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Product Placement and Branded Entertainment:

A Look Into The Alternative Advertising Methods

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by

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Report

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by

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Abstract

The objective of this paper is to explore one of the many methods of communicating a brand or product value: product placement. In this report, the areas that will be covered include, the history of product placement, the method, the goal and psychology behind it, current trends, its weaknesses and strengths, its role in our culture and how it might evolve in the near future. We will explore how product placement plays a role in the different types of media, its effectiveness and strategies and its limitations. Another issue that will be covered includes a survey of similar marketing techniques that at times have been seen as an extension or a better version of product placement: branded entertainment and advertainment. The purpose of this paper is to provide readers with a full understanding of the structure, function and purpose of product placement.

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Chapter 1: Introduction:

What is product placement?

This paper will adopt the following definition: product placement is "the paid inclusion of branded products or brand identifiers, through audio and/or visual means, within the mass media programming" (Karrh, 1998). However, this definition is somewhat limited as product placement is not always paid for; many times products are placed in content media through barter and promotional exchanges. (Gupta & Gould) Branded entertainment also known as "advertainment" "refers to the creation of entertainment that fits with the brand essence or is a reflection of the brand's personality." (Cloonan, 2011) In essence, branded entertainment is a more elaborate type of product placement, where "a brand creates a show to tell a story that fits with their brand or creates webisodes to reflect the brand's characteristics" (Cloonan, 2011). Therefore, in this paper product placement is defined as: paid or bartered brand message or image inserted in any medium with the intention of promoting a product and influencing consumer attitude and behavior.

History: How it came about?

Within the last few decades the term and business of product placement has been on the rise and has been recognized as an important contributor to the marketing efforts of brands. While, this boost comes as no surprise, due to the diminishing amount of time consumers are exposed to the traditional 30-second TV advertising, because of the increasing technological advances of DVRs, Tivos and the Internet, it is important to go

back to the origins of product placement. Product placement has been "a sophisticated sub-business that was fully integrated into the making and marketing of mass media content as early as the 1920s and product placement in mass media began with the birth of motion picture projection in the mid-1890s" (Newell, 2006).

Prior to the coined term *product placement* in 1980s, this practice was referred to by different names such as "exploitation, tie-ups, tie-ins and trade-outs" and that product placement was "initially the result of intermarrying family ties with business but quickly transformed into a method of reducing the cost of motion picture production while providing no-cost exposure for products" (Newell, 2006).

The earliest form of product placement originated in motion pictures, dating back to 1896 was when the moviemakers Lumière brothers partnered with François-Henri Lavanchy-Clarke and soap manufacturer Lever Brothers to feature the soap in their movie in exchange for movie distribution in the United States and Europe (Newell, 2006). Since then many more product placement deals have been executed involving movie makers, distributors, producers, marketers and brands. A famous example of this is the Reese's Pieces placement in Spilberg's E.T. Sales of Reese's Pieces reportedly increased by 65% after the release of the movie, showing the effectiveness of product placement (Buss, 1998).

Product Placement and Branded Entertainment Expenditure and Growth

In 2010 the total advertising expenditures in the US were $131.1 billion dollars, according to data released by Kantar Media, increasing 6.5% from the previous year (Kantar Media, 2010). In 2009, overall ad expenditure had decreased 12% from 2008 and due to this decline brands were looking at alternative ways from traditional media, to spend their advertising money. According to PQ Media one of the areas that showed a small decrease in spending of 1.3% was branded entertainment marketing (which includes consumer event sponsorships, event marketing and product placement) and the total yearly expenditure for this segment in 2008 was approximately $24.62 billion (Hampp, 2010). Within the branded entertainment segment, there was a decrease of 2.8% in paid product placement in TV, movies, videogames and other media, for a total expenditure of approximately $3.61 billion. However, PQ Media predicted that product placement would be one of the sectors to poise the biggest growth and projected a $6.1 billion expenditure for the year of 2014 (Hampp, 2010). In a more recent report by PQ Media, Patrick Quinn, the company's CEO said, "Branded entertainment is emerging as a leading alternative media strategy. Brands and their agencies have been forced to rethink a lot of their long-held strategies. The difficulty of reaching more elusive target consumers, and the transformation of personal communications due to these developments have made it more important than ever for brands to invest in strategies to engage target consumers in captive locations for extended periods of time through the power of emotional connections." With this in mind, it is not surprising that despite the decrease it suffered in 2009, in 2010 branded entertainment had a 5.3 % gain totaling $25.93 billion and of that total $3.8 billion was product placement (Bachman, 2010).

In 2010 branded entertainment took 19.7% of all the advertisement expenditure and within that segment product placement took 2.9% of all the advertisement dollars invested that year. With such a large chunk of the pie, (nearly 1/5) it is to be expected that branded entertainment and product placement are on the spotlight, with a lot of expected growth in the near future. In fact: "by 2014, branded entertainment will reach $38.16 billion, growing 9.2 percent compound annual growth rate. Consumer events spending will grow 8.8 percent during that period, while paid product placement will increase 11.1 percent" (Bachman, 2010).

According to the most recent published articles from PQ Media and Kantar Media, branded entertainment and product placement are two industries that are expected to keep growing within the next couple of years. Despite the small dip in 2009 for the first time since 1975 due to the economic recession in 2009, the industry is expected to grow steadily over the next years. Consumer events will still be the largest segment within the branded entertainment branch and product placement will be the fastest growing segment according to the PQ Media Global Entertainment Marketing Forecast 2010-2014 (Castillo, 2010). The report also points out that the U.S. will remain the largest branded entertainment market in the world through 2014 with a 45.2% of total spending, but China will be the fastest growing with a 19.1% compound annual growth rate (Castillo, 2010).

With the consistent and quick growth of branded entertainment and product placement, advertisers and marketers are constantly turning to it as a complementary form of alternative advertising. Since this form of advertisement is still relatively new

there are a lot of unanswered questions and a lot of research to assess the effectiveness of these placements and integrated branding techniques. As consumers continue to avoid traditional methods of marketing and advertisement, as they continue to use new media and with the increased access of consumers to technologically advanced communication, marketers need find new ways to reach audiences, get brand exposure, increase brand awareness and influence consumer's attitudes and actions. As with most up and coming industries, marketers are increasingly interested in studying and exploring their options. Therefore advertisers and marketers must understand these emerging forms of communication to advise their clients about possible investments in product placement and branded entertainment.

Chapter 2: Product Placement and the Media

Motion Picture and Movies

As previously mentioned, product placement had its debut in the silver screens when the Lumière brothers struck a deal with Lever Brothers to cut production costs. In a scene of their movie "Washing Day in Switzerland" they showed a case of the "Sunlight Sabon" and six months in their next film "Défilé du 8e Battallion" a logo of Sunlight Soap is shown, marking the start of product placement in movies (Newell, 2008). The earliest forms of product placement originated from the need to reduce the cost of production, one of the reasons this communication tool is still used today. However, in the 1920s a second contractual agreement involving product placement was developed, this was the "cooperative promotional arrangements between outside manufacturers and movie makers, in which, according to Barry & Sargeant, on-screen product appearances or star endorsements were traded for advertising and promotions paid for by the manufacturer. It was seen as a winning arrangement for both parties, as the motion picture industry benefitted from increased ticket sales due to enhanced advertising for their pictures while manufacturers obtained screen exposure for their products and a marketing edge by connecting their products to celebrities" (Barry & Sargeant, 1927).

A long time has passed since the first product placement occurred and innumerous product placements have been done since. To name a few of the most notable placements, the Reese's Pieces in *ET,* which showed a 65% sales increase after its debut in the movie, the Red Stripe beer at *The Firm* which had a 50% sales increase in the US within a month

from the films release, and the Pizza Hut in *Wayne's World* that became a classic example of mocking product placement (Buss, 1998).

In 2011, the usage of product placement in movies is so extensive that every year there is a lot of research done to measure which brands placed the most products in films, which of these films had the most brands in them, how this affected their brand or product sales, and which films were number one films, among other measurements that are of interest to brands and marketers. In 2010, Brandchannel a firm that tracks product placement in number one films, placed Apple as the year's winner of the most placed products in number one films, being in 10 of 33 number one movies. Iron Man 2, was the film with the most product placements of the year, having 64 products shown (Sauer, 2010)

Product placement in movies is currently one of the largest segments within the product placement industry for a number or reasons. Firstly, because to make a storyline more credible movies require props that are many times branded. It could be argued that it is more credible if you see the character drink a Coke, than if you saw a can that said "cola" on it. Secondly, movies have high production and promotional costs, and the sponsorships provided by brands, donating merchandise or paying for a placement, could decrease such costs significantly. Thirdly, a key decision factor for brands is the expected exposure of a Hollywood box office movie, with thousands or millions of viewers worldwide. The brand's ability to have a large count of "eyeballs" on their product and the potential of reaching a significant segment of consumers and future consumers translate frequently to a high marketing value.

Television

Product placement in television took a little longer to develop, mostly because radio and television shows were already sponsored and there were existing contracts between the broadcast networks and the sponsors. There were three main reasons product placement entered the television world a lot later than in the movie screens. The first was because the broadcast network had agreed to a limited amount of commercial time and product placement, even if unpaid could be counted as in program advertising and therefore result in reduction in the amount of time TV stations could sale to advertisers. The second, was that the largest revenue for the network came from the sale of commercial time to advertisers, product placement would give non-advertisers free access to what network clients were paying for. Third, the advantages of offscreen publicity and free props that were vital to movies were not as important to TV due to the limited competition and low production costs (Newell, 2006).

Although, product placement may have had a bumpy start in television a lot has changed since then. In 2011, reality shows such as American Idol, The Apprentice, Extreme Makeover, Survivor and others likely would not have been produced without product placement. Two of the most important contributors for this new "sponsored by product placement model" were "Survivor" and Mark Burnett. Around the year 2000, Mr. Burnett, used sponsorships from brands to cover the production costs of his new show Survivor, by offering them product placement slots throughout the show. This model became quiet successful as the brands were very happy with the number of viewers they were reaching and the network (CBS) was pleased with the low-cost

programming model, and the low risk of putting the show on air (Manly, 2005). Due to the success of Survivor, many other networks and reality shows chose to adopt the same model.

Another important factor in the decision to look for more product placement in TV shows is a consequence of the new technology available to viewers. With DVR and Tivos, the 30-second spot is increasingly loosing viewers and alternative methods of advertising are being utilized more often. Large brands are including in their budgets product placement and branded entertainment, because there is a large amount of viewers who will skip over advertisements, or go to Hulu or other online streaming sites to watch their favorite shows and will not be exposed to any advertising spot. Bruce Rosenblum, president of Warner Brothers Television Group pointed out that "the advertising model of 10 years ago is not applicable today" (Manly, 2005). In an industry as current as advertising where brands, consumers and marketers are always looking for the next innovative thing, shifts between methods and new developments are not uncommon, so advertisers have to stay on top of trends and figure out what is the best way to reach consumers.

One of the many advantages of product placement in television is that, due to companies like Nielsen, it is possible to know a lot of demographic information about a show's audience. This is useful information for marketers because if Nike is looking to launch a new men's line, they might be better off trying to make deals with HBO's Hung or Entourage, instead of aiming for Desperate Housewives. Furthermore, in 2009 IAG Research, a branch of Nielsen, has been measuring the engagement of its viewers by

testing the audience recall on program and ad detail, and by asking viewers to answer a straightforward survey after the program (Kiley, 2009). This is a crucial piece of information for advertisers who have a specific target audience and need a favorable brand recall. These results would indicate how effective their placement and ads are. The engagement ratings have become invaluable for measuring large product integration deals such as those done by Toyota and Top Chef, or Ford and American Idol. Engagement rating has also helped to identify the weaker ads, so that brand managers can quickly pull them and find better replacements (Kiley, 2009).

While the number of product placements and the brands with the most placements vary from year to year and even from month to month, the top 10 brands seem to just change spots on the list and the same is true for the top programs. For example, in a chart provided by Nielsen of the placements done in the month of March 2011, we can see that the brand with the most placements was Coca Cola with 99 placements and the show with the most products was American Idol with a total of 208 just that month, doubling from the 108 placements from the previous month. In second place were AT&T with 76 placements and The Celebrity Apprentice with 127 product placements (Ives, 2011).

Figure 1:

nielsen

TOP 10 BRANDS WITH TV PRODUCT PLACEMENT
March 1 - March 31, 2011

Brand	Category	Total # Occurrences
Coca-Cola	Soft Drinks	**99**
AT&T	Telecommunications	**76**
Chevrolet	Autos	**45**
Ford	Autos	**39**
Apple	Computer Systems	**32**
Everlast	Apparel	**32**
Nike	Apparel	**32**
Universal	Entertainment	**28**
Microsoft	Computer Systems	**27**
Toyota	Autos	**21**
Vogue	Magazine	**21**

TOP 10 SHOWS WITH PRODUCT PLACEMENT
March 1 - March 31, 2011

Program	Network	Total # Occurrences
American Idol	Fox	**208**
The Celebrity Apprentice	NBC	**127**
America's Next Top Model	CW	**88**
The Biggest Loser	NBC	**88**
The Amazing Race: Unfinished Business	CBS	**69**
Shedding for the Wedding	CW	**40**
Dancing With the Stars	ABC	**38**
Criminal Minds: Suspect Behavior	CBS	**31**
Traffic Light	Fox	**25**
Undercover Boss	CBS	**24**

Source: The Nielsen Company
Prime time entertainment programming on 5 broadcast networks (ABC, CBS, CW, Fox, and NBC); first-run episodes only included.
Note: Due to recent Place*Views coding enhancements, the total # of occurrences now reflect the number of show segments in which a brand placement appears. Additionally, the above list is now based only on first-run episodes, in order to profile those advertisers/programs that are most active at the present time.

Chart of top 10 brands and shows with TV product placement in March 2011.

Radio

As with TV, on radio products started out with the sponsorship of programs. The first brand to create a sponsored radio program was the clothier Browning King and their program was the Browning King Orchestra. Due to the nature of radio, it was not uncommon to see program talent do double duty by shifting from entertainers to pitchmen for their sponsor's products (Newell, 2006). This trend remains true to most of the product placement in radio today.

Due to the nature of the medium there are no visual cues and the listener only uses one sense. Typically, radio advertisement suffers the same problems of TV ads: listeners change stations when commercials are on the air, and people who have satellite radio, Ipod decks, and cd players, skip the advertisements altogether. While the way audiences listen to radio may have changed, there are still some traits that are important to consider when placing a product on the radio. The first is the likeability and credibility of the person featured in the program. If this is a popular likeable radio host, or a celebrity being interviewed it is more likely that the listener will pay attention to the product placed within the program. The second is that because listeners cannot see products a lot of the placement takes place in the form of contests, giveaways, commentaries and interviews.

Video Games

Product placement in video games started out as games center around a brand's spokescharacter. In 1987 Town & Country Surf Designs launched the game *Town and Country Surf Designs: Wood and Water Rage* for Nintendo, where players could be

characters that were spokescharacters of the brand such as “Tiki Man” or “Thrilla Gorrila” (Glass, 2007). Other examples in the late 80s include *Avoid the 'Noid* (Domino's Pizza), *California Raisins: The Grape Escape* (California Raisin Advisory Board), and *Mad Mix* (Pepsi). One of the most recent examples, however, was Burger King’s innovative campaign that involved making a promotional game for Xbox 360 called *Sneak King*, where the gamer would be the King and sneak up on people to give them burgers (Glass, 2007). Burger King offered the game to its customers for $3.95 with the purchase of a value meal, and it was a huge success.

Product placement within video games can be of three major types: monopolization, billboarding, and utilization. Monopolization is when a brand completely monopolizes the game, for example with the Sneak King Burger King game. Billboarding is when there are displays of the brands logo or name in free spaces of the game such as billboards, flyers, stadium backgrounds and other places. Utilization is when the characters of the game use the product in a natural way for example in a sports game the athlete’s clothing may be from Nike (Glass, 2007).

One of the main differences and advantages of product placement within video games is the interactivity with the audience. Research shows that imagined interaction with a brand produces better brand attitudes (Escalas 2004). In particular Escalas (2004) argues that, “when participants imagine themselves using a product in a narrative context, they do not distinguish between strong and weak rationales for buying the product.” Research has also found that if the game is fun and the player is having a good time,

positive feelings about the game would extend to the products advertised in the game (Glass, 2004).

Internet

The internet is still one of the fastest-growing businesses and, not surprisingly, it is the fastest growing segment within paid product placement. In a recent study by PQ Media it was shown that in 2009 this segment grew 10% to $40 million and the projection was that by 2010 it would increase another 6 million (Castillo, 2010). One of the main reason online product placement is a frontrunner in the industry is largely because of the nature of the internet. Unlike television, where users are passive, while surfing online users tend to be very active and alert because they are there for a purpose. Whether they are online shopping, looking up movie times, socializing with their friends or seeing restaurant reviews, they are alert to their surroundings. With many complex algorithms, websites like Google have been able to register user's usage and observe their interests, this way it is easier for marketers to reach their intended target. This is where product placement online comes in handy, because marketers already know what you are looking for. Let's say you searched for hair care products, when you click on the search button many sponsored customized links for hair care products will show up. Some examples of good online product placements marketers have developed include webisodes, do-it-yourself videos, and special exclusive online content. Most importantly, through these placements advertisers can add a link to their products for immediate purchase (Elgan, 2008). A successful example of online product placement webisodes

was done with Audi and the US Ski Olympic team to promote their sponsorship. Audi launched 15 minute episodes of behind-the-scenes look of the team as they are competing for the gold medal, these episodes were featured online on Facebook, Justin.tv and the US Team website (Castillo, 2010). To further integrate their sponsorship, Audi also featured a branded entertainment documentary on NBC showing the preparation of the athletes for the competition.

Online Gaming

As is to be expected, due to the increase of internet usage, there is also a steady increase in online gaming. This category has many similar characteristics as video game product placement because of the nature of the medium. While one is offline and the other is online the same types of product placements are seen: monopolization, banners and utilitarian. An advantage of product placement in online gaming is that branding is many times required to make the scenario more realistic. For example, in a video game where the character is running through a busy street, they can pass a Shell gas station or a Coke vending machine.

Figure 2: Axe product placement in the video game Splinter Cell

In the image above we see an example of traditional product placement from Axe inserted in the form of a billboard in the video game Splinter Cell. As seen, typically traditional product placement is not discrete and its main goal is to stand out to capture the player's attention, which can be effective, but can also be disruptive and create a negative reaction to it. However, this is only one of the forms of product placement within video games and there are many other innovative ways that marketers and publicist have developed to better tap into the video game product placement arena.

Video games have become a big chunk of the entertainment business bringing in more than $10 billion in annual sales and they have a highly sought-after segmented target market of 18-34 year old males. Furthermore, advertisers have more flexibility and

choices to show their products within online games, through a category called dynamic advertising. Dynamic advertisement is a new technology that allows publishers to insert new ads anytime into games that have online capability, meaning that an AT&T phone booth can become a Verizon phone booth in a week (Yi, 2005). With these and more advantages and innovations it is no wonder product placement in online games is steadily increasing over the years.

In 2006 a game called Test Drive Unlimited from Atari came out with one major innovation, the players could take a break from the races and go shopping. The online game counted with participations of more than 10 real-world brands such as Lexus, Hawaiian Airlines, Ducati, Lamborghini and Ben Sherman. Ben Sherman went a step above and allowed gamers to purchase clothes in a 3-D replica of the clothes sold in their real store (Brown, 2006). In 2006, there were 132 million gamers in the US and the in-game advertising and product placement spending was $56 million the previous year, but due to the projections of high growth in both the number of gamers, as well as the budget for the advertising in that medium, the Boston research firm Yankee Group predicted that by 2010 this spending would be $730 million. Besides the high volume of gamers another reason advertisers enjoy placing their products in games is that it is quite inexpensive, only $30 per 1,000 people reached (Brown, 2006).

One brand integration that is worth mentioning was the deal done between Visa and Ubisoft's CSI: 3 Dimensions of Murder. In the crime-solving game Visa's fraud-protection service alerts players to a stolen credit card that helps solve the murder case. Jon Raj, the director of advertising and emerging media platforms at Visa, says this was

an amazing opportunity as “we’ve never before been able to have the consumer really engage with the message”(Brown, 2006). This engagement is one of the key factors for the appeal of in-game and online advertising, while many brands still use billboards and backgrounds in the virtual scenarios to get attention, it is the consumer’s involvement that is the main objective pursued by advertisers.

Another large online game that is an entity in itself is Second Life. Second Life is a virtual 3-D world where players can virtually live a life they create for themselves. The game allows gamers to create their own Avatars, socialize, interact, go to stores, shop, go to restaurants and eat. Basically, they recreate a life as they imagine it. There are more than 12 million Avatars and more than 1200 companies that exist in Second Life in diverse areas such as entertainment, shopping, real estate, professional services, travel, restaurants, consumer goods, event planning, and the list goes on.

The biggest advantage of Second Life for marketers is that they can try marketing initiatives for free with their Avatars. Some brands have even used reverse product placement, a technique through which they first introduce the product online then, depending on its popularity, decide whether it would be a good deal to produce it in real life (Mahyari, 2010). As long as the marketers manage their Avatars and online presence appropriately, without being disruptive or invasive to the consumer’s entertainment this can be a very valuable tool to interact directly with attentive and active consumers.

Music Videos and YouTube

Product placement in music videos is currently a very popular option for brands and for musicians. In 2009 PQ Media recorded a 10% increase in these placements and found that music placements accounted for 15-20% of the total $103 million dollars spent on the category "other media", which includes newspapers, books, magazines and radio (Hampp, 2010). Two of the artists that are pioneering this segment are Lady Gaga and Britney Spears, in their most recent music videos brands swamp the scenario.

Lady Gaga is one of the quintessential pop artists of our time that is fully integrated in all forms of the digital world. She engages with her fans through Twitter, posting private pictures and even responding to fan's posts so it is no surprise that her music videos are some of the first ones to be filled with placement. Unlike movie or TV placements that try to add some integration to the story, in music videos the placement is overt and many times has no relation to the scene. In her music video "Telephone" Lady Gaga placed more than 9 products including Diet Coke, Virgin Mobile, the Plentoffish.com dating site, and Polaroid. The music video that also features Beyoncé made headlines the next day and the reason for it was the product placement (Hampp,2010). While there were many paid placements, some like the Diet Coke were used because Gaga wanted to make a homage to her mother, who use to curl her hair that way. Gaga's manager also said that Wonder Bread was unpaid and was there because Gaga "wanted to juxtapose the poison sequence with all-American brands" (Hampp,2010).

Britney Spears has been profiting from placing hew own products in her music videos. Her music video for "Hold It Against Me" is believed to have generated a half a

million dollars from all placements. One of those placements was a perfume from her own line, as she used the music video as free advertising vehicle for her own brand (Roberts,2011). Other forms of placement within the music industry include jingles and product mentions in lyrics. Two artists that have explored these alternatives include the Black Eye Peas with a Pepsi jingle and Chris Brown with a Wrigley product mention in his song "Forever" (Hampp,2010).

YouTube is a social network that allows users to post self-made videos and has a large reach in a short period of time. Due to this many self-promotion or even corporate promotions have been placed on the website to attract as many viewers as possible at no cost. One of the best examples that utilizes YouTube as a platform for product placement are "haul videos". Haul videos are self-made videos mostly done by teenage girls to show, promote and review the products they have just purchased (or that were given to them by brands to promote). There are more than 110,000 haul videos currently on YouTube, and some videos are racking up tens of millions of views (Noll, 2010). Due to the popularity of blogs and in this case vlogs the Federal Trade Commission has implemented new rules. One such rule is that when vloggers accept free merchandise, they must disclose if they are being paid by a company to review a product (Noll, 2010). While this is still a relatively new business it has been very successful and brands, especially fashion and cosmetic brands, are investing in the most popular "haulers".

Blogs

Blogs have become a key go-to point for consumers who are looking for reviews, product information and what is currently popular. This is especially true in the fashion industry, where bloggers have become stars themselves, some of the most popular include Tommy Ton, Tavi and Bryanboy. Through their blogs, their knowledge on fashion and their eye for aesthetics, they have reached millions of customers, Tommy Ton's blog receives about 1.5 milion hits a month (Rosee, 2011). Having a placement in a popular fashion blog can have a huge impact on the sales of a particular product, as these bloggers are considered experts in the industry. One of the best features about blog placement is that it is very easy to click on the link to the product and make a purchase. That provides an instant measurement of the effectiveness of particular placement. One of the downfalls however, is that as mentioned for the vlogs, the Federal Trade Commision has made it required for bloggers to disclose when the product is being placed (Andermann, 2009). With that advert, customers could potentially be turned off and not believe the post on the product, as it is being paid to be promoted rather than being deliberately endorsed by the blogger.

Social Media

Social Media networks are one of the most popular online platforms today and in the US alone the number of active user exceeds 110 million (Boches, 2010). Due to the large number of users and the interactive portion of it, marketers have increasingly looked for advertising opportunities within this medium. The two most popular, Facebook and Twitter have become key marketing platforms for brands, in the beauty

industry alone there has been a 346% and 349% year-by-year growth respectively, mostly in product mentions, promotions and other brand integration projects for social media (L2 Think Tank Presentation, 2011). Facebook allows customers to like pages and sometimes gift friends with the product or the brand. Twitter's product placement efforts are helped with celebrity product mentions. "Social media often serves as platforms for information dissemination and product placement or promotion. In this environment, influence and trust are becoming essential qualities among users interactions." (Varlamis, Eirinaki & Louta, 2010)

Emails

Gmail and Facebook have been using an algorithm feature to scan your information and make suggestions of products or places you may like based on the content of your email and web usage. This can be a powerful marketing tool and when combined with product placement, brands and marketers can target a very specific audience of people that are likely to try their product. This is a very new trend and there is limited research on the subject but marketers, Gmail and Facebook are very optimistic.

Chapter 3: What We Know:

Advantages and Disadvantages

There are many advantages to using product placement over traditional advertising, one of the most evident is avoidance of commercial zapping. Many consumers with Tivos and DVRs now have the option of skipping commercials and with product placement they can't, as the product is in the show itself (Yang, 2007). Another positive attribution to product placement is that it adds a sense of reality to the show, according to Yang, "surveys have found that audience like product placement because it improves the realism of the movie or TV shows." In real life no one has a soda can that says soda, it will be Coke or Pepsi or Sprite, so the same should be true in the show. The other advantage of having product placement is that the product is being introduced in an entertainment environment and the consumer is more likely to have his guard down and be less likely to resist the advertisement (Wilbur, 2008).

The integration of the placement can be a very powerful asset. Product placement research shows that, when there is celebrity endorsement, there is a slight positive influence in attitude toward the brand (Yang, 2007). Further, product placement allows marketers to target their audience in a very specific manner due to the rich demographic information production studios typically have.

With the advantages, there are also disadvantages. The most concerning is a phenomenon called reverse product placement, which occurs when a product is placed within a medium that elicits negative emotions or portrays the brand negatively. One of

the most notable examples of this was the motion picture Jerry Maguire in which Reebok was placed. This product placement resulted in a lawsuit. Reebok claims there was a deal with the producers that at the end of the film there would be an ad for Reebok with the main character of the movie, that throughout the movie speaks ill of Reebok for not sponsoring him. However, when the movie came out the commercial got cut and the only mention of Rebook was negative, and Rebook sued the production company (Segrave, 2004).

Another similar disadvantage is the lack or loss of marketing control over the placement (Karrh, McKee, & Pardun, 2003). Due to the creative process that takes place in the entertainment business, producers are likely to alter the placement to best fit their creative goals and, sometimes, marketers don't like the results but it is a risk they are taking. Finally, something that can affect the product placement results is the success of the movie. Ideally brands want to be in movies that are box office hits, but sometimes the movie is a flop. There is no way to predict the success prior to the release of the movie and some times brands overpay for a movie that is believed to become number one in the theaters, but when it comes out it is seen only by a few thousands of people, decreasing the expected exposure.

How Product Placement Works:

Product placement and branded entertainment is a complex segment of the advertising business that marketers are still exploring and researching, more should be known about how it works and how effective it is. Professional Gary Cogland, VP of

business development at ITVX, an information technology company created with the specific purpose of continuously measuring the "quality" of brand placements, gives us an insight to this industry.

Interview with Gary Cogland from ITVX

1. What can we say that we know about product placement?

Understanding the impact of product placement is still something that is unclear. This is a relative new area of the business and research is still very young. Some of the things we measure are awareness to the placement, attitude towards placement, brand recall and brand attitude. However, it is very hard to pin point brand attitude to a particular placement, it is more complex than that. People usually already have preconceived attitudes about brands and the placement alone is not going to change that. On the other hand, we have more control of this through branded entertainment because we blend brand values and content into the script and the scene. For example, we are currently working on a project with Clorox: Brita with the show the Biggest Loser. We really wanted to emphasize the brand's core values so instead of having images of the product all the time, as would have been done in the past, we focus on the attributes that filtered water has on weight loss. It is more important for our clients to be associated with hydration and wellness, which are core and lasting values of the brand than to have a 5 seconds zoom in on the product. When we are coming up with more brand content, we have to think about these things. We realize that the consumer is very smart and does not like to feel that advertisers are invading their entertainment time, therefore when the

trainer is telling his contestant drinking a lot of water will help with your wellness and weight loss and the only water available in the show is from Brita, the consumer associates the positive attributes to the brand. The more elaborate and integrated we can make the message and the content, the better it is. This means that the brand should also develop other branded content to go on their website, on the show's website, on print campaigns and even on the product to make even stronger bonds with the consumer.

2. How are the product placement deals made? How do the key people decide what is appropriate for what show?

One of the key questions is how well can the brand and message be integrated? Are the values coherent? How can we downstream it as much as possible? The brands that really resonate with the story line of the show or the value and message of the show are usually the ones that work out the best. This is why the placement or branding that occurs the best are the ones that are done before the show is ready, while it is still in the drafting stage. Networks, producers and marketers come together to make this integration as authentic as possible. There are also other parts of the deal that may hinder or delay negotiations, for example the network usually likes the brand that is placing product on their shows to agree to purchase a set amount of money of advertising space. Or the brand may stipulate that with the amount of money they are giving the network placements with other competitors on certain shows are not acceptable.

3. What is the main difference between TV product placement and film product placement?

Many times the product placement deals made in film are to offset production cost. Typically there is not a large amount of integration within the story line. Almost always the placement is in exchange for money or products needed to reduce the cost of the production. In TV on the other hand, while this typical product placement deal also occurs, there is usually a more integrated product within the story line of the show and some sort of media commitment. The brand usually agrees to spend a certain amount of advertising dollars during the entire season or similar agreements. Although, traditional (showing the product on the screen) product placement will never go away, there is definitely a bigger shift to of brands looking to go into television as opposed to film. The reason this is happening is because television allows for the strategic blend of storytelling for the brand related to the show as well.

4. How do you know if the product placement was successful?

That's the million dollars question. There are many primary researches that we conduct as well as look through external research that has been done. Some of the results we have been seeing show that the deeper the integration the higher the recall and awareness of the actual product. While there is not sufficient proof that higher recall and awareness will certainly increase the sale, it is one of the factors that we use to determine if the placement was successful. Our ideal results are when on the following day from the placement the brand's sales roar, however that is rarely the case.

5. How do you determine the value of the product placement, what is a good amount to charge the brand?

We have a coding algorism that weighs every Q ratio that relates all moments of integration or placement in the show to a 30 second commercial. In this calculation other things that also count are verbal endorsements, product features, any other form of non passive promotion. It is important to note that it is not so much quantity that matter but the quality, the larger the quality the higher the score.

6. Do clients ever ask for a certain amount of sales return depending on the amount of money they pay? How can you regulate that?

No. We can never give a client a number of how much they should expect their sales to increase. We don't know what the magic formula to drive sales is, so pin pointing sales to one aspect of marketing is impossible. Typically brands that use all media channels are aiming to reach as many people as possible, to have more impressions. With more impressions brands are hoping to reach a higher sales volumes, but you can not say from which specific media or campaign the purchase decision came from, usually it is a combination. The only exception that we can affirm that the sales came from product placement is when you have a new product launching that has not been advertised yet and after a spot light on the product in the movie or show, the next day there is a lift in sales. However, most brands do not take this approach.

7. What would you say is the future of this segment in the industry?

Well, everything follows the money. We see that the impact of the 30-second commercial is going down, so there is a decrease in that particular segment of the business but there is an increase in other segments of the business, for example product placement. One segment that is growing drastically is digital and branded entertainment and there will be more monitoring of the sales and the impact of these mediums. Since, it is still quite new there is still a lot of research to be done but we can already see that it is becoming more attainable and there are many measurements that are easier to figure out because of the nature of digital. For example, we can easily see how many people see the ad, who they are and the call of action. With interactive advertising and product placement on the web, two fields growing by the minute, we can see exactly which ads were clicked on, if anything prompted the customer to make a purchase and other important information like that.

Product placement and branded entertainment are not segments that have already plateaued in the industry there is still a lot of growth that will be happening. There is a continual shift of less production advertising in traditional platforms and a huge shift towards interactive and online areas. We should also expect to see a lot more endorsements made in television as opposed to films. This is definitely an exciting time to be in this industry.

The Effectiveness of Product Placement

One of the most important topics with product placement is its effectiveness. While there are many debates on its advantages and disadvantages the important question

is how well does it actually work? As Mr. Cogland said in his interview, this is the million dollars question and a lot of research has been done to find a suitable answer. Two aspects of placement that have shown to have a positive brand effect are repetition and prominence (Homer, 2009). Studies have found that subtle repetition can create positive audience perception but high prominence can be seen as distracting. On the other hand, while product placement is successful in increasing brand recall it does not typically cause an attitudinal change in viewers (Homer, 2009). However, there have been cases where prominence has positively changed attitudes, as long as it was not seen as a distraction (Homer, 2009). While there is no secret formula that will always work, product placement is most effective when it is integrated naturally with the story line, it includes subtle repetition and prominence and is placed in the right context of the story. One of the most recent examples of a successful placement was the ABC show "Modern Family" and Mac's iPad. One of the characters, who is dorky and funny about his technology wanted an iPad for his birthday, right when the iPad was released. The plot of the show revolves around his family trying to get him one. The placement was appropriate with the story line, it was naturally integrated, there was repetition and prominence and it enhanced the reality of the plot. iTVX valued the deal at more than $1 million dollars (Friedman, 2010).

Measuring and Assessing Value of Product Placement

When advertisers are paying top dollar for a placement to market their brand, they want to know that their investment is bringing back fruitful returns. Companies such as

iTVX, specialize in assessing this value trough algorithms and programs to measure all relevant factors. As Mr. Cogland briefly explained in his interview there are a lot of components to take into consideration. These components include the integration characteristics, the context, the audience and any financial support from the brand for promotions post-release (Russell & Belch, 2005).

There are mainly two manners of measuring placement's value one is effective (qualitative) and the other is lucrative (quantitative) (Russell & Belch, 2005). Under the qualitative criteria the two key points are brand recall and reach. Brand recall, occurs when the viewer can remember the products they have seen integrated in the program without needing assistance. The expectation is that products that the audience recalls are more likely to be purchased (Hong, 2008).

The main factors contributing the recall include: plot integration, duration, prominence, character endorsement and character usage (McDonnell & Drennan, 2010). These are only a few of the items to be taken into consideration, as every agency specializes in their own formula. However, most professionals would agree that product placement allows for "25% of unaided recall and recognition with established brands" (McDonnell & Drennan).

Reach is usually referred to as CPM (Cost Per Thousand) and the number of impressions are tracked by box office sales or reports from Nielsen showing rating points. Another resource that is true for online content is tracking of web traffic or interaction within social media networks, for example tweets about the product or likes on Facebook

(Sauer, 2011). The assumption with CPM models is that the more people that view my placement the more likely I am to increase my sales.

In the quantitative area, marketers are looking for increase activity in their ROI (return on investments) and take into consideration gross sales, ratings, box office sales and promotional costs. iTVX specializes in these measurements, and while they are unable to share their secret formula, practitioners and marketers seem to believe they are measuring it appropriately. However, one thing to keep in mind as Mr. Cogland pointed out in his interview, is that it is very hard to separately pinpoint a placement as the driving force of the increase in sales. The increase is usually due to a combination of ads, cross promotions, placements and other promotional methods. Yet, when there is a significant increase in the sales of a brand occurring after the release of a show, we can attribute a large part of this increase to good placement.

It is through these measurements that the price for the actual placement is determined. Sometimes there are no monetary exchanges, only bartered products given for free in exchange of these being shown on the screen, or co-promotion deals. Nonetheless, every once in a while, so many paid product placement are made within a movie production that with so many lucrative deals they exceed production cost, and prior to the movie release they already have gross revenue (McDonnell and Drennan, 2010). Some of these figures are astonishing, for example the new James Bond movie, *Bond 23*, is currently in production and it has already accumulated 45 million dollars to cover its production expenses due to its numerous placement deals (Harlow, 2011). While this is only a third of the costs for the total production, the movie has become the number

one movie with the most product placement money ever produced (Harlow, 2011). Since fees for placement take into consideration the estimated audience size, it was expected brands would be charged a lot for this production (McDonnell & Drennan, 2010).

Another great example of product placement integration was done with the HBO series Sex and the City and fashion brands. Manolo Blahnik and Jimmy Choo's were two of the widely promoted brands by Carrie's love of designer shoes (Nichols, 2008). In one episode the core storyline, was how Carrie's Jimmy Choo shoes were stolen while she was at a party and she asked the host to reimburse her for the $700 pair of shoes. The "Absolut Hunk" episode of Sex and the City was another huge hit. In it Samantha's boyfriend, a model, poses for a huge billboard ad in Times Square completely naked except for an Absolut Vodka bottle covering his crotch. With these and other successful placements, it comes as no surprise, that when the movie was in the production phase marketers and brands were lining up: "hoping Carrie's influence will reach beyond fashion and that fans will covet products ranging from luxury cars and luxury handbags" (Nichols, 2008). New Line Cinema, even dubbed the movie as "the Super Bowl for women", because of the large number of placements and marketer's hopes to raise their sales.

> "It is a huge part of making a movie now, it's a huge part of financing and marketing in foreign territories and it would have been impossible, unfortunately, for us to make this movie without some partnership. The challenge is… when is product distracting and when does it fit into a story? Fortuitously, these women are material people."

Sarah Jessica Parker (Nichols, 2008)

Marketers must take into account that a single placement will not increase their ROI drastically, and that a 1% increase in ROI is already considered a success, because to build a sustainable brand it takes years if not a lifetime of commitment (Russell & Bech, 2005). Product placement is a tool that should be used to further enhance the firm's marketing efforts and not as an exclusive form of advertisement.

Some other problems encountered when dealing with measurements are similar to the limitations faced by traditional advertising. These include the fact that the gross number of impressions, includes some duplication and there is no certainty that the audience is alert and free of distraction (Russell & Bech, 2005). Further, there is no inclusion of the frequency the placement will be seen, for example when a DVD is purchased and the person watches it multiple time, they are being exposed to the placement multiple times.

Chapter 4: What We Do Not Know?

As we continue to explore product placement and branded entertainment there is still a great deal that is unknown to marketers. Advertising is not an industry of exact science, with a secret formula for guaranteed success, and product placement and branded entertainment are subject to these limitations. Further, with all the technology advances what we know about product placement today may not occur in the near future. The entertainment industry as a whole is currently undergoing changes, especially as it comes to terms with product placement and branded entertainment.

One aspect of product placement is that we are likely to see marketers start shying away from showing a snapshot of the product on the screen. Consumers are smarter when it comes to product placement and many have been shown to reject the placement when there is no real reason for the product to be there. Viewers do not want to feel like they are paying for a movie in order to see advertisements, they want to see the movie to entertain themselves and to be free of advertising. Therefore, more in-depth integrations will become more popular as the years go by.

A recent example of this was seen in the 2009 movie *Up In The Air*, where the plot of the story called for an airline and a hotel to host the main character's trips. This was a very low-budget film that needed to cut down on production costs and, by having their producers meet with potential brands in the very early stages of production, they were able do so. All accommodations were taken care of by Hilton and all the flights were taken care by American Airlines. In exchange, the script included praises to both companies, as well as its featured amenities and special privileges offered to loyal

customers. Furthermore, these brands were committed to helping with the promotion of the film, decreasing even more the costs of the total production.

Another movie that is currently under production "The 28th Amendment" took a similar approach. Before the cast was even finalized or the script fully written, an entertainment lawyer that specializes in branding deals, and producers and writers came together to explore what integration opportunities would be appropriate for the movie and which brands they should approach to fund their project. When integration happens at this level of production, studios are likely to get the most money per integration, as the more elaborate integrations tend to be the most expensive. In fact, as writer Jack Epps says: "If you want to catch an executive's attention right now, it's not just selling the script, but you're showing them how to create a brand" (Clifford, 2010).

Another prediction is that some brands may choose to invest in inverse product placement, like with Bubba's Shrimp from *Forrest Gump* or Willy Wonka's chocolate bars from *Charlie and the Chocolate Factory,* where a product is created based on its success on the screen. One of the reasons for this possible shift is that brands want to have more control over the way they are presented in a movie or a show.

> "The future growth of product placement and branded content will rely more heavily on brands taking production and distribution in their own hands. More and more brands are looking at how to get smarter with their media dollars and see it as a blended approach of media plus production. "
>
> Doug Scott, President of WPP's Ogilvy Entertainment (Hamp, 2010)

With brands heavily investing in the branded entertainment and product placement market we are likely to see a lot more research to focus on its effects and on how placements are working. Since human psychology is complex in nature it is very hard to predict human behavior, and even harder to predict the cause for that behavior. This is one of the biggest limitations the current product placement market has, as we are not sure what makes a placement successful to the point to drive the viewers to purchase something. When does the consumer stop viewing the product as a prop to something he would like to own as well? Can the placement alone influence the behavior? If so, how? If not, can we alter it to make it influence behavior? These are only some of the many questions marketers, brands and the entertainment industry face everyday.

In the recent documentary from Morgan Spurlock, *POM: The Greatest Movie Ever Sold*, there is an interview with Martin Lindstrom who says the future in product placement and advertising will rely more on neuroscience than anything else. In the movie, while Morgan is interviewing Martin, he exemplifies this by putting Morgan under a brain scan while showing some clips with Coke in it. The brain scan shows he is releasing dopamine with the sight of the Coke can and, once leaving the scanning area, Morgan expresses his desire to have a Coke (Brown, 2011). If brands can join with neuroscientists to find out what is the best way to integrate the brand in a film to actually persuade a purchase, that is where all the marketing dollars will end up.

Along some neuroscience advances, another important ally for the future are all the technological advances that are currently taking place. With advances such as TV and internet integration, interactive games, GPS on portable devices, editing software and

many more to come, it is no surprise that we are constantly changing the way we interact with the media and entertainment vehicles. If marketers can find a way to integrate their products into theses vehicles in a manner that is fun or useful, we can see and track some important changes in consumer behavior. For example, there is a relatively new technology that allows for an editing program to scan blank spaces in a screen and insert a billboard, which is changeable. This is called "automatically placed overlay advertising" (Foster, 2008). If the advertiser has enough demographic information to know the target audience for that particular show at that hour and alters the billboard accordingly to the demographic preferences, this could be an extremely useful and cost efficient manner to promote a product. Yet, the hope is that the effectiveness of this can be tracked and the good news is that technology experts predict it will.

Technology permitting, a recent online trend that marketers hope to transfer to TV is the ability to click on a product of a picture and be transferred to the website where the purchase can be made. This is currently seen in many fashion blogs, where bloggers post pictures of celebrities wearing an outfit and the viewers can click on multiple articles of clothing and be directed to a website where they can sometimes purchase it online. On other instances, there are alternatives to "get the same look" for a more accessible price. The idea behind this is to drive traffic to the websites, hopefully generating more revenue for the brand, if technology permitted the same to be done on a TV screen that can be linked to the internet, marketers would know immediately which placements work and how. The good news is that this ideal may not be too far from reality. In a recent conference Cisco System polled some of technology biggest experts and they seem to

believe that " that users will eventually be able to point and click on an item used by a TV character: a drink, perhaps, or a shirt. And ads will be personalized and targeted right at the user, based on a wealth of demographic and personalized information that the user has willingly or unwillingly shared" (Hachman, 2011). Here the focus will be in a more focused and personalized ad, possibly permitting the same soda can to be different in two households based on personal preference.

The future in product placement and branded entertainment appears to be very positive and technology will play a big part of it. One market that is still relatively new and in which marketers are investing heavily is mobile marketing. Through GPS systems, social media sites and voluntary information exchange such as the popular "check in" feature from Four Squares or Facebook, marketers can target clients that are near a purchase location or that have indicated liking that brand. According to Product Placement News the giant retailer H&M has already began tapping into this market, joining forces with Booyah, a location-based gaming company, to design a unique digital product placement campaign. If the consumer is near an H&M outlet, their Booyah game application will feature an H&M branded product, allowing the consumer to get a discount at the store when he shows this product at the register. This innovative placement is another tool to tap into some of the unknown mysteries of placement, as marketers will quickly be able to identity, which placements work and which do not.

Understanding the complex human psyche and what drives consumers to purchase is one of the overriding questions for marketers in all areas of advertising. Product placement and branded entertainment are subject to these attitudes and actions and, as

explored in this paper, there are many questions that remain unanswered. With technological advances it is becoming easier to track when purchases are made, however, the reason for one placement to work and another to fail is still something that requires a lot of research. One thing we know for sure is that this business is on the rise and on its way to make history.

Chapter 5: Conclusion

Currently with consumers utilizing technological advances to avoid the traditional 30-second advertising, it is crucial marketers find alternative ways to still communicate with viewers. Product placement and branded entertainment are some of the ways marketers have coped with this problem. Product placement originated out of the necessity to help feature films meet production costs, and it has been continuously growing precisely for this and other reasons. As with any form of advertisement there are many advantages and disadvantages to this approach. Some of the most notable advantages include the ability to target clients while they are watching a show, while the disadvantage is the brand's lack of control on how the producers place their brand.

With the technological changes, we can expect to see many innovations in the industry, starting with very elaborative integrations. Brands will come together with producers to maximize the quality and quantity of their exposure, and producers will maximize their revenue gain. The formulas to evaluate the value of a placement are constantly becoming more elaborate and considering even more elements that may contribute to the richness of the placement. Technology is allowing for more innovative

ways to integrate placement in other media platforms and sometimes even connect that to a direct purchase. The evolution of product placement and branded entertainment has been very successful over the years and the projection is that this segment of the industry will continue to prosper. Without a doubt, this is the most prosperous time to be exploring branded entertainment and product placement.

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