

Product Placement

Definitions

- Product Integration – is when a company funds a program and in return their product or company is integrated into a show. “Product integration is a subset of client-supplied programming, ranging from infomercials to weekend sports programming.
- Product Placement- is the practice of intentionally placing a specific brand or product or place as a prop into filmed entertainment. Product placements very rarely happen by accident. Usually they are the result of an agreement or exchange between corporations and the entertainment industry. These agreements are designed to be beneficial to both parties.

There are three basic types of product placement:

1. Visual – a visual placement occurs when a product, place, service, or logo can simply be observed.
2. Spoken – a spoken placement occurs when the product, place, service, or corporation is mentioned in the presentation.
3. Usage – a usage placement occurs when an on-screen personality interacts or handles the product, place, service, or corporation. A usage placement often involves a visual and spoken element.

History

- Product placement may have been utilized even before the film industry existed. “Some suggest that 19th-century French author Honore de Balzac peppered his novels with names of shops and products to placate his angry creditors” (PR Week, May6, 2002).
- Product placement has also been traced back to the silent-film days when actors where filmed in front of restaurants. In exchange the restaurant fed the cast and crew gratis.
- 1940’s – NW Ayer advertising agency arranged for glamorous film stars to wear De Beers diamonds and other jewelry on screen.
- 1950’s – In the movie “Rebel Without a Cause” James Dean used an Ace Comb and increased sales resulted.
In the movie “The African Queen” Katharine Hepburn is shown dumping Gordon’s Dry Gin overboard.
- In the 1980’s the practice of product placement evolved into its own industry. During the following years all of the production studios opened departments specifically dedicated to product placement. Since, the industry has gained wide spread recognition as a viable marketing strategy.

Examples

- Integrated Product Placement –
 1. HBO’s “Band of Brothers” – vehicles used for the World War II mini series were all Jeeps, whom helped fund the production.

2. American Idol – Coca-Cola (along with Ford) financed the production of American Idol. In return logo-ed beverage cups were placed in front of the three judges. The traditionally named “green room” was renamed to the “Coca-Cola Red Room”. Coca-Cola also received the benefit of special taped segments called “Coca-Cola Moments” that featured contestants. Ford integrated products into the show by providing a Ford Focus for each contestant to drive during the taping. Ford also received five to six dozen :30 spots for “Idols” entire 16-week run.
- Product Placement –
 1. Reese’s Pieces, “ET” (1982) – The decision to feature Reese’s Pieces in “ET” catapulted the product placement craft into the Hollywood mainstream. Reese’s Pieces leapt onto kids’ mental menus and sales shot up 65%; Mars, the maker of M&Ms had passed on the opportunity (Businessweek, 1998).
 2. Budget Rent-a-Truck, “Home Alone” (1990) – Budget was a major player in car rentals, but its truck-rental business was being obscured by household names like U-Haul and Ryder. Budget struck gold when it put polkameister John Candy and his merry band – along with Jan Hooks, playing Macaulay Culkin’s mom – in a Budget moving van making the long haul back to Chicago (Businessweek, 1998).
 3. Dr. Pepper, “Forrest Gump” (1994) – Tom Hanks as the saintly dimwit of the title visits the Kennedy White House and recalls, “One of the best things about meeting the president was you could drink all the Dr. Pepper you wanted. I think I had me about 12.” This is an example of an ideal usage product placement – a major star consuming a product and talking about it (Knight Ridder/Tribune News Service, Dec 26, 1997).
 4. Ford, “Die Another Day” (2002) – Ford supplied Agent 007’s new \$228,000 Aston Martin Vanquish, as well as Revlon, Omega, Phillips/Norelco, British Airways, and Visa in a worldwide deal estimated to be worth \$100 million in product value and marketing support (Hollywood Reporter, April 30, 2002).

Benefits

- Build Brand and Product Awareness – Newly introduced products, or products in highly competitive markets, can benefit from the increased awareness generated by a feature film or television program. Established brands can benefit from this kind of exposure through reinforcement.
- Soft-Sell through Positive Association – When product placement is done seamlessly products are shown in natural and believable situations. A product that is placed consistently with its image will reinforce that image with consumers and will build product credibility. The value of the character is reflected on the brand and vice versa. The entertainment industry benefits from product placement because they are seeking real products to help add realism to its productions.
- Strengthen Brand Loyalty from Current Users – Consumers who see a product or logo in a movie or television program that they have purchased are positively reinforced. “Research shows that consumers want to identify with the characters

they watch on television and that seeing real products helps them to do that” (Knight Ridder/Tribune News Service, March 1, 1995).

- Creates Opportunity for Advertisers to be noticed in a Cluttered Media Environment – Intelligent consumers have learned to engage in selective perception. Consumers shut out specific images, especially those with an explicit headline marked ‘advertisement’. Associating a product with entertainment allows it to rise above the clutter.
- Product Placement Creates Reach and Frequency – Feature films and television reaches millions of consumers and have a life long after its initial running in theaters or on television. Feature films can be seen again in prime time, pay-for-view, cable television channels, and video/DVD. Television programs are rerun in syndication, on cable channels, and entire seasons can be seen on video/DVD. “Put an ad in a newspaper, tomorrow it’s gone. Put an ad in a movie, and your logo is out there for all time,” points out Hollywood product placement expert Norm Marshall.
- Create Indirect Celebrity Endorsement – The cost of celebrity endorsements is usually very high and many celebrities don’t participate in such activities. However, product exposures link brands to celebrities, in effect creating a celebrity endorsement.
- Product placement in feature films creates a captive audience.
- Product placement allows advertisers to target a specific demographic or psychographic by placing in a specific film or program that caters to a particular group.
- Product Placement Can Subsidize Traditional Advertising – Some companies only advertise on television during certain periods (i.e. the quarter before Christmas) but utilize product placement year ‘round to create product awareness.
- A Positive Placement Can Cause a Sales Surge – After the release of “The Firm” in 1993 where the beer Red Stripe was prominently featured sales in the U.S. increased by more than 50%, and the company owners sold a majority stake in the brewery for \$62 million to Guinness Brewing Worldwide.
- Product Placement is an Inexpensive Marketing Strategy – “A few seconds of exposure on a popular drama or comedy series can be worth as much as \$500,000, based on the cost of a 30-second commercial” (PR Week May 27, 2002).

Cost

- In lieu of cash, many negotiations call for the product company to contribute goods to the production for daily use or special events, such as the ‘wrap party’ for the crew at the finish of filming, as well as vehicles and legal clearances that can provide significant cost savings to the filmmakers. Contracts should stipulate if products are to be returned after filming wraps. Tie-ins and co-promotions also supplement promotion budgets for the film and help create awareness.
 1. Production for a feature film can barter for product or charge \$1,000+
 2. 5% of product placements are paid for in cash; 95% of product placements are quid pro quo deals.
 3. All placements are negotiable.

- Product Placement Agency Retainers/Fees – According to Jay May from Feature This, companies can expect to pay annual retainers of \$5,000 - \$150,000 to product placement agencies.
- Cost Examples –
 1. Image consultant Sam Christensen cites a recent example where Glad supplied paper products in exchange for the placement of a new paper cup in a film. Glad provided all the paper products for the movie, for craft service, including paper towels, trash bags, etc. It saved the production company thousands.
 2. Steven Spielberg’s film “Minority Report” reportedly received \$25,000,000 in product placement revenues. That’s about one-quarter of its production budget.
- Product Tie-in Example
 1. Tommy Hilfiger promoted its jeans line in tandem with Miramax’s “The Faculty,” combining the movie’s \$10 million - \$15 million media budget with the jeans \$15 million promotional outlay.

Procedures

- Companies can go directly to a production company to place a product or vice versa.
- An advertising agency can contact a production company for a client or can outsource to a product placement agency.
- Companies can utilize a product placement agency to find placements in feature films or television programs for their product, service, or logo.
 1. Use an expert. Contacts with strong industry relationships are the key to a successful placement.
 2. Ask to see a reel in order to evaluate an expert’s past successes.
 3. Determine what placement situation involves from a financial standpoint and whether the goods will be returned.
 4. Determine the product’s intended use in the film and what degree of exposure is anticipated.
 5. If fees are to be paid, they should be conditioned upon minimum product exposure requirements in a form that is released nationally.
 6. Don’t be late with products. Productions run on very tight, unforgiving schedules.
 7. Stipulate the above issues in a contract (ERMA official website)

Regulations

- FCC regulations state that television programs cannot accept fees (cash transactions) for product placements without stating so during the program, often such announcements can be heard at the end of game shows.
- FCC regulations do not apply to the motion picture business, paying for a product placement is accepted.
- 1992- A Washington lobby group called the Center for the Study of Commercialism (CSM) presented a petition to the U.S. Federal Trade Commission (FTC) to protect children from the commercial onslaught. The CSM

demanded that studios disclose to audiences when manufacturers pay to have their products placed in movies. The petition did not pass (National Post, June 28, 2002).

- Some industry insiders believe that the feature film business should also be held accountable for paid placements. Michael F. Jacobson, co-founder of the Center for the Study of Commercialism, advocates that movies be preceded with a message that identifies what products are being advertised in them. So far the industry has opposed this suggestion.
- The product placement industry is self-governed by the Entertainment Resource Marketing Association. Most reputable agencies are members of E.R.M.A. and they follow the below code of standards and ethics.
 1. A member shall exemplify high standards of honesty and integrity while carrying out obligations to a client or employer.
 2. A member shall deal fairly with past or present clients or employers and with fellow practitioners, giving due respect to the ideal of free inquiry and to the opinion of others.
 3. A member shall adhere to the highest standards of accuracy and truth, avoiding extravagant claims, unfair comparisons, or taking credit for ideas and projects borrowed from others.
 4. A member shall not knowingly disseminate false or misleading information and shall act promptly to correct erroneous communications for which he or she is responsible.
 5. A member shall not guarantee the achievement of specified results beyond the member's control.
 6. A member shall not represent conflicting or competing interests without the express consent of those concerned given after full disclosure of the facts.
 7. A member shall not accept fees, commissions, gifts or any other consideration from anyone except clients or employers for whom services are performed, without their express consent, given after full disclosure of the facts.
 8. A member shall scrupulously safeguard the confidences and privacy rights of present, former, and prospective clients or employers.
 9. A member shall not intentionally, or knowingly, damage the professional reputation or practice of another practitioner.
 10. If a member has evidence that another member has been guilty of unethical, illegal, or unfair practices, including those in violation of this code, the member is obligated to present the information promptly to the proper authorities within the Association, for investigation and possible action.
 11. A member called as a witness in a proceeding for enforcement of this code is obligated to appear, unless excused for sufficient reason by the authorities of this Association.
 12. A member shall, as soon as possible, sever relations with any organizations or individuals if such relationship requires conduct contrary to the articles of this code.

Other

- Real-Life Product Placement -
 1. Grass-roots marketing or street marketing targets Generation Y or Generation X audiences by bringing products to their turf – to raves and public parks for example (Gabriel, April 12, 2000).
 2. Other forms of real-life product placement is young actors posing as tourists, asking strangers to take their picture with a sleek, new cell phone that doubles as a digital camera.
 3. Volvo also utilized real-life product placement in Hollywood by giving cars to some of LA's young trendsetters to drive for a couple of weeks and create a buzz (Sunday Morning Show - CBS, Sep 15, 2002).
- Virtual Placement – Through Princeton's patented computer graphics concept LVIS (pronounced Elvis) companies can introduce products into television programs that were never there to begin with. "An episode of UPN's Seven Days had four name-brand products or logos artificially added after the fact – a can of Coca-Cola, a bottle of Evian, a Kenneth Cole bag and a Wells Fargo Bank sign" (Los Angeles Magazine Sep 1999). According to Princeton, each product introduced into a scene via computer sells for the same price that sponsors pay for a 30-second spot in that market. Virtual placement is already utilized by sports telecasts. In Major League Baseball the billboard behind home plate features advertisements that change throughout the game.

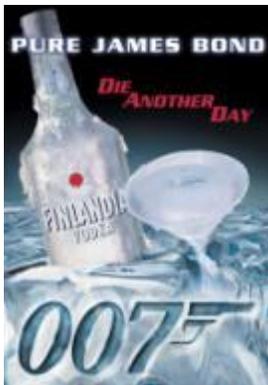
Conclusions

The introduction of technologies such as TiVo and other replay machines has enabled audiences to view programs without watching the commercials. TiVo currently has approximately 1 million users and more than 70% of TiVo users fast forward through the advertisements (Advertising Age, Oct 21, 2002). Executives believe marketing plans will see an increase in all kinds of product placements in the future due to an increase in media options, rating erosion, and new digital technologies like TiVo.

Appendix

- I – Pictures of Examples of Product Placements
- II – ERMA rating of Top Agencies

Examples of Product Placements



FINLANDIA VODKA WINS COVETED JAMES BOND ASSOCIATION

In what must be every vodka producer's dream come true, Finlandia Vodka has been selected to be the vodka featured in the new James Bond film "Die Another Day." According to a Finlandia spokesman, there will be global advertising and promotion for the brand and the film. Of course, Bond is famous for his martinis, which he prefers shaken, not stirred. (PRNewsFoto)[JL]



The star of “The Arrival” Charlie Sheen sports a pair of Luxottica sunglasses in the movie and the manufacturer parlayed that into a promotion with a counter card of Sheen, plus several other marketing spin-offs. Result: sales of the shades skyrocketed over 1995 levels.

E.R.M.A. Rated Best Product Placement Agencies

*The following are agencies and ratings based on price and services

Company	Price	Service	Industry Rating
Feature This	*	*****	*****
PrimeTime Mktg.	*	****	****
Catalyst Group	***	****	***
Creative Entertainment	*****	***	**
Aim Promotions	***	****	***
UPP	*****	***	*
Baldoni	*****	****	**
Hero Placement	***	***	***
Vista Group	***	***	***

*This rating was based on speaking with 100 crew members (props/directors/sets/producers) and major studios (ERMA official website).

