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Product Placement: A Booming Industry in Search of Appropriate Regulation

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Abstract

Product placement is a booming practice that, in some cases, seems as the viable alternative to traditional advertising. The paper discusses the growth of the promotional technique of product placement. The size of the product placement industry and its penetration of different mediums are closely examined. This is followed by a detailed comparative analysis of product placement practices around the world and investigation of the factors that help shape country-specific regulation.

Keywords: Product placement, advertising, regulation.

Introduction

Product placements are best illustrated through examples. Williams et.al (2011) supply readers with a long list including Austin Powers blasting off in a Big Boy statue rocket, Will Ferrell promoting Checkers and Rally's Hamburgers in the comedy *Talladega Night*s, MSN appearing in *Bridget Jones' Diary*, and the *Forrest Gump* script utilizing the Bubba Gum Shrimp Co. restaurants. This relatively new technique is widely used and prevalent in almost all mediums. Various studies indicate that product placement is growing as a viable alternative to advertising. The following is a thorough examination of product placement literature which sheds light on the history, financial value, and divergent international regulatory policies associated with this practice. The aim is to provide marketers with a realistic assessment of product placement's potential and limitations.

Product Placement Definitions and Examples

The value of product placement is better appreciated when one analyzes the numbers associated with this marketing phenomenon. According to the Reed Business Information (2002) in the James Bond film *Die Another Day*, Ford motor company spent $35 million to replace BMW as the official auto supplier for the James Bond brand . In the same film British Airways flies James Bond and Omega is prominent on his wrist. In total, *Die* Another Day contained product placements for 20 consumer brands. In addition to film product placements have found their way into television, songs, books and video games.

According to Kim and McClung (2010) product placement is on the rise in the video game sector. For example, in 2004 Electronic Arts Inc. (EA), an internationally renowned video game publisher earned an estimated $1.5 million in revenue from five in-game product placement deals with advertisers. Similarly, Gutnik et al. (2007) state that spending on in-game product placement was estimated at $300 million in 2007, with projections of $1 billion in spending by 2010.

Product placement may deceptively appear as a recent technique born in the last thirty years. Researchers like Karniouchina, Uslay, and Erenburg (2011), believe that product placement originated in the 1970s. This is mainly because product placement shot to fame after the use of Reese's Pieces chocolate brand in *E.T.* the Extra Terrestrial film, in 1982 (Yu, 2006).

However, Newell (2006) traces the development of product placement and demonstrates that product advertising has been intertwined with motion pictures and television communities since the 1890s. He cites as an example the1895 the Lumiere brothers' film *The Card Game* in which there is a product placement of a beer by Frank Claire, the Lumiere brothers' father in law. Additional early examples of product placement include, Thomas Edison's film *Streetcar Chivalry* in 1905 which takes place in a commuter car full of posters for Edison's products and photos promoting his industries. By the 1930s it was a common practice to have "tie-ups" in which products were offered rent free in return for publicity (Newell et al., 2006). Not only were there early examples of product placements, but there were also early effort of product placement regulation. According to Newell et al. (2006) the first instance of product placement regulation appeared in 1949 when a mention of Southern Comfort was deleted from a comedy show, because it appeared to be too commercial. At that time comedy writers being paid by publicity agents to use certain brands in scripts emerged as a serious concern about media ethics.

The definition of product placement has evolved over the years. Earlier examples of product placement were more focused on the mediums of film and television. Gupta and Gould (1997) described product placement as the integration of brands into films in return for money or some form of promotion. Product placement is defined by Balasubramanian (1994) as a paid product message aimed at persuading audiences through the planned inclusion of a branded product into a movie or television program. With time more up to date and all encompassing definitions of product placement were developed. Wenner (2004) describes product placement as the use of a brand by an actor in a film or television, or the incorporation of a brand in the background of a scene. It may also involve the use of a brand logo, a shot of a brand's billboard, or even the airing of a brand commercial in the background. Kim and McClung (2010) believe that the meaning of product placement has evolved as various promotional techniques developed and become more sophisticated. Generally, product placement refers to the incorporation of brands in film, television programmes, music videos, games, plays or books for promotional motives in return for financial or other privileges (Kim and McClung, 2010). A recent interesting view defines product placement as the merge of entertainment and advertising by plugging a product within engaging media content. (Williams et al., 2011) The expansion of product placement into new social media and interactive games is gaining more attention. According to Kureshi (2010) product placement research in traditional media like television and film is decreasing as product placements appear in newer media like computer, video, digital, online, and simulation games.

Russell (1998) distinguishes between three types of product placement. The first is screen placement which contains a visual component such as an outdoor sign of a brand in the background of a scene. The second is script placement with an audio component such as mentioning the brand name. Finally, she identifies plot placement or connection to the plot. This occurs when the brand is an integral part of the plot like the car in *James Bond* films (Russell, 1998).

According to Wenner (2004) the concept of product placement originated from the need to have realistic television and film settings and props. Typically, producers assessed scripts and listed product placement possibilities which were then communicated to companies with the relevant brands. However, the process has evolved in recent years. Product placement agencies are more proactive nowadays. Most of them initiate communication with TV and movie producers to discuss product placement prospects.

The Size and Financial Impact of the Product Placement Industry

Product placement spending certainly draws attention to this booming business. Homer (2009) states that the global business of product placement was approximately US $7.5 billion in 2006 and estimated to beat the US $14 billion high by 2011. However, although the numbers are big, researchers seem to have a discrepancy in their figures. For example, Lehu (2007) mentions that in the US product placement spending rose from US $190 million in 1974 to US $3.458 billion in 2004. On the other hand, A report by PQ Media (2008) found that product placement spending in the United States reached $2.9 billion in 2007. According to this report product placement was projected to reach $5.6 billion in 2010 with a growing at a rate of 34% annually between 2007 and 2010.

Despite their varying figures, most of the research reviewed {Lehu (2007); Nelli (2009); Beale (2011); PQ Media (2008); Reed Business Information (2002); Kim and McClung (2010);

Gutnik, Huang, Lin, and Schmidt (2007); and Homer (2009)} forecasts the product placement business to be growing and booming. On the other hand, Karniouchina et al. (2011), have disagreed with this prediction. They warn that product placements will not continue to boom, but will have diminishing effects with time, which will consequently curb their growth rates.

The rise to fame of the product placement technique did not only originate as a powerful promotional tool for brands. Product placement was also launched because of its perceived lucrative financial value to filmmakers and broadcasters in need of funding their dream projects. Lehu (2007) explains that a state of increased competition in the filmmaking industry requires higher initial investments to secure a good crew, well-known actors and a good director, in the hope that this would generate the expected box-office revenues. In this manner product placement contracts have become a crucial source of finance whether through direct funding or through providing the necessary film props free of charge.

Regardless of whether the deals were driven by producers seeking to reduce production cost by acquiring free props or services, studios and manufacturers willing to create cooperative marketing arrangements that simultaneously sought to move product and sell tickets, producers seeking to raise revenue in a pay-for-show advertising model, or even television program staffers willing to accept outside income, the business of product placement has been an integral and active portion of mass media for more than a century.(Newell et al., 2006).

Apart from the conspicuous dominance of the United States in the product placement industry, the industry is booming in many other countries including Latin American ones. In general, the continent's renowned telenovela (soap opera) production industry is financed in part by revenues from product placements. According to Russell and Stern (2006) Brazil's product placement industry is the most prominent in the region. Brazilian soap opera production is partially subsidized by government funding, but product placement is the main source of funding.

Nelli (2009) states that following the US and Brazil, Italy is considered the third fastest growing product placement market globally.

It is estimated to have crossed $123 million after 2009. He argues that product placements have been providing significant cost-savings and economic benefits to moviemakers, which have replaced funding previously received from the government. He claims that projections for the following year estimate Italy's product placement industry to reach $123.0 million.

Product placement is also growing in the UK. Although traditionally limited to film and only recently permitted on television, many producers welcome this new revenue stream. The funding is essential for the production of new programs and films, because filmmakers and broadcasters are not capable of being the sole financers. Beale (2011) believes that product placement could easily translate into £150 million per year in revenues for British television. Various UK industry professionals are eager for the newly legalized product placement and believe that what is key is ensuring that product placement produces new revenue (2011b)

As in the UK, India's filmmakers have become reliant on product placement in the massive Bollywood industry. Nelson and Devanathan (2006) state that Indian films are generally self-financed. The authors note the growth of product placement in India with local as well as multinational sponsors. A prominent example of this is in Coca-Cola product placements. In the 1991 film *Taal* the lead couple romance over a bottle of Coke. (Nelson and Devanathan, 2006). In 2001 Coca-Cola sponsored two major Bollywood films. The soft drink company paid US$670000 for its brand to be placed in the film *Yaadein* thereby covering around or about 20% of production costs (Nelson and Devanathan, 2006). Also in the same year in *Mohabbatein* Coca-Cola verbal mentions signs are eminent in background setting (Nelson and Devanathan, 2006)

In Korea a screen quota system that aims at increasing local production to face foreign competition, has meant that additional American style high budget box office hits needed be produced. To illustrate Sung et al. (2008) state that the while the average Korean film cost $1 million in 1996, it rose to an average of $4.2 million in 2004. They add that without using product placement, it becomes very difficult to cast popular Korean actors. Product placement was first used in the 1992 film *Marriage Story*. The film was officially sponsored and partially financed by Samsung Electronics Co. Following the debut of Korean product placement in 1992 the frequency of product placements grew exponentially.

This was strongly felt when several years later in *Swiri* (1998), the third most successful film in Korean box-office history approximately 30 different brand placements from various product categories were used. (Sung et al., 2008)

The power of product placement lies not only in the growing size of this business on a global scale but also in the diminishing returns of other traditional sources of revenue needed for the production of films, television programs and other media. Another relevant point is to examine who stands to financially benefit from product placement. Here it is interesting to learn how product placement revenue will be split between advertisers, program producers and broadcasters.

Lehu (2007) explains that the product placement financial contract is either a straight contract based on a payment in exchange for placement of product or an agent-commissioned contract with the agent getting a percentage of the overall value of the contract. He adds that the cost of placing a product in a movie varies based on the movie genre, the actors involved, the duration of use of the brand on the screen, and the potential impact of its use or the number of audiences reached.

The Impact of Declining Advertising Revenue

The value of product placement as a source of funding is better appreciated when one examines the declining income generated by advertisements. When advertisements generate less income, broadcasters and filmmakers have less to fund the production of films and television programs. Esser (2009), Basso (2009) and Lehu (2007) describe the declining revenue of advertisements due to a general audience repulsion created by ad clutter and the growth of advertising skipping techniques. Esser (2009) adds that relying on advertising funds is not as effective as it used to be, because of the tremendous number of channels that exist nowadays, and thus decreased viewership per channel, as well as ad skipping techniques. This has led producers to turn to other sources of funding such as subscription fees or sponsorship. Basso (2009) refers to a sharp decline in advertising revenues in the UK due to fragmenting audiences and the increasing use of ad-skipping technologies and services such as personal video recorders and SkyPlus. Lehu (2007) notes that from a communications point of view the fragmentation of audience has drastically lowered advertising effectiveness in both TV and cinema. He also refers to the rising popularity of TiVo and DVR which lure audiences by eliminating advertisements from films and TV shows. When this happens, advertisers stop paying for the content which as a result is no longer financed. He distinguishes between the impact of lowered advertisement profits on television and film stating that the dramatic rise in the cost of ads on TV and the increased number of channels challenges the effectiveness of advertisements on television. In film, however, the problem is exacerbated because in addition to the overall decline of advertising power, in cinema ".... the spectrum of genres and types of films is particularly broad. Admittedly, it is one of the more difficult genres to sell to potential advertisers. This being so it is not always a question of audience volume, but of the foreseeable quality of the audience" (Lehu, 2007)

In this manner, the potential power of product placement stems from its ability to replace traditional advertisements as a financially lucrative promotional tool that cannot be skipped or eliminated from film scenes and program segments.

Despite the seemingly inverse relationship between the growth of product placement and the growth of advertising, product placement is gaining momentum in regions where advertising is still booming as a main marketing technique. For example, advertising which may be on the decline globally, is still booming in the Middle East. Gouaaybess (2008) claims that advertising in the Arab world is growing rapidly . She states that ads have become the only credible alternative, for both political and economic reasons noting that there is a great financial opportunity for Arab operators created by the growth of the advertising market. She describes the relationship of advertising and broadcasting in the Arab region as growing together in harmony. Hammond (2004) also alludes to the exaggerated growth of the advertising industry through billboards, TV commercials. Similarly, Sakr (2007) confirms that advertising is a main source of funding in the Middle East. She notes that advertising revenue finances content to an extent that the interests of advertisers influence program development and scheduling.

Despite the above findings, product placements in the Arab world continue to grow side by side along with advertising. Movies and television shows have become embedded with product placements of cars, junk food, tobacco, brands, soda drinks, as well as restaurants and cafes. The reason for this simultaneous boom is purely financial. Many indicators reveal a deep need in Middle Eastern media for additional funding sources. This is where techniques like product placement may be useful. Sakr (2007) states that advertising industry in the Middle East faces particular challenges that hold it back.

She notes that the region's advertiser concerns regarding television include a lack of reliable data. In addition, Sakr also refers to a discrepancy of rates charged for different shows, with rising rates for some shows that mask the overall decline in advertising profit caused by competition and fragmented audiences. Sakr (2008) warns that advertising is sometimes deceptively appealing. She believes that although advertising is currently an important source of funding, it presents an insufficient source of revenue for new Egyptian broadcasters, for example. A main reason for this as identified by Sakr (2007) is the oligopolistic media ownership. This oligopoly has generally resisted data from audience research which they found inconvenient (Sakr, 2007). There is a desperate need for additional funding in Egypt's broadcast industry. The Egyptian Television and Radio Union (ERTU) had deficit of $70 million in 2006 (Sakr 2007). Moreover, Sakr (2007) adds that Western style reality shows have grown in the region mainly to secure the needed funds through sms text messages and phone calls. With respect to advertisements and the Egyptian cinema industry the situation is more complicated than television. In film advertisements alone may not be a sufficient solution. Sakr (2008) states that traditionally low production costs and a large population have helped create a boom in the Egyptian cinema industry. However, currently low movie budgets do not attract talented actors. The need to secure ticket sales has also led films studios in Egypt to own chains of cinemas. She suggests that an efficient plan for funding movie production would be "to finance films from within media conglomerates that can ensure wide and effective distribution through being vertically integrated up and down the supply chain." (Sakr, 2008) In a way the situation is similar to a catch 22. Sakr (2008) states that in Egypt the overall the decreasing profitability of local media may suggest some government subsidies are required; however, such an option means that media content will be linked to political agendas, which undermines credibility and ultimately profits.

Product Placement Regulation

Linking the Perceived Role of Television to Product Placement Regulation

There are several noticeable factors that describe international product placement policies. First, the regulation of product placement tends to exist mostly in television, as opposed to film. This is confirmed by Kuhn, Hume and Love (2010) most existent product placement policies centre on television broadcasting leaving product placement in film and music unregulated.

Television is generally watched by more viewers and is a more censored medium compared to film. Russell (2009) notes that TV is an important agent of socialization. In terms of media policies and regulations, the emphasis is usually on the television medium, because of its perceived role as an educator and influencer on society. When it comes to product placements in particular, television is expected to protect against commercial contamination of media content. As noted by Newell (2009) TV differs from film, because it is constrained by regulation, and professional ethics. It is viewed as a defender of public interest and has the task of making policies and regulations for the common good.

Furthermore, a key television-related observation is that product placement regulation tends to serve the broader political and economic goals of the regime regulating it. Following this logic, for example, in free market economies that value less government interference, product placements tend to be loosely regulated in favour of the larger commercial model in which the country operates.

Having said that, it is important to note that overall there is a gradual move worldwide towards decreased regulation in favour of commercialization. As Artz (2007) notes global media today is dominated by commercial entertainment and capitalism has expanded from Europe and the Americas to the rest of the world. The following comparison of the US and UK and Arab media broadcasting models illustrates all of the above points.

The main difference between American and European broadcasting models lies in the perceived role of television. Traditionally, European countries have expected television to play a public service role. This idea helps explain the reasons and rationales for certain European broadcast regulations. On the other hand, the American broadcast model tends to fulfil a role that compliments and supports a commercial society based on free trade and opening up new markets for goods and services. This is also explains why protecting commercial speech is an American media priority, as seen in the US Product Placement Regulation section below.

The American broadcasting model can be better understood by the research of Russell (2006) who compares differences in the role and expectations of the television soap operas in the US, Brazil and New Zealand. She notes that the American soap opera industry is not expected to have an educational or social welfare role. Its aim is to entertain and sell. Since the government is not involved in funding, the social welfare role is eliminated.

However, in Brazil and New Zealand the need for government funding dictates that soap opera content must be more educational and socially responsible.

As in Brazil and New Zealand, European countries envisioned a social and educational role for television. According to Esser (2009) in Europe public-service ideology influenced the development of television with the aim of benefiting society and protecting democratic principles. Television was expected to produce objective, diverse and accessible content of a high quality. With the collapse of the communist system and as global trends started to favour free market economies Europe gradually shifted from the public service broadcasting model in favour of private commercial television. Private channels in Europe were created at different times, based on country pressures such as the need to create more jobs and lure additional advertisements. In addition, local channels desperately needed to compete with the emergent channels of their neighbours. With time independent European production companies not linked to broadcasters grew in number and power.

In a way one may blame the US for being self-serving by pushing the commercial model globally. As Esser (2009) notes the growth of channels also meant increased reliance on US imports. EU media regulation became eminently concerned about the threat of Americanization of its media and sought the internalization of production and the creation of more interactive media content. To combat the perceived threat of Americanization, quotas for European and independent productions, subsidies, tax incentives and other policies have been formulated to maintain European cultural diversity. According to Artz (2007), "The deregulation and privatization of the media conform to the strategic plan of emerging transnational capitalist class, which insists on the removal of any public accountability or restriction on the accumulation of profit".

Rice (2008) takes this notion further and refers to the spread of American media imperialism, Conglomeration and consolidation within media-culture industries has meant that a smaller and smaller number of larger and larger (global but largely U.S.-based) corporations have come to dominate not only American media, but media around the world. Work in this tradition points to the uneven, unequal, and generally unidirectional flows of media products-from North to South, from the United States to the rest of the world. They highlight threats posed by these global corporate media outfits and this uneven flow: threats of displacing native or national cultures; eroding the foundations of or potential for democracy and the public sphere; spreading a lowest common denominator-debased and homogenized culture; and, imposing American, capitalist interests on all others; a form of media imperialism (Rice, 2008).

Product Placement Regulation Models

With regards to product placement regulation it is evident that policies vary across nations. While some states have very strict product placement regulations, others have liberal or non-existing ones. For example, in Canada television regulation of product placement tends to favour commercial interests. Laws require that companies disclose all revenue from non-traditional advertisements, such as product placement (Ginosar and Levi-Faur, 2010). In the United States, on the other hand, broadcasting regulation promises the protection of commercial speech, and usually mentioning the sponsor's name on program credits, suffices (Kuhn, Hume and Love, 2010). The US product placement policy, reviewed in details below, sets regulations that are easily circumvented by commercial and marketing forces. According to Kureshi (2010) there are organizations which are actively seeking better regulation from the US federal commission for product placement. In Italy, has become common, although disclosure is mandatory. Similar to other European states Italian regulation conforms to broader European Union regulations. According to Nelli (2009) product placement is permissible under Cinema Act 28/2004 by Article 9(3), which requires product placements to be disclosed at the end of the movie when the closing credits are rolling.

According to Schejter (2004) While the US, Canada, Europe and Australia have differing broadcast restrictions on product placement, they all agree on categorizing product placement as advertised messages. In contrast to the previous models, Mexico and Brazil have become the largest product placement markets, due to the complete lack of regulation in this area (Kuhn et al., 2010) At the other end of the spectrum lie Denmark and Israel. Denmark is the only EU country that does not allow product placement or plan to do so (Hall, 2010). Similarly, Israel completely bans product placement on television and limits any form of advertisements to broadcast spots.(Schejter, 2004)

As Ginosar and Levi-Faur (2010) explain “Product placement invites scrutiny. Policy makers and regulators worldwide have responded differently... Some perceive (it) as just another legitimate source of revenue; others see it as synonymous with surreptitious advertising and so prohibit it altogether.” (p 468)

Product Placement Regulation in the UK and Europe

When compared to the US, the European and UK models are stricter in their regulation of product placement. The main objective of the recent product placement policy in the UK and Europe is to adequately forewarn audiences of the promotional content of the broadcast material and prohibit the indirect promotion of certain products.

European states tend to apply more strict regulations and are more socially-oriented (February 9, 2010) For example, product placement of tobacco on television are banned. In Europe and in the UK, as a result of specific EU directives, product placement must always be editorially justified. European law bans the product placement of tobacco, tobacco related products and prescription only medicines in all programs (2011a) The pertinent laws originated from EC Directive 89/552/EEC later modified by EC Directive 97/36/EC 'Television Without Frontiers Directive' and later modified by EC Directive 2007/65/EC 'Audiovisual Media Services Directive'. Current laws, which the UK must comply with, apply to films, programs and their repeats broadcast from 25th July, 2005 (Basso, 2009).

The Television without Frontiers Directive defined 'surreptitious advertising' as 'the representation in words or pictures of goods, services, the name, the trade mark or the activities of a producer of goods or a provider of services in programmes when such representation is intended by the broadcaster to serve advertising and might mislead the public as to its nature. Such representation is considered to be intentional in particular if it is done in return for payment or for similar consideration'. As a result, most (but by no means all) EU member states, including the UK, interpreted these provisions as meaning paid for product placement was implicitly prohibited. Nevertheless, placements in imported content are still required to comply with the current rules against undue prominence. As a result, the Coke branded cups placed on the judges' desk in American Idol are pixellated out when the series is shown in the UK. (Basso, 2009, p. 178)

In the UK the use of product placement has been permitted on television with additional restrictions to the original European directive. In addition to the list of banned products set by the EU, the UK law also prohibits product placement promoting alcohol, gambling, baby milk and junk food. (February 9, 2010) The UK law is based on a list of regulations set by the Office of Communications (OFCOM).This body is responsible for various UK communications industry policies based on the Communications Act 2003. OFCOM's scope includes the regulation of broadcasting and the provision of television and radio services (Basso, 2009). The UK product placement law, in effect since February 28, 2011, requires broadcasters to display a "P" logo for three seconds at the start and end of programs and after any advertising breaks when any brands have paid to be featured (, 2011c). Prior to February 2011 product placement was banned on content made for UK TV. Non-UK programs and imported films were regulated differently. Programs acquired from outside the UK, and films made for cinema, were allowed to contain product placements, provided that no broadcaster regulated by OFCOM directly benefited from them (Basso, 2009). The transition from a complete ban on product placemens to a less restrictive policy included a phase where TV channels run on-screen information campaigns to let viewers know that some UK shows will soon permit product placement, and to explain the meaning of the product placement logo. The new law states that product placement will be used in films, including dramas, documentaries, soaps, entertainment shows and sports programs.

However, the UK's new product placement law, in tune with the EU's regulations sets tough restrictions. Product placement is prohibited in all children's and news programs and in current affairs, consumer advice and religious programs made for UK viewers (2011a) Brown (2010) provides more details specifying that the UK current product placement legislation bans programs in the categories of foods high in fat, salt or sugar, the national lottery, alcohol, infant baby milk, over-the-counter medicines, cigarettes and other smoking products.

Product Placement Regulation in the US

A major difference between UK or European product placement regulations and American ones is the list of banned products. Unlike European laws US policies allow placement of tobacco and alcohol. Ta (2008) notes that placements in the US are allowed for both liquor and beer in television and cinema. Also, tobacco companies and studios, until recently, have used product placement in television and cinema despite explicit voluntary bans on such promotions.

As in the UK and Europe, the movie industry in the US has traditionally enjoyed a much higher level of protection, when compared to the broadcast media category. According to Ong (2004) placement in American movies are not regulated. Balasubramanian (1994) explains that this is generally because films are allowed more independence under First Amendment freedoms. “Given the complex nature of telecasting and the finite range of wireless frequencies and cable channels available, access is naturally restricted to a limited number of licensees; because telecasting is an effective means of one-way communication with mass audiences, it offers the licensee enormous power to influence them." (Balasubramanian, 1994, p 36).

In the US regulatory forces face a dilemma which weakens their position as effective policymakers. On the one hand, product placement laws seem protective of viewers by requiring sponsorship identification. The aim is to alert audiences to commercial content they may not be aware of. This motive would also justify creating more restrictive product placement regulations. On the other hand, however, the government has another obligation, under the First Amendment, to protect commercial speech. Lewczak and DiGiovanni (2010) explain that the US government is only allowed to regulate commercial speech under limited circumstances. The conditions are set by the Supreme Court's four-part Central Hudson test. First, in order for the speech to be protected under commercial speech, it must not be false or deceptive nor concern unlawful activity. Second, there must be a clear and strong government interest in regulating. Next, it must be evident that the regulation is directly linked to promoting government interests. And finally, the regulation must not be extensive and restrictions should not go beyond serving the government interest. Under this rationale, any overregulation of product placements would infringe of first amendment rights.

However, acting on behalf of citizens the government has a role in protecting viewers from deception. Flint (2010) states that the need for placement to be identified in TV programs is based on the rationale that viewers should know who is trying to persuade them. Even when no money is exchanged for the placed products, regulations require some sort of reference to their provider. In the US, the Federal Communication Commission (FCC) is the body that regulates policies regarding commercial content. According to Balasubramanian (1994) product placements in television programs and syndicated films produced for television broadcast are required to comply with the FCC rules on sponsorship identification. The FCC regulates sponsored programming under the Communications Act of 1934 which requires broadcasters to disclose to their viewers at the time of broadcast if any content of the broadcast has been made in exchange for money, or services. The responsibility of the broadcaster is to make sponsorship disclosures (Lewczak and DiGiovanni, 2010). The law requires sponsorship identification announcements to appear at the beginning and end of a program that lasts longer than five minutes. However, product placement in feature films produced for theatrical exhibition are not subject to the sponsorship identification rules. The policy of sponsorship identification originally included feature films, but in 1963, the FCC waived this requirement when they are subsequently broadcast on television. According to Section 317(a) (1) of the Communications Act, sponsorship identification is not required in situations where the product sponsor offers economic incentives, as long as the use of the product in the program is not "beyond an identification reasonably related to the use of such service or property in the broadcast" (Balasubramanian, 1994, p. 36) Such policies lead to the perception that there is a lack of effective regulation of product placement in the US.

Clearly, the current product placement law contains many loopholes and needs to be revisited. There are many ways in which sponsors are avoiding the sponsorship identification law. Ong (2004) states that ironically, due to the sponsorship identification rules imposed by the FCC, product placement on television are usually unpaid for. Products that are furnished as backdrops for a TV program scene do not have to be disclosed as long as they are subtle and not portrayed in an unreasonable implying commercial content. In addition, Sutherland (2006) points to a major policy contradiction linked to "payola" activities. Payola, which is basically when song producers pay radio stations to play their songs, is considered an illegal activity. In 2004 Sony was fined $10 million for payola practices. Sutherland wonders how similar practices like product placement and payola may have different legal implications

(Sutherland, 2006) For all such reasons it was not surprising that, in 2008, under increased pressure from certain groups, the FCC promised more obvious disclosures of product placement, the extension of regulations to cable television, and additional restrictions for children's programming. (Lewczak and DiGiovanni, 2010)

Conclusion

The above discussion sought to shed light on the growth of product placement worldwide and the attempts of different countries to regulate this relatively new promotional technique. In some countries the value of product placement is determined relative to the local status of advertising and its perceived ability to produce needed revenue. Furthermore, it has been noted that product placement regulation tends to be focused on television, which has traditionally been more heavily regulated than other mediums. Finally, after an in-depth analysis of product placement regulation in several countries, it is evident that the type of regulation imposed on product placement is compatible with the larger economic model of each state. In this manner, commercially-focused regimes tend to favour loose regulations that invite further profit-making product placements. Countries that have no set policies regulating this practice may draw upon the various models described above, in order to tailor an appropriate product placement policy compatible with their unique culture and economic ambitions.

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