

# Digital P.O.P.

*New medium requires a new approach to creativity.*

BY GRAEME SPICER



The future success of digital signage in the retail environment will depend largely upon its level of relevant, timely and engaging content.



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The application of digital technology in the retail environment will, over the next five years, completely change the way shoppers interact with the stores in which they shop. This shift has already begun, with the trend towards self-check-out, biometric payment systems, kiosks (like digital photo stations) and digital signs continuing to accelerate.

Of particular interest to readers of *Sign Business* magazine has been the much-

hyped arrival of dynamic digital signage (DDS), or “in-store television”. This technology was going to be the death of in-store signage companies, with all shopper communication being delivered with the press of a few keystrokes. This certainly hasn’t happened to date, and isn’t likely to in the near future.

As Dynamic Digital Signage continues to grow very rapidly, the experience of its use has spanned the spectrum of advertiser success, network profitability and satisfaction on the part of shoppers, patrons and location providers. Standards of practice have improved in the areas of business planning, technology integration, and display network operations, but the greatest impact on the success, or failure, of digital displays has been realized through the suitability of the content loop, the quality of the content spots and the integration of the digital display into the environment and the shopper experience.

Why has digital signage in retail failed to deliver its full potential? To answer this question, it is helpful to understand how digital signage first started, and has over time evolved.

## HISTORY OF DDS AT RETAIL

High-end fashion houses were among the first retailers to use video in their stores. In the late 1970s and early 1980s, as the very earliest VCRs became available, these retailers exhibited tapes of their runway shows on CRT televisions. Recognizing the impact of rich content, other specialty retailers soon followed. However, in the grocery and mass-merchandisers channels, adoption was much slower.

By the mid 1980s Dave Nichol was frustrated. As the president of Loblaw's, the iconic Canadian grocery chain, he was concerned that store managers were not consistently executing the complex merchandising plans to support the weekly



promotional flyer—an essential piece of Nichol's growth strategy.

The store managers' inability to effectively execute the promotional plan was understandable. The weekly printed instruction binder was a heavy document, both figuratively and literally, and required several hours of study.

The solution, provided by retail strategist Don Watt, was to provide 26" television sets and VHS videocassette recorders to the stores, and to then send the managers a weekly video (featuring Nichol himself) detailing the week's priorities and demonstrating the desired merchandising execution.

It was observed, however, that the television/VCR combo was unused the vast majority of the time. So, they rolled it out onto the sales floor during open hours to allow for value-added messaging direct to the consumer. The first successful application to a grocery retailer of video as a sales tool, albeit low-tech and high maintenance, had taken place.

During the next decade, many retailers installed monitors with the goals of improving the shopping experience and/or driving incremental sales. The technology, however, remained largely the same—cathode ray tube (CRT) monitors being driven locally by VHS videotapes, sent periodically from a head office.

## VIDEO SIGNAGE GOES DIGITAL

Over the past 10 years, four different advances in technology have led to a seismic shift in the industry: the introduction of (relatively) inexpensive plasma and LCD screens; much more powerful and inexpensive computer processors; the development of new software that distributes content over the Internet; and ubiquitous and cheap bandwidth.

However, many of the new players in the digital signage business have been hardware vendors, software companies or have come from other technology backgrounds. Therefore, the first generation of retail digital signage has been driven by novelty and by the possibility for the retailer to receive an incremental stream of advertising revenue from vendors and other third parties.

With retailers hesitant to invest capital in this new and unproven in-store technology, digital signage vendors have frequently created business models based on financing the considerable capital cost through the promise of advertising revenue. "In-store TV" was born, and content has typically been seen as a necessary evil to fill the space between paid ads. The shopper's desires and needs? Only an afterthought.

Unfortunately, this business model has not yet proven to be successful, or even sustainable. Shoppers have been unimpressed. On March 29, 2007, USA Today published on its Web site an article on Wal-Mart TV, the most visible of this advertising driven digital signage model. Posted one customer in response to the article, "Does anyone else find this whole thing kind of creepy? ...I am tired of being pitched to. I want to shop and not have this 'big brother' screen up there telling me what I need."

Advertisers also remain unconvinced. A large scale pilot of up to 70 screens in each of 100 Tesco stores in the UK has not been further deployed as a result of the inability of the advertising representatives to meet the expected levels of ad sales.

On July 29th, Joel Hopwood, a representative of Dunnhumby (Tesco's partner in running their in-store DDS network), announced a re-branding of Tesco TV to Tesco Screens. In an article published by industry source aka.tv, Barnaby Page writes that "the implication for content is that the Tesco network has moved away from TV-style spots to what Hopwood describes as something closer to P.O.S. promotion."

## EMERGING TRENDS IN DDS

Here are seven emerging trends in the application of digital signage in retail environments that are transforming the industry.

### 1. *Digital signage 2.0 is finally arriving.*

New business models for digital signage are evolving that intuitively make more sense—models that engage the shopper with contextually-right information at a time when they need or want it. The new return on investment measures

the success of an implementation through incremental sales, realization of better margins and other even "softer" branding results in addition to third party advertising revenue.

### 2. *Technology.*

As mentioned, cheaper, more stable technology has made previously unaffordable or unrealistic implementations possible. Reliable and inexpensive technology solutions are now the norm rather than the exception.

### 3. *In-store media measurement is in flux.*

Advertisers have been trained for decades by advertising agencies to purchase media based on long established metrics—GRPs (Gross Rating Points) and CPMs (Cost Per Mille, or thousand). Ad agencies have been hesitant to recommend new media of all types (including Internet advertising until it was forced upon them), because they typically don't fit into the standard GRP/CPM formula.

There currently are two large-scale projects underway to measure the success of digital signage and other in-store media at retail. The industry association POPAI, who has concurrent studies ongoing in Germany, the UK and the US, currently leads the first initiative.

PRISM, the larger project, is an undertaking by Nielsen, the In-store Marketing Institute and many of North America's largest packaged goods manufacturers. This study will allow us to measure with a great degree of certainty the number of people walking past a digital sign in every aisle of every major grocer and mass merchandiser in North America, but unfortunately does not measure the engagement of these people with the media, at any level.

Several smaller quantitative and qualitative research players, including DS-IQ, Decision Point Media, Videomining and others, have partial solutions to this measurement dilemma. But we will not be able to effectively sell advertisers on the value of this medium until we are able to accurately measure not only the traffic walking by a digital sign but also the shoppers' engagement with that sign.

### 4. *Major players are entering the field.*

A certain sign of the maturing of a technology is when large players enter the

field and start buying up the trailblazers. This was evident last year when Thomson from France bought PRN, the world's largest digital signage company and the owner of the Wal-Mart TV network. Further examples are the recent forays by Cisco, Hughes Networks, Google and others into the industry. The advantage? Scalability. Successful pilots will now be easily and quickly scaled into large rollouts without the need for additional financing or other resources.

#### 5. *Credibility.*

The early years of digital signage were all about organic growth. Digital signage installations generally happened when a mid-level executive within a retail organization was excited by the tactical potential and personally championed the project through the levels of approval required to launch a test.

Now, senior executives in retail organizations are paying attention, and recognizing digital signage within their stores as a strategic tool for reaching and engaging their shoppers at a time when the shoppers are most likely to be receptive to their retail brand messages.

#### 6. *Interactivity.*

The lines between "kiosks" and "digital signs" are becoming increasingly blurry as the majority of kiosks are networked together and digital signs become increasingly interactive.

#### 7. *Content.*

And finally, there is a clear recognition emerging that the success of digital signage has little to do with technology, and everything to do with quality content that is relevant, engaging, interactive, and frequently refreshed.

### **THE FUTURE OF DIGITAL SIGNAGE**

Digital technology in 2007 is not dissimilar to the state of the Internet in 1996. Retailers have been in love with the technology, with little thought given to what to do with it. Content has been typically an afterthought. Future successful digital signage installations will recognize that this new medium requires a new approach to creativity. Digital signage content is not as simple as repurposing a 30-second television spot. It's not a static print ad. It's not an animated circular. It's something completely new.

Digital signage success is not about GRPs or CPMs. It is about improving

the shopping experience through the provision of meaningful content, in the right context, in an engaging manner. It is about activating the shopper—helping them make a purchase decision.

### **IMPLICATIONS FOR TRADITIONAL SIGNAGE PROVIDERS**

DDS is not going away. It will continue to grow in importance as a part of the retailers' efforts to improve the overall shopping experience. On the other hand, traditional signage will remain an important piece of the overall communications solution for retailers and packaged goods manufacturers. Cost factors, simplicity, no need for electric and other resources—there are many applications where traditional printed signage will continue to play a role. With regards to larger exterior signs (shopping centre pylons, etc.), dynamic elements (LED boards) may be a useful addition, but static branding and wayfinding elements are not going to be completely replaced with digital technology.

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