

Hulu's dance with brands

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Car commercials are the kind of thing that Mindy Lahiri, the titular character on "The Mindy Project," might impatiently fast-forward through or ignore while watching a bad reality-TV show. The Hulu comedy offered an alternative earlier this month for viewers of the latter mindset.

The brand-obsessed OB/GYN, played by Mindy Kaling, finds herself embarking on a trip to her alma mater to discuss egg freezing. And a new Lexus RX serves as the chariot for Mindy and her posse.

Product integration, in which products are blended into scenes, is hardly a new phenomenon. But the practice is becoming more prevalent in an era of commercial-free streaming and ad-skipping DVRs - nearly half of all commercials on prime-time shows won't actually be seen this year, according to the research firm Samba TV.

And networks increasingly are experimenting with reducing ad loads on some popular shows. NBC's "Saturday Night Live," for example, recently announced plans to reduce its ad load 30 percent next season while increasing the number of so-called branded sketches.

For Hulu, the trend represents a quandary: how to keep its relationship with advertisers who help finance much of its programming, without alienating viewers fed up with regular commercials.

The Los Angeles-area company, which is a joint venture of major TV network owners 21st Century Fox, Walt Disney Co. and Comcast's

NBCUniversal, has long stood as the outlier among the prominent subscription-based streaming services that have accelerated the trend toward commercial-free TV. Hulu, unlike its main rivals Netflix and Amazon, is ad-supported - a big appeal to commercial brands that are worried about losing their access to large TV audiences that are increasingly tuning them out.

To address the changing viewing habits, Hulu recently launched its own ad-free service and is finding creative ways to weave products into shows.

"It represents an opportunity for Hulu to make money, and for the show to make money, and for brands to reach their target audiences in ways above and beyond a 15-second or 30-second spot," said Peter Naylor, head of advertising sales at Hulu.

Naylor would not disclose how much money Hulu receives from advertisers.

The money producers can receive from brands for incorporating a product into a TV series varies widely based on factors such as the popularity of the program and whether the series is on a broadcast network, cable or streaming service, among other factors. Advertisers pay from \$50,000 to \$1 million to place a product into an episode.

Though it's not a new phenomenon, product placement is growing across television. Revenue from paid television placement is expected to reach nearly \$5 billion in the U.S. in 2015, up 14 percent from 2014, according to research from data provider PQ Media.

"Given the economic realities of the fact that commercials are a dying business, brand integration is definitely going to be increasing in frequency," said Ashwin Navin, chief executive of the analytics firm

Samba TV. "Would you rather sit through eight minutes of ads for 22 minutes of content? Or would you rather have product placement within the shows that didn't completely derail the plot line?"

Hulu is working with two brands for two of its comedies.

"The Mindy Project" featured the Lexus RX, a mid-sized SUV, in the episode that aired earlier this month. The comedy "Casual" incorporates Goose Island Beer Co. into episodes.

Brian Bolain, general manager of Lexus product and consumer marketing, said the company has been more aggressive in seeking out opportunities for brand integration in the last couple of years as viewer habits have shifted.

"People are very smart about advertising," he said. "I think it's nice to see products being used in situation settings that feel a little more real than what you see in a stylized commercial. And they actually see it."

It's a tricky balancing act, however, for the show writers. The key is finding the right fit between show and product. The TV streets, after all, are littered with egregious and clunky product placement moments.

Many chided Fox's "New Girl" for a two-minute sequence in 2013 that involved main character Jess (Zooey Deschanel) stumbling about as she modeled a Ford Fusion at a car show. "Modern Family" on ABC even devoted an entire episode last year to family members communicating entirely through Apple devices.

Matt Warburton, showrunner of "The Mindy Project," said product integration almost comes naturally on the show. In one scene Mindy touts the voice-activated radio of her Lexus.

"The Mindy character loves brands and shopping and consumer culture so much that it's always the easiest thing in the world for us to find ways to feature a brand in a subtle way that doesn't jump out to the audience and feels consistent with the storytelling we do," he said.

However, such moves shouldn't overtake the storytelling, said "Casual" creator Zander Lehmann. The show's main character, played by Tommy Dewey, has a preference for Goose Island Beer, which is featured in several episodes this season.

"What we're doing is clearly a mix between art and commerce," Lehmann said. "But I think you have to be aware and careful of how it's used and how it's done or else you end up being a 30-minute advertisement for people who pay your budgets. ... I haven't had that experience yet. But it's something I'm mindful in trying to avoid."

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