

PRODUCT PLACEMENT AND BRANDED ENTERTAINMENT: WHY IS IT MORE RELEVANT THAN EVER?

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ABSTRACT

Although product placement, that is, the display of a product in a movie or a TV programme, has a history of several decades, it became increasingly significant and inevitable in the United States and Europe in the past years.

According to research in America conducted by PQ Media, a company specialised in media research, while advertising spending for this purpose was only USD 190 million in 1974, it was USD 512 million in 1985, USD 1130 million in 1994, and USD 3458 million in 2004 (Lehu, 2009). It has since exceeded the magic threshold of USD 10 billion, too. (Onlinemba.com, 2011).

At the same time, if we examine the Top 40 list of Hollywood movies, we can see that the average number of product placements per movie was 17.8 in 2011. (Brandchannel.com, 2012).

However, brands do not only appear in movies but also in series, reality shows, talent shows, and so on.

This has several reasons:

- changes in consumers' relationship to advertising*
- technological progress, mainly digitalization,*
- the reform of advertising,*
- the needs of film and TV show production companies, and*
- changes of the legal environment.*

The study addresses all these issues.

Keywords: *Advertising, branded entertainment, marketing communication, product placement*

1. CHANGES IN CONSUMERS' RELATIONSHIP TO ADVERTISING

Several articles and books published in the past years analysed the fundamental changes in consumers' relationship to advertising:

- there are more and more advertisements, but less and less are noticed,*
- advertising annoys and disturbs consumers more and more,*
- there is an increasing tendency to disbelieve in advertisements,*
- people are more and more familiar with the operation and effects of advertisements, and*
- they tend to avoid advertisements.*

While the number of commercial messages reaching the average American consumer each day was 600 in the year 1985, the number had increased to 3000 (!) by the year 2002, as shown in well-known statistics (Lehu, 2009). In addition, the numbers in those years included no online advertising messages or hardly any of them – today's numbers are much higher as they include such messages, too.

However, the greater quantity of advertising messages does not mean that they have a greater influence on us, too. A simple question: did the Reader watch television yesterday? If yes, do you remember any advertisements? Oh, it is just great! And can you tell the brand that appeared? Well, if yes, then the Reader belongs to a camp that is becoming smaller and smaller – not quickly, but gradually.

This is because several people are more and more annoyed and disturbed by advertisements:

- There are people who just find them boring: "oh no, a commercial break again, and they always say the same thing..." The genre, at least television advertising, is just not as fresh and exciting as it used to be some time ago.
- There are people who are bothered by them. Research has shown that the Top 5 most disturbing advertising tools are (listed from number five to number one): advertising materials dropped in the mailbox, radio advertisements, internet advertisements, television advertisements between programmes, and last, but not least, advertisements interrupting television programmes.

In the meanwhile, several consumers have a tendency to disbelieve in advertisements. It is enough to think of the photos on the Internet claiming that advertising lies: while you see a beautiful hamburger on posters, you get something completely different on your plate.

At the same time ordinary people become more and more aware of the operation of advertising and its mechanism of action. They have got used to it, so they know exactly what to expect from it.

Therefore it is no wonder that consumers try to avoid advertisements as much as they can. Moreover, some of them are even willing to give money for advertising-free content; for example, they subscribe to HBO. It is no coincidence that its slogan is "It's not TV. It's HBO."

If they do watch channels broadcasting commercials, then they do various things to avoid them. Of course it was all the same in old times: when there were less channels, research conducted in London showed that electricity and water consumption increased greatly from time to time (Fazekas–Harsányi, 2011). But why? Because these were commercial break times, and several people left for the toilet or kitchen immediately.

And we cannot be sure that they are watching commercials if they stay in the room, either. It is possible that they just sit back and close their eyes (and ears), maybe they even mute the television set. Multitasking is even more likely, meaning that they do something else while commercials are running – most likely they use their laptops and smartphones, or read newspapers and magazines. This is typical to such an extent that if we sum up their daily media consumption, the amount exceeds 24 hours. (Csordás–Nyíró, 2013). However, multitasking does not only include simultaneous media consumption, but other simultaneous activities too: it happens quite often that viewers have dinner while watching television (especially during commercial breaks), or engage in chat with their family members or friends in the room.

However though, the most likely scenario is that they reach for the remote control and switch to another channel whenever advertisements appear. The commonly used international term for this phenomenon is zapping.

2. THE EFFECTS OF TECHNOLOGICAL PROGRESS AND DIGITALIZATION

Today's consumers have got control over watching television simultaneously with the development of technology, which is clearly demonstrated by the abbreviation DVR, that is, digital video recording. "The first two well-known and widely spread devices, TiVo and Replay TV, both appeared in the United States of America in 1999. (...) In Hungary, most viewers have the opportunity to record programmes on a hard disk built in a set top box., and the first such offer was an IPTV subscription called T-Home offered in the portfolio of the T group from November 2006." (Nyíró, 2011, 8–9.).

But what is IPTV exactly? It means that television is broadcast via the Internet as its name – Internet Protocol Television – suggests. This also enables viewers to "watch programmes with a time shift" ("Time Shifted Viewing", TSV), that is, programmes can be recorded and watched later on (Nyíró, 2011).

The problem (at least from an advertisers' point of view) is that most viewers watching TV this way fast-forward advertisements – or skip them, we should say in the digital age. Research conducted by Forrester Research in the United States in the middle of the 2000s concluded that 92% (!) of viewers skip advertisements if they watch a previously recorded programme (Zutter, 2005). Hungarian experts including Ildikó Fazekas, the former chairwoman of European Advertising Standards Alliance say that "Television companies are likely to lose some of their traditional advertisements as a result of digitalization." (In-Store, 2008a, 17–19.)

Technological progress also has another great advantage for consumers, although it was not brought about by digital television directly: viewers can choose from a variety of a hundred or even more channels. This makes it even easier for them to switch between programmes if they see commercials, and find another programme without advertisements.

3. THE REFORM OF ADVERTISING

Large-scale advertisers and advertising agencies glorified the 30-second advertising spot for decades, thus they failed to notice the warning signs mentioned above for a long time. They were mostly confident that even more advertising spots reserved at even higher prices would help them.

Nevertheless, the costs of traditional advertising and TV spots are high – we could see incredible prices both internationally and domestically, especially before the crisis.

In the early 2000s, for example, the average production cost of advertising spots in the United States was USD 343 000. It was even higher in the case of soft drinks or snacks (USD 530 000), not to mention the advertisements of clothing (USD 1 053 000) (see Ries–Ries, 2004).

And this still does not include media buying, that is, the cost of media appearance that can be even higher than production costs. In the year 2011, one 30-second spot broadcast in the halftime break of Super Bowl (the final game of NFL), a dream of all advertisers, cost USD 3.5 million (ESPN, 2012). In the year 1972 this amount was only USD 86 000, and in the year 2001 it was still "only" USD 2.1 million (Ries–Ries, 2004).

Although some media decreased their media buying prices in the past years as a result of the multiplication of the number of channels, the cost per thousand advertising impressions (the cost of reaching 1000 people, viewers or consumers), the so-called CPT (Cost Per Thousand), mostly increased in the United States.

It is no wonder that Starbucks founder Howard Schultz said, "I look at the money spent on advertising and it surprises me that people still believe they are getting returns on their investments." (Ries–Ries, 2004). So most probably we will not see any Starbucks TV advertisements. However, the brand appears in several movies – it is enough to think of the series *Sex and the City*, and the movie *Austin Powers* that features a Starbucks café as headquarters.

But Howard Schultz is not the only critic of advertising. Sergio Zyman, former Coca-Cola global marketing director, wrote a book titled "The end of advertising as we know it" (2003). Hungarian authors are of a similar opinion. According to Katalin Nádasi (2013, 135.) "the effectiveness of advertising in a traditional sense shows a decreasing tendency". As the title of *Instead of Advertising*, a book by Csaba Mányai, published in the year 2009, suggests, a new approach is needed. And what does he suggest as a solution? "Interaction Design for Marketing".

Another American author, Joseph Jaffe, claims that we just need to find out what would be the next step after the death of the 30-second spot. The title of his book published in the year 2005 is *Life after the 30-second spot – Energize Your Brand with a Bold Mix of Alternatives to Traditional Advertising*.

Advertising also became a crucial financial issue with the outbreak of the financial crisis in the year 2008. "It is vital for companies that had to adjust their budget according to the crisis to find new, less costly but still effective media" (Nádasi, 2013, 136.).

Advertisers apparently try a wide range of tools. For example, their response to viewers switching to other channels whenever an advertisement appeared was:

- Live shows, or at least pre-recorded programmes; for example, talkshows or talent shows where the host says "Don't go away, We'll be back soon!", or "And now, a short commercial break. Stay with us!"
- Single spot: There is only one short advertisement, during which viewers (hopefully) do not switch to other channels. (Of course media sell these spots to advertisers with a surcharge due to their special position.)
- Roadblock: other channels air the same advertisement at the same time. For example, a two-minute spot by Dj Juice could be seen at 8.57 PM on a Sunday in October 2010 on the following channels: TV2, RTL Klub, Viasat, TV6, AXN, MTV, VIVA, Discovery Channel, Cool, Film+. This means wherever you switched, you saw the very same spot. As the Dj Juice.hu website (2013) says, "According to AGB measurement 2.96 million people out of the total population saw the two-minute image film." The aim was to make Dj Juice the brand of people under the age of 26, and define it as more independent than Telenor (called Pannon at the time). They even opened their own independent shops, but they were open just for a while, then disappeared soon – that is, roadblock in itself was not enough for success.
- Last, but not least: Philips had an innovative patented technology that would have prevented viewers from being able to switch to another channel whenever a commercial break would come. In case of a digitally recorded programme, it would have also prevented viewers from fast forwarding through commercials (Index.hu, 2006). Later they decided not to introduce the technology to the market due to the expected consumer resistance.

There are several other options besides forcing traditional TV advertising, that is, spot advertisements on viewers. These tools include product placement and branded entertainment. So let us put advertising in the film/programme! Or, in a broader sense, let us put advertising in the content as this content can be in various forms: besides films and TV programmes it can also be a computer game, a book, or even a piece of fine art.

Given the above, it is no surprise that in a survey conducted in the year 2005, 63% of the members of ANA (the US Association of National Advertisers) stated that they use branded entertainment as a part of their communications plan. Moreover, 52% of them transferred the financial resources for this purpose from their TV advertising budget (Consoli, 2006). In the year 2008, as much as 87% of advertisers said that branded entertainment will be the focus of TV appearances (Lemmonier, 2008).

A study by the Association of National Advertisers incorporating about four hundred companies also pointed out that advertisers like product placement because it creates "closer emotional bonds" with the consumer, and people feel more attached to a product if their favourite series heroes use it, too (Origo.hu, 2011).

4. THE PRIORITIES OF FILM AND TV SHOW PRODUCTION COMPANIES

Product placement has two important advantages from the perspective of TV show producers and filmmakers:

- it makes money – which is not necessarily physical money, but can also be some accessory or tool they need;
- it makes the film or show more lifelike, more realistic.

Let us start with the first advantage, money. The average cost of today's big Hollywood movies reaches USD 100 million (Lehu, 2009). Producers must inevitably make some of this money by means of product placement. The situation is no different in the case of TV programmes – as there are more and more channels, the number of viewers per programme is decreasing, also resulting in a drop in advertising revenues as less viewers are less attractive for advertisers. However, in order to create a high quality programme, costs may not be decreased below a certain level. Therefore you need revenues, and one of the major sources is product placement. Its significance is also increasing as a result of downloads, especially illegal downloads: filmmakers experience a decrease in ticket revenues and DVD sales, and musicians can sell less records, whatever electronic format they use to sell their works. This fall in revenues can be counteracted by product placement, as downloaders do not pay for the content, but still meet brands whose placement is covered by advertisers.

However, it would be wrong to think that money is the only reason behind product placement. Films are more realistic if they feature brands.

For example, Steven Spielberg used several brands in his movie about the future, *Minority Report*, set in the year 2054. He said that he included so many brands to show that the story takes place on Earth, and suggest that this kind of future is not that far away (Lehu, 2009).

Nevertheless, the importance of brands is even greater in movies set in the present, not least because we live in a branded world, and define ourselves according to brands (Neumeier, 2006). It is a world where culture and consumption merge more and more.

Therefore brands are also excellent means for filmmakers to depict society. The series *Gossip Girl*, for example, is about two different social groups: one of them has an elite and wealthy life on the Upper East Side (UES), while the other lives in Brooklyn. The differences between the two strata are also justified by the brands that they use: people living on the Upper East Side always have brand-new and state-of-the-art technical devices, while people of the "lower" layer only get older and cheaper products (Wollein, 2011).

As Tamás Nagy, the producer of the Hungarian series *Jóban Rosszban* ("Foul and Fair") says, "Clothing is also a story-telling tool. If we see people in a T-shirt with a little crocodile on it, we associate it with their financial status; and if they wear a branded tracksuit, we immediately feel it is also connected with their status" (Kalmár, 2011).

Ildikó Fazekas, the former chairwoman of European Advertising Standards Alliance, also points out that "the point and essence of the (product placement) »genre« is that a brand characterizes its user just the same way adjectives are used in literature. Manufacturers and filmmakers are all aware that the quality of drinks consumed by characters says much about them, be it some poor quality wine sold in cans, or a famous French champagne. The latter has a message that includes power, all the efforts made for the brand, and it all connects with the character." (Élelmiszer szaklap, 2011)

If a specific product is used by a famous actor or performer, ordinary consumers or customers may say, "Unbelievable! My phone is the same as the one Rihanna used in her videoclip for *Cry!*" Therefore everyday people may feel like a star for a little while, too.

This was also proved in a study released by media agency MindShare North America in the year 2005. Their report stated that 80% of television viewers are positive towards the appearance of brands, and 1/3 said that they would try products introduced this way (Jhaveri, 2011).

On the other hand, it is surprisingly difficult to create a programme that is free of brands, with all brand-specific elements covered or blurred. Such movies were even produced in the United States, for example, *Repo Man* released in 1984, where the beer brand was called beer, the water brand was called water, and so on, but viewers did not really grasp the concept – actually, they found it rather disturbing.

5. CHANGES OF THE LEGAL ENVIRONMENT

Well, the situation in Hungary was similar to the movie *Repo Man* in the period between 1996 and 2010 as the Hungarian media law forbade product placement with just a few exceptions (In-Store, 2008b).

At the same time, the situation was not limited to Hungary; it was the same in most European countries. If someone was watching TV in the evening, he/she could easily notice that Hollywood movies and series were loaded with brands. In the meanwhile brands were not allowed to appear in self-produced programmes apart from a few exceptions, for example, if the film was originally released for cinema.

This unfortunate situation was resolved on 1 January 2011 in several countries including the United Kingdom and Hungary. This is also an important reason to address this topic in depth.

6. CONCLUSION, VISION

If we examine the numbers of the past years, we can see the tendency that more and more advertisers require alternative advertisements in addition to (or instead of) traditional TV spots, and Hungary is no exception either. These novel tools include sponsored spots as short as a couple of seconds, prize competitions related to a specific programme, product placements, branded entertainment, etc.

If we analyse international numbers, statistics by PQ Media prove that spendings on any kind of product placement (in movies, TV shows, video games, etc.) are on the rise, and this tendency will be further strengthened in the future.

The study analyzed the background of this phenomenon and explored five reasons:

- changes in consumers' relationship to advertising,
- technological progress, mainly digitalization,
- the reform of advertising,
- the needs of film and TV show production companies, and
- changes of the legal environment.

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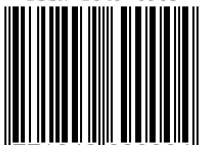


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