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Native Advertising as a New Public Relations Tactic

Kaye D. Sweetser, Ph.D., APR+M
Associate Professor
San Diego State University

Guy J. Golan, Ph.D.
Associate Professor
Syracuse University

Sun Joo (Grace) Ahn, Ph.D.
Assistant Professor
University of Georgia

Asaf Hochman
Senior Director, Product Marketing
Outbrain

In press, *American Behavioral Scientist*.

Kaye D. Sweetser, APR+M is an associate professor of public relations at San Diego State University in the School of Journalism & Media Studies. Dr. Sweetser studies digital political communication in various contexts.

Guy J. Golan is an Associate Professor at the S.I. Newhouse School of Public Communications, Syracuse University. His research focuses on public diplomacy, international news, and public opinion.

Sun Joo (Grace) Ahn is an Assistant Professor of advertising at Grady College of Journalism & Mass Communication, University of Georgia, and founding director of the Games and Virtual Environments Lab. Her main area of research looks at how virtual experiences through digital devices change the way people think and behave in the physical world.

Asaf Hochman is Senior Director of Product Marketing at Outbrain, the world's largest native advertising platform. Prior to Outbrain Asaf spent a number of years at advertising agencies as a digital strategist. He earned his MBA from the University of Michigan Ross School of Business in 2010.

Abstract

Using a pre- and post-test online experiment ($N = 105$), this study empirically explored the impact of native advertising sponsorship disclosure on organization-public relationships (OPR), credibility, brand attitude, and attitude toward the advertisement. Credibility and brand attitude predicted the two OPR factors, however OPR was not impacted by participants' cognizance of ad sponsorship/disclosure. Brand attitude for obviously sponsored (e.g., ad disclosed) content decreased slightly. However, the presence or absence of sponsorship did not significantly influence either credibility or attitudes toward the advertisement itself. The study also examined perceived information utility.

Native Advertising as a New Public Relations Tactic

Many argue that emergence of native advertising tactics blurs the lines between public relations, advertising, and marketing. Even the definition of native advertising draws from these traditionally genre silos. Native advertising describes a relationship between an advertiser and publisher wherein the advertiser (or third party agency) borrows from the credibility of a publisher by paying to distribute content on the publisher's platform that resembles the publisher's own content in format and substance.

In recent years scholars gained interest in the emerging area of native advertising. Sometimes used as an umbrella term and just as often used interchangeably with such terms as sponsored content, partner content, and branded journalism (Wojdyski & Evans, 2016), marketers are consistently increasing budgets toward these engagement tactics.

Despite the recent buzz over native advertising, there are several misconceptions about the term itself. Since advertising is defined as "a paid non-personal communication from an identified sponsor, using mass media to persuade or influence an audience," (Richards & Curran, 2002, p. 64), native content that for the most part lacks a clearly identified sponsor can not be considered a form of advertising. Furthermore, native tactics are not new. Both commercial and governmental organizations have a long history of using such native tactics as advertorials and video news releases in audiences engagement (Brown, Waltzer, & Waltzer, 2001; Golan & Viatchaninova, 2014). Research conducted more than two decades ago (Cameron, 1994; Kim et al., 2001) highlight the problematic nature of native tactics in the field of public relations.

As organizations struggle to find the right balance between content that is paid, earned, owned, and shared in the modern mass communication ecology, native tactics such as advertorials, video news releases, and more recently sponsored content and links have been

widely adopted in public engagement efforts and may in fact redefine the very function of public relations practitioners (Verčič & Verčič, 2015). Despite the prevalence in the use of native tactics by public relations professionals, little is known about the relationship between the use of native tactics its potential impact on organization-public relationships. The current study aims to empirically test this relationship.

Literature Review

Relationship theory, which focuses on the organization-public relationship (OPR), is among the most heuristic in public relations scholarship while still having a great deal of practical utility for public relations practitioners (Ferguson, 1984; Sallot et al., 2003). The name of the theory itself even reflects the very definition of public relations in that the industry focuses its attention on relationship-building with its publics. Because of the connection to the practice of public relations, scholars noted meaningful outcomes as a result of OPR. For example, Bruning (2000) found a tie between OPR and loyalty, especially among customers who expressed “being in a relationship” the organization. Similarly, Ki and Hon (2007) found that positive attitude toward an organization could be predicted by OPR; they tied the positive attitude to behavioral intentions (Ki & Hon, 2007). This loyalty, noticed by other scholars as well (Bruning & Ralston, 2001), should be a symmetrical process where the organization supports its publics as well (Ledingham, 2001). To this point, organizations should engage in activities that support OPR (Ledingham, 2001), realizing that both parties must work at the relationship in order to create a strong relationship between the an organization and its publics.

The majority of OPR literature focuses on what organizations can do to develop and positively impact relationship with their publics (Derville Gallicano, 2009). Few exceptions exist, but notable examples of scholarship that examines what an organization might to do that

damages a relationship tends to involve ethical issues. For example, Baker et al. (2007) conducted a content analysis to examine organizational response to phishing, knowing that such illegal predatory online behavior can damage trust of an organization. Sweetser (2010) examined the impact of lack of disclosure in online content, finding that unethical behavior can damage OPR.

Following in the line of this new area of OPR research, the study presented here examines the ethical disclosure issues. Similar to Sweetser (2010) who manipulated ethical disclosure in an OPR experiment, this study examines sponsorship disclosure of native advertising to determine if such ethical behaviors impact the public's relationship with the organization. Immediately prior to this study being conducted, the Federal Trade Commission (2015) released guidelines for organizations to operate ethically in this new environment, enumerating practices for native advertisements that clearly label content as being sponsored.

OPR research commonly considers other constructs that might impact or predict relationship. Applicable to the research questions explored here, credibility will be examined for its role in OPR. As a concept, credibility is inline with the foundational constructs of relational strategies such as trust (Hon & Grunig, 1999). While important, even Hallahan (1999) noted the fine line practitioners must walk in promoting their organizations but doing so in a credible and honest way. While the recent attention from the Federal Trade Commission (2015) does provide guidelines to organizations, research supports the necessity of guidelines to define ethical boundaries for organizations (Grunig, 1993). For example, Grunig (1993) reported disclosure actions that were ethically questionable (e.g., not disclosing sponsorship) that were technically still within the parameters of the industry's ethical code.

Credibility research in OPR is more commonly referred to as trust, though the two concepts are said to not be mutually exclusive (Sweetser, 2010). Hon and Grunig (1999) discuss the concept in terms with an organization “keeping its word.” Scholars note that specific concept of credibility is important in OPR research that deals with ethical issues. Sweetser and Metzgar (2007) found that credibility was crucial for organizations in rebounding from a crisis. When ethical issues occur with regard to disclosure, research found credibility can decrease significantly (Sweetser, 2010). Indeed, fractures in the building blocks of relationship can damage OPR (Sweetser, 2010, p. 293).

Influence of Information Utility on Attitude Formation

One defining characteristic unique to native advertisements is the quality of content presented. In particular, recent years have seen a surge in high-quality journalistic content of native advertisements presented through respected news media, such as the *Washington Post* or the *New York Times*, wherein the advertisement reads very much like an ordinary news story. This is a critical point of differentiation for native advertisements because prior research has demonstrated that perceived information utility (i.e., information value) of advertisements to be the single factor most strongly correlated with overall advertising value (Ducoffe, 1995), and the best predictor of ad likeability and brand attitudes (Aaker & Stayman, 1990). Thus, information presented in native advertising is likely to render important influences on consumers’ responses to the advertisement and the brand it is sponsored by.

This importance of information presented in advertising presents an interesting potential scenario to be tested in the current study. That is, if individuals perceive high information value in a native advertisement, would it be possible for them to still construct favorable attitudes toward the advertisement, even when they are aware of the news article’s sponsorship, and by

association, its intentions to sell and persuade? There may be two potential conclusions. The persuasion knowledge model (Friestad & Wright, 1994) would predict that recognizing a message's intent to persuade leads to psychological reactance, resulting in negative response to the persuasive attempt. Conversely, perception of high informational value in a message might lead to perception of high advertising value (Ducoffe, 1995), resulting in favorable attitudes toward the advertisement: information that individuals feel have high utility may then lead to an override of the psychological reactance triggered by persuasion knowledge. Attitude towards advertisements is a strong predictor of brand attitude (Gardner, 1985), and thus, exploring the relationship between perceived information utility of a native advertisement is likely to lead to insights in brand attitude. It is likely that favorable brand attitudes, in the long run, are likely to contribute to constructing a strong OPR. To complement the investigation of native advertising's influence on OPR, the current study also aims to explore how perceived information utility of a native advertisement might influence attitudes toward the advertisement itself as well as the brand.

Hypotheses and Research Questions

Considering the evidence presented above, this exploratory study poses the following research questions to systematically observe native advertising's influence on these key public relations and advertising outcomes:

RQ1: What impact does the presence or absence of sponsorship disclosure in a native advertisement have on organization-public relationship?

RQ2: What impact does the presence or absence of sponsorship disclosure in a native advertisement have on attitudes toward the brand (RQ2A) and the advertisement (RQ2B)?

RQ3: What impact does the presence or absence of sponsorship disclosure in a native advertisement have on perceived credibility of the advertisement?

RQ4: How will perceived information utility of the information presented in the content of the native advertisement affect attitudes toward the advertisement and the brand?

Method

Design and Participants

Using a pretest/posttest experimental design, this exploratory study examined the impact of disclosure in a native advertising environment. Participants ($N = 105$) were exposed to one of two stimuli – one which disclosed organizational sponsorship of the native advertisement ($n = 55$) and one which did not ($n = 50$). The design employed was similar to the Sweetser (2010) OPR disclosure experiment, however here each participant served as his or her own control in the pretest measure.

The experiment was facilitated via Qualtrics, an online survey software system. A feature of Qualtrics is that it allows researchers to randomly assign participants to experimental cells and hold participants on the stimulus page to help ensure equal exposure time across all participants to the stimulus. In this study, participants were held on the stimulus page for two minutes before being allowed to advance.

Adult U.S. residents were recruited for participation via Amazon's Mechanical Turk (Mturk, www.mturk.com), a web-based human intelligence task market. Participants ranged in age from 18 to 78 years in age ($M = 40.08$ years old, $SD = 11.87$ years), and 55.2% ($n = 58$) percent of participants were male and 42.9% female ($n = 45$), two participants did not report their gender. Regarding their general media use, participants used the Internet the most ($M = 5.68$ hours, $SD = 3.57$ hours), followed by watching television ($M = 2.41$ hours, $SD = 2.38$ hours),

streaming online video (\underline{M} = 1.39 hours, \underline{SD} = 2.19 hours), listening to the radio (\underline{M} = 0.81 hours, \underline{SD} = 1.27 hours), reading the newspaper (\underline{M} = 0.23 hours, \underline{SD} = 0.48 hours), and reading magazines (\underline{M} = 0.12, \underline{SD} = 0.35 hours).

Stimulus

To maximize the ecological validity of native advertising, which is known for its rich context presented in multimedia format, an ongoing native advertising campaign was employed as a stimulus here. Given that the independent variable was disclosure, the real-world native advertisement was manipulated visually for the non-disclosure cell to conceal the sponsorship text at the top of the page. The original real-world native advertisement adhered to the recent Federal Trade Commission guidelines (2015) in that the name of the sponsoring organization was prominent at the top of the page and there was contrast between the background and the disclosure text, among other methods used to clearly disclose sponsorship of content. The disclosure cell saw the native advertising just as it originally appeared online. The no disclosure cell was edited so the sponsorship messages were removed. All other content, with the exception of the sponsorship disclosure message (IV), was held constant across both stimuli.

The online video streaming service *Netflix* has been covered widely in the media for their active use of native advertising (Castillo, 2014; Ives, 2015). Trade press repeatedly praises *Netflix* (Castillo, 2014; Ives, 2015; Lund, 2015), and their native advertising approach as being very similar to well-researched magazine articles and styled as high-quality journalistic pieces. *Netflix* native advertisements were placed in the *Atlantic*, *New York Times*, and the *Wall Street Journal*. The *Wall Street Journal* native advertisement promoting the original *Netflix* series *Narcos* (Ives, 2015), which integrated the history of drug cartels and the movement of cocaine trafficking as its sponsored content, was used as the stimulus in this study. The *Netflix* program

description for *Narcos* reads: “the true story of Colombia's infamously violent and powerful drug cartels fuels this gritty new gangster drama series.” The content in the stimulus native advertisement took an average of 8.08 minutes for participants to read ($SD = 399.44$ seconds). To add to the realistic nature of news organizations covering drug trafficking, the data for this study was collected in January 2016 around the time Mexican drug cartel leader Joaquín “El Chapo” Guzmán, the head of the Sinaloa Cartel was captured.

Dependent Measures

Organization-public relationship (OPR). This was the primary dependent variable in this experiment, and measured twice (pretest and posttest) using the abbreviated relational maintenance scale developed by Sweetser and Kelleher, a reliable battery based on a well-established OPR maintenance scale (used in Kelleher, 2009; Kelleher & Miller, 2006; Sweetser, 2010, 2015; Sweetser et al., 2015; Sweetser & Metzger 2007; Sweetser & Tedesco, 2014, among others). As commonly done with this scale, the 11 items submitted to principal axis factoring with varimax rotation resulted in the standard two-factor solution. For simplicity in analysis comparing pretest and posttest OPR, each series was summed into *Communicated Relational Commitment* (pretest Cronbach's alpha = .84, posttest Cronbach's alpha = .81) and *Responsiveness and Conversational Voice* (pretest Cronbach's alpha = .80, posttest Cronbach's alpha = .86) indices. The *Communicated Relational Commitment* index included five items that gauged the participant's view that Netflix communicates a desire to built a relationship, implies a long-term relationship with its publics, uses a positive/optimistic tone, demonstrates a commitment to maintaining a relationship, and expresses cheer and optimism about the future. The *Responsiveness and Conversational Voice* index included six item that asked participants about their perception that Netflix provides prompt/uncritical feedback when addressing

criticism, positively addresses complaints, would admit mistakes, makes communication enjoyable, uses a sense of humor in communication, and provides connections to competitors.

Brand attitude. This measure was assessed in both the pretest and the posttest using a five-item seven-point bipolar scale (Unappealing:Appealing, Bad:Good, Unpleasant:Pleasant, Unfavorable:Favorable, Unlikeable:Likeable) from Spears and Singh (2004) to gauge participants' attitudes regarding *Netflix* prior to (Cronbach's $\alpha = .94$) and following (Cronbach's $\alpha = .96$) exposure to the native advertisement. The brand attitude items were separately summed into pretest and posttest indices for analyses.

Ad attitude. The same items used to measure brand attitude were adapted to also measure attitude toward the advertisement itself, and these items were similarly summed into an ad attitude index (Cronbach's $\alpha = .93$).

Credibility. This measure was assessed only in the posttest through the Johnson and Kaye scale (2009, 2010), a 4-item series that asks participants the degree to which they found the candidate believable, accurate, fair, and in-depth. As typically done with these credibility items, they were summed into a single index (Cronbach's $\alpha = .87$) for analyses.

Perceived information utility. This measure assessed the perceived utility of the content presented in the article with five seven-point Likert-scale items ($1 = \text{Strongly Disagree}$; $7 = \text{Strongly Agree}$). These items were loosely adapted from Huh et al. (2004) in assessing perceived information utility of message content, and asked participants the extent to which they agreed that the article helped them learn something useful; the information presented was important; the information presented was valuable; reading the article made them more interested in the topic; and that they would make better choices in the topic area after reading the article. The five items

displayed high reliability (Cronbach's $\alpha = .92$) and were summed into an index to indicate content utility.

Perceived selling and persuasive intent (manipulation check). This measure was assessed as a manipulation check using three seven-point Likert scale items ($1 = \text{Strongly Disagree}$; $7 = \text{Strongly Agree}$) adapted from Rozendaal et al. (2010). The items gauged the extent to which participants thought the article wanted to them buy *Netflix products*; like *Netflix*; and teach them about a *Netflix* show. The three items displayed high reliability (Cronbach's $\alpha = .90$) and were averaged to create a single index of persuasion knowledge.

Results

This exploratory study used an online experiment manipulating the disclosure of native advertising sponsorship to investigate the impact of disclosure recognition on perceived relationship with the brand or organization and overall brand attitude ($N = 105$). A majority of the participants reported that they had used *Netflix* before (88.7%, $n = 94$) and nearly the same amount indicated that they had watched original program serials on *Netflix* (78.3%, $n = 83$). In the posttest participants were asked if they had watched the show *Narcos*, and only a quarter said that they had (24.5%, $n = 26$). Half of the participants reported that they wanted to watch *Narcos* (50%, $n = 53$). A manipulation check using chi-square revealed that participants were able to distinguish whether the content had been sponsored, $\chi^2(1) = 21.70, p \leq .001$. A second manipulation check assessed the extent to which participants were aware of persuasive and selling intents of the native advertisement. Results indicated that participants in the sponsored condition were more aware ($M = 3.62, SD = .96$) that the advertisement presented to them was attempting to persuade them and sell *Netflix* products, $t(103) = 1.98, p = .05, d = .39$, than participants in the non-sponsored condition ($M = 3.22, SD = 1.10$). Thus, participants were able

to recognize that the content was sponsored, and were aware of the persuasive and selling intent of the native advertisement from *Netflix*.

What Impact does Disclosure Have on Relationship?

The primary question asked by this study focused on the impact of disclosure on perceived relationship with the organization, recognizing that relationship is a vital component of the public relations process. Before assessing whether there were differences based on the disclosure manipulation, a paired samples *t*-test examined whether there were pretest to posttest differences in OPR among participants. The results indicated that one's pretest and posttest OPR scores (*Communicated Relational Commitment* pretest $M = 20.17$, $SD = 2.95$; posttest $M = 20.19$, $SD = 2.80$; *Responsiveness and Conversational Voice* pretest $M = 20.85$, $SD = 3.88$; posttest $M = 21.19$, $SD = 4.28$) were not different from one another (*Communicated Relational Commitment* $t(104) = -0.10$, $p = .91$ and *Responsiveness and Conversational Voice* $t(101) = -1.35$, $p = .17$). This suggests that any difference in OPR noted between cells may be attributed to the manipulation rather than maturation.

An independent samples *t*-test comparing the posttest OPR index scores based on experimental cell resulted showed that sponsorship disclosure did not impact relationship for either OPR index, *Communicated Relational Commitment* $t(104) = -1.37$, $p = .17$ and *Responsiveness and Conversational Voice* $t(103) = -0.44$, $p = .65$.

RQ1 is answered in that relationship is not impacted by disclosure in native advertising.

A post-hoc test was conducted to predict the OPR indices. *Communicated Relational Commitment* could be predicted by credibility and brand attitude with a model that explained 32% of the concept (adjusted $r^2 = .30$, $p \leq .001$). *Responsiveness and Conversational Voice* could be predicted by credibility and brand attitude as well, with a model that explained 29% of the concept (adjusted $r^2 = .28$, $p \leq .001$).

What Impact does Native Advertising have on Brand and Advertising Attitudes?

Complementing the public relations query posed in RQ1, the second research question investigated the impact of native advertising on brand attitude. Accordingly, brand attitude was measured in both the pretest and the posttest. In order to answer RQ2A, a repeated-measures analysis of variance (ANOVA) explored the interactions between the IV and DV over the two measurement points. Time was entered as the within-subjects factor, brand attitude measured at pretest and posttest as the within-subjects variables, and experimental condition as the between-subjects factor. The main effect of time was significant, $F(103) = 8.61, p = .004, \eta^2 = .08$, and overall brand attitude decreased significantly over time. The interaction between time and experimental condition was not significant, $F(103) = .76, p = .39$.

To further examine the change in brand attitude over time, a post-hoc paired sampled t -test for each of the experimental condition was conducted by splitting the data set into two according to the experimental condition. There was no change in brand attitude before ($M = 4.54, SD = .51$) and after ($M = 4.44, SD = .63$) the experimental treatment for participants in the no sponsorship condition, $t(49) = 1.77, p = .08, d = .25$. For participants in the sponsorship condition, there was a significant difference in brand attitude before ($M = 4.47, SD = .57$) and after ($M = 4.28, SD = .69$) the experimental treatment, $t(54) = 2.40, p = .02, d = .33$. Thus, following exposure to content that was sponsored by *Netflix* (i.e., native advertising), brand attitude for *Netflix* decreased slightly but significantly, compared to the baseline level of brand attitude measured prior to exposure to the sponsored content.

To examine the effect of sponsorship on ad attitude (RQ2B), an analysis of covariance (ANCOVA) was conducted with experimental condition as the independent variable, and ad attitude as the dependent variable, controlling for pre-existing brand attitude measured at pretest.

Results indicated that the presence ($M = 3.72$, $SD = 1.00$) or absence ($M = 3.81$, $SD = .76$) of sponsorship did not significantly influence attitudes toward the advertisement itself, $F(102) = .27$, $p = .60$.

To examine the effect of sponsorship on credibility of the advertisement (RQ3), an ANCOVA was conducted with experimental condition as the independent variable, and credibility as the dependent variable, controlling for pre-existing brand attitude. Results indicated that the presence ($M = 4.08$, $SD = .54$) or absence ($M = 4.16$, $SD = .58$) of sponsorship did not significantly influence perceived credibility toward the advertisement, $F(102) = .39$, $p = .54$.

To test the influence of perceived information utility on the formation of advertising and brand attitudes following exposure to the native advertisement (RQ4), a serial-mediation analysis was conducted using the PROCESS macro for SPSS (Hayes, 2012; Model 6) with 5000 bootstrap samples. Given the non-significant influence of experimental control on brand attitude in earlier analysis, brand attitude in the pretest was entered as the independent variable, brand attitude in the posttest as the dependent variable, and perceived information utility and ad attitude as the mediators in that order. Pre-existing favorable brand attitudes positively influenced perceived utility ($b = .50$, $p = .04$). High perceived utility, in turn, led to favorable ad attitude ($b = .37$, $p < .01$). Finally, favorable ad attitude positively predicted favorable brand attitude ($b = .28$, $p < .01$). The indirect effect of perceived information utility on ad attitude, and ultimately brand attitude following exposure to the advertisement was significant (effect size = .05, 95% CI [.004, .16]). This indirect effect was no longer significant when the order of the mediators was switched (effect size = -.01, 95% CI [-.09, .04]).

Discussion

This study sought to discover whether disclosure in native advertising had an impact on perceived relationship with the brand and organization, but on a larger scale, the data told a bigger picture story about native advertising as a whole. Consequently, the findings yield important theoretical and practical implications for both public relations and advertising disciplines. As one of the first studies to experimentally manipulate elements of an ongoing native advertising campaign to observe their effects on consumers' perceptions, the findings from this exploratory study yielded critical insights on how perceived qualities of the native advertisement affect attitudes toward the advertisement itself as well as the brand that sponsored it. These findings will serve to reexamine and extend the traditional theoretical boundaries of advertising effects in the novel context of native advertising.

Theoretical Contributions

Based on previous research that lack of disclosure can negatively impact the organization-public relationship (Sweetser, 2010), this exploratory study sought to determine if those traditional findings would carry over to this new content genre. Though some scholars have recently found that native advertising may not always be noted by the viewer as sponsored content (Wojdyski & Evans, 2016), the participants in the current study appeared keenly aware of whether the online content they saw was sponsored as well as the persuasive and selling intent of the sponsored advertisement. One major difference in the study procedures of these two studies is that exposure time of the advertisement to the participants was controlled in the current study whereas it was not in Wodynski and Evans (2016). That is, all participants had to spend at least two minutes on the stimulus before moving on. The fact that participants spent approximately an average of 8 minutes on the stimulus suggests that once the native advertising is able to initiate attention to the ad (e.g., placing a minimum amount of time before being able to

skip the ad, as in *YouTube*), participants may ultimately spend a significant amount of time on the ad content. What is interesting, and contrary to the findings from previous OPR disclosure research (Sweetser, 2010), is that despite recognition and awareness of sponsored content in native advertisements, the sponsorship did not negatively affect perceived relationships with the brand and organization. In addition, even when participants in the current study clearly recognized the sponsorship and its intentions to persuade and sell, it had no significant influence on perceived credibility. There may be several possible reasons for this unexpected effect. It may be that consumers may have grown accustomed to sponsored content over the years, no longer affecting perceived credibility. However, based on the findings of the current study, which point to the importance of perceived information utility, it is likely that when high utility is perceived (no sponsorship utility $M = 4.60$, $SD = 1.41$; sponsorship utility $M = 4.74$, $SD = 1.39$), both perceived OPR and perceived credibility are not negatively influenced.

Preliminary tests comparing OPR scores from the pretest to posttest give additional illuminations about attempting to use native advertising as a strategy to positively impact perceived relationships with the organization. Recall that an initial paired samples t -test was completed in order to give the researchers confidence that any possible observed change in OPR would have been due to the experimental manipulation. Interestingly, however, the test results, which showed no change from pretest to posttest, provide early indicators to public relations and advertising professionals that native advertising does not impact relationship at all. These findings should be further and more exhaustively tested, but they do create early data points that public relations professionals cannot reliably count on native advertising as a tactic to improve relationship with their key publics. Conversely, the data can be interpreted that native advertising also does not harm the relationship with key publics, given high perceived utility of the content.

No direct effects of the presence of sponsorship were observed on both brand and ad attitude. However, a deeper look at the underlying mechanisms driving pre- and posttest differences in brand attitudes reveals a more interesting story. Findings revealed that when individuals hold favorable preexisting attitudes toward a brand, it led to greater perceived utility in the native advertisement. The high perceived utility, in turn, led to more favorable attitudes toward the advertisement, and ultimately the brand. However, high perceived utility did not directly lead to favorable brand attitude, and the serial mediation pathway did not hold when the order of the mediators was switched. This implies that if the advertisement is not constructed well, and participants fail to perceive favorable attitudes toward the advertisement itself, high perceived utility of the content alone will not result in favorable brand attitudes. Taken together, these results echo earlier results (Huh et al., 2011) to emphasize the importance of perceived information utility of advertisements. The current findings further extend earlier results by presenting a more lucid picture of how perceived information utility relates to attitudes toward the advertisement and the brand.

Theoretically, this links the findings back to decades' worth of research and debate on the two schools of thought in advertising--that advertising may be evaluated via its informational value or its persuasive value (Albion & Farris, 1981). The advent of native advertising brings about a new hybrid form of the two schools of thought, one in which the persuasive value is well integrated by its informational value. Some earlier work has highlighted the importance of information utility of advertising on further information inquiry about the product or service (Deshpande et al., 2004, Huh et al., 2004). The current findings build on these earlier findings to demonstrate that when information utility is sufficiently high, consumers may even be willing to allow the skepticism toward persuasive efforts of sponsorship pass. Thus, in the face of native

advertising, the traditional frameworks that clearly divided information against persuasion must reassess how much of the model still fits in today's advertising atmosphere.

Practical Implications

In a publisher reality where the efficacy of display advertising, and by association, publisher's revenue indicators and overall monetization, is on the decline, native advertising arrived in 2014-2015 as the 'knight in shining armor,' presenting publishers with a new monetization channel. Because of its novelty, native advertising lacks codes of best practices, industry guidelines, or standard that more mature types of advertising enjoy. Therefore, the implementation of native advertising, in terms of its disclosure, content, and user experiences, generally looks very different between different publishers. Publishers and marketers alike are still exploring. Consequently, publishers have operated under the vague expectation that native advertising will yield better audience engagement than display advertising, and marketers have held similarly vague expectations for native advertising to yield better brand lift or drive to action than display advertising. The current findings provide much needed clarity and valuable insights to publishers and marketers as they continue in their pursuit to accurately understand the public relations and advertising outcomes of native advertising.

Most importantly, while marketers assume that simple application of a brand logo on a piece of high-quality editorial content will have a positive impact on consumer attitudes towards the brand, our study showed little change in consumer attitudes, and even a slight decline. This can be explained in a few ways, one of which is that consumers may feel somewhat deceived by the publication, and this trickles down the brand perception.

Secondly, one of the most heated debates in the industry, which is thoroughly discussed in the recent FTC Native Advertising Guidelines (2015), is the issue of disclosure. The industry

is still struggling to find the right balance between sufficient disclosure so the piece is not deceiving, but not excessive disclosure which leads to the loss of consumer engagement. *The New York Times* is perceived in the industry as a leader in native advertising, and its disclosure in our study indeed seemed to hit the right balance, as consumers did identify that they were exposed to a piece which was paid for by a marketer and had commercial objectives.

Lastly, whereas the industry discussion on disclosure is abundant, it seems that less consideration is given to what might arguably be more important – the content itself. Our study introduces a new metric to native advertising dubbed content/information utility, which finally explores how the actual content, and its value to the consumer, impacts consumer perceptions. Findings from the current study indicates that high content/information utility is indeed correlated with higher advertisement and brand attitudes. Therefore, marketers can learn that when it comes to native advertising the focus may not all be on merely getting exposure of the content to your audience, but also, and perhaps more importantly, may be about the exposed content being valuable and relevant to your audience.

Limitations and Future Research

This study is not without limitation. While a diverse national sample was secured through MTurk and the online design increased external validity, these same data collection elements also act as limitations. MTurk participants are “workers” by definition and may feel a need to perform for researchers in order to receive payment; conversely, any online study conducted outside of an actual research laboratory relinquishes a great level of control and the ability for the researcher to ensure the protocol is being properly followed. Future research should continue to employ realistic, ecologically valid stimuli among a diverse population.

Furthermore, these findings revealed that seemingly third-party coverage (e.g., independent media organizations) of an organization presented in the content of the native advertisement does not impact relationship. This begs the question: If the content had been presented as a feature on the *Netflix* website, rather than an article in the *Wall Street Journal*, would the findings have been the same? That is, the bigger question arises as to whether public relations-hosted content versus third-party facilitated coverage is the key indicator in priming changes in OPR. Indeed, even though participants noticed whether the content about *Netflix* was sponsored, their experience with news content (especially via an agenda-setting gatekeeper with the status that the *Wall Street Journal* enjoys) may have driven their information processing of the content thereby bypassing any public relations-type effects such as change in OPR.

Conclusion

In the dearth of empirical evidence demonstrating the influence of native advertising, this study adds valuable theoretical and practical insights for fields of public relations as well as advertising. Contrasting earlier findings in OPR and persuasion knowledge research, whether or not sponsorship was revealed in the advertisement had no meaningful influence on perceived relationship with the organization. In terms of direct effects, presence of sponsorship also had little influence on attitudes for the advertisement itself as well as the brand. Perhaps one of the most striking findings of the current study, which also goes against earlier work, is that the bulk of the participants were not only able to recognize sponsorship, but were also aware of the advertisement's intent to persuade and sell. Our exploration into the underlying mechanism of perceived information utility highlights the importance of one of the most fundamental functions of advertising--to inform its audiences. It seems that when native advertisements perform their expected role well, audiences may be willing to override the negative responses initiated by

persuasion knowledge. We hope that these results serve as the foundation for future systematic investigations from both public relations and advertising scholars and practitioners into the evolving and expanding realm of native advertising.

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