How Much Is Product Placement Worth?
Advertisers search for a measurement standard

by Joe Mandese | Dec 13 '04

In late October, Peter Gardiner, the media chief of Madison Avenue's Deutsch agency, found himself gambling millions of a Bank America ad budget on an unusual TV deal. The project—a 17-day-long product- placement and ad package involving four TV networks—NBC, Telemundo, MSNBC and CNBC—and NBC's affiliated stations.

Top 5 Product-placement deals of 2004 Ranked by equivalent commercial value

Brand	Program	Air Date	Duration	Ratio	Value
NFL	*According to Jim*	Nov. 30	10:56	49.35	$9,871,665
AT&T	*American Idol*	May 11	5:20	13.33	$6,267,128
Pontiac G6	*Oprah Winfrey Show*	Sept. 13	3:43	76.62	$5,363,562
Crest	*The Apprentice 2*	Sept. 22	2:35	11.04	$4,415,335
Pringles	*Survivor*	Oct. 14	1:17	4.262	$1,626,612

Because the stakes were so high, without any explicit guarantee of how many times the bank would be plugged, Gardiner ordered a special study that analyzed every hundredth of a second of coverage. It included every detail of how, when and in what context Bank of America was mentioned or shown by the TV outlets.

Ultimately, Bank of America made a killing, netting millions in traditional ad value. But the white-knuckle experience left Gardiner wondering if there wasn't a better way to craft such deals.

By “brand mentions,” Nielsen means any time a brand is seen or heard on TV, including all forms of advertising, promotion and product placements. Nielsen estimates 15% of those mentions are some form of product placement, meaning a brand or product was integrated into the content of a show, such as someone on *Seinfeld* offering a Snapple. Currently, this 15% of product placements is not explicitly paid for by advertisers. But if that 15% were converted into current ad values, it would equal a $9 billion marketplace.

And that's before Madison Avenue really gears up for the business, which many insiders believe will grow as conventional forms of TV advertising—mainly the 30-second commercial—suffer fallout from DVRs and VOD.

Garner's answer was to form Media Bridge Entertainment, a new kind of Madison Avenue agency that negotiates product-placement deals based on the results they actually deliver to advertisers, not on an upfront fee to producers or TV outlets.

Media Bridge utilizes a unique form of media research developed by iTVX, an expert in product-placement deals, which assigns explicit ad value to any time a product is mentioned or shown on TV. For example: The NFL brand was plugged for almost 11 minutes on-air during the Nov. 30 episode of *According to Jim* .

After factoring the impact of that exposure in terms of advertising value, iTVX determined it was the equivalent of almost fifty 30-second units of ad time. Since the show's average 30-second-spot rate is $200,000, the product placement generated the equivalent ad value of $9.9 million for the NFL, the highest for 2004.

The goal, says Gardiner, is to establish the iTVX data as a “trading currency” for structuring product-placement deals. It would be based on the same kind of audience guarantees as conventional network advertising deals.

“Our clients kept asking us, 'Can you help us bring some order from this chaos?'” says Gardiner, referring to the raucous nature of the burgeoning product-integration business. “They just wanted to understand the value of what they were getting and whether they could get some idea of it in advance.”

Other Madison Avenue agencies are trying to figure out the real dollar value of product placement. Most big shops have formed product-integration, or “branded-entertainment,” units. They have also developed a wide range of proprietary methods for valuing and negotiating these deals. The problem, says Frank Zazza, president of iTVX, is there is no “common currency” that would enable the marketplace to develop and mature the way the conventional advertising marketplace has.

What complicates matters, he notes, is that many of these product-placement deals involve multiple, redundant pitches directly to brand managers, many of whom don't have the experience to evaluate the presentation.

“You've got talent agencies pitching them. Ad agencies and media agencies pitching. Integration agencies pitching. Product-placement agencies pitching. And often it's for the same deal,” says Zazza, who was involved in such seminal placements as Reese's Pieces in the blockbuster film *ET* .

Zazza's response is to position iTVX's system as a simple, workable solution. He claims its proprietary method, utilizing dozens of explicit product-placement data points gleaned from academic research, as well as the direct experiences of marketers, is the ideal way to compare the value of disparate product-placement deals to conventional ad delivery.

Much like the NFL placement in *According to Jim* , Zazza compares how many times a product is mentioned to its value in real ad terms. Zazza calls these comparisons a “PP/CC,” which stands for product-placement commercial cost ratio. He says they are analogous to conventional TV advertising's GRPs (gross rating points) and CPMs (cost per thousands).

Utilizing this metric, Zazza's database tracks the most and least successful product-placement deals of 2004. The top deal, in terms of pure commercial exposure value, was General Motors' giveaway of a Pontiac G6 to each audience member of an *Oprah* episode. The car was shown for nearly 4 minutes and generated $5.4 million in ad value.

However, not everyone is convinced that iTVX is the ultimate standard for negotiating product-placement deals. One problem: Marketers may assign different communications values (ad recall, brand awareness) for their product-placement deals from the ones iTVX developed.

Another concern is that iTVX is finite. It doesn't consider any of the residual impact generated by a product-placement exposure, such as the buzz and PR generated from an especially successful plug. Not only did the Pontiac G6 grab the *Oprah* audience, but it racked up millions more in free publicity in print and on TV.

Meanwhile, an array of other researchers have entered the burgeoning field in the hope of convincing advertisers, agencies, producers and TV outlets that they have the best standard for measuring and negotiating such deals.

One of those players is Nielsen Media Research, which has developed Nielsen Place*Views, a research service that tracks each second of product placement and assigns the equivalent of a Nielsen TV rating to it. While Nielsen does not currently assign a market value to those exposures, Nielsen execs say it is up to the buyers and sellers of product-placement deals to input their own.

IAG, which tracks the recall and likeability of TV commercials using a panel of consumers that watch TV shows, has also developed a product-placement research service that tracks product plugs. Plus, ad agencies, talent agencies and product-placement specialists are developing a range of proprietary methods.

“A lot of people are trying to wrap their brains around this, but I haven't seen anything that does it at this point,” says Steve Sternberg, senior vice president and director of audience analysis at Magna Global USA. He fears that competing standards will only confuse clients.

But Gardiner is sold on the long-term benefits of such media buys. “Will it be 15% of the business?” he wonders. “I don't know. But it will be bigger than it is now.”

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