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Transparency of digital native and embedded advertising: Opportunities and challenges for regulation and education

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Abstract: This article elaborates on one of the main characteristics of digital native and embedded advertising: its lack of transparency. Challenges and opportunities for disclosing native advertising practices as well as how educational measures concerning this type of advertising should look are discussed. In addition, a future research agenda is presented.

Keywords: native advertising, regulation, education, future research

1 Introduction

The advent of digital native advertising has led to significant challenges for media users. In particular, the disappearance of boundaries between commercial and noncommercial digital content is a cause for concern among legislators, consumer advocates, marketers, and scientists (Cain, Loewenstein, and Moore, 2011; Einstein, 2015; Kuhn, Hume, and Love, 2010). Because native advertising embeds commercial messages into entertaining and seemingly noncommercial content, people often fail to identify the persuasive character of sponsored content (Boerman and Van Reijmersdal, 2016; Wojdyski, 2016). For audiences it becomes impossible to know whether digital content has a persuasive intent or not. For example, was it a YouTuber's own choice to talk positively about a product, or was he only talking about the brand in exchange for payment? And had there been no payment, would the content have been different? This lack of transparency jeopardizes consumers' right to know when they are being subjected to advertising and threatens the credibility of digital media in general (Goldman, 2013; Kuhn, et al, 2010; Nebenzahl and Secunda, 1993).

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To help social media users, children, adolescents, and adults alike, to determine when digital content is sponsored, guidelines and regulations are being developed both in Europe and the United States. The key issue is that native advertising should be made recognizable as such by using distinct disclosures (European Commission, 2018; Federal Trade Commission, 2013; Federal Trade Commission, 2015). Disclosures such as ‘paid partnership with brand X’ on Instagram, ‘#ad’ on Twitter, and ‘This video is created in collaboration with brand X’ on YouTube are now used to indicate sponsorship in digital native and embedded advertising. These regulations help to set the rules by which advertisers communicate in the digital world. For the future of digital content, it is essential that trust and transparency are guaranteed. Therefore, professional and non-professional content creators, audiences, advertisers, agencies, platforms, and regulators should set the standard on what is fair, acceptable, and appropriate when it comes to communicating digital persuasive content in a transparent manner.

To enhance transparency, not only regulations and disclosures can play a role but also education. By teaching children, adolescents, and adults how to recognize native advertising and how to critically reflect upon it, consumers can be empowered to make informed decisions and avoid unwitting persuasion.

This article discusses one of the key characteristics of digital native and embedded advertising: Its lack of transparency about the persuasive nature of the content. We elaborate on the opportunities and challenges of the transparency of native advertising for disclosures and education and propose a research agenda.

2 Challenges and opportunities of disclosing native advertising

The use of disclosures to enhance transparency of native advertising is gaining popularity across platforms. Currently, most of the initiatives regarding digital advertising content are self-regulatory and appeal to a commonly shared norm of being transparent about advertising. However, a recent study showed that brands, agencies, and influencers see a variety of advantages but mostly disadvantages in applying disclosures to native and embedded advertising in digital social media; as a result, disclosures are often not used (Van der Goot, Zandbergen, and Van Reijmersdal, 2018). In the US, the FTC sent letters to important social media influencers to remind them to follow the guidelines for disclosing native advertising, illustrating that disclosures are not as common as they should be. Also, a content analysis showed that in online blogs, disclosures were often missing (Boerman, Helberger, Van Noort, and Hoofnagle, 2018).

Challenges

Based on the literature, we identify several key challenges for effective disclosures of digital native and embedded advertising. First, all stakeholders need to be dedicated to be transparent. Brands, agencies, content creators, and platforms need to be convinced that disclosures are in their own interest or are part of the social norms of using native and embedded advertising to truly enhance transparency of digital native advertising (Van der Goot et al., 2018). Only when all parties agree upon the importance of transparency, can new norms be set.

Second, everyone with a computer or a camera can be a content creator nowadays. Even content creators who have just started on social media and have a small but specific following can be interesting for brands to create embedded or native advertising. This implies that content creators are not always professionals who are familiar with the codes of conduct or the rules and regulations that apply to their practice. The coaching and education of starting content creators is therefore important to professionalize the business.

Third, it should be clear for everyone which codes apply and in which situations (Boerman et al., 2018). For example, when a product was a gift or when it was bought with a discount or when the content creator was paid by the brand, it has to be clear how to disclose these specific cases to the audience. In addition, clear guidelines should be available on how to disclose native and embedded advertising across platforms and across advertising formats. Current guides provide various examples (see, for example, RCSM, FTC) but in practice, stakeholders still seem to be confused (Van der Goot et al., 2018).

Fourth, it seems important that one party is responsible for following the codes and that this party will feel the consequences if there is a lack of transparency (Van der Goot et al., 2018). However, checking compliance will be accompanied by difficulties because of the unimaginable volume of digital content that is created daily. In addition, to find out which content advertisers have paid for, it would be necessary to get insights into the creation process of all content that includes brands or products. It would be a challenge to track down this information for each digital post that may be qualified as native or embedded advertising (Boerman et al., 2018).

Fifth, creating disclosures that are clear and understandable for the audience is a challenge. Recent studies provide valuable insights on this topic, for example, disclosures should be noticeable and understandable (e.g., Boerman, Van Reijmersdal, and Neijens, 2012; Choi, Bang, Wojdyski, Lee, and Keib, 2018; Colliander and Erlandsson, 2015; Evans, Phua, Lim, and Jun, 2017; Matthes and Naderer, 2016; Wang, Xu, and Wang, 2018; Wojdyski and Evans, 2016). However, many questions remain unanswered (see also the section on opportunities for

research). For example, insights into how disclosures should be formulated for vulnerable groups such as children and other groups with low advertising literacy are scarce.

Opportunities

Current debates and initiatives show that more and more stakeholders are becoming convinced of the need to be transparent about digital native advertising. This is an important opportunity for enhancing the transparency of digital native advertising. Recently, a group of YouTubers in the Netherlands created their own code for YouTube (Social Code: YouTube, 2018). They felt the need to set up guidelines on how to disclose native advertising in their videos and to show the world that they are professional and take responsibility. Similarly, platforms such as Instagram are constantly developing their own ways of disclosing native advertising. Recently, the European Union decided that online audiovisual media platforms such as YouTube will fall under the Audiovisual Media Services Directive (European Commission, 2018). This means that there will be an important change in the regulation of online audiovisual native and embedded advertising. In Europe, the implementation of the AVMSD offers an important opportunity to specify and improve disclosure guidelines.

Apart from texts or icons accompanying digital native advertisements, there may be other innovative ways to increase transparency. For example, Campbell and Evans (2018) investigated whether a banner ad for the same brand as the one featured in an article-style native online advertisement could enhance transparency. They showed that such a companion banner was equally effective as a disclosure text in enhancing people's recognition of native advertising. This offers interesting opportunities for alternative ways of disclosing: Banners are already used and accepted by advertisers and may now be used to enhance the transparency of native advertising as well. These findings imply that there may be alternatives to disclosures to increase transparency of digital native or embedded advertising.

3 Challenges and opportunities within education related to native advertising

In addition to the use of disclosures, the transparency of native advertising can also be increased through the use of media education. That is, through education people can be taught how to recognize native and embedded advertising and to

become aware of its intent and tactics. Moreover, media education can empower consumers by teaching them how to make informed decisions and avoid unwitting persuasion.

Challenges

The findings of earlier research on advertising education illustrate several key challenges for effective media education programs and campaigns focusing on digital native and embedded advertising. First, the media landscape is changing rapidly, and with it the forms of native and embedded advertising (Buijzen, Van Reijmersdal, and Owen, 2010). Media education programs and campaigns run the risk of quickly becoming obsolete. Teaching people to recognize specific forms of native advertising by showing them examples of current forms of native advertising (such as advergames or brand placement in movies) might be effective in the short term (Friestad and Wright, 1994). However, to recognize future forms of native advertising that do not yet exist, audiences need different skills that help them adapt to a continuously evolving media environment.

Second, in many countries, the implementation of media education in schools is not obligatory but still depends on the personal interests of teachers. As a result, only a small proportion of all children and their parents are being reached using school-based media education programs. Moreover, a challenge of integrating media education into the school curriculum is that teachers will have to invest time and resources, which are often scarce, for professional development in this area. Consequently, the quality and effectiveness of media education is under pressure.

Third, existing media education is primarily aimed at children and adolescents (Nelson, 2016). To our knowledge, there are few or no educational programs or awareness campaigns that focus directly on adults. However, research shows that adults, like children, often do not recognize native and embedded advertising (Boerman and Van Reijmersdal, 2016; Wojdyski, 2016). This implies that adults need media education just as much as children. Media education for adults is also important in the context of media education for children: If adults cannot recognize native and embedded advertising, then they cannot help their children develop a critical attitude towards it (Hudson, Hudson, and Peloza, 2008).

Fourth, although research has shown that educational interventions aiming to increase children's and adolescents' advertising literacy are effective (e.g., Jeong, Cho, and Hwang, 2012), research indicates that having a better recognition and understanding of advertising does not automatically enable children

to cope with native and embedded advertising (Hudders et al., 2017; Nairn and Fine, 2008; Rozendaal, Lapierre, Van Reijmersdal, and Buijzen, 2011). To cope with native and embedded advertising successfully, children need to engage in advertising coping strategies (e.g., avoidance, formulation of critical thoughts). However, insights regarding children's advertising processing (Buijzen et al., 2010) and cognitive development (Brucks, Armstrong, and Goldberg, 1988; Moses and Baldwin, 2005) suggest that, due to the powerful emotional appeal of native and embedded advertising, combined with children's immature cognitive abilities, children will not be *motivated* or *able* to use their coping strategies.

Opportunities

First, media education programs and campaigns provide ample opportunities to raise awareness for, and attach meaning to, disclosures of native and embedded advertising. Awareness and understanding of disclosures are necessary to guarantee the campaigns' success. For example, to increase children's awareness and understanding of sponsor disclosures in YouTube videos, famous YouTubers can create educational videos themselves explaining how and why they apply disclosures. Previous research has shown that children find these types of videos credible and educational (Van Reijmersdal, Rozendaal, Van der Goot, and Metske, 2018). Because many children look up to their favorite YouTuber, there is a good chance that they will actually listen to what he or she has to say, which will benefit the effectiveness of the educational message.

Second, even though media education is not yet a compulsory part of the curriculum in many countries, chances are that this will change in the coming years. To ensure that children can participate fully in the contemporary digital media culture but at the same time use media safely, there is a growing call to include media education as a permanent component in the school curriculum (Turner et al., 2017). By including native advertising as a theme within these broader-oriented media education programs, a large group of children/adolescents and their parents can be reached.

Third, school-based media education programs for children offer opportunities to reach adults, specifically parents and grandparents. Homework assignments that children have to work on with their (grand)parents are a good way of involving the home environment in a media education program. Consider, for example, a media diary in which children, together with their (grand)parents, have to keep track of which forms of native advertising they have seen. Or an assignment for which children and their (grand)parents together use media in which native advertising is present (think of playing an advergame together,

watching a sponsored YouTube video together) and the children interview their parents afterwards about their experience.

4 Directions for future research on disclosures and education

Although research on disclosures of native and embedded advertising have mushroomed in the past five years, relatively little is known about the boundary conditions of disclosure effects on enhancing transparency. Such insights are necessary to advance our understanding of disclosure effects and to develop and test theories that can explain and predict these effects. First, insights into individual characteristics that determine disclosure effectiveness are scarce. For example, age may be an important factor that determines the effectiveness of disclosures but also level of education, level of persuasion knowledge or experience with native advertising may moderate disclosure effects on people's understanding of the persuasive nature of native advertising (Friestad and Wright, 1994; Wright, Friestad, and Boush, 2005). Depending on these individual characteristics, some people may need more extensive disclosures in terms of information provided in the disclosure than others to be informed about native advertising (Dekker and Van Reijmersdal, 2013, see also, in this special issue, Weitzl, Seiffert-Brockmann, and Einwiller, 2020).

Second, the type of native advertising may moderate disclosure effects. The level of embeddedness of the persuasive message in the digital content may determine how hard it is for people to recognize the persuasive nature of embedded and native advertising and, therefore, the necessity of using disclosures (for the role of the persuasive message in disclosure literature, see, in this special issue, Beckert, Koch, Viererbl, Denner, and Peter, 2020.)

Third, the question remains whether the same disclosure is equally effective across platforms. For example, is a disclosure label 'sponsored' able to enhance transparency to the same extent on Instagram, Snapchat, and YouTube? And if not, how can these diversities be explained? Such insights are not only theoretically relevant but also imperative for the development of effective disclosure regulations for current and future platforms.

With respect to methods, experiments are overrepresented in the current body of literature on disclosures of native and embedded advertising. Experiments have several limitations, including forced exposure and exposure to stimuli that are often manipulated (Appel, Gerlach, and Crusius, 2016). To further advance the field, a more diverse range of research questions and methods is needed. For

example, content analyses are very valuable for mapping the current use of disclosures for digital and embedded advertising. They may show which types of disclosures are used, whether there are differences in content targeting adults versus children, and whether disclosures differ per type of native advertising and per platform. Also, qualitative research methods are necessary to enhance our understanding of people's perceptions and understanding of the meaning of digital disclosures. Such methods can provide valuable insights into how disclosures are interpreted and used in the processing of native and embedded digital advertising.

The majority of disclosure studies that have been conducted so far have focused on the audiences of native and embedded advertising. Studies among other stakeholders are scarce. For example, studies among advertisers that provide an insight into the reasons for using native and embedded advertising would be useful to enhance our understanding of this advertising practice. Similarly, studies among content creators, agencies, regulators, and professionals working on platforms that disseminate native advertising could provide knowledge of the processes behind the creation of native and embedded advertising and the use of disclosures.

Finally, an important opportunity for future research on disclosures may be to further explore *alternative* ways of enhancing transparency of native and embedded advertising. The study by Campbell and Evans (2018) showed that companion banner ads may increase the transparency of native advertising. Coming up with more new ways of enhancing transparency may be challenging, but exploring and testing alternative disclosures has the potential to have a significant impact on both theory and practice.

With respect to education, there are also some unanswered questions which offer directions for future research. First, how should the meaning of disclosures of native and embedded advertising be communicated to children, adolescents, and adults in order to improve comprehension and noticeability? Future research could investigate if media education programs or awareness campaigns are an effective tool to increase comprehension and impact of disclosures.

Second, which media education strategies will be most effective in stimulating appropriate coping mechanisms among audiences when they are confronted with native and embedded advertising? Earlier research has shown that increasing children's ability to recognize and understand native and embedded advertising does not automatically enable them to critically cope with this type of advertising (see Rozendaal et al., 2011). However, research has also shown that children's motivation and ability to use advertising coping strategies are important factors in children's actual coping behavior (Rozendaal and Figner, forthcoming). To guide developers of media education programs, future research

could explore what types of intervention techniques are most effective in stimulating children's motivation and ability to engage in advertising coping behavior.

5 To conclude

Native and embedded digital advertising challenges transparency and fair communication. To enhance transparency, disclosures and education seems important. Disclosures and education have a huge potential to empower audiences to be better able to judge and recognize native advertising. Insights from existing and future scientific research is crucial to overcome the challenges, and to exploit the opportunities that are related to native advertising disclosures and education.

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