest native advertising opportunities for your company?



69% see written content as a big opportunity.

Comparing where the publishers see opportunities going forward to what they are delivering today, every product is on the decline except three:

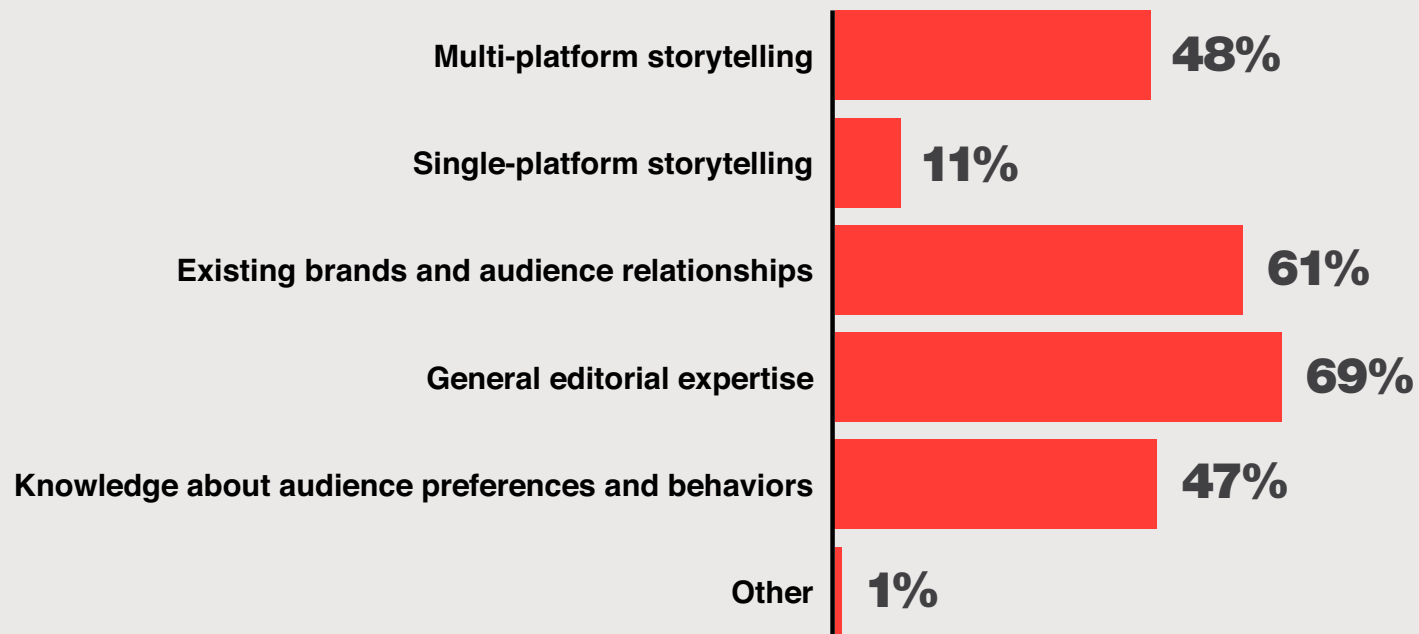
63% are hoping for more video, up from **62%**

57% are betting on multiplatform storytelling, down from **58%**

52% are looking to multimedia storytelling for opportunities, down from 54%.

OPPORTUNITIES & THREATS

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

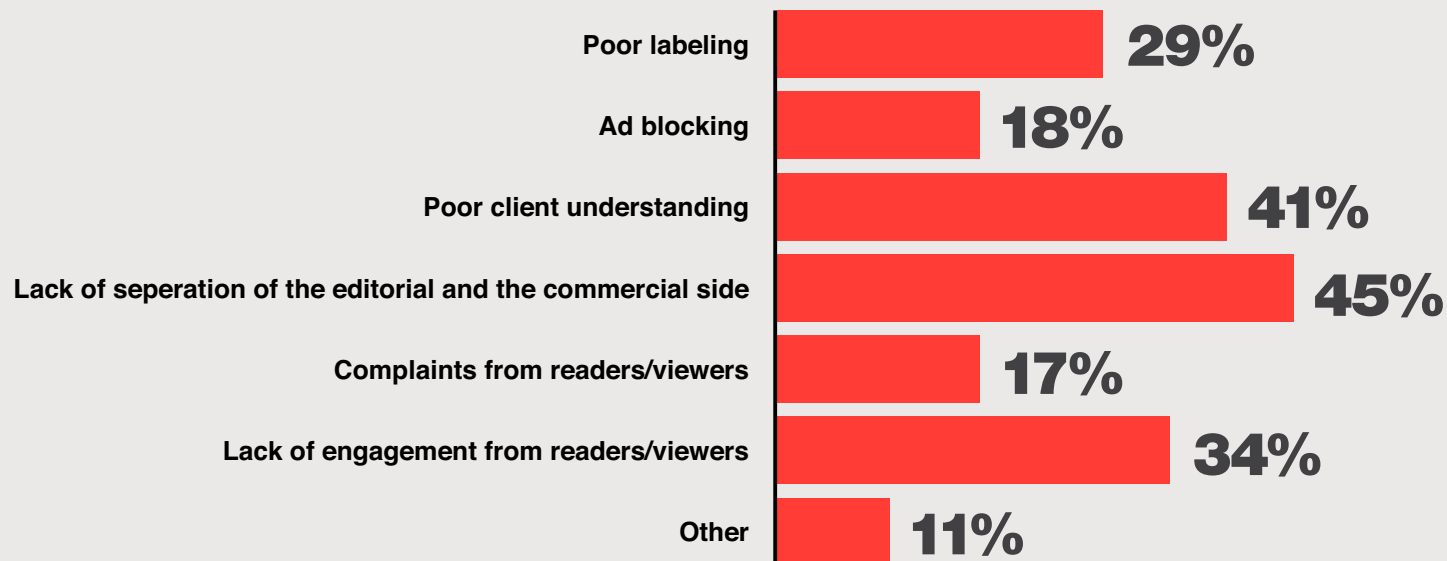


69% point to general editorial expertise as a strength.

Any sales process requires focus on the unique selling points. Publisher's biggest assets around native advertising are closely related to their core business. General editorial expertise is one. Existing brands and audience relationships is another **(61%)** and knowledge about audience preferences and behaviours **(47%)**, a third.

OPPORTUNITIES & THREATS

What do you consider the biggest threat to native advertising?



45% are concerned about the lack of division between state and church.

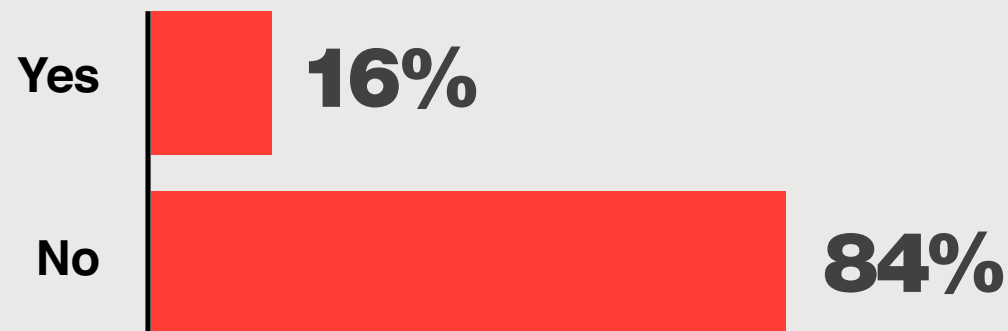
Poor labeling is a concern of **29%** of publishers yet **11%** do not label it at all. Other threats to native advertising as seen by publishers are:

Poor client understanding (**41%**)

Lack of engagement by readers/viewers (**34%**).

OPPORTUNITIES & THREATS

Have you received any customer complaints from working with native advertising?



16% have experienced customer complaints because of native advertising.

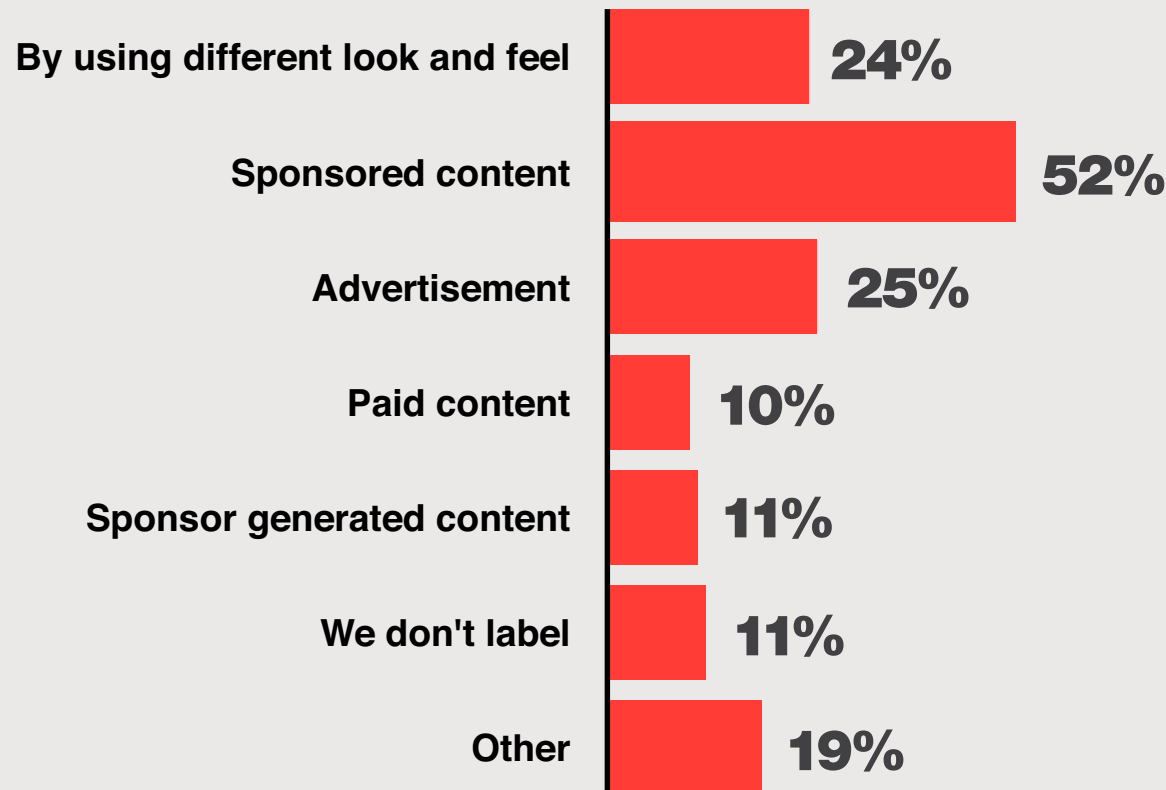
One of the main concerns publishers have when working with native advertising is the reaction of the audience.

84%, however, have never received any complaints as a result of native advertising.

Labeling

LABELING

How do you label native advertising?



11% do not put any label on native advertising.

There are many interesting ways of labeling native advertising. To mention a few:

'Promotion', 'Brought to you by', 'Special Section', 'Contributor Feature'.

The most popular way of distinguishing, however, is:

'Sponsored content' **(52%)**
'Advertisement' **(25%)**

By using different look and feel **(24%)**.

About this report

Native Advertising Trends 2016 - The Magazine Industry was produced by Native Advertising Institute in collaboration with FIPP - the worldwide magazine media association.

140 magazine executives from 39 countries across the globe participated in the survey during a three week period in April and May, 2016. The report was published in June 2016.

About Native Advertising Institute

Native Advertising Institute is an independent institution on a mission to help publishers, brands and agencies become successful with native advertising. We publish a blog, conduct research and host the biggest native advertising conference in the world called Native Advertising Days.

About FIPP

FIPP - the worldwide magazine media association, represents content-rich companies or individuals involved in the creation, publishing or sharing of quality content to audiences of interest. FIPP exists to help its members develop better strategies and build better businesses by identifying and communicating emerging trends, sharing knowledge, and improving skills, worldwide.

