The Case for Product Placement

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Abstract

The authors expand on the managerial implications of research that examines the economic value of product placements in movies over four decades. In an event study, they find a positive but inverted U-shape relationship between cumulative abnormal stock market returns and year of movie release and a similar pattern for tie-in advertising campaigns. Using contemporary and quintessential examples for illustration, they make recommendations to boost placement efficacy and conclude that it is important to recognize the enduring effectiveness of the many forms of product placement (e.g., alternative, reverse, category, destination) across multiple platforms in a changing marketing landscape.

"There is no advertising, marketing or consumer-driven media tactic that can match the durability, consistency or growth trajectory of product placement."
Patrick Quinn, CEO & CCO PQ Media[1]

Fun Fact: "Wilson" the volleyball (Cast Away) was nominated for an MTV Movie award and won the Critics' Choice Award in 2001.

In perhaps the most successful product placement to date, Pelé, Brazilian forward and arguably the greatest star this sport ever had, decided to re-tie his shoes right before the kick-off of the 1970 World Cup quarterfinal. He had just signed a deal with Puma and the whole world watched live in Technicolor and via satellite as he deliberately tied his new Puma sneakers.[2]

As firms are struggling to differentiate themselves in the clutter of traditional media, marketers have intensified their quest to determine what still works. Product placement, the inclusion of brands in media programming, has proven itself a reliable option for grabbing consumer attention. For example, with approximately 18,000 and declining annual unit sales, Ray-Ban considered the lifespan of its Wayfarer model sunglasses to be almost over when it placed them in *Risky Business* (1983). Following the movie release, the annual sales of the revived product jumped 20-fold. Annual sales reached 4M units in a few years after a number of successful placements such as *Top Gun* (1986).[3] Product placement has already become a mainstream marketing tool with a track record that extends over a century (Lever Brothers' sunlight soap was placed in several movies made in late 1800's). Close to $11B was spent on product placements worldwide (with more than half the expenditure belonging to the US) in 2014 and the figure is growing fast.[4] In fact, with more than 80% of national brands utilizing this tactic, it is becoming increasingly difficult to find a brand that has never been placed.

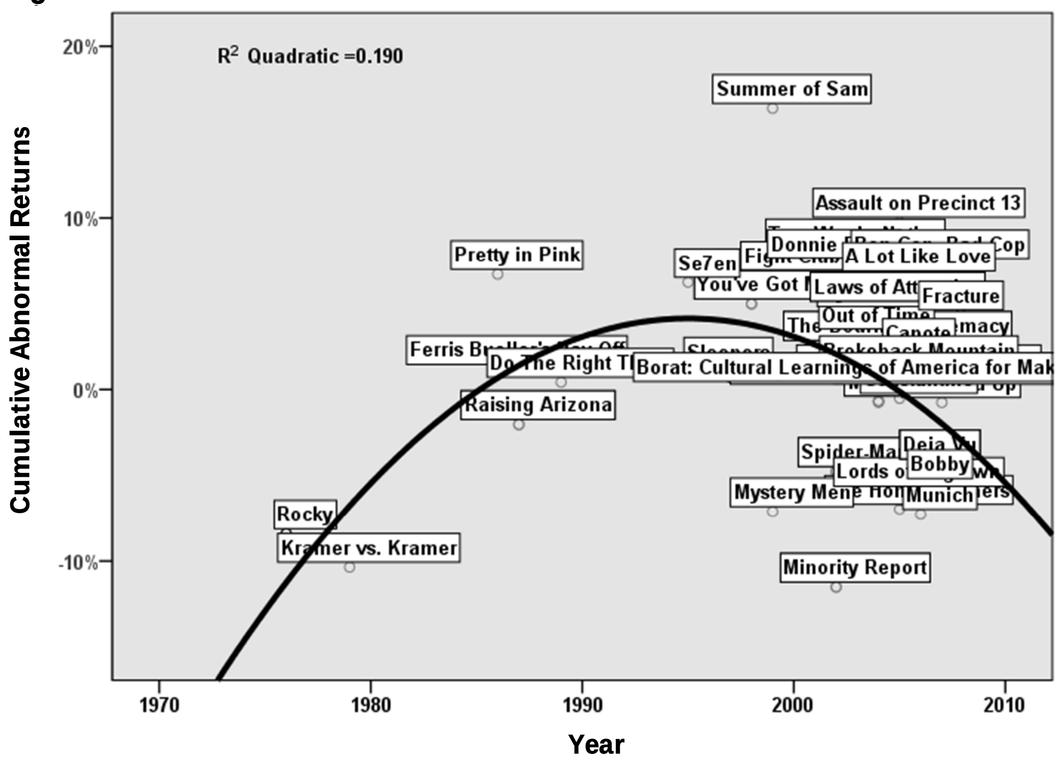
The anecdotal evidence is there but do product placements actually generate substantial positive ROI and if so how can marketers get the most out of them? In an event study, we examined the stock market returns for 928 placements in some 159 U.S. movies released over four decades to find out.[5]

Do product placements really pay off?

In a nutshell, the answer is yes, but their effectiveness is currently on a decline. We detected significant positive stock market returns for the parent companies that own the placed brands that last for about five business weeks around the movie's release. The stocks gain .75% on average (and double that rate for some industries such as electronics) in this time frame. Thus, product placements pay off overall. They aid brands in cutting through the advertising clutter, benefit from positive associations with movies and celebrities and provide "advertainment" that is immune to ad-skipping.

However, we also found that the effectiveness of placements vis-à-vis time follows an inverted-U shape pattern. Product placements already have their golden years in distant past. In fact, the peak effectiveness for the overall medium was in late eighties (i.e., 1987), and the best year to place an automotive, media or entertainment brand in a movie was back in 1995. Even more alarming was the fact that the last three years of data in our sample generated slightly negative (-.01%) and significantly lower abnormal stock market returns than the earlier years (1.4%) [Please see Figure 1 which demonstrates patterns of abnormal market returns for PepsiCo]. While further research is necessary to assess whether this is because of the rising placement fees or because audiences have grown weary of placements in general, there are several issues that marketers must take into account as they defy the life-cycle and effectively engage in product placement in the future.

Figure 1: PEPSICO Stock Market Returns for Movie Placements



Some overlapping movie titles are suppressed in order to reduce clutter and improve readability.

What is a savvy marketer to do?

1. *Place your brand(s) but then also engage in advertising to co-promote the brand/movie:* We found even stronger returns when the placements are supported with tie-in advertising campaigns. Recent evidence suggests that placing the first ad in the same TV show where the brand is placed can decrease channel switching by more than 10% but increase it if the first ad belongs to a competitor.[6]

2. *Avoid over-exposure:* We found that excessive number of appearances with the main character not only cost more but also flatly generate negative returns. Prominent placements induce more extensive cognitive processing

and less positive brand attitudes and purchase intention than subtle placements, so less can be more when it comes to placement.[7, 8] Avoid making a splash even with the tie-ins— while they are helpful in general, we found that tie-in campaigns are more effective for brands with lower advertising intensity.

3. *All products are not born equally when it comes to placement*: Exciting product categories have higher returns. For example, brands in electronics and automotive industries have higher returns whereas those in food processing, telecom and large box retail stores generate lower returns from placements. Timing product placement (and tie-in campaigns) with a new product launch could be even more beneficial to induce excitement and return.

4. Watch the company you are in: Interestingly, placement clutter does not seem to matter. More placements in the same movie do not impact the return of any placement negatively. Watch out for brand spillover effect, however. Your brand may actually benefit from being placed in the company of other luxury brands but the opposite is not necessarily true. The bundle of placements offered by the movie/media should make sense for your brand. The number and nature of existing placement agreements should be used to assess suitability.

5. Engage in placement selection: Our analyses indicated that movie related characteristics such as genre can significantly influence returns. It is beneficial to avoid cognitively demanding genres such as drama and romance movies. Furthermore, today most scripts are modified based on intended placements, and an increasing number is inserted digitally in post-production (after auctioning off open placement spots). Some brands are replaced retroactively (obsolete brands can be updated with relevant ones in reruns) or are inserted based on audience country of origin. The congruence of the brand with the movie plot, fit with actor/character, target audience of movie are all important factors that require considerable judgment by marketers. A healthy portion of production budgets are now funded by placement/marketers. Thus, it is important to place brands strategically and engaging a placement consultant could be a worthy investment. Finally, if you have a knack for predicting Oscar winners, you may want to avoid them. Movies with critical acclaim are generally associated with lower returns when it comes to product placement.

What is emerging?

Alternative placement: Since product placement generates higher brand recall, more favorable brand perceptions, attitudes, and purchase intentions, it is no surprise that marketers have already placed their brands in media beyond mainstream movies and TV shows.[9] Today, placements are commonplace in game shows, reality shows, and computer games. In fact, shipping companies may have been vying for a mention in Jules Verne's *Around the World in 80 Days* way back in 1873.[10] The future of product placement will similarly involve more of the same in different media—newscasts, music videos (Lady Gaga featuring Virgin Mobile in "Telephone"), lyrics (McDonalds paid rap artists to use Big Mac in their songs more than a decade ago; Busta Rhymes' "Pass the Courvesoir" boosted sales of the cognac brand by 20%), catalogs, comics, novels, live broadcasts (Periscope celebrities are already talking about their favorite brands), and even editorials.[11]

Reverse placement: Call it product extraction if you will. But if products placed in movies are received well by audiences, what are the chances that imaginary products that are extracted from their movies and brought to life will also be received well by consumers? Ever been to the Bubba Gump Shrimp factory?

Category placement: Product placements can be very impactful in generating primary demand for a product category, *Sideways*' *(2004)* positive influence on both price and volume of Pinot Noir wines being a prime example. In an earlier successful campaign, the English Tea Bureau increased US annual tea consumption by 17M pounds after placing tea scenes in some 80 movies in early 1950's.[12]

Place placement: Movies/TV series can be powerful in attracting tourism to a city, region, or destination as well (Lord of the Rings and New Zealand, and more recently Game of Thrones and Northern Ireland).[13] Local authorities are advised to screen scripts and consider potential inducements just other like marketers do.

Conclusion: Unless done in excessive and overt manner, product placements can lead to increased ratings of media they are placed in (especially for mainstream movies) as well as returns for the owners of the placed brands, creating a win-win scenario for all involved.[14, 15] In a world where marketing budgets are quickly shifting towards digital and mobile, it is important to recognize the enduring effectiveness of product placements across multiple platforms.

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