

COLUMNS

## Why advertisers and publishers should take native ads seriously in 2014

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By **Kunal Gupta**

The past 12 months saw native advertising evolve at an incredible pace. We saw pricing strategies develop, mobile monetization plans form, sites such as BuzzFeed, The Huffington Post, Facebook and Twitter establish themselves as leaders in sponsored content, and the Interactive Advertising Bureau and the Federal Trade Commission start taking the format seriously as a paramount piece of the Internet advertising landscape.

If 2013 is when native advertising made its introductions, 2014 is when it raises the stakes. Here are six trends showing why advertisers and publishers need to get serious about native ads in the next year.

### Twitter challenges Facebook for mobile ad revenue crown

Facebook's recent third-quarter earnings call revealed half of its ad revenue comes from mobile compared to 14 percent the year before, entirely through sponsored posts, generating almost \$874 million.

In the same quarter, mobile accounted for 70 percent of Twitter's ad revenue, but with a much smaller user base: \$150 million from 215 million active users. The ratios are the same, so why predict one over the other? You have to follow the money.

Facebook's active users are predominately based in the United States, while Twitter's are abroad. Ad dollars are spent in the U.S., where Twitter has more than enough room to grow its user base.

Take Twitter's efforts with television. On Dec. 11 Twitter unveiled more details about its See It initiative. The Verge's Bryan Bishop wrote, "Twitter sees television as a major way in which it can participate in, drive and profit from the broader cultural conversation."

A dedicated button within its apps drives users to live television, and all the major networks are on board. Cable providers are also in talks to join this sponsorship method that is unique to Twitter.

I predicted earlier in 2013 that Twitter's purchase of MoPub was a telling move in the native ad marketplace, and The Wall Street Journal confirmed that Twitter has opened up MoPub to publishers besides itself, serving this ad space to social networks and publications.

Facebook will not cease profitability anytime soon, but those ad revenues might have been closer to their peak, while Twitter shows several avenues for increased profitability.

Twitter is far more aggressive in its hunger for this piece of the ad revenue pie and that is why it has a chance at usurping its biggest competitor.

Pinterest, Tumblr and other new entrants emerge with their own native advertising product

Speaking of Facebook and Twitter, we witnessed both those companies come to define successful implementations of native ads and publishers playing catch-up.

These two were only a taste of what's to come with other social products encroaching on ad space which is traditionally the publishing industry's bread and butter.

Pinterest announced new promoted pins and Tumblr is following parent company Yahoo's lead with sponsored trends.

Instagram, Vine, Path, Rdio, Snapchat any social network of note will introduce its monetization method in 2014, and you can bet on native advertising being a pillar.

But it is not only social networks which can take advantage of native ads.

Content recommendation engines such as Taboola and Outbrain are in a prime position to introduce or boost their current native product.

Taboola currently serves 1.5 billion recommendations a day. LiveFyre, which recently bought Storify and Realtidbits, are positioning themselves to present native ads within its product stream, too.

Publishers and media agencies duke it out for the role of content agency

With innovation comes imitation, and the new ways in which publishers have implemented sponsored content is no different.

Specialty marketing agencies will emerge that cater specifically to brands looking for a content marketing solution.

Some shops such as 360i currently offer this service, and do it well. But if you are a chief marketing officer for a company with any marketable products in 2014, expect an onslaught of cold calls from brand new agencies promising to know everything about native advertising.

The other side of the coin is described by Jack Marshall of Digiday. He cites Vice, BuzzFeed and Complex as publishers who are increasingly taking on the role of a marketer:

"Major agencies are building content studios and editorial operations but their background is in advertising content has never really been in their blood. That's why, in the short-term at least, publishers are best placed to fill the gap."

The bottom line: publishers know how to create content that people want to read.

Creating a network of quality content is an entirely different beast than creating one with banners.

Brands will need help in this regard, and publishers in possession of this expertise are in a prime position to take over this role.

The banner is not dead but it is very sick

I was quick to declare the banner dead earlier in 2013, but I was only half right.

The banner as we know it is dead, but much like a Hostess Twinkie, it is resilient and lives on in new forms. It has proved an excellent marker for ROI when used in a mixed-marketing campaign the click-through rates and views of a banner on a native advertisement's second page can glean useful analytics, and still be visually effective in full-page dominations.

The banner should no longer be a standalone product, but rather part of the marketing mix.

The image to the right from the Financial Post shows how its "Joint Venture" series users banners effectively with sponsored content.

We make assumptions about the banner as it currently exists that no one pays attention to it, or that all clicks are accidental but a savvy marketer will play off these assumptions and prove the banner still has some life in it, just not how we expect.

Even today, banner retargeting is a hot topic. Research shows a retargeted display ad is 10 times more effective, but they do not sit well with consumers. Will we see innovation or backlash in this specific case?

This past week Starcom revealed banner ads that repurpose a publication's old articles to construct a native ad on

the page. Either way, it is not yesterday's banner.

Native advertising is the key to mobile monetization

Maybe you've heard this one before. What was the outlier in 2013 should be the dominant means of money making for publishers in the mobile world for 2014.

But why do native ads have so much potential, while the banner is an afterthought in this space?

Engagement.

Early adopters such as Forbes, BuzzFeed and Quartz enjoy great success because readers are interacting and engaging with great content, no matter what the platform.

Every other ad product has a lower engagement rate on mobile except for native advertising. Those who jumped on the bandwagon early are learning that catering sponsored material to those on phones and tablets is a proven method for monetization where others have all but given up.

Your average reader will engage with one native ad a day

If you are not already, you will read one native a day do not worry, FTC, it will be properly labeled. This is a safe trend to call, considering the predictions that precede it.

Every major publisher, as well as Facebook, Twitter, Instagram, Tumblr and Pinterest all have native ads in the wild or in the works and rest assured so do any I have not listed.

AT THIS POINT in time it would be a challenge to find a content producer who is not serious about native advertising.

BIA/Kelsey predicts native advertising will account for 39 percent of U.S. social ad spend in 2013 and even higher in 2014.

The current numbers represent an industry dipping its toes in the market. As the product expands and normalizes, even those subscribing to the most niche of publications will see native ads consistently in 2014.

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