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Retail Digital Signage: Plotting a Route from Niche to Mainstream

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*In the past few years, digital signage has been one of the fastest-growing segments of advertising, especially in-store. Yet despite its promising potential, this new medium is still to become a must-have component of media plans. BroadSign International's **Nurlan Urazbaev** asked five experts in new media and digital signage where the industry fits into the modern media landscape and where it's heading:*

- **Beth Corbett**, VP of New Media Services, Nielsen Media Research.
- **David Daniels**, VP of ABC New Media Sales.
- **Michael Hudes**, global director of digital media at Clear Channel.
- **Mitch Oscar**, EVP of Carat Digital.
- **Rob Winston**, senior accounts manager at Arbitron Outdoor.

In most major markets, network TV still has the largest audience and consumes the most ad spend, but its growth has slowed down significantly in the past three or four years. The audience has been steadily disappearing into fragmented media such as digital cable TV, Internet, video on demand, DVDs and mobile devices. And as money follows the audience, the distribution of ad budgets is changing as well.

Mitch Oscar believes that the Internet, and Google's search-marketing offer in particular, have been attracting most of the ad dollars lost by network TV: "Internet has gone all the way, probably hit \$16bn this year, although half of it is search. Those are tremendous increases."

The revival of outdoor advertising has also contributed to the flight of ad money from traditional media, says Michael Hudes: "As dollars have been fragmenting out of traditional television, radio, newspapers and print, outdoor has seen a disproportionate share of that money, given its relative size."

Much of the money spent on digital signage will continue to be taken away from TV, says Hudes, "until the television guys are going to figure out ways to repackage their content and sell it to advertisers in a more holistic fashion so that it's more TiVo-proof." In other words, TV will eventually recover from the pressure of new media, evolve and survive, but until then, TV ad budgets will suffer depletion.

Some money will be also coming from promotional budgets, and new ad spend will be increasingly allocated to digital signage as it keeps proving its value, our experts say.

"Hey, it's television."

But although network TV's ad-revenue growth has slowed down, Oscar thinks the problem is not with TV as a medium, but with the old, rigid revenue model. He points out that most marketers are missing the fact that, despite the relative decline of the network-TV audience, actual TV viewership is on the rise: "When I looked up the definition

of television, it said ‘the retransmission of video images.’ That’s the Webster definition.

“So I thought, wouldn’t the broadband people have been clever not to say ‘the online world’ and ‘the offline world,’ but just say ‘hey, it’s television?’ So, if you’re saying, I’m watching video on my computer, I’m watching video on my mobile, I’m watching video on my TV – it’s all television!

“So when you say television [viewing] is going down, it’s all about definition. And until we start working and breaking down the definition, we’re having trouble trying to create our media campaigns.”

This new reality presents a challenge to advertisers and agencies, says Oscar, as they have to find a way of tracking consumers’ changed media-usage habits. He cites the example of a show like *Desperate Housewives*: “You can watch on television, traditional, you can go to abc.com and watch it, or you can watch it on an iPod. The media agencies for the first time are evolving to say: ‘Look – here are all the different points of contact with the consumer. Now we have to figure out our advertising plan and our creative plan so we affect the consumer in their comfort zone.’

“So, yes, we will have to be able to buy the *Desperate Housewives* cross-platform plan, because if we as advertisers think that our commercial message is most valuable in connection, in context with a show like *Desperate Housewives*, we better get there.”

The last mass medium?

Digital signage is a high-tech extension of outdoor/out-of-home advertising – and as the traditional media audience is increasingly fragmented, outdoor is the only truly mass medium left, says Hudes. The conversion to digital will give the outdoor industry new capabilities, such as higher impact, better cost-efficiency, and easier targeting, planning and campaign reporting, he foresees.

In anticipation of this, real estate for digital signage has become a hot commodity for Clear Channel and other outdoor-advertising companies. “Our first focus is the static-to-digital conversion of our core assets or real estate, and we’re currently testing digital media across all the key aspects of our business,” says Hudes. “Everything from traditional outdoor billboards to displays in our airports division, our malls division, in street furniture, in-transit, on tops of our taxis, etc.”

But all our experts agree that digital signage is still a very young medium. Hudes calls this stage “Digital Signage 2.0,” and according to him the 1.0 version failed due to the wrong timing, high technology costs at the time and immature business concepts.

David Daniels compares the state of digital signage to early cable TV in the 1980s: “I think that it is very much in the same place where cable was about 20 years ago. I think we’re still trying to figure out how to put it in the media plan.”

And, with the mass audience disappearing and media fragmented, the question is: do advertisers still want mass media at all? Yes and no, says Hudes: “The reality is, advertisers still want a big audience. They want the Super Bowl, they want to be advertising on *Desperate Housewives*; they still want an audience, and they’re willing to pay for ‘big eyeballs,’ but I would question if mass does matter that much any more.

“I think targetability and flexibility are really the key watchwords. I think most advertisers right now, particularly outdoor buyers, are really interested in alternative channels, they want to find new, more targeted, more flexible ways to deliver a message out of home.”

For now, growth in digital signage is being driven by retail networks, say Corbett and Daniels, and most of the largest networks are to be found in this sector – perhaps

because it is here that the greatest progress has been made in measuring return on investment (ROI).

But there's more to retail media than immediate sales uplift, he suggests: "What advertisers have to realise, and it will evolve to this, is that messaging within the retail environment is also good for branding. Because you're getting a message similar to what you'd be watching in a living room, but it's just going to be tailored to the retail environment, and results are just going to be impulse purchasing or switching of a brand, but when you see it, it reinforces the brand."

However, Hudes believes that retail digital signage is still better suited to sales promotions: "The problem is that if it's all about branding, there are so many opportunities to brand. You can brand on a coffee cup, on the side of a bus ... if you're only focused on branding, there are many opportunities [but] if you're focusing on delivering some sort of result, then the more targeted, the more flexible you are, the better the results. And that's where I think digital signage has a huge advantage."

Complement, not lead

Just how important is digital signage going to be to the advertiser of the future, then? According to both Corbett and Daniels, retail networks aren't likely to lead major advertising campaigns anytime soon, but will be used to complement marketing efforts, bridging the 'last ten feet' between the consumer and a specific product, as part of integrated campaigns involving traditional media and the Internet.

However, Hudes is more bullish, saying that when digital-signage networks are able to steadily prove sales uplift or ad-triggered actions, their role in the media plan will be reconsidered: "I think that is the Holy Grail. I spent x amount of dollars and moved y product. I spent x amount of dollars, I got y leads. I think that digital signage is well placed to do that.

"We intercept people when they're moving out in the world with their wallets in their back pockets, they're thinking about spending money, they're on a plan, they have the ability to spend money. Delivering a targeted message at the right time and giving people the opportunity to walk away with a coupon on their handset, or with directions to the nearest location – there's significant value in that that you can't get on other media."

And perhaps ironically it's that so-called TV-killer, the Internet, that is persuading advertisers to appreciate this value. Daniels, Hudes and Oscar all agree that Google's search-marketing model has raised the bar for accountability standards and kick-started a move from the old pay-per-impression model to the pay-for-performance model.

Obstacles to growth

But there are still challenges for the digital-signage business to overcome. Says Corbett: "I have always believed that the cost of entry is the biggest obstacle. Technology is expensive, the networks are large, you have to have critical mass to really compete, and if you combine those two things, it's a formidable barrier. I think the funding is a barrier not just at the beginning, but at various points along the way."

Daniels (ABC Media Sales) believes advertisers simply don't have budgets for digital signage: "They just don't understand the value of it. They say 'we would rather spend our money on something else that's a proven media'. In the retail environment, a lot of that stuff comes under merchandising, and not advertising."

Among other obstacles, he also points out the lack of critical mass, lack of good content, and lack of efficient content-delivery systems.

Winston adds geographical limitations to the list of impediments: “We are all competing for national ad dollars, but of all the digital-signage networks, only a small percentage has a national reach [in the us] at this time.

“Digital signage is not easy to buy,” he contends. “Each network is offering its own unique value proposition and must therefore be evaluated individually. The grocery network, restaurant/bar network, transit network, mall network, waiting-room network, etc. are all used differently and have their own merits. Learning, evaluating and deciding on all of these individual networks is hard work for advertisers.”

Hudes joins Corbett and Winston in stressing the importance of standards: “The reason why outdoor has seen significant growth is [that] a bulletin or a 30-sheet poster that you buy from Clear Channel is the exact same size and configuration that you would buy from CBS and Lamar.”

To sum it up, the hindrances boil down to these:

- *The cost of entry/operational costs.*
- *The lack of critical mass.*
- *Advertisers don't understand the value of digital signage.*
- *Network ad space is not standardised.*
- *There's a lack of measurement.*

Chicken and egg

So it looks like another chicken-and-egg dilemma. Advertisers are reluctant to buy digital-signage space because networks are not large enough, not standardized and not measured, and in turn, networks are small, not standardized and not measured precisely because advertisers are not yet interested in pouring money into them.

It doesn't take a rocket scientist to deduce what will happen when standards and measurement are in place: networks will be easy to measure; measurement will facilitate the ROI calculation. With proven ROI, more advertisers will start buying digital-signage ad space, more money will flow into the business, and more investors will be willing to fund networks. Networks will grow, and the new ad space will enter media plans.

When will this happen? Corbett believes that initiatives from the likes of Arbitron, DS-IQ, Nielsen Media Research, the Outdoor Advertising Association of America, the Out-of-Home Video Advertising Bureau and POPAI should result in usable metrics within two years. Hudes expects the timescale to be longer, but is confident that retail digital signage will become an established advertising medium and a legitimate part of media plans within three to five years.

And in the meantime, local ads can help fill up network ad space, he says: “I'm a dry cleaner within a half a mile from this location, I just want everyone who comes through this door to know that I'm here for them – and by the way, here's an offer. That's much more important. That's really what they [local advertisers] want, proximity.

“Of course the accountability is important but the national guys want a completely different set of things because they're now viewing media through the prism of the Internet and it's going to take a while for the industry to grow up to be standardized and focus on measurement.”

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