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September 30, 2003

Marlene H. Dortch, Secretary
Federal Communications Commission
9300 East Hampton Dr.
Capitol Heights, MD 20743

RE: Complaint, Request for Investigation, and Petition for Rulemaking to Establish Adequate Disclosure of Product Placement on Television

Dear Ms. Dortch:

This is a formal complaint against ABC, Inc., CBS Television, Fox Broadcasting Company, Fox Sport Networks LLC, National Broadcasting Company, Inc., United Paramount Network, Walt Disney Co. and the WB Television Network, regarding possible violations of Section 317 of the Communications Act, for failure to comply with sponsorship identification requirements. It is also a request for an investigation of current product placement practices on television, and a petition for rule-making to require TV networks and stations to clearly and conspicuously identify and disclose product placements.

It is a basic principle of law and common morality that advertisers must be honest with viewers. Advertisers can puff and tout, and use all the many tricks of their trade. But they must not pretend that their ads are something else. This principle has been a cornerstone of communications law since the beginning of the broadcast era. Congress first required broadcasters to identify their sponsors in the Radio Act of 1927. The reasoning is obvious: "Listeners are entitled to know by whom they are being persuaded."[1]

Yet current practice in the broadcast industry violates this principle broadly and systematically. Broadcasters not only fail to identify their sponsors; worse, they fail to identify the ads themselves, and instead pretend that the ads are merely part

[1] *Applicability of Sponsorship Identification Rules*, 40 FCC 141 (1963), *as modified*, 40 Fed. Reg. 41936 (September 9, 1975.)

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of shows. Such violation has become the new way of doing business. It is time for the Commission to acknowledge this new reality, and address it.

Put simply, TV networks and stations are shifting advertising from commercial breaks to programming itself. They are inserting branded products directly into programs, in exchange for substantial fees or other consideration. This advertising technique, called "product placement," has become closely integrated into program plots, to the point that the line between programming and "infomercials" has become increasingly blurred. Some commentators see no line at all.

"This concept of [product] integration is a big push," explains Steve Rasnick, vice-president of UPP Entertainment Marketing. "There are a lot of corporations that realize being integrated from a product placement standpoint has a greater value than a 30-second spot. . . . Irrespective of what ad agencies tell you, there's a falloff in a commercial. People get up, they change the channel and TiVo gets around commercials altogether, so by being integrated into the program, you have a large, captive audience -- and an interested one."[2]

Television networks interweave advertising and programming so routinely that they are, in effect, selling to advertisers a measure of control over aspects of their programming.[3] Some TV programs are so packed with product placements that they approach the appearance of infomercials. The head of a company that obtained repeated product placements actually called one such program "a great infomercial."[4] Yet these programs typically lack the disclosure required of infomercials[5] to uphold honesty and fair dealing.

Television stations that cram their programs with product placements, yet fail to identify the sponsors in a conspicuous way, are brazenly violating the public's right to know who is seeking to persuade them.

Federal law requires disclosure of sponsored broadcast materials. The language of the statute (Section 317 of the Communications Act) is both broad and clear:

> All matter broadcast by any radio station for which money, service, or other valuable consideration is directly or indirectly paid, or promised to or charged or accepted by, the station so broadcasting, from any person, shall, at the time the same is so broadcast, be announced as paid for or furnished, as the case may be, by such person. . . [6]

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[2] Mark R. Greer, "Going Hollywood: Beverage Companies Are Dealing with Advertising Overload with Less Traditional Tie-Ins." *Beverage Industry*, May 1, 2003. See Attachment #1.

[3] See, for example, Johnnie L. Roberts, "On 'The Runner,' ABC's Upcoming Reality TV Show, Advertisers Can Shape the Plot -- for the Right Price." *Newsweek*, May 7, 2001. See Attachment #2.

[4] Christina Binkley and Emily Nelson, "NBC Casts Vegas Casino in a Starring Role." *Wall Street Journal*, August 5, 2003. See Attachment #3.

[5] Synchronal Corp., Trade Reg. Rep. (CCH) P 23,404 (1993) (requiring visual disclosure during first 30 seconds of any commercial lasting 15 minutes or more that the program is an ad.)

[6] 47 U.S.C. § 317(a)(1).

Sponsorship identification has been central to broadcast law since its inception. The Commission has consistently upheld sponsorship identification requirements. "Paramount to an informed opinion and wisdom of choice," the Commission stated in one important case, "is the public's need to know the identity of those persons or groups who elicit the public's support."[7] And again, a broadcast audience must "be clearly informed that it is hearing or viewing matter which has been paid for, when such is the case, . . . and the person paying for the broadcast of matter [must] be clearly identified."[8]

The Commission has referred approvingly to an explanation of this rule: "An advertiser would have an unfair advantage over listeners if they could not differentiate between the program and the commercial messages and were, therefore, unable to take its paid status into consideration in assessing the message."[9]

I. ACTION REQUESTED: THE COMMISSION SHOULD CONDUCT AN INVESTIGATION AND RULE-MAKING TO REQUIRE DISCLOSURE OF PRODUCT PLACEMENTS ON TELEVISION

At present, this principle is embodied to some degree in Commission Rule 73.1212. This rule provides, in relevant part:

> (a) When a broadcast station transmits any matter for which money, service, or other valuable consideration is either directly or indirectly paid or promised to, or charged or accepted by such station, the station, at the time of broadcast, shall announce: (1) That such matter is sponsored, paid for, or furnished, either in whole or in part, and (2) By whom or on whose behalf such consideration was supplied. . . .
>
> (f) In the case of broadcast matter advertising commercial products or services, an announcement stating the sponsor's corporate or trade name, or the name of the sponsor's product, when it is clear that the mention of the name of the product constitutes a sponsorship identification, shall be deemed sufficient for the purpose of this section and only one such announcement need be made at any time during the course of the broadcast.[10]

This rule, as currently written, is not adequate to the new challenges posed by embedded advertising, such as product placement, product integration and plot integration. In essence,

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[7] *Liability of Universal Broadcasting Co. of Minneapolis-St. Paul, Inc.*, 51 FCC 2d 597, 602 (1975), *forfeiture reduced*, 58 FCC 2d 1367 (1976), *citing Sponsorship Identification Rules*, 34 FCC 829, 894 (1963).
[8] *Midwest Radio-Television, Inc.*, 49 FCC 2d 512, 515 (1974), *citing National Broadcasting Company* 27 FCC 2d 75 (1970).
[9] *Children's Television Report and Policy Statement*, 50 FCC 2d 1, 15 (1974), citing Hearings on H.R. 5589 before the House Committee on the Merchant Marine and Fisheries, 69th Cong., 1st Sess., at p. 83 (1926).
[10] 47 C.F.R § 73.1212.

some programs now resemble program-length ads, with sophisticated integration of advertising into the program. Allowing broadcasters to identify the sponsors only once during an entire program, if at all, is wholly insufficient to match the subtle and complex efforts to persuade viewers to buy products via product placement. The net effect is that many viewers simply are not aware that they are being influenced via programming.

The Commission itself has recognized that it might have to move more forcefully in this area one day. "If inadequate separation contributes to an inability to differentiate programming from advertising," the Commission stated in a report on children and television, "then Commission action designed to maintain a clear separation would further the policies of Section 317."[11]

That day has come. To prevent stealth advertising, and ensure that viewers are fully aware of the efforts of advertisers to embed ads in programming, the Commission should require TV networks and stations to prominently disclose to viewers that their product placements are ads. In addition, product placements should be identified *when they occur.* This should be in addition to disclosure at the outset of a program. Disclosure should be large enough, and kept on the screen long enough, so that it can be read and understood. Concurrent disclosure should read "Advertisement" when the product placement is on the TV screen. Disclosure at the outset of the program should be in plain English, such as: "This program contains paid advertising for…."

Without such disclosure, the elaborate intertwining of programming and product placement should be considered an unfair and deceptive advertising practice. It is inherently deceptive, because it is often below viewers' threshold of awareness. Without concurrent disclosure, viewers may not realize at the time the ad appears on the screen that an advertiser is trying to influence them.

The impact of the product placement, like that of ordinary ads, occurs at the moment of exposure. To inform viewers of product placements only at the start or end of a show is not adequate, because they might not be viewing then. Honesty and fair dealing require that the label be attached directly to the thing to which it pertains – in this case, the product placement.

II. THE NEW PRODUCT PLACEMENT: PRODUCT INTEGRATION, PRODUCT IMMERSION, PLOT PLACEMENT, TITLE PLACEMENT, PAID SPOKESPERSONS AND VIRTUAL ADVERTISING

During the last four years, the scope, sophistication and intensity of televised product placement has increased dramatically. It has emerged as a kind of parallel industry to conventional advertising.

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[11] *Children's Television Report and Policy Statement*, 50 FCC 2d 1, 15 (1974).

[14] Wayne Friedman, "Madison + Vine: Product Integrators Tackle Learning Curve; Marriages Of Marketers, Media Are Hot, But Risks Are Still Plenty." *Advertising Age*, October 21, 2002. See Attachment #4.

Like conventional advertising, product placement deals usually are arranged through an intermediary. Often it is an agency that specializes in these deals, such as UPP Entertainment Marketing, Feature This!, or Norm Marshall & Associates. Companies hire the agency to promote their products on TV and in the movies. Typically, the agency reviews TV and movie scripts to identify product placement opportunities, and then helps negotiate agreements between producers and clients.

Advertising Age provided this description of *American Idol*'s first show:

> Coke had its logo-ed beverage cups in front of the three judges, had the traditional green room renamed the "Coca-Cola Red Room" and received the benefit of special taped segments, labeled "Coca-Cola Moments." Before one commercial break on a recent episode, one of the hosts said, "But first, I want to get a Coke."[14]

The WB Network stuffed so much Coca-Cola product placement into *Young Americans* that New York *Daily News* TV critic Eric Mink called it a "slick, thinly disguised commercial."[15]

Another example of product integration is ABC's *Who Wants To Be A Millionaire,* which is an extended plug for AT&T; ABC worked the long distance giant's name directly into the show. "When a contestant needs to call a friend for help with a question," *Advertising Age* reports, "host Regis Philbin says, 'Let's go to our friends at AT&T.' This also was tied to a media buy on the show."[16]

Geri Wang, ABC's senior vice president for prime-time sales, explained that the network sought to "turn 'All American Girl' into something bigger for our clients, by figuring out how to organically get them integrated into the show."[17]

Pharmaceutical companies are increasingly placing paid spokespersons on programs to increase drug sales. This is a variant of product placement that is really product spokesman placement. Such stars as Lauren Bacall, Rob Lowe and Kathleen Turner have promoted specific drugs on TV programs such as NBC's *Today* show and the *Montel Williams Show*, often without disclosing that they were paid by pharmaceutical companies, or had other financial ties to them.[18]

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[15] Eric Mink, "WB Yet Again Leans on the 'Young' & Cliched." New York *Daily News*, July 12, 2000. Joe Flint, "TV's New Teen Drama Gives Starring Role to Coke --- What $6 Million Can Buy: Soft Drink Is Everywhere In WB's Prep-School Saga." *Wall Street Journal*, July 12, 2000. Scott Leith, "Coke Leads Push to Place Products in Movies, TV." *Atlanta Journal and Constitution*, October 29, 2000. See Attachment #5.

[16] Wayne Friedman, "Madison + Vine: Product Integrators Tackle Learning Curve; Marriages of Marketers, Media Are Hot, But Risks Are Still Plenty." *Advertising Age*, October 21, 2002.

[17] Stuart Elliott, "Altered Reality: ABC's New Show 'All American Girl' Will Work in the Products of Sponsors." *New York Times*, March 12, 2003. See Attachment #6.

[18] David P. Hamilton, "Celebrities Help 'Educate' Public on New Drugs." *Wall Street Journal*, April 22, 2002. Melody Petersen, "Heartfelt Advice, Hefty Fees." *New York Times*, August 11, 2002. See Attachment #7.

A similar use of paid spokespersons was a regular feature of the NBC program *The Other Half.* The show offered "the chance to buy guest spots for their products and executives," the *New York Times* observed. "[R]epresentatives from advertisers like Clorox, Hyundai Motor America and even Tan Towel, a 'self-tanning towelette,' appear on the show as part of the regular programming," The *Times* continued:

> During the Clorox-sponsored segment, for example, the hosts... faced off against members of the studio audience in a make-believe game show about housekeeping. And on the segments paid for by Hyundai, a company marketing executive offered tips on buying and leasing cars. A Hyundai vehicle was on stage for each of the four segments and on the final one, which appeared Wednesday, the company gave away a vehicle to the winner of an online sweepstakes.
>
> While the executives were identified as being from Clorox and Hyundai, the hosts made no mention that the visits were part of an advertising arrangement or that the segments were of a different nature than the show's usual fare...
>
> The sponsored segments were formally identified as such only at the end of each show, when during the closing credits the words "Promotional consideration provided by," followed by the name of the segment sponsor, appeared briefly on screen.[22]

The Fox Sports Network is a leader in high-intensity product placement, which it refers to by the revealing term "immersion." Last year, Levi Strauss paid Fox Sports to feature Dockers pants on their show, *The Best Damn Sport Show Period.* The *New York Times* reported that:

> To demonstrate the new Dockers stain-resistant Go Khaki pants, the actor, Ted Mattison, appeared as a guest on [the show]. Mr. Mattison was part of a skit centered on a bachelor party for a cast member. . . . The Go Khaki commercial with Mr. Mattison -- which also takes place during a bachelor party -- ran after the skit ended. The appearance was part of an advertising package bought by Levi Strauss from Fox Sports Net that included commercial time on the show as well as other programs on the channel. . . . Neither the advertiser nor the network would discuss the terms of the deal, which was estimated to be in the six figures. Dockers is one of several brands that are being woven into the content of various

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[22] Stuart Elliott, "Hiding a Television Commercial in Plain View." *New York Times*, May 24, 2002. See Attachment #8.

[24] Stuart Elliott, "A Word From Our Sponsor? He's Here Now." *New York Times*, July 1, 2002. See Attachment #9.

episodes of "The Best Damn Sports Show Period," and viewers are not told the appearances are part of advertising arrangements.[24]

Advertising Age reports that *The Best Damn Sports Show Period* "features a bar decked out with kegs spouts, neon signs and other signage that will carry three Labatt brands names: Rolling Rock, Labatt Blue and Dos Equis." On the extreme sports program *54321*, the "hosts and guests will drink Snapple, and the company's sun logo will appear as a set backdrop."[26] Guy Sousa, executive vice-president for advertising sales at Fox Cable Sports said "What we are doing is really immersing products into programs...so that they really feel like it is part of the show."[27]

Media agencies are even buying exclusive advertising and product placement rights to an entire miniseries. According to *Television Week*, Universal Television Networks has sold to media agency OMD Worldwide the exclusive advertising and product placement positions for the Sci-Fi Channel's *Six Days 'Til Sunday*, which is slated to run in spring, 2004. The cost of the agreement is expected to be "well into the seven figures" for the series.[28]

Product placement has now expanded to include "plot placement," in which a product is written into the plotline. For example, in 2002, ABC's *All My Children* gave prominent placement to Revlon, the cosmetics company, in exchange for millions in advertising revenues.[29] Similarly, NBC is integrating Avon's new cosmetics line, "Mark," into the plotline of its soap opera, *Passions*.[30]

Title placement has come as well. In the WB show *Pepsi Smash*, the show not only uses use Pepsi's name; it uses the Pepsi multi-colored swirl for the show's logo as well.[31]

Last year, OMD USA and Disney agreed on a $1 billion deal involving the sale of "commercial time on ABC, ESPN networks, ABC Family, Lifetime, A&E Networks and other Disney properties...[along with] joint program-production deals with advertisers, joint funding of television specials and sporting events as well as product placements in shows."[32]

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[26] Richard Linnett, "Fox Sports Specialty: Product 'Immersion'; Net Inks Tie-Ins with Snapple, Labatt, Lincoln." *Advertising Age*, January 20, 2003. See Attachment #10.
[27] Richard Linnett, "Fox Sports Specialty: Product 'Immersion'; Net Inks Tie-Ins with Snapple, Labatt, Lincoln." *Advertising Age*, January 20, 2003.
[28] Louis Chunovic, "Sci-Fi Pioneers Placement Deal; In 'Unique Model' OMD Buys All Time on Cable Channel's Spring 2004 'Six Days' Miniseries." *Television Week*, June 9, 2003. See Attachment #11.
[29] Joe Flint and Emily Nelson, "'All My Children' Gets Revlon Twist --- First Came Product Placement; Now TV `Plot Placement' Yields ABC a Big Ad Buy." *Wall Street Journal*, March 15, 2002. See Attachment #12.
[30] Leslie Ryan, "'Passions' Product Pitch; NBC, Avon Weave New Cosmetics Line Into Soap Opera's Story." *Television Week*, July 28, 2003. See Attachment #13.
[31] A. J. Frutkin, "Summertime, and Ad-Libbing Is Easy." *New York Times*, July 13, 2003. See Attachment #14.
[32] Meg James, "Disney Sells a $1-Billion Ad Package; Media: Multi-network, Multi-advertiser Deal Involves All of Its Units and May Be The Largest Ever in The Industry." *Los Angeles Times*, June 11, 2002. See Attachment #15.

Princeton Video Image has developed a technology to insert "virtual advertising" into TV footage of all sorts. TV networks are using the technology to insert product placements into reruns of syndicated TV programs,[33] sports programs,[34] dramas,[35] and even news footage.[36]

III. THE DISTINCTION BETWEEN "PRODUCT INTEGRATION" AND INFOMERCIALS HAS BECOME VIRTUALLY NONEXISTENT

Numerous observers have noted the convergence between "product integration" and infomercials. In August, the *Wall Street Journal* reported on an NBC offering called the *Fear Factor* that features a gambling casino.

> When NBC airs its fall television lineup, Monday-night viewers will quickly become familiar with the casino's shimmering gold towers and sumptuous high-roller suites. On Sept. 29, they will see Mandalay Bay playing itself in the "Fear Factor" gross-out reality show. Later that night, and each week thereafter, Mandalay will take on the fictional role of the Montecito Resort & Casino in "Las Vegas" -- one of NBC's top drama prospects this fall -- alongside the show's other star, James Caan."

"It's a great infomercial," said Mr. Glenn Schaeffer, the Mandalay Resort Group President, regarding the *Fear Factor*.[37]

That's just one show. There are many others. *Arkansas Democrat-Gazette* writer Celia Story called NBC's *The Restaurant* an "infomercial-ish program."[38] The *Denver Post*'s Bill Husted agreed; the program has the "feel of an infomercial," he wrote.[39] Alessandra Stanley of the *New York Times* wrote that *American Idol* had "the feel of a late night infomercial for bodybuilding equipment."[40] Vinay Menon of the *Toronto Star* referred to *American Idol* as "what may have

[33] Stuart Elliott, "Reruns May Become a Testing Ground for Digital Insertion of Sponsor's Products and Images." *New York Times*, May 23, 2001. See Attachment #16.
[34] Stuart Elliott, "Real or Virtual? You Call It; Digital Sleight of Hand Can Put Ads Almost Anywhere." *New York Times*, October 1, 1999. See Attachment #17.
[35] Stuart Elliott, "A Video Process Allows the Insertion of Brand-Name Products in TV Shows Already on Film." *New York Times*, March 29, 1999. See Attachment #18.
[36] Alex Kuczynski, "On CBS News, Some of What You See Isn't There." *New York Times*, January 12, 2000. See Attachment #19.
[37] Christina Binkley and Emily Nelson, "NBC Casts Vegas Casino in a Starring Role." *Wall Street Journal*, August 5, 2003
[38] Celia Storey, "The Restaurant Portions out Advertisers' Favorite Entrees." *Arkansas Democrat-Gazette*, August 12, 2003. See Attachment #20.
[39] Bill Husted, "Coors Tap Flows Freely on TV Show." *Denver Post*, July 27, 2003. See Attachment #21.
[40] Alessandra Stanley, "Here's Reality: 'Idol' Feeds Hopefuls to a Shaky Music Business." *New York Times*, January 23, 2003. See Attachment #22.

been the highest-rated infomercial in television history,"[41] while the *Winnipeg Sun*'s Bill Brioux said that it "may be the world's most expensive infomercial."[42]

IV. THE USE OF PRODUCT PLACEMENT IS GROWING

This trend shows no sign of abating. To the contrary, as the line between programming and infomercials blurs, the practice is spreading rapidly. "[A]lmost every channel contacted" observed *Advertising Age* "says product placement is on the rise."[43]

Leslie Moonves, the chairman and CEO of CBS, recently told the *New York Observer*, "There's going to be much more product placement." Moonves continued:

> We did it with *Survivor,* obviously. They're doing it with *American Idol.* I saw *Minority Report*, Steven Spielberg's movie -- that had more product placement than any TV show I've ever seen. So my phrase is, 'If it's good enough for Spielberg, it's good enough for us.' So you're going to see more and more of that -- you're going to see cars incorporated into shows, and instead of Ray Romano, sitting there with a can of nondescript soda, he'll be drinking a Diet Pepsi. That's going to happen."[44]

The practice has become so endemic that Fox now has a senior VP for integrated sales and marketing. Barry Schwartz, the current occupant of that position, says that roughly 10 programs on his networks use product placement. However, "next year, we'll probably do 20, and I could be conservative with that number."[45]

Media planners second that. A recent survey of 750 of these executives by InsightExpress and MediaPost found that 18 percent of them negotiated a product placement deal during the previous 6 months, but 26% anticipated negotiating a product placement deal during the next six months. That's an increase of 37 percent. [46]

There are indications that parts of the industry are moving towards eliminating separate spots entirely. The WB Network planned such a program, tentatively titled *Live From Tomorrow* or

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[41] Vinay Menon, "Ruben's Big Night on Idol Plays Small." *Toronto Star*, May 23, 2003. See Attachment #23.
[42] Bill Brioux, "Facing the Music; American Idol Wraps up with Two-Hour Finale." *Winnipeg Sun*, May 21, 2003. See Attachment #24.
[43] Janet Stilson, "Placements Push to Front; Wide Range of Advertisers Play More Sophisticated Product Game on Cable." *Advertising Age*, June 9, 2003. See Attachment #25.
[44] Jason Gay, "At CBS, Les Is More." *New York Observer*, May 19, 2003. See Attachment #26.
[45] Janet Stilson, "Placements Push to Front; Wide Range of Advertisers Play More Sophisticated Product Game on Cable." *Advertising Age*, June 9, 2003.
[46] MediaPost and InsightExpress, "Product Placements Gaining Momentum." June, 2003.

Live From Right Now, but plans for the show have been postponed, perhaps indefinitely, because of the inability to attract another major sponsor in addition to Pepsi-Cola.[47]

V. PRODUCT PLACEMENT WORKS

The rush to product placement is not just a result of channel clickers and TiVo. More importantly, the marketing industry has found that this form of advertising is highly effective in planting impressions in viewers' minds The fundamental appeal for advertisers "is the idea that advertising in the show, in the game, is significantly more impactful than in the breaks," Dennis Wilkinson, president and chief executive of Princeton Video Image, told the *New York Times.*[48]

This is not a new discovery. Ad agencies have known it for a long time. Back in 1982, the use of product placement in the movie E.T. boosted sales of Reece's Pieces by 65%.[49] Peter Gardiner, partner and chief media officer at Deutch, said that the E.T. product placement "was so well done and powerful, it drove sales for years and years."[50]

Product placement firms tout the effectiveness of these embedded ads. A List Entertainment, a product placement agency, states on its website "Successful product placements are more effective than ads at generating recall, promoting brand awareness and ultimately, increasing sales at a fraction of the cost of traditional advertising."[51]

In 1972, a movie production company president wrote to RJ Reynolds Tobacco that all the characters in a movie his company was producing smoked. "Movies are better than any commercial that has been run on television or any magazine," he boasted, "because the audience *is totally unaware of any sponsor involvement.*"[52] (Emphasis supplied).

More recently, Brenda Williams, a Labatts USA spokeswoman, said, "When a product is embedded in the content of a movie or show, it can carry increased credibility with our target audience." [54]

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[47] Stuart Elliott and Bill Carter, "A TV Series Supported by Product Placements Falls Through for Lack of a Second Sponsor." *New York Times*, March 14, 2003. See Attachment #27.
[48] Stuart Elliott, "Real or Virtual? You Call It; Digital Sleight of Hand Can Put Ads Almost Anywhere." *New York Times*, October 1, 1999.
[49] Vernon Scott, "'E.T.' Invades Five More Continents." *United Press International*, November 2, 1982.
[50] Lisa Marsh, "Blockbuster Season for Product Placements." *New York Post*, May 26, 2002. See Attachment #28.
[51] A List Entertainment website, <http://www.alistentertainment.com/brochurepage2.html>.
[52] Stanton Glantz, "Smoking in Teenagers and Watching Films Showing Smoking." *British Medical Journal*, December 15, 2001. 323:1378-1379.
<http://bmj.bmjjournals.com/cgi/content/full/323/7326/1378>.
[54] Mark R. Greer, "Going Hollywood: Beverage Companies Are Dealing with Advertising Overload with Less Traditional Tie-ins." *Beverage Industry*, May 1, 2003.

Academics agree. Product placements "are a means to reach potential buyers more effectively," said Richard R. George, professor and chair, department of food marketing at the Haub School of Business of St. Joseph's University.[55]

Top network officials agree as well. "When somebody is jumping up and down because they have a beer as a reward," said CBS President Leslie Moonves, "and they make it seem like it's the greatest liquid that they ever drank in their lives and they're real people - that probably is more effective than having some model saying 'Hey, drink Budweiser.' It can be very effective."[56]

Said Lynn Fletcher, chief strategic officer of Vickers Benson & Arnold, product placement is "more subtle than advertising because your (defensive) antenna is up a little less."[57]

VI. CURRENT DISCLOSURE, IF ANY, OF TV PRODUCT PLACEMENT OFTEN APPEARS INADEQUATE TO MEET FEDERAL SPONSORSHIP IDENTIFICATION REQUIREMENTS

Disclosure of product placement on TV ranges from minimal to nonexistent. Viewers can watch for hours with barely a hint that they have been watching paid embedded ads.

To cite just one example, the August 27, 2003 edition of *Big Brother 4* contained extensive product placement for McDonald's, as well as a McDonalds' ad at the end. Yet there was no disclosure at the outset of the show, and none either when the placements appeared on screen. There was a statement at the end of a segment featuring the product placement that "Big Brother 4 is sponsored by McDonald's." But there was not a hint that embedded plugs within the show were in fact paid ads.

This is pretty much the norm, and print reporters have taken note. "In the last year or so," the *New York Times* has observed, "dozens of celebrities, from [Lauren] Bacall to Kathleen Turner to Rob Lowe, have been paid hefty fees to appear on television talk shows and morning news programs and to disclose intimate details of ailments that afflict them or people close to them. Often, they mention brand-name drugs without disclosing their financial ties to the medicine's maker."[60]

Regarding the use of paid spokespersons on the NBC program *The Other Half*, the *Times* reported that "While the executives were identified as being from Clorox and Hyundai, the hosts

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[55] Mark R. Greer, "Going Hollywood: Beverage Companies Are Dealing with Advertising Overload with Less Traditional Tie-Ins." *Beverage Industry*, May 1, 2003.
[56] Douglas Durden, "Not-So-Hidden Persuaders; A Word From Your Sponsor Is Now a Part of the Show Itself." *Richmond Times Dispatch*, August 17, 2002. See Attachment #29.
[57] Steven Theobald, "Teen-Clothing Chain's 46 New Stores Buck Trend." *Toronto Star*, May 6, 2001. See Attachment #30.
[60] Melody Petersen, "Heartfelt Advice, Hefty Fees." *New York Times*, August 11, 2002.

made no mention that the visits were part of an advertising arrangement or that the segments were of a different nature than the show's usual fare."[61]

And regarding a Fox offering called *The Best Damn Sports Show Period,* the *Times* observed, "Viewers are not told the [product placement] appearances are part of advertising arrangement."[62]

VII. CONCLUSION

Embedded advertising is the new reality of television, and it is time for the Commission to address it. TV networks and stations regularly send programs into American living rooms that are packed with product placements and other veiled commercial pitches. But they pretend that these are just ordinary programming rather than paid ads.

This is an affront to basic honesty. We urge the Commission to investigate current TV advertising practices regarding product placement and other embedded ads, and to take the steps necessary to restore some honesty and fair dealing to the presentation of these ads, by strengthening the sponsorship identification rules so that ads are properly and prominently identified as ads.

Respectfully submitted,

Gary Ruskin
Executive Director

[61] Stuart Elliott, "Hiding a Television Commercial in Plain View." *The New York Times*, May 24, 2002
[62] Stuart Elliott, "A Word from Our Sponsor? He's Here Now." *New York Times*, July 1, 2002.

ATTACHMENT #1

Beverage Industry May 1, 2003

May 1, 2003

SECTION: No. 5, Vol. 94; Pg. 62; ISSN: 0148-6187

IAC-ACC-NO: 103562868

LENGTH: 1576 words

HEADLINE: Going Hollywood: beverage companies are dealing with advertising overload with less traditional tie-ins; Marketing.

BYLINE: Greer, Mark R.

BODY:
During one of many hilarious scenes in the 1992 cult classic, "Wayne's World," actor Mike Myers stares into the camera and says, "Contract or no, I will not bow to any corporate sponsor," before promptly and prominently displaying products from Frosted Flakes to Nuprin to Pepsi.

We laugh at the irony -- mostly because it's true. Placing products in movies is not a new concept, but recent advertising campaigns show that sophisticated and intricate cross-promotions with movies, television and the Internet -- from product placement within the film to Internet sales campaigns to sweepstakes --can make your total advertising package and reach more powerful than ever.

Consider some recent examples: Snapple Beverage Group, White Plains, N.Y., partnered with Fox Sport's new extreme sports show "54321" ensuring that the host and all guests consume the fruit drink on set while its logo appears in the background. Dr Pepper/Seven Up Co. Inc., Plano, Texas, will join forces this summer with "X-Men 2" during a cross-promotional sweepstakes. Rolling Rock beer, owned by Labatt USA, Norwalk, Conn., is featured in the recently released comedy "Old School," while that brand, along with Labatt Blue and Dos Equis, appear on the bar-themed set of Fox's "The Best Damn Sports Show Period." The Coca-Cola Co.'s Nestea Cool will appear in commercials for the upcoming sequel of "Charlie's Angels" following Coca-Cola's $ 150 million deal last fall as the sole marketer for the latest installment in the widely popular Harry Potter series, "Harry Potter and the Sorcerer's Stone."

So why the emphasis on product placement? Fractionalization of audiences and increased choices for advertising media are to blame for the ineffectiveness of traditional consumer advertising, according to industry experts.

"The traditional forms of mass media are becoming more saturated, and there's a lot of noise in our time-strapped country, so it's difficult to break through the clutter," says Richard George, dean of the department of food marketing, Haub School of Business, St. Joseph's University, Philadelphia. "We face thousands of attempts to influence our behavior every day, and we deflect most of it. During the commercial break, you grab the clicker, and you are not there when the commercial comes on. [Product placements] are a means to reach potential buyers more effectively."

George noted that with hundreds of specialty channels available via satellite, a nationally popular show like "60 Minutes" earns ratings that are a fraction of those during the 1960s, when there were fewer options for television stations.

"A movie or television show tie-in is more engaging and natural than a traditional commercial message," says Brenda Williams, Labatt USA spokeswoman. "When a product is embedded in the content of a movie or show, it can carry increased credibility with our target audience." And companies can market exclusively to the same audience during the release of the film's DVD.

The increase in product placement has prompted the creation of a whole set of marketing companies specifically created for movie tie-ins. One of the industry's leading companies, UPP Entertainment Marketing of Burbank, Calif., reviews approximately 20 movie scripts each week to find the most harmonious union of film and product. UPP's clients include Jim Beam, Shasta, Veryfine juices, Bombay Sapphire Gin, Bacardi rum and Alize cognac, and some of its best triumphs include placing Evian water in "City Slickers," Gatorade sports drink in "Ace Ventura: Pet Detective" and Coors beer in "E.T."

"This concept of integration is a big push. There are a lot of corporations that realize being integrated from a product placement standpoint has a greater value than a 30-second spot," says Steve Rasnick, vice president of the California-based marketing firm. "Irrespective of what ad agencies tell you, there's a falloff in a commercial. People get up, they change the channel and TiVo gets around commercials altogether, so by being integrated into the program, you have a large, captive audience -- and an interested one."

Brand fit

The most important key to product placements and cross-promotions is to ensure a brand fits, says Bev Sorensen, promotion manager for Dr Pepper, who is working with the soft drink's latest tie-in, "X-Men 2." The sequel of the comic book-turned-movie hit opened May 2, and Sorensen says the tie-in with "X2" is a good match for the younger audience Dr Pepper is targeting.

"For every promotion we do, we look at the demographics and see if [the promotion] is in line with the direction we want to take with the image," Sorensen says. In the case of "X2," marketing Dr Pepper's new flavor, Red Fusion, with the movie through sweepstakes and commemorative cans successfully reaches the film's predominantly 12- to 24-year-old audience.

"Product placement works well when it is a natural fit," she adds. "When it's forced, people will know. Consumers are smarter than that and we respect that. You will take away from the credibility of film if it is forced." Although the drink was filmed in the movie, Sorensen says she doesn't know if it will make the final cut.

Product placement "has to be within context," Haub School of Business' George agrees. "The issue becomes one of 'everything in moderation, even moderation.' The product ought to mirror the market. If people are at dinner drinking Coke, that's OK."

"Move tie-ins, like the one Rolling Rock now has with "Old School," are a great opportunity to get increased attention and awareness with national audiences," says Labatt's Williams. The recently released DreamWorks picture shows a group of middle-aged men who attempt to revive their college years by starting their own fraternity.

"Old School" was particularly relevant for our target audience of young adult males and helps make Rolling Rock larger than life with our key consumers," says Williams. Another key benefit is our ability to leverage these tie-ins in other ways, such as online media, packaging, promotions and publicity."

Promotional outlets

In addition to the placement in the script, varied, layered marketing tactics, from the Internet to contests, are the goal for many beverage companies. The true success of marketing tie-ins in the near future hinges on more than just peppering the product across the silver screen. For example, Labbatt created drink coasters featuring "Old School" stars for its key bar accounts. Rolling Rock also was featured in onscreen commercials before the film's debut, which a Rolling Rock-sponsored contest winner attended in Hollywood.

Another example is Dr Pepper/Seven Up, which combined tradition with innovation when it partnered last fall with ESPN for the cable sports channel's original movie, "The Junction Boys," about a sweltering summer of football in 1954 under coach Bear Bryant in Junction, Texas. The company played up the regional connection by placing old-fashioned bottles of its product in the film, then coupled the tie-in with spots from its "Be You" ad campaign featuring country singer Garth Brooks, which ran during the made-forTV movie's commercial breaks.

Pete's Wicked Ale discovered that Hollywood can also create interesting opportunities for inexpensive retail promotions when it teamed with "Blair Witch 2." UPP used Internet promotions, a sweepstakes to visit the movie's world premiere, and retail placement using the tagline "It'll Scare the Ale Out of You" to market the drink.

"Today in the world of the Internet, one can become involved for rather nominal dollars and still have an impact on the number of eyes that see the product," UPP's Rasnick says. "So instead of having to kowtow to retailers in particular beverage categories, a smaller category can have a nice placement in the film, which does nothing but excite the hell out of the sales-force."

Cross-promotion overdrive

That philosophy begs the question: Does "promotion overkill" exist? Are tie-ins and commercials too much? Can media saturation backfire and draw the ire of an increasingly market-savvy public? A recent survey done by WPP Group's Lightspeed Research shows the public does not take kindly to all marriages between corporate marketing and Hollywood, as 62 percent of respondents said they found the various advertising tactics distracting.

Ultimately, the intense saturation of beverages in the movies might help smaller companies. Rasnick says that Shasta, which has been a UPP client for 12 years, often benefits from offering an alternative to the beverage behemoths.

"Shasta is not a major player, but we are able to weave them in and out of innumerable television shows every season," he says. "Shasta does not come to the table with wheelbarrows full of money, but a lot of production companies are sick and tired of seeing the Nikes and Cokes of the world. That's their artistic decision, so they'll actually look for something different."

In any case, the tie-ins' power, at least right now, is supreme. "Marketing is a race with no finish line," George says. "We'll get people emulating and copying this to the point of diminished returns. I think this is evolutionary." George adds that in the next few years, incessant product placements could create "one long infomercial that becomes more clutter. But at the moment, a well-placed [tie-in] has real potential."

ATTACHMENT #2

Newsweek May 7, 2001, U.S. Edition

May 7, 2001, U.S. Edition

SECTION: NATIONAL AFFAIRS; Media; Pg. 42

LENGTH: 699 words

HEADLINE: This Space Available

BYLINE: By Johnnie L. Roberts

HIGHLIGHT:
On 'The Runner,' ABC's upcoming reality TV show, advertisers can shape the plot--for the right price

BODY:
"The Runner" seems to fit the times. In the new ABC reality show, hidden cameras follow a "runner" (though the whole trip isn't made on foot) as he or she travels across America. While viewers try to track the runner down, he or she must accomplish certain "missions," going to a fast-food joint in a specific state, for example, and ordering a cheeseburger. Each week viewers can pick up clues about the runner's whereabouts on the prime-time show, or on the official "Runner" Web site. Catch the runner and win as much as $1 million. If the runner makes it across the country undetected in 28 days, he collects the money.

OK, it's not the "The Sopranos." But when "The Runner" debuts in the fall, it will be groundbreaking in its own way. In airing the new series, which was created by Ben Affleck and Matt Damon's TV production company, ABC is hoping to transform the economics of the TV business. In the process, the network is allowing advertisers to play an unprecedented role in shaping the content of the show--a plan that's likely to upset some media critics. Even some advertising executives worry that the show could put consumers off by featuring a barrage of brand logos.

Sure, movies have long tucked brand-name products into a scene--for fees that reach tens of thousands of dollars or more. Procter Gamble owns a production company that churns out soap operas, including "As the World Turns" and "Guiding Light," to help hawk its brands like Tide and Joy. On CBS, "Survivor" cast members wear Reebok jerseys, and have sucked down Bud Light and used other branded goods, an honor that reportedly cost each company $12 million.

But with "The Runner," ABC is offering advertisers much more--a chance to help decide how the plot of the series will unfold, in some cases on an episode-by-episode or even scene-by-scene basis. The ABC sales force is already trying to line up companies willing to pay for the privilege of being the runner's mobile phone, laptop computer, credit card or burger joint. ABC is offering far more than just a beauty shot of a soft-drink can. In one mission, for instance, the runner may be instructed to go to a sponsor's clothing store (think the Gap) to buy a pair of size 32 khakis and orange socks--without being detected, of course. A different mission would call for use of a different sponsor's product and therefore a different plot line. "Your product becomes part of the show," says Mike Shaw, ABC's top ad-sales exec.

So far, ABC has landed one major sponsor: Pepsi will be "The Runner's" exclusive soft drink. (Neither Pepsi nor ABC will provide financial details.) Pepsi was intrigued by ABC's "open invitation" to actively help create the scenarios for product placements, says Rick Rock, the beverage company's VP of media and entertainment marketing. "We are going to work very closely with them to make this different and unusual," he says.

ABC is dangling another remarkable enticement before marketers. It is promising to promote "The Runner" 24/7, sprinkling newsy "runner updates" throughout its prime-time schedule and on shows like "Monday Night Football" and "Good Morning America." ABC also may allow advertisers to sponsor updates. And on the corner of the TV screen, visible virtually around the clock, may be a constant tally of "The Runner's" bounty.

But some advertising execs worry that ABC may overdo the concept. "It shouldn't be overcommercialized," warns John Lazarus, senior vice president of TN Media, which represents such clients as Bank of America and Compaq. "Viewers would end up not liking it." Not to worry, says ABC. An exec promises the "runner won't look like a race car" emblazoned with logos. So far, the concept hasn't drawn controversy. Even media watchdogs say that most viewers are savvy enough to realize the brands are paying for their starring roles. And with networks hungry for ad dollars, don't be surprised if for sale signs pop up increasingly on your favorite shows.

WHAT 'THE RUNNER' OFFERS SPONSORS

A starring role for your product during the show

The runner eating at your restaurant chain

A map on 'Runner's' Web site listing your store's locations

ATTACHMENT #3

Wall Street Journal, August 5, 2003

NBC Casts Vegas Casino in a Starring Role
By Christina Binkley and Emily Nelson

Las Vegas – Get ready to meet NBC's newest television star: the Mandalay Bay casino.

When NBC airs its fall television lineup, Monday-night viewers will quickly become familiar with the casino's shimmering gold towers and sumptuous high-roller suites. On Sept. 29, they will see Mandalay Bay playing itself in the "Fear Factor" gross-out reality show. Later that night, and each week thereafter, Mandalay will take on the fictional role of the Montecito Resort & Casino in "Las Vegas" -- one of NBC's top drama prospects this fall -- alongside the show's other star, James Caan.

All this attention is the fruit of an unusually close partnership between NBC, owned by General Electric Co., and Mandalay Resort Group, which owns Mandalay Bay as well as the Luxor pyramid casino, the Excaliber and others. The relationship is so close that Mandalay Resort Group President Glenn Schaeffer gets a cameo in "Las Vegas." He plays the casino's fictional owner, artfully named . . . Glenn Schaeffer. "I show up in foreboding moments and look pretty grim," he says.

In a deal that has spawned plenty of favor-trading but no cash payments, NBC gets to film free of charge the Mandalay's gambling halls and other rooms, in a city that makes ratings soar. "Fear Factor," known for its gross-out stunts, is particularly popular with young male viewers, as is Vegas. "Vegas has a sexiness that appeals to our demographic," says Matt Kunitz, the show's executive producer. The "Fear Factor" crew and contestants received more than 820 room nights at Mandalay, Luxor and the Monte Carlo resorts, and 2,100 free meals, which Mr. Kunitz valued at about $400,000. "We couldn't travel the show without that support," Mr. Kunitz says, referring to the on- location shooting. The budget for a typical episode, filmed in Southern California, is about $1 million.

In turn, Mandalay gets a giant product placement built into the shows that can't be zapped by viewers' remotes or by recording devices such as TiVo, which is a hot issue in advertising these days. "It's a great infomercial," says Mr. Schaeffer. The casino's Las Vegas-based ad agency, R&R Partners, estimates the one-hour "Fear Factor" is worth more than $10 million in paid advertising.

It all started because NBC Entertainment President Jeff Zucker noticed in his previous job as producer of the "Today" show that ratings jumped whenever "Today" covered Vegas. So NBC approached Gary Scott Thompson, who wrote the stylized movie "The Fast and The Furious," to create a series based in that city.

The result is "Las Vegas," which follows the security team in the fictional Montecito. Mr. Caan is the security chief, and the show is narrated by a character named Danny, who works for him. They track gambling cheats, chase high rollers and flirt with prostitutes at the bar. The pilot cost about $5.3 million and each additional episode is expected to run about $2 million per episode, pricey for a first-year drama.

Mandalay doesn't have script-approval rights, so it can't control the plot. But one of the reasons the producers chose a fictional casino name was to avoid any spillover for the real casino from plots that might cast a negative image.

In typical Hollywood fashion, the deals came about because certain people knew certain people. When the producers of "Fear Factor" sought to shoot in a casino last year, nearly every casino in town turned them down, including Mandalay Bay. "I thought, 'Eating bugs, hanging from the chandeliers' -- we began to consider our future careers and credibility and called them back and said we'll take a pass," says Gordon Absher, a Mandalay Bay publicist.

But someone from "Fear Factor" ran into Billy Richardson Jr., the 20-something-year-old son of William Richardson, vice chairman of Mandalay Resort Group. The younger Mr. Richardson apparently talked up the show with several executives. "The next thing I knew, I was being called up to a meeting to discuss 'Fear Factor' coming to our property," says Mr. Absher.

The shows and casino executives have bent over backward to accommodate each other. For "Las Vegas," Mandalay Bay lent its normally off-limits security cameras to film a scene where Danny walks through the casino floor after he makes the mistake of sleeping with the daughter of his boss (Mr. Caan). In future episodes, though, the majority of scenes will be filmed in studios.

"Fear Factor," meanwhile, shot some stunts in the company's Luxor and Excaliber hotels as well. The Luxor allowed a stunt involving coffins full of cockroaches. And in what Mr. Kunitz, the producer, describes as "the best gross-out stunt in the history of the show," contestants played roulette at the Excalibur -- earning chips by eating African cave-dwelling spiders. The prize: a Mazda RX8 car.

The producers of "Fear Factor" were careful to fawn on Mandalay's properties while keeping the limelight off its competitors. While shooting a scene in Mandalay Bay's presidential suite, for instance, camera operators went out of their way to keep from catching a glimpse out the window of the rival MGM Grand, says Mr. Absher, who stood by during the filming.

"It's sort of like, 'You scratch our back, we'll scratch yours,'" says David Goldberg, president of Endemol USA, which produces "Fear Factor."

Mr. Schaeffer who earned $2.1 million in salary and bonus from Mandalay Resort Group last year, according to the company's proxy, was paid $600 for his TV role. But his one line was cut from the pilot's final version -- just two long shots of his grim face remain.

Mr. Thompson, the show's creator, says he cut the line because Mr. Schaeffer delivered it so fiercely "it sounded like Clint Eastwood."

ATTACHMENT #4

Advertising Age October 21, 2002, Monday

Advertising Age

October 21, 2002, Monday

SECTION: Pg. 18

LENGTH: 2249 words

HEADLINE: Madison + Vine: Product integrators tackle learning curve; Marriages of marketers, media are hot, but risks are still plenty

BYLINE: WAYNE FRIEDMAN

BODY:
Watch out for the latest flurry of product-placement deals-many of the marketers and content providers involved are still experiencing growing pains.

Heralded by many as the next big thing in marketing, consumer-product integration into media content such as TV, film and music, many recent deals have gone sour.

That's not to say that some positive results haven't emerged from the chaos. Top-drawer companies-among them Coca-Cola Co., Pepsi-Cola Co., Ford Motor Co., BMW of North America, DaimlerChrysler, Revlon, Taco Bell and Toyota Motors Corp.-have stepped up with a slew of successful product-integration efforts.

But for the most part, marketers have met with varying degrees of difficulty in executing these deals to their satisfaction.

Take, for example, WB's six-episode series "No Boundaries" last February. The eco-challenge show was sponsored by Ford Motor Co. and featured the new Ford Explorer. The vehicle was tastefully integrated, not drawing too much attention to the cars in the show. But despite this care, the results were underwhelming.

"The only boundaries were with the ratings," said one TV executive. The series barely got over a Nielsen Media Research 1.0 household rating for its six airings. What happened?

WB "didn't promote the show," said one TV executive. Some also criticized the program, saying it lacked drama, with none of the bickering and back-stabbing between contestants that has proved a big lure for reality shows such as CBS's "Survivor."

"In terms of overall awareness, it takes an enormous amount of promotion to get a show off the ground," said Lew Echlin, marketing-communications manager of Ford Motor Co.'s Ford Division.

missing the 'sweet spot'

Mr. Echlin said AOL Time Warner's WB "definitely" did enough promotion for "No Boundaries." But he added, "I don't think it hit the sweet spot with their customer base." Still, he said, the experience "put us a very long way into a steep learning curve."

"World Beer Games" was a recent effort looking for exposure on rising News Corp. cable network FX. The series, sponsored by Interbrew, which markets small beer brands, Hooter's of Canada, and Beer.com, was supposed to air in prime time, according to a report in The Wall Street Journal.

But advertisers didn't get much exposure. The show wound up like any other client-supplied infomercial, according to a Fox spokesman, running at 2:30 a.m., in FX's infomercial time block. The spokesman said there was never any intention of airing the show in prime time.

Another effort that fell short was summer whodunnit "Murder In Small Town X," which was to have considerable product placement for Taco Bell and Jeep Liberty in and around the show. But the program ultimately suffered from poor ratings, and an executive close to Fox said that the clients were less than happy. "A lot more was promised but wasn't delivered," the executive said. Jeep Liberty and Taco Bell executives wouldn't comment. Endeavor, the Los Angeles talent agency responsible for selling product placement in the program, had no comment.

Sometimes it's the opposite problem-too much exposure.

Coca-Cola struck a deal with Fox's blockbuster talent-search show "American Idol" that has worked out, but an earlier try did not. The WB overdid it when it placed Coca-Cola in a summer series a few years ago called "Young Americans."

Before the start of the first episode, there was a Coke commercial, followed by the intro of the show, with the title: "The Coca-Cola Summer Premiere: Young Americans." This was followed by the first segment of the episode, which featured a corner gas station with a bunch of old-fashioned Coke coolers in the background. In that same scene, a teen-age guy gives a Coke to a teen-age girl. After that, in the first commercial break, there was another Coke commercial.

"That was something that wasn't directed by us," said Laura Eisen, senior manager of entertainment marketing at Coca-Cola. "That was the look of the show. When you look at the brand in this environment, it took on a different tone that got a lot of criticism. We worked very closely with the WB and the producers to fix that through the course of production." The WB had no comment.

"If people are not careful about how they are going to do this-it's going to become very offensive, and it's going to have the opposite effect of what everyone is trying to accomplish," said Lee Gabler, head of the TV department and co-chairman of Creative Artists Agency, the Los Angeles talent agency, who brokered an integration deal for client Coke with "Idol" on Fox. "If you do the kind of product integration that's been attempted in the recent past-it's going to be rejected quickly."

Many of these product-placement deals have been initiated by the networks with their clients' advertising agencies. But future deals could get a lot more complicated.

A hodgepodge of talent agencies, product-placement companies, promotion agencies, commercial-production houses, movie-trailer shops and even lawyers are jockeying to get a piece of the action.

In a recent deal, for example, a major cable network that was about to launch a big action show made a deal with a car company for a product placement. The producer, apprised of the deal after the fact, was furious.

control issues

"I wanted to control it," said the top executive at the TV production company. "In many cases it's an inducement for the client to spend money they might not otherwise spend."

Striking the deal, the cable network was trying to leverage the lure of product placement to land more traditional TV advertising dollars.

Network and cable executives believe that they, not the producers, should be in charge. "The network should control it," said Jon Nesvig, president-advertising sales for Fox Broadcasting Co. "That's the network's right."

Since the network controls TV-commercial money, network executives believe product-placement deals should be in their domain. Mr. Nesvig said the network should control these negotiations to help construct an overall integrated-marketing deal.

In spite of this, network executives aren't necessarily pushing for more product placement; many don't pin a lot of hope on significant revenue from it. No one expects these deals to even slightly dent the $30 billion that is spent on TV commercials each year.

"Product placement is fairly dangerous if it's used for other than a reward for sponsorship dollars," said Joe Abruzzese, outgoing president-advertising sales for Viacom's CBS Television Network. "We'll give product placement to a client who has an exclusive to a property where it fits-say, 'Survivor.'"

In "Survivor," CBS did a placement deal with General Motors' Pontiac Aztek as part of an exclusive media agreement for the automaker, "so we are not denying any revenue from Toyota or Ford (in other shows)," said Mr. Abruzzese. "Those car manufacturers can't buy (in that show) anyway. It's a reward for a $12 million placement of advertising."

In CBS's case, a number of other marketers were featured on "Survivor," including Reebok, Target and GM. Target Stores had a canopy featuring the store's name. Contestants walked around in Reebok T-shirts.

Product-placement pacts can take many shapes. Some are rewards for extensive media buys (as in CBS's case). Some have a separate price tag with the TV production company of up to $1 million for a network reality series. Still others may cost $50,000 an episode-typically, a TV producer may guarantee at least one to three "visuals' per series or per episode.

But in some deals, product placement is getting deeper into the content. For another series, ABC's "Who Wants To Be A Millionaire," the network worked AT&T's name directly into the show. When a contestant needs to call a friend for help with a question, host Regis Philbin says, "Let's go to our friends at AT&T." This was also tied to a media buy on the show.

Equally unsubtle is Coca-Cola's link with "Idol." This summer, Coke, with CAA's help, got involved with the show, and it has reupped for the second season beginning in January.

In its first outing, Coke had its logo-ed beverage cups in front of the three judges, had the traditional green room renamed the "Coca-Cola Red Room" and received the benefit of special taped segments, labeled "Coca-Cola Moments." Before one commercial break on a recent episode, one of the hosts said, "But first, I want to get a Coke."

"We are fortunate to have products that work naturally," said David Rains, managing director-integrated communications at Coca-Cola. "It's not a stretch to be there. Our brands are entertainment brands that fit into the environment."

Ford also has a stake in the show, as contestants drive around in its Focus cars (as well as wash them). The model is aimed at young buyers. Ford got five to six dozen :30 spots for "Idol's" entire run 16-week run. Ford has also signed on for the second season.

Getting real

Coca-Cola and Ford got in on the ground floor with "American Idol." In seeking a third major sponsor, Fox is asking $26 million, a higher price than Coca-Cola and Ford were said to have paid.

Product-integration activities as part of overall marketing pacts with TV programmers are no doubt on the rise. "We certainly were looking to do more marketing deals, and we were successful in negotiating those elements into our upfront," said Marc Goldstein, president-chief operating officer of WPP Group's MindShare USA, New York.

Growing product-placement/integration deals are linked to the rise of reality-based programming, which has more natural tie-ins with the "real" world.

Besides CBS's "Survivor," the network made product placement a regular feature of its "Big Brother" series, as well as for the second year of its "Amazing Race." Also for this season, Walt Disney Co.'s ABC sold its dramatic hour, "Push, Nevada," to Toyota Motor Sales USA and

Sprint as part of product-placement deals, only to see the show canceled when its 13-episode commitment shortened to seven episodes.

Product placement has been around for years, but companies using it now have a new objective: Sink a product's message deeper into the content-so-called "plot" placement.

A few years ago, Twentieth Century Fox's "Cast Away" did just this, when Tom Hanks played a FedEx executive as a central part of the story line in the theatrical movie. More recently, ABC daytime soap "All My Children" struck a deal with Revlon, working the cosmetics company's line into the story line as an arch competitor of the company run by Susan Lucci's Erica Kane character.

Product integration is a subset of client-supplied programming, ranging from infomercials to weekend sports programming "time buys" to even some prime-time fare.

In the late '80s and early '90s, there was much talk of major consumer-product companies owning programming like they did in the '50s. But that movement-apart from Procter & Gamble Co., which owns network daytime soaps, as well as equity interests in WB's "Sabrina, the Teenage Witch" and CBS's "King of Queens"-hasn't spread to many other companies.

The reason is risk. Network advertisers aren't accustomed to spending big on TV shows only to see them fail. That's why advertisers buy commercials: Their investment is guaranteed with specific viewership.

low risk

Product placement is a nice lower-risk entry point. "There are ranges of success," said Ira Bernstein, president of Lions Gate Television. "It is much more narrow in the world of product integration than in client-supplied programming."

That's because, more often than not, TV shows fail. But in a limited product-placement deal there always is some value.

"Maybe if a (national advertiser) knows a show was going to do terrible ratings they wouldn't have produced it (for big production dollars)," said Mr. Bernstein. "But the company would have done it for only $50,000 (as a product-placement deal) in which case, it's good value."

TV is a natural territory for marketers. But the music industry is also alluring. For instance, in releasing Sheryl Crow's latest album, "C'mon C'mon," Bertelsmann's Music Group's Interscope Records struck a deal with American Express, using Ms. Crow's single "Soak Up the Sun" for a TV commercial.

But there are concerns, especially with some labels looking to put consumer products into videos or songs, that placement can go too far.

Further complicating the media-marketing landscape is TiVo and other personal video recorders,