

## Product Placement in Hungary

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### Abstract

Nowadays consumers can experience a new type of advertising. Programs of television channels contain an increasing number of product placements which might be perceived by consumers. Product placement differs from the classical components of the marketing-mix and is evaluated differently in different countries. In our research we explore the effects of product placement in the segment of younger consumers and the reasons for companies to use this special type of advertising. Our goal is to provide a short overview which tries to answer to the question how product placement can influence consumers' buying habits.

**Key words:** Media law, product placement, brand entertainment, marketing, buying habits.

### Introduction

Nowadays there is an obvious need for strict regulations in the area of marketing to protect consumers. The expression "the invisible hand" coined by Adam Smith maintains that there is a more or less automatic balance of the markets. It is an undisputed fact that "the invisible hand" today needs urgent help. In 1962, US President J. F. Kennedy recognized the imperfection of markets and provided rights to consumers (right to know, to be safe, to choose and to be heard) (Gyarmati, 2005). In order to provide those rights to consumers, different kind of laws were introduced which aim to protect consumers against e.g. newly developed marketing activities. The media laws in different countries often show great similarity. In Hungary, the activity of the audio, visual and audiovisual media had been controlled by the Act 1996 – I. Media Law. There was a consensus in Hungary that the Media Law from 1996 needed reform. The law was changed in 2010 and the new law went into force on 1<sup>st</sup> January 2011 as Act CLXXXV of 2010 On Media Services And Mass Media (known as New Media Law).

Most of the old regulations, especially the underlying principles, remained the same, but of course there are new elements in the law. Manifestations of innovation are for example the powerful protection of children under age of six ("*Category II shall include programmes which may trigger fear in a viewer under the age of six or may not be comprehended or may be misunderstood by such viewer owing to his/her age. These programs shall be classified as "Not recommended for audiences under the age of six"*") and the opportunity of product placement. Opinions about product placement are not homogenous in different countries. The Hungarian New Media Law contains the following regulation about product placement: "*Save for the exceptions provided under Paragraph (2), product display in*

*media services shall be prohibited. Product display in programmes shall be permitted in the case of a cinematographic works intended for showing in movie theatres; cinematographic works or film series intended for showing in media services; sports programmes and entertainment programmes*".

The phenomenon of product placement is known under different names, e.g. product placement, branded entertainment, brand placement, embedded marketing and product display. As differences are negligible, in our paper we generally use 'product placement' to describe these variations. According to Ferraro and Avery (2000) brand placement is the inclusion of brands in movies or television scripts (Ferraro - Avery, 2000). The recentness of product placement is argued for by Hudson and Hudson in a 2006 paper in the Journal of Marketing Management (Branded Entertainment: A New Advertising Technique or Product Placement in Disguise?).

Expert opinion about product placement differs considerably in different countries. For example, product placement is common in the USA, but in the United Kingdom this way of promotion is banned. Opinions in Europe are very heterogeneous, many governments and experts discuss the positive and negative effects of product placement. The reasons why a government might hold a negative opinion are varied. One of the most often mentioned arguments is that the average consumer meets with hundreds of ads day by day. Apart from this direct form of influencing through ads it can also happen indirectly (e.g. sponsorship, PR and product placement). In the latter case the promotion of a product is not loud and aggressive – instead it just "whispers" a message into the consumer's ear to buy a product. Hundreds of ads and the fact that an average consumer is watching television for 4 to 5 hours per day might explain the general negative opinion about all marketing activities (Minneapolis Star Tribune, 1999).

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In connection with this we also have to examine the ethical side of product placement. In the case of classical advertising the consumers know that the advertisers would like to sell them a product. The exertion of influence through product placement in television programs is not so clear. In most cases the target person does not realize immediately that he or she is exposed to a new type of promotion.

In addition, positive developments in connection with product placement should be mentioned, too. Product placement could be experienced earlier in many cases, e.g. James Bond driving an Aston Martin or BMW and wearing Omega watches. This means that consumers were faced with product placements before codification. In this case consumers did not know that these were marketing activities of companies. This was in fact surreptitious advertising, i.e. "the representation in words or pictures of goods, services, the name, the trade mark or the activities of a producer of goods or a provider of services in programmes when such representation is intended by the broadcaster to serve advertising and might mislead the public as to its nature. Such representation is considered to be intentional in particular if it is done in return for payment or for similar consideration; the directive clearly states, however, that television advertising 'shall be readily recognizable as such'. As this is not the case with regard to surreptitious advertising, it is clear that it is a forbidden practice, without having to give a specific definition" (Toy Industries of Europe, 2003). Of course, this type of surreptitious advertising in movies was accepted tacitly. This type of promotion supports the film industry.

## 2 A New Type of Advertising

Developing technologies and new types of marketing and media activities provide manufacturers and advertisers with excellent opportunities to reach and influence their consumers day by day. But consumers get accustomed to new tools. This means that the effectiveness of marketing activities decreases, so innovation is necessary. Product placement is a new type of promotion, which means it can be effective. Initially, advertisers did not use the opportunities of product placement, but nowadays product placement has become a popular form of promotion. Probably this kind of appearance offers many advantages. First of all, it is possible to show the product in use in an environment which is perfectly matched to the brand marketing system and suitable to mediate the values for the consumers. A characteristic of product placement is that it takes the consumers preference system into consideration. The promoted product or brand name appears in programs that potential buyers will watch. These programs often present personalities or celebrities who are attractive to the target group. We have to state that product placement does not mean advertising, so it could be a cost effective way of promotion compare to prime time ads. Of course, there are costs in this case as well because the products have to be provided for the programs. In connection with this, the Hungarian New Media Law contains the following regulation: "...in the case of programmes other than the ones stipulated in point (a), provided that the manufacturer or distributor of the product concerned, or the provider or agent of the service concerned does not provide the producer of the given programme with any financial reward either directly or indirectly with the exception of making available a

*product or service free of charge for the purpose displaying the product."*

Furthermore, we have to emphasize product placements' brand building ability as well. This could be managed in two ways. Primarily, if the brand or the product fit into the environment, product placement can help to build brand personality. "[T]o develop a brand personality is the most important strategic object not only for the famous global brands, but for the emerging brands as well" (Sas, 2007). Secondly, because the consumers can meet regularly with the products in the programs, they remember the brand names easily. The placement of a product can happen over a longer time period (several months), so we have to conclude that consumers are very likely to remember the product or brand.

At the same time we have to draw the attention of the New Media Law's regulation: "*Programmes containing product displays shall comply with the following requirements: (...) they shall not give undue prominence to the product so displayed, which does not otherwise stem from the content of the programme.*" This means that the product should not be given undue prominence in the program.

## 3 Aim and Metodology

In our research we examined the effect of product placement on consumers' decision making processes and we measured the attitude of consumers in the area of product placement. For the survey 206 questionnaires were filled in Hungary. The online questionnaire was promoted in different places: social media, Facebook, iwiw, etc. We also used tools of direct marketing (direct e-mail). Taking part in the research was voluntary and anonymous; there was no pre-selection (random sample). The online survey could be filled in between 9th February 2012 and 5th May 2012, with participation open to anybody willing to complete the questionnaire. It follows from this that our research is not representative. The distribution of the sample by gender is 74.9 % women, 25.1 % men. This means that in our sample men are underrepresented, which is a characteristic of online surveys. This fact doesn't pose a serious problem because media consumption of men and women doesn't differ significantly. Average age in the sample ( $\bar{x} \pm s$ ) 22.45  $\pm$  7.53 year, range (R) 19-59 year, modus 19-24 year. Status of respondents: 69% student, 19% employed, 8% unemployed, 4% other. Our typical respondent is a well educated young woman.

During data processing we used statistical methods (mean, median, deviation, Cramer V statistics, Kendall's rank correlation, factor- and cluster analysis, crosstabs etc.) with the help of Google Docs, SPSS 14.0 and Microsoft Excel 2010 programs. We continued our descriptive researches with simple statistical methods, using Cramer V statistics for examining correlation among criteria. With Kendall's rank correlation we examined accordance in the group. Kendall's rank correlation (Kendall's W) can be used for assessing agreement among respondents. Kendall's W ranges from 0 (no agreement) to 1 (complete agreement). We used principal axis factoring for examining the influencing power of product placement.

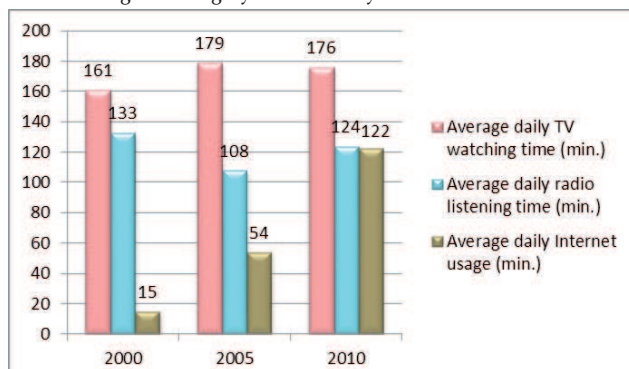
## Results

The objective of this study is to analyze the young generation's attitude towards and opinion about product placement.

According to research an average American child spends roughly 4 hours in front of the television screen every day (Federal Communications Commission, 2003; Kunkel, 2001), data for Hungarian children does not differ much. They watch more than 40,000 television advertisements per year (Strasburger, 2001, Kunkel, 2001). This means watching about 5 hours of open advertisements weekly (Lindstrom, Seybold, 2003).

On the basis of the answers we received for our questionnaire, we can state that respondents underestimate their own average television watching time. 85.0% of respondents think that watch less than 3 hours of television per day on average. More information on average daily TV watching time, radio listening time, Internet usage in Hungary can be found in Graph 1.

Graph 1: Average daily TV watching time, radio listening time, Internet usage in Hungary in different years



Source: According to GfK-Hungária, Ipsos (2010), own editing

Television watching, ads and product placement are part of everyday life. A consequence of habituation is the underestimation of effectiveness. 93.7% of the respondents to our questionnaire stated that they were faced with product placements in different television programs. We can state that product placement can be a good form of promoting products and brands.

In our research consumers were asked to rank the level of agreement with different statements (1- I do not agree with the statement, 5 – I fully agree with the statement). Statements asked about in the questionnaire and the average and mode answers can be found in Table 1 according to gender and in aggregated form.

It can be stated from Table 1 that the opinion (popularity index) about product placement (2.96) is more favourable than about advertisements (1.98). This means that product placement is much more welcome than classical advertisements. There is no significant difference between popularity indexes of woman and men. We may examine the agreement indicator of the consumers. Kendall's W can be calculated from these figures. The value of Kendall's coefficient of concordance is 0.412 (41.2%). This means there is no overall trend of agreement

Table 1: Understanding openness according to gender

Statements	Average			Mode			Standard deviation
	Female	Male	Total	Female	Male	Total	
I have a positive opinion about ads	2.07	1.69	1.98	2.00	1.00	2.00	0.910
I have a positive opinion about product placement	2.91	3.12	2.96	3.00	3.00	3.00	0.939
Product placement can influence my purchasing habits	1.66	1.58	1.65	1.00	1.00	1.00	0.823

Source: own research, 2012

among the respondents. The opinion of consumers is heterogeneous, passionate and exaggerated (just positive or just negative). 41.2% of respondents agree with the statements totally.

The above-mentioned three statements measure consumers' attitudes towards product placement. An extension of the statements was made by another five questions in the questionnaire:

1. Product placements are not confusing.
2. I know what product placement means.
3. Attractiveness of product placement
4. Gender of respondent
5. Qualifications of respondent.

The attitude towards product placement based on these eight questions was evaluated through factor analysis. Based on the results of the factor analysis, the attitude towards product placement is influenced by four factors. We describe the factors as follows (with the connected statements in parenthesis):

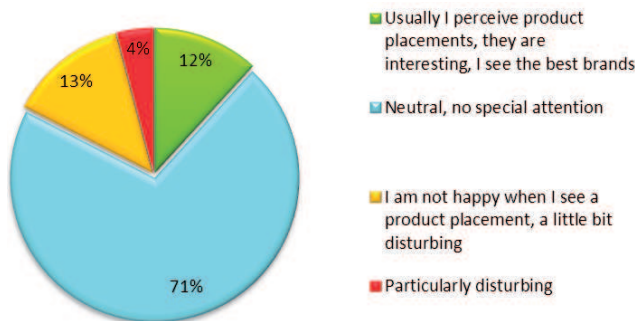
- » Factor 1: "Preconception against product placements" (2. and 6. statement). Influencing effect, explained variance is 22.338%.
- » Factor 2: "Qualifications of respondent" (8. statement). Influencing effect, explained variance is 15.298%.
- » Factor 3: "Preconception against marketing, advertisements" (1. and 7. statement). Influencing effect, explained variance is 14.554%.
- » Factor 4: "Confusing effect of product placement" (4. statement). Influencing effect, explained variance is 12.591%.

Taking into consideration that many factors influence the attitude of consumers in connection with product placement (culture, habits, fashion, price, the index of consumer confidence, individual needs, advertisements, etc.), the result of the factor analysis (cumulative 64.8%) is a positive result. This is justified by value of KMO (0.541) and significance (0.000).

According to our research 83% of respondents think that product placement is not disturbing. This fact is very important information for advertisers. Detailed data can be found in Graph 2.

Graph 2 shows consumers' overall opinion about the influencing power of product placement. 12% of respondents have a positive attitude and 71% of respondents are indifferent to product placement. The rate of rejection (negative attitude) is 4%. According to the opinion of respondents, product placement is a good way of promoting products, there is no significant negative feeling in connection with product placement. The value of Cramer's V is 0.147 between gender of respondents and opinion about product placement, which shows a weaker correlation: The gender of respondents does not influence the attitude. So our results are correct for the group of men, too.

Graph 2: Opinion of consumers about the effectiveness of product placement



Source: own research, 2012

Research conducted by “Sonda Ipsos” shows similar results. 77% of consumers show a neutral or positive attitude (Sonda Ipsos, 2011).

In our research we segmented consumers using cluster analysis (K-means cluster) according to the opinion about product placement and other marketing activities (advertisements). In the cluster analysis we included the most important statements which are influencing the judgment of product placement. They are the following:

- » Attractiveness of product placement
- » Product placement can influence my purchasing habits (influencing effect)
- » I have a positive opinion about product placement
- » I have a positive opinion about ads.

Our segmentation is a behavioural segmentation. In a behavioural segmentation, consumers are divided into groups according to their knowledge and attitude. During the clustering process we identified 4 clusters (segments). Detailed data of cluster analysis can be found in Table 2.

- » According to the opinion of Cluster 1’s members the influencing effect of product placement is very low, but they have positive opinion about it. Cluster 1 is the group of rationalists.
- » Members of Cluster 2 acknowledge the influencing effect of product placement and they have a positive opinion about product placement. But they have a negative opinion about advertisements. Cluster 2 is the group of theoretically impressionables.
- » Members of Cluster 3 deny the influencing effect of product placement and they have negative opinion about product placement. Cluster 3 is the group of the disgruntled.

Table 2: Understanding openness according to clusters

Statement	Average value in Cluster				F-rate	Sig.
	1.	2.	3.	4.		
Attractiveness of product placement*	2,04	1,70	2,77	1,81	29.166	0.000
Product placement can influence my purchasing habits (influencing effect)**	1,33	3,09	1,44	1,69	57.804	0.000
I have a positive opinion about product placement**	3,22	3,61	1,56	3,29	82.975	0.000
I have a positive opinion about ads**	1,58	1,61	1,56	3,31	94.033	0.000
Proportion of segment	46.1%	11.9%	20.2%	21.8%	-	-

\* 1=Usually I perceive product placements, they are interesting, I see the best brands; 2=Neutral, no special attention; 3= I am not happy when I see a product placement, a little bit disturbing; 4=Particularly disturbing

\*\*= 1- I do not agree with the statement, 5 - I fully agree with the statement

Source (both graphs & table): own research, 2012

<sup>3</sup> [http://en.wikipedia.org/wiki/Product\\_placement](http://en.wikipedia.org/wiki/Product_placement)

- » Members of Cluster 4 like product placements and television advertisements, too. Cluster 4 is the group of the rapturous.

In our questionnaire we asked consumers to define “product placement” and to mention brand names which can be seen in process of product placements on television. In doing so we measured the cognitive components of product placement. The most common responses and brand names are summarized in word clouds which can be found in Graph 3.

Graph 3: Word clouds of the definition of product placement and product placement’s brands



There are many definitions of product placement. But they are very similar, so we agree with a simple definition of product placement: „Product placement, or embedded marketing, is a form of advertisement, where branded goods or services are placed in a context usually devoid of ads, such as movies, music videos, the story line of television shows, or news programs. The product placement is not disclosed at the time that the good or service is featured.”<sup>3</sup>

According to Graph 3 we can state that consumers are able to define product placement: Product placement is a type of advertising which shows products and brand names in different programs. This definition is correct. The Hungarian New Media Law<sup>4</sup> contains a regulation which contributes to the increasing level of awareness: “Viewers shall receive unequivocal information on the fact that a product is being displayed. At the beginning and at the end of the programme including the product display and when the programme resumes after an advertising break, attention shall be drawn to the fact of product display in an optical or acoustic form” (Article 31.).

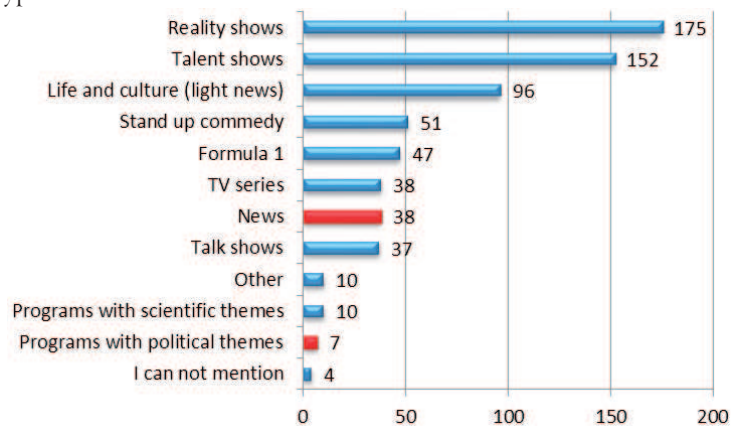
In our questionnaire we asked consumers to mention television programs where product placement occurs. Detailed data can be found in Graph 4.

We have to take note of respondents' answers. According to Hungarian New Media Law “... no product display shall take place in a news programme and political information programme...” (Article 30.) 6.8% of respondents are of the opinion that there is product placement in programs where it is forbidden by law (news, political programs). This means that either there occur product placements nevertheless or consumers feel that something is product placement which in reality is not.

### Summary

In Hungary, product placement becomes more and more accepted. Consumers can meet with product placement in an in-

Graph 4: Television programs where product placement occurs (summarized answers)



Source: own research, 2012

creasing number of places, too. Since the introduction of product placement there have been no comprehensive studies which were able to account for the effectiveness and influencing effect of product placement in consumers' purchasing habits. Product placement requires a new approach by advertisers and manufacturers. We have to learn effective ways of using of product placement. The Act CLXXXV of 2010 On Media Services And Mass Media in Hungary contains several regulations which aim to protect consumers. Therefore finding a balance which is favourable for the manufacturers, advertisers and consumers is not easy.

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<sup>4</sup> Act CLXXXV of 2010 On Media Services And Mass Media