

PRACTICAL USE OF PRODUCT PLACEMENT IN SLOVAKIA WITHIN 2007 – 2017

Peter Štarchoň – Bianka Chorvátová

ABSTRACT:

Product placement law regulation has significantly changed the use of it in Slovakia in the past decade. A specific questionnaire concerning companies using several advertising channels and based on its results, the current status of the usage of product placement, advertising law comparison from 2007 and 2017, and analysis of other legislative materials, this article was made. According to this questionnaire, we were able to point out how has the usage of product placement changed. Law changes have changed the way product placement can be used in everyday life, therefore some recommendations for active product placement users were made.

KEY WORDS:

advertising law, product placement, product placement law, product placement regulation, use of product placement

1 Product placement and its use

Product placement is most commonly referred to as a paid placement of products, brands, or its parts into an artwork. Typically, these products, brands, or parts are placed in an audiovisual environment. The product can be a part of a scene, it can be presented verbally or used by the main character on the scene.¹ Product placement is the process whereby logos, products, brands, trademarks, etc. are placed in audiovisual or other artworks. The essence of product placement is that these items are placed with financial or other consideration. We can place products as engaging, integrating brands, services, and products into any artwork.² Usually the brands are incorporated into artworks to maintain the feeling of real world³ but usually product placement is just “placement” of a product, brand, and logo into an artwork for some form of compensation. Product placements can be subtle or inconspicuous, or they can range from brilliant to remember to awkward or

1 HESKOVÁ, M., ŠTARCHOŇ, P.: *Marketingová komunikace a moderní trendy v marketingu*. Praha : Oeconomica, Vysoká škola ekonomická, 2009, p. 33.

2 See: HORŇÁK, P. et al.: *Velký slovník marketingových komunikací*. Praha : Grada Publishing, 2012, p. 43-177.

3 OWEN, R.: *TV Q&A: ABC News, 'Storage Wars' and 'The Big Bang Theory'*. [online]. [2018-04-22]. Available at: <<http://communityvoices.post-gazette.com/arts-entertainment-living/tuned-in/31514-tv-qaa-abc-news-storage-wars-and-the-big-bang-theory>>.

obnoxious so viewers would rather never see the artwork again.⁴ Consumers are covered in advertisements – online, TV ads, billboards,... The use of product placement has grown due to its inability to “skip” it (such as TV ad) in artwork and subtle but strong influence when used correctly. Moreover, when product placement is paired with various advertising activities, the brands can reach larger audience.⁵

Sunlight soap in Lumiere movie in 1876 can be considered as the very first movie product placement.⁶ But when we think about product placement appearing in books or paintings, the first product placement dates to 1873 (Jules Verne’s *Around the World in Eighty Days*) or 1881-1882 (Edouard Manet – *Folies Bergere* painting). Even though it’s hard to tell if both artists used product placement on purpose, by contemporary definitions of product placement, mentioning transport and shipping companies and using a specific beer in the painting is considered as product placement.⁷ We recognize several types of product placement, such as film, barter, digital, computer games, internet, virtual, location product placement. The most popular is film product placement – movies such as *E.T.*, *Jurassic Park*, or *Top Gun* have iconic product placement that is discussed over and over again. Then we have movies such as *Cast Away* or *Internship*, where the product placement is just one huge advertisement, and the product placement is so obnoxious that every time a viewer remember such movie, all they think about is a specific brand.⁸ Another special category is faux product placement of fictional brand. The most iconic faux product placement maker is director Quentin Tarantino, there are many memorable movies with brilliant faux products advertised such as “normal” products. *Bubba-Gump Shrimp Company* (*Forrest Gump*), *Zii console* (*The Simpsons*), *Marshmallow man* (*Ghostbusters*) or *Morley cigarettes* (*X-Files*). Product placement can lead to higher purchase intention, change in purchase decision, change in

4 ROSE, S.: *As seen on TV: why product placement is bigger than ever*. [online]. [2018-04-22]. Available at: <<https://www.theguardian.com/tv-and-radio/2014/jun/24/breaking-bad-tv-product-placement>>.

5 ON MARKETING: *Synergy Or Interference? How Product Placement In TV Shows Affects The Commercial-Break Audience*. [online]. [2018-04-22]. Available at: <<https://www.forbes.com/sites/onmarketing/2014/09/08/synergy-or-interference-how-product-placement-in-tv-shows-affects-the-commercial-break-audience/2/#1cfef1116622>>.

6 HESKOVÁ, M., ŠTARCHOŇ, P.: *Marketingová komunikace a moderní trendy v marketingu*. Praha : Oeconomica, Vysoká škola ekonomická, 2009, p. 33.

7 For more information, see: LEHU, J.: *Branded Entertainment: Product Placement & Brand Strategy in the Entertainment Business*. London : Kogan Page Publishers, 2007.

8 See: HORŇÁK, P. et al.: *Velký slovník marketingových komunikací*. Praha : Grada Publishing, 2012.

attitude towards the brand, or it can have negative effect on consumers – if the product placement is obvious or the consumers feel manipulated.⁹

1.1 Product placement legislation

Although the product placement has been used for decades around the world, there are some differences between the legislative regulation of product placement in Slovakia and the United States. In Slovakia, product placement was considered as hidden advertisement until 2009. By joining the European Union, Slovakia committed to adapt EU legislative norms to Slovak conditions. Therefore, Directive 2007/65/EC of the European Parliament and of the Council in 2007 had to be adapted within two years. This Directive was incorporated into Act 308/2000 Coll. Broadcast and Retransmission. In the United Kingdom, product placement has been legislatively regulated since 1934 (75 years longer than in the Slovak Republic) by the so-called Communications Act. Product placement will be allowed within the EU but under strictly defined conditions. For example, placing products in news, children's programs, and documentaries will be prohibited. In other cases, the obligation to inform viewers that a product placement appears in the program has to be followed.¹⁰

However, many gaps in this law allow producers and company owners to use product placement much more than in Slovakia or European Union in general. In many EU countries, product placement was not legally regulated or banned (considered as hidden advertising) before the Directive amendment was introduced in 2007 (implemented in 2009). Nowadays, product placement is allowed in almost all EU countries. In most cases, product placement is subject to various restrictions, mostly it cannot be used in news, children's programs, and product placement of tobacco products is also the most common restriction of product placement. With the introduction of the amendment to television broadcasting, the audiovisual media services rules have been modernized and technological developments have made the audiovisual sector more flexible in the EU. This amendment is known as "Audiovisual Media Services without Borders".¹¹ All countries had two years to introduce it into their own legislation, but the directive left countries free

9 See: FONG YEE CHAN, F., LOWE, B., PETROVICI, D.: Processing of product placements and brand persuasiveness. In *Marketing Intelligence & Planning*, 2002, Vol. 34, No. 3, p. 355-375.

10 STACHOVÁ, P.: Reklama z pohľadu slovenskej a európskej legislatívy. In *Marketing Inspirations*, 2007, Vol. 2, No. 1, p. 32.

11 *Komisia víta začiatok novej éry pre európske audiovizuálne médiá*. [online]. [2017-02-18]. Available at: <http://europa.eu/rapid/press-release_IP-07-1809-sk.htm>.

to set rules on product placement by themselves.¹² In Europe, the broadcasts were funded mainly by the government and therefore television programs were educational and socially responsible. After the liberalization of telecommunication broadcasts, private televisions began to be created. The main sponsor was not the government, and the programs were gradually losing their former character and starting to resemble American programs. Still, product placement in European broadcasting is not as exploited as in the US, mainly because of legislative measures that are stricter in Europe than US measures.¹³ Similarly, European and Slovak ethical self-regulation of advertising is more strict than American. The EU and Slovakia pay more attention to the impact of product placement on the consumer than on the benefits it brings to producers and owners of companies that place their products in audiovisual works mostly for profit. In Slovakia, product placement has been legally regulated since 2009 in Act 308/2000 Coll. on Broadcasting and Retransmission under Directive 2007/65 / EC of the European Parliament and of the Council. Product placement is defined as “audio, video or audio-visual information about a product, service, or trademark, included in the program in return for payment or any other equivalent.”¹⁴

Paid product placement is permitted in entertainment and sports programs, films, cinematographic works and serials. The editorial independence of the broadcaster must also be preserved, product placement must not explicitly encourage purchases, rentals, or sales of products or services, the product placement must not impose an unimportant significance. Consumers must be aware that there are products used in the artwork at the beginning of the broadcast, at the end of the broadcast, and also after each interruption (after ads). This Regulation does not apply to programs not produced by the broadcaster or the media service provider.¹⁵ This means in practice that, for example, TV JOJ has to notify the audience of its original works (series, movies) that products were used in the program, but when TV JOJ

12 WINTER, F.: *Product placement v zemích EU*. [online]. [2017-09-16]. Available at: <<http://www.epravo.cz/top/clanky/product-placement-v-zemich-eu-55412.html>>.

13 AL-KADI, T.: *Product Placement: A Booming Industry in Search of Appropriate Regulation*. [online]. [2017-02-26]. Available at: <<http://www.ibimapublishing.com/journals/JMRCS/2013/561655/561655.pdf>>.

14 §39a (1). *Zákon č. 308/2000 Z.z. zo 14. septembra 2000 o vysielaní a retransmisii a o zmene zákona č. 195/2000 Z.z. o telekomunikáciách*. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.

15 §39a (1). *Zákon č. 308/2000 Z.z. o vysielaní a retransmisii*. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.

broadcasts a work that does not belong to its own production, they don't need to notify viewers. Under the Broadcasting and Retransmission Act, product placement is banned in programs for children under the age of 12, and there is also a ban on the placement of tobacco products and cigarettes in audiovisual works.

Even though product placement can be considered as a certain type of advertising, it does not count towards the broadcast time that is reserved for ads (at most 0.5% of the daily broadcasting time for ad spots, and it cannot exceed 12 minutes within one hour). Although Article 39a of the Broadcasting and Retransmission Act does not regulate product placement of weapons, drugs, psychotropic, narcotic and addictive substances, Section 33 of this Act (advertising in general) is applicable.¹⁶ This is so in order to protect the consumer against the adverse effects of such promotion, especially minors. In order to prevent violations of Act no. 308/2000 Coll. on broadcasting and retransmission and Act no. 195/2000 Coll. on Telecommunications, an administrative body known as the Council for Broadcasting and Retransmission has been established in Slovakia, which addresses several violations of the law in connection with product placement annually. Each year in April, the Council submits a report to the National Council of the Slovak Republic on the state of broadcasting in Slovakia and the activities of the Council for Broadcasting and Retransmission. In order to see how the amendment to the law changed the use of advertising and especially product placement, we decided to develop a questionnaire to see how companies use product placement in comparison to other marketing communication elements. It is also possible to see the change between years 2007 and 2017.

2 Evolution in Marketing Communications in Slovakia

The research took place in 2007 and 2017 – they were both identical. The sample size was 300 companies with reliability of 95 and sample error of 4 percent. The goal of the research was to address and evaluate the changes in usage of product placement and other communication channels in Slovak companies. In 2007, the sample was drawn from the database ELIS with 410 503 companies. Sample selection criteria were size of the business, region, legal form, and turnover. We obtained names and addresses of people responsible for marketing activities of selected companies. We handed out the questionnaire to the respondents; this questionnaire contained questions on marketing communication – interest in IMC, communication

16 §33, §36, §37a (1), §39a (1). *Zákon č. 308/2000 Z.z. zo 14. septembra 2000 o vysielaní a retransmisii a o zmene zákona č. 195/2000 Z.z. o telekomunikáciách.* [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.

usage, organization, coordination, and sourcing similarities and differences among different business types. Changes based on the suggestions of responders were made prior to the initial mailing of the questionnaire, which provided over 300 usable questionnaires. In 2017 convenience, sampling was used to get the comparable sample of 300 companies to assess the changes in marketing communication in Slovak businesses.¹⁷ Although it is a comparison within a decade, the limitations of the research are that samples are not representative.

2.1 Product placement in 2007 vs. 2017

As seen in Table 1, advertising in general has increased for more than 10%. Also, it is still the most used type of communication, even though the use of interviews was slightly higher in 2007 on both TV and radio. We expected the trend in using product placement to increase, as the amendment to the Advertising Law makes the use of product placement comprehensible and rather easier to use. But we can see that on TV, the product placement has dropped by 9% in 2017. This can be due to higher fees and fines, excessive use of placing international brands and the lack of information about product placement among ordinary customers. In Slovakia people are not used to "Slovak product placement", they are in general more reluctant to notice brands, logos and products in audiovisual artwork. On the other hand, respondents could have lied or misunderstood the question in one of the researches because in Graph 1 we can see that 64 respondents out of more than 300 use product placement nowadays. However, the use of product placement in radio has risen by 9% in 2017. This can be because radio product placement is cheaper, easier to proceed and it's easier to get into people's subconscious. They usually listen to the radio when driving or at work, and even though they usually do not concentrate actively when listening to the radio, they "recognize" the name of the brand easily when seen in person, because "they have heard about it somewhere". We didn't include the question about product placement on the internet, as it's arduous to distinguish internet advertising and internet product placement.

Advertisers benefit from product placement for several reasons. In addition to growing consumer resistance towards traditional forms of communication, significant consideration is given to product placement, especially in terms of development of a digital area and technologies that allow the elimination of advertising incentives. Significant arguments for suppliers are also lower

17 ŠTARCHOŇ, P., VILČEKOVÁ, L.: Evolution of Marketing Communications in Slovakia. In *24th EBES Conference – Bangkok Program and Abstract Book. Conference Book*. Istanbul : EBES Akşemsettin Mah. Kocasinan Cad. Erenoğlu, 2018, p. 442-447.

financial demands compared to the classic form of communication with similar reach. An interesting lesson can be that integration in audiovisual works moves marketing-oriented communication from a “reserved space” that shows signs of saturation directly into the center of attention. The consumer is exposed (for example, when watching a movie) to a marketing intention in a natural environment and is in a receptive state. Finally, the recipient often does not even notice a commercial stimulus. Product placement also speaks of the fact that product placement bearers are not time-limited media, and the number of repetitions and brand exposures are not limited. Generally speaking, the lifecycle of such an incorporated message can be considered extremely long. Emotional engagement of product placement and its connection to the content of the work and implicitly to the consumer is one of the most significant advantages of product placement compared to other marketing communication techniques.¹⁸

Table 1: Using TV and radio as a communication tool

TV	2007	2017
Advertising	23%	34%
Sponsorship	7,5%	17,5%
Consumer Contest	19%	31%
Interviews	23,5%	41%
Product Placement	10%	1%
RADIO	2007	2017
Advertising	23%	41%
Sponsorship	6%	16%
Consumer Contest	10%	21%
Interviews	25%	31%
Product Placement	2%	11%

Source: own processing

As seen in Chart 1, the use of product placement is more significant on TV. The use of product placement in cinema wasn't so popular back in 2007 but nowadays Slovak producers and filmmakers are creating more and more original movies. Therefore 58 respondents plan to use product placement in cinemas in the future. This form of product placement is usually the most expensive but the most efficient. Especially when combined with other marketing communication tools. Also radio product placement became more popular (Table 1) and it seems companies realized its effect vs. cost. 59 respondents plan to use radio product placement in the future.

18 SLÁDEKOVÁ, J.: Product placement alebo Raňajky u Tiffanyho. In *Marketing Inspirations*, 2007, Vol. 2, No. 2, p. 23.

The lowest rise is in television product placement. It can be due to the fact that TV product placement is nowadays legally covered but radio product placement is not legally covered yet. There are set of rules when it comes to sponsorship (paid product placement can be considered as sponsorship) but the word “product placement” cannot be found anywhere in the law.¹⁹ The change in law can lower the amount of companies that want to use product placement in radio broadcast in the future but it may set the rules clearly so the companies will understand how to use product placement properly (in both radio and TV/cinema) and therefore the profit will rise with the rising trend of product placement usage.

The use of product placement in 2017

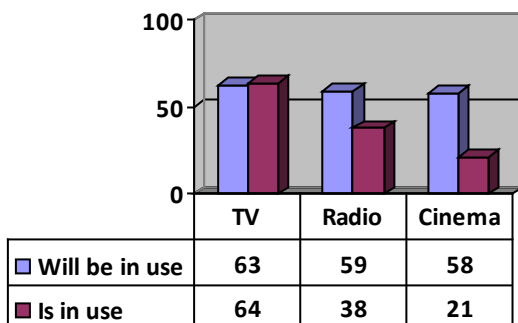


Chart 1: Results of marketing research

Source: own processing

Customers still see product placement as hidden advertising in Slovakia. They don't pay attention to labels at the start of the original Slovak movies or series but on the contrary they are used to product placement in foreign audiovisual artwork. They don't mind seeing it until you specifically ask them about the product placement – then sometimes people get irritated by “hidden advertising” and “subliminal influence” they can't resist. If they notice product placement by themselves (excessive usage) then they understand that a company tries to sell them their product. And they can choose whether they like it or not. But if they are not aware of it they might feel betrayed

19 See: 468/1991 Zb. Zákon z 30. októbra 1991 o prevádzkovaní rozhlasového a televízneho vysielania. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/1991/468/19911122.html>>; Zákon č. 532/2010 Z. z. Zákon o Rozhlase a televízii Slovenska a o zmene a doplnení niektorých zákonov. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2010/532/20140101>>.

because they want the product “just because they saw it somewhere”, not because it’s good quality. We believe that people can change mind if they are aware of product placement, how it works and what it brings both to producers and companies. Therefore companies can create better strategies for targeting new customers which will be both profitable and acceptable by general public. As we can see in this article, the use of product placement “in real life” can be tricky even if we have better legislation and regulation system for it. Our recommendation is for companies to monitor the situation on the market, whether the product placement is better accepted by the general public or if they have to search for some special marketing communication channels in Slovakia.

BIBLIOGRAPHY:

- §33, §36, §37a (1), §39a (1). Zákon č. 308/2000 Z.z. zo 14. septembra 2000 o vysielaní a retransmisii a o zmene zákona č. 195/2000 Z.z. o telekomunikáciách. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.
- §39a (1). Zákon č. 308/2000 Z.z. o vysielaní a retransmisii. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.
- §39a (1). Zákon č. 308/2000 Z.z. zo 14. septembra 2000 o vysielaní a retransmisii a o zmene zákona č. 195/2000 Z.z. o telekomunikáciách. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2000/308/20180901.html>>.
- 468/1991 Zb. Zákon z 30. októbra 1991 o prevádzkovaní rozhlasového a televízneho vysielania. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/1991/468/19911122.html>>.
- AL-KADI, T.: *Product Placement: A Booming Industry in Search of Appropriate Regulation*. [online]. [2017-02-26]. Available at: <<http://www.ibimapublishing.com/journals/JMRCS/2013/561655/561655.pdf>>.
- FONG YEE CHAN, F., LOWE, B., PETROVICI, D.: Processing of product placements and brand persuasiveness. In *Marketing Intelligence & Planning*, 2002, Vol. 34, No. 3, p. 355-375. ISSN 0263-4503.
- HESKOVÁ, M., ŠTARCHOŇ, P.: *Marketingová komunikace a moderní trendy v marketingu*. Praha : Oeconomica, Vysoká škola ekonomická, 2009.
- HORŇÁK, P. et al.: *Velký slovník marketingových komunikací*. Praha : Grada Publishing, 2012.
- Komisia víta začiatok novej éry pre európske audiovizuálne médiá. [online]. [2017-02-18]. Available at: <http://europa.eu/rapid/press-release_IP-07-1809_sk.htm>.
- LEHU, J.: *Branded Entertainment: Product Placement & Brand Strategy in the Entertainment Business*. London : Kogan Page Publishers, 2007.

ON MARKETING: *Synergy Or Interference? How Product Placement In TV Shows Affects The Commercial-Break Audience*. [online]. [2018-04-22]. Available at: <<https://www.forbes.com/sites/onmarketing/2014/09/08/synergy-or-interference-how-product-placement-in-tv-shows-affects-the-commercial-break-audience/2/#1cfe1116622>>.

OWEN, R.: TV Q&A: ABC News, 'Storage Wars' and 'The Big Bang Theory'. [online]. [2018-04-22]. Available at: <<http://communityvoices.post-gazette.com/arts-entertainment-living/tuned-in/31514-tv-qaa-abc-news-storage-wars-and-the-big-bang-theory>>.

ROSE, S.: *As seen on TV: why product placement is bigger than ever*. [online]. [2018-04-22]. Available at: <<https://www.theguardian.com/tv-and-radio/2014/jun/24/breaking-bad-tv-product-placement>>.

SLÁDEKOVÁ, J.: Product placement alebo Raňajky u Tiffanyho. In *Marketing Inspirations*, 2007, Vol. 2, No. 2, p. 23-31. ISSN 1336-796X.

STACHOVÁ, P.: Reklama z pohľadu slovenskej a európskej legislatívy. In *Marketing Inspirations*, 2007, Vol. 2, No. 1, p. 28-39. ISSN 1336-796X.

ŠTARCHOŇ, P., VILČEKOVÁ, L.: Evolution of Marketing Communications in Slovakia. In *24th EBES Conference – Bangkok Program and Abstract Book. Conference Book*. Istanbul : EBES Akşemsettin Mah. Kocasinan Cad. Erenoğlu, 2018, p. 442-447.

WINTER, F.: *Product placement v zemích EU*. [online]. [2017-04-16]. Available at: <<http://www.epravo.cz/top/clanky/product-placement-v-zemich-eu-55412.html>>.

Zákon č. 532/2010 Z. z. Zákon o Rozhlase a televízii Slovenska a o zmene a doplnení niektorých zákonov. [online]. [2017-02-26]. Available at: <<https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2010/532/20140101>>.

Contact data:

prof. Mgr. Peter Štarchoň, PhD.
Comenius Univeristy in Bratislava
Faculty of Management
Odbojárov 10
820 05 Bratislava
SLOVAK REPUBLIC
peter.starchon@fm.uniba.sk

Mgr. Bianka Chorvátová
Comenius Univeristy in Bratislava
Faculty of Management
Odbojárov 10
820 05 Bratislava
SLOVAK REPUBLIC
bianka.chorvatova@gmail.com