



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

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Michelle A Amazeen 

Boston University, USA

Bartosz W Wojdyski 

University of Georgia, USA

Abstract

This experiment with a representative sample of US adults ($N=800$) examines the effects of disclosure design characteristics in sponsored news on readers' ability to recognize such content as paid advertising, and examines whether such recognition differently affects perceptions of legacy and digital-first publishers. 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

Audience studies, journalism, media effects, native advertising, persuasion knowledge model

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 it is placed, has drawn considerable attention and controversy. Part of a broad societal trend

Corresponding author:

Michelle A Amazeen, Department of Mass Communication, Advertising & Public Relations, Boston University, 640 Commonwealth Avenue, Boston, MA 02215-1300, USA.

Email: mamazeen@bu.edu

where brand messages are creeping into the private sector (McAllister, 1996; Serazio, 2013), 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 (Carlson, 2015; 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*, the *New York Times*, and the *Wall Street Journal* now partaking in the practice, native advertising theoretically goes beyond commercialism with the potential to confuse the policy makers that comprise the audience of these publications. 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 toward digital media has offered new territory in which it proliferates and can be seen by a growing number of audiences. According to a 2013 Federal Trade Commission (FTC) report, nearly three out of four online publishers offer native advertising opportunities (Gilley, 2013). An update to a Wojdyski and Evans (2018) content analysis indicates that 92 percent 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 percent 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 (Funt et al., 2016).¹ 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. For example, the FTC has been investigating how to create disclosures that elicit recognition and understanding among consumers (FTC, 2016) – an issue directly addressed by this study. Finally, consumers who are concerned with their ability to recognize the source and type of content in mediated messages along with the academics who study journalism and advertising may also benefit.

Persuasion knowledge, native advertising disclosures, and the effects of recognition

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. Indeed, Tutaj and van Reijmersdal (2012) empirically demonstrated that recognition of content as advertising is a key moderator of persuasion knowledge in covert advertising contexts. However, the ability to recognize a persuasive attempt is contingent upon prior experience with similar content (Friestad and Wright, 1994). Because contemporary native advertising practices are continually evolving in presentation format, consumers may be unfamiliar with the cues (if present) that signify the presence of sponsored material, which in many cases consist solely of the presence of a statement or label stating that the content is sponsored (Evans and Park, 2015; Wojdynski, 2016). Furthermore, consumers selectively attend to disclosures (Stewart and Martin, 1994), and may often miss them. 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 et al., 2013; Iversen and Knudsen, 2017; Kim and Hancock, 2016; Wojdynski, 2016; Wojdynski and Evans, 2016; Wu et al., 2016), experimental studies have frequently shown that less than 2 percent of readers of sponsored articles correctly identified them as advertising (Amazeen and Muddiman, 2017; Wojdynski, 2016; Wojdynski 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; Lazauskas, 2014; Wojdynski, 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 some studies have found no effects of language clarity on advertising recognition when comparing lesser to greater language explicitness conditions (Iversen and Knudsen, 2017; Wojdyski, 2016), 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; Tutaj and van Reijmersdal, 2012; Wojdyski and Evans, 2016; Wu et al., 2016). For instance, although some studies have found covert ads to be more persuasive than traditional advertising, it was because study participants did not perceive the material to be an advertisement (Kim and Hancock, 2016; Tutaj and van Reijmersdal, 2012). As predicted by the PKM, 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 (Tutaj and van Reijmersdal, 2012). 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.

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). Other studies comparing effects of banner advertising versus native advertising found the covert format to be more informative and amusing as well as less irritating than banner ads (Tutaj and van Reijmersdal, 2012) and found no effects on publisher credibility (Howe and Teufel, 2014). However, to date, studies comparing native advertising to other advertising formats have not accounted for the differences between native advertising readers who do and who do not recognize that they are reading an advertisement, which has been shown to significantly affect advertiser outcomes. Consequently, we propose that

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 compared to those who do not recognize the native ad.

H3a–b. Native advertising recognition will result in (a) lower attitudes toward and (b) lower perceived credibility of a publisher compared to those exposed to display advertising.

Furthermore, little is known about differences in how native advertising may affect legacy publishers versus digital-only publishers. To the degree that legacy publishers are perceived as more credible than digital-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 digital-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 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 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 consumers who feel deceived by native advertisements may believe that normative foundations of trust between consumers and advertisers have been violated, they may observe additional advertisements defensively, feeling like no one in the industry can be trusted (Darke et al., 2008; Pollay, 1986). Likewise, because consumers may also put blame on the publisher for violating their expectations about the separation of editorial and advertising content (Carlson, 2015), they may feel more negatively toward journalism as an industry. Indeed, people had less trust in political news after exposure to a politically themed native advertisement (Iversen and Knudsen, 2017). Thus, based upon the foregoing, the following predictions are offered:

H4a–d. Recognition of native advertising will negatively affect evaluations of (a) advertising and (b) journalism.

Method

Our study was carried out using an online survey among a representative sample of the US population. The survey was administered 26 January to 9 February 2017 by an Internet-based research firm, YouGov.² Among the 800 participants who completed the survey, 53 percent were female, 77 percent identified as White, 33 percent had completed at least a 2-year college degree, 47 percent were married, 37 percent were employed full time, and the average respondent age was 48 years. The median survey length was 18 minutes.

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).³ 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.⁴

In a 2 (publisher type: legacy vs digital-only) × 2 (sponsor logo presence: yes vs no) × 2 (disclosure visual prominence: low vs high) × 3 (disclosure language explicitness: low vs medium vs high) between-subjects factorial design + 2 offset display ad conditions (for legacy source and digital-only source),⁵ participants were asked to read an online article about mobile banking and answer dependent measures about their perceptions of the article, the bank mentioned, and the publisher. Participants were randomly assigned to view one of 26 versions of a webpage that included either an article labeled as native advertising or an unlabeled version of the same article with a display ad (see Appendix 1). 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 embedded in the middle of the article. In the two conditions in which participants were exposed to a traditional article with a reporter byline, the embedded image was a display ad related to the topic of the article. In the native advertising conditions, the embedded image was a photo related to the topic of the article that was not a display ad.

The native advertising conditions varied on four different criteria: news organization type, disclosure language explicitness, disclosure language prominence, and sponsor logo presence. *Publisher type* was manipulated 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. To avoid hostile reactions to a perceived partisan news source (Vallone et al., 1985), the legacy publisher was consistent with a respondent's ideological disposition as reported from an initial branching question.⁶ 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 three variations by using language that differed in terms of how clearly it identified the sponsor: (a) low ('partner content'), (b) medium (e.g. 'sponsored content'), or (c) high (e.g. 'paid advertisement from [sponsor]').⁷

Disclosure prominence had two variations based upon the size, color, weight, and typeface of the font (see Figure 1). In the low-prominence condition, the disclosure was in 16-pixel, 100-weight light gray (hex code: #bbbbbb) text on the white background of the page. In the high-prominence condition, the text was in 28-pixel, 200-weight on a red rectangular background, which was presented with an 8-pixel drop shadow behind the text.

Logo presence was varied by either the presence or absence of the sponsor's logo immediately adjacent to the disclosure. The logo used was a 200-pixel by 34-pixel rectangular treatment of the Bank of America logo, which includes the company name beside a stylized US flag.

Procedure

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 as political party identification.⁸ 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 percent 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. In all, 38% of these respondents correctly identified the *New York Times* (with 45% indicating they did not remember), and 42 percent correctly identified the *Wall Street Journal* (43% did not remember). Thus, participants were significantly more likely to

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Figure 1. Sample stimulus materials.

Varied by digital-only source versus legacy source and low versus high disclosure prominence.

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 et al., 2016; Newman et al., 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. Two participants in the display ad conditions who indicated the whole article was advertising were dropped from analyses.

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 ($M = 4.44$, standard deviation (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 feeling thermometer questions modified from the American National Election Studies. They reported whether they felt cool/unfavorable (0), warm/favorable (100), or somewhere in between toward advertising ($M = 44.50$, $SD = 25.36$) and journalism ($M = 51.38$, $SD = 29.98$). 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 ($M = 2.66$, $SD = 0.84$) and ($M = 3.02$, $SD = 0.85$) news media to report information in an unbiased manner ($M = 2.67$, $SD = 1.01$).

Results

Among participants in the native advertising conditions, only 9 percent recognized the content as advertising. Figure 2 illustrates how recognition levels varied by the characteristics of the native advertising disclosures. To determine the statistical contributions of the disclosure attributes in predicting recognition of native advertising (H1a-c), a binomial logistic regression model was specified (see Table 1, Model 1) 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 ($\chi^2(4, 703) = 22.29$, $p < .0001$; Cox and 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

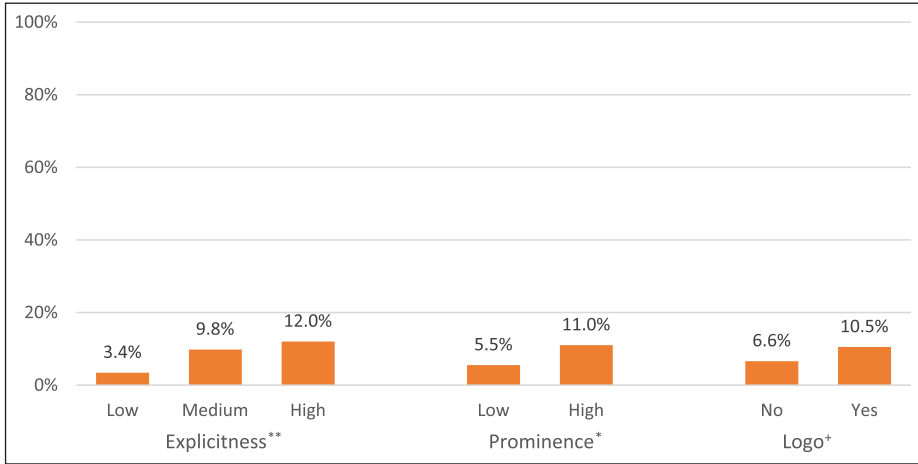


Figure 2. Native advertising recognition by disclosure characteristics ($N=738$).

* $p < .10$; * $p < .05$; ** $p < .01$.

marginally significant ($p < .10$). Disclosures containing a logo increased the odds of recognition by 1.64 times compared to those without a logo. Holding the other attributes constant at their means, the high explicitness disclosure had the strongest influence on advertising recognition as indicated by the standardized coefficient ($\beta = 3.66$). 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, Model 2). Including the demographic variables strengthened the robustness of the model ($\chi^2(14, 598) = 65.92, p < .0001$; Cox and Snell = .10, Nagelkerke = .23). Coefficients for disclosure prominence ($p < .05$), high disclosure explicitness ($p < .0001$), medium explicitness ($p < .01$), and logo presence ($p < .01$) 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.

To determine the influence of advertising recognition and publisher type on attitudes toward the publisher, a two-way analysis of variance (ANOVA) examined attitudes toward the publisher as the dependent measure and independent groups of advertising recognition (recognized native, did not recognize native, or viewed display ad) and publisher type (legacy vs digital-only) as independent variables (see Figure 3). The results showed a multivariate effect of advertising recognition just over the significance threshold ($F(2, 767) = 2.98, p = .051$), and no significant effect for publisher type or for the interaction between advertising recognition and publisher type. Planned comparisons showed that participants who recognized the article as native advertising had

Table 1. Binomial logistic regression of factors affecting advertising recognition.

	Model 1		Model 2	
	b (SE)	β	b (SE)	β
Disclosure prominence	0.68 (0.29)*	1.97	0.79 (0.34)*	2.21
High explicitness disclosure	1.30 (0.42)**	3.66	1.84 (0.50)***	6.31
Medium explicitness disclosure	1.10 (0.42)**	3.01	1.33 (0.50)**	3.76
Logo presence	0.50 (0.28) ⁺	1.64	0.80 (0.32)**	2.22
Age			-0.03 (0.01)**	0.97
Gender			-0.55 (0.33) ⁺	0.58
White			0.62 (0.40)	1.86
Education (Years)			0.28 (0.08)***	1.32
Married			-0.40 (0.35)	0.67
Working			-0.28 (0.34)	0.75
Income			0.10 (0.06) ⁺	1.11
Democrat			-0.09 (0.63)	0.92
Republican			-0.76 (0.69)	0.47
Independent			-0.38 (0.66)	0.69
Constant	-4.65 (0.62)	0.01	-7.24 (1.63)	0.00
Nagelkerke R ²	.07		.23	
N	707		612	

SE: standard error.

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

*** $p < .0001$; ** $p < .01$; * $p < .05$; ⁺ $p < .10$.

significantly less favorable attitudes toward the publisher ($M=4.09$, $SD=1.58$, $p < .05$) compared to those who did not ($M=4.49$, $SD=1.19$). Neither group differed significantly from those who viewed the article with display ad ($M=4.42$, $SD=1.31$). Thus, H2a was supported but not H3a. Addressing RQ2a, source was not a significant predictor of attitudes toward the publisher, and the interaction between source and advertising recognition was not significant.

To examine the influence of advertising recognition and publisher type on perceived publisher credibility, another two-way ANOVA was specified with publisher credibility as the dependent variable and independent groups of advertising recognition (recognized native, did not recognize native, or viewed display ad) and publisher type (legacy vs digital-only) as independent variables (see Figure 3). The results again showed a significant multivariate effect of advertising recognition ($F(2, 758)=5.57$, $p < .01$), but no significant effect for publisher type or for the interaction between advertising recognition and publisher type. Planned comparisons revealed that participants who recognized the article as native advertising perceived the publisher as significantly less credible ($M=3.93$, $SD=1.65$, $p \leq .001$) than those who did not recognize the native content as advertising ($M=4.46$, $SD=1.33$) and compared to those who viewed the article with display ad ($M=4.39$, $SD=1.20$, $p < .05$). Thus, both H2b and H3b were supported. Addressing RQ2b, source was not a significant predictor of perceived publisher credibility, and the interaction between source and advertising recognition was not significant.

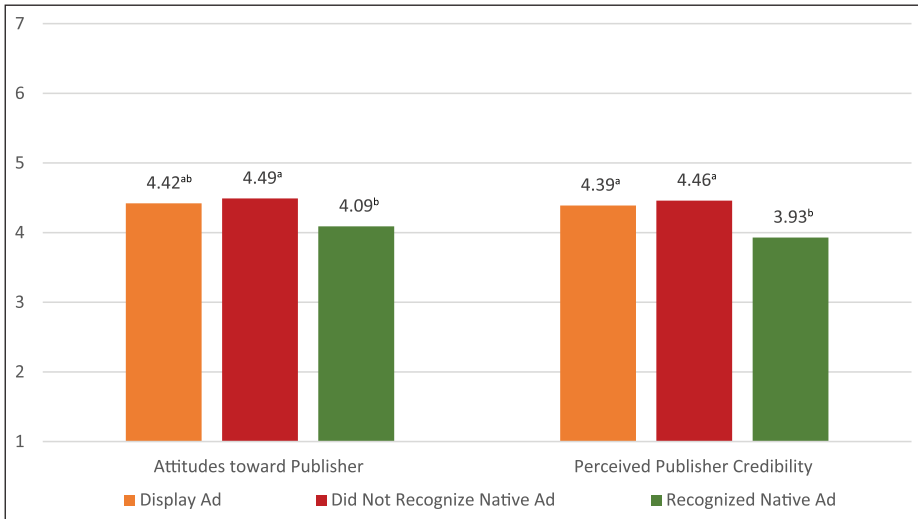


Figure 3. Publisher evaluations by content type.

$N=759$. Superscripts with different letters denote statistical significance at a minimum $p < .05$.

Hypotheses 4a and 4b predicted that native advertising recognition will lead to less favorable evaluations of advertising and journalism institutions, overall. These differences were tested using ANOVA between independent groups of advertising recognition (recognized native, did not recognize native, or viewed display ad). Attitudes toward the institution of advertising (H4a) were negatively affected by native advertising recognition ($F(2, 755)=6.67, p \leq .001$). Planned comparisons showed that those who recognized the ad had significantly less favorable feelings toward advertising ($M=34.02, SD=22.59$) than those who did not recognize the article as advertising ($M=45.88, SD=25.11, p < .0001$) but only directionally less favorable feelings than those who were exposed to display advertising ($M=41.44, SD=27.90, p > .10$). Unexpectedly, attitudes toward journalism (H4b) were positively affected by native advertising recognition as indicated by a significant ANOVA ($F(2, 756)=2.93, p < .05$). Planned contrasts revealed that participants who recognized native advertising had more favorable 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 ($M=48.60, SD=34.88, p < .05$). Thus, these findings lend support to H3a but not H3b (see Figure 4).

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 ($F(2, 780)=7.22, p < .001$). Planned contrasts indicated that participants 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 ($M=2.42, SD=0.95, p > .05$). Trust in news media to report in an unbiased

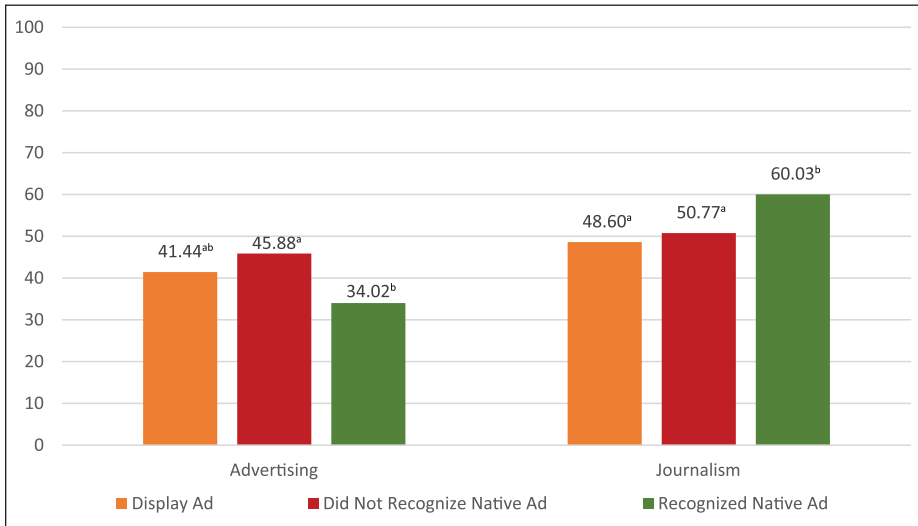


Figure 4. Attitudes toward institutions by content type ($N=758$).

Superscripts with different letters denote statistical significance at a minimum $p < .05$.

manner (H3b) was directionally affected by recognition ($F(2, 784)=2.36, p < .10$). 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 ($M=2.42, SD=1.19, p < .05$) but not compared to those who did not recognize the article as advertising ($M=2.68, SD=0.99, p > .05$). Thus, the trust measure lends further support to H3a but not H3b.

Discussion

The results of this study 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 percent of our respondents who were exposed to native advertising were able to identify it as commercial content. Like other recent scholarship (Iversen and Knudsen, 2017; 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 should include implementing 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. Although advertisers may resist such recommendations on the basis that they make disclosures too

noticeable and therefore undermine the covert nature of the practice (Einstein, 2016), they can be to their benefit by reducing the likelihood of violating regulatory standards. This tension in determining how much obfuscation is too much demonstrates the vexing challenge publishers face in simultaneously serving the interests of both news audiences and advertisers (Carlson, 2015).

Our study also demonstrates that 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. It may be that because younger audiences consume more of their news online (Mitchell et al., 2016), they have gained experience in categorizing the various types of Web content they encounter. This would be consistent with the PKM (Friestad and Wright, 1994) which postulates that an individual's persuasion knowledge is informed by past persuasive episodes experienced personally or indirectly by discussing with others and accumulates over time.

Another important finding of this study is 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 – a finding consistent with other research (Amazeen and Muddiman, 2017; Iversen and Knudsen, 2017). 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 disclosed native advertising and didn't recognize it as such and those exposed to 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 the difficulty in measuring the effects of publisher type on audiences that often do not recall the source of content they consume (Funt et al., 2016; Newman et al., 2016). In contrast to past research indicating that audience evaluations of publishers and reactions to native advertising recognition were affected by the type of source (Amazeen and Muddiman, 2017), the present study did not find statistically significant evidence of this finding. Differences may be due to a weak source effect perhaps driven by the moderate to weak source recall levels previously reported. Thus, while additional research is needed, the established reputations of legacy publishers may not protect them from the negative reactions to native. Recognition of native advertising adversely affected the perceived credibility of both digital-only and legacy publishers.

There were some unexpected outcomes that are positive for journalism related to recognition of native advertising. Despite Iversen and Knudsen's (2017) finding that explicitly labeled native advertising lowered people's trust in news when consuming additional articles, we found that people who were able to recognize the native advertisement as advertising had more positive evaluations of journalism. We believe the more positive feelings may 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 undisclosed native 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.

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 acknowledgment. First, although the disclosure stimuli used in this study were meant to emulate some of the industry's practices, they were not intended to replicate the exact methods of any publisher or advertiser in particular. Furthermore, as Einstein (2016) has observed, many of the tested variations run contrary to what advertisers paying for the ads would want because they are too noticeable. 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 the 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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Notes

1. While the authors acknowledge the trend of declining trust in media, the study by Funt and colleagues (2016) indicates that legacy brand names still elicit greater trust, although perhaps to a lesser degree than in years' past.
2. 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>
3. Brandpoint is a content marketing agency in the United States that provides 'content to editors, ad directors, designers, publishers and bloggers' (Brandpoint, n.d.).
4. The pretest was administered on 3 November 2016 using the online Qualtrics system among Amazon's Mechanical Turk workers. A total of 60 participants completed the pretest.
5. The legacy and digital-only display ad conditions were part of a larger study. Because this source distinction was not needed for the analysis of these conditions, they were collapsed to form one group of respondents exposed to an article with a traditional reporter byline and a display ad, hereafter referred to as the 'display ad' condition.
6. A pretest was administered on 3 November 2016 using the online Qualtrics system among Amazon's Mechanical Turk workers. A total of 60 participants completed the pretest. Based upon 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). Since the success of native advertising has been in part based upon the legitimacy and trust offered by news organizations, we believe we have reduced any perceived trust biases that may have arisen from using one legacy media source given the polarized perceptions of US media organizations.
7. Disclosure explicitness and prominence were both based upon a pretest administered on 4 January 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 seven disclosures was, where 1=very hard to see and 7=very easy to see.

8. The corresponding author may be contacted for access to any underlying research materials.

ORCID iDs

Michelle A Amazeen  <https://orcid.org/0000-0003-0167-7323>

Bartosz W Wojdyski  <https://orcid.org/0000-0002-3042-4272>

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Author biographies

Michelle A Amazeen (PhD, Temple University) is an Assistant Professor at Boston University. Amazeen's research interests are cross-disciplinary at the intersection of advertising, journalism and political communication. She studies the impact of communication factors on persuasion and efforts to resist persuasion. Her work has been previously funded by the American Press Institute and the New America Foundation and has appeared in publications such as *Journal of Political Marketing*; *Journalism*; *Journalism & Mass Communication Quarterly*; *Media, Culture & Society*; and *New Media & Society*.

Bartosz W Wojdyski (PhD, University of North Carolina at Chapel Hill) is an Assistant Professor at the Grady College of Journalism and Mass Communication at the University of Georgia, where he directs the Digital Media Attention and Cognition (DMAC) Lab. He studies the role of message design characteristics on information processing and cognitive outcomes, with a focus on the role of visual attention. His research has been published in journals including *Journal of Advertising*, *New Media & Society*, *American Behavioral Scientist*, *Media Psychology*, and the *Journal of the Association for Information Science and Technology*.

