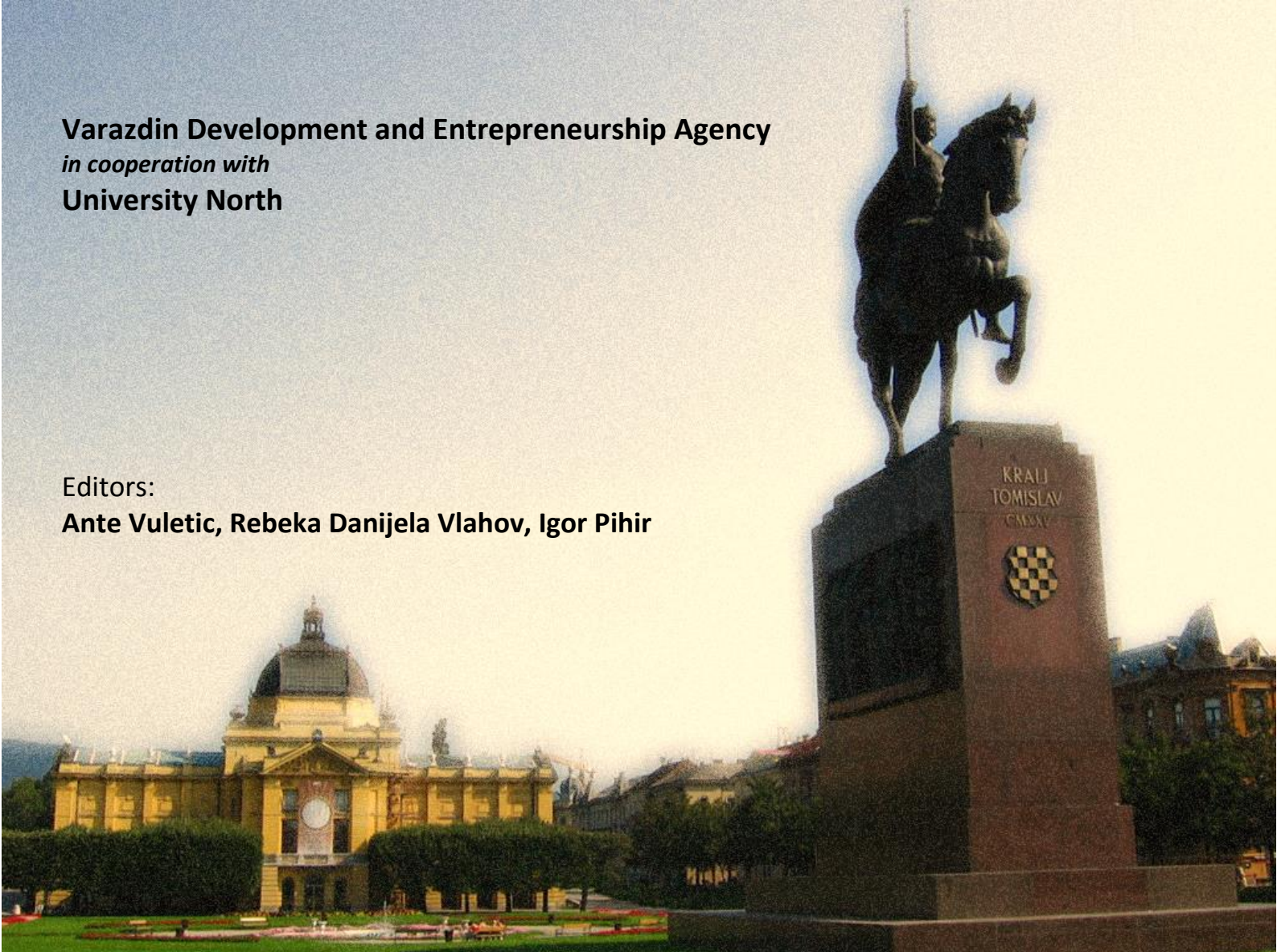


Varazdin Development and Entrepreneurship Agency
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Editors:
Ante Vuletic, Rebeka Danijela Vlahov, Igor Pihir



Economic and Social Development

11th International Scientific Conference on Economic
and Social Development – Building Resilient Society



Book of Proceedings

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HOW MUCH DOES IT COST FOR ADVERTISERS TO PLACE THEIR PRODUCTS IN MOVIES? CATEGORIES ACCORDING TO THE FINANCIAL BACKGROUND OF THE COOPERATION

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ABSTRACT

The average budget of American blockbuster movies has now reached 100 million US dollars. It is no wonder that product placement has become almost essential in the financing of these films. But how much does it cost for advertisers to place their brands in movies, and what is the basis of pricing? Does it actually cost money, or is it a barter? Is it perchance placed for free, or do filmmakers even pay the brands appearing in the movie?

Experience shows that certainly there is no standard way of product placement (especially in the case of movies), thus there is no standard pricing, either. Therefore this article first presents the factors affecting the cost of a specific product placement, then divides the possible ways of cooperation into three basic groups: barter agreements, paid placements, and cross promotions. This is followed by unique placements with brands appearing in films free of charge, and examples with filmmakers paying brands for their appearance in the movies. Last, but not least, the most peculiar kind of brand placement is discussed: brands paying for not (!) being featured in a film.

Keywords: *Branded content, Branded entertainment, Cross-promotion, Pricing, Product placement*

1. INTRODUCTION

How can we define product placement? There are many authors, most of them marketing professionals who wrote on the topic of product placement. And, equally, there are so many definitions as well (Dudovskiy 2012). These include the following three:

- A product is placed in a movie or television show in exchange for payment of money or other promotional consideration by the marketer (Gupta - Gould, 1997).
- A marketing tool where a product is put into a movie scene, or its brand name is heard. (Lehu and Bressoud, 2008)
- Paid product message aimed at influencing movie or television audiences via the planned and unobtrusive entry of a branded product into a movie or television program. (Balasubramanian, 1994)

Although product placement has a history of several decades, it has become increasingly significant and inevitable in the United States and Europe in recent years. According to research in America conducted by PQ Media, a company specialised in media research, while advertising spending for this purpose was only USD 190 million in 1974, it was USD 512 million in 1985, USD 1130 million in 1994, and USD 3458 million in 2004 (Lehu, 2009). It has since exceeded the magic threshold of USD 10 billion. (Onlinemba.com, 2011).

At the same time, if we examine the Top 40 list of Hollywood movies, we can see that the average number of product placements per movie was 17.8 in 2011. (Brandchannel.com, 2012). However, brands do not only appear in movies but also in series, reality shows, talent shows, video clips, computer games, and so on.

This has several reasons:

- changes in consumers' relationship to advertising
- technological progress (mainly digitalization),
- the reform of advertising,

- the needs of film and TV show production companies, and
- changes in the legal environment. (Papp-Váry 2015a)

As a result of all these, product placement is in a certain sense the TV advertisement of the 2010s. While traditional advertising, and especially 30-second TV spots experience increasing difficulties, the new genre is booming. Marketing literature, however, has only been catching up with practice recently. At this point there are no comprehensive publications on the categories of product placement, or how it should be divided into categories. The author of this article recommends the grouping methods listed below:

- by the position of the product placement within the film/programme (see Papp-Váry 2015b)
- by the type of the products placed,
- by the position on the product lifecycle,
- by the brands placed,
- by the financial background of the cooperation.

This article will focus on the last method.

2. THE MAIN ASPECTS OF PRICING PRODUCT PLACEMENT IN MOVIES

How much does it cost for advertisers to place their brands in movies? Well, as there is no standard way of product placement (especially in the case of movies), there is no standard pricing, either. It may be impossible to list all the relevant aspects, but the factors listed below may affect the price of product placement (with a strong focus on movies, since other genres are not discussed by this study):

- The reputation and power of the brand that is placed (film producers may ask for more money from Coca-Cola than an unknown soft drink brand).
- The budget of the movie (the bigger it is, the more viewers the film is likely to reach, therefore a bigger budget is required for the placement).
- The type of movie (for example, product placement costs more in the case of sequel movies, parts 2 or 3, where success is likely).
- Actors in the movie (there are popular actors such as Tom Cruise, whose name serves as a guarantee for the number of viewers).
- The director (similarly to the previous case, a Spielberg movie will probably attract many viewers, while we would not expect the same from an unknown director. The director's attitude towards product placement is also important here: Michael Bay almost loves it, but David Lynch avoids it as much as possible).
- The producer (there are experienced producers whose "delivery" is more reliable, thus the placement solution will be better).
- Distribution (how many movies, how many theater rooms present the movie at the same time, that is, how many people does it reach).
- The role of barter (to what extent can products or services replace money in the support of movie production – of course barter agreements also cost money for advertisers, but they may be more favourable).
- The noticeability of the brand in the movie (how complete the display of the product is, or how active and noticeable the brand is).
- The number of placements (how many times the brand appears in the movie).
- The length of placements (for how long, how many seconds the brand appears).
- The prominence of placement (if we see the brand in the foreground or the background of a shot).
- Position on the screen (whether the brand appears in the middle or the side of the screen – the former is better).
- Integration into the story (how much the brand is incorporated in the plotline).
- Integration into the scene (how important the role of a brand is in a given scene).

- Integration with the actor/actress (how much the well-known actor/actress uses the brand in the film).
- How many (and what sort of) brands appear in the movie (first of all, it is important that the products of competitors are not placed in the same movie. At the same time it would be easy to say that films should include as few brands as possible, in order to make its placement and presence as exclusive as possible. However, this is not practice. It is often worth including brands in movies with other prestigious sponsors).
- Additional communication (what support the movie receives, and in what forums).
- The opportunity to be placed multiple times (for example, the brand does not only appear in the movie itself, but also in the trailer, or on the website of the movie).
- Is the agreement made through an agent, or directly (an agent always asks for some commission, but is able to represent the interests of the client more effectively in several cases, and uses a more professional approach, therefore it is worth the investment).

We could mention several other aspects, but the ones listed above are probably the most important. These aspects will be further discussed in the various sections of this study, but let us now examine what financial transactions take place in product placement.

The average budget of American blockbuster movies reached 100 million US dollars in 2004 (Lehu, 2009). It is no wonder that product placement has become almost essential in the financing of these films. However, this does not necessarily involve money. Barter agreements and combinations of paid product placement and barter are also quite common. There are cases when filmmakers receive support from the brand for the campaign of the movie. Sometimes not very often though, brands appear in films free of charge. We can also see examples with filmmakers paying brands for their appearance in the movies. Last, but not least, the most peculiar kind of brand placement is when a brand pays for not (!) being featured in a film. Let us see a couple of examples.

3. BARTER PLACEMENT

In the case of a barter agreement, advertisers do not provide financial assistance for the filmmakers, but they make their product/service available for them. They either give it to them forever, or provide it for the shooting. Some of these are directly connected to the movie, while others serve the comfort of the crew. A typical scenario present since as early as the time of the first silent movies was that a scene set in a certain restaurant was "financed" by the restaurant owner as he provided the scene and catering for the film crew. Car brands also use this kind of product placement by providing transport for the crew. Computers are also essential for filmmakers, so they can also serve as a barter. Just like clothes or transport companies – brands that filmmakers can integrate into the movie greatly: "We will fly British Airways in the movie if you secure tickets for the crew to our shooting locations." Of course they may also play a passive, merely complementary role, or they may only appear in the credits without any noticeable appearance in the movie itself.

Let us see some examples. The manufacturer of the Mini brand provided 32 cars for the filming of *The Italian Job*, released in 2003. In addition, these were specially adapted wheels as they were required for the transportation of gold in the movie (Donaton, 2005). Moreover, the actors were trained how to drive these minicars in the best way possible during the various scenes of the movie.

Matrix 2 featured 24 Cadillac CTSs and Escalade EXPs (and with a purpose-built highway section) that were provided for the famous highway scene of the movie. *Herbie: Fully Loaded*, however, only received a VW Touareg and a VW Beetle from Volkswagen because the car company was not sure that the film would be successful – they also knew that a Herbie movie could only be shot using a Volkswagen, and not another brand (Lehu, 2009).

According to regular reports by PQ Media, a research and consulting company tracking media spending, barter agreements still make up the vast majority of product placements (Lehu, 2009).

4. PAID PLACEMENT

In this case the brand pays for being included in the movie or programme, thus it is similar to the traditional way of reserving airtime for advertising spots.

In 1975, Clairol paid 10 thousand US dollars to appear in *Smile*, a comedy by Michael Ritchie. The placement was important for the cosmetics brand because the storyline features thirty-seven beautiful girls competing in the beauty pageant Young Miss America.

Sponsors provided 25 million US dollars of the 102-million-dollar budget of *Minority Report*, released in 2002. Moreover, some sources state that advertisers of *Die Another Day*, an episode of the James Bond series, provided 120-160 million US dollars of the movie budget (Lehu, 2009).

Although the dominant car brand of the James Bond movies is Aston Martin, there have been examples when money has had a say in brand placement, and Pierce Brosnan sat in a BMW – and all this for only 25 million US dollars. On the other hand, Daniel Craig (also) drives Ford in *Quantum of Solace* – the brand paid 35 million US dollars for the placement. (We also have to add that Aston Martin belongs to the Ford Group, too.) (Lehu, 2009)

The price of paid product placement in movies is defined before the production of the movie, and the sponsor transfers the amount, or at least a part of it. In the case of TV programmes, invoicing may also be second-based, or it can be based on GRP, a measure of reach, too.

Maybe this is the reason why the ratio of paid product placement is increasing: while it was 18% in 1974, it increased to 29.3% in 2004 (Lehu, 2009).

Moreover, records of product placement are broken continuously: the makers of the latest *Superman* movie titled *Man of Steel* gathered 160 million US dollars from 100 companies for their placements in the movie. Examples of brands appearing in the movie include Gillette, Walmart, Kellogg's, Nokia Lumia and Chrysler.

5. CROSS PROMOTION

Movie makers have an increasing need for such agreements, because in the United States it is typical that the budget of the movie is accompanied by a marketing budget of the same amount in order to secure success (Lubbers – Adams, 2001).

In this case the brand actually supports the advertising campaign of the movie: it either contributes to the media budget, or the film appears in the campaign of its own product. We can also say that the advertiser and the film production advertise each other in such cases. The advertiser is free to use the figures or scenes of the movie, therefore movie and advertisement combine. This kind of promotion is also used in cases when the brand itself does not appear in the movie, because it would be rather strange, or would not fit in.

The appearance of Reese's Pieces in *E.T. the Extra-Terrestrial* can actually be regarded as a cross promotion. American chocolate manufacturer Hershey Foods provided 1 million dollars for the advertisements of the movie, in exchange for of the appearances of E.T. in their own advertisements. Musette Buckley, a vice president at Warner Bros. goes as far as to say "it was a lousy placement – a couple bags of Reese's Pieces in the dark. (...) If you hadn't been told by Hershey in a major promotion that those were Reese's Pieces, then I doubt you'd ever know." (Turcotte, 1995)

We could mention many examples of similar cooperations ever since. Brands appearing in *James Bond* films often promote them, also elevating their own image at the same time. This tool is used by Heineken, Omega, Smirnoff, Sony Ericsson and Ford, etc. In reference to *Men in Black*, Ray-Ban placed life-size cardboard figures of Tommy Lee Jones and Will Smith in their shops, with Ray-Ban sunglasses on, of course. The slogan referred to a quote by Will

Smith from the movie: "I make this look good." (Robinson, 2001). Audi R8 V10 Spyder was not only featured in the movie *Iron Man 2*, but also promoted it in its own posters and commercials. In the case of *Must Love Dogs*, the online dating website perfectmatch.com organized media appearances worth 7 million US dollars for the introduction campaign of the movie (Stanley, 2005).

The movie *Curious George* is about a monkey, whose favourite food is what else than bananas. Therefore the Dole brand advertised the movie on real bananas, involving a total of 100 million pieces (Lehu, 2009). In the case of *Legally Blonde*, a scaled-down version of the character appeared – of course in the Barbie collection of toy manufacturer Mattel. The movie *Akeelah and the Bee* was promoted by Starbucks. The material about the movie was placed on the paper rolls around the glasses. It is interesting that Starbucks requested a share from the profit of the movie, the DVD edition and the soundtrack CD in exchange (Schiller, 2006). The movie *Sex and the City* was promoted by a lingerie brand offering four panties in a pack, assigning a colour to each character: Carrie – pink, Samantha – black, Miranda – blue, Charlotte – purple.

This solution is especially important for fast-food restaurants as these can easily promote movies in their restaurants, and engage in cooperation with the makers of movies where it would have been difficult to appear dramaturgically.

In the case of *Shrek*, the characters of the movie appeared in McDonald's Happy Meals for children, and healthy apple chips and milk were also packaged "in Shrek". As result of this cooperation the sales of Happy Meal increased by 16% (Charette, 2010).

Burger King has used cross promotion in connection with a lot of movies. For example, they popularized Schwarzenegger's *Last Action Hero* this way, also creating a campaign commercial and a special glass. Similarly, in the case of *The Twilight Saga: New Moon*, customers could choose a cup with Edward or Jacob on it. Customers could also collect scaled-down copies of *Transformers* robots with Burger King menus. Star Wars did not miss the Burger King series either: people could collect 31 characters after having eaten a considerable amount of burgers. However, the most peculiar example was a cooperation in France, when a fast food chain was selling Dark Vader burgers with jet black buns (Geekosystem.com, 2012).

6. FREE PLACEMENT

In this case, the placement of the brand is free of charge, with no financial transaction or barter in the background. It is no surprise that while 24.3% of placements were of this kind in 1974, the ratio was only 6.6% in 2004 (Lehu, 2009). The tool, or some types of it are also called *product plug*, with two major forms. In the first case the filmmakers think that a brand is *dramaturgically important* and raises the credibility of the movie, while in the second the brand is placed in the film as some sort of a *favour*.

Examples to the former include *The Da Vinci Code*, where the makers of the movie did not ask any money for the appearance of a Smart. The reason was that the two protagonists flee with a Smart in the book version, and the filmmakers wanted to stick to the original story, and Mercedes-Benz probably would not have paid any money for the same reason. Another well-known example is *The Gods Must Be Crazy*, where the whole story revolves around a Coca Cola bottle, but Coca-Cola Company did not pay for the placement; moreover, they were not even contacted by the filmmakers before the movie was shot. An even more exciting example is the movie *Coca-Cola Kid*, whose story is based on an American sales executive arriving to Australia, in order to help boost soft drink sales. The appearance of Coca-Cola was evident considering the storyline, and the filmmakers did not receive any financial support from the brand.

Now let us see examples to the other major form of free placement, that is, placement as a favour. For example, Napa Valley wine brand Clos Du Val is famous for sending wine to film

crews. This is how they were included on a famous scene of *The Terminal*, where Tom Hanks and Cathrine Zeta-Jones clinked glasses with Clos Du Val.

Guinness set up small beer barrels in the dressing rooms and homes of Hollywood stars such as George Clooney, Ben Affleck, and David Arquette. It did not take much time to see Guinness in movies, and the brand soon became a favourite of movie stars (Wipperfürth, 2005, 295–296.).

Carlsberg Lager delivered some trays of beer for the crew of the movie *The Interpreter*. As a result, one of the scenes features Nicole Kidman drinking this beer during a conversation with Sean Penn. The movie attracted a lot of moviegoers, so those trays of free beer paid off indeed (Privátbankár.hu, 2005).

Black&Decker regularly sends various accessories to filming locations, for example, tape measures. The product appears in several movies in exchange. Staples places its staplers the same way.

Now let us see an example from Hungary: in the case of the movie *Papírrepülők (Paper Planes)* Food Express delivered food for the crew, and they did not ask for anything in return. The director smuggled a sequence in a scene, where one of the key characters is eating a box of Food Express food. He did it purely out of gratitude, because the food delivered to the crew was great help during the shooting (Papp-Váry–Szöllösi–Boldizsár, 2009).

7. WHEN FILM PRODUCTION COMPANIES PAY THE BRANDS

Such situations occur quite rarely, but there are a few examples. In the case of *Mission Impossible*, released in 1996, they paid TGV (France's high-speed train service) for their placement in the movie, and the provision of filming locations for some scenes. The filmmakers obviously had to pay the bill because the company had to close a track section, and the train provided for the shoot was out of service for the time of the filming.

8. DISALLOWANCE

Sometimes brands explicitly prohibit filmmakers from including them in their movies. Normally directors/producers do not need to ask for a permission to feature a brand in Hollywood movies. However, placements may depict brands in a not so positive light, which is something brand owners would like to avoid.

If we are looking for the first negative product placement, we must travel back in time until the year 1968, just to rocket ourselves to the future, as the first such placement appeared in a space movie produced that year: the film was the famous *2001: A Space Odyssey* directed by Stanley Kubrick. One of the main characters of the story is the computer of the spaceship, equipped with artificial intelligence – due to a programming error the machine thinks that the crew is a threat to the mission, and kills all of them but one. Kubrick wanted to use an IBM computer, but the management of the company – understandably – did not agree to it. The director then decided to use the name HAL for the computer, based on the fact that in these alphabet these letters come right before of the letters of IBM. The audience soon realized that Kubrick wanted to refer to IBM, and they identified the evil supercomputer with the brand (Roberts, 2004, 29.). There is no doubt that the idea originated from the director as there was no real competition for the computer brand in 1968, willing to pay for this kind of placement. But what is the situation with contemporary series, where villains use IBM or some other PC, while good people use Apple?

There have been arguments about the possible identity of the company paying for the way Coca-Cola was depicted in the movie *Pearl Harbor*. In the military hospital scene we can see that blood is collected in Coca-Cola bottles. This can also be interpreted in a positive way: they were on hand in difficult situations. At the same time, they can also be interpreted as objects that are not good for anything else than collecting blood in an empty bottle. The latter

interpretation is also possible because Pepsi appears some time later in the movie, and not at all in such a peculiar situation, says branding expert Martin Lindström (2010).

Nevertheless, the literature of the field named this form *negative placement*. To mention a few examples from 2011, Louis Vuitton appeared in 4 top movies that year: *Transformers 3*, *Limitless*, *Just Go with It*, and *The Hangover Part II*. However, the luxury fashion brand says that it is only three appearances – when a character in *The Hangover Part II* says about his bag "Careful... that's a Louis Vuitton", it is obvious that we see a fake product. Therefore Louis Vuitton sued the filmmakers and the manufacturer of the fake product, claiming that they had harmed the reputation of the company (Brandchannel.com, 2012). Due to Thailand's negative image in the movie, several people also suggest that it might have been sponsored by a rival country, for example Singapore...

Nevertheless, the most negative product placement of 2011 was probably *Crazy, Stupid, Love*. The movie features Ryan Gosling, one of Hollywood's contemporary sex symbols, teaching Steve Carell how to be a real man. One of his clothing tips, and some sort of general philosophy is "Cal, be better than the Gap. Be better than the Gap. Say it."

OK, but how can we prevent such cases? Unfortunately, it is extremely difficult to solve afterwards, therefore it is important that brands receive appropriate information in the preparatory phase. An agent employed by Saab saw a screenplay where a girl was raped on the backseat of a Saab car – he called the production office and convinced decision-makers to use another vehicle (Silje, 2006). The marketing managers of Stolichnaya Vodka refused to appear in the movie *Bad Santa* as the character in the movie is alcoholic and violent, which would have had a negative influence on the brand image (Schiller, 2005). However though, filmmakers do not always get a no-go. In *Fight Club*, for example, they smash the front lights of a Volkswagen Beetle, to which the manufacturer had no objection; moreover, it even paid for the placement. In the same movie, they break in an Apple store – the company did not object to being included either, as the story was about creative characters.

As we have seen above, brands may only rage afterwards in the case of movies, but they can even take steps if it is a TV programme. Although they may not ask for a ban, they can try to influence programme makers, or even the characters. Reuters reported that the Abercrombie & Fitch fashion brand offered a payment to Mike 'The Situation' Sorrentino, a main character of the trash-reality show *Jersey Shore* in August 2011, in order to make him stop (!) wearing the brand. They even issued a press release: "We are deeply concerned that Mr. Sorrentino's association with our brand could cause significant damage to our image. We understand that the show is for entertainment purposes, but believe this association is contrary to the aspirational nature of our brand, and may be distressing to many of our fans" (CNN, 2011).

In the case of another *Jersey Shore* character, Nicole 'Snooki' Polizzi, the Coach designer brand faced a similar challenge: the "lady" took their purse everywhere in the programme. It is okay that the brand did not even have to pay the price of the bag, because the character did it all spontaneously, but her personality was more of a destructive influence for the brand than a constructive one. Therefore marketers at Coach decided to send bags to Snooki – however, they did not send her pieces of their own portfolio, but gear from competitor brands, to make her "build" the rivals' image instead (Everydaymoney.ca, 2010).

There was an even more peculiar case when Lacoste, the French fashion brand contacted the Norwegian police in 2011. It asked authorities to prevent mass killer Anders Behring Breivik from wearing the brand in public. The story is more complicated because Anders Behring Breivik, who admitted killing 77 people in a mass murder on 22 July 2011 in Norway, is a fan of the 'brand with a crocodile', and he once wrote in his diary that "refined people like him should wear brands like Lacoste." (Kreatív.hu, 2011).

9. CONCLUSION

As the study has shown, if we examine the Top 40 list of Hollywood movies, we can see that the average number of product placements per movie was 17.8 in 2011. (Brandchannel.com, 2012).

Marketing literature, however, has only been catching up with practice recently. At this point there are no comprehensive publications on the categories of product placement, or how it should be divided into categories.

Therefore this study has presented a possible method of categorization, focusing on how advertisers pay (or do not pay) for the placement of their brands.

As we have found out, there are three basic forms of cooperation opportunities: barter agreements, paid placements, and cross promotions. In addition, we can also see unique placement solutions when the brand appears in a film fully free of charge, or the filmmaker pays a brand to appear in the movie. Finally, we have also discussed the most peculiar case, when a brand pays for not (!) being featured in a film.

Considering all these is particularly important as one thing is clear: the amount of product placement (and, hopefully, its quality) will further increase in the upcoming years.

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