

## **Native Advertising: Old Wine in New Bottles**

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<sup>\*</sup> Mr. Cleland's statements reflect his own views, and do not necessarily reflect the views of the Commission or any individual Commissioner.



# **Native Advertising**

- December 22, 2015 the Commission issued an enforcement policy statement addressing the issue of native advertising.
- https://www.ftc.gov/system/files/documents/public\_statements/896923/151
   222deceptiveenforcement.pdf
- Native advertising is advertising that is intended to mimic non-advertising content in style and form.
- Native Advertising: A Guide for Businesses
- https://www.ftc.gov/tips-advice/business-center/guidance/native-advertisingguide-businesses



## **General Principle**

"The Commission will find an advertisement deceptive if the ad misleads consumers as to its nature or source, including that a party other than the sponsoring advertiser is its source. Misleading representations of this kind are likely to affect consumers' decisions or conduct regarding the advertised product or the advertisement, including causing consumers to give greater credence to advertising claims or to interact with advertising content with which they otherwise would not have interacted."



# No Disclosure Required

- If it is apparent from the context that the content is an ad: Run Fast, Run Smart, Run Winged Mercury
- If there is no selling message: The 20 Most Beautiful Places to Vacation
  - Winged Mercury Brand
  - Presented by Winged Mercury

## **Tips on Disclosures**

- Use clear and unambiguous language.
- Place disclosures as close to the native ads as possible.
- Use a font and color that's easy to read.
- Use a shade that standouts against the background.
- Video ads insure that disclosure is on the screen long enough to be noticed, read, and understood.
- Audio disclosures read at a cadence that's easy for consumers to follow and in words consumers can understand.



# **Proximity**

- Place disclosures on the main page of a publisher site where consumers will notice them and easily identify the content to which the disclosure applies.
- Place disclosures in front of or above the headline of the native ad.
- If a native ad's focal point is an image or graphic, ad disclosure might need to appear directly on the focal point itself.



- A single disclosure that relates to more than one native ad should be accompanied by visual cues that make it clear the disclosure applies to each ad in the grouping.
- Disclosures should remain when native ads are republished by others.

- Once consumers arrive on the click- or tap-into page where the complete native ad appears, disclosures should be placed as close as possble to where they will look first.
- In multimedia ads, a disclosure should be delivered to consumers before they receive the advertising message to which it relates.



# **Clarity of Meaning**

Ad, Advertisement, Paid Advertisement,
 Sponsored Advertising Content



# **Clarity of meaning**

- Ambiguous
  - "Promoted"
  - "Promoted stories"

- Not clear
  - Presented by
  - Brought to You by
  - Promoted by
  - Sponsored by

# Lord & Taylor

- www.ftc.gov/news-events/press-releases/2016/03/lord-taylorsettles-ftc-charges-it-deceived-consumers-through
- Lord & Taylor's campaign promoted their Design Lab collection (March 2015).
- Native advertising & Influencer campaign on Instagram.
- Paisley asymmetrical dress.



# **Lord & Taylor**

- Lord & Taylor contracted Nylon, an online fashion magazine, run an article and post a photo of the paisley dress on Nylon's Instagram page.
- Lord & Taylor reviewed and approved the paid-for Nylon article.
- Lord & Taylor reviewed and approved the paid-for post.



kimonos.

with many more amazing statement pieces, like festival-ready lazer cut tanks and fringed Click through the gallery to see how your favorite bloggers style their Design Lab pieces.

dress everywhere-from Instagram to your favorite blogs to the streets. But Design Lab is filled

# **Lord & Taylor**

- Lord & Taylor also recruited a team of 50 fashion influencers.
- Paid them between \$1,000 and \$4,000 to post photos of themselves in the dress on Instagram on one specified weekend in March 2015.
- Coordinated with Nylon postings.
- No disclosures.



#### wendyslookbook

3 weeks ago

tspring awaken ng) Pairing a cropped trench wiith gbtdand1ay o's exclusive #DesignLab handkerchiefhem dress 'Ci Really erjoye seeing how others styled this vibtam piece!

lesfieesue tenun\_ruseni.prince se\_malgres\_elle and 123k others like his.

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#### Mthatsotee

Imawesome\*

wendysundari

i!tlJi choe\_litte\_ store

nafiskerondotcom

wendyslookbookitwas sue a pleasure to meet you today Wendy your a purege lets stay connected.

fashbinfinity12\_

Ipost many omds and design rhandbags pies

.la sabhe savs

Is not that exclusive. I have seen about a dozen people style thron Illstagram and many more when I looked at the hash tag\_

Leave a comment...

Follow



# **Lord & Taylor Charges**

- Lord & Taylor falsely represented that the 50 Instagram images and captions reflected the independent statements of impartial fashion influencers, when they really were part of a Lord & Taylor ad campaign to promote sales of its new line;
- Lord & Taylor failed to disclose that the influencers were the company's paid endorsers – a connection that would have been material to consumers; and
- Lord & Taylor falsely represented that the Nylon article and Instagram post reflected Nylon's independent opinion about the Design Lab line, when they were really paid ads.

# **Lord & Taylor: Remedy**

- L&T is prohibited from falsely claiming that an endorser is an independent user or ordinary consumer.
- Material connections must be disclosed.
- L&T is prohibited from falsely claiming that a statement or opinion from an independent or objective publisher or source.
- L&T must monitor its influencers.



## Questions to Ask Yourself When Reviewing "Native" Advertising

Ask these questions when determining whether a disclosure is required:

- Could the content be interpreted as promoting the sale of a product or service?
- If so, is the content easily recognizable as an advertisement? If not, a disclosure will be required, unless . . .
- Does the advertising consist of only displaying a product within a movie or TV show without any accompanying performance claims? If yes, no disclosure is required.



## Questions to Ask Yourself When Reviewing "Native" Advertising

Ask these questions when determining what the disclosure should say:

- Does the proposed disclosure clearly convey the relationship between the content and the advertiser?
- Is it easily understandable by ordinary viewers?
- If the content is aimed at a specific target audience, is the disclosure easily understandable by that audience?
- Are there a significant number of viewers who might not understand the proposed disclosure?



## Questions to Ask Yourself When Reviewing "Native" Advertising

Ask these questions when determining whether the disclosure is conspicuous?

- Is the disclosure in a location that is likely to be noticed?
- How close is the disclosure to the native ad?
- Is the disclosure visible without additional clicks or significant scrolling?
- If written, is the disclosure easy to read based on font, color, size, and contrast?
- For video ads, is the disclosure on the screen long enough to be read and understood?
- For audio disclosures, is the disclosure read at a cadence that is easy for consumers to follow?
- Is the disclosure viewable on mobile and desktop platforms?



## **Contact Information**

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## BakerHostetler



#### When Is a Native Ad Truly a Native Ad?

By Linda Goldstein

Igoldstein@bakerlaw.com

## When Are the Disclosures Required?

# WHEN IT'S AN AD WHEN IT'S NOT CLEAR IT'S AN AD



## Ad or Not?

## Is It An Ad

- Not all sponsored/branded content is an ad
- Factors to Consider:
  - Does the content mention or show the advertiser's product or service
  - Could a selling message be implied
  - Does the content help to promote the product or service

## Ad or Not?

- FTC Example: Featured article in Fitness Magazine about the 20 most beautiful places to travel
  - Article paid for by Winged Mercury Footwear Article says "Presented by..."
  - No product mentioned or promoted in the article
  - Article does not have to be labeled as an "AD"





#### 10 Beautiful Places In The World That Actually Exist

Fantastical places exist not only in movies and fairy tales, but in the real world too! You've got to see these places to believe them. Just like Pepsi NEXT, you've got to taste it to believe it.



#### 1. Wisteria Tunnel



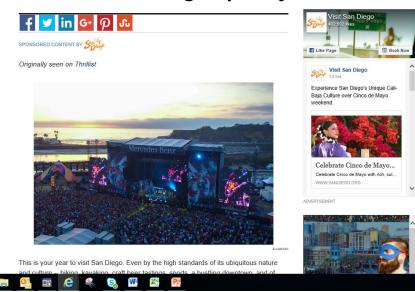
Wisteria Tunnel is located at the Kawachi Fuji Gardens in Kitakyushu, Japan. Flowering trees hang overhead and the different colored rows speckle the garden.



Type here to search



### See How San Diego Epically Does 2017

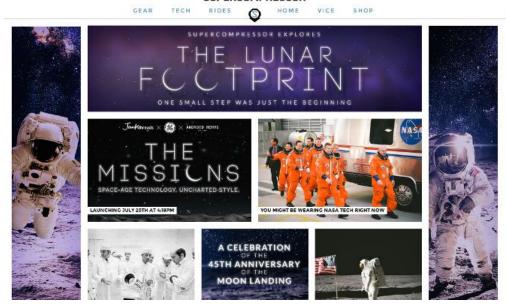


## Ad or Not?

- FTC Example: Winged Mercury disseminates an article on Fitness Magazine
  - Headline reads "Running Gear Up Mistakes to Avoid"
  - Article features training suggestions AND recommends Winged Mercury Shoes for injury prevention
  - Article can be accessed from Fitness Life main page or directly
    - Disclosure is required on main page of Fitness Life's site
    - Disclosure is required on click into page



#### SUPERCOMPRESSOR



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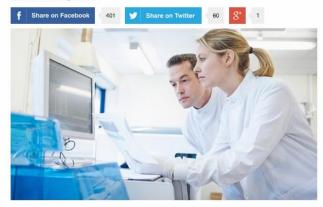


#### Scientists Posit Theoretical 'Productive Weekend'

NEWS IN BRIEF - Aug 18, 2014

T. Herman Zweibel

Publisher Emeritus, The Onion



CAMBRIDGE, MA-Challenging long-accepted scientific convention, a group of leading MIT scientists published a report Thursday positing that, under certain rare and specific conditions, a so-called "productive weekend" is theoretically possible. "Though mankind's collective understanding of productivity has, until today, encompassed only that which begins at 9 a.m. on

Create an Easy, Affordable & Effective Ad Auto Create an Easy, Airor Trader That Sells Your Car! AutoTrader.com

Try Equifax Take control of your credit with Equifax Complete™ Premier www.equifax.com

#### O RECENT NEWS

Area Man Willing To Give Up Any Of Muslims' Rights Necessary To Feel Safe

Man Reserving Judgment On Best Actress Nominees Until Looking At All 5 Pictures

Kids Teary-Eyed After Helping Dad Move Into First Apartment

Report: Reuben Rated Top Midsize Sandwich In Its Class

New Archaeological Find Suggests Mary Magdalene Was Actually A Size 12

#### LESSER NEWS FROM THE WEB







#### HISTORY BEGINS HERE

This series spotlights young women who are helping set a new course for our generation. Across industries, they're challenging the status quo and empowering us all to think differently about the way business is done.











IN COLLABORATION WITH COLE HAAN

How to Succeed in Science, According to Some of the World's Brightest Female Scientists

Unlock your inner genius. Sponsored by Cole Haan.

Ex Brooke Horton - November 7, 2014

## Ad or Not?

- FTC Example: Virtual game integrates branded products into the game
  - Advertisers pay for the brand integration
  - No objective claims are made about the product
  - FTC View: Not material to consumers whether branded products appear in the game because the advertiser paid for the integration or the game developer used their own judgment
    - No disclosure is required
    - RELY ON THIS CASE WITH CAUTION!



## Ad or Not?

- Disclosure Implications:
  - If its "sponsored" or "branded content"- but not an ad- more leeway with disclosures
  - Sponsored/Presented/Promoted would be OK
  - Do not label it an ad if its not
    - Third party rights implications

## Clear Its an Ad?

#### When Is It Clear It's an Ad?

- Factors to Consider:
  - How similar is the format to other non-advertising content on the page
  - To what extent is the native ad distinguished from advertising content
  - Is there other branding
  - FTC will look at overall net impression





#### When Is It Clear It's an Ad?/ When Is Disclosure Required?

- FTC Example: Article placed by Winged Mercury appears on financial news site
  - Format, color scheme, font and graphics resemble other financial news articles
  - Headline reads "Run Fast, Run Smart, Run Mercury
  - Image of shoe appears in the article
  - Article contains a hyperlink to click to learn more about Mercury Shoes
- FTC View: Headline shoe image hyperlink convey commercial nature of the convey commercial

#### When Is It Clear It's an Ad?

- FTC Example: Online magazine featuring stories about health, technology, science
  - Headline reads "Making Cleaning Fun, How Technology Has Changed Housekeeping"
  - Text and image formatted like other articles in the magazine's feed
  - Article featured Dirt Pulverizer vacuum as innovation
  - Advertiser paid the publisher to create and publish the article
- FTC View: Disclosure required on the publisher's site and on the click into page







#### As Big Data Grows, a New Role Emerges: the Chief Data Officer

Adding this new position to the C-Suite will help companies utilize Big Data to gain a competitive advantage.

David Laverty, Vice President Marketing, Big Data and Analytics, IBM | Mar 17, 2014







#### 71% Identified as an Article



# SlimFast in *Star* Magazine NAD Case #6039

- Native ads promoting SlimFast appeared on cover and in an article in the magazine
- Cover and internal ad were designed to look like editorial,.



# SlimFast in *Star* Magazine NAD Case #6039

"The cover page referred readers to ...an article titled, 'Snack Your Way to Slim.' ...

This cover story and article appeared to be editorial content but were in fact advertisements for SlimFast." NAD

Second article promoted shakes with product claims provided by SlimFast- "clinically proven to lose weight



# Ad or Not? SlimFast in Star Magazine NAD Case #6039

- The NAD ruled that:
  - [A]dvertising in a format that appears to be editorial has the potential to misled or confuse consumers because consumers may attach a different weight or significance to editorial content than to pure advertising content.
- In response to the NAD's inquiry, SlimFast discontinued the ads.

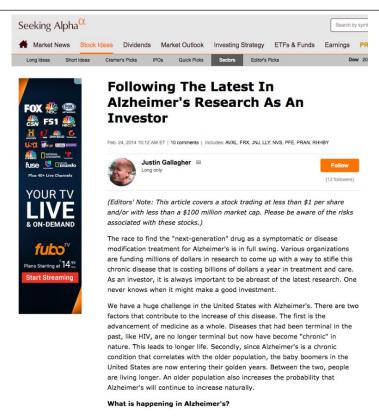
# Ad or Not? SlimFast in Star Magazine NAD Case #6039



Laura Brett, NAD

This is the first time we looked at a publisher and asked them to come in and discuss the way they were presenting a native ad in their magazine for a product that was not their own.

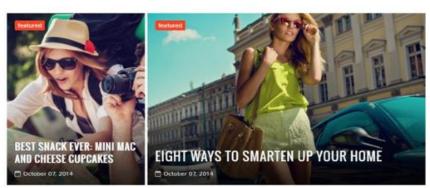
# SEC Steps Into the Action



If a disclosure is needed, where does it belong?



# Example 1: Embedded Video on Lifestyle Website







- Lifestyle website with articles and videos.
- On a page that discusses the season's newest beauty products, there is a link to a tutorial video about lipstick application.
- Stylist shows several techniques and then recommends the brand, Diva Luxe, which paid for and produced the video.



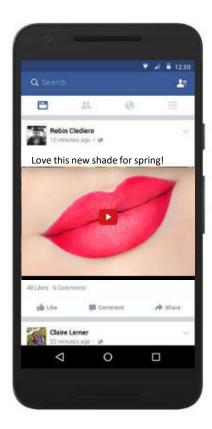
STAY V

Disclosure prior to playing the video would be required.

Depending on the length and content, an on-screen or disclosure within the video may also be recommended.



# Example 2: Social Media Feed



- Same video as before.
- Posted by the stylist.
- Two potential advertisers here:
   Robin (stylist) and Diva Luxe
   (lipstick)
- Post disclosure typically provided by the platform
- Video disclosure would need to also disclose that the video is sponsored because it could otherwise appear to be Robin's opinion rather than commercial content.



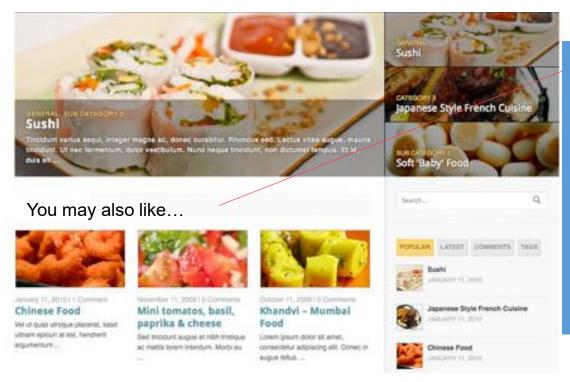
# Example 3: Multimedia Electronic Magazine



- Video takes you to a cooking demonstration in which a chef explains how to prepare the meal shown here.
- He discusses how delicious it is, how he likes to serve it for friends and family.
- Video was sponsored by the National Artichoke Council.
- Disclosure necessary in on the magazine display and in the video to prevent deception.



# Example 4: Widgets



- The same site also features content recommendation widgets that appear to be recommended recipes based on your search history.
- Some are just recipes but some are sponsored content.
- Disclosure is necessary before consumers click as to which ones are sponsored.



# Key Considerations

Communicate the sponsored nature before consumers view the ad.

 Multiple disclosures may be necessary depending on context, e.g., on the social media post and in the video or on the magazine and in the multimedia feature.

- Close proximity
- Clear and conspicuous on all platforms.

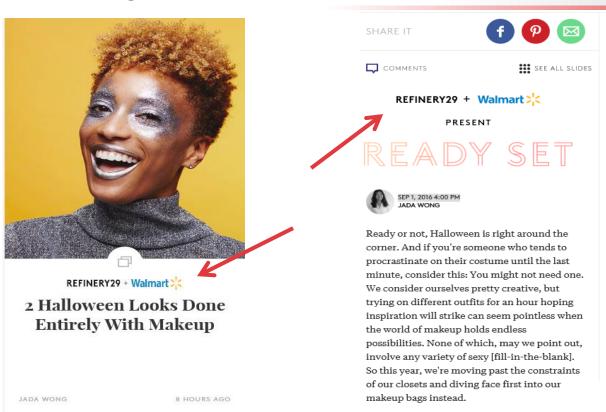


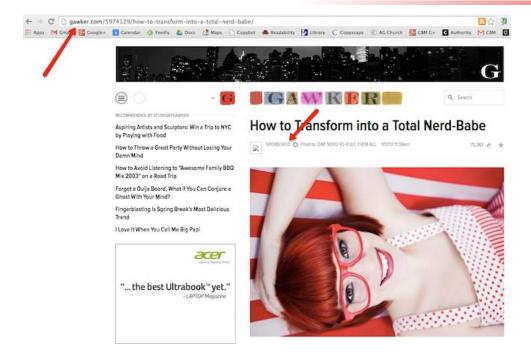




Native Advertising
What does the disclosure need to say?









Though the inimitable Dorothy Parker once claimed, "Men seldom make passes at girls who wear glasses," times, they have changed. These days there is nary a fella out there who would balk at putting the moves on some bespectacled nerd-babe. In fact, it's pretty much safe to safe to say, that being "adorkable" is now considered a compliment.

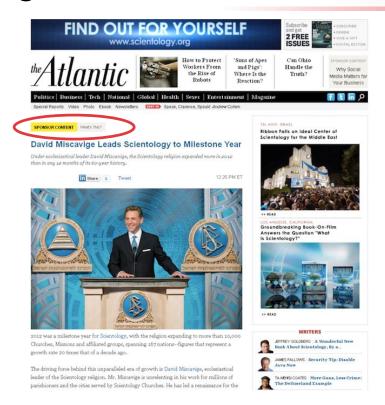
Ads by Google

Iclick Optical Eyeglasses Eyeglasses @ \$9.95 with RX lens Ships in 1 day, arrives in 3-6 days www.iclickoptical.com



That's why, inspired by tonight's premiere of *King of the Nerds*, the new reality show that pits cosplayers vrs. scientists in a \$100,000 competition to prove their ultimate nerd-dom (and is, of course, hosted by *Revenge of the Nerds* stars Robert Carradine and Curtis Armstrong. Hi, Booger!), we've curated a list of fine sartorial choices for ladies with a glimmer of geek in their eye.







ForbesBrandVoice:
Connecting
marketers to the
Forbes audience.

What is this?



ForbesBrandVoice Connecting marketers to the Forbes audience. What is this?

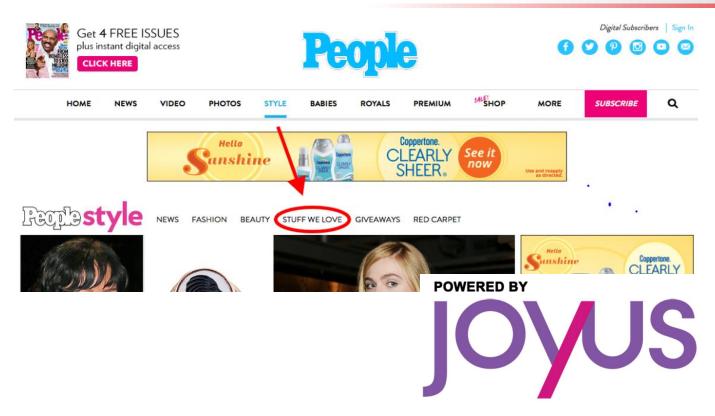
HIVESTILE 4/29/2014 @ 10:27AM 1:544 views

# Should You Accept Your Employer's Pension Buyout Offer?

Tidelity Viewpoints Feam - Fidelity

Faced with mounting pension costs and greater volatility, companies are increasingly offering their current and former employees a critical choice: Take a lump sum now or hold on to their pension.

"Companies are offering these buyouts as a way to shrink the size of their pension plans, which ultimately reduces the impact of that pension plan on the company's financials," says John Beck, senior vice president for benefits consulting at Fidelity Investments. "From an employee's perspective, the decision comes down to a trade-off between an income stream and a pile of money that's made available to them today."



#### Nylon Magazine Website















Every season, there's one collection that you see everywhere-and yet, instead of getting sick of it, you lust after it until one day, you finally cave in and get it for yourself. This time around, we're taking out the guess work and introducing you to spring's must-have line: Lord & Taylor's Design Lab. You've probably already seen the new contemporary line's asymmetric bandana dress everywhere-from Instagram to your favorite blogs to the streets. But Design Lab is filled with many more amazing statement pieces, like festival-ready lazer cut tanks and fringed kimonos.

#### **Lessons** Learned

- Native advertising content must be disclosed
- Disclosures must follow republication of content
- Disclosure must be presented before advertising message
- Mandate disclosure in your agreements!