Product placement can curb TV commercial audience loss by more than 10 percent

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Coordinating product placement with advertising in the same television program can reduce audience loss over commercial breaks by 10%, according to a new study in the Articles in Advance section of *Marketing Science*, a journal of the Institute for Operations Research and the Management Sciences (INFORMS).

Synergy or Interference: The Effect of Product Placement on Commercial Break Audience Decline is by David A. Schweidel, Associate Professor of Marketing at Goizueta Business School, Emory University, Natasha Zhang Foutz, Assistant Professor of Marketing at McIntire School of Commerce, University of Virginia, and Robin J. Tanner, Assistant Professor of Marketing at Wisconsin School of Business, University of Wisconsin-Madison.

"A 10% reduction in audience loss could generate substantial gains for networks and advertisers in the $600 billion ad industry that routinely measures and competes for audience changes in terms of a tenth of a ratings point," says Foutz.

Using second-by-second audience tuning, product placement, and advertising data provided by Kantar Media, the study finds that product placement affects the extent to which viewers tune away during subsequent commercials in the same television program. The authors reveal that this relationship depends on the nature of the brands and products featured in the product placement and advertisement, as well as the timing of the advertisement relative to the product placement. The study finds that product placement from different categories and brands can contribute to increased audience loss during the first advertisement of a break, which may stem from general message fatigue.

This story reverses, however, when the product placement and advertising are conducted for the same brand. In particular, when the same product is featured in the placement and the ad, the audience loss during the ad decreases by 5%. The largest synergy between product placement and advertising occurs when the placement and ad feature the same brand but different categories, giving rise to a 10.8% reduction in audience loss. According to author Tanner, "the synergistic effects that we observe reveal that the strategic use of product placement can contribute to increased audience sizes during a brand's subsequent commercials." But, reaping these benefits requires tight coordination between advertisers and the TV networks, especially as the synergies are lower when the placement and ad do not appear close together within the program.

The study also reveals that the synergistic benefits extend beyond the brand engaged in both product placement and advertising. That is, by reducing the audience loss during the first commercial of a break, the audience level for the remainder of the commercial break is higher. As a result, all subsequent advertisers in the same commercial break can benefit from the coordination of placement and advertising by the brand airing the first commercial. Networks also stand to benefit, because increased audience levels during commercials may make their programs more appealing for advertisers. Given these potential benefits, Schweidel suggests that "networks should consider providing marketers with an incentive to better coordinate their placement and advertising activities."

"Ads can't be effective if they're not seen," says Schweidel. "Our findings suggest that product placement efforts may offer two routes of effectiveness for marketers. One. as its own form of advertising, embedded within the program, and a second by increasing the reach of traditional television advertising." Based on the study findings, marketers may be in a better position to negotiate deals that include both product placement and advertising; networks might encourage such negotiations as the increased audience levels persist throughout the entire commercial break. Simply coordinating the timing of placements and commercials within the program can enable the same ad to reach a larger audience.

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