



visualcentury

Digital Signage ROI



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Introduction

The days of static content are behind us. Digital signage, which provides multiple rich media messages on a minute-by-minute, hourly or weekly programmed schedule, is proving to be the best way to stand out in an increasingly competitive world. With multimedia digital signage systems becoming more affordable and the technology behind them more robust, more and more companies are investing in large-scale digital signage solutions to manage, store, distribute, schedule and present rich media.

Among other advantages, digital signage is easy to customize by season, time of day and location. In most cases the information shown on-screen can be remotely updated in a matter of seconds, adapting it to regional preferences, lifestyles, buying patterns and any other issues key to connecting with customers, such as the weather conditions outside the store. When implemented effectively digital signage solutions attract, educate, provide customers with a more exciting in-store experience, maintain the intended audience's attention and increase sales. Digital signs also allow a higher level of control and brand message consistency.



Digital Signage is becoming part of the urban landscape.

As a result, it is no wonder that digital media is going mainstream, appearing in places such as shopping centers, airport terminals and bank branches. What is more, the trend seems to signal that we will increasingly see digital signage solutions deployed in currently unorthodox locations, such as taxi cabs, buses or elevators. But what are really the economic benefits behind digital signage deployments? The present document tries to answer to this important question.

Digital Signage ROI: The Basics

As with all emerging technologies, the Return on investment (ROI) is a key guideline when considering an investment in digital signage. Measuring ROI enables companies to balance the benefits of an investment against the costs associated with that investment. In the case of digital signage this calculation will depend largely on the main goal of the company's marketing strategy, which may range from encouraging impulse-buying at the checkout counters, to informing customers about new product arrivals or sales promotions, to obtaining additional revenues from advertising on the in-store networks.

To find out the ROI of our digital signage project we first need to understand the business model followed by our deployment. There are essentially two digital signage business models, and both have to do with the approach taken when dealing with the content value chain, shown in the figure below:

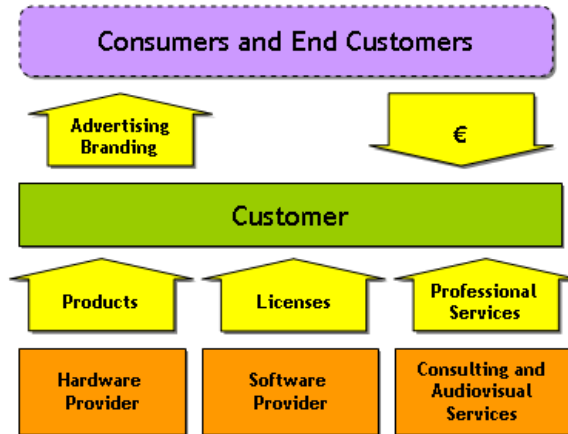


The Content Value Chain

The content value chain essentially refers to the different steps covering from content creation to content publication: some companies control the whole process, whereas others prefer to outsource certain functions, focusing their energies in the relationship with business agents and on business opportunities. In both situations content management plays a major role by acting as transition between the creative development of content and the technical aspects of content publication. Content management and the way it is handled also defines to a large extent the ROI model behind the digital signage system.

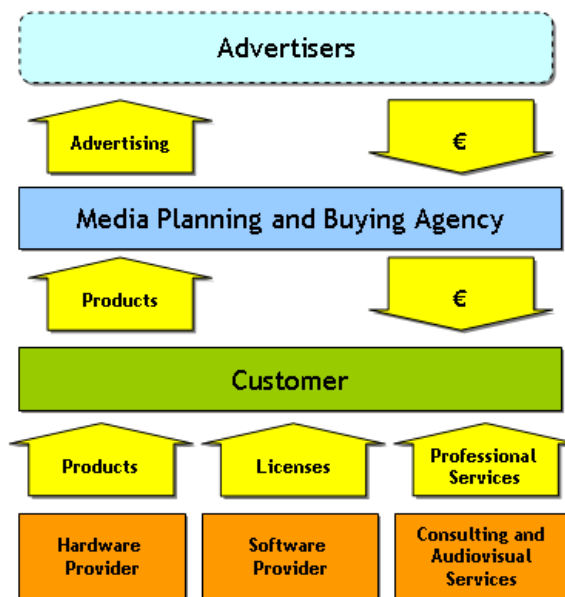
In the first digital signage business model the goal of the system deployment is to efficiently create, manage and broadcast contents owned by the company to increase sales, enhance its brand image and improve its overall communications inside and outside the company. The customer uses the digital signage system to advertise its own products, with its main drivers being brand enhancement, the comparatively lower cost of this

type of advertising, the ability to target consumers at the point of sale and the expected customer loyalty derived from a rewarding in-store experience. The following figure illustrates this business model:



The first digital signage business model.

On the contrary, in the second business model the customer implements a digital signage system with the intention of exploiting the additional advertising space it represents. Digital signage displays, especially in the case of large-scale deployments with heavy traffic such as stadiums, shopping centers, stations or airports are very attractive for advertisers. In such cases, revenues from advertising obtained through media buying agencies are the main business driver. The figure below sums up the agents involved in this second business model:

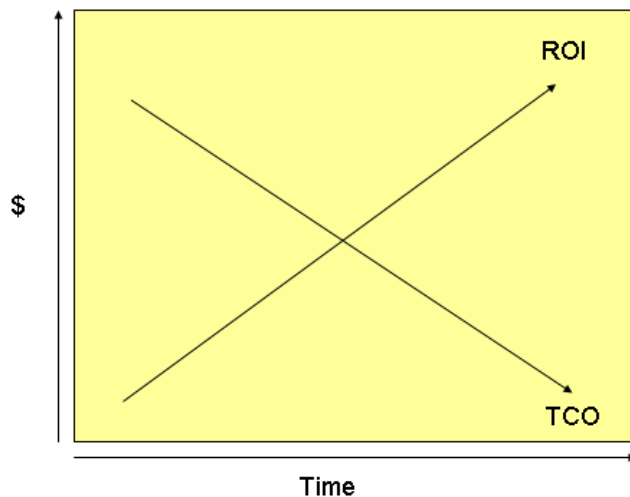


The second digital signage business model.

For most companies studying the deployment of digital signage systems the business model that best fits their needs is somewhere between the two, with promotion of in-house brands and products mixed with news and with advertising spaces booked by suppliers through media buying agencies.

Total Cost of Ownership

Another important ingredient in ROI calculations is the total cost of ownership (TCO). The TCO for digital signage includes the cost of the software and hardware, its implementation, and its maintenance. The relationship between ROI and TCO and their evolution over time is shown in the figure below:



ROI and TCO evolution over time.

In the first business model the customer is ready to pay for the system hardware and software, installation and maintenance costs, as well as the costs of content management and publication. In such cases, the ROI calculation is simply the cost of acquiring, maintaining and operating the system (TCO) offset against the additional profit from the increased sales generated by the advertising on the digital signs.

In the second business model, the customer installing the system asks its suppliers to pay for the advertising and even in some cases for its initial purchase and maintenance costs on the understanding that they too reap the benefits of the system because of the sales increase of their products. In this case, to evaluate the ROI we need the TCO, the profits that may

derive from increased sales and the expected revenue generated by the sale of advertising spaces. For this second business model it is crucial for the digital signage system to include logging tools to keep track of all aired content for invoicing purposes as well as a proof of emission.

On top of TCO, other issues that should be taken into account include the ease of use of the system and its learning curve requirements, which define the time it will take for users to get comfortable with the new technology. Deployed solutions should also be upgradeable and adaptable to the evolving requirements of the system, giving the possibility to start off with only limited options or nodes that can be expanded overtime. Finally, to build a compelling digital signage ROI it is essential to compile crucial information about the situation of the company, the goals it intends to achieve by implementing the digital signage solutions and the expected benefits this will yield, linking them to the business models propositions shown above.

One last thing: there has recently been some controversy as to whether TCO is dramatically reduced by Linux-based digital signage solutions or whether on the contrary, in the long run and for large deployments proprietary options end up being more efficient. Whereas it is true that the administration and maintenance of a large number of servers running is a great expense, it is not clear whether the average cost of managing Linux servers is so much less than that of Window-based servers, largely because Linux systems are more difficult (and expensive) to configure, manage and support than Windows ones.

Linux hardware support is also less extensive than Windows hardware support, especially for video capture, compression and decompression cards. Moreover most video management tools and codecs are based on Windows platforms. In all cases we strongly recommend obtaining as much information as possible about the influence both choices may have on the deployment, bearing in mind its scale and specific needs, before embarking in one type of solutions or the other.

Digital Signage ROI: Examples

The following cases are samples of benefits generated by digital signage implementations.

Digital signage deployment at a professional services company

When marketing services rather than products it is more important than ever to enhance the customer's experience. During every single customer contact, companies must transmit what differentiates their offer. In the case of banks, travel agencies, car dealerships and estate agents, among others, digital signage allows them to directly engage with their customers, providing them with updated information and enhancing their brand image.

The present case concerns a recognized professional services company with an extensive branch network in Southern Europe and representative offices in other European and Latin American countries. The project, a clear example of the first business model for digital signage, comprises the installation of high-definition plasma screens through the branch office network remotely managed from the company's headquarters using the VisualPublisher digital signage software. All offices are connected by LAN at 1Gbps.

The goal of the company is to entertain those customers waiting for their turn while reinforcing its brand image and promoting new service offerings. In this case, the company assumes the whole cost of deploying and installing the service as well as its running costs. The ROI analysis takes into account the soft benefits of the system with regards to the enhancement of the brand, as well as the sales increase of advertised services. As a result it is estimated that the investment would be recovered in approximately 20 months.

Multimedia advertising at a major airport

In our hectic world, with increasing traffic of individuals going from one place to another, airports present very attractive business opportunities for retailers and advertisers. The nature of the time spent in airports, which is mostly devoted to waiting for one's plane, is especially favorable for digital signage solutions, as bored travelers long to be entertained

while waiting. The average waiting time per passenger at an airport is typically about an hour, of which studies show that an increasing share is spent shopping.

The present case, which is a clear example of the second digital signage business model, concerns a large airport with an average yearly traffic of more than 40 million passengers, over 100 airlines and a retail area exceeding 10.000 square meters. The project of the airport management company concerns the implementation of a digital signage system initially feeding 100 plasma screens in the departure lounges, to increase to more than a thousand in less than a year.

Supposing that the screens are on 20 hours a day (from 6am to 2am the following day) and that half of the airing time is devoted to news and other programs of interest to travelers, the potential advertising space per screen amounts to 10 hours a day. Divided into the standard 20 seconds per advertisement, this yields a total of 90 advertising spaces per hour, or what is the same, 1.800 advertising spaces a day per screen, seven days a week.

If the airport management company offers that time to 15 exclusive advertisers ensuring each one of them that their adverts will be shown 6 times per screen per hour and decides to charge a flat fee to every advertiser per screen used, it is estimated that the investment would be recovered in as little as 8 months.

In-store TV for a chain of department stores

Digital signage is particularly important in retail environments, where in-store promotions change frequently and where price is a primary means of competition. According to Point of Purchase Advertising International (POPAI), 75% of purchase decisions are made in the store. This figure clearly reflects the importance of encouraging shoppers to make purchase decisions when in the store, and explains why digital signage is increasingly expanding into locations closer to the point of sale.

In the case of this chain of department stores, the project concerns the deployment of plasma screens in all the stores of the company, beginning with a pilot project in the main flagship stores. A typical example of a case mixing both the first and the second digital signage business models, the

system presents music clips, along with information on key brands and special promotions. The monitors are refreshed and updated regularly. VisualPublisher allows the chain to create customized programs for various stores and update programs quickly.

Every store has an average of 6 floors, each one dealing with a specific product offering. Among other requirements, the system must allow the customization of the contents shown on every one of the screens throughout the different stores to the product offering of the corresponding floor. All on-screen content must be chosen and organized from a single centralized location, with the exception of occasional text areas showing offers and information applicable only to a specific store.

The company wants the digital signage platform to become a visual extension of the in-store radio system, informing customers of new arrivals, special offers and in-store events. It is estimated that approximately 50% of the broadcast time would be sold to advertisers running promotional campaigns within the store, with this percentage reaching 80% on the ground store due to advertising agreements with the perfume and cosmetic companies located in-store. In this case, the investment would be recovered in a little over a year.

For this customer, a key ingredient of the digital signage solution lies with its ability to keep track of what adverts were played at what time. This is crucial for companies wishing to exploit their digital signage installations, as advertisers need verification that their message was presented as agreed. Logging tools that can be connected to billing systems help to generalize the use of new digital signage advertising spaces by creating trust in the medium.

Digital Signage ROI: Conclusions

When evaluating the ROI of a digital signage system it is crucial to bear in mind the business model we are dealing with, which must be in line with the goals and strategy of the company. The business model will determine the speed and magnitude of the ROI, which will be faster for companies using their digital signage installations as advertising space for third parties with a fee in return. In such cases it is vital for the digital signage system to provide logging tools to keep track of aired adverts and help with the billing of on-screen times.

The solution that better suits the needs of the customer scenario will provide the lowest TCO and the most rapid ROI for that specific case scenario. Modular, expandable and easy-to-use systems based on industry standards, such as VisualPublisher, are generally the safest option. Finally, the solution should be able to pay for itself faster than it is depreciating, or it may be more of a liability than an asset.

VisualPublisher by Visual Century

VisualPublisher is an innovative multimedia publishing platform designed to manage, schedule and publish advertising and informative content in digital signage deployments, private broadcasting channels and in-store TV stations. The solution can run over PC (Linux or Windows OS) or set-top boxes (Fresco platform), broadcasting content in streaming through RTSP, MMS and other protocols and distributing it via FTP, WebDAV or LAN copy.

Some of the benefits of VisualPublisher are the following:

- Increased brand awareness and customer loyalty.
- Effective target of specific market segments.
- Dynamic, high-impact communication with existing and potential customers.
- Optimization of advertising and information space.
- Simple, flexible and effective content management and publication.
- Reduced costs by serving multiple channels from a single media source.
- Generation of content emission logs for invoicing purposes.

VisualPublisher offers unprecedented flexibility to deliver entertainment, information, sponsoring and advertising content tailored to the customers' needs, location and time of day. The result is a dynamic, high impact way to communicate with each audience, offering added value and enhancing the in-premises experience of the customer.



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