The aspects of Product Placement as a marketing tool in the Czech Republic

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Abstract: A newly defined type of marketing tool of brand integration known as product placement has been used in the film industry for decades. Until recently, a controversy existed as to whether or not this tool is acceptable in audio-visual works. This was defined by the committee for radio and television broadcasting in the middle of year 2010 and specified by a new legislation in the Czech Republic. Product placement represents a remarkable marketing tool with highly variable use for both experts and companies. Product placement does not suffer from such a high “advertising blindness”. Marketing experts have inconsistent opinions on product placement. Some of them consider it to be a new marketing tool while others perceive it to be a new type of advertisement. This article explains the role of product placement and its historical origin and describes its current situation on the Czech market, including the view of experts from the fields of production, television and the committee for radio and television broadcasting.

Key-Words: Product placement, above the line communications, new types of marketing tools, television advertisement in the Czech Republic, marketing in films, sitcoms and television series.

1 Introduction
Marketing communication represents all relevant communication with the market. According to Vysekalová, “traditional” forms of communication such as advertising, sales promotion, public relations, direct marketing and sponsoring can all be classed as marketing communications. However, a series of changes has been made to these traditional forms due to new specialized branches, techniques and media that have emerged and which need to employ marketing tools even more. One of these new, forms of promotion is product placement. [15]

The US Federal Trade Commission defines product placement as a form of promotion in which advertisers insert branded products into programming in exchange for fees or other consideration. [13]

Associate Marketing Professor at Panthéon Sorbonne University Jean-Marc Lehu states that the expression product placement, or brand placement, essentially describes the location or, more accurately, the integration of a product or a brand into a film or televised series. It is also possible to find commercial insertions within other cultural vehicles, such as songs or novels. [7]

Czech authors Jana Přikrylová and Hana Jahodová define product placement as the use of a real branded product or service usually directly in the audio-visual works (films, TV programmes and series, computer games), in live broadcasting and shows or in books which are not promotional in nature, under clear, contractually agreed conditions. For that reason, it is not considered to be a hidden advertising, but rather a certain analogy to commercial communications or an advertorial and, therefore, an alternative way of placing an advertisement for a product or a brand. [14]

Another definition of product placement can be found in a Czech book by Vysekalová and Mikeš. They describe product placement as a deliberate and paid placement of a branded product into audio-visual works with the aim of its promotion. This is essentially based on working certain contractor’s products or services in a film, serial, musical or other plots. [15]

The above definitions by different authors show that product placement could be found in various audio-visual works. It is probably the most frequent in films (e.g. James Bond); Lehu also mentions the use of product placement in series and television programmes (Friends, American Idol), novels and...
plays (The Da Vinci Code), song lyrics (Humble neighborhoods by Pink) or branded videogames (FIFA 06, London Taxi). [7]

Product placement can be used either in a dominant or in a nondominant shot. In the dominant shot, there is a direct shot at a certain product, occupying a significant part of a television screen. In this way, the product is immediately identifiable by a viewer. However, when there is an indirect shot at a product in the background and the product itself occupies a minor part of the screen, we speak about a nondominant shot. In the latter case, the product is merely a natural part of the shot that does not disturb. At the same time, the viewer’s perception of the product is not a condition. [12]

Product placement can occur in audio-visual works in three different forms:

1. The product is openly discussed in the works (there is a verbal reference).
2. The product is being used by one of the characters in the works (active placement).
3. The product is captured in a shot in a film or a television show or placed in a virtual environment (passive placement). [14]

Lehu considers product placement from a different point of view. He distinguishes four types of product placement, namely classic placement, corporate placement, evocative placement and stealth placement, each of them bearing its potential benefits and disadvantages.

- Classic placement has existed since the technique was first originated. It is much more tactical than strategic, since it is a matter of making a product or a brand appeal in the camera’s view.
- Corporate placement prioritizes the brand over the product.
- In the case of evocative placement, the operation is more discreet, in the sense that brand does not appear, nor is it clearly cited onscreen.
- Stealth placement is highly discreet, almost undetectable. Often well integrated into the scene, its unobtrusive presence owes it a natural aspect, which may generate a more powerful impact and force of conviction when it is identified. [7]

According to Guido, Peluso, Tedeschi and Nicole, the research highlights product placement acceptability on a gender basis, especially for some products. The results show a statistically significant difference for two of the ethically charged products: "alcohol" and "guns" in movies are more accepted by men. "Cigarettes" have lower results in gender differences but follow the trend of "alcohol" and "weapons". Among the neutral items, only one statistically significant difference is identified: "healthy products" is more accepted by women. [2]

In the US, product placement was in 2009 a $5 billion industry, increasing annually. However, in Western Europe, a very different regulatory culture has prevailed. The main instrument of European television regulation has been the „Television without Frontiers“ Directive, established in 1989 and revised in 1997, not least to include new provisions on advertising, teleshopping and self-promotional channels. In 2007 the European Commission unveiled the latest vision, now called the Audiovisual Media Services Directive (2007/65/EC). Under the old Television Directive, surreptitious advertising was prohibited. Many states, including Britain, took this to include product placement, but others, notably Austria and Italy, have allowed advertisers to pay for brands to appeal in programs. [13]

What are the effects of product placement? The effect of placement on brand memory, with the exception of one study only looked at short-term memory effects. Not enough work has been done relating to effectiveness of placements from an organization's point of view. [5]

Contrary to the recommendations of Lindstrom [9], the results demonstrate the interest of favoring prominence over plot connection, which remains, however, an important characteristic of brand placements. [8]

You won’t be a hero, if you spent all your budget only to ATL advertisement. Main target is to convert prospective to your customers. [4]

In the Kozak’s research output is a new marketing rule: “Find out, what the customers wants, and then bring it to the market” was newly transformed to “Invite your customers to process of developing new product, use their enthusiasm and bring to market a new product outgoing from their ideas. These customers make word of mouth marketing of this product for free. [3]

1.1 Legal aspects of product placement in the Czech Republic

After the years of legal uncertainty, a fundamental change in the field of advertisement in film and television in the Czech Republic came on 1 June 2010. Film and television producers, television
broadcasting operators, clients, advertising and media agencies lived to see the legalization and, more importantly, establishment of relatively clear rules for product placement. The reason for the change mentioned is an application of the directive 2007/65 ES, which alters the directive 89/552/EHS (known as “Television without Frontiers”). As for the previous practice in Czech cinematography and television broadcasting, various specific products or brands used to appear in audio-visual works and discussions were led about whether this depiction represents a hidden advertising or not. Together with the concept of product placement, other concepts are often used that are relevant for both pricing of product placement and determination of potential effect on viewers. [6]

2 Problem Formulation
The present study aims to investigate the forms and activities of the marketing communication tool of product placement from the point of view of producers of audio-visual works, representatives of television companies and specialists. It also attempts to analyze and identify the methods that will help optimize the selection and the combination of particular elements and activities of product placement between prospective producers and television advertisers. Emphasis is placed on the issues related to the correct targeting of such activities, which is closely related to product placement. Finally, based on an analysis of the data collected, the study shows the current situation, the level of awareness and the opinion of marketing specialists on the possible use of this new tool on the Czech market.

2.1 Methods used
Due to a narrowness of Czech market, a structured interview with the experts in film, series, sitcom and television program making has been chosen as the most suitable tool for the investigation of these issues. In the first phase of research done in the first half of year 2011, a method of fully-structured interview was used. It was designed by the authors of the paper based on the experience from their previous research. The inquiry covered all principal television organizations in the Czech Republic (TV NOVA, PRIMA, and Czech Television). Television advertising experts as well as experts from the committee for radio and television broadcasting were addressed. The primary aim was to investigate what forms of product placement are used by producers and television studios. This was done by means of guided interview, during which the individual main points of the questions were noted in questionnaires and, at the same time, recorded on the voice recorder for the purpose of a subsequent transcription of full answers that were entered into the database of results.

In the second phase of the research, the results were analyzed using quantification and by means of seeking a mutual dependence. Structured interviews contained 12 open questions. The experts were divided into several categories with common features. In total, 24 interviewees from television organizations and other experts took part in the research. The results obtained were subjects to a statistical study.

3 Problem Solution
The current state of the use of product placement and the knowledge of this marketing tool in subjects examined on the Czech market are characterized by the following queries. In the case of a majority consensus, the data are quantified by a relative indicator and supplemented by important findings in the form of a comment. In the case of fragmentation of answers, only the most important findings in the surveyed area are listed.

How do you perceive product placement?
What is your attitude towards the above-mentioned tool?
The vast majority of the subject examined (90 %) takes a positive attitude towards this tool. A neutral attitude could be interpreted as having some knowledge about this tool without a subjective assessment of an attitude. The results of the survey showed that nobody has stated they are not familiar with the term “product placement”. This fact could be attributed to the information activities of the Czech media in the half of year 2010, when an amendment to the Act No. 231/2001 on Operation of Radio and Television Broadcasting [1] regarding product placement was being discussed in media across the country.

The term of product placement has most frequently been associated with three areas:
1. The tool has its historical past, it is a few decades old and it has been developed the whole time (35 %). Therefore, it is merely a new name for an old tool.
2. In film, series and sitcom production, product placement represents an often left out source of funding (17 %).
3. Product placement is related to modern marketing or it represents a modern marketing tool (48%). It can therefore be said that all of the selected subjects examined know this marketing tool. To what extent they are familiar with the tool was investigated by means of following questions.

**Which products are most often promoted via product placement?**

Table 1 – Products promoted via product placement (relative share)

<table>
<thead>
<tr>
<th>Products promoted via product placement</th>
<th>Automotive industry</th>
<th>Alcoholic/ssoft drinks</th>
<th>Daily need products</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40 %</td>
<td>15 %</td>
<td>20 %</td>
<td>25 %</td>
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</tbody>
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Table 1 implies that the tool is the most commonly used for promotion in automotive industry (40 %), following is the section called Others (the most numerous in this group were banking institutions and electrical appliances including mobile phones), daily need products occupy the third position and 15 % are made up by alcoholic and soft drinks.

The sale price of automobiles is still high and therefore the automotive industry also continues to exploit classic ATL (above the line) [10] marketing tools, especially a full-page advertisement in magazines, outdoor advertising, TV commercials and other expensive marketing tools which address the masses.

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What is the attitude of clients? Does supply exceed demand for product placement?

Fig.1 – Supply (producers of audio-visual media) versus demand for product placement (clients)

Rather a surprising finding was that more than 90 % of interviewees had claimed that supply significantly exceeds demand, which means that producers, authors and television companies offer this tool to potential clients. On the other hand, less than 10 % of interviewees had claimed that demand exceeds supply, which means that clients pressure producers to promote their products by means of product placement.

Even though supply still exceeds demand, the experts have mentioned many times that after the new legislation entered into force, several companies tried to put this marketing tool into their portfolio of marketing communication.

Different opinions exist as to the development of demand for product placement after approval of the amendment to the law in the Czech Republic. One of the opinions could be characterized by a curve, which shows that the demand was relatively low during summer months (immediately after the amendment to the Act). This was mainly due to the newness of the product. However, the interest in the product increased during autumn. After a certain time, the number of companies interested in application of this tool decreased again. This was due to the fact that companies often lacked practical experience, they were unable to assess the attractiveness of this marketing tool and the reality was not as they had expected.

Another opinion suggests that product placement has not experienced a boom, although everyone expected a sudden huge source of revenue for television companies, which did not occur.

However, a certain expert holds a completely different opinion. He claims that product placement is beginning to gain momentum after a year on the Czech market. Clients and agencies have already got acquainted with its possibilities and a permanent increase of interest in this tool has occurred. Product placement is undoubtedly the fastest growing product on our market. It has what it takes to reach the volume of sponsoring in a few years.

When there is a demand for product placement on the market, it is, according to experts, a demand from the companies that have extensive experience with using this tool in films and that would like to approach the audience even more by promoting the products also in television shows. In Czech environment, these companies are most frequently represented by automobile and beverage factories.

Another opportunity to increase the demand for product placement is to prepare packages of individual television shows that would be suited to a certain product. This offer from television companies would be more attractive for clients, even though product placement represents a new marketing communication tool.
What is the pricing of this tool?

Table 2 – Formation of price of product placement

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Barter exchange</th>
<th>Agreement (other)</th>
<th>Cross promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.75 %</td>
<td>25.0 %</td>
<td>18.75 %</td>
<td>12.5 %</td>
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</table>

The price of product placement is mostly (43.75 %) formed by a mere calculation. In this case, product placement represents a price list item and the price depends on the type of product placement. The second most common way of price formation is barter exchange and following are various types of agreement. Another frequently recorded item is cross-promotion, which is often represented by mutual promotion (a client places a logo or a sign of a television show on its product or promotion materials which causes association and, at the same time, producer’s audio-visual works is promoted in this manner and a target group is affected). This naturally happens within integrated marketing communication and by using other marketing tools. Should we consider pricing of product placement according to the roles of experts interviewed for this study, calculation is most often employed in television sales department. Due to financial attractiveness resulting from long-term cooperation with a client, various types of agreement are also common in television companies.

On the other hand, cross-promotion is most frequently mentioned by producers, who appreciate this type of promotion because it helps them gain funds and promote a particular audio-visual work.

3.1 Product placement as marketing communications tool in the Czech Republic

Even though the amendment to the Act No. 231/2001 on Operation of Radio and Television Broadcasting [1] regarding product placement has been in force for over a year (in other words, since June 2010), product placement still represents a novelty on the Czech market. Both clients (i.e. companies) and providers (i.e. producers and television sales departments) have been learning to work with this marketing tool ever since.

From the point of view of companies as potential customers, there are positive findings which suggest that media representatives by no means have a negative attitude towards product placement and they gladly accept the amendment.

According to our research, supply still significantly exceeds demand on the Czech market. This is due to numerous factors, the most relevant being the novelty of this tool. In addition, most of domestic companies are unacquainted with this tool and marketing departments lack flexibility in a decision-making process.

However, there are no unambiguous opinions regarding the development of this situation. According to some experts, product placement continues to gain attention and companies have a growing interest in this tool. Other experts consider this novelty as a big disappointment that did not bring the income they had expected. The last opinion suggests that a boom in product placement occurred; causing an overseuse and often an inappropriate use of this tool on television screens, and that product placement currently experiences a slow decline and stagnation. Understandably, sales departments and media agencies are trying to make this tool more attractive for customers and thus encourage the demand by offering a certain type of packages suited for specific clients.

The current situation is probably the reason why calculation (in other words, a price calculated by certain charts) prevails in the pricing of product placement. A barter exchange and agreements between clients and providers are also frequent. This enables media representatives to react on the lack of demand and to gain funds. According to some experts, this ratio will change and various types of agreements will be more common in future.

The question of products that are the most frequently promoted via product placement is also related to this topic. The answer to this question stems not only from the experience of clients who have used product placement in film making, but also from the suitability and spontaneity of integration of products into audio-visual works.

Nevertheless, the key aspect, i.e. the attitude towards product placement, is identical with almost all of the interviewed experts. The positive attitude prevails, which represents a challenge for potential customers.

4 Conclusion

The research in this area will continue in future. However, for comparison with the results presented in this study, studies by Media Master agency state that cars, consumer electronics, mobile phones and personal computers, food, beverages, travel agencies, destinations, services and transport companies occur most frequently in audio-visual works. [11]
mentioned findings are accurate. The most frequently promoted products are cars, followed by beverages and daily need products (not only food, but also drugstore and cosmetic products could be included in this group). The calculation of price of product placement is usually available on websites of most television and media agencies. However, in the most cases, the exchange of services in the form of an agreement or a barter exchange occurs. Payments for incorporating product placement range from tens of thousands to a hundred thousand for a passive reference and from 250 thousand to 300 thousand for an active dialogue. As for the various agreements, the specific price is very difficult to set and it has to be agreed on with each client individually.

Possibilities in future research are clearly visible: obtain the attitude of advertiser. For example what amount of budget are they able to invest and how to measure the feedback. And at the last the a attitude of viewers.

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