

Brand product placement grows as commercial-free content, DVR use increases

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Hulu's delicate dance with advertisers and consumers

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 offers an alternative this week for viewers of the latter mind-set.

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% 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 Santa Monica 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% 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 this week's episode. 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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