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Product Placement Begins To Ebb, But Paid Deals Soar

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WITH ALL THE TALK ABOUT new digital platforms for video, you might think marketers have forgotten about the tried-and-true product placement. But in a new edition of its annual survey, Stamford, Conn.-based PQ Media says product placement is still a healthy business, growing worldwide at 37% in 2006 to $3.36 billion. The pace of growth will slow a bit next year. PQ Media is forecasting growth at 30% in 2007 to $4.38 billion. The growth of the non-paid part of the product-placement business will cool, too. This is the biggest part of the industry, including barter and other valued-added deals. According to the survey, it's estimated to be just 12.5% in 2007, registering a value of $4.95 billion. By comparison, the value was $4.4 billion in 2006.

Still, the survey says product placement continues to be robust and will have a strong future. One reason: European growth has been fueled by the relaxation of rules governing placements through a "Television without Frontiers" initiative that has largely affected the U.K., Spain and Italy.

The U.S. continues to be the dominant country for paid-product placement business--representing more than 66% of the worldwide business. Next year, PQ projects the U.S. will pull in $2.90 billion. Countries that will follow the U.S. in terms of size include Brazil, Mexico, Australia and Japan. China will be the world's fastest-growing country, projected to grow by 34.5%. The next big increases will come from the U.S., Italy, India and Canada.

TV is still the biggest medium to place products, accounting for almost three-quarters of the entire business. It had global spending of $2.40 billion in 2006. TV is expected to grow just under 34% in 2007. For marketers, it's an avenue that can circumvent DVR-enabled ad skipping. In addition, there is an increasing belief that the tactic can sometimes be more effective than the 40-year-old 30-second spot.

By contrast, product placements in film are less than half that of TV, with movies pulling $885.1 million in 2006--and are expected to grow at a slower place than TV, just over 20% for this year.

Collectively, other platforms to place products account for just 2% of the business. This includes video games and the Internet, with most targeted at the young 18-34 demographic. But PQ says this area will show marked growth in 2007, exceeding 30%. The findings come from the PQ Media Global Product Placement Forecast Series 2006-2010: Country-by-Country Analysis.