Product Placement Effects Over Time: the Effects of Brand and Design Attributes in a Dynamic On-Line Choice Task

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Our study examines how product placement affects consumers’ choice behavior. After exposing respondents to a television program that contained product placement, respondents participated in an online choice task that included the featured product and choice alternatives from the same brand and a competing brand. We see that the effects of product placement occur at the brand level rather than at the product level. Our analysis also reveals two distinct ways in which product placement affects respondents’ movements through the choice task. While product placement can increase initial interest in the depicted brand, the utility associated with brand’s products decreases by a larger amount as respondents view the brand’s products. We discuss the implications of these contrasting findings for brands considering the use of product placement.

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Product placement, including branded entertainment continues to gain in popularity as a way of reaching consumers. As television viewers are better able to skip traditional commercials, branded entertainment provides advertisers with a way to reach consumers with their brands in a constructed setting. They can do this whether they are watching television online or engaging in time-shifted viewing. In 2007, among just 10 broadcast television programs, there were more than 25,000 product placements; on cable programs, there were more than 150,000 product placements (Kang, 2009).

Two reasons cited for the increased use of product placement is that it can result in a “stronger emotional connection” with viewers, and allow marketers to target specific groups (Eggerton, 2006). There has also been the widespread belief that branded entertainment benefits from what it is not: highly involving advertising.

Belch (2005) provides a review of the product placement literature. Belch notes that much of the research has focused on the impact of product placement on respondents’ memory, attitudes, and occasionally behavior: the usual suspects. In examining the role that product placement plays in consumers’ actions, Auty and Lewis (2004) find that exposure to product placement can increase the choice of the featured product among children, with previous exposure to the product placement (such as repeatedly watching the same movie) affecting the choice. Russell and Puto (1999) discuss how product placement may affect viewers based on their connectedness to a program. In sum, these theoretical assertions are diverse and could be said to be “all over the map.” No single strong theoretical basis for branded entertainment has yet emerged and been recognized as such by the field.

We contribute to the growing body of research into the impact of product placement by studying how it affects the actual dynamic choice process. While previous studies have supported the notion that product placement can influence choice, it has not considered how consumers who are exposed to product placement may differ in how they progress through a choice task compared to those who have not been exposed to product placement, and certainly not dynamically.

Data were collected from 170 respondents who were told that they were watching a rough cut of a television program and we were interested in their perception of the program and characters. The research was conducted at a large university in the Midwest with a Canadian television program to minimize respondents’ familiarity. A professional video editor inserted a featured product (an LG cell phone with a slide design) at three occasions in the episode. The cell phone was originally depicted in a cutaway shot. The control condition featured no product placement, and three other conditions were tested in which the length of cut-away shots were manipulated. After watching the episode, respondents were asked to complete a survey about how much they liked the program and characters in the program. Upon completing this task, they were told that they were also going to participate in a brief study to understand students’ preferences for different consumer products. This study contained three different product categories: cell phones and two categories for distraction (coffee machines and computers). In each product category, respondents were first asked how they would like to arrange the choice alternatives, whether by brand or by design. We felt this was a useful choice in its correspondence to how actual on-line shoppers are asked to structure their choice task. They then chose the first choice alternative that they were interested in viewing, based on its attributes. Respondents could then end the choice task by selecting the current product, or view another choice alternative. The sequence of decisions made by the respondent was recorded, as well as the amount of time spent viewing each page.

The data were analyzed using a path model (e.g., Hui, Bradlow and Fader, 2009) that allowed respondents’ utilities for each of the alternatives to be updated based on the sequence of choices that were viewed and the duration for which each was viewed. Two different updating processes were considered: one in which only the utility of the current product may be updated, and one in which the utility of all choice-alternatives may be updated based on the attributes that they have in common with the product being viewed currently. For example, if a respondent was viewing an LG flip phone, the utility associated with the LG brand and the utility associated with flip phones may be updated. Thus, in addition to updating the utility of the LG flip phone, the utility of the LG slide phone would be updated (the same brand), as well the utility of the Samsung flip phone (the same design but a competing brand).

Our data show that respondents update the utilities based on the attributes of the product that they are viewing. Though we do not find support for exposure to product placement affecting the preference for the featured design, our results indicate that there are two distinct ways in which exposure to product placement affects preference for the featured brand. First, it increases the initial preference for the brand, resulting in respondents being more likely to choose one of the featured brand’s choice alternatives initially. As respondents
continued through the choice task, however, they were expected to revise their utility for the featured brand’s products downward by a greater magnitude compared to those respondents who were not exposed to product placement. This is what occurred.

Thus, though product placement may spark initial interest in the featured product, suggesting a probably accessibility effect. However, one a realistic on-line choice task is commenced, with different ways of sorting, accessibility is swamped by much more involved on-line (in the cognitive sensed) choice. Simply put, branded entertainment or placement yields a first preference, but is a weak and ephemeral effect once actual choice comes into play. This suggests that product placement is best for low-involvement products for which accessibility and quick decisions are the norm.

Selected References

The Role of Consumers’ Attributions during Price Promotions
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Prior research provided strong evidence that attributions play an important role in the price-promotion context (c.f. Kardes, Posavac, and Cronley, 2004). Consumers, however, are not likely to engage in attributional thinking unless they are motivated to expend their effort to process incoming information systematically (Maheswaran and Chaiken, 1991).

Typical price promotions offering typical benefits may not raise any questions. When incoming information is in line with individual’s established beliefs, its cognition may proceed almost automatically—through activation of well-developed schemata (Olson, 1977). On the other hand, when observed retailer’s behavior deviates from regular business practice it can ‘create enough cognitive unrest’ (Lichtenstein and Bearden, 1986, p.295) to motivate consumers to find plausible explanation behind such behavior (Brown and Krishna, 2004; Main, Dahl and Darke, 2007).

In price promotion context offering excessive value may be perceived as a violation of the common sense of selling. Consumers know that marketers cannot cross the point after which they will experience losses (Raghubir, 2004). Therefore, they will try to find alternative explanation for such generosity. Prior research shows that bigger discounts may not always be associated with greater value because they may signal low quality (Bagwell and Riordan, 1991; Friestad and Wright, 1994). Consumers’ attributions about inferior product quality in such situations will ‘restore’ the common sense of selling.

Discount is not the only element of price promotion that may be questioned by consumers. Reference price shows original ‘pre-sale’ price of a product and may also be manipulated by a retailer. Urbany et al. (1988) found that exaggerated reference prices increased consumers’ deal evaluations, estimates of regular product price and decreased search intentions. The authors concluded that consumers may be skeptical of reference prices and at the same time be influenced by them.

In our research we develop a model of consumers’ attributions during price promotions offering excessive value and suggest that the type of attributions depends on a reference price level. When suspiciously high discount is presented along with a plausible reference price consumers are likely to generate attributions about inferior product quality. Alternatively, when identical discount is presented along with implausibly high reference price consumers are likely to generate attributions about the manipulative intent to enhance perceived value of the deal (by first inflating regular price and then offering an attractive discount). In the latter situation product quality will not be a concern because high discount will push sales price down into the expected sales price range. At the same time, in both situations consumers will generate negative attributions about retailer’s manipulative tactics.

Methodology
A 2 (implausibly high discount vs. typical discount) by 2 (implausibly high reference price vs. plausible reference price) incomplete factorial design was employed to investigate the effects of discount and the reference price on consumers’ perceptions of price promotions. Implausibly high reference price in the context of regular discount was excluded from the experiment because it did not reflect price promotion practice. Eighty four respondents were exposed to mock print advertising of a digital camera with a blocked out brand name and were asked to answer questions that followed. Combinations of discount and reference price used in the experiment were as follows: $150/30% off regular price, $150/80% off regular price and $600/80% off regular price.

Preliminary Data Analysis
Manipulation check showed that respondents perceived 30% discount as significantly lower than 80% discount regardless of the level of reference price. “$150/30%” price promotion was evaluated as significantly more believable than two other conditions that were not perceived as significantly different. However, the mean in the ‘least believable’ conditions were still higher than 3.6 points on a 7 point scale. Means of respondents’ product knowledge, usage level and their involvement with a stimulus were higher than 4 points on a 7 point