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The rise, growth, and future of branded content in the digital media landscape

The advertising field has witnessed a dramatic transformation over the past decade. This contribution to the IJA 40th anniversary special issue deals with (digital) branded content; any output fully/partly funded or at least endorsed by the legal owner of the brand which promotes the owner's brand values, and makes audiences choose to engage with the brand based on a pull logic due to its entertainment, information, and/or education value. We sketch the rise and growth of native advertising and content marketing as two major branded content types in the digital era and describe how the topic has been covered in academic advertising research in the past decade. We conclude with a future outlook for advertising research and practice in hope of encouraging further academic research on the topic and providing insights to practitioners to further develop their digital branded content.

Keywords: branded content; native advertising; content marketing; covert advertising

Introduction

With information abundance and ever-increasing media fragmentation and clutter, consumer attention has more than ever become a scarce resource. Advertisers need to constantly find new ways to stand out. Fueled by the popularity and possibilities of social media and smart devices, we see an exponential interest in the concept of "branded content". The varied nature of the concept in terms of strategy, format, creation and distribution has led to diverging, often conflicting views on what branded content entails and how to define it. In this article, we attempt to structure the concept of branded content and its various formats. We focus on branded content formats in which the advertiser is (primarily) responsible for both creation and distribution of the content. This excludes influencer marketing and brand placement (discussed elsewhere in this special issue) where respectively an influencer and production or distribution company (e.g., film studio, game developer) create and distribute the content. We then focus specifically on branded content in digital media - both digital versions of traditional media (e.g., news websites) and newer, interactive media (e.g., social media, apps). We describe the growth of digital branded content and how academic advertising research has covered it. We conclude with a future outlook for advertising practice and research. We hope this contribution inspires researchers and supports practitioners implementing digital branded content.

Branded content defined

Asmussen et al. (2016, p. 34) define branded content as “any output fully/partly funded or at least endorsed by the legal owner of the brand which promotes the owner’s brand values, and makes audiences choose to engage with the brand based on a pull logic due to its entertainment, information, and/or education value.” At the core of branded content is the aspiration to connect with consumers in more relevant, less disruptive ways.

Today, consumers are treated to a panoply of branded content types labeled under various terms, often used interchangeably. Figure 1 attempts to structure our view on branded content. Einstein (2016) states that advertisers can camouflage their message in one of two ways: 1) hide the advertising within existing content environments or 2) create the pitch themselves and make it look like something other than advertising. The first of these is native advertising, the second content marketing. Native advertising or sponsored content is “any paid advertising that takes the specific form and appearance of editorial content of the publisher itself” (Wojdynski and Evans 2020). Content marketing is “a strategic marketing approach focused on creating and distributing valuable, relevant, and consistent content to attract and retain a clearly-defined audience

– and, ultimately, to drive profitable customers action” (Lou and Xie 2021). Content marketing focuses on “owned” media like a brand’s social media pages or website. Although Hollebeek and Macky (2019) explicitly distinguish between digital content marketing and advertising, and many would agree that content marketing is not a form of advertising, Kerr and Richards’ (2021) definition does allow to consider content marketing as a form of advertising.

-INSERT FIGURE 1 ABOUT HERE-

The rise and growth of digital branded content

Online advertising fatigue and avoidance have grown. Numerous studies document evidence of ‘banner blindness’. One in four Internet users have ad blockers (Mann and Walgrove 2022), driving advertisers to seek brand content formats that put the consumer experience first and emphasize non-intrusive storytelling and cannot easily be avoided (Interactive Advertising Bureau 2019).

Native advertising has its roots in advertorial content (advertising + editorial) in magazines or newspapers and went digital around 2011. More people consume native advertising than traditional advertising and it’s click-through rate is 40 times higher (APM 2022). AdYouLike estimates the global native ad market to be worth $400 billion by 2025 — a staggering 372% jump from 2020 (Mann and Walgrove 2022).

Content marketing is not new. Car tire manufacturer Michelin published the first Michelin guide containing maps and travel information in 1900 to help motorists develop their trips - thereby boosting car and tire sales. Today, it is booming: In the US, 86% of business-to-consumer and 91% of business-to-business (B2B) organizations use content marketing (Lou and Xie 2021). Half of marketers allocate between 30% and 50% of their budget to content, and most foresee an increase, particularly in video, events, and owned-media assets (Hubspot 2022). Research suggests that content marketing is 62% cheaper than traditional marketing while producing three times the leads (Hill 2022). Others claim it is 22 times more effective, causing 59% higher brand recall than display ads (Upfalow 2021).

How advertising scholars have approached digital branded content

Because branded content poses challenges not only to advertisers and brands but also to publishers and platforms in terms of business models and journalistic independence, it is inherently an interdisciplinary research topic. The concept is covered in a wide range of academic outlets (e.g., Computers in Human Behavior, Digital Journalism, Journal of Marketing, Management Science), including the leading advertising journals. To understand how branded content, as defined in this paper, was covered by advertising scholars, we inspected the last 10 years (2012-2022) of the International Journal of Advertising, Journal of Advertising, and Journal of Advertising Research as the three premier academic advertising journals and the Journal of Interactive Marketing because it makes digital ad formats and strategies a core topic. This resulted in 41 references (see online appendix).

As branded content typically mimics user-generated or editorial content (Wojdynski and Evans 2020), it is harder to recognize as commercial content than traditional advertising. A central research theme in the last decade concerns the disclosure of sponsored content, with persuasion knowledge as the dominant theoretical framework (e.g., Beckert et al. 2021; Hwang and Jeong 2019). There is a particular concern for minors, who are typically less equipped to deal with persuasion attempts (De Jans and Hudders 2020). The Covert Advertising Recognition and Effects (CARE) model (Wojdynski and Evans 2020) considers advertising recognition as crucial in consumers' processing of branded content. The meta-analysis by Eisend et al. (2020) documents disclosure content, timing, awareness, and product and audience characteristics as boundary conditions for disclosures' positive and negative effects (Eisend et al. 2020). Sponsorship transparency can mute the negative reactions due to advertising recognition (Campbell and Evans 2018). Moreover, if the reason behind branded content within a medium is explained (e.g., to ensure resources for high-quality news), consumers seem to accept this form of advertising as a social contract in return for free content or other benefits (Krouwer, Poels, and Paulussen 2020).

A second recurring theme centers around brand outcomes of branded content experiences (e.g., Lou and Xie 2021). Digital branded content will generally deliver positive brand outcomes when aligned with consumer motivations and the context. Chang (2020), for example, shows that inspiring branded videos motivate consumers to find meaning in life, leading to enhanced brand attitudes and subjective well-being. Hollebeek and Macky (2019) propose a conceptual framework describing what motivates consumers to interact with digital content marketing and how that prompts cognitive, emotional, and behavioral engagement that will, in turn, foster brand-related sense-making, identification, and citizenship behavior. Waqas, Salleh, and Hamzah (2021) describe branded content experience as a latent construct with seven dimensions - self-identity, social bonding, utilitarian, aesthetic, humor, awe-inspiring, and discerning; leading to consumer engagement with branded content.

The future of digital branded content?

Below, we attempt to structure the perspectives from academics (e.g., Koslow and Stewart 2022; Lamberton and Stephen 2016; Wang 2021) and practitioners (e.g., Barnes et al. 2020; Brys 2022; Koob 2021) on the future of advertising into six themes that seem particularly relevant for digital branded content.

1. *Publishers and their business models*

The rise of branded content has fundamentally changed the relationship between marketers and publishers, putting pressure on publishers' traditional business models. With traditional and even native advertising, advertisers typically paid to appear in content-providing media (e.g., a television show or magazine), and these revenues funded the development of the content. Advertisers no longer need publishers to reach highly targeted audiences directly, and publishers rely on clickbait more than ever to get revenue (Watson et al. 2018).

We may see a future where free content will have to be supported by commercial messages, and commercial-free content will be subscription-based. Netflix, for example, announced in April 2022 that it plans to roll out cheaper plans supported by advertising, similar to what Spotify does. To keep attracting audiences (and advertising revenue), publishers should protect the journalistic quality of their content at all cost and reinvest in the user experience.

In 2018, Marc Zuckerberg announced to change the Facebook algorithm "to help users have more meaningful social interactions" with less content from businesses, brands, and media. As social media continue to update their algorithms, the value of free social media has leveled off. Marketers have seen a big decline in organic reach on Facebook, causing speculations that Facebook is purposely limiting organic reach so that brands have to pay more on the platform to promote their posts. This could ring in the rebirth of paid advertising, which could present an opportunity for publishers to win back advertisers as an alternative to paid social media. Given their expertise in content creation, publishers could also expand their services to content production for other forms of content marketing than native advertising.

2. Engagement, participation, and experience

The shift from business-initiated, campaign-based broadcasting toward organic, co-created marketing that engages consumers and delivers a seamless shopping experience has been apparent for some time. The empowered consumer wants non-obtrusive, value-added communication and ultra-convenience every step of the customer journey. Branded content needs to provide value to justify its existence and generate positive results. In the future, we expect an increased focus on real-time, dynamic, two-way communication, soliciting customer feedback and stimulating user-generated content, for example through gamification, storytelling, and other entertaining activities (e.g., events). As marketing becomes more interactive and organic, selling and buying become a naturally generated byproduct.

3. Need for Integrated Marketing Communications

Branded content will inevitably be part of the marketing communications mix for all organizations and should therefore also be integrated as such, as part of the entire organization, of the entire corporate culture. Incredulously, 19% of the 2019 Inc. 500 still have a stand-alone social media plan (Barnes et al. 2020). Marketers should clearly define objectives for branded content in line with their overall marketing strategy and make it part of an integrated marketing communication plan. We underline the need to think about content in the long term, both in terms of creation, objectives and expected results.

While we will not contest that the growth in spending on digital media will likely sustain, traditional media and advertising formats remain quite effective and efficient in some cases. Marketers need to select those media that align with their target groups' preferences and understand how these media interact with each other.

4. Mobile and future technologies

As mobile use continues to grow, we foresee a surge in investment in mobile native advertising and the development of branded apps. Technological advancement allows tracking consumers (e.g., with beacons) and even modifying the environment so marketers can target, locate and engage consumers at the right place and time. Mobile apps can help brands connect with fans to convey brand messages, offer a useful service, keep them engaged and build customer loyalty in a crowded marketplace. At the same time, attracting users to download the app and gaining long-term traction and repeat use has proven complicated. Marketers should have a clear strategy on how they plan to drive app downloads, make the content compelling and increase long-term user engagement.

Marketers are also jumping on the video bandwagon, as video allows telling visually compelling stories and educating and informing audiences. Video advertising is also set to be more native and less formal. The pace of some social media (e.g., TikTok) drives the fast and cheap production of video content. As technologies develop further, the formats of branded content will continue to evolve. Marketers and academics alike are only beginning to explore the possibilities of Augmented and Virtual Reality, the metaverse, Internet of Things, synthetic advertising (visual advertising generated with the help of Artificial Intelligence) or even telepathic communication and it is far beyond our imagination what may come next.

5. Personalization and data

Like with advertising in general, personalization will play a pivotal role in branded content. Behavior, needs, and interests will grow as a basis for personalization over socio-demographic information. At the same time, third-party cookies are on the way out. As we see movements towards increased regulation (e.g., GDPR) and privacy concerns, permission marketing will become the default contact strategy, even more so in the Web 3.0 space. In the absence of user data, the key to effective personalization may lie in metadata. Collecting, interpreting, and acting on such metadata will be a key strategic competence. As mentioned, consumers can be quite content to share data when they see the benefit.

We further see increased scrutiny from advertisers over the transparency of social media platforms and the context in which native ads are embedded. As the saying goes, "don't build your house on rented land". Marketers should not become too dependent on existing platforms. Myllylahti (2018) suggests that abandoning Facebook would cost news companies traffic but not much revenue. Publishers and brands are investing in proper platforms and distribution channels. A shift toward first-party data can strengthen branded content and give advertisers assurances on where and to whom their content is displayed and how well it performs. The need to demonstrate return on investment will further increase, but the tools to do so will also improve. Marketers may need to shift part of their budgets toward measurement to improve performance based on iterative testing. They will have to develop metrics that account for the quality of users' experiences rather than click-through rates, pageviews, or sales.

6. Trust

Trust will remain a pivotal concept. The credibility of information and information sources will remain important determinants of what information consumers seek and use. We witness potential consumer trust issues in advertising and media (Amazeen and Muddiman 2018). Branded content must regain that trust by providing transparency and user control over when, where, and what information they use and share. Digital branded content is perceived as less deceptive when implemented transparently, mitigating the potential adverse effect of disclosures on brand evaluations.

Future research

There seems to be agreement that branded content can benefit advertisers and consumers but should be transparently disclosed. We need further research if academics want to relevantly contribute to the debate. First, we need alignment in the myriad of branded content formats and the sometimes overlapping terms to refer to them. Figure 1 is a first attempt to structure branded content based on content creation and distribution. To advance the field, future research should seek consensus on definitions and add order to the chaos.

Second, the bulk of prior research seems to disregard the actual content. The effectiveness of specific branded content tools, formats, media, and message strategies (e.g., informative vs. entertaining) are underresearched. Would findings on sponsored reviews generalize to branded apps (and vice versa)? We saw a relatively narrow focus on native advertising and disclosures specifically. Research is rather limited to social media - particularly Facebook; less research exists on differences between platforms or various “owned” media (e.g., website versus email). Research is also lagging on “newer” tools such as podcasts and video. As technology continues to evolve at warp speed, we require insights into the challenges and opportunities provided by new technologies like augmented and virtual reality, artificial intelligence, and the evolution towards Web 3.0 with its decentralized approach, blockchain technologies and token-based economics (e.g., non-fungible tokens). There is also a dearth of research on non-Western or cross-cultural perspectives, even though China, for example, has been highly innovative in developing branded content.

The meta-analysis by Eisend et al. (2020) on disclosures identified several research gaps related to inconclusive findings, boundary conditions, and the mechanisms that explain how disclosures work. Similarly, we need systematic literature reviews or meta analyses focusing on the content aspects. What is perceived as engaging and valuable content by which target group through which medium? Academics should also support the development of metrics that account for users' experience quality and content evaluation beyond click-through rates, page views, or sales, as 'not clicking' does not equal no interest or effect (Ellison et al. 2020).

Third, research on native advertising has typically neglected side effects for media (credibility). In journalism, authors warn that, over time, native advertising will erode the credibility of news sites, since it puts commercial pressure on journalists' editorial independence, ultimately challenging the democratic role of the press. This is an essential gap since advertisers and media depend on their mutual credibility. Ethical uses of branded content strategies also require scholarly attention, particularly given the dominance of Meta in Africa.

Fourth, consumers increasingly use media simultaneously or in a complementary fashion, which creates opportunities for media synergies, but also complicates research traditionally focused on messages delivered via a single medium. As we reevaluate the relevance of attention, experimental research under forced exposure does not adequately reflect consumers' digital realities. As Voorveld (2019) already argued, we need field experiments and collaborations with industry to evolve the field.

Overall, what struck us, is the lack of robust theoretical frameworks on the strategies and effects we can expect from branded content on various outcomes. Papers citing a theoretical framework sometimes only do so tangentially, and often cite "old" models, such as the Persuasion Knowledge Model (Friestad and Wright 1994) or Elaboration Likelihood Model (Petty and Cacioppo 1986). Advertising research seems to be re-applying existing knowledge in new contexts. While that is not wrong per sé, as basic psychological processes and memory have not fundamentally changed, we may need an update of existing frameworks and more conceptual innovation. Unraveling the complexity of branded content as a strategy in a multistakeholder digital arena calls for integrating perspectives from media psychology, media economics, journalism, and advertising. For example, a stakeholder engagement approach (Hollebeek, Kumar, and Srivastava 2022) emphasizes long-term mutual value creation to balance consumers', advertisers', and media's interests to make it "work" for all parties involved. Some have begun to develop new frameworks in conceptual papers (e.g., Koob 2021), but these remain abstract at times. We call for new theoretical frameworks immediately backed by empirical validation. At the same time, we would not want work that is highly practically relevant (e.g., based on field data or industry collaboration) to get stuck in review processes because of a (perceived) lack of "theoretical underpinning", so we need to strike a balance.

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