



Hollywood Reporter

Paid placements soar, study finds

March 30, 2005

By Gail Schiller

Paid product placements soared 44% to \$1 billion last year, with spending on television placements skyrocketing 84% and outpacing film for the first time in 30 years, according to a new study from market research firm PQ Media.

The survey, based on more than six months of research by the Stamford, Conn.-based firm, also found that the total value of the product placement market, including barter and gratis arrangements, grew 31% to an all-time high of \$3.5 billion last year and is expected to expand another 23% to \$4.2 billion this year.

PQ Media said the 100-page study, which includes 30 years of trends and five years of spending forecasts, is the first to ever put a value on the product placement market and break it down by medium, marketing category and placement arrangements including paid, barter and gratis.

The company, whose clients include News Corp., Hill & Knowlton, the Associated Press and American Business Media, said it conducted dozens of interviews with executives and account managers at advertising and marketing agencies, consumer product companies and media and entertainment corporations over the past six months. PQ Media said it also analyzed thousands of public and private documents related to product placement and branded entertainment to compile the report titled "Product Placement Spending in Media 2005."

The study also indicated that the growth in product placement is coming at the expense of the advertising market, with advertising and marketing expenditures up just 7% last year despite increased spending on political ads in an election year.

"Marketers have substantially ratcheted up the role of product placement in their buying strategies," PQ Media president Patrick Quinn said. "Product placement is becoming an integral part of a larger marketing package for many advertisers."

The study found that paid placements constituted just 29% of the overall value of

the market last year, with barter agreements and gratis placements accounting for the lion's share of the market value.

According to the survey, paid television placements soared 84% last year to \$552 million, while film placements were up just 12% to \$412 million. Paid placements on network alone jumped 84% to \$438 million, while cable placements rose 87% to \$91 million.

PQ Media said it was the first time paid placements in TV outpaced those in film. In 2003, TV paid placements were valued at \$300 million, while film placements were valued at \$369 million. Overall placement value in television, including barter and gratis, outpaced film for the first time in 2002.

While a survey released by the Association of National Advertisers last week found that 79% of advertisers think branded entertainment deals are overpriced, Quinn said controversy over the rates being charged for placement deals is "not an obstacle to the growth of this market going forward."

The market is expected to grow at a compound annual rate of 15% from 2004 to 2009, reaching \$6.9 billion, the survey found.

PQ Media said the value of placements in television, films and other media grew at a compound annual rate of 16% from 1999-2004 and 11% since 1974. Growth over the past five years was fueled mainly by television because of the emergence of reality TV and the debut of niche instructional cable outlets such as the Food Network, the Learning Channel and the Outdoor Life Network, Quinn said.

The study also found that more than half of product placement spending is found in four of 10 marketing categories: transportation and parts, apparel and accessories, food and beverage and travel and leisure.

Copyright 2005 The Hollywood Reporter