A guide from Digital Signage Today

The Rise of Digital Signage and the Psychology Behind It

INSIDE: The changing economic landscape is making TV, radio and print advertising less effective. With its targeted, specific, nonintrusive messages, digital signage is a boon for advertisers, retailers and consumers. Learn how to enhance the customer experience with digital signage to better leverage this emerging technology.

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About the sponsor

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Digital Signage Today, operated by Louisville, Ky.-based NetWorld Alliance, is the leading online publisher of news and information on the emerging world of digital signage, dynamic messaging and cutting-edge business communication technologies. The content, which is updated every business day and read by professionals around the world, is provided free of charge to readers.

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Introduction The wave of the future

By Fritz Esker, contributing writer

Direct marketing has long been advertisers' ideal method of reaching consumers. In earlier times, advertisers had to settle for the "shotgun blast" marketing approach: Send a general message out to a large group of people, and hope it sticks with as many members of that group as possible. But that was a hit-or-miss approach. Advertisers greatly prefer to send customized messages tailored to the specific needs of individual consumers — in essence, reaching one person directly as opposed to reaching the masses indirectly.

And digital signage offers advertisers the best opportunity yet to market directly to individual consumers.

"It's the first time we've truly been able to institute the principles of direct marketing," said Laura Davis-Taylor, founder and principal of Retail Media Consulting Inc. of Atlanta, a consulting firm that specializes in digital signage strategies.

Consequently, digital signage is catching on quickly and gaining the attention of both retailers and consumers.

So what is digital signage?

The simplest example is a flat-panel television screen, often evident in stores such as Target or Wal-Mart, that features a mix of promotions, advertisements and entertainment.

"It's more than just advertising," said Bill Gerba, chief executive of Wirespring Technologies, a Fort Lauderdale, Fla.-based company that provides hardware and software for digital signage. "It's an umbrella term for any remotely managed asset used to display content in an out-of-home environment."

"It's really an advertiser's dream."
— Scott Birnbaum, vice president of Samsung Semiconductor's LCD business

Digital signage is visually dynamic, targeted, flexible and affordable.

"It's really an advertiser's dream," said Scott Birnbaum, vice president of Samsung Semiconductor's LCD business.

And best of all, digital signage is just beginning to tap its true potential, Birnbaum said. "We think it's a huge market still in its infancy," he said.

As digital signage begins to harness its potential, advertisers, retailers and consumers are reaping the benefits.

Chapter 1 Why the old ways don’t work

Digital signage has become an effective option for advertisers largely because the old forms of advertising do not work as well as they used to. In the past, advertisers relied on one of three outlets: television, print and radio. But that model no longer suffices. So what happened? Why has advertising through those media become less effective in recent years?

A number of factors has reduced the effectiveness of television advertising. The first is a concept called fragmentation. Decades ago, most viewers only had access to the three national networks; those in urban areas often enjoyed local channels as well, but some rural viewers couldn’t even tune in to all three major networks. Still, a business only needed to buy ad time on those three in order to reach 90 percent of the target audience.

But the picture began to change with the arrival of cable television, and as cable continued to develop, more channels became available to viewers. Today, even basic cable and satellite packages offer up to 100 channels, with premium packages and add-ons offering many times that number.

With the increased number of channels available, the viewership became scattered and fragmented (hence the term “fragmentation”). Stephen Nesbit, president and chief operating officer of Reflect Systems of Dallas, a company that designs digital signage and kiosk software, is an example of that concept: He admitted he has never watched popular network shows such as “Lost”; instead, he prefers news networks and ESPN.

“Certain demographics have scaled back (their television viewing), and these are often the most attractive demographics,” Nesbit said.

Over the years, viewership fragmentation has lessened the effects of traditional advertising.

As TV networks have become more specialized, viewers have broken off into subsets, watching the channels that cater to their specific interests.

What does that mean for advertisers? In order to reach a 90 percent share of the audience, a business would have to advertise on 100 or more channels — a much costlier proposition than TV advertising was prior to the arrival of cable.

Decline in TV viewership

Fewer people watch television today than in years past. Greg Weaver, manager of digital signage networks for Microspace Communications and an advisory board member of the Digital Signage Association, pointed out that 50 years ago, it was common for family members to watch television together each night.

Prior to the introduction of VCRs, viewers had no choice but to watch their favorite TV shows at a specific time each week. Advertisers knew they could count on a certain number of people watching a particular show at a set time each week, and they could target their ads accordingly. VCRs posed the first threat to that advertising model; several other technologies were soon to follow.

One technology that has diluted the effectiveness of television advertising is TiVo/DVR, which automatically records viewers' favorite shows, enabling those viewers to watch the shows whenever they want. This impacts advertisers in much the same way as VHS and DVD recordings: People can, and often do, fast-forward through commercials. As a result, companies can spend a huge chunk of their advertising budgets on TV commercials only to have viewers miss them — intentionally.

The Internet has also siphoned off some of the TV viewership. Episodes of popular programs such as "The Office" can now be viewed online, either on the networks' Web sites or on sites such as YouTube or Hulu, without commercial interruption.

And one of the perpetual myths in TV advertising is this one: Viewers comprise a captive audience. According to that fallacy, viewers watching a particular show would have to watch the commercials supporting it. However, this was never the case.

"Our lifestyles have dramatically changed. We lead a frenetic lifestyle that puts us out of the home, and it's in the home that the majority of traditional media was designed to reach us. ...As a result, there's been a 25-year gradual erosion of the effectiveness of traditional media."

— Stephen Nesbit, president and chief operating officer of Reflect Systems

"You think they're a captive audience, but there are a lot of distractions," said Dave Dolejsi, a content strategist with the digital signage firm Alchemy International of Toronto.

During commercials, viewers may take a bathroom break, go to the kitchen for snacks or talk to each other about the show they're watching. In other words, they're often doing something other than watching the commercials.

Are newspapers passé?

Print advertising has taken a hit from a significant decline in newspaper readership over the past several years. The Newspaper Association of America reported that 2007 saw the sharpest decline ever in newspaper advertising revenue. Ad revenues dropped 9.4 percent from 2006 — a record low.

Why the sharp decrease in revenue? Like television shows, newspapers have had their audiences pilfered by the Internet. Many people now get their news online instead of from a daily newspaper.

"We live in a culture of instant gratification," Nesbit said. "Newspapers are becoming passé."

When a newsworthy event occurs, people want up-to-the-minute information about it now; they don't want to wait to read about it in tomorrow's newspaper.

One common thread links the decline of television and newspaper advertising: Both are centered around a strategy that involves reaching potential customers at home, while they are on the couch in front of the TV or at the breakfast table reading the morning newspaper. The problem is that people don't spend as much time at home as they used to.

"Our lifestyles have dramatically changed," Nesbit said. "We lead a frenetic lifestyle that puts us out of the home, and it's in the home that the majority of traditional media was designed to reach us. …As a result, there's been a 25-year gradual erosion of the effectiveness of traditional media."

Radio also takes a hit

Radio is one form of traditional media that has the potential to reach consumers when they are away from home, and advertising is often geared to those consumers who are traveling in their cars. But as with television, new advances in technology have weakened the effectiveness of radio advertising. Today, cars are equipped with CD systems and MP3 docks that allow people to listen to music without commercial interruptions. In addition to this, some listeners subscribe to satellite radio, which is also commercial-free.

In many vehicles, LCD screens are positioned so passengers can watch DVDs instead of listening to the radio. Finally, another factor intruding on radio advertising is increased cell phone use. Passengers as well as drivers talk on cell phones rather than listen to the radio, which means they're not hearing any radio advertising.

Even newer forms of advertising are becoming less effective. As the

Internet became commonplace in the mid-1990s, advertisers started using banner ads and pop-ups on Web sites. But people quickly learned to ignore Internet advertising and became resentful of the intrusive nature of pop-ups, which often obscure the portions of Web pages that users are trying to view.

Greg Fitzgerald, a professor of entrepreneurial marketing with the Acton MBA program in Austin, Texas, and chief executive officer of Austin-based Display Points, which creates digital signage displays, pointed out that there have been 22 million downloads of Ad Blocker, a program that disables pop-ups, on Netscape.

"People are not looking at ads on the Internet anymore," Fitzgerald said.

What this all points to is that the previous models and methods of advertising need to be rethought. "Advertisers are saying, 'Where can I go now to get the effectiveness I need?'" Nesbit said.

A new paradigm is in order. This is where digital signage comes in.

Chapter 2 Why digital signage is an effective alternative to traditional media

Whenever people embrace change, it helps to determine if the change is a genuinely progressive move as opposed to a lateral move — or worse, a regressive one. Because businesses and consumers alike are embracing the move to digital advertising, it may help to discover just why digital signage is an improvement over traditional advertising.

It's also important to note that while digital signage is a relatively new technology, its primary characteristic is not completely unfamiliar to consumers: Content is projected onto screens that resemble TV screens, creating an experience within a consumer's comfort zone — even though digital signage offers a different twist from television.

"It's very familiar, yet it's unfamiliar," said Mike Strand, founder and president of Strandvision, a digital signage company in Eau Claire, Wis.

In addition, digital signage is visually dynamic and generally pleasing to the eye. Jim Christakos, a managing partner with the Madison West Agency, an advertising agency in Carlsbad, Calif., said digital signage attracts 10 times the eye contact that static signs receive.

"It engages people's minds. We're in a digital age now," he said.

First-class technology

Travis Llewellyn, assistant commissioner of the Sun Belt Conference, said digital signage was a great success at the Sun Belt's men's and women's basketball tournaments, held at the University of South Alabama in 2008. At the tournaments, the Sun Belt replaced traditional, static signs with 40-foot-long digital panels. The outer 10 feet of the panels on either side displayed ads, while the inner 20 feet featured promotional items for the Sun Belt Conference.

Digital signage attracts 10 times the eye contact that static signs receive.

The digital signage worked on several levels. The first underscores Christakos' point about engaging people in a digital age.

"In today's world, people want to see first-class technology, and this was it," Llewellyn said.

Secondly, the digital signage was eye-catching. People at sporting events are used to seeing ordinary signage. When spectators at the tournament saw the digital signs, they were engaged; it was far more interesting than looking at a static sign.

Thirdly, the flexibility of digital signage is a plus. While traditional signs stay the same throughout an entire event, digital signage can be easily changed from a central location.

"You are able to rotate different information, so it's not stale," Llewellyn said. When the information changes, it catches a person's eye and encourages her to look at the screen.

Llewellyn's last point: Unlike other forms of advertising, digital signage is able to multitask.

"It's very hard for static media to accomplish more than one goal at a time," Christakos added. Digital signage, however, can promote, educate and inform, all at the same time. Digital signs that display ads can also provide vital information, such as Amber Alerts, tourist information and hazardous travel warnings.

A number of other factors work against static media. Bill Gerba, chief executive of Wirespring Technologies, said that fewer than 50 percent of static displays are ever installed in stores. As a result, an advertiser may send out 10,000 displays thinking they will all be put up in stores around the country, but the fact is that perhaps fewer than half will actually be installed. By contrast, advertisers using digital signage can have the assurance that their ads are being shown since the technology and means for displaying the ads are already in place.

Digital signage is also more flexible than traditional advertising. If an advertiser ships traditional displays to several stores and the displays do not result in increased sales, removing and replacing the displays will be time-consuming and expensive. The same is true of a failed ad campaign via television, newspapers or radio. But if a digital signage ad isn't getting results, it can be removed and replaced quickly. In addition to this, live data can be imported to digital signage, keeping the content current.

Relevant, specific and immediate

An important advantage digital signage offers is relevancy: Advertising content should be relevant to the viewer at the time it is presented.

A person may know that he wants to buy a new television, but he won't necessarily decide what specific brand of television he wants to buy until he arrives at Best Buy, Target or Circuit City, where he finalizes his buying decision. By advertising via digital signage in an electronics store, a television manufacturer can funnel advertising dollars to ads that will reach customers when they are already planning to buy a new television.

Despite the obvious wisdom of this concept, Nesbit said that in the past, only about 5 percent of a company's advertising budget would typically be spent on in-store advertising.

While traditional advertising tends to be general in nature, digital signage is a more specific and targeted form of advertising. If a store sells antacids, then Rolaids can study demographics to discover who is in the store at a given time. For a time of day when older shoppers tend to be in the store, Rolaids can create ads highlighting certain aspects of the product that appeal to that demographic, such as its high calcium content and low price.

During a time of day when younger customers tend to shop, the store can run an ad highlighting other aspects of the product, such as relieving the symptoms of indigestion — or hangovers. The ads can be tailored to the demographic that will be in the store at a given time, in contrast to the outdated one-size-fits-all method of advertising.

What's more, digital signage is immediate, catering to the mindset of an ever-increasing number of Americans who have short attention spans and expect instant gratification.

"You have a lot of people out there who were born with a (computer) mouse in their hands," said Jeff Collard, president of Omnivex, a digital signage software company based in Ontario, Canada. "Kids are very used to an interactive experience focused around them as individuals."

"The Internet has created a generation of shoppers who expect choice and personalization, and also control, in their shopping experience."

— Jim Christakos, managing partner of Madison West Agency

In the past, a traditional TV ad may have reached millions of viewers, but it had to try to appeal to all of them at once. Because digital signage allows for customization, interactivity and individualization, a digital signage ad can appeal to the viewer as an individual.

"The Internet has created a generation of shoppers who expect choice and personalization, and also control, in their shopping experience," Christakos said.

"Media ADD"

Targeting and individualization make ads stand out from the deluge of information available to consumers. In their book "Lighting Up the Aisle," Laura Davis-Taylor and Adrian Weidmann cite a Ball State University study that focuses on “concurrent media exposure,” defined by the plethora of new technologies available to consumers. As those consumers are simultaneously exposed to more media options, it becomes harder to capture their attention.

Davis-Taylor and Weidmann referred to the phenomenon as “media ADD” (attention deficit disorder); consumers simply don’t have the attention spans they used to have.

Many TV ads run for about 30 seconds and usually tell a story. Often, the name of the product isn’t even revealed until the final shot — meaning that watching TV ads requires a certain amount of patience and attention, which today’s viewers just don’t have.

But why is digital signage seemingly immune to the negative effects of a short attention span? It’s for all the reasons cited earlier: Digital signage is immediate, relevant and tailored to the individual. If it’s not targeted and specific, then it will likely be perceived as little more than background noise.

“People are going into autopilot, screening out media,” Wirespring Technologies’ Bill Gerba said. To fight this “media ADD,” advertisers must be especially careful to create individualized, relevant content.

What all of those factors add up to is this: Digital signage makes for an attractive alternative to traditional advertising.

Chapter 3 The power of getting it right at retail

While it may be clear by now that digital signage is superior to traditional advertising, it's also important to understand how it benefits the retailer.

One significant benefit is the ability to create a welcoming, appealing environment, a factor that cannot be underestimated. Today, people want a pleasant shopping experience.

"Retailers are under tremendous price pressure," said Stephen Nesbit, president and chief operating officer of Reflect Systems. "They can't compete with Wal-Mart on prices; they can't compete with the Internet for convenience."

As a result, stores must create a warm, attractive environment that will make customers want to spend more time in the store. And the more time a customer spends in a store, the more likely it is that he will buy something.

"A retail establishment is like a house, and the consumer is like a guest," said Rob Gorrie, founder and chief executive of Adcentricity of New York City, a company specializing in strategic media sales in the digital out-of-home medium.

Frank Dinolfo, director of digital services for advertising agency Harrison Leifer DiMarco, said ads must be something of a natural stimulus; a homey environment has to be stimulating but also relaxing and reassuring at the same time. To be effective, digital signage must be subtle and not intrusive.

"You want people to notice it, not have it thrown in their face," Dinolfo said.

To help create an appealing environment, there has to be more to digital signage than advertising.

"You can't just show continuous commercials," said Greg Weaver, manager of digital signage networks at Microspace Communications of Raleigh, N.C., and an advisory

Effective digital signage can enhance the customer experience.

board member of the Digital Signage Association. "You've got to make the content compelling."

So what are some of the strategies companies can use to place compelling content alongside advertising to make digital signage appealing to customers?

Weaver pointed out that the Hollister Company's stores — which sell surfing apparel, among other types of clothing — feature a live feed from Huntington Beach, Calif. The cameras simply show beachside activity, but that's enough to create an atmosphere that puts customers in the mood to buy Hollister merchandise.

Between commercials, digital signage can be used to pass along information or provide entertainment. For example, digital signage can show weather updates or sports scores. It can provide information about events happening in a certain neighborhood. If digital signage conveys this information, people are more likely to watch it, see the ads and purchase merchandise from the store.

Stores can even use digital signage to reach customers outside the store, since improved technology now allows digital signs to be placed outdoors, said Scott Birnbaum, vice president of Samsung Semiconductor's LCD business.

"LCD is typically not made to be used outdoors (anyone who's tried to use their laptop outside can attest to this). …Now they've made adjustments," Birnbaum said.

Today, the high-traffic Las Vegas Strip features a number of outdoor digital ads — something that was not possible until recently.

Flexible and changeable

Digital signage also offers retailers flexibility. Traditional in-store signage generally promotes one item only; if that item sells out, the retailer is left with useless signage. With digital signage, if an item sells out, the ad for that item can be removed and replaced with an ad for an in-stock item.

That flexibility also enhances accountability. If a digital ad isn't effective, it can be changed immediately. Content can also be rotated on a regular basis.

Target uses digital signage in a number of ways, said Target spokesperson Jana O'Leary. In its entertainment and electronics departments, Target offers its "Channel Red," which features three types of programming: a TV wall, video games and entertainment.

"Channel Red delivers relevant messaging to guests and team members, enhancing our brand, promoting our 'Expect more, pay less' promise and highlighting vendor products," O'Leary said.

Target has also implemented a 100-store pilot program in its pharmacy department that features a mix of educational messaging, pharmacy information and ads for various health and wellness products.

"Target sees the benefits of digital signage through its ability to enhance our guests' in-store experience, as well as fulfills a need in delivering our value messaging and those of our vendor partners, right at the point of purchase for maximum effectiveness," O'Leary said.

Target is pleased with its decision to embrace digital signage. But are there quantifiable, positive statistics regarding a company's use of digital signage?

Jeff Collard, president of Omnivex, a digital signage software company, said his firm worked on a project for New Ground Resources, which operates digital signage for several banks. In exit interviews, 3,000 customers in branches of three different banks were asked about the digital signage. Seventy-five percent of those polled remembered seeing the digital signs. Of that 75 percent, 21 percent were able to recall a specific advertised product. And of the 21 percent that recalled the product, 24 percent asked for more information about the product or service.

By contrast, the recall rate in print advertising is typically around 13 percent.

Land of the impulse purchase

Digital signage also allows for enhanced upselling opportunities. Most store managers encourage their employees to upsell, either in the aisles or at the cash register. But not even the most diligent manager can be sure his employees are upselling, and even the most conscientious employees will forget to upsell from time to time.

> **"Target sees the benefits of digital signage through its ability to enhance our guests' in-store experience as well as fulfills a need in delivering our value messaging and those of our vendor partners, right at the point of purchase for maximum effectiveness."**
>
> **— Jana O'Leary, spokesperson for Target**

Digital signage can ensure that stores get their upselling messages out.

Upsells and impulse purchases go hand in hand. Placing digital signage at dwell points, such as the checkout line, has another advantage. In "Lighting Up the Aisle," Davis-Taylor and Weidmann refer to this area as "the land of the impulse buy."

If a person is waiting in line at Target, her eyes will likely drift to the candy bars or soft drinks available near the checkout line. She may not have intended to buy a snack or a drink, but looking at the candy bars while waiting in line may make her think about how long it has been since she has enjoyed a Snickers. It's an impulse buy.

A digital sign placed near a checkout line can point a customer's attention to impulse items sold at or near the cash wrap.

In addition, digital signage enables retailers to target their advertisements more selectively. Mike Strand, president and founder of Strandvision, said it is a perk for retailers that digital signage is targeted to people who are already customers.

Traditional advertising typically reaches people when they are at home or in their cars, whereas digital signage reaches people when they are in the store, which means they are already potential customers interested in hearing more about what the store has to offer. That kind of selectivity is invaluable.

Content is *still* king

One factor is vitally important for retailers using digital signage: content. The technology may be new and snazzy, but the content and presentation will reel customers in and reap benefits for retailers.

"It doesn't matter what the source is, it's the content that follows through," said Frank Dinolfo, director of digital services for Harrison Leifer DiMarco. "They (customers) don't care about the LCD; they care about what's on it."

If the content fails, even the best screens in the most strategic locations will fail to yield results.

"Without proper content strategy, your network won't take you any farther than a flyer," said Dave Dolejsi, a content strategist with Alchemy International.

But the process isn't as simple as placing digital signs in stores and watching people flock to them. Maximizing digital signage's potential requires a learning period, and many early deployers tried to use old strategies with the new medium when new strategies were in order.

"Content strategy is probably the thing people did not get early on," said Tom Nix, general manager of Dynamix Technologies. "People approached it like television."

Why wouldn't this approach work? Longer TV-style ads may work where a customer may have to wait in a long line, but they do not work in other areas. Shoppers will seldom stand in front of a screen for 30 seconds to watch an entire commercial. Ads must be short and focused and leave no room for confusion in the mind of the viewer.

"The rule of thumb is five seconds," said Dinolfo. "If you don't get their attention in five seconds, you've lost them."

In order to do this, the content has to be visually appealing and eye-catching. It has to make the customer want to slow down and look at the screen.

"You have a lot of work to do in a second or two to capture their interest," said Bill Gerba, chief executive of Wirespring Technologies. "Get them to slow down and make sure the info leaps off the screen in two to three seconds."

Location, location, location

The content not only has to be visually dynamic; it also has to be placed in an optimal location inside the store. Nix said that when digital signage was in its infancy, many stores made the mistake of hanging screens from the ceiling.

"It was easier to hang them from the ceiling, but it was not that effective," said Nix. Shoppers typically don't look up at the ceiling when they shop; they look at what's on the shelves.

"Bigger is not necessarily better," Nix added. "Use smaller, more targeted screens."

Making the content relevant to the consumer is also crucial. Ads should relate to items in the department where the screen is located; almost as bad as not getting a customer's attention is getting the customer's attention but failing to follow through by not offering relevant information.

"You've got to put yourself directly in the shoes of the viewer," said Laura Davis-Taylor, founder and principal of Retail Media Consulting Inc. "You're asking them to take five seconds out of their lives, so you better have a good reason for it."

And as with anything else in life, a good first impression is important to a network's success. Davis-Taylor said customers will often pay attention to digital signage the first time they encounter it in a new setting, simply because of the novelty factor. Their willingness to continue to pay attention to it on future visits hinges on whether they liked what they saw. If the information was useful to them, they'll come back to it. If their first encounter with digital signage annoyed them, they'll likely avoid it in the future.

"One qualified viewer is worth more than a thousand unqualified viewers," Davis-Taylor said.

That said, the fact that customers are in the store does not make them a captive audience; retailers need to be sure their signage offers engaging content. Or as Davis-Taylor and Weidmann wrote in their book, "They aren't captive, because they have feet."

Trust before commerce

In their book "Lighting Up the Aisle," Laura Davis-Taylor and Adrian Weidmann discuss the importance of balancing commerce with customer relations. Here is an excerpt.

As new and evolving in-store digital media are appearing, we continually look to better understand how they will affect consumer trust in-store. To answer that question, let's review some history:

- The radio was invented in 1895, but it took 27 years before a bankable business model emerged from the newfangled technology.
- Vladimir Zworkin followed in 1927 with the invention of the iconoscope (the basis for today's television). It wasn't until 1941, 14 years later, that the newly formed FCC authorized commercial television.
- ARPANET was commissioned in 1969 and became the birth of the Internet. On Aug. 9, 1995, Netscape had its IPO and the dot-com era began. It wasn't until after the bubble burst in the late 1990s that the traditional rules of commerce emerged out of this technology boom.
- Networking technology spawned the introduction of "digital media networks" in the 1990s and, not unlike the media technologies before it, this too was a tactical solution in desperate search of a meaningful business strategy. Technologists introduced digital media networks with a "field of dreams" attitude, blindly (and wrongfully) assuming that in-store advertising would be the sole motivator to pay for their displays and/or widgets.

Upon their onset, one common denominator that proponents of these technologies failed to recognize was the lack of trust by their target audiences. In every case, years passed between the introduction of the technology and the point of established consumer trust so that true commerce could begin.

The eroding efficacy of traditional media channels can largely be attributed to the continual erosion of consumer trust. As marketers, we've been irresponsible with our audiences and continue to overwhelm them with "look at me!" interruptions. We're largely to blame, but we can start doing right by people if we choose to do so. If the consumer doesn't trust the medium, they will certainly not trust, or be receptive to, the message. As consumers are taking control of their media, we can assume that it's our job to earn their trust so that we're welcome into their world.

Google is a terrific example. Google provides services that Internet users find useful and helpful. It is only after these services are accepted in a trusted online experience that Google can reach out and develop commerce on the consumer's terms. Banking ATMs, self-service airline ticketing and check-in have similarly gained the trust of their users and, hence, their acceptance.

Google is very public about why they're successful. They find out what information and tools people want and give it to them. Then, they roll up their sleeves and figure out how to make money from it. They support this mentality rooted in innovation and hire carefully to ensure that they have the best and brightest supporting their goals.

"Lighting Up the Aisle," pages 33 to 34
by Laura Davis-Taylor and Adrian Weidmann

Chapter 4 The psychology behind enhancing the customer experience with digital signage

In the world of the retailer, what is good for the customer is good for business.

"As soon as you add value to the consumer, the advertising makes more sense," said Rob Gorrie, founder and chief executive of Adcentricity. "If I feel warm and fuzzy about the content, then I feel warm and fuzzy about the advertising, too."

How does digital signage improve the customer's experience? When a customer steps into a store, he wants to be treated well and provided with good service. But the recent economic downturn has had an adverse effect on the retail industry beyond the loss of sales; as more and more people are laid off, it becomes harder for employees to feel a sense of loyalty to their jobs. They don't give 100 percent, and they don't go the extra mile for their customers.

"People are much more cynical about their jobs," said Mike Strand, president and founder of Strandvision, who pointed out that in the '80s and '90s, many retail stores had loyal employees. Working in retail was considered a lifelong career. But that is no longer the case.

"Every time a sullen employee grunts a sorry excuse for a thank-you as one of their customers passes through checkout, it reaffirms that customers — retailers' guests and lifeblood — aren't valued at all," Laura Davis-Taylor and Adrian Weidmann wrote in "Lighting Up the Aisle."

The personalization and relevancy of digital signage can help fill this gap. In the past, customers could be made to feel welcome in a store by attentive, knowledgeable employees. Today, targeted, efficient digital signage can be used to make customers feel valued.

The proximity of the digital signage to the products the store is promoting is also a great asset to the customers. "It allows customers to not only see the product, but to visualize themselves using the product," said Stephen Nesbit, president and chief operating officer of Reflect Systems.

> **"The days of in-your-face advertising are over. People don't need to be shocked; they don't need you to be jumping in front of them saying 'Look at me!'"**
>
> **— Rob Gorrie, founder and chief executive officer of Adcentricity**

After all, that is the goal of good advertising — to help people see themselves using a product and enjoying its benefits. Digital signage activates the customers' imagination at a time when they are most open to buying a particular product.

Jeff Collard, president of Omnivex, added to Nesbit's idea by pointing to a strategy employed by Six Flags amusement parks, where digital ads showed people using a product, such as drinking a Coke, in the section of the park where that particular screen was located. The purpose is to make people think about how much they'd like to have that item in that context.

Giving customers control

Digital signage can also give customers a feeling of control that they don't have with other forms of media. Display Points recently rolled out 7-inch digital screens to a number of restaurants, pizza parlors and bars in the Austin, Texas, area; because the portable units were small, customers who did not want to use them could move the screen to the side. If people wanted to watch the screen but did not like the ad that was currently playing, they could press a button and skip to the next ad. The feedback was overwhelmingly positive, with 93 percent of the respondents expressing approval of the digital signage.

"They loved the ability to control the content," said Display Points CEO Greg Fitzgerald.

And even the 7 percent of customers who disliked the digital signage did not discourage Fitzgerald, since most of that group said they dislike all forms of advertising. In other words, that is a demographic that not even the savviest advertiser will likely win over.

But why is digital signage a benefit to a customer in such a setting? People don't like to receive calls from telemarketers while they are eating. Why would they want to have digital signage near them in a restaurant or a bar?

Strategically placed digital signage can alert customers to promotions, sales and discounts.

There are several reasons. A person dining alone may appreciate having entertaining or informative content available to pass the time. At the other end of the spectrum are diners looking for a movie playing locally that they could go see after dinner — or patrons at a sports bar who want to find out the answer to a sports-related question in order to settle a dispute. Digital signage can meet all of those needs.

While relevance is an important reason to promote products in-store, other factors make in-store digital signage a positive experience for customers. When people are at home, they want to feel at home. They want to feel comfortable, secure and free to do whatever they want. They do not want someone aggressively trying to sell them something, whether it be through telemarketing or television advertising. People will often reject something out of hand just because they are annoyed at what they consider to be an intrusion of their personal space.

"People don't like to be sold to at home," said Greg Weaver, manager of digital signage networks at Microspace Communications. In a store environment, "you're not as averse or opposed to someone trying to sell something to you."

In general, industry observers are seeing pushback against all forms of intrusive advertising. "The days of in-your-face advertising are over," Gorrie said. "People don't need to be shocked; they don't need you to be jumping in front of them saying 'Look at me!'"

A win-win situation

Digital signage can transform waiting in line, an experience that is usually unpleasant for a customer, into a more worthwhile experience. Places where customers linger provide prime opportunities for advertisements to reach consumers.

"Find a place where there's dwell time," Weaver said when asked to give advice on where to place digital signage.

If strategically placed in such a location, digital signage may keep the customer engaged and make the wait seem shorter. This in turn will make the customer happier with his overall experience at the store.

Strategically placed screens can also alert customers to promotions, sales or discounts available at the store, something that the customer might otherwise be unaware of. Again, immediacy and relevancy is the key. A person who reads about a discount in a newspaper or sees it on a television commercial while at home may forget about it by the time he heads out to do his shopping. But an ad placed in the context of the store helps the customer remember it and perhaps take advantage of it — a win-win situation for retailer and consumer alike.

How people shop: The basics

In order to determine what's good for the customer, a store must have a good understanding of the psychology of the average consumer. In "Lighting Up the Aisle," Laura Davis-Taylor and Adrian Weidmann examine the basic mindset of a shopper upon entering a store. Here is an excerpt:

On a very high level, how people shop is most often dictated by their mindset, their "needs triggers" and their personality. Are they in the store for what we call a "mission shop," there to get in, find what they need and get out? Or are they in the store for a "leisure shop," idly wandering the store in search of a nice buying experience? It's often one or the other, but it can, and should be, a little of both.

Mission shoppers come in and quickly scan the store in search of the products they want. Often, they get on the racetrack and pop on and off it quickly as they gather their items (remember that they're on a mission). They will not stop or slow down and give very little attention to messages and things meant to engage them. This doesn't mean that you can't make a quick impression on them; you'd just better be quick about it.

A leisure shopper is a bit different. They stroll the store at a nice, even pace, always keeping an eye peeled for a little something to engage them and pull them in to play or to explore and learn more. Time is no issue, but finding product — both on their list and as part of a "new find" — is. The experience while in-store is also key, as this shopper can be won or lost based on how their time spent is perceived. They want to buy, and they want to have a nice time doing it.

Applicable to both groups are the psychological triggers for what motivates people to buy. Triggers can include price, quality, trends, brand aspiration, a "treat myself" decision or a litany of other factors that research people are excellent at uncovering. Just remember to understand which triggers pertain to your unique shopper segments; they are emotionally based and very powerful to understand if you are going to motivate or modify a shopper's response or behavior.

Aside from the mindset issue, there are some golden insights to shopper behavior pulled from our experience in store design. …Here are a few of our favorites:

- Things that directly increase sales: how much time someone spends in-store, the amount of contact with a sales associate, if they have a basket, samples tried, items touched or played with, what was tried on, messages seen and the exposure to relevant impulse items.
- Of the above, the most impactful is the amount of time spent within the store. The more time spent in-store, the more dollars generated!

Continued on page 23

- For some reason, even leisure shoppers often zigzag on and off the racetrack to dive into aisles to get what they need.

- Shoppers often turn right first as they enter the store. We don't know why they do this…they just do! However, good store designers can lay out a store and do all kinds of neat things to subtly lead the store pedestrian path (think Ikea).

- When looking at messages and product, the items that are eye level get the most recognition. Also, how the message, product or promotion is perceived against what's around it can make a big difference. The creative execution is the make or break in relation to this point, and good store design people understand the importance of "breakthrough" design to make their message or product pop.

- People like personal space and don't like to feel crowded or overwhelmed. This can be physical, visual or auditory, as sound can be incredibly invasive if it's not done carefully. And don't forget that smell factor, as scent can be positive or negative as well (we like fresh bread or a spring fresh scent…we don't like garbage or stale fried chicken grease!)

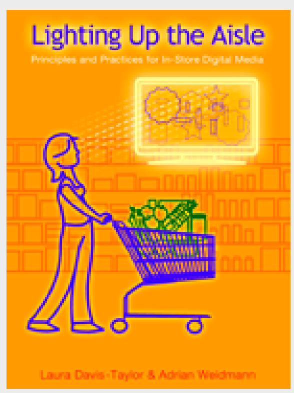
- Shoppers really like it when they can find what they want easily – and they know when you're making them work for it.

- They don't like to wait in long lines. If it's going to happen, they're a lot cooler with it if you offer something to entertain them while they're waiting. At the very least, acknowledge it and apologize.

- If they have kids, anything you can do to keep them entertained is going to win serious loyalty. It doesn't have to be much, just do something!

- Most people give each message anywhere from one to seven seconds before they either acknowledge, engage or respond. …You'd better be quick with a message if it's going to register.

- Every shopper likes to experience at least one moment of "surprise and delight" in a shopping trip. It can be finding a really neat new product, tasting a scrumptious morsel, getting a valuable and unexpected coupon, a smile from a clerk accompanied by personal assistance or a fun new experience delivered via technology or a store event. It can be many things, but people love it, and it's one of those things that can have huge impact in the race to brand loyalty.



"Lighting Up the Aisle," pages 20 to 22 by Laura Davis-Taylor and Adrian Weidmann

Conclusion What the future holds

Digital signage may not yet be in every store around the country. But it looks to become an increasingly visible presence in stores in upcoming years.

"The vast majority of retailers either have evaluated it or are evaluating it," said Bill Gerba, chief executive of Wirespring Technologies.

One factor that will likely work in favor of digital signage is that shipping costs have gone up, making it costlier for static signs to be shipped out every time a new advertising campaign is launched.

"If people aren't doing it, they're at least thinking about it," said Laura Davis-Taylor, founder and principal of Retail Media Consulting Inc. Davis-Taylor said she expects every major retailer to be using digital signage by 2012.

The smaller, the better?

Just as VCRs and DVD players became smaller as the technology improved, Stephen Nesbit, president and chief operating officer of Reflect Systems, said he expects this to be the case with digital signage as well. The future will bring smaller screens that can be placed on endcaps or shelves and allow for even more specific customer targeting.

And if current technology is any evidence, customers will quickly embrace the smaller screens. "Look at how much people interact with their iPhones," said Tom Nix, general manager of Dynamix Technologies.

Greg Weaver, manager of digital signage networks at Microspace Communications, said smaller screens also allow digital signage to be placed in new locations — basically, "any place where you have people's attention."

Smaller screens will also offer more interaction between customers and signage. Digital signage is increasingly interacting with cell phones and PDAs. A screen may tell a customer who has just arrived at a store to text a number into his phone so promotions and specials, based on his purchasing habits and preferences — not unlike what Amazon.com does for users with Amazon accounts — may be sent to the phone. Soon it will be possible for audio advertising to be sent to customers via Bluetooth.

The technology of the signage will also improve as well. "Digital signage will expand beyond the screen itself," said Dave Dolejsi, a content strategist with Alchemy International.

Projection technology will be able to project digital signage to more outdoor locations, such as a building face. Eventually, digital signage may take the form of a hologram.

Weaver and Nix both said digital signage will also assume a greater role in transportation systems through a technology known as "geo-targeting." For example, on a train heading into Denver, the digital signage could display information about the city, popular places to eat, entertainment venues and so forth. Similarly, digital signage on a bus could display relevant content about the town or neighborhood the bus is approaching.

Measuring success

In the years ahead, experts will learn more about how to effectively measure the success of digital signage. Davis-Taylor and Weidmann wrote in "Lighting Up the Aisle" that there are a number of ways to do this today: traffic counters to determine the number of people near the screens, customer observations for behavioral learnings, employee interviews to gauge their observations from the floor and sales/category analysis to track sales increases.

The ultimate goal is for digital signage analysis to mimic online clickstream analysis, the method Web sites use to track every click a person makes. For example, if a person logs on to Amazon.com, he'll see recommendations based on previous searches.

Eventually, stores hope to have a similar analysis in place (Davis-Taylor and Weidmann referred to it as "storestream") to collect all of the data of a customer's experience, from the moment she enters the store until the moment she leaves.

Protecting privacy

While Davis-Taylor is excited about this prospect, she cautioned professionals in her field to proceed carefully. When observing customers so closely, privacy can be an issue.

"It's a really, really sticky wicket," Davis-Taylor said. "If they step wrong, they can stop the whole thing."

> **"It's not the Holy Grail, but it sure is close."**
>
> **— Greg Fitzgerald, CEO of Display Points**

Industry leaders are currently discussing how to best personalize the experience without intruding on a customer's privacy. "We're trying to examine these implications," Gerba said. "It could create some serious privacy problems in ways the consumer is not thinking about just yet."

The consensus appears to be that the best way to combat privacy concerns is to track a consumer's shopping patterns only with the person's consent. "The personalization only happens if someone opts into the program," Nesbit said.

To help ward off potential problems, Davis-Taylor said it's important for the technology to proceed slowly but surely. People should gradually be made to feel comfortable with the medium first, she said. Once they are socialized to it, then they will feel more comfortable with the personalization.

Overall, digital signage is still a relatively young medium. All new technology experiences growing pains as people examine the best ways to harness its potential. “Once it’s perfected, more and more people will flock to digital signage,” Weaver said.

“It’s not the Holy Grail, but it sure is close,” said Greg Fitzgerald, CEO of Display Points.

Targeting 21st century consumers, Part 1

By Ken Borruso

This story was originally published Sept. 5, 2008 on DigitalSignageToday.com.

Owners of restaurants, retail stores, medical centers and bankers are sitting on a goldmine of dynamic messaging opportunities to brand their identity and incite decision-making and spending. These owners have the power to provide their own content and their own commercial advertisements to their own guests and employees in real time. They can buy local news and weather content, or they can produce their own and use the screen time to sell direct product placement advertisements and sales to their own merchandisers. They can use the network to manage waiting lists, take orders, make a special announcement and present menu items. They can broadcast employee communications messages for education and training initiatives and town hall meetings for large gatherings of employees.

Business owners have the potential to create their own niche-sponsored mini-channels and send unique targeted messages to guests that benefit their interests and bottom-line metrics. As is the case for in-store marketing and merchandising methods of selling shelf space to manufacturers, the real estate property owner can sell screen time to their manufacturers, too.

The business owners themselves, initially considering a digital signage network as a big expense, may be unaware of just how profitable these network channels can be for the direct and indirect placement of their own compelling content. It is so compelling that broadcast media companies have been acquiring special interest networks for the past two years.

But business owners are not the only ones with an out-of-home interest in the direct consumer. Broadcast television networks are changing their positions from content providers of news and weather services to outright direct purchasers of networks from existing successful privately managed operators in venues such as doctor offices, supermarkets and other out-of-home locations.

These business owners need to see the potential that mini-channel programming can have on their business by providing prequalified viewers messages that directly impact their near-immediate purchasing decision and compare it to television-based advertising costs.

The first thing that owners need to understand is that digital signage CPM (Cost-Per-Thousand Impressions) is different than the broadcast media CPM. Broadcast CPM is used as a metric to reach audiences of millions of people within a common segment. CPM is not an exact science, but it is used to generally help the mass-media buyers understand the size of their target audience. There is no way to directly correlate CPM to revenue, so third-party metric companies are hired to provide statistical equivalent results.

Digital signage, on the other hand, has a CPM that is focused on a smaller set of prequalified viewers, many of whom are out of their home, in a store, about to make a direct purchasing decision. This smaller, focused group of prequalified buyers has a much higher value to advertisers, and therefore the network operators can charge a premium to be positioned on the screen.

The network broadcasting business

Broadcast television is a service model mostly sponsored in segments by geography or network plant, combined with the program content and time of day. This model was created to support a free television experience to viewers from a radio transmission signal. The signal tower costs money to operate, as well as to produce content for the shows.

Originally, there were only a handful of broadcast channels to choose from, and there was no recording and playback technology available to the consumer in their home. There was limited bandwidth in use and no DVRs. All we had to do was buy a television, and all we could watch was what the broadcast owners thought would be the most compelling content of that era that would make them money.

One way to look at television from the broadcaster perspective is this: They look to sell the time between compelling content programs; at the same time, we look for compelling content between commercials. Over the half-hour program, we both see the same thing, but we have two different goals in mind.

With the expansion of cable and satellite in the ’70s and ’80s, the concept of free television for the consumer ended. This may also be the first major disruption to the original, free broadcast media model as it created an overabundant supply of bandwidth to a finite set of creative genius production.

The introduction of cable made it possible for new producers to break into the business and launch vertical market channels, as magazine niche counterparts have done. However, after 25 years, the broadcasters continue to struggle to find a constant series of compelling content to fill their traditional nationally syndicated programming.
In a way, cable television may have diluted the overall quality of television by creating alternate programming channels using the traditional-channel advertising broadcasting model, only to

be outdone by the introduction of the Internet.

Today, with more than 200 channels to sell, competing with the Internet for new and innovative content, broadcasters find steady viewership in real-time news programs, programs about news programs, reality programs and news programs about reality and lifestyle programs.

And the most successful program model in television is a weekly reality show that uses the content it produces to sell more content. It is pure genius, marketing and programming all built into one segment. This can be a reference model for a digital signage network. In “American Idol,” they use the content (real people) to perpetuate and sell more content (the real person gets a chance to become a real recording artist).

It is very much like the model of a television retail store, selling screen time to its television manufacturers to promote and sell more HDTVs. Using the media to sell more merchandise is where the real estate owners can realize extreme value to their model.

Targeting 21st century consumers, Part 2

By Ken Borruso

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One area that broadcasters and network operators are focusing on is called Project Canoe. This technology upgrade manages the network plant to support a dynamic advertising-insertion model unique in each set-top box. With this model, the networks may be able to accomplish their original intent of vertical marketing to an individual household that is most likely interested in that product for a premium fee to the advertiser. This technology may also be used to create narrowcast display networks.

While this is being thought out and created, digital signage technology available today is used to create a narrowcast network equivalent as an alternative method of communicating compelling content to a specific set of viewers.

Media companies have followed the trend of creating vertical alternate channels that attract smaller audiences of a special interest to whom they can sell commercial time for a higher CPM. In theory this makes sense, but in reality, they indirectly created a content gap, and this is a major reason why the out-of-home real estate rush is on the rise.

With the promise of the Internet Protocol television on the horizon, a larger set of lower cost independent productions and entertainment venues may emerge, syndicated directly from production stages without the need for broadcast media middlemen. The challenge for traditional broadcasters to find compelling content to fit between commercials will only get harder.

Over 25 years, there are three major changes in the network industry that are shaping the behavior of consumers, broadcasters and advertisers: the introduction of alternate cable channels, the DVR and IP TV.

Cable and the Internet may have diluted the quality of programming content, and the Internet will make it easier for lower quality productions to be seen by millions. When there were fewer outlets for content, the broadcasters vetted out and found the best content that appealed to mass audiences. Talent was no longer a local act. In an instant, the nation laughed with Benny and Youngman, sang with Sinatra and saw the Beatles for the first time.

There are some executives who recognized talent when they saw it and quickly secured relations with the artist to become members of their production. Recognizing talent and converting that talent into a franchise has become an art practiced and refined over the years. But broadcasting is still a business of risk management; however, with the increase in channels from cable TV, the invention of the DVR and the ubiquity of the Internet, the broadcasters no longer have a lock-hold on their viewers in their houses.

This unfortunately means they no longer have a hold on their advertisers, and with fewer advertisers buying less time on diluted networks, they may begin to see they are losing their hold on net profits, too.

History may show that cable TV and DVR were the end of the broadcast-network-sponsored business model. That is, until IP TV or an equivalent MPEG-4 set-top box model replaces the channel-content-over-time model to an on-demand subscription model of unique pay-per-view or commercially sponsored streaming content.

Look who's watching what, where and when

It may be premature for the FCC to get involved in the regulatory aspect of owning too many media outlets inside private and public spaces, but it may eventually become an issue when the media company owns the screen and the only channel viewable inside a supermarket aisle. While it is not an issue today, media companies realize they need to get their messages closer to the right person at the right time and are shelling out capital to make sure they are in the right place.

This increases the value of any retail space and presents an opportunity to retail operators and their suppliers to form a direct-to-consumer network, selling shelf space and screen time to manufacturers.

For the early adopters, the cost-benefit ROI argument was often met with high opposition when a digital signage proposal was presented to a prospect such as a restaurant, retail store, doctor's office or shopping mall. In many of these cases, the ROI did not consider what broadcasters now see as their new media outlet, and they may not have considered selling the time to their suppliers to increase shelf velocity.

This is more great news for business owners who want to operate and manage their own digital signage network. This means a retail operator can begin to create their own network to market their own products and services to their own customers and know they have access to the very consumers that the broadcast advertisers need to reach. They can even choose to bypass broadcasters and create their own private channel and sell the time directly to their own merchandisers, bypassing the broadcast middleman.

Over the past few years, real estate owners presented with out-of-home media companies' business plans to replace static signage with third-party-owned and -operated digital signage networks opened the door for many startup companies to compete with traditional paper media providers. In many cases, they failed. One reason they failed is because they lacked the proper content that created a compelling reason to watch the screens.

Content is still king, but getting to the screen inside a store does not have to be a broadcaster's decision. In the store, the store may choose to buy the content from a broadcaster and sell the time to an advertiser, adding promise to the pay-per view, a-la-carte broadcasting model.

There are many financial models with one-time and recurring operating expenses, but on average, given the necessary volume of viewers, a private network can produce a positive cash flow within the first year of operation, as where 400 to 500 screens are seen by at least a million people in a single month. This model works from selling the ad time to a third party as is the case in gas station and c-store networks, or doctor's office networks where the media and the messages are targeted to specific audiences. In this model, the real estate owner has what is called the digital rights to show messages to their guests on their properties. In some cases, they are provided a free installation and agreement that the content will be safe, and some are compensated for providing the "right of way" and the access to their guests.

The real estate owner has the right to deny broadcast companies the rights to use their properties in the spirit of entertaining visitors while they wait for a profit. They do not have to show broadcast or cable television to their guests either; however, many do it as a service to keep the guests informed, entertained and otherwise occupied while they wait or shop, even if it advertises information that is at cross-purposes of the venue.

However, the clever broadcaster has already produced compelling content for this venue and has sold the commercial time to vertically motivated advertisers to capture the audience while they wait. The clever broadcaster has also allotted time for the local owner to insert her own custom information.

The clever broadcaster does not show competing content or competing services as commercials that may create a conflict of interest to the real estate owners. What is left in the middle and to be figured out by broadcasters and networks is the option where the real estate owner buys the news feed without the commercials and inserts his own local commercials or sells the local commercial time to his own strategic advantage.

Targeting 21st century consumers, Part 3

By Ken Borruso

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The real estate owner who recognizes that broadcasters can make money on this network has an opportunity to earn income from either leasing the space to the broadcaster to mount his screens, or he can build his own network and produce his own content as an alternate profit center and charge the broadcaster a fee to place content as a micro-franchise. The real estate owner can buy or download content produced from other venues to create his own private broadcast channel.

Big box retailers can benefit two times from building a network within their store. One, they can sell the time on screens to their merchandise manufacturers for in-store and in-aisle promotions. Two, unlike a doctor's office, the grocery or retail store, they can benefit from an increase in shelf velocity or throughput of screen-promoted items.

This double-income potential of selling time on an in-store network, like shelf space to manufacturers who can use it to sell their products faster, can lead to larger buying power and a higher net profit than, say, a third-party network owner-operator selling time alone.

This brings our discussion back to the real winners in this market, the property and digital-rights owners of the space where items are purchased. No matter how the network is capitalized, no matter what technology is used, no matter how it is managed, the real estate owner holds the keys.

This is true for many industries where merchandising opportunities are still a relatively untapped market. Owners of grocery stores, retail franchises, restaurants and entertainment venues all have the potential to earn income for network time they sell to broadcasters, network operators or their private narrowcast network.

Instead of looking at the hardware and network as expenses with a local cost and a local benefit, the real estate owners should be thinking of the bigger picture and where the digital television networks of tomorrow are heading. The new technology lowers the entry barrier so that almost anyone can become a network and a broadcast company.

There are network incremental one-time costs, but when combined with the right messages, they have the potential to increase net profits. Real estate owners should be thinking of digital television networks as the most economical way to speed up the decision-making process in-store. They need to keep a focus on increasing ticket velocity and use this technology as a tool to influence purchasing decisions and increase ticket size.

ROI and your EBITDA

Given the modest investment of a digital signage network (about $3,000 an end-point), if a single-store operator earning $2 million dollars in sales with an EBITDA of $200,000, with a modest 10 percent increase in sales (2.2 million), can double the EBITDA to $400,000 with little or no additional fixed costs. This means it is possible to double the value of your business with a modest 10 percent increase in sales using the resources you already have in place and a relatively small investment in digital signage.

Dilemma 1

A large restaurant chain buys time on major networks to get people into its stores, yet when the people go to them, they see large televisions surrounding the bar or waiting room showing competitors' commercials. This may seem like a normal concept to provide a form of entertainment to guests, but oftentimes this strategy works against increasing your ticket size or speed. It allows the same broadcast networks to air competitors' commercials to the right people (whom you paid network broadcasters to bring you in the first place) at the right time and in the wrong place (your place).

This may be avoided, and the real estate owner can turn this into a promotional opportunity if the restaurant owner chooses to invest in a digital signage network or if the entire television industry changes its business model.

In a future world, the content may be the same, but the commercials will be different. In a future world, a restaurant chain may buy a plan that replaces all the commercials with its own locally inserted specials or regional promotions and nothing but its own approved information is displayed.

While this presents some short-term technological, legal and financial hurdles for everyone from the television sports franchise compensation of intellectual copyrights to the local cable operator and broadcasters, this can be resolved.

Today Bloomberg Television has such an offer and is providing a working business model to financial institutions.

Dilemma 2

The market for alternative narrowcasting models of hardware and software is beginning to reach a critical mass of acceptance, and this is upsetting the broadcasters' applecart.

To hedge the future potential of the private screening and access to consumers out of their home, broadcast networks are beginning to take action from selling prepackaged content to existing network operators, acting as sales agents for narrowcast operators, to the outright acquiring of networks in desired demographic markets.

Discovery Holdings, owner of more than 12,000 displays in medical offices, is the largest holder of out-of-home media and one of the first major media companies to hold the digital rights inside these locations. CBS has acquired SignStorey and has provided content and advertising to many other network operators, while ABC is directly marketing advertising for Meijer stores and gas station television networks.

The message to real estate owners is clear: You own the digital rights to permit or deny access to the content and messages seen and heard on your properties, and the value is going up.

This one-time cost has to be compared to the value of the site where the message is displayed versus the shift in value from a broadcast television CPM to your location.

Doctor's offices, for example, represent a fixed demographic of consumers and an ideal location for medical-related messages, such as through healthy living shows. However, seasoned broadcast network executives recognize the space is an alternate location to market their existing pharmaceutical clients.

It is almost as if the broadcasters have to literally buy the network transport, place a set-top player and television screen on top of the real estate to display their messages so they can offer their clients alternate media placement to counter the erosion of the net value in their broadcast network airtime.

Dilemma 3

Fragmented early adopters create a need to standardize on narrowcast networking technologies. This micro-economic model of asset-owned narrowcast networks has created fragments to permit simple consolidation of entity-owned and managed digital media to outsourced, leased space media provider and the creation of OVAB. The market is filled with mini-network owners and operators using diverse technologies to deliver essentially the same thing — rich, high-definition media.

The challenge for the media buyers and network operators is much like the same challenge seen in the cable-switching networks with ad insertion for different markets. Middleware service bureaus, such as SeeSaw and others, are created to help mitigate the common ground. The network advertisers and out-of-home media network operators experimenting with digital signage software packages have not yet agreed on a standard, let alone enhanced the media rights as may be implemented in MPEG-4 copyright protection.

There are many challenges for the media to reach the target market in our market-driven economy, but real estate owners are the ones who stand to gain independent of the technology.

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