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Product Placement: Much More Than a Passing Fad

Category Approaches $7.5 Billion Mark, Shows No Signs of Slowing Down

By Marc Graser and T.L. Stanley

LOS ANGELES (AdAge.com) -- All that talk about product placement is about to get much louder.

Global paid product-placement spending surged 42.2% in 2005 to $2.21 billion, according to PQ Media. Paid placements in TV dominated in 2005, with $941 million in the U.S., and film coming in at nearly $500 million.

A new study from PQ Media says an increasing number of marketers are devoting more dollars to product placements in entertainment properties and that the practice is hardly expected to slow anytime soon. According to the company's latest report, the overall global product-placement market was valued at $5.99 billion in 2005, an increase of nearly 28% over the previous year. That's expected to grow to $7.5 billion in 2006, and nearly $14 billion by 2010.

From marketing tactic to marketing strategy

"Product placement has evolved from a novel marketing tactic to a key marketing strategy on a global scale, as brand marketers seek more effective methods to make important emotional connections with consumers," said Patrick Quinn, president of PQ Media, a custom research firm based in Stamford, Conn. "This trend is significant in that there is a new media order emerging worldwide in which fear of ad-skipping technology, doubts about traditional advertising's effectiveness and declining government media subsidies have fueled a dramatic increase in the value of seamless brand integration."

If that's true, then there are many winners in Hollywood, from entertainment producers to the companies that distribute their content. PQ Media's research covers film, TV, music, video games, the internet, books and other forms of media.

But one of the big benefactors should be product-placement agencies -- or entertainment-marketing agencies, as they prefer to be called. And that does seem to be the case, with virtually all of the companies around town landing a number of new clients over the past six months.

"Everyone is looking to tie in with entertainment to build more brand relevance and develop deeper relationships with consumers," said Devery Holmes, president of NMA Entertainment and Marketing. "Brands are recognizing the power of this industry."

Marketers and their agencies Consider just a few of the shops and their latest wins:

NMA Entertainment: AMC Theaters, Dyson vacuums, Capital One financial services and Perles de Tahiti, an upscale fashion and fine jewelry marketer. The company already had in its stable Hilton Hotels, General Motors, Boost Mobile, Heineken, Sears and Xbox.

Davie-Brown Entertainment: Staples. It's picked up brands such as Hewlett Packard, American Express, Reebok, Pepsi-Cola and Victoria's Secret Pink line.

UPP Entertainment Marketing: Silk Soy Milk, Sundance Spas, Ask.com, Waste Management Recycle America, H2 Ultra, XS Energy Drink, Power Horse Energy Drink, Enyce Urban Fashions, Nature Made Vitamins. It already repped North Face, Lexus and Motorola.

Propaganda Global Entertainment Marketing: Campari, Santa Margherita wine and fashion brand Diesel. The company already represents Nokia, Audi, Procter & Gamble and Casio.

Set Resources: Patron and Beefeater Gin. It also has Auntie Anne's Soft Pretzels, Haagen-Dazs and Clos Du Val Winery, Stolichnaya vodka and Malibu rum.

Creative Entertainment Services: Volkswagen. It also reps Fiji water, Kellogg's, Philips Electronics and Orbitz.com.

Even a smaller player such as Brand Arc, which already represents Toyota, added Bentley to its roster. And PR firms, such as BWR and Lippin Group, have recently expanded their businesses to include product placement of clothing, jewelry and cosmetic brands.

Five key product categories
Whereas product placement has been a staple for automotive brands, cellphone companies, clothing and packaged-foods marketers in the past, there doesn't seem to be a trend in the types of categories that are looking for product-placement opportunities. The majority of spending in the U.S. and abroad is derived from five key product categories: transportation and parts, apparel and accessories, food and beverage, travel and leisure, and media and entertainment, PQ Media said.

"We're getting miscellaneous calls -- everybody from tourist boards to oil conglomerates," said Daphne Briggs, managing director of Los Angeles-based Propaganda Americas. "Brands know that in this cluttered market they have to raise their game."

And they're willing to shell out the dollars, too.

Marketers are starting to allocate funds specifically for placement, promotions and brand integration, Ms. Briggs said. "Historically, placement was a function of PR," she said, "but companies now understand that it's viable and needs to be funded."

More entertainment options to utilize
Much of the interest in integration from brands, especially those that haven't been longtime entertainment partners, is the result of new options that have emerged and lend themselves well to product placement -- not just film and TV, but also videogames, events, celebrity seeding and music.

The business will continue to expand, Ms. Briggs said, as more categories jump in and existing clients deepen their commitment.

Still, while there's a commitment to placement and promotions, the money to pay for it is coming from existing marketing or advertising budgets.

"It's not new money," Ms. Holmes said. "We wish, but that's not the case."

There may be some bad news looming on the horizon for placement agencies.

According to PQ Media, the business of product placement is changing, with more marketers opting to move away from barter deals and advertising added-value arrangements to paid placements and integrations.

Global paid product-placement spending surged 42.2% in 2005 to $2.21 billion, according to PQ Media. That's compared to nonpaid placements, which rose only 21% to $3.8 billion. Paid placements in the U.S. accounted for $1.5 billion in 2005. That figure is expected to increase to $5.5 billion in 2010, PQ Media projected.

Paid placements in TV dominated in 2005, with $941 million in the U.S., and film coming in at nearly $500 million.

Could be bad news for placement agencies

While all that's good news for entertainment production companies and distributors, it may not be good for placement agencies, which have built businesses around getting monthly retainers from brands for brokering barter deals to place products on sets. "The retainer model is losing share," Mr. Quinn said. "It's now based on deal by deal. The agencies make money on commission based on the exposure value they can get."

The placement agencies are seeing other trends emerge, as well.

Many companies want to branch beyond traditional product placement into co-promotions that extend the relationship out of the TV project, film or music video, Ms. Holmes said. And marketers are talking more often now about investing in their own content as well as being woven into existing TV and film projects. They're also increasingly interested in digital and online entertainment as a way to speak to consumers.

The changes have forced placement agencies to expand what they do. Most agencies now also broker sponsorships and promotions, negotiate strategic alliances, produce after-parties and event marketing, and handle celebrity outreach and PR.

"Product placement is still passive," Ms. Holmes said. "With a related promotion, there's a call to action. There's more engagement."

Will proliferation deaden effectiveness?

Some industry watchers wonder if the proliferation of product placement will mean that any or all of it is less effective.

"Certainly, it's the same question with all media buying, whether it's TV or magazines or radio," said Jay Newell, a communications professor at Iowa State University who's extensively studied product placement. "The fact that there's so much product placement shows that we have another advertising medium. But it's starting to be saturated and might lose its effectiveness in the short run."

Marketers have always wanted to be woven into entertainment content, he said, and historically there have been good and bad examples. What's different now is the sheer volume of those jostling for space, and Mr. Newell thinks much of it is done defensively.

"Even if it's not your dream that your brand be in a certain actor's hand, you'd rather see yours there than your competitor's," he said. "Marketers feel like they can't afford not to be involved."