Product Placement on Television: An Effective Means of Breaking Through the Clutter?

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How often have you been watching a television show and waiting for a commercial break so that you can go grab something to eat, go to the bathroom, or switch channels to see what is happening on another show? While companies and advertisers are spending millions of dollars on commercials, consumers, who are bombarded with advertisements from the minute they wake up until they go to sleep, aren't even paying attention. While there is talk in the industry about the "Death of the 30 second commercial," it is hard to imagine viewers sitting through television shows with no interruptions anytime soon. Instead what we are seeing is an effort by agencies to become more creative in their attempts to reach the consumer. Product placement on television shows appears to be the answer agencies are relying on to solve their problem. Whether or not product placement is effective in a society that is over cluttered with advertisements is a question that remains unanswered.

Product Placement History:

Creative Entertainment Services, a product placement firm, defines product placement "as the art of locating and negotiating prominent placements for their client's Product, Name or Service in both feature films and television programs" (Creative Entertainment. 2004). Although only recently has product placement been creating a buzz in the advertising industry, the concept is not a new one. In fact the idea of product placement, in both television and movies, dates back to the fifties. In the early days of TV it was common for shows to be sponsored by the advertiser, as was the case when Texaco Service Men would introduce Milton Berle in *Texaco Star Theatre* (Rohan. 2003). Directors and producers also sought out products to incorporate in films in order to add a sense of realism to the movie. The earliest example being in the 1951 film *The African Queen* in which Gordon Gin's paid to have lots of their product thrown overboard by Katharine Hepburn's character (Stewart. 2003).

In the sixties and seventies product placement consisted mostly of the Tobacco and Liquor industry getting their products into movies (Zazza. 2004). The companies would send studios cases of their product, for both use in the movie and the crew's own enjoyment. It was at this time that advertisers began noticing that consumers were remembering the specific brands of cigarettes and liquor being used in the movies. Thus, product placement agencies such as Norm Marshall, Unique Product Placement, Associated Film Promotions in California, and AIM (Advertising in Movies) in New York, were all born in order to assist companies in placing their products into appropriate movies (Zazza. 2004).

However, it wasn't until 1982 when Steven Spielberg created a scene in the movie *E.T.,* in which E.T. left a trail of Reese's Pieces, that the practice of

integrating products into movies really took off. According to Kenneth Hein, a senior editor for Brandweek, following the placement, sales of Reese's went up "more than sixty percent, motivating advertisers to make their products stars of TV and film" (Hein. 2004). In addition, product placement agencies used the E.T example to convince companies not to risk making the same mistake M&M's had when it turned down the *E.T.* placement. Of course, the people at Mars, who make M&M's, had turned down the offer in fear that their product would be negatively portrayed. Because of companies' concerns over how their product was portrayed on the screen, products such as "Coke, Budweiser, and AT&T began doing product placements in-house" (Zazza. 2004). By doing their own negotiating of placements, these companies were able to control the portrayal of their products.

Another problem the product placement industry faced in the eighties and early nineties was the lack of any attempt by clients or agencies to strategically place products. According to a research study by James Karhh, Kathy Mckee, and Carol Mckee, "until the 1990's the practice of placing products had often been used rather haphazardly and decisions had been based almost solely on intuition" (Karhh, Mckee, & Mckee. 2003). Today however, research is being conducted by groups such as IAG, iTVX, and Nielsen, to determine what placements are most effective. Additionally, agencies such as Norm Marshall Associates, MMI**,** and CES emphasize integrating the products into the film or TV show, instead of simply showing them anywhere.

As more entertainment resource companies sprung up in the nineties, the Entertainment Marketing Association (previously known as the Entertainment Resource Marketing Association) was formed to ensure "high quality ethics and standards of operation (EMA)" among the various corporations and agencies in the product placement industry. The nineties also saw some of the most remarkable product placements to date (Casimir. 2004). In 1999 for instance, America Online became the star of *You've Got Mail* starring Meg Ryan and Tom Hanks. When the movie came out, the advertisement value, between $3 million and $6 million, was reported to be the "largest product placement in silver screen history" (Govani. 1999). And the movies weren't the only place that products could become stars. In 1993, Junior Mints played a major role in *Seinfeld* when the episode "showed Kramer accidentally dropping a Junior Mint into the open chest cavity of a patient undergoing surgery" (Casimir). As evidence of the power of such an episode, Dan Wieder, student at Syracuse University recaps; "I was in Walgreens the other day and saw Junior Mints, and automatically thought about the *Seinfeld* episode and how funny it was."

Additionally, the potential for product placement to increase product sales was realized after *Toy Story* came out in 1995. According to Jay May, "president of LA based placement agency Feature This, Etch a Sketch sales increased by 4500 percent, Mr. Potato Head sales increased by 800 percent, and Slinkys, which had been out of business for 10 years, received 20,000 orders and reactivated the company"(Casimir).

With numerous examples of successful product placement over the last few years, the industry has exploded. The timeline in Appendix A illustrates some of the critical events in product placement's history and how it has evolved to its current state in the advertising world.

While product placement has always been popular in the movies, advertisers today are realizing the benefits that can be gained from product placement on television.

Product Placement Today

Until recently, most product placement took place in the movies, with only a few examples, like the *Seinfeld* Junior Mint's episode, on television. The idea was that if a movie such as *Mission Impossible 2* was going to have to have computers, than why not make a deal with Apple, and have Tom Cruise promote the product throughout the film (KidzWorld. 2005). From 2001-2004 however, there was a surge in the spending of product placement on television (Kaplan. 2005). According to Patrick Quinn, President of PQ Media, a marketing research firm, the television "product placement craze began with the very first episode of *Survivor* in 2000 when the winner of the first challenge was rewarded with a bag of Doritos and a six-pack of Mountain Dew" (Hernandez. 2005). I am assuming that as reality programs grew in popularity, advertisers applied the same reasoning to television as they had to the movies. If contestants on shows were going to be using products in their activities, they minus as well be specific paid for products that have the potential to be remembered.

It is predicted that by the end of 2005 the product placements in all media will be worth $4.24 billion (Kaplan), with television being the fastest growing medium (Stewart. 2003). Table 1 indicates predicted growth of product placement mediums and their share of the market.

Table 1: Predicted 2005 Product Placement Statistics (Kaplan. 2005)

Medium	Value	Growth Since 2004	Share of the Market
Television	$2.44 billion	30%	57.5%
Movies	$1.42 billion	13%	33.4%
Other Media	$384.9 million	18.1%	9.1%

Defining Product Placement

As the popularity of placement deals continues to grow, there is disagreement in the industry as to the exact definition of product placement. Instead of products simply being placed in a show, advertisers today are taking the practice to a new level and truly integrating products, some times to the point where the product becomes the main focus of a show. Thus, some industry experts have begun referring to the practice as product integration or branded entertainment. Similarly, it has become fairly common for companies placing their products in a show, to be referred to as sponsors of the program. Through my research I have discovered that many industry experts often use the words “product placement,” “branded entertainment,” and “sponsorships,” interchangeably. To avoid any confusion, for this paper I am looking at product placement in its broadest definition; thus, I am including sponsorships and product integration, also known as branded entertainment, in my analysis.

Growth of Product Placement on Television

As mentioned above, one of the reasons for the growth in placement in TV can be attributed to the boom of Reality TV. As Reality TV hit it big, advertisers realized they could capitalize on the fact that these shows were supposedly showing “real people” using products in “real situations.” Thus, these shows provided the perfect opportunity for companies to sponsor the program and get their products onto the screen. Companies such as Coca-Cola, AT&T, Ford, American Express, and Mitsubishi were the first to experiment with the trend by sponsoring programs like *American Idol*, *Survivor* and *The Restaurant*.

Seeing the potential benefits of product placement then spurred other companies into creating sponsorship deals. In 2003 for instance, Proctor and Gamble paid to have 20 brand tie-ins in the next series of *Survivor* (Casimir. 2004). The company saw this as an opportunity to offer their products of comfort, such as Herbal Essences, Crest, Dawn, Bounty, Pantene, Clairol, Olay, CoverGirl, Tide, Secret, Old Spice, Pepto-Bismol, Aussie, Charmin, Zest, Pur, Pringles, and Downy, as rewards to contestants who haven't had any personal possessions in weeks (Coolidge. 2004). This was the perfect chance for P&G to show case their brand. As Robert Thompson, director of the Center for the Study of Popular Television at Syracuse University puts it; "They had these people who are starving and dying of thirst, and they would win a plate of Doritos and Mountain Dew and go orgasmic over them. And they weren't acting. They were really *that* happy to see it" (George. 2005). The deal is not with just *Survivor*, but rather a 300 million dollar cross-platform deal with Viacom (Casimir. 2004). Thus, P&G will be sponsoring and placing their products in programs across all twelve of Viacom's networks.

Advertiser's and Network's Attitudes towards Product Placement

The simple fact that companies today are willing to pay to place their products in a show is a huge change from the past; traditionally, about 90% of deals were done on a barter basis, in which companies offered the studio their product in return for placement in the movie or show (Karhh, Mckee, & Mckee. 2003).

Although many networks were originally wary about product placement in a scripted series, it appears they have changed their minds and are adapting to this new advertising technique. Leslie Moonves, head of CBS, stated in an interview that "broadcast networks like CBS have only one source of revenue--advertising--and that as TiVos and other digital video recorders help viewers skip commercials, CBS has to find ways to make sure the revenue stream continues" (Gough. 2004). In fact he predicts that "in three or four TV seasons, as much as 75 percent of all prime-time, scripted shows on the broadcast nets will carry some element of product placement" (Consoli. 2004).

Evidence of the trend is obvious. In January 2005 NBC signed a three to five year deal with Volkswagen, in which for $200 million, Volkswagen is able to place its cars on television programs that appear on NBC or sibling networks like Bravo, SciFi and USA. Additionally, Volkswagens will be seen in movies released from Universal Studios and DVDs (Ives. 2005). Also in January, ABC announced that they were "nearing a multimillion-dollar product integration and media deal with software maker Intel and computer company Dell for the upcoming reality series *The Scholar,*" in which the companies will provide contestants of the show with laptops (Friedman. 2005). Even daytime television shows seem to be embracing the practice, with shows like *Days of our Lives* and *All my Children* plugging products such as Frosted Flakes, and Florida orange juice, respectively (Barnes. 2005). The list goes on and on, with practically every network having some sort of deal worked out with advertisers.

Concerns in the Industry

Just as Mars was scared to place M&M's in *E.T*, companies investing in product placement today, worry that their product will not be portrayed in a positive manner, and thus result in a loss of sales. To relieve some concern, brand entertainment companies are forming in which advertisers and studios work together from the beginning, to make sure the products are well integrated and in good locations. Additionally, because clients today are investing more money in the practice, they are able to gain more control over how their product is viewed on screen.

As product placement becomes a valid advertising method, a question that is continually raised is whether or not the practice is good for consumers. Many believe that product placement is subliminal advertising and slips past people's developed defenses against traditional advertising (Ferndale. 2005). Thus, before evaluating whether product placement is effective, one must decide whether using product placement on television is an ethical advertising method.

Product Placement Ethics:

Although the idea behind merging brands and entertainment may be satisfying advertisers and their clients, not everyone is happy with this new trend. In September of 2003, Commercial Alert, a consumer watch group co-founded by Ralph Nader, petitioned the FCC and the FTC "to investigate the practice of integrating products into TV shows and require more stringent disclosure standards" (Rose. 2004). Their letter stated:

> Embedded advertising is the new reality of television, and it is time for the commission to address it. TV networks and stations regularly send programs into American living rooms that are packed with product placements and other veiled commercial pitches. But they pretend that these are just ordinary programming rather than paid ads. This is an affront to basic honesty (Business Journal. 2003).

Gary Ruskin, Commercial Alerts spokesman, claims that "television is becoming an infomercial medium" (Atkinson. 2004). The Radio Act established by congress in 1927 requires that broadcasters warn viewers if they are being propagandized (Watchdog Group. 2003). By not clearly labeling product placements as advertisements Ruskin believes the networks are being dishonest to the public. During an interview on NPR Ruskin expressed his concern for viewers who he claims "are being tricked, because they don't know when the ads are ads" (WNYC. 2003).

Thus, Ruskin is requesting two things: "disclosure of such deals at the beginning of a program rather than at the end and the superimposition of a notice onscreen at the time the product placement occurs" (Rose. 2004). The group believes that anytime a product appears on screen in which an exchange of money or goods took place, the word "advertisement" should be flashed (Rose).

An article in the Christian Science Monitor, an independent daily newspaper, supports Commercial Alerts viewpoint explaining that without a clue of a "commercial break" the viewer is not given any notice that they are being advertised to. The main fear here is that young children who "already have a hard time distinguishing between a show and a commercial are vulnerable to such subtle commercial placements" (Christian Science Monitor. 2003).

In response to Commercial Alerts petition, the Washington Legal Foundation, "a non-profit group that describes itself as a 'public interest law firm,' (World Advertising and Marketing News. 2004) wrote the FTC and FCC that product placement is a "longstanding and legitimate form of commercial speech" (Atkinson). According to Douglas Wood, who serves as General Counsel to the Association of National Advertisers, "product placement is inextricably intertwined with artistic expression, which is typically on the front line of First Amendment protected free speech" (Wood. 2004). The WLF, is worried that if the FCC enforces Commercial Alert's requests, it would "effectively ban this form of entertainment sponsorship to the detriment of viewers" (Atkinson).

David Price, senior vice president of legal affairs at WLF, pointed out that product placement has been around since the beginning of TV and no harm to the consumer has yet been demonstrated from the practice (Atkinson. 2004).

While Price may be correct in assuming that the majority of embedded advertisements are harmless to viewers, there are some products advertised in this manner that could have a negative impact on society. The prime examples are placements that involve the tobacco and alcohol industries. The tobacco industry was the first industry to fully realize the benefits of having their product in a film, and thus before the practice was banned, companies like Philip Morris, and RJ Reynolds paid fortunes to have their cigarettes smoked on the screen (Behind Closed Set: 2003). In fact cigarettes were so infiltrated into movies that in 1989 when "the National Coalition on TV Violence, an Illinois-based organization, monitored 150 films it found tobacco use in 83 percent of them; alcohol consumption in 93 percent" (Consumers Union. 1998).

In 1998, the Attorney's General realized the harmful effects of such placement deals and passed the Master Settle Agreement which stated:

> No Participating Manufacturer may … make or cause to be made, any payment or other consideration to any other person or entity to use, display, make reference to or use as a prop any Tobacco Product, tobacco Product package, advertisement for a Tobacco Product or any other item bearing a brand name in any motion picture, television show, theatrical production or other live performance, live or recorded performance of music, commercial film or video, or video game... (Behind the Set: 2003).

Although the practice of paying to have a cigarette smoked in a movie became illegal, research demonstrates that the use of tobacco in films has not changed much since the law was created (Behind Closed Set: 2003). Of course, society's main concern with tobacco and alcohol companies placing their product on the screen is that children will see their favorite characters smoking and think it is acceptable (Consumers Union. 1998). A study conducted by the American

Lung Association showed that "two out of three tobacco shots in the Top 50 movies released from April 2000- March 2001 were in kid-oriented G, PG, and PG-13 films"(Behind the Set: 2003). In addition, movies tend to exaggerate the proportion of people smoking than actually occurs in real life. Thus, according to Stan Glantz, a tobacco researcher from the University of California San Francisco, young people are led to view smoking "as a widespread and socially desirable activity" (Behind the Set: 2003). "Examples of films showing tobacco advertising or making smoking look attractive include: Superman II, Beverly Hills Cop, Who Framed Roger Rabbit, Honey I Shrunk the Kids, Lethal Weapon II, Desperately Seeking Susan, Dying Young, Thelma and Louise, Harley Davidson and the Marlboro Man, Pulp Fiction and Reality Bites" (Consumers Union.1982).

When confronted on the issue of deceiving viewers through product placement, networks commented that there is no trickery going on because they believe their viewers are intelligent enough to know they are seeing paid ads. In fact, research by New Media Strategies, an online marketing firm, showed that out of 338 TV viewers surveyed, 83% said that product placement "doesn't bother me" or they had "no opinion" with only 17% having a negative reaction to the practice (New Media Strategies. 2004).

When it comes to the concern over tricking children, what isn't mentioned by Commercial Alert or the Christian Science Monitor, is that there are strict laws established by the 1990 Children's Television Act and enforced by the FCC that protect children programming from advertisements. Thus, there is a limit on all advertisements appearing on networks such as the Cartoon Network or Kids WB, with advertisements clearly distinguishable from the program, and no product placement whatsoever (Brown. 2004). According to the act, children programming is defined as any program "originally produced and broadcast primarily for an audience of 12 years of age and under" (ERA. Marketing Children's Products). Thus, although some shows are clearly made for young children, other shows such as those on Nickelodeon may be harder to classify. While the Children's Television Act is helpful in protecting children, as a society we should still be aware of the fact that sometimes it is hard to control what shows kids are watching on television.

The other questionable area concerning product placement relates to shows that the public relies on as a source of information. From a journalistic perspective it is important that certain shows, such as news programs or "advice" programs, remain neutral in order to maintain their credibility. Bob Vila, who has his own shelter TV show, *Bob Vila's Home Again,* realizes that while it has become acceptable to get paid to use certain brands in his show, it would be unfair to his viewers if he reported on a tool simply to make a profit.

While Bob Vila has tried to stay away from this trend, reporting only on products that have a reason to be reported on, on many reality shows today it is difficult to tell the true reason for a products presence (Lippe. 2004). For instance, "Queer Eye for the Straight Guy," a series on Bravo in which five stylish gay males give advice to heterosexuals, has attracted several big advertisers such as P&G and Crest looking for placement deals. Although, all products used on the show have been approved by the five guys, viewers that rely and trust these men's opinions can't be certain that these are truly the guy's recommendations; rather the suggestions given may be because the men are being paid to promote the products of their sponsors (Applebaum. 2004).

Taking the issue even further, it was recently discovered that several product experts were paid by companies to tout their products on local news programs with the hope of being picked up by national television (Bandler. 2005). For instance, Corey Greenberg, a consumer expert and NBC *Today* show's main tech-product reviewer, charges companies up to $15,000 for him to mention their products during interviews on several local news programs, in what the industry refers to as a "satellite media tour."

In another example, Child Magazine's Technology Editor James Oppenhein, was paid by Eastman Kodak Co. to promote a photo album on local television, in a segment in which he discussed educational gadgets and toys. A month later, Oppenheim appeared on the *Today* show, the U.S.'s biggest national morning news program and discussed the album. Kodak claims that it "didn't pay for the *Today* show mention, but neither Oppenheim nor NBC disclosed the prior arrangement to tout the product on local TV" (Bandler). Picture 1, taken from the *Wall Street Journal*, shows three product experts and the products they have been paid to plug.

Picture 1

James Oppenheim *(right) discusses Kodak's "My ABC's Picture Book" on KVUE, an Austin, Texas, TV station.*

- **Mr. Oppenheim** was paid to mention products made by companies including Kodak, Atari, Microsoft, Mattel, Leapfrog and RadioShack. None of the payments were disclosed.
- **KVUE** says the station was unaware of the financial relationships.
- **Mr. Oppenheim** says getting paid by manufacturers doesn't affect his judgment.
- **Kodak** says news organizations should disclose such payments.

Sources: KVUE, WSJ research.

Katlean de Monchy, *(center) on "Good Morning America," talks about clothes and accessories worn by the stars at the Golden Globes.*

- **Ms. de Monchy** mentioned companies that have paid her to get on TV including dressmaker Faviana, Sam's Club, DSW and retailer David's Bridal. The relationships weren't disclosed.
- **"Good Morning America"** says it was unaware of the relationships, which it says should have been disclosed.
- **An executive** at Ms. de Monchy's company says TV stations wouldn't air the segments if they weren't newsworthy.
- **Sam's Club** says getting on "Good Morning America" was "icing on the cake."

Corey Greenberg, *interviewed on KDFW TV's Fox 4 morning news show, discusses a Sony digital camera.*

- **Mr. Greenberg** was paid to mention products made by companies including Sony, Energizer and Kodak. The payments weren't disclosed.
- **Mr. Greenberg** says payments from manufacturers help him provide valuable news to consumers. He says he wouldn't recommend a bad product.
- **KDFW** did not return calls seeking comment.
- **Sony** says Mr. Greenberg has credibility with viewers.

Sources: "Good Morning America," KDFW, WSJ research.

By appearing as unbiased experts on news type programs, without any type of disclosure of the fact that they were paid, it is my opinion that these professionals have crossed the ethical line. However, I believe it is the networks responsibility to research the guests on their programs and find out about any product placement deal before airing the show.

The Importance of Product Placement

Despite the ethical issues that exist, everyone seems to be participating in the product placement trend in one way or another. As discussed earlier, product placement is not a new concept; however, today, with an increasingly saturated advertising market, new digital technologies, and rising television production costs (O'Leary. 2003) it has become extremely important.

A Saturated Market

For years, the thirty second commercial was the best weapon to reach a mass audience. Today, with "around 1,600 TV stations, over 300 national television networks, more than 13,000 radio stations, and some 18,000 magazines"(Green. 2003) the audience is highly divided, making it virtually impossible to reach a large group of people.

Reducing the impact of the 30 second commercial even more is the fact that society is saturated with advertisements. In commercials alone, a consumer sees on average 714 a week, which is over 37,000 a year (Zarchikoff. 2002). By looking at Table 2, a diagram of the typical media day, one can see that customers are consuming media messages from the minute they wake up until they go to sleep (Lindgren, Jedbratt, and Svensson. 2002. p. 134).

Table 2: Typical Media Day

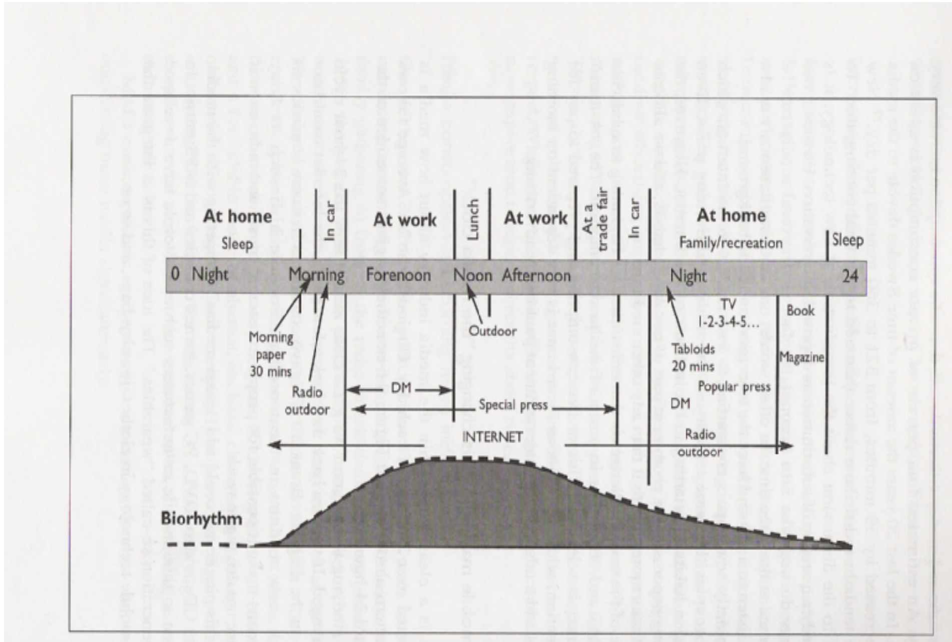


Figure 9.6 The media day

Source: MediaCom, 2000

Overwhelmed with media messages, consumers have grown resilient to traditional advertising methods.

Technology's Impact

To make matters worst, digital technology has now made it possible for viewers to bypass commercials entirely. Personal Video Recorders (PVRs), also known as Digital Video Recorders (DVRs), are set-top boxes, similar to VCRs, except that a cassette isn't needed for recording and playing back shows. This technology uses hard drives which allow the viewer to record on average 15-30 hours of programming (Arlen. 2002). With the ability to fast-forward over ads, advertisers are highly threatened by this device. Table 3 indicates the possible impact DVRs could have in the next few years. According to the study conducted by the Yankee Group, in the year 2007 DVRs will be in 20% of U.S. households, resulting in about $5.5 billion wasted on television advertising (O'Leary. 2003).

Table 3: A break down of the possible economic impact in 2007.

Percent of U.S. Households with DVRs	20%
Percent of Recorded Programming Viewed in Households with DVRs	80%
Percent of Advertising Viewers Fast-Forward While Viewing Recorded Programs	70%
Percent of All Advertising Viewers Fast-Forward in Households with DVRs	55%
Percent of All Advertising Viewers Fast-Forward in All U.S. Households	11%
Wasted Ad Expenditure	**$5.5 Billion**

Source: The Yankee Group, 2003

As is evident from the statistics, viewers with TiVo are fast-forwarding through commercials, and threatening traditional advertising methods (Posnock. 2004). As shown in Table 4, based on a telephone survey conducted by Knowledge Networks/Statistical Research Inc., 74% of consumers consider the ability to skip commercials the most important thing to them. Thus, as reported in Media Daily News, people "will skip the commercial if they can." While they agree that watching commercials is a fair price to pay for TV programs, 63% don't want to be the ones doing it. Currently, 65-75% of DVR households fast forward through commercials.

Table 4:Consumers Think Ads Are A 'Fair Price,' But Would Skip Them

Watching commercials is a fair price:	63%
DVR ad-skipping should not be restricted:	72%
Consider ability to skip TV commercials important:	74%
Consider ability to watch programs on demand important:	22%

Source: Knowledge Networks/Statistical Research Inc. Based on telephone surveys of 400 adults conducted in November and December 2003.

While today there are only between 3 million and 4 million PVR subscribers out of 108.4 million households, with so many advantages to the viewer it is predicted that in a few years the number of subscribers will grow to 20 million. The article "PVRS-the end of TV advertising as we know it?" lists benefits of TiVo to the viewer: "it makes TV more enjoyable, it makes TV more personal, users watch more TV, but fewer ads, Time-shift is extremely common, Users feel more in control of their viewing, and PVRS create quality time for the family" (PVRs. 2004). If the predicted use of PVRs in the near future is accurate, then advertisers have reason to be concerned.

Rising Network Costs

And the advertisers aren't the only ones affected; the networks feel the impact caused by an oversaturated market and new technology as well. As the networks continue to lose their audience to cable channels, and companies realize that consumers are zapping through the commercial they spent millions of dollars on, the money spent by advertisers dramatically decreases. Because networks rely on the advertisers as their source of revenue, they are left with insufficient funds to produce new programs.

Thus, advertainment, a mixture of advertising and entertainment, has become a solution to helping both advertisers and networks. The research proves that society is not going to watch commercials if it can avoid them. By integrating a product into the program, the networks are able "to squeeze more money from advertisers, and in turn advertisers get one more avenue to reach viewers-- one that is impossible to skip over, like a commercial" (Ahrens. 2002).

Determining when Product Placement is Appropriate

While it is obvious that product placement has become a survival tool for many advertising agencies, the problem that remains is determining what products are effective in what shows, and what role they should serve in a particular program. Because product placement blurs the line between entertainment and advertising, it is important that ad agencies be careful not to interrupt or bother the viewer who is trying to be entertained.

When discussing product placement, Scott Donaton, editor of *Advertising Age* and author of the new book, *Madison & Vine,* states: "If it's overdone, if it's not seamless, then you risk turning off your audience; In that case, everybody loses" (McCarthy. 2004). In Mark Burnett's reality program, "The Restaurant," this is exactly what happened. Instead of blending placements for Mitsubishi, American Express and Coors, into the program, they are used "repeatedly and blatantly that it crosses the line and tests the limits of viewers' tolerance" (Donaton. 2003).

On the other hand, Coca-Cola's and AT&T's sponsorships of *American Idol* are commonly cited as well-executed placement deals, despite the fact that they are far from subtle. For instance, according to Ad Age, Coca-Cola's $26 million deal involves "Coca-Cola glasses in front of the judges and the Coca-Cola room where finalists sit on a Coca-Cola sofa near a fridge with Coca-Cola" (Casimir. 2004). The advertising is blatant; however, for the Coca-Cola brand it appears to work. According to David Raines, vp of integrated communications at

Coca-Cola, the infiltration of Coca-Cola on the *American Idol* set "facilitated social connection, access to behind-the-scenes." He explains that "it provided branded experience rather than brand exposure" (O'Leary. 2003). Additionally, AT&T Wireless' has become an important aspect in the show itself. Everyone knows that at the end of *American Idol*, fans can use their AT&T cell phone to text message their vote. Thus, AT&T serves as the link between viewers at home, and their beloved American Idols (O'Leary. 2003).

L-R: Judges Simon Cowell, Paula Abdul and Randy Jackson

Photo courtesy Ray Mickshaw

An article in Ad Week by Kenneth Hein attributes the acceptance of sponsorships, like that of Coca-Cola and AT&T, on reality shows to the fact that "there isn't a suspension of disbelief as within fictionalized dramatic or comedic characters" (Hein. 2004). Conversely, on scripted programs like "Friends" or "Seinfeld," viewers are trying to escape from the "real world" and do not welcome the interruption (Hein. 2004).

Thus, as more and more placement deals begin to take place, it is important that advertisers and networks don't overwhelm consumers with this medium. If product placements start cluttering programs, or they don't seem to fit the context of a show, it can destroy the viewing experience, and thus become a negative for the entire industry (Hein. 2004).

Product Placement Agencies

By quickly examining the industry as it stands today, it is obvious that many companies have realized the significance of taking part in the product placement trend. While twenty years ago only a few product placement agencies existed, today there are over 500 such agencies in the United States (Sennott. 2004). And as the trend continues to grow, more and more of these agencies are merging with entertainment companies.

For instance, this year, J. Walter Thompson, one of the largest advertising brands in the U.S. and the world, created Amplify, which is a "result of JWT's Brand Entertainment Group and Hill & Knowlton's Showcase, specialists in product placement." The newly formed unit, allows the company to "strategically integrate their client's brands into all aspects of entertainment" (JWT. 2004). Also this year, The Firm, a talent management agency in Beverly Hills, California merged with Integrated Entertainment Partners, a brand placement shop. The purpose of the merger was to have access to both corporations' clients. Thus, actors from The Firm can promote IEP client's products. Rich Frank, chairman of the company, says "we're creating a company that will be able to function in this new world" (Smith and Vranica. 2004).

In addition to mergers, many advertising agencies are simply hiring their own entertainment consultants so that they can effectively compete with the entertainment industry. According to an article in Newsweek International, "Omnicom Group has purchased entertainment consultancy Davie Brown, and

Publicis recently said it is exploring the Hollywood entertainment-marketing sphere."

While many companies today are making attempts at successfully integrating placements; the issue of whether or not a company is receiving a return on their investment is an obstacle that companies must overcome. Millions of dollars are currently being spent on product placement, yet no one has been able to determine the type of impact placements actually have on increasing sales.

Importance of Return on Investment (ROI)

As marketing departments begin to employ a variety of marketing methods, top management of companies are beginning to have an increased interest in marketing accountability (Wyner. Pg 6. 2004). The reason companies invest in marketing campaigns is to increase sales of their product. It would not make any sense for a company to spend millions of dollars on a campaign, if they did not believe the campaign would result in them making some type of profit. Thus, being able to calculate whether sales from a particular marketing technique were greater than the amount of money originally spent, is essential to measuring the success of a company's marketing efforts.

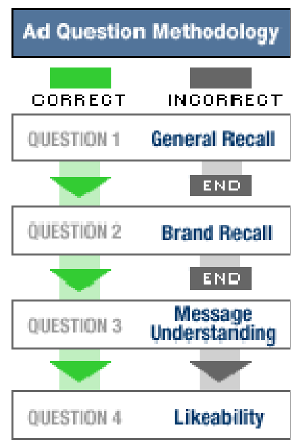
In order to know whether a particular marketing effort is going to work, a company needs to invest in marketing research. Understanding target customers and their purchasing behaviors is essential. For instance, knowing what time of year customers buy a particular product, prevents companies from wasting their advertising money at times when a customer isn't going to purchase their item anyway (Kumar and Petersen. Pg. 28. 2004). In terms of product placement, for a company to maximize their return on investment, it must know who is seeing the placement, and whether the placement is having an impact on their target market's purchasing behavior.

However, the problem that exists with companies employing product placement is that the industry has no way of determining how much a placement is worth and whether or not the placement was directly responsible for an increase in sales. While sometimes advertisers try to set the cost of a thirty second placement equal to that of a thirty second commercial, because of the nature of a television show, the two are not comparable (Whitney. 2004). Additionally, companies have a hard time determining the value of placements that last only a few seconds to those that are so central to the plot that they become the star of the film or show. “Andy Bonaparte, senior director of advertising for Burger King Corp., whose products are often used in network TV programs, explains that 'By measuring how long a product is on the air, and its context within the program, you can get a rough estimate of the impact, but it's very difficult to get an exact 'rating' of product placement’" (Fitzgerald. 2003). With all the money being spent by clients it is important that companies know if they are paying a fair value, and whether or not the placement is going to result in a ROI. Nielsen Media Research, IAG, and iTVX are three companies today who all employ different methods in an attempt to solve this problem.

Attempts at solving the ROI problem

In February 2004, Nielsen Media Research began measuring product placement occurrences in prime-time broadcast television. Using PlaceViews, a web-based software, Nielsen created a system in which it is able to track “anytime any brand appears on-air or in a verbal mention in network primetime” (Whitney. 2004). Nielsen is then able to report “the duration, the TV audience size and demographic composition of the exact program minute” (Media Post. 2004) the placement appeared in. While Nielsen is the best suited company to monitor appearances of brands, unlike IAG and iTVX, the company has yet to assign a monetary value to brand placements.

Steve Walsh, a founder of IAG, explained that his company's goal is to provide clients with an understanding of whether the money they spent on a placement was actually effective. The problem with Nielsen data is that someone who may have the television on but is not paying attention or not even in the room with the television, is still accounted for in the ratings; despite the fact that the person could have missed the placement altogether. Through its research poling site, www.rewardtv.com, IAG attempts to solve this issue by measuring next day recall and purchase intent of prime time placements. Participants go to rewardtv.com where they play trivia games and answer questions about shows they watched from the previous night. As seen in the Ad Question Methodology Chart, the questions are designed to filter out those who do not remember the ad, to those who have a general recollection of the product, and finally to those who know the specific brand and are then able to discuss the ad itself and their likeability of the product. This method allows IAG to analyze whether or not the viewers who watched a particular show were involved, and how much attention they were actually paying to the program. According to Walsh, popular shows such as *Friends* are on in a lot of households simply as background noise, and thus the high ratings may not actually correspond to the audience being highly involved. On the other hand, while shows with lower ratings may not have as large of an audience, they usually have a more involved audience because viewers are choosing to watch a show they enjoy.



www.iag.com

The main problem with IAG's approach is that while it can measure purchase intent through its survey, it has no way of knowing whether people are actually going to the store and buying a product. Thus, the company has no way of knowing whether they are getting a ROI.

ITVX Instant Access, which is a direct competitor to IAG, is a system that tries to mathematically create a value for each placement by quantifying several factors including the impact factor, impact adjustments, awareness factor and awareness factor adjustment. Listed below are the factors described by the iTVX website.

- **"Impact Factor** measures the Base Level Quality of product placements, ranging from a Level 1 Background to a Level 10 Verbal plus Hands-On.
- **Impact Adjustments** fine-tunes the Impact Factor by tweaking the Presence, Clarity, Audio and most importantly the Integration of the Base Level.
- **Awareness Factor** is a ratio based on viewers' awareness and recall of content vs. their awareness and recall of the commercials in the same show.
- **Awareness Factor Adjustment** fine-tunes the Awareness Factor by assessing multiple parameters including: Venue, Resolution Adjustment, Tie-in Promotions, Commercial Placements and Viewer Involvement" (Zazza. Products & Services. 2004).

The benefit of iTVX's method is that clients are able to use actual numbers to determine whether or not they are getting a return on investment. Critics of the method claim, however, that it is impossible to mathematically calculate an exact value of a placement. Additionally, I was unable to find out how iTVX actually goes about collecting its data. Similar to the problem with IAG, iTVX fails to measure actual purchase behavior, which I believe is the only true indicator of whether a company's sales are increasing.

In addition to none of the companies evaluating buyer's actual behavior, the companies also fail to measure the impact product placement has on various demographic groups. Although Nielsen mentions which demographic group saw the placement, they are unable to determine any type of effect. And while IAG does a better job than Nielsen of measuring effectiveness, participants are not required to fill out background information. Finally, iTVX does not include demographics as a part of its mathematical formula in determining product placement value.

Regardless of the fact that companies are having difficulty measuring the effectiveness of product placement, the practice over the last few years has become a huge marketing strategy, present in almost every area of entertainment.

Other Channels of Product Placement

Companies today are beginning to realize that if they want their brands to stand out they must go beyond traditional marketing methods. Thus, in addition to integrating their products into television shows, companies are capitalizing on the product placement trend by paying to have their brands included in movies, video games, books, music and magazines.

As mentioned above, product placement in the movies has been around for years; however, it is just recently that companies have begun having enough faith in the practice that they are willing to give up control of their brand name and have their product parodied in movies (Fielding. 2005). This was especially apparent in the recently released animated films *Shrek 2* and *Shark Tale*, in which adults could immediately recognize brands such as Starbucks ("Farbucks"), Old Navy, ("Olde Navery,") Versace ("Versarchery") and "Coral Cola." One of the main reasons for the growth in product parodies in animated films is that the movies are less regulated than television since they don't need a public airways license. Thus, studios don't have to be as concerned with federal regulations on marketing towards children as the networks do (Fielding).

Additionally, video games are becoming an extremely popular channel for product placements. Last year Nielsen Media Research reported that "TV viewership among men aged 18 to 34 declined by about 12 percent while that group spent 20 percent more time on games" (Wong. 2004). Another study by Nielsen, that was based on written surveys, also indicated that "about 40 percent of male gamers ages 13-34 not only said they were more inclined to buy a product advertised in a game, but that product placement made the game more appealing because it added realism" (Bond. 2004). Thus, to take advantage of the $10.7 billion video game market, companies like DaimlerChrysler AG's Chrysler Group have allotted more than ten percent of their advertising budgets to placing Chryslers, Jeeps and Dodge cars in more than a dozen video games (Wong).

Finally, product placement has been creeping into music, books, and magazines. While these types of placements have existed in the past, it was mostly because an artist or author decided to incorporate a product of their choice into their work. Today, however, actual placement deals, in which artists and authors are paid to integrate a product into a story or song, are being made. For instance, Fay Weldon a best-selling British author, "was paid to write a novel featuring Bulgari jewelry, appropriately titled *The Bulgari Connection*" (George. 2005, Feb. 21). In terms of music, the recently released song, *You and I were meant to Fly* by Celine Dion, was co-written by Marketel, a Canadian ad agency, promoting their client Air Canada. In addition to the lyrics, Air Canada planes are featured in the song's video, and Dion is seen singing on an airline hangar (George. Feb 21).

Reason for conducting a study:

As more and more companies begin to rely on product placement as a method of marketing, whether or not the practice yields a return on investment is becoming extremely important. While Nielsen, IAG, and ITVX, measure things such as recall and the number of viewers who saw a particular placement, none of them measure actual purchase behavior. The purpose of my study was to go beyond whether someone could recall the placement, and to determine whether product placement actually has an impact on people's preferences and purchase intent.

Since currently companies tracking product placement don't separate their research by demographics, I was curious to see whether product placement had an impact on the college market. Being part of this demographic myself, I believe that it is this group of individuals who are most likely to be tuning out advertisements and using devices such as TiVo. Therefore, it is extremely important that advertisers know the impact product placement has on this generation.

Background Information on the College Market

It is common knowledge that the college market, which is a subgroup of the 18-24 demographic, has always been an important target for advertisers. Reasons marketers often cite for their appeal to this group include the fact that college students are a large group of people, who have the power to set trends, influence their family's purchases, and establish brand loyalties that they will continue to use long after graduation(Wolburg and Pokrywczynski. 2001).

Additionally, researchers believe that due to an increase in the number of students in college and an increase of student spending power, the college market today is even more appealing to marketers than it was in the past. According to an article in the Journal of Advertising Research, the student population is expected to continue growing and by the year 2015 it is predicted the number of students enrolled in college will increase from 15 to 22 million (Wolburg and Pokrywczynski). Besides the brand preferences established during the college years, according to a survey done by Youth Media and Marketing Networks, marketers can also capitalize on the fact that upon graduation most students buy new phones, clothes, computers and cars (Fees. 2004).

Unfortunately, the college market is one of the hardest groups for marketers to connect with. First of all, similar to other segments of society, the college population is continuing to become more fragmented than marketers have seen in the past (Brooks. 2003). Thus, marketers today face the challenge of getting their messages across to a group of people who are becoming more "racially and ethnically diverse" and are obtaining their entertainment and information from an increased number of media sources like the internet(Wolburg and Pokrywczynski). Additionally, college students, even more so than their parents, have grown up in a media saturated environment. Thus, the majority are resistant to most forms of advertising and even harder to reach (Wolburg and Pokrywczynski).

However, because the college market is a main focus of many advertisers, it is essential for companies engaging in product placement on television to find out whether or not the money they are spending is actually having an impact on the college audience. Understanding how the audience feels towards product placement as a method of advertising, as well as the effect it has on their purchases is extremely important for marketers that want to be successful in reaching this market.

Setting up the study:

In order to gain some insight into how people react to product placement, my research consisted of both a quantitative and qualitative study.

A Quantitative Analysis

My objective with the quantitative study was to measure recall and purchase intent by measuring respondent's brand preferences and purchase behavior before and after watching shows that contained product placement. Initially, I handed out two surveys. One contained questions relating to people's attitude towards Ford, which was to be seen in *the O.C.,* a one hour sitcom on Fox, while the other measured people's attitude toward Crest, which was to be featured in the *Apprentice 2,* an hour reality show on NBC. These two shows were selected based on the fact that they are both targeted at the 18-24 demographic. Additionally, I was interested in seeing whether a subtle placement in a sitcom like *the O.C.*, would have a different type of impact than a blatant placement in a reality show like the *Apprentice.* Six weeks after handing out the initial surveys, I distributed a second group of surveys to see whether the respondents showed any change in brand preference or purchase behavior for Ford or Crest. Both surveys can be seen in Appendix B.

Because my purpose was to determine whether product placements have an impact on brand preferences and purchase behavior, I thought the best research design would be to measure preferences and purchase behavior before and after seeing a television show with the placement. Besides allowing me to examine what percentage of people who watched the show had a change in preferences and behavior, I was also able to compare the changes that occurred between people who watched the show versus those who did not watch the show. This allowed for a cross comparison between variables and an indirect look into whether the shows' product placements were an actual cause for a change of preferences and purchase behavior. For instance, I assumed that if those who did not watch *the O.C.* had a lower preference rating for Ford than those who did watch, I would be able to conclude that product placement had an effect on this variable.

My initial reasoning for employing a quantitative study was that I had hoped that by statistically analyzing the data I would be able to conclusively state that product placement on television was or was not effective in impacting the college market. Unfortunately, I learned that research is a difficult process and the results are not always what one has in mind.

After attempting to analyze the data I collected, I quickly realized that due to time constraints and limited resources, my results from the quantitative study would not allow me to make any type of conclusion. The study was conducted in the Fall of 2004 as a project for my Marketing Research class. This meant that I had only one semester to complete the project. Since *the O.C.* didn't begin until November, respondents were not able to see as many episodes of the show as I would have initially liked. Additionally, I was limited by the fact that while I knew certain products would be in *Apprentice 2*, I was uncertain as to what weeks which products would be featured. Thus, because I was limited in the time I had to finish the study for class, many of the products included in the first surveys, had to be disregarded because they had not appeared on the shows until after I had to hand out the second set of surveys. I was also unable to continually give out surveys over an extended period of time, and therefore I was unable to see any long term trends. My assumption is that for product placement to be effective, people would have to see the main character of a show repeatedly using a product every week, rather than in only one episode for a few seconds.

Other problems that existed were based on the fact that I handed out the surveys in class. The biggest problem with this was that many people who took the initial survey were not present to take the second one, and thus I could not compare whether brand preferences and purchase behavior had changed during the course of the six weeks. Additionally, I received many surveys in which people circled no opinion, or wrote one word answers. This leads me to believe that many people felt rushed to fill out the surveys and did not fill out the survey as accurately as I would have liked. Finally, since I only had a short period of time to complete the study, as a convenience, the surveys were distributed in the Martin J. Whitman School of Management and S.I. Newhouse School of Public Communications, in classes that consisted mostly of juniors and seniors. By failing to represent the entire population of college students, I can not apply my results to the college market at large. For instance, it may be that students in the School of Management paid more attention to the *Apprentice 2* than students in other schools across campus, because their major is more closely related. It may also be possible that freshman and sophomores watched *the O.C.* more often because they are closer in age to the people on the show, than the upper classmen surveyed. With more time, and under more controlled settings, I believe I would have ended up with a set of data that more accurately reflected the impact product placement has on the college market.

A Qualitative Analysis

While my results from my initial study were disappointing, I still wanted to gain insight into how my peers felt about product placement, and whether they believed that this method of advertising had an impact on their purchase behavior. Thus, my qualitative study consisted of two informal focus groups; the first one consisting of five senior males and the second one of four senior females. While I knew I would be unable to measure purchase behavior from the focus groups, my goal with this study was to gain some insight as to how people in the college market typically watch television, and to find out their thoughts on television placements. The following are some of the topics that were discussed and how both groups responded.

The Role Tivo Plays in the College Market

Tivo plays a huge role in college life. The students claimed to always fast forward through commercials, and admitted to intentionally starting shows fifteen minutes late so that they can skip through the commercials. If they did watch a show in real time, both groups said they may watch the first or last commercial of the break, but were usually switching channels or doing other activities. By the group's responses, advertisers can see that Tivo is a threat, the majority of students are not watching commercials, and thus alternative forms of advertising, such as product placement, are extremely important.

Is Product Placement Ethical?

In general the students interviewed felt that companies using product placement were trying to sneak something past them, or send them some type of subliminal message. However, they felt that most viewers of the show are probably intelligent enough to know the placement was paid for. In terms of whether they believed the practice was ethical, most stated that because viewers know fictional shows on television are not real, having placements in the show was not immoral. However, if used in a situation in which people touting a product were supposed to be unbiased, such as anchors on the news, the practice would be deceiving and unethical.

Recall of Product Placements in Television Shows

While as a whole the participants of the groups seemed to be fairly good at recalling products, it was interesting to see the differences in placements recalled by particular individuals. In terms of *the O.C.,* people tended to recall types of products that they had an interest in outside of the show. For instance, one participant, Benjamin Clymer, is an avid fan of cars, and thus was able to name the type of car driven by every character in *the O.C.*. On the other hand, Steven Vasallo and Mike Yermin, who are very passionate about music, were able to recall every band that has played on the show.

While the male focus group did not watch the *Apprentice* often, participants of the female focus group watch the show every week and thus were able to recall that Burger King, Dove, Crest, Dunkin Donuts, and Yahoo had all recently been a part of the show.

Because the focus groups were separated by gender, it was interesting to note the differences in placements recalled by the different groups. The male group seemed to enjoy recalling placements from past episodes of *Seinfeld* and *Curb Your Enthusiasm,* because they had taken place in a humorous context. The female group on the other hand could clearly recall disturbing placements that they had seen, such as Diet Coke on the WB's *Dawson's Creek,* Chevrolet on ABC's *Desperate Housewives,* and the fact that *Real World,* a show on MTV, had started showing brand names which used to be blocked out. Their main reason for not liking these placements was that they were too "in your face." Both groups mentioned that for the most part they notice placements at the time of watching a show, but often forget the placement shortly after.

Perceived Changes in Purchase Behavior

Both groups stated that they did not believe product placement changed their purchase behavior, because as a consumer they would like to think they are not making decisions as a result of advertising. However, they admitted that with all advertising, unconsciously the practice probably has some affect on their behavior. In terms of actually seeking out a product they saw on a show, participants seemed to agree that it would depend on the nature of the product.

For instance, products which have a high brand loyalty, such as shampoo, toothpaste, and soda, are unlikely to have much of an actual impact on what brand a person chooses next time they are in the store. However, the female group noted that if the brand they are seeing is one that they already use, they may be tempted to try the particular product of that brand. For instance, Julie Mendez, a current user of Dove, ended up purchasing the new Dove Cool Moisture body wash after seeing it featured on the *Apprentice.*

If the product shown is one that is unknown to the audience, and one that grabs their attention, participants said they are likely to at least look the product up online. Additionally, by seeing characters on a show use a new product, the students said it would make them believe the product was already in use, and thus has the potential to be something trendy. However, as Clymer pointed out, while he might look up a new type of car he saw on a television show, he is unlikely to actually go out and buy it. The female group mentioned that they would be more likely to use services they see on a show, such as Yahoo's Mapquest, which was used by contestants in the *Apprentice.*

Lauren Donley brought up that she was more likely to try products used in a home improvement type of show, such as *Extreme Makeover*. The group agreed that they got the impression that the experts using the particular product, truly believed it was the very best product for this purpose. This again brings up an ethical issue. Are the companies paying the experts to plug their product, or do the experts truly think the particular product is the best one for the job?

Effectiveness of Commercials vs. Product Placement in terms of Changing Purchase Behavior

While students did not want to think that any type of advertising influenced their buying decisions, they believed that overall product placement would have a greater impact because they didn't watch the commercials in the first place. The biggest problem they saw with product placement was that while commercials show the functionality of a product, with placement they were unable to see the unique features of the product and how the product works.

Both groups also commented that they believed product placement had the potential to have a huge impact on teenagers, who tend to idolize the characters on a show. For instance, since *the O.C.* creates an upscale type of image, teens may want the products used in the show. Thus, a teenager might be likely to purchase a product such as a Chanel purse, which was recently given to Marissa Cooper, a main character on the program. While the group thought college students were immune to this type of advertising, they believed "young people" were much more vulnerable and likely to be impacted.

Reality versus Sitcom shows

With only a few shows being an exception, almost everyone preferred product placement in reality shows versus sitcoms. The majority of the participants believed that the use of product placement in sitcoms cheapened the show since it had to be written into the script. On reality shows the groups believed that because the contestants had to be using some type of product, it wasn't completely implausible that they were using a particular brand. However, while they thought placement was more appropriate in reality shows, they still believed it to be bothersome in programs like *Real World* and ABC's *The Bachelorette,* in which the placements are extremely blatant. For instance, the female group brought up that in *The Bachelorette*, the camera zoomed in on a contestant using Oral-B Brush-ups. Participants claimed they would not have minded the placement, if it wasn't as obvious and if it had anything to do with the show. Interesting to note however, is that despite the blatancy of Coca-Cola's placement on American Idol, no one seemed to mind it. Comments such as "it just seems to go with the show," and "it doesn't take anything away from the show" were cited as reasons.

Conclusion

The research conducted in this thesis explored ethical and effectiveness issues, two interrelated areas of product placement that in my opinion will play a huge role in determining whether the practice will succeed in the long run. In terms of ethics, if the audience feels like advertisers are being deceptive, the practice will be less effective because viewers will be skeptical about every product they see. On the other hand, if a method is created to measure effectiveness and it turns out that the practice is not effective in changing purchase behavior, does the question of whether the practice is ethical or not still matter?

After conducting the focus groups, I realized that while for the most part the college market didn't view product placement as unethical, there was a concern about being misled by products in programs in which the audience believes they are getting an honest expert opinion. I agree with the groups that the majority of viewers are intelligent enough to know that the products being shown in a sitcom like *the O.C.* or a reality program like *Apprentice* are paid for and therefore don't need a warning to appear on the screen every time a product is integrated into the show. However, I do believe that because of the nature of certain shows, there exists an opportunity for advertisers to cross the ethical line, and thus there needs to be some regulations on the practice. For instance, a program like ABC's *Extreme Makeover*, is an extremely powerful advertising tool as it shows viewers how average Americans are able to change their appearances by using certain health and beauty products, and hiring professionals to perform plastic surgery. While the average viewer of the show may not have been impacted by an advertisement for a certain health product, the information on the show is presented in a way that misleads the audience into believing they are getting "true" information, when in reality they are just seeing a longer version of a paid advertisement. Because it would be difficult for the industry to regulate product placement in just "self or home improvement" type shows, I believe the networks have a responsibility to their viewers to understand the impact certain placements may have, and consequently self-regulate their programs. Listed below are some suggested guidelines that a network would follow if it were to regulate product placement on its network.

Network Guidelines for product placement

A warning should be given before and after any network program in which viewers may be more vulnerable to confusing "expert" opinions, with paid for advertisements. The following are instances in which viewers may be easily confused:

1. News programs, such as the *Today* show, in which viewers believe they are getting unbiased product expert advice.
2. Talk shows, such as *Oprah*, in which viewers have developed a relationship with the host and may not know that the products being plugged (such as the Pontiac G6 giveaway) were paid for.
3. Home and self improvement shows, like *Extreme Makeover*, in which viewers are not likely to realize that the products used by the experts on the program are paid for.
4. Programs, like *the O.C.*, with characters that serve as role models to children and teens. The products used by these characters are likely to have a greater impact on their viewers.
5. Any placement that involves a product with the potential to cause harm to viewers (i.e. weight loss products).

Unless the industry finds a way to make sure there exists some trust between viewers and advertisers, viewers will eventually become skeptical of the marketing practice and instead of accepting product placement, they may begin to dislike the brands which they feel are trying to deceive them.

The other issue that was examined throughout the paper is determining whether product placement on television is a valuable investment for companies. As consumers continue to avoid commercials at all costs and purchase products such as TiVo, I believe that when used appropriately, product placement has the potential to be an extremely effective advertising tool. However, it is my belief that unless the industry creates a standardized method of determining value for placement, the practice is in jeopardy. Since more and more companies are holding their marketing departments accountable for the money they spend, it is essential that there is a valid way to measure return on investment. As is evident from the information gathered from the focus groups, certain types of products, such as those being introduced for the first time, and certain genres of television, like reality shows, may be better suited for the practice than others. Thus, it is also important that companies know whether the practice is going to have an impact on sales for their particular product. Although IAG, iTVX, and Nielsen have attempted to solve these problems, in reality they have created a world of chaos, in which companies have no real way of knowing the true value of their investments. Thus, it is only a matter of time that companies will realize the problem and start demanding that they have an accurate way of understanding how effectively they are spending their money.

What I attempted to do in my study was to measure the actual impact of a placement by utilizing a before and after research design. The idea was to be able to compare how people initially felt about a product and their buying behavior of the product before seeing a placement, to how they felt and their buying behavior of the product after seeing a placement. While IAG, iTVX and Nielsen measure recall and tell advertisers how many people saw a placement, the companies are still clueless as to whether there is any actual impact of the placement, and thus whether it is worth investing in. Although my study didn't end up the way I would have liked, I believe that if a company with the right resources implemented a before and after research design, they would be able to provide companies with extremely valuable information.

Information Resources, Inc. (IRI), "a global provider of market information, analytic insight services, and enterprise business process management (BPM) technology," currently uses a device called BehaviorScan to "measure the impact of advertising on actual consumer behavior at the household level" (IRI. 2004). With this device, the company is able to "deliver different advertising copy and/or media plans to selected homes within the same market by seamlessly cutting over existing TV advertising on all broadcast and cable channels. This within-market design exposes both test and control households to the same marketplace conditions – weather, retailers, competitive promotions, etc. – limiting unknown variables that could affect results" (IRI).

To investigate whether a device like the BehaviorScan could potentially measure the impact product placement has on purchasing behavior I contacted Scott Klein, President and CEO of IRI. According to Klein there are often markets that don't air a particular television program. Thus, one way to use the technology would be to set up a study in which the company monitors one market that sees a show with product placements, and another market that doesn't see the show. IRI could then compare the differences in purchase behavior of the two markets before and after the show aired. For instance, if only the market that saw the show changes their buying patterns, IRI can conclude that the placement in the show was the cause of the change. Because IRI already has the technology, undertaking such a study would prove extremely valuable to their clients.

Commercial Assessment of Product Placement

Product placement is an essential part of today's marketing world. Viewers who are engaged in a television show have no choice but to watch a placement; thus, at the very least the total number of people that see a placement is greater than those that watch a commercial. However, compared to the average 30 second commercial, the cost of a product placement deal is extremely expensive, and companies need to determine whether it's a worthy investment for their particular product. Table 5 shows the 2004-2005 ad rates for 30 second commercials during prime time.

Table 5: 2004-2005 Prime Time 30 Second Ad Rates
(as reported by Adage.com Sept.27, 2004)

Program	Network	30 Sec. Ad Cost
American Idol (Wed)	FOX	$658,333
American Idol (Tues)	FOX	$620,000
ER	NBC	$479,250
Survivor	CBS	$412,833
Apprentice	NBC	$409,877
Joey	NBC	$392,500
CSI	CBS	$374,231
Will & Grace	NBC	$359,546
Simpsons	FOX	$336,935
Contender	NBC	$330,000
Monday Night Football	ABC	$323,000

As indicated in the table, the average cost on the top prime time programs is about $400,000. In comparison, it has been estimated that to be featured on a show like *The Apprentice*, companies are paying between $2 million and $4million (Garsten. 2005).

In addition, companies doing product placement should be aware of competitors purchasing time on local stations around the program. For instance, recently Dominoes introduced its new "American Classic Cheeseburger Pizza" in an episode of *The Apprentice* (CNN. 2005). At the same time, Papa Johns bought 30 second spots around the program to advertise a similar type of meat pizza. "In the commercial, Papa John's founder John Schnatter asks, "Why eat a pizza made by apprentices when you can call the pros at Papa John's"'(CNN). While I personally believe this was a smart move on Papa John's part, I don't think Dominoes suffered tremendously from the competition. Rather, I believe that in this scenario, both companies probably prospered from the media.

Despite the high cost and potential competition, in my opinion product placement has the potential of being an effective advertising tool. However, it is highly dependent on the context of the program and the type of product being advertised. Programs that fully integrate a product tend to be recalled more and have more of an impact on the audience than those products which are merely placed in the background. Additionally, given client's needs for accountability and knowing return on investment, if product placement is going to survive agencies must begin to measure actual purchase behavior.

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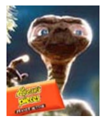
Appendix A- Product Placement Timeline

1950's	1960-1970's	1980's	1990's	2002	2004
 Texaco sponsored *The Milton Berle Show*	Tobacco and Liquor companies get their products in movies	 E.T. leaves a trail of Reese's Pieces	Product Placement Agencies Created; EMA established	*American Idol* and *Survivor* lead the way in Reality TV show product placement	Due to a society saturated with advertisements and DVR/PVR devices, approximately $1.87 billion was spent on TV product placement deals (Kaplan)

Appendix B

Before Watching the Apprentice Survey

Objective:

The purpose of this survey is to determine college student's brand preferences and purchase behavior for a variety of products. In order to determine whether preferences and purchase behaviors change over the course of the semester, we will administer another survey in a few weeks. Therefore, we ask that you write your name below so that we will be able to assess whether your opinions have changed during that time. The information gathered will be combined with others, and your name will remain confidential.

Your Name:____

I. The following questions relate to your preferences for different brands of TOOTHPASTE

1. Please rank the following brands in order of preference. Identify top three brands by placing the numbers 1-3 next to the brands, with 1 being the one you most prefer and 3 being the one you least prefer.

_____ Aquafresh
_____Colgate
_____ Crest
_____ Other. (Please write brand name ______________________)
_____ I don't have any preference

2. Circle the degree to which you agree or disagree with the following statements about the specific brands:

	Completely Disagree		Neutral			Agree		No Opinion
Aquafresh								
Prevents Cavities	1	2	3	4	5	6	7	_______
Freshens Breath	1	2	3	4	5	6	7	_______
Is Reasonably Priced	1	2	3	4	5	6	7	_______
Is of Consistent Quality	1	2	3	4	5	6	7	_______

	Completely Disagree		Neutral			Agree		No Opinion
Colgate								
Prevents Cavities	1	2	3	4	5	6	7	_______
Freshens Breath	1	2	3	4	5	6	7	_______
Is Reasonably Priced	1	2	3	4	5	6	7	_______
Is of Consistent Quality	1	2	3	4	5	6	7	_______

	Completely Disagree		Neutral			Agree		No Opinion
Crest								
Prevents Cavities	1	2	3	4	5	6	7	_______
Freshens Breath	1	2	3	4	5	6	7	_______
Is Reasonably Priced	1	2	3	4	5	6	7	_______
Is of Consistent Quality	1	2	3	4	5	6	7	_______

3. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure			Definitely Will Buy	
Aquafresh	1	2	3	4	5	6	7
Colgate	1	2	3	4	5	6	7
Crest	1	2	3	4	5	6	7

I will not buy any of the above : ___________

4. Can you recall any television advertisements that you have seen recently for the following brands?

Aquafresh:____

____

____

Colgate: ____

____

____

Crest: ____

____

____

II. The following questions relate to your preference for different brands of SOFT DRINKS

1. Please rank the following brands in order of preference. Identify top three brands by placing the numbers 1-3 next to the brands, with 1 being the one you most prefer and 3 being the one you least prefer.

_____ Coca-Cola
_____Dr. Pepper
_____ Pepsi
_____ Other. (Please write brand name ______________________)
_____ I don't have any preference

2. Circle the degree to which you agree or disagree with the following statements about the specific brands:

	Completely Disagree			Neutral		Agree		No Opinion
Coca-Cola								
Is Refreshing	1	2	3	4	5	6	7	______
Is part of American Culture	1	2	3	4	5	6	7	______
Tastes Good	1	2	3	4	5	6	7	______
Is Reasonably Priced	1	2	3	4	5	6	7	______

	Completely Disagree			Neutral		Agree		No Opinion
Dr. Pepper								
Is Refreshing	1	2	3	4	5	6	7	______
Is part of American Culture	1	2	3	4	5	6	7	______
Tastes Good	1	2	3	4	5	6	7	______
Is Reasonably Priced	1	2	3	4	5	6	7	______

	Completely Disagree			Neutral		Agree		No Opinion
Pepsi								
Is Refreshing	1	2	3	4	5	6	7	_______
Is part of American Culture	1	2	3	4	5	6	7	_______
Tastes Good	1	2	3	4	5	6	7	_______
Is Reasonably Priced	1	2	3	4	5	6	7	_______

3. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy			Unsure		Definitely Will Buy	
Coca-Cola	1	2	3	4	5	6	7
Dr. Pepper	1	2	3	4	5	6	7
Pepsi	1	2	3	4	5	6	7

I will not buy any of the above : ___________

4. Can you recall any television advertisements that you have seen recently for the following brands?

CocaCola:____
____
____

Dr. Pepper: ____
____
____

Pepsi: ____

Before Watching the O.C. Survey
Objective:

The purpose of this survey is to determine college students brand preferences and purchase behavior for a variety of products. In order to determine whether preferences and purchase behaviors change over the course of the semester, we will administer another survey in a few weeks. Therefore, we ask that you write your name below so that we will be able to assess whether your opinions have changed during that time. The information gathered will be combined with others, and your name will remain confidential.

Your Name:____

I. The following questions relate to your preferences for different brands of CARS.

1. Please rank the following brands in order of preference. Identify top three brands by placing the numbers 1-3 next to the brands, with 1 being the one you most prefer and 3 being the one you least prefer.

_____ Chrysler
_____Ford
_____ Mercedes
_____ Other. (Please write brand name ____________________)
_____ I don't have any preference

2. Circle the degree to which you agree or disagree with the following statements about the specific brands:

	Completely Disagree		Neutral			Agree		No Opinion
Chrysler								
Is a Safe Car	1	2	3	4	5	6	7	______
Is a Stylish Car	1	2	3	4	5	6	7	______
Is of Consistent Quality	1	2	3	4	5	6	7	______
Is Reasonably Priced	1	2	3	4	5	6	7	______

	Completely Disagree		Neutral			Agree		No Opinion
Ford								
Is a Safe Car	1	2	3	4	5	6	7	______
Is a Stylish Car	1	2	3	4	5	6	7	______
Is of Consistent Quality	1	2	3	4	5	6	7	______
Is Reasonably Priced	1	2	3	4	5	6	7	______

	Completely Disagree		Neutral			Agree		No Opinion
Mercedes								
Is a Safe Car	1	2	3	4	5	6	7	______
Is a Stylish Car	1	2	3	4	5	6	7	______
Is of Consistent Quality	1	2	3	4	5	6	7	______
Is Reasonably Priced	1	2	3	4	5	6	7	______

3. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure		Definitely Will Buy		
Chrysler	1	2	3	4	5	6	7
Ford	1	2	3	4	5	6	7
Mercedes	1	2	3	4	5	6	7

I will not buy any of the above : ___________

4. Can you recall any television advertisements that you have seen recently for the following brands?

Chrysler:____
____
____

Ford: ____

____
____

Mercedes: ____
____
____

After Watching the Apprentice Survey
Objective:

The purpose of this survey is to determine whether your brand preferences and purchase behaviors have changed over the course of the semester. Because this survey is a follow up to the survey you filled out a few weeks ago, we ask that you write your name below so that we will be able to assess whether your opinions have changed during that time. The information gathered will be combined with others, and your name will remain confidential.

Your Name:____

I. The following questions relate to the way you watch television

1. **Please check the one that describes how you watch tv**
   _____ Actively- I Pay attention to every detail
   _____ Watch to get a general idea of the story
   _____ Passively- The TV is on but I'm usually doing homework or talking to friends
   _____ I do not watch TV at all

2. Have you seen any episodes of the Apprentice 2?
____ Yes _____ No

If your answer to question 2 was No, please skip to section II.

3. Do you remember seeing any advertisements or product placements in the show? If yes, please tell us the specific brands
____
____

4. Do you remember the episode in which they were selling a brand of toothpaste?
_____ Yes _____ No

5. If your answer to number 4 was yes, do you remember the brand name or the name of the specific product?
____

6. Do you remember the episode in which they were advertising cars?
_____ Yes _____No

7. If your answer to 6 was yes, do you remember what types of cars they were selling?
____

II. The following questions relate to your preferences for different brands of TOOTHPASTE

1. Circle the degree to which you believe the following brands are favorable or unfavorable. :

	Completely Unfavorable		Neutral			Favorable	No Opinion	
Aquafresh	1	2	3	4	5	6	7	______
Colgate	1	2	3	4	5	6	7	______
Crest	1	2	3	4	5	6	7	______

2. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure			Definitely Will Buy	
Aquafresh	1	2	3	4	5	6	7
Colgate	1	2	3	4	5	6	7
Crest	1	2	3	4	5	6	7

III. The following questions relate to your preferences for different brands of CARS.

1. Circle the degree to which you believe the following brands are favorable or unfavorable.

	Completely Unfavorable		Neutral			Favorable	No Opinion	
Chrysler	1	2	3	4	5	6	7	______
Ford	1	2	3	4	5	6	7	______
Mercedes	1	2	3	4	5	6	7	______

2. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure			Definitely Will Buy	
Chrysler	1	2	3	4	5	6	7
Ford	1	2	3	4	5	6	7
Mercedes	1	2	3	4	5	6	7

After Watching the O.C. Survey

Objective:

The purpose of this survey is to determine whether your brand preferences and purchase behaviors have changed over the course of the semester. Because this survey is a follow up to the survey you filled out a few weeks ago, we ask that you write your name below so that we will be able to assess whether your opinions have changed during that time. The information gathered will be combined with others, and your name will remain confidential.

Your Name:____

II. The following questions relate to the way you watch television

1. **Please check the one that describes how you watch tv**
   _____ Actively- I Pay attention to every detail
   _____ Watch to get a general idea of the story
   _____ Passively- The TV is on but I'm usually doing homework or talking to friends
   _____ I do not watch TV at all

2. Did you watch the season premiere of the O.C.?

____ Yes _____ No

If your answer to question 2 was No, please skip to section II.

3. Do you remember seeing any advertisements or product placements in the show? If yes, please tell us the specific brands

____

____

4. Do you remember the type of car Marissa Cooper was driving? If yes, what was it?
   ____

5. Do you remember the name of the brand of jeans Marissa Cooper was wearing? If yes, what was it? _______________________________

6. Do you remember the name of the toothpaste sitting on the bathroom counter? If yes, what was it? ____

II. The following questions relate to your preferences for different brands of CARS.

1. Circle the degree to which you believe the following brands are favorable or unfavorable.

	Completely Unfavorable			Neutral		Favorable		No Opinion
Chrysler	1	2	3	4	5	6	7	______
Ford	1	2	3	4	5	6	7	______
Mercedes	1	2	3	4	5	6	7	______

2. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure			Definitely Will Buy	
Chrysler	1	2	3	4	5	6	7
Ford	1	2	3	4	5	6	7
Mercedes	1	2	3	4	5	6	7

III. The following questions relate to your preferences for different brands of TOOTHPASTE

1. Circle the degree to which you believe the following brands are favorable or unfavorable. :

	Completely Unfavorable		Neutral			Favorable		No Opinion
Aquafresh	1	2	3	4	5	6	7	______
Colgate	1	2	3	4	5	6	7	______
Crest	1	2	3	4	5	6	7	______

2. In your next purchase, please circle the likelihood of you purchasing the following brands:

	Definitely Not Buy		Unsure			Definitely Will Buy	
Aquafresh	1	2	3	4	5	6	7
Colgate	1	2	3	4	5	6	7
Crest	1	2	3	4	5	6	7