StackAdapt

The Ultimate Guide To Native Advertising

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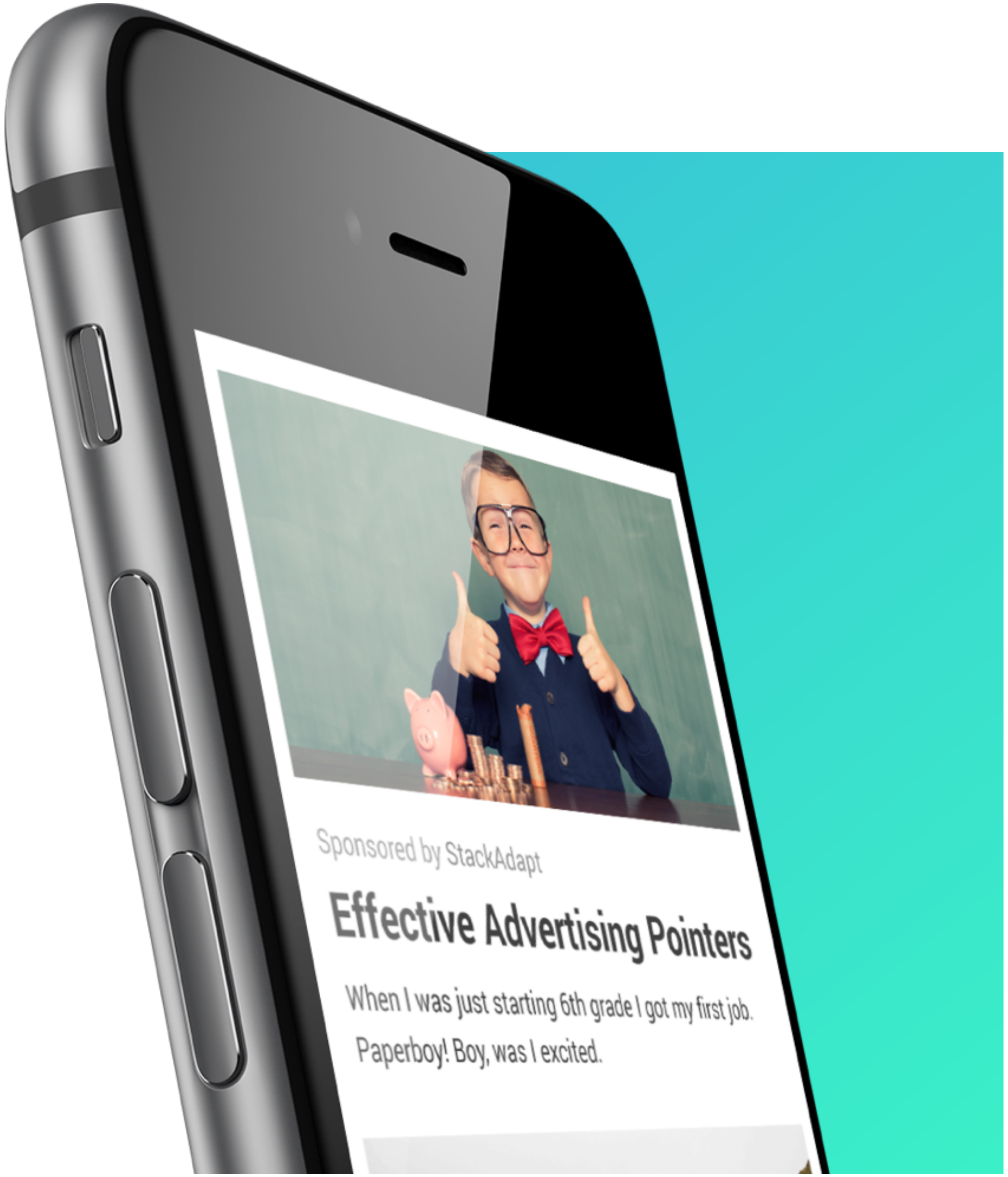
native advertising:

(noun)

"A form of advertising that integrates high-quality content into the organic experience of a given platform. Native ad units conform to the design and feel of the sites on which they display, preserving the immersive user-experience while producing click-through rates like that of editorial content."

- StackAdapt



Foreword

For many brands, the term “online advertising” is synonymous with banner ads and pay-per-click (PPC) campaigns. Historically, this approach has been met with great success—until now, that is.

In recent years, there’s been growing disdain among consumers toward overtly blatant advertising. They’re more discerning when it comes to the ways in which they’re marketed to, and as a result, the aforementioned in-your-face banner ads have taken a big hit.

So much so in fact, that research has shown that you’re more likely to complete Navy SEAL training than click on a banner ad. This phenomenon has even been given its very own moniker—“banner blindness”—and is thought to be responsible for the increasingly poor click-through rates display advertising is yielding across the web.

Savvy marketers have been looking for an antidote to this so-called banner blindness for years, and thankfully, they’ve finally discovered a potent remedy: Native Advertising.

Marketers continue to leverage the power of paid media to boost their campaigns, but now they’re doing it through native advertising. Native advertising engages readers, helps improve brand image and awareness, and raises click-through rates far higher than those of display ads.

Chapter 1

The Rise of Native Advertising

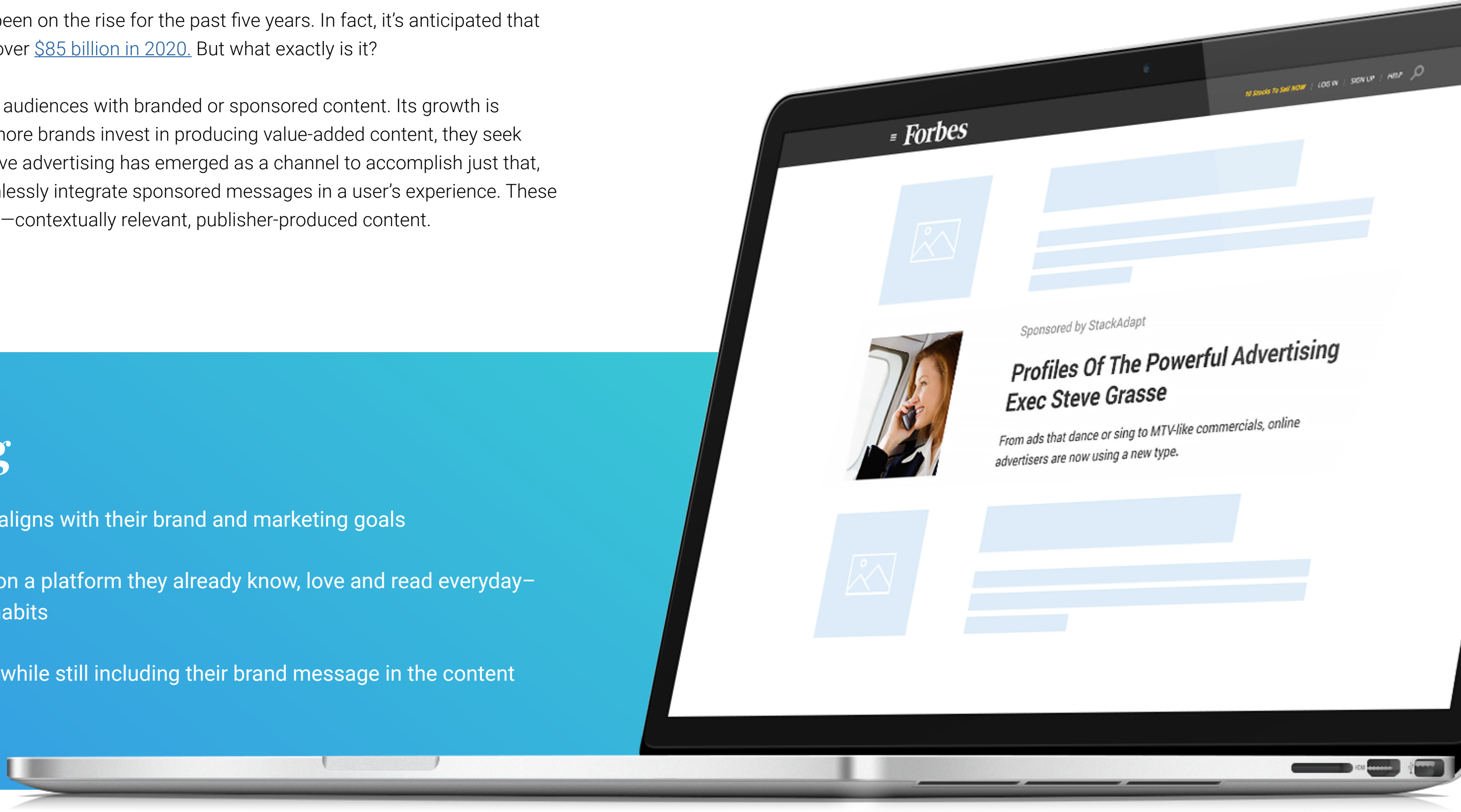
The Rise of Native Advertising

A relatively newly coined term, native advertising has been on the rise for the past five years. In fact, it's anticipated that worldwide spending on native advertising will soar to over $85 billion in 2020. But what exactly is it?

Native advertising is a paid strategy of reaching target audiences with branded or sponsored content. Its growth is largely attributed to the rise of content marketing; as more brands invest in producing value-added content, they seek non-interruptive ways to reach consumers with it. Native advertising has emerged as a channel to accomplish just that, because the fundamental premise of native is to seamlessly integrate sponsored messages in a user's experience. These native ads are positioned closest to—or surrounded by—contextually relevant, publisher-produced content.

Native Advertising

- Gives brands a targeted audience that aligns with their brand and marketing goals
- Allows brands to reach their audience on a platform they already know, love and read everyday–without disrupting their consumption habits
- Helps companies generate awareness while still including their brand message in the content



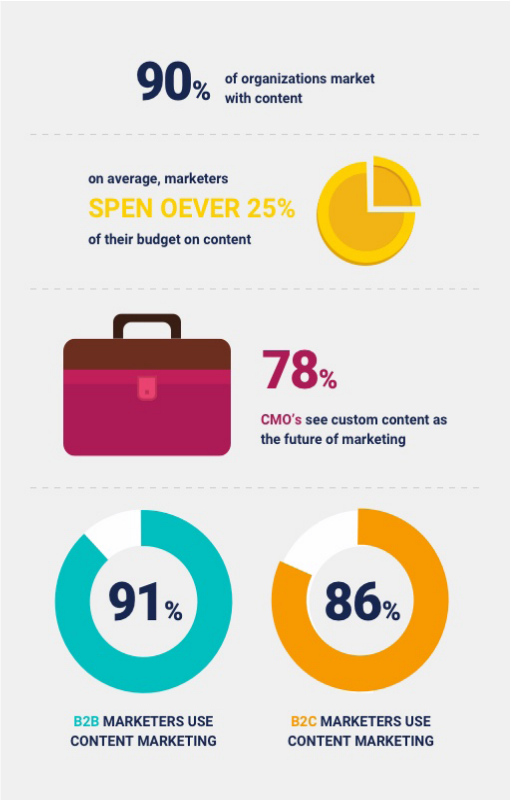
Data from eMarketer shows that by 2019, overall US spend on native advertising will reach $41.1 billion and according to BusinessInsider, by 2021, native display ad revenue will make up 74% of total US display ad revenue.

Chapter 2

Native Advertising and Content Marketing Aren’t The Same Thing

Content Marketing and Native Advertising Aren't The Same Thing

Despite the vast amount of marketing literature in circulation, content marketing is a concept that continues to mystify readers. Still more confusing is the relationship between content marketing and native advertising. Everywhere we look, we find blog posts and articles comparing their respective ROI, or arguing that they are or are not the same thing. It's confusing for those new to native advertising (and content marketing), so here's a brief overview of each of them to help define their respective functions in the marketing world.



What is content marketing?

Content marketing is all about giving customers entertaining and useful information—regardless of whether or not they have purchased from you. Whatever the topic is, the goal is always the same: to build long-lasting and meaningful relationships with your audience.

Taking a content-based approach to marketing has been so effective that as of 2018, 86% of business-to-consumer (B2C) marketers use some form of content marketing, according to the Content Marketing Institute. And this figure is expected to grow—exponentially. By the end of 2018, marketers increased their spending on content creation by 56% and increased their paid content distribution by 36%, which suggests that the function of the marketing department is experiencing a fundamental shift. Further, content marketing budgets account for 22-26% of total marketing budgets, with a projected increase to 40% in 2019.

Content marketing has staying power because its foundations are built on growing trust. It's here for the long-haul because the power now lies in the hands of the audience, not the brand. Customers don't buy your products until you've earned their trust, and content is an effective way of building that trust.

What native advertising is

Content creation gets all the love in the blogosphere. So much so in fact, that the other half of the equation—content distribution—often gets overlooked. But the reality is that without an effective amplification strategy, your content will never each its intended audience.

All too often content marketers spend hours, if not days, crafting that perfect piece of content. And then when it's finally ready to be introduced to the world, it's simply uploaded to a blog—an infinitesimally small segment of the entire worldwide web—and the author sits and rests on his or her laurels hoping that the right people will magically find it.

If only it were that simple. Your content might be meticulously researched, humorous and beautifully formatted, but no matter how good it is, it still needs to compete with the other 1400 blog posts that are being published every single minute of the day, seven days a week and 365 days of the year. Enter native advertising.

Native advertising is best described as a content amplification channel. Content amplification is the practice of marrying valuable content with paid marketing tactics, and it allows marketers to put content in front of their target customers across multiple channels—including websites and social media networks. Once content appears on these platforms, marketers are then able to direct traffic to their owned media properties.

The Native Advertising Institute defines native advertising as "paid advertising where the ad matches the form, feel and function of the content of the media on which it appears." By integrating content into a user's natural browsing experience, it allows brands to share their value-adding content in a non-intrusive way, enabling them to nurture, cultivate and maintain relationships with consumers.

What native advertising isn't

1. Including calls-to-action in the middle of content

Just imagine it: you're looking for an answer to a question, so you turn to your trusty friend Google. You then come across an article that seems to provide the information you're looking for, so you click—when lo and behold, within the first quarter of the article there's a call to action: "one of our sales representatives would be happy to advise you. You can reach them at (...)".

The content may have answered your question, but at this point you're put off. Why? Because people inherently dislike feeling "sold to". The useful information presented in the content is devalued the moment a brand overtly tries to sell their product or service. Remember: selling may bring you a customer today, but helping will bring you customers for life.

2. Mentioning pricing information

When any mention of money is made in your copy, it becomes an advertisement. If your customers want to find out pricing information, they're likely savvy enough to find it on your website themselves. Focus on giving the reader useful information, and at the end give them a nudge in the right direction to encourage them to learn more.

3. Clickbait

We've all seen these headlines. "New skinny pill take the world by storm", "Local mom exposes shocking anti-age secret - learn the $5 trick to her amazing results". What makes so-called "clickbait" frustrating is the fact that it promises value that most of the time isn't met. The payoff is never as good as the reader had hoped for, which inevitably leaves them feeling duped. There's no question that headlines are incredibly important, but creating thought-provoking titles that make fairly small promises, followed by content that exceeds expectations, is a far more effective strategy.

Chapter 3

How Native Advertising Fits Into Your Content Marketing Strategy

“Content is king,
but distribution is queen and she wears the pants.”

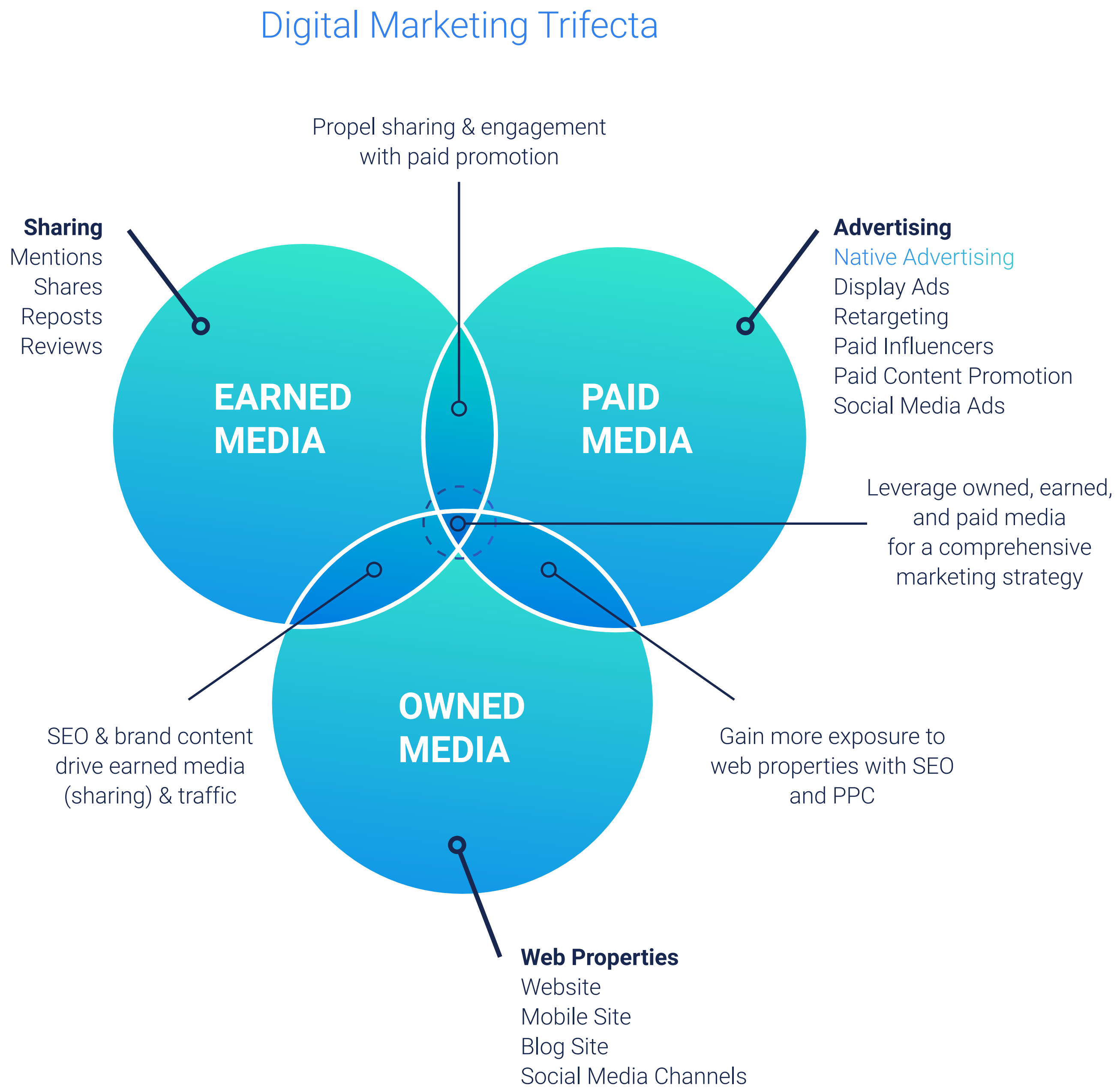
Jonathan Perelman
Head of Digital Ventures at ICM Partners

The Bigger Picture:

How Native Advertising Fits Into Your Content Marketing Strategy

As discussed in the previous chapter, native advertising can be best described as a paid content distribution channel—a medium leveraged by marketers to amplify their content.

Content distribution plans typically incorporate a blend of owned, earned and paid media strategies, each of which serves its own specific purpose. But where does native advertising fit in? Here’s a bird’s-eye view of each channel to give you a better idea of exactly how native advertising can be leveraged to amplify branded content.



Owned Media

Owned media channels are, as the name suggests, those that you directly own. Channels that are fully under your control allow you to deliver the messaging you want and tailor the user experience to your customer's needs.

Examples: Your Website, Content Hub, Social Media Channels

Earned Media

Third-party content validation can significantly increase your content's reach and credibility. Earned media is essentially any publicity you haven't paid for that's owned and created by a third party. It could include something as small as a tweet from a popular influencer in your industry, or as large as a full sponsored content piece on a major publication's website. Whatever form it comes in, this type of exposure is incredibly valuable. In fact, research has shown that earned media is the most trusted source of information. But what constitutes earned media? Think about it like this: if owned media is your content hub, then earned media is the conduit that helps customers get to it. Essentially, earned media is the online equivalent of word-of-mouth marketing, and is usually seen in the form of shares, mentions, likes, follows, reposts, reviews, recommendations or content placement on third party sites.

Examples: Press Coverage, SEO, Mentions, Shares, Reviews

Paid Media

Paid media offers guaranteed placement across a number of platforms, of which there are many to choose from. Paying for media is a great way to jumpstart engagement at the beginning of a campaign before your content receives much traction. It's also a useful tool to breathe life into an existing content piece that has historically performed well with your audience.

Examples: Pay Per Click, Display Advertising, Social Media Ads, Native Advertising

Chapter 4

The Science Behind Why Native Ads Work

The Science Behind Why Native Ads Work

There have been countless research studies on the psychological effect advertisements have on consumers. But the new kid on the block—native advertising—is a less explored avenue.

That is until recently, when Sharethrough joined forces with Nielsen to discover how consumers visually process mobile ads. The study applied eye tracking and neuroscience—the study of subconscious reactions in the brain—to mobile advertising.

Why? Because the subconscious is the motivating force behind many of our actions—including which brands we choose to purchase from.

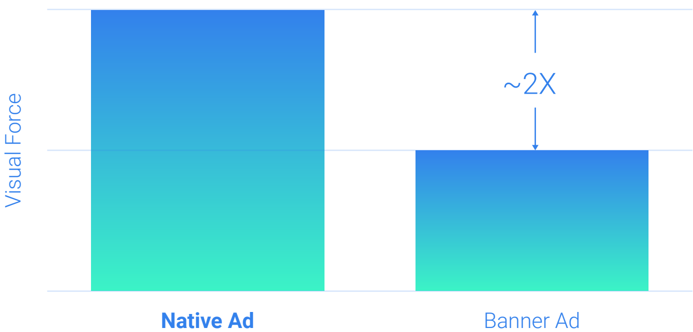
In order to truly understand the effectiveness of mobile advertising, the study compared both in-feed native ads and in-feed banners. Nielsen worked with five premium advertisers, including Boeing, and created mock ads from similar creative elements that were optimized for each format. Study participants were then shown a video simulating the experience of scrolling through an editorial feed. The feed was then paused, and the participants were shown either an in-feed native ad or an in-feed banner.

Using a combination of EEG data (measurements of neural activity in the brain) and eye tracking, Nielsen was able to determine where and how the participants' focus was being directed.

Here are some highlights of what they discovered:

1. Native ads capture two times more visual attention than banners

We're all well-versed on the ubiquitous theory of "banner blindness", and this study not only confirms that the principle is indeed correct, but that it also holds true for mobile devices. The study concluded that native ads appearing on mobile websites appear to receive two times more visual focus than banners on mobile devices—again, even though both formats were displayed in-feed.



2. Native ads stimulate both sides of the brain

The true value of native lies in its ability to tap into a user's subconscious. By infiltrating the subconscious mind, native ads can reach both hemispheres of the brain. In turn, this increases the focus of readers and, in theory, leads them to spend more time absorbing your brand's message on a conscious level. This often results in higher levels of engagement, influence and brand recall.

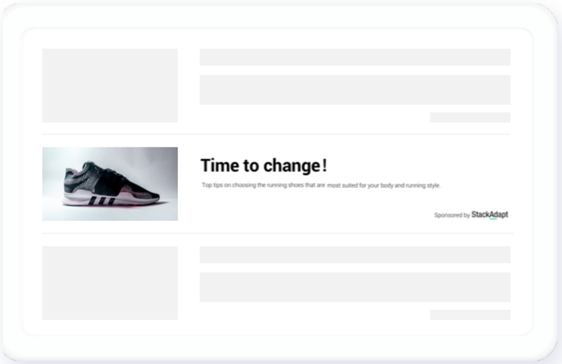
Chapter 5

Forms of Native Advertising

Forms of Native Advertising

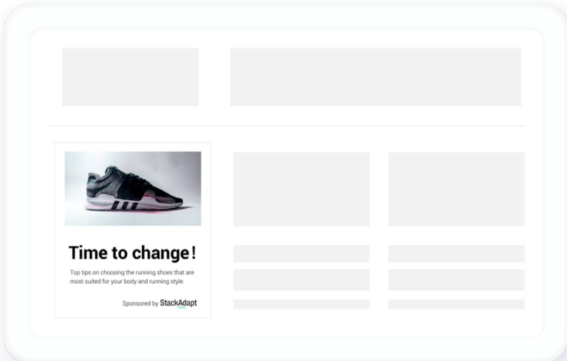
Native advertising is a broad term that's continuously evolving. When it first emerged, it was considered the advertorial of the digital age. Now it's viewed as an entire marketing channel in itself, designed to deliver high-quality, value-adding branded content.

In its Native Advertising Playbook, the Internet Advertising Bureau (IAB) describes six primary forms of native advertising. However, we believe that most of them can be broken down into three distinct categories:



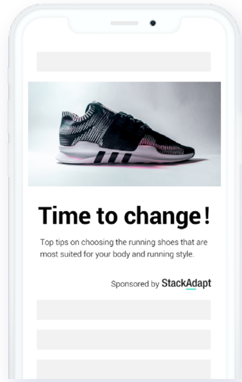
In-Feed Native Advertising

Pioneered by companies like Facebook and Twitter, in-feed native advertising is the most common form of native ad. The primary reason for its widespread adoption is its "mobile-first" approach and ability to drive users to an advertiser's own media properties. In-feed native advertising encompasses promoted listings and paid search results.



Content Recommendation Widgets

Content discovery widgets are typically found at the bottom of an article. Largely seen as a means for publishers to drive traffic and monetize their content, some advertisers see value in reaching a wide audience in a cost-effective manner through content recommendation



In-ad Native Advertising

Using the elements of a native ad - image, headline, body and brand logo - in-ad native ads occur within display inventory of a given page. Advertisers can achieve greater reach while still using the elements that make native ads so engaging, when native inventory is limited. * StackAdapt Exclusive

Chapter 6

Types of In-Feed Native Ads

Types of In-Feed Native Ads

There are several categories of in-feed native ads that are designed to fit deftly within a consumer's natural activity stream, and it's important to understand the characteristics of each of them. Not only does it help guide creative decisions, but it also gives buyers a contextual understanding of their ads on a given type of feed. After all, what may work in one place may be less impactful—or altogether unsuitable—somewhere else.

Let's delve deeper into the three main categories of in-feed ad units according to the type of feed they're traditionally found on.

In-Feed Content Ads

As the name suggests, in-feed content ads are those located within a website's standard content stream, and are generally found on publisher content and news aggregation sites. Oftentimes the content will have been created by, or in collaboration with, the publisher's editorial team to ensure that the ad matches the stories around it.

Primary Ad Unit Types

Articles, images, videos.

In-Feed Social Ads

In-feed social ad units are designed to build a stronger following, boost social engagement and drive high-quality, targeted consumers to content. The purpose of native advertising is to deliver content that shares the look and feel of a site— and in-feed social ads do exactly this. Facebook is calling them "suggested posts" and Twitter is calling them "promoted tweets", but whatever moniker they're given, they all operate in the same way.

Primary Ad Unit Types

Business posts, user posts, articles, photos and videos.

In-Feed Product Ads

Native in-feed product ads appear in sites and apps that display product listings (think retail sites like Amazon and eBay). Typically these ad units are presented as product advertisements or app install prompts, and they almost always incorporate a very clear call-to-action.

Primary Ad Unit Types

Product or service ads, app installs.

In-Feed Native Ads:

The Bottom Line

When it comes down to it, whether the marketing message is delivered through content, product or social feeds, the mission is always the same: to deliver paid ads that are so cohesive with a site's content and design that viewers feel like they simply belong.

This means that the challenge isn't necessarily in deciding which feed is best to serve the content, it's in creating quality content that users actually want to read. The function of the ad unit and the feed in which it's delivered may be ideal for the customer, but if they don't click, the advertiser's efforts will be wasted.

Chapter 7

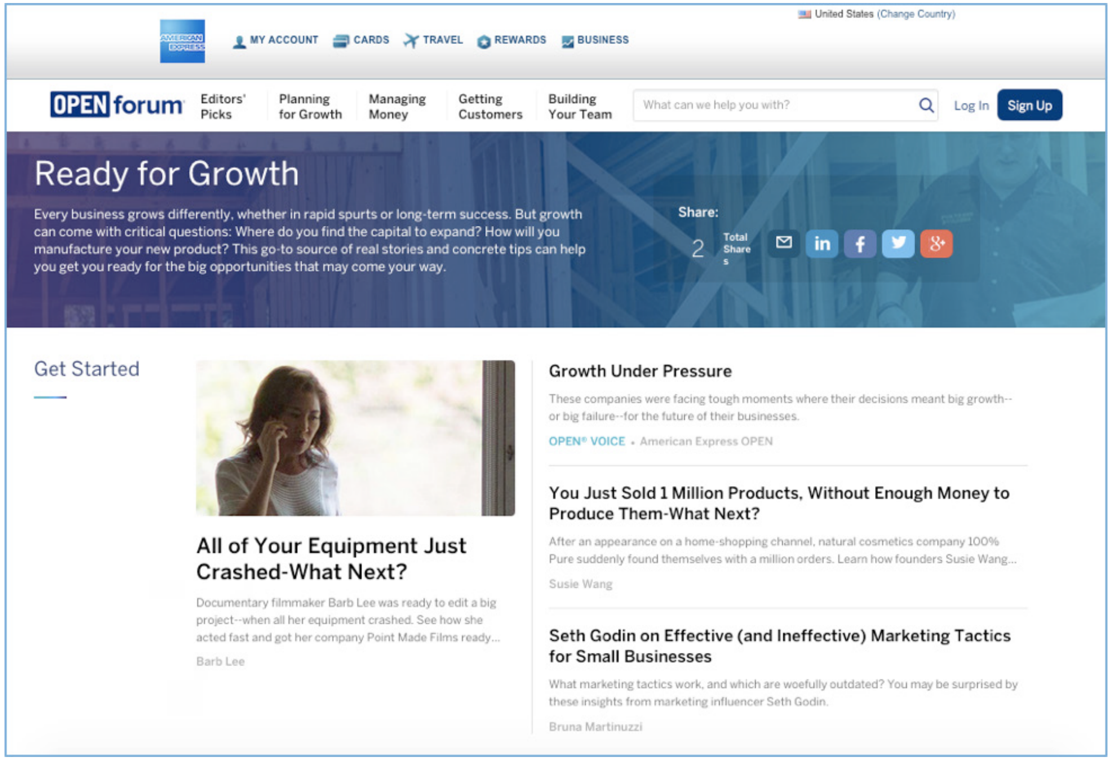
Sponsored Content vs. Branded Content: What's The Difference?

Sponsored Content vs. Branded Content: What's The Difference?

The terms "sponsored content" and "branded content" are often (mistakenly) used interchangeably. Let's take a closer look at each of them to help draw a clear distinction between the two.

1. Branded Content

As more brands embrace content marketing as a valuable channel to reach their customers, a new trend is emerging: brands are becoming publishers. This means that many progressive brands are beginning to create their own content hubs and micro-sites to publish relevant, educational content that's produced in-house. The overall effect is that brands are able to build and engage with their target audience by providing them with content they find useful or interesting.



Here's an example of branded content from American Express's digital content hub, OPEN Forum: American Express treats their content hub as a true publisher. It refrains from sales pitches and instead, focuses on offering value-adding information to its visitors. This is a great example of branded content.

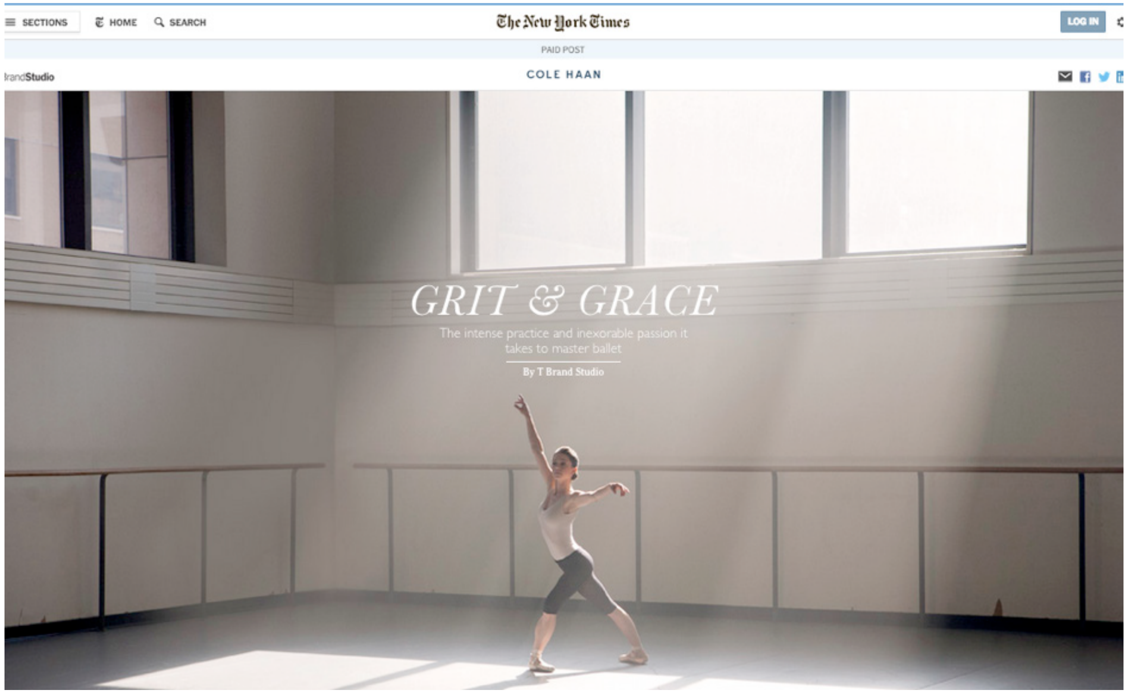
2. Sponsored Content

Sponsored content differs from branded content in two important ways: who the content is produced by, and where the content is published.

While branded content tends to be produced in-house by the brand, sponsored content is usually a collaborative effort between the publisher's editorial staff and the brand. Similarly, while branded content lives on brand-owned properties such as micro-sites or content hubs, sponsored content is hosted on the publisher's site, and therefore reaches the publisher's audience. Think of it this way: when a brand wants to create sponsored content, they commission a publisher to both produce the content and publish it on their website.

Since content strategy is often focused on building brand awareness, brands and publishers typically avoid a 'salesy' tone. Rather, they focus on delivering educational or entertaining content to readers. Brands value this because associations with a publication and exposure to its audience can drive awareness, traffic, conversions, and leads.

To the right is a great example of sponsored content that comes from a collaboration between fashion label Cole Haan and The New York Times.



In the above example, Cole Haan partnered with The New York Times' advertising unit, T Brand Studio, to produce an impressive piece of sponsored content called 'Grit and Grace', designed to promote its new collection of ballet flats. The result: a successful multimedia feature on three dancers from the New York City Ballet.

Summary

- Branded content 'lives' on brand-owned properties, while sponsored content is integrated into the publisher's site
- Branded content is produced in-house. Sponsored content is produced in collaboration with the publisher's editorial team
- Branded content reaches the brand's audience. Sponsored content reaches the publisher's audience

Chapter 8

Native Ad Disclosure

Native Ad Disclosure

The general consensus within the marketing community is unanimous when it comes to native advertising disclosure. Transparency is paramount, and native ads must be clearly and unambiguously labelled in a way that indicates that an ad unit is a paid promotion.

There are two primary reasons why disclosure is so important when it comes to native advertising:

1. Publishers that mask native ads by removing any prominent disclosures risk losing the trust of their readers.

2. Readers may foster negative associations with a brand if they feel like they were tricked into clicking on a native ad.

There is currently no industry standard for the disclosure of native ads, so to avoid potential issues, advertisers often employ one or more of the following disclosure techniques:

LABELS

LOGOS

SHADING

1. Labelling

Labelling comes in a variety of forms and varies from publisher to publisher. However, native ads are typically labelled as “Sponsored Content”, “Paid by...”, “Promoted by...”, or “Sponsored by...”

2. Logo

Some publishers, including Buzzfeed, often label native ads as either “Brand Publisher” or “Publishing Partner” content and will also include the advertiser’s logo.

3. Shading

Shading can be a great way to differentiate native ads from regular editorial content. In fact, it can actually make the placement look more prominent than ordinary units within a feed.

Chapter 9

The Anatomy of a Compelling Native Ad

The Anatomy of a Compelling Native Ad

What makes a "good" native ad? This is a common question, and unfortunately there's no simple way to answer it. Every brand, every campaign and every audience is different, which means there's no hard-and-fast rule or magician's formula to producing a compelling native ad.

The key to a successful native ad is, of course, in the name. It should blend in and be delivered seamlessly through a publisher's website, appearing native to the page. Here are some more factors that can turn good in-feed native ads into great ones.

1. Colour

We're all taught that red can signify danger and the colour yellow is the happiest hue in the spectrum, but there are much broader messaging patterns to be found in colour perceptions. Colours play a substantial role in purchasing and branding. In a study called "Exciting Red and Competent Blue", research confirmed that purchase intent is greatly affected by colours due to the impact they have on how a brand is perceived. This means that colours have the ability to influence how consumers view the "personality" of a brand.

When it comes to picking the "right" colour to grab an audience's attention, research has found that predicting consumer reaction to colour appropriateness in relation to the product is far more important than the individual colour itself.

So, if a Harley Davidson owner buys a product in order to feel macho, you could assume that the fuchsia pink edition wouldn't resonate with that customer particularly well. Explore the principles of colour psychology and narrow down which colours represent exactly what your brand is about. Then try A/B testing different creatives to see which colours perform best.

2. Imagery

Not all images are created equal. A strong image on a native ad can capture user attention, inform them before they've had the chance to read the headline, and even persuade them to click through to your content. On the contrary, the wrong image can confuse and even repel users. Choosing effective imagery is really more of an art than a science, but that doesn't mean to say that there aren't a few guidelines you can follow to incorporate powerful imagery into your native ad creatives.

The first step is to think about what message you want to convey, and then pick an image accordingly (many marketers make the mistake of doing this process in reverse order). Next, try to ensure that the image is eye-catching and attractive to look at, but doesn't overpower the ad's accompanying text.

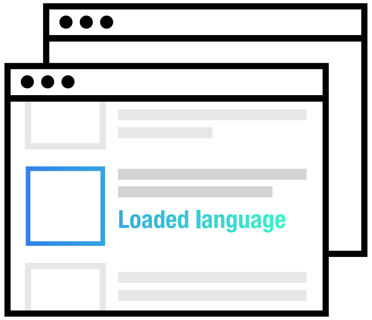
Lastly, it's good practice to avoid incorporating text into your ad image—that's what the headline and body copy is for. However, for those instances where a little image text is necessary, be sure to follow the 20 percent rule.

3. Headline

David Ogilvy, often hailed as the "Father of Advertising", famously said "On the average, five times as many people read the headline as read the body copy. When you have written your headline, you have spent eighty cents out of your dollar."

Ogilvy's statement demonstrates the continued importance of the headline. Advertising may have transformed dramatically since the "Mad Men" era, but the backbone of a good ad remains the same: it's all about captivating headlines. Next time you're crafting that all-important headline, try taking a little more time than you normally would. After all, a good headline has the power to make or break your campaign.

Some ideas for producing attention-grabbing headlines include directing a question at the reader, producing an ever-popular "how-to" guide, or using a headline with a number in the title.



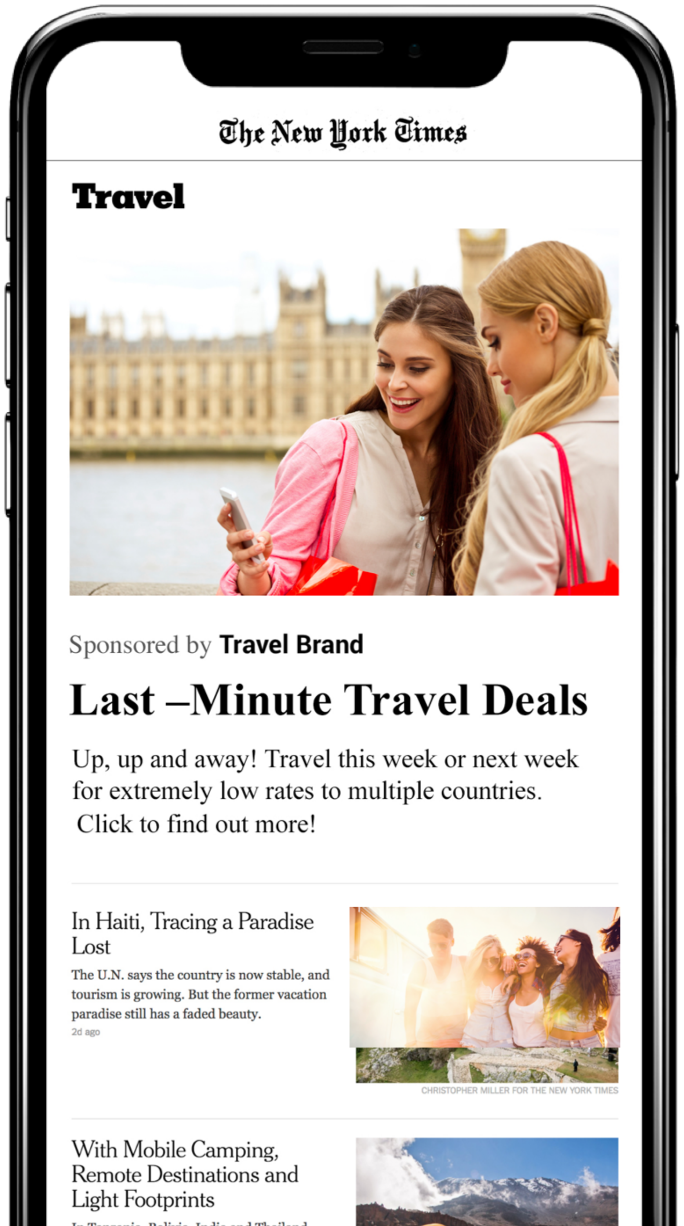
4. Use loaded language

Emotive language, sometimes referred to as loaded language, is wording that attempts to influence an audience by using "appeal to emotion" or stereotypes. Emotive words and phrases evoke strong emotional connections and produce positive or negative reactions that go far beyond their literal meanings. Let's use the term "tax relief" as an example. Tax is a word that's unlikely to conjure up positive emotions in anyone, but when you add the emotive word relief to the phrase, it stirs a more positive reaction.

Some of these tips may appear to be common sense, but often many of them get overlooked. By spending just a little bit of extra time putting some thought into each of the major elements of your native ad creative, your campaign results could skyrocket.

Chapter 10

The Lowdown on Programmatic Native Advertising



The Lowdown on Programmatic Native Advertising

Each and every minute, blog writers publish 1,400 new posts, Facebook users share 2,460,000 pieces of content, and Twitter users tweet 277,000 times. Enough to make your eyes glaze over, isn't it? What's even more shocking is that in the time it took you to read and process these numbers, a minute has likely passed and those figures will have doubled. And this process repeats itself 1,440 times a day.

Internet users are relentlessly publishing content, and in order for it to be seen, it not only has to cut through the noise—it also has to get in front of the right people.

This means that, as the creation of content increases, so too does the need for scalable distribution channels—and the programmatic buying of media inventory offers exactly this. Allow us to elaborate.

Once upon a time, media buyers had to negotiate with publishers to purchase advertising space in order to guarantee the visibility of ad units with a specific number of impressions, over a specific time period. Advertisers would handpick websites based on their content and audience, but would have very little freedom to optimize campaigns once they were agreed upon and launched. This meant that the potential for wasted ad spend on impressions was considerable. And then programmatic buying came along.

Programmatic buying, in the context of native advertising, means that each ad unit is served on an impression-by-impression basis, leveraging real-time data and decision-making to ensure that the most relevant ad is placed on each site. This creates a user experience that's completely unique to everyone on the web.

Why the buzz?

Programmatic native advertising leverages real-time bidding (RTB). RTB allows media buyers to maximize their results within shorter timespans, and improve the ROI of their initiatives by helping them remain within budget. This is because of the increased flexibility RTB offers, as advertisers are able to set a price they're willing to pay for an individual ad impression based on the relevance of the website's content and its audience. This means that advertisers are able to save thousands of dollars that might have otherwise been spent on wasted impressions.

How does RTB work?

Now that we've uncovered why there's such hype around RTB, let's delve deeper into the nuts and bolts of the process to see how it works. RTB, on its most basic level, is the process during which advertisers bid on ad placements in real-time, in a live auction environment.

With RTB, advertisers have the option to bid for inventory only when the appropriate audience they would like to serve their ad to is available. This allows for much more precise targeting, and in turn, better results. The whole process of a user visiting a website to an advertiser serving an ad happens in just 100 milliseconds.

Here's the lowdown on exactly what happens in that 100 millisecond timeframe:

1. It all begins when a user loads a page

When a page is loaded, a bid request is sent to all "demand partners" that have access to placing ads on that page. These demand partners are usually demand side platforms (DSPs), like StackAdapt, that have the ability to access ad inventory at scale.

2. Bidding

The demand partners decide whether or not to bid on the inventory based on multiple factors—including IP address, geolocation, cookie information, bid floor setting, and so on. If the demand partner then decides to bid, that bid is compared with all other bids—much like a real-life auction.

3. Second-price auction

The highest bidder wins the auction, but the price the winner pays is selected based on the "second price auction"—an auction mechanism whereby the winner pays the value of the second highest offer. For example, if one advertiser bids $8 and another bids $6, the first buyer will win, but will only have to pay $6.01 ($0.01 above the second highest offer).

The Main Benefits of Programmatic Native Advertising

can be summarized in just three words: **efficiency, effectiveness** and **scale.**

Efficiency

Programmatic native uses real-time systems, processes and algorithms designed to automate the delivery of data-driven ads.

Effectiveness

Advertisers are able to ensure that their ads are displayed to their target audience, based on their intent to buy your products or engage with your brand.

Scale

The enormous scale of programmatic native advertising allows ads to be delivered across thousands of publisher websites in an array of formats and a wide range of devices.

Chapter 11

Measuring The Success of Native Advertising

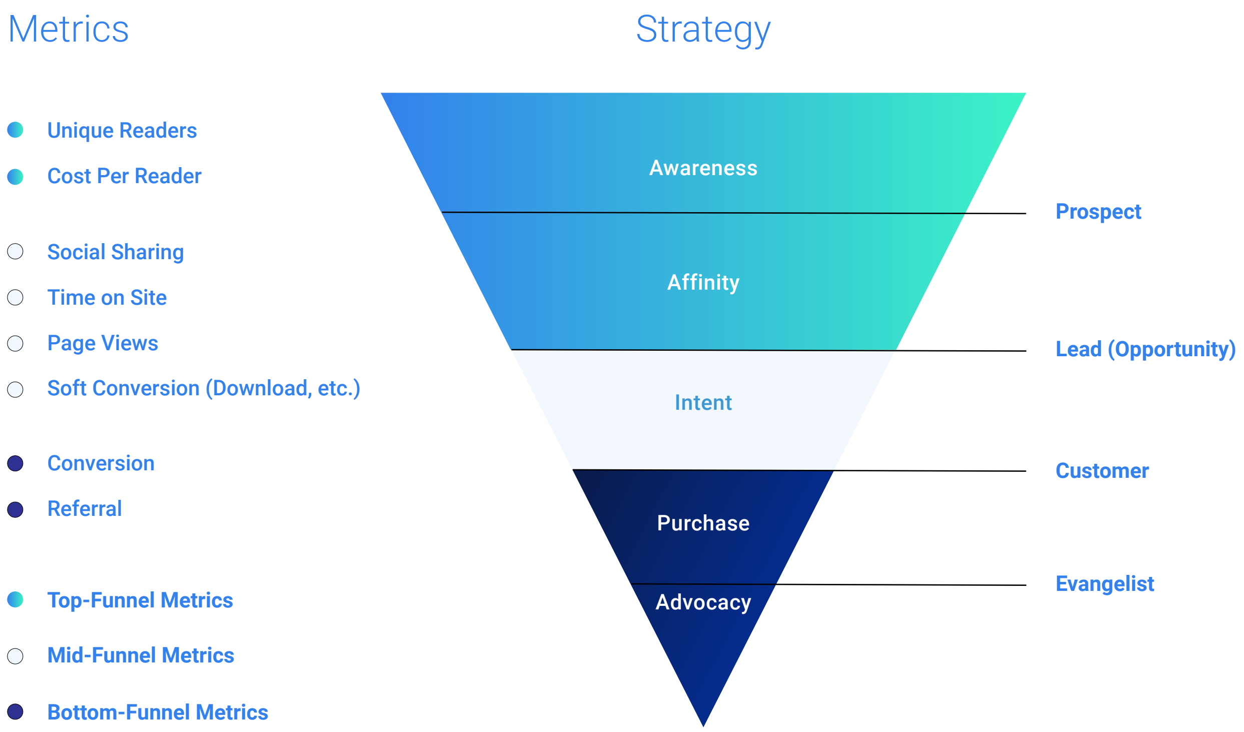
Measuring ROI

It's the million-dollar marketing question: how do I measure the effectiveness of my content distribution efforts?

There's industry-wide confusion when it comes to tracking the success metrics of both content and content distribution. In fact, according to HubSpot's The Ultimate List of Marketing Statistics for 2018, proving ROI of marketing activities is the second top challenge marketers face, at 40%.

Trouble arises when it comes to marrying bottom line concepts like costs, profits and revenue with the top-of-the-funnel metrics—such as brand awareness and engagement—that are typically used to gauge the success of content.

The following framework should help piece together the perennial puzzle of measuring the financial return of content distribution through native advertising.



Metrics To Measure

Content marketing and native advertising KPIs are a direct reflection of your company's conversion funnel. Metrics should track a lead's movement through the funnel and demonstrate the efficacy of your campaign in terms of generating brand awareness, increasing purchase intent and, when all is said and done, converting leads to customers.

Top-of-the-Funnel Metrics

At the top of the funnel, the goal is to increase brand awareness, recall and affinity. This is generally measured by metrics such as unique reach, cost per reader, and number of new contacts generated.

Middle-of-the-Funnel Metrics

Customers who are at the middle of their journey through the funnel are likely already aware of your brand, but are in need of more information before they convert. This means that mid-funnel campaigns should be geared toward driving purchase intent. To measure this, metrics like time on site, bounce rate and pageviews should be monitored, along with the number of soft conversions made (think email subscriptions and content downloads).

Bottom-of-the-Funnel Metrics

At this late stage of the funnel, prospects are primed and ready for conversion. The customer knows and trusts your brand and its offerings, but could do with one final nudge in the right direction. Here, as you've likely guessed, conversions and referrals are what you're after. If you're able to make a direct correlation, try to determine whether the conversions and referrals generated by your campaign have resulted in positive change to your company's bottom line.

Calculating Return On Advertising Spend (ROAS)

Now this is where things start to get a little more complicated. You've reached the end of the funnel and you're just dying to know what your return is, but before you're able to figure this out, you first need to determine your customer lifetime value (LTV)—a prediction of net profit that can be attributed to your brand's entire future relationship with a customer.

In the context of digital advertising, LTV represents how much each customer is worth to a brand in monetary terms. This helps marketers budget how much they're willing to spend to acquire a customer through a particular advertising channel. Rather than thinking about how they can acquire as many customers as inexpensively as possible, advertisers armed with LTV can optimize their spending for maximum value as opposed to minimum cost.

You can use the following formula to help work out your customer lifetime value:

Calculating LTV

$$\text{LTV} = \frac{\text{Total Monthly Revenue from New Users}}{\text{Number of New Users}} \times \text{Margin} \times \text{Retention} \times \overset{\text{(t)}}{\text{Average Customer Lifespan in Months}}$$

Calculating the ROAS of Native Advertising

Once LTV has been determined, the overall return on advertising spend from the content distribution channel you're measuring—in this case, native advertising—can be calculated. Use the following formula to calculate ROAS, with the fields highlighted in blue representing LTV.

$$\text{ROAS} = \frac{\text{Average Revenue per Customer per Month} \times \text{Number of New Customers} \times (1 - \text{Churn Rate}) \times \text{Customer Lifespan in Months} \left(1 + \dfrac{\text{Number of Referrals}}{\text{Number of New Customers}}\right)}{\dfrac{\text{Cost of Creation}}{12} + \text{Cost of Native Distribution}}$$

Ultimately, calculating the ROAS of your own native advertising efforts is going to depend on a number of variables—particularly what industry you're in. That means you should feel free to tailor most of the fields in the formula above to suit the needs of your business. The exception is the "12" used at the bottom of the equation, which represents the estimated lifespan in months of a piece of content. That must stay as it is.

There will likely never be a hard-and-fast, one-size-fits-all solution to measuring the financial return of native advertising. But we can, using a (fairly) user-friendly formula, find a way to attach a dollar value to native advertising initiatives.

Conclusion

Conclusion

Programmatic was projected to account for 85.5% of all native display ad spending in 2018 and is poised for further growth in 2019.

Gone are the days when native was considered an industry buzzword or fancy new form of digital advertising. It has officially entered the mainstream, and is increasingly swallowing up larger and larger portions of marketing budgets across the world.

There's no doubt about it: native advertising is here to stay.

Thanks For Reading!

We hope you found this Guide insightful.

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