

Integrated plugs difficult to value

By Gail Schiller

Branded entertainment deals in film and television shifted into high gear in 2004, with increasing amounts of money moving from traditional advertising to product integration, but one nagging question remains largely unanswered: What's it all worth? There is still no set pricing or valuation standard to guide advertisers and content providers in the dealmaking process.

Many advertisers have learned the hard way that they paid way too much for far too little. Yet they still have no adequate means to determine whether they are paying fair-market value or to figure out the return on their investments, which can run as high as millions of dollars.

Sensing an opportunity in the advertisers' dilemma, at least a dozen companies are racing to find the magic measurement formula they hope will become the gold standard adopted by both Hollywood and Madison Avenue. But with so many variables at play in every placement and no agreement in the industry as to what factors need to be measured or what type of cost-per-thousand formula on which to base valuation, some question whether a standard valuation model will ever emerge.

"There's no standard rate that will ever be applied to these deals," said Norm Marshall, president of the product placement and entertainment marketing agency that bears his name.

And with confusion prevailing over whether advertisers even really want a standardized measurement tool, and brands insisting that only they can determine what an integration is worth to their companies, those that do believe a measurement standard eventually will be adopted by the industry still think it is years away.

"As time goes on, different approaches will be found to be more effective than others and out of that will emerge some kind of basic pricing structure, but it's not going to be something that happens for several years," said David Poltrack, executive vp research and planning at CBS.

Ranging from little-known startups to industry leaders in the fields of television ratings, media research, sports sponsorship, advertising and product integration, companies trying to evaluate, price or value product integration deals include iTVX in an alliance with the Deutsch Advertising Agency; Nielsen Media Research, Nielsen Entertainment, IAG Research, Brand Advisors, NextMedium, Delivery Agent, Propaganda Entertainment Marketing, Joyce Julius & Associates, Image Impact, IEG and Millward Brown. They all are hoping their measurement formulas will become as vital to the product placement pricing structure as Nielsen Media Research's local and national television ratings have become to determining the price of a 30-second spot.

While their methodologies vary tremendously, many of the companies factor into their measurement systems a cost-per-thousand, or CPM, based on the price of a 30-second spot, sports sponsorship rates or average rates across all media; TV ratings or projected audience size; the duration of the placement, and various characteristics of the integration. Some of the attributes being tracked are whether the brand plays a central role in the story line, whether the lead actors interact with the product, whether the brand is mentioned in the dialogue and whether the product appears in the foreground or background.

Many of the companies are valuing placements relative to the price of a 30-second TV ad, estimating they are worth either some portion or some multiple of a commercial. In a further indication of how difficult it is for the industry to agree to even the basic parameters of a measurement standard, some of the companies are discounting integration relative to a TV ad, while others are putting a premium on it.

In either case, the companies believe it's a pricing structure advertisers have known for years and feel comfortable using. But with the explosion in product integration resulting from the failure of the 30-second spot to reach enough consumers in the age of TiVo, many question the wisdom of the approach altogether.

"Many of these deals are often more about brand enhancement and brand image, so a pure equation to a 30-second spot seems to me like an overly simplistic approach," said Linda Edelstein, chairwoman of the advertising and entertainment group at the law firm Manatt, Phelps & Phillips.

Only a handful of the companies are factoring in research data on viewers' responses to and recall of placements — an element many brands say is critical to valuing the worth of an integration. The advertisers want to first figure out the impact of product integrations on brand awareness and affinity before even

attempting to calculate their worth. IAG, a leader in this area of research, counts advertising industry giants MindShare, American Express, General Motors and Capital One among its clients.

"They (measurement companies) are all running around saying what they have is the best product since ice cream, but in reality nobody at this point has figured out the whole picture and become the standard of the industry," said Alan Wurtzel, president of research and media development at NBC. "We're in the infancy of this, so everybody is struggling to find ways that make sense. It will take awhile until there's a methodology or supplier that meets all the requirements and measures what we think needs to be measured."

The companies are trying to measure an enormous array of placements, ranging from a carton of Tropicana briefly seen sitting on the kitchen table on HBO's "The Sopranos" to an entire episode of NBC's "The Apprentice" built around Procter & Gamble's Crest assigning contestants the task of promoting a new toothpaste flavor. And the price for placements runs the gamut as well, with brands paying as much as a reported \$2 million for an episode of "The Apprentice," to as little as nothing but the cost of their product on HBO shows like "The Sopranos."

Long the purview of prop masters who placed products in TV shows and movies at their own discretion, placements are coming under the tight control of studios and networks that have realized how much advertisers are willing to pay to see their brands integrated into entertainment content. While cash fees sometimes are paid for placements, the bulk of integrations are used by networks and studios as leverage to get brands to buy more media across the network or to spend more on a film promotion.

In fact, some say advertisers don't want a valuation standard to emerge so that integration remains part of a larger ad buy or film promotion rather than a separate form of advertising for which brands will have to pay.

"The minute there's a universal measurement system, there is standardized pricing," Marshall said. "They (advertisers) don't necessarily want it that way. They want to leverage their ad buys. They don't want it to be an additional ad buy."

Doug Wroan, president of Front Row Media and former president of the Entertainment Marketing Assn., agrees. "The advertising community may feel it's in their best interest to negotiate integration deals on a case-by-case basis without regard to an industry standard.

"Every show, movie and video game is unique along with the particular integration opportunity, so a uniform standard that is accepted by all advertisers across the board is unlikely," he said.

But some industry executives insist advertisers are demanding a valuation tool for integration deal-making and warn that brands won't keep spending big money if they can't figure out the return on their investments. If one of these companies or even a newcomer to the field comes up with that magic measurement formula, they insist the industry will be quick to embrace it. Yet another possibility, they say, is that a more fluid model for determining pricing will emerge, with several different approaches adopted by the industry.

"The advertisers want a consistent methodology that is not biased," said Cassandra Bates, vp marketing and development for the New York-based Advertising Research Foundation. "They are demanding it, but the research firms are lagging. More work needs to be done."

Bates said hundreds of top executives in the fields of media, advertising and research who attended an ARF conference session last month on the issue of placement valuation concluded none of the companies presented methodologies sufficient to meet their needs.

"The problem is that these systems are trying to develop a currency like we have for (TV) ratings, but it's very hard to get the industry to agree on what that currency should be because there are so many variables," said Stacey Lynn Koerner, executive vp and director of global research integration at Interpublic Group's Initiative, a media buying and planning agency.

Major corporate advertisers say another complication hampering the development of an industry standard is that such a system would have to include a way to take into account the individual brand's marketing objectives. For example, one advertiser might be willing to pay much more for a placement on a particular TV show than other brands would because the placement reaches its targeted demographic.

"I don't believe product placement can be measured wholesale," said Chris Monaco, director of entertainment marketing for Allied Domecq Spirits North America. "It's something that has to be measured against very specific brand objectives."

"If companies are setting up a matrix to deliver potential return on investment for product placements, a company such as Allied Domecq would have to play a key role in developing the matrix of how you would measure a product placement. You can't do a generic test against whether or not you're meeting an individual brand's objectives."

Marketing executives at Coca-Cola concur, saying an outside company could never determine the value to Coke of a particular product integration opportunity.

"These companies don't know the value to my company of having that integration. That's something we determine internally and would never outsource to an external party," said David Reiness, vp integrated communications for Coca-Cola.

In addition, advertisers said measurement companies can't factor into their formulas the public relations or employee morale-boosting value of highly visible placements in entertainment content.

Koerner said counting placements and assigning some sort of value to them is probably as far as any of the measurement companies can go. "They can develop a standard but only to a point. It's never going to take us beyond understanding the degree of occurrences," she said.

But Robert Liodice, president and CEO of the Association of National Advertisers, said the numbers delivered by many of the measurement services could provide a starting point for negotiations even if they won't be used to calculate the exact value or price tag for an integration deal.

In the meantime, while the industry waits to see if a measurement standard emerges from the pack, many advertisers are relying on their own in-house valuation formulas or those developed by their media buying or product placement agencies to figure out how much they're willing to pay for integration opportunities.

Product placement agencies such as Norm Marshall, Davey Brown and Set Resources have developed their own valuation models, as have many branded entertainment specialty agencies, including Madison Road and FirstFireworks Group.

With help from MIT and Northwestern, Initiative has developed its own measurement tool for clients that gauges viewer engagement with content and how well marketers tap into the most engaging elements of programming to sell their products.

And while advertisers await that magic measurement formula, the cost of product integration deals is fluctuating wildly depending on what the network, studio or producers want to charge and what individual brands are willing to pay.

Amid so much chaos and confusion over the valuation and pricing of these deals, advertisers and the media buyers who control their multibillion-dollar ad budgets clearly will be the ones who ultimately decide which, if any, of these measurement services are embraced by the industry, or whether the current haphazard nature of integration deal-making instead becomes the industry norm.