MADIGAN CLUFF

EVALUATING
BRAND PRESENCE

Following Ben Bradshaw's recent announcement on the plan to relax the laws governing product placement in UK created television programs, we have been building with partners an overview of the issues, a summary of this shown below

INTRODUCTION

"To work it needs to be subtle and pertinent to viewers and a cost effective way of delivering a message for us." **Sally Cowdry, Marketing Director, O2**

"Do I believe that there could be a role for product placement in enhancing commercial revenue without significant viewer detriment? Handled well and appropriately, yes I do."

Ed Richards, Chief Executive, Ofcom

These two quotes capture the central communications challenge and opportunity facing the industry in light of the Government's plans to relax the laws on product placement.

The first one highlights the pressure on marketing professionals to market products in a way that will deliver a return on investment ("it must be cost effective") yet not diminish the integrity of their brands ("need to be subtle and pertinent"). The second one identifies the central conflict facing producers and broadcasters between the potential for product placement to create a new revenue stream ("enhancing commercial revenues") and concerns over the impact it may have on the quality of programmes ("viewer detriment").

SCOPE & TERMINOLOGY

In the course of this document, the terms 'broadcasters' and 'producers' are interchanged and are intended to include the broad coalition of people that work in the TV industry from independent producers to those employed by TV stations or larger productions houses. Though different in character they share the same issues of concern in relation to product placement. Likewise, the terms 'marketing professionals' and 'marketers' are used to encompass the broad range of people in the marketing industry with an interest in product placement, from in-house marketing directors and brand managers to those in advertising and branding agencies.

ANALYSIS & INSIGHTS

Below are the key insights that have formed the basis of extensive research and analysis of recent media coverage (in the national and trade press) and a series of in-depth, one-to-one conversations with marketing professionals, a marketing trade journalist and two independent television producers.

i. Many broadcasters and marketing professionals need to be convinced of the value and benefits of product placement

"With such mixed reviews, it appears the future of UK product placement is still a developing story. A happy ending for broadcasters and brands is by no means assured."

Marketing Week, 17 September 2009

An analysis of the coverage that followed Ben Bradshaw's recent announcement about plans to relax the laws governing product placement revealed a mixed response and a lack of consensus over its potential value to both advertisers and broadcasters.

Broadcasters and producers

Although the news received a positive response from the respected commentator Roy Greenslade, (*Product placement: where's the harm?*, Evening Standard, 16 September 2009) and the TV industry bible, Broadcast, where Medwyn Jones claimed "the Government has realised that a ban on product placement is not necessary to maintain the editorial integrity of UK programmes" the response from producers was mixed.

Whilst ITV welcomed the decision, the Chief Executive of Channel 4, Andy Duncan, said it would have "marginal commercial benefit" and pin-pointed concerns over trust. He said: "We have consistently taken the view that confusing the lines between editorial and advertising raises a serious issue of trust for viewers." Independent producers were more sanguine, with Andy Harries, the founder of Left Bank Pictures describing the decision as "inevitable" (*Drama producers welcome product placement – so long as they control it*, The Guardian, 17 September 2009).

Marketers & brand owners

Surprisingly, the response from marketers and brand owners was similarly mixed with brands such as Asda, Coca-Cola and O2 welcoming the decision (*Brands seek clarity over TV product placement U-turn*, Marketing, 15 September 2009) whereas others were critical and questioned the value of product placement to marketers. Carl Pring, Head of Brand Advertising at Sony said: “It is much harder to gauge return on investment, because we do not know what visibility the products will receive”. The Guardian’s Marketing Director, Mark Sands was scathing. He said: “It lacks integrity....it’s the bottom of the barrel in terms of opening up editorial content to product placement and the moment it is paid for it will be open to abuse”.

Value

One major source of disagreement was over the potential value of product placement with estimates varying from £35 million by Ofcom (Media Week, 14 September 2009) to a claim of £125 million from Peter Bazalgette, former Chief Executive of Endemol (The Guardian, 23 September 2009). The latter was rubbished by Sam Davidson, a media consultant at Starmedia who said it was erroneously based on replicating the US model. She said: “British TV is produced differently to US TV and does not present brands with as many opportunities for product placement.” However it is entirely possible that the total may be higher if placement leads o new advertisers being recruited into placement. The recently announce deal between ITV Global and Mattel to develop TV programme versions of games such as Scrabble, is an interesting example of potential new avenues.

This level of discord and disagreement about the nature of product placement presents a significant communications challenge for any company in this sphere and indicates there is a clear need to articulate the case for product placement *as a discipline in itself* and educate both broadcasters and marketing professionals on the benefits and value it can yield.

ii. Demonstrating that you know ‘how to do’ product placement in a credible fashion is critical

“The examples of blatant and crass use of product placement in some US programming has already shown advertisers and producers in the UK that produce placement needs to be well thought out and subtle.”

Broadcast, 14 September 2009

One of the major themes that has emerged in the wake of Ben Bradshaw's announcement is that 'how' product placement is done will be a critical factor in determining its future success and its ability to create a source of revenue for broadcasters and a credible channel, that will deliver returns, for marketing professionals.

It is a central issue and lies at the heart of producers' concerns over responsible programming and editorial integrity and marketing professionals' desire to protect their brands and ensure they appear in a way that reflects their attributes.

Andy Harries, the founder of Left Bank Pictures said: "It is inevitable and to be welcomed but I would like to see producers at the forefront of controlling product placement". This was echoed by Steve Barnett, a Professor of Communications from the University of Westminster, who claimed: "We have to rely on the integrity of producers."

For marketers, the question of 'how to do' product placement well was also a source of concern with many of them recognising it could do as much harm as good. One agency head cited Starbucks' placement of products in MSNBC news in the USA as "confirmation of people's worst perceptions of the brand" whilst, Sally Cowdry, Marketing Director, O2 claimed it could only work if it was "subtle and pertinent to viewers".

Although both parties approach this from different perspectives it is clear they share common goals and there is a definite opportunity for a company that is able to demonstrate the ability to work with producers in a way that protects the integrity of both the programme *and* the brands it features.

iii. In order to expand as regulation changes, the sector needs to become more sophisticated

An analysis of the competitive landscape indicates that the current services offered are strong on implementation, but light on brand strategy and planning.

Currently, the majority of companies appear to offer a hybrid service somewhere between product placement and prop placement and tend to focus on their ability to simply get products onto TV. A good example of this is 1st Place which claims to be "the UK's leading product placement agency connecting brands with entertainment".

Very few companies make data-driven claims about the value of the service they provide and none of them provide anywhere near the same level of data as would be expected for a significant marketing investment. The move of the placement business from a “free” enabling service to a real cost of doing business will require the sector to demonstrate value and return-on-investment.

This point was confirmed to us in discussions with a senior figure from a small creative agency in London. He told us: “I don’t think it is beyond the wit of one of the larger players, such as TNS to develop a system that can measure the value of placing products. I think the real skill is in how you place the product and measure the value of the specific placement. Anyone that has the capability to combine the two and provide both quantitative and qualitative measurement will have a very compelling offer.”

iv. The economic slowdown provides a window of opportunity

“...we have reached a point where the old notion of buying media to advertise a product is – if not a broken model – then one that requires serious re-thinking.”

A senior figure in a multi-award winning creative agency

Like most industries, marketing has been severely affected by the economic slowdown. In August 2009, the world’s largest marketing and communications group, WPP revealed a 47 per cent fall in first half profits (Jan-June 09) and warned “growth was unlikely in 2010" (Financial Times, 26 August 2009). The bleak outlook was reinforced by figures released by the AIB on 30 September 2009, which revealed that advertising spend in the UK in the first half of the year was down £1.5 billion on the same period last year.

This has inevitable impacted on broadcasters and producers and in May 2009, ITV said it was expecting Spring advertising revenues would be down 19% on the same period last year (Broadcast, 14 May 2009). The broadcaster’s Chief Operating Officer, John Cresswell admitted “this is an extremely challenging period” and that ITV was “too reliant” on advertising on ITV1 as its main revenue source.

Although these macro trends may seem to indicate that it will be difficult to convince companies to consider investing money in product placement at this current time, a deeper analysis suggests that now is a very opportune moment to persuade companies to think about new ways of spending their already stretched marketing budgets.

This is the view of a senior figure in a multi-award winning creative agency who told us: "I think this (liberalisation of product placement) is very timely and it reminds me of a conversation I had recently with the marketing director of a major multi-national company. The simple truth is that we have reached a point where the old notion of buying media to advertise a product is – if not a broken model – then one that requires serious re-thinking. Companies need to experiment and I am sure that there are lots of advertisers out there thinking that they have to look at new ways to get their message across."

He added: "Digital is still very new and is something the industry is getting to grips with so companies are prepared to take money from advertising and try new stuff with it. If it can make the right case then I don't see why product placement cannot also be the same. Even if it only gets 10 per cent of the advertising budget is still a lot of money."

Looked at in this context, pressure on marketing budgets is beneficial and creates an opportunity for a company that is able to construct and communicate a convincing value proposition around product placement.

For more information please contact Paul Madigan (paul@madigancluff.com) or Michael Cluff (michael@madigancluff.com)