

WHITE PAPER – RESEARCH SUMMARY

ADDING OUT-OF-HOME DIGITAL ADVERTISING NETWORKS TO THE MARKETING & MEDIA MIX

Understanding and realizing the potential of emerging
out-of-home digital advertising networks
and their role in your marketing plan

August 2006



PROFITABLE
CHANNELS

The Emerging Role of Out-Of-Home Digital Ad Networks in the Marketing and Media Mix

What are out-of-home digital advertising networks and why should marketing executives care about them?

Out-of-home digital advertising networks – networks that deliver advertising in stores, movie theatres, office buildings, doctors offices and malls – are important marketing and communications channels that marketing and advertising executives need to incorporate into the marketing and media mix in their annual marketing plans.

These rapidly emerging channels represent the fastest growing slice of the marketing and communications pie and foreshadow how organizations will go to market in the future because they address an unmet need for national advertisers. Marketing executives who target professionals, young shoppers and mass affluent households or sell through retail channels should invest in these channels because they are viable and effective channels and a good investment. Marketers that rely heavily on national advertising will need to master how to market through a diverse set of alternative digital platforms like out-of-home digital ad networks to effectively reach national audiences and remain competitive.

Marketing executives should care about out-of-home digital ad networks because they solve many of the problems plaguing traditional media, including declining national audiences, technologies that allow consumers to skip or avoid ads, and the shift in consumer “attention” to alternative digital media. These channels offer national coverage with high levels of control and measurability relative to traditional marketing and communications channels. Marketers who master how to reach national audiences through multiple digital

An Overview of Out-of-Home Digital Advertising Networks

Venue	Leading Networks	Outlets
Cinema	National CineMedia, Screenvision	Movie Theatres
Grocery Stores	PRN, Sign Storey, IBN, Ignition	Supermarkets (Top 50)
Office Buildings	Captive, WSJ Office Network	Class A Office Buildings
Big Box Retail	Comp USA, Target, PRN (Wal-Mart, Best Buy)	Stores
Shopping Malls	On Spot Digital Network, Adspace Networks	Class A Shopping Malls
Gas Stations	Gas Station TV	Gas Stations
Doctors Offices/Hospitals	Accent Health, Patient Channel, Newborn Channel	Physicians Offices
Out-of-Home Digital Signage	Lamar Digital Displays, Clearchannel Outdoor	Digital Billboards and Posters
Cell Phones	Verizon, Cingular, T-Mobile, Sprint,	Cell Phones & Wireless Devices
Other Emerging Platforms	Clubcom Networks, IBN, CBS Outdoor, Ecast	Airport, Health Club, Restaurants, Transit, C-Store

Source: Profitable Channels analysis of the out-of-home digital advertising industry

What are Out-of-Home Digital Advertising Networks?

Out-of-home digital advertising networks are called many things—emerging media platforms, digital-signage networks, in-store television, new digital media, and place-based media. Simply put, they deliver digital and video advertising in new and better places. In the last four years, marketers have taken advantage of advances in digital, network and flat-screen technologies to broadcast programming, information and advertisements in places they could not in the past. Hundreds of potential advertising places—or “platforms”—now exist. The most attractive are those where people congregate, eyeballs are focused and minds make purchasing decisions. The most viable are where screens can be mounted affordably and paid for through advertising. Interpublic Group estimates that over 700 out-of-home digital ad network “platforms” have emerged since 2002, with many more to come. While this is too many for agencies to manage, a handful of potent networks have emerged in cinemas, big-box retailers, grocery stores, malls, office buildings and doctors’ offices. In time, marketers aspire to include cell phones and gas stations as national media outlets as well.

ad platforms like these will have a significant advantage over their competitors in terms of cost to sell, coverage of the market, control over their marketing resources and alignment with customer behavior. Agencies that understand how to size, plan, buy and market through many digital media channels will deliver more value to their clients and grow faster.

Why out-of-home digital ad networks are becoming important marketing and communications channels

This year a handful of top networks have matured to become viable marketing and communications channels that can reach large unexploited national audiences, target attractive niche markets and deliver brand messages at the “moment of truth” when purchase decisions are being made. These networks offer marketers a broader selection of media to choose from to target their brand message in venues that are more relevant to their product. As point-of-purchase viewership and customer receptivity have become accepted and proven facts, over a billion dollars of media spending has shifted into networks that attract and engage millions of “eyeballs” in places where brands can be enhanced and sales can be impacted. Leading marketers and agencies that have experimented with these channels have figured out how to plan, buy, measure and advertise on these unique channels and are realizing their potential today.

Six Facts About Out-of-Home Digital Advertising Networks

1. They are big
2. They are here to stay
3. Customers like them
4. People watch them
5. Ads on these networks get results
6. It is possible to translate traffic to viewers

Source: Adding Out-of-Home Digital Ad Networks to the Marketing and Media Mix (2006)

Tactically, marketers who target professionals, young shoppers and mass affluent households or sell through retail channels should invest in these channels because they are viable today, effective and a good investment. Strategically, marketers with large national advertising budgets will need to master how to market through a diverse set of alternative digital platforms like out-of-home digital ad networks to effectively reach national markets and remain competitive.

The most mature networks are ready to be added to the marketing and media mix today. Over ten out-of-home digital ad networks have “crossed the chasm” and now deliver national reach and measurable value to marketers, retailers and consumers. Specifically, professionally managed national advertising networks exist in supermarkets, class-A office buildings, shopping malls, movie theaters and big-box retail venues.

The Leading Out-of-Home Digital Advertising Networks That Have “Crossed The Chasm”

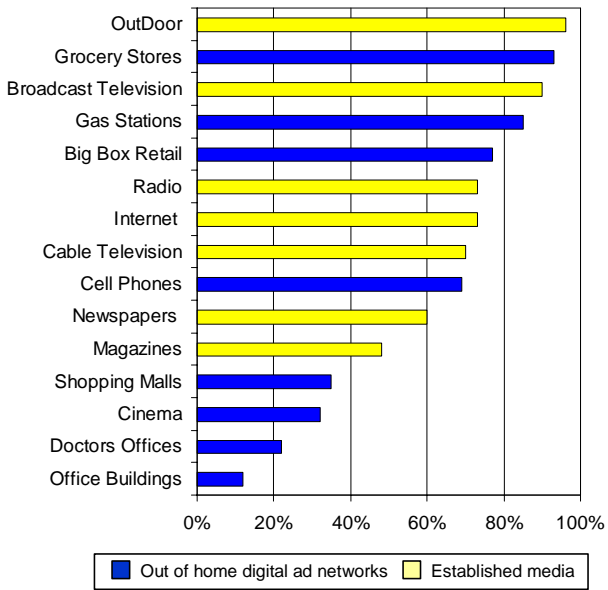
Venue	Leading Networks	Outlets	# Available Venues	# of Networked Venues	Network Reach (# DMA)	Potential Audience Size (% HH) ¹
Cinema	National CineMedia, Screenvision	Movie Theatres	6,012	3,968	40+	32%
Grocery Stores	PRN, Sign Storey, IBN	Supermarkets (Top 50 Chains)	23,000	3,992	25	93%
Office Buildings	Captivate, WSJ Office Network	Class A Office Buildings	13,511	1,000	15	12%
Big Box Retail	Comp USA, Target, PRN (Wal-Mart, Best Buy)	Stores	47,000	4,195	40+	30%
Shopping Malls	On Spot Digital Network, Adspace Networks	Class A Shopping Malls	2,403	150	21	35%

Source: Motion Picture Association, The CoStar Group Inc., Profitable Channels Analysis of Retail Industry, US 2002 Economic Census, NIRB Shopping Center Census.

These channels offer marketers that spend heavily on national media an attractive investment alternative for a number of reasons.

They are big. Two-thirds of the 6,012 cinemas in the U.S. are part of advertising networks reaching 32% of households in a given month according to the Motion Picture Association. Thirty-seven of the top 50 supermarket chains are either rolling-out, piloting or planning in-store television networks. And over 4,000 big-box retail stores offer video advertising, including Wal-Mart, Target, Best Buy, CompUSA and Circuit City. Over 75% of households are exposed to out-of-home venues such as grocery stores, gas stations, and big box retail in a given month.

Consumer Exposure to Different Media Venues (% of Adults Exposed in The Last Month)



Source: Profitable Channels analysis of the media and the out-of-home digital advertising industries, multiple sources (see About this Research)

- They are growing fast.** New networks are expanding their reach and being launched at an accelerating rate. Over 700 out-of-home digital advertising networks have been launched in the last four years, according to Interpublic Group estimates, and many more will emerge. Five new networks in convenience stores, gas stations, malls, transit stations and office buildings were announced in June 2006. The Outdoor Advertising Association of America optimistically forecasts that up to 25% of all billboards will be digital in five years.
- They are valuable.** When viewed as marketing and communications channels, these rapidly emerging channels offer superior coverage, control, customer experience and cost effectiveness relative to traditional marketing and communications channels. These channels deliver more measurable sales impact closer to the purchase decision-making point and are highly relevant to many products and brands. Marketers that rely on retail channels or target high value clients and households can increase the relevance of their brand messages and block competitors from using the most relevant venues.

Customer Acceptance Of Out-of-Home Digital Advertising Networks

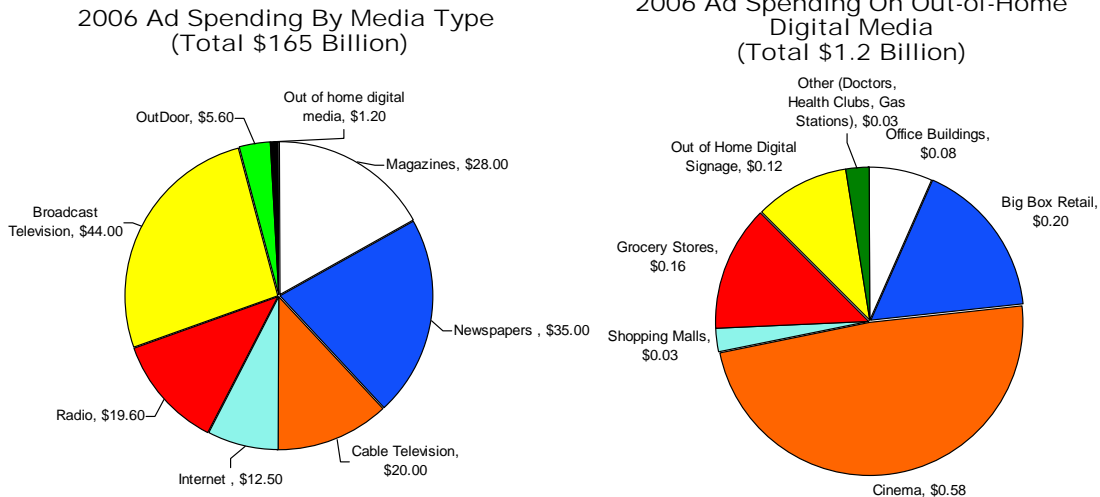
Health club patrons who feel television is a good thing for health clubs to offer ¹	82%
Wal Mart shoppers who agree that in store television is a "good thing" ²	88%
People who feel in store television is an easy way to learn about new products ⁴	89%
Supermarket customers who find video programs featuring product or sale information helpful. ³	78%
Percentage of mall shoppers who are "glad" video display screens were installed in the mall. ⁵	71%

Source: 1) Nielsen New Media 2)TNS survey of Wal-Mart Shoppers 2005, 3) Arbitron Retail Media Study Volume II, 2004, 4) Guideline Ad Awareness Recall Study, 5) Arbitron survey of mall shoppers, February 2005

- They can do what traditional media cannot.** Out-of-home digital ad networks offer marketers five advantages over traditional media: measurable sales impact, proximity to the sale, better ways to target media, greater relevance to the product being sold and tighter integration with local selling efforts.
- Customers like them.** The established syndicated media research companies that evaluate traditional media viewership have conducted over 10 studies that consistently indicate value to, acceptance by and positive response from customers to this media.
- They are professionally managed.** The largest networks are managed by third-party network operators, who provide support in the areas of national ad sales, network operations and compliance, program quality and advertising support.

This year marketers will invest more than \$1.2 Billion in national media spending in out-of-home digital advertising networks because these rapidly emerging channels offset and solve many of the challenges facing traditional media, including declining national television audiences and the fragmentation of media channels, and the lack of accountability and measurable impact of ads on sales.

Ad Spending by Media Type

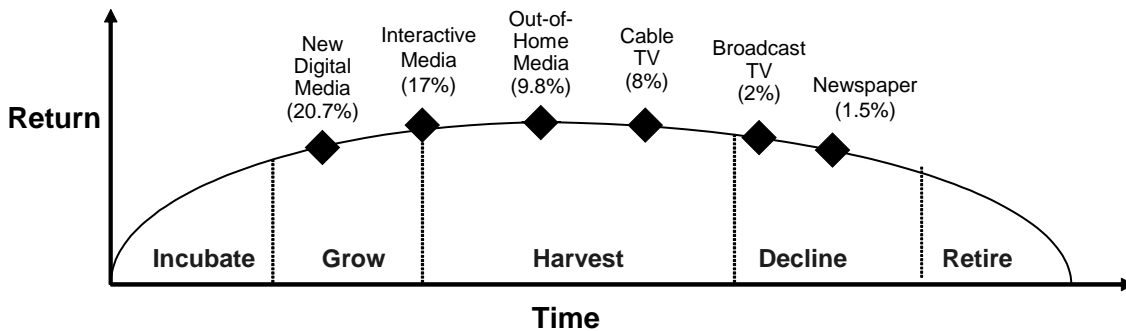


Source: Veronis Suhler Stevenson, TNS Media Intelligence Report, Universal McCann, Outdoor Advertising Association of America, IAB/PWC.

Out-of-home digital ad networks are part of the fastest growing slice of the marketing and communications pie - new digital media - which is forecast to grow at a rate of over 20% a year, according to Veronis, Suhler, and Stevenson 2006 Communications Industry report.

Several industry sources, including but not limited to Veronis Suhler Stevenson and Carat Media, have forecast that within five years marketers will shift up to \$40 Billion of traditional media spending from traditional advertising media to new media. This reallocation of media spending reflects a shift in consumer "attention" away from traditional newspaper and broadcast media to the Internet and new digital media, including cell phones, video games, podcasting, and out-of-home digital advertising networks

The Lifecycle of Marketing and Communications Channels (2005 Ad Spending Growth Rates)



Source: Veronis Suhler Stevenson, TNS Media Intelligence Report, American Society of Newspaper Editors.

These rapidly emerging channels are expected to help offset or solve many of the challenges plaguing traditional media, including:

- Declining national television audiences and the fragmentation of media channels;
- Digital video recorder (DVR) technologies that allow consumers to skip ads;
- Increased on-demand, consumer-purchased content that allows avoidance of ads;
- Lack of accountability and measurable impact of ads on sales.

For example, P&G cut its broadcast TV allotment by 5% this year to make room for alternative digital media such as in-store television and to adapt to the declining audience share of traditional media.

Organizations that figure out how and where these new channels can add the most value will gain a significant edge over their peers in the same way Dell used the telephone to gain the edge on IBM's 9,000-person sales force in 1994, and Charles Schwab used the Internet to gain customer share from over 100,000 human stockbrokers and financial advisors in 1999. Out-of-home digital ad networks offer similar advantages to marketers who sell through retail channels, aim their efforts at executives or strive to reach young people with spendable cash. Leaders in industries such as packaged goods, financial services and healthcare can generate more sales for their marketing dollar by:

- Mastering how to market through a diverse set of alternative digital platforms, like out-of-home digital ad networks, to effectively reach national markets and remain competitive.
- Becoming more proficient at allocating their marketing dollars to media platforms that optimize sales impact and yield more and better quality impressions across the "day in the life" of their customers.

Organizations that take a wait-and-see approach to these channels will be at a disadvantage relative to competitors who have "moved up the learning curve." They will risk being "blocked" from these channels by more aggressive competitors, particularly those that rely heavily on retail channels for sales or target professionals, young people or "mass affluent" households.

Marketing executives should take two actions to ensure their organizations are fully capitalizing on the potential of out-of-home digital ad networks to stay ahead of the competition:

1. **Understand the potential of out-of-home digital ad networks to drive growth.** Marketing executives should make sure their agency partners are considering these valuable channels as part of the marketing/media mix, and that their agency partners are capable of planning, measuring, buying and advertising on these networks.
2. **Budget these channels into your upcoming annual marketing plans.** Marketers who sell through retail channels or target professionals, young shoppers, and "mass affluent" households should include out-of-home digital ad networks as primary, complimentary or exploratory channels. These marketers will get the highest immediate return from media investments in out-of-home digital ad channels because these channels:
 - Are highly relevant to their selling approach
 - Are under priced relative to the value they deliver
 - Provide more measurable sales impact from their media spend
 - Offer the ability to block competitors from using these channels through category exclusivity or share of screen.

To better understand the potential of these networks to grow your business and learn how the fundamentals of planning, buying, measuring and advertising on out-of-home digital ad networks, marketing and media executives should read the complete research report titled: *"Adding Out-of-Home Digital Advertising Networks to the Marketing and Media Mix."* This analysis of

consumer behavior, industry trends and marketing best practices found that out of home digital ad networks are a more effective media that is ready to be added to the marketing and media mix today. Specifically, the research report found these rapidly emerging ad networks:

- Deliver marketers five things traditional media cannot: measurable sales impact; point-of-purchase proximity; customer targeting; purchaser relevance; and local sales support.
- Offer superior cost to sell, market coverage, marketing-resources control and alignment with customer behavior relative to other media.
- Represent an undervalued and high-return media investment, delivering more measurable sales impact closer to the purchase decision-making point.
- Are highly relevant to many products and brands – particularly marketers that rely on retail channels or target high value clients and households.
- Fill an unmet need for national advertisers because they help marketers address the decline in the audiences of traditional media and the increased adoption of technologies that allow consumers to skip ads, avoid ads or consume content “on demand”.
- Will accelerate major changes in how national ad investments are allocated and measured; and how agencies staff their client teams, plan media and create campaigns. Agencies that learn to size, plan, buy and market through multiple digital media channels will deliver more value and grow faster.

Five Things Out-of-Home Digital Ad Networks Can Do That Other Media Channels Cannot

1. Better proximity to the purchase decision.
2. Measurable advertising impact
3. Greater relevance to the product being advertised
4. The ability to target niche markets.
5. Targeted support for local sales and marketing programs.

More detailed information about the complete research report titled: “*Adding Out-of-Home Digital Advertising Networks to the Marketing and Media Mix*” and how to get a copy for your organization is provided on the following pages.

About the Author

Stephen Diorio is a Partner in Profitable Channels and an established authority in sales and marketing strategy. He has helped over 100 leading organizations develop growth strategies that take advantage of innovative channels and technologies to grow more efficiently. He is the author of several highly regarded publications on channel strategy and sales-and-marketing best practices including: *Beyond e: The 12 Ways Technology Will Transform Sales & Marketing Strategy* (McGraw-Hill 2002). He also is a prominent speaker on sales-and-marketing strategy at leading public and private venues.

Profitable Channels, LLC (www.profitablechannels.com) is a marketing company that helps organizations grow faster at lower cost. Profitable Channels designs and builds innovative communications, promotional, sales and marketing programs that reach the right person at the right place at the right time. We execute highly profitable channel programs that generate measurable new growth today, while providing our clients education on leading-edge marketing practices, turnkey execution of innovative channel and marketing programs, and consulting support to design, plan, and measure results. To learn more about this report or our services, please contact us at 203-227-6020 or sdiorio@profitablechannels.com

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ADDING OUT-OF-HOME DIGITAL ADVERTISING NETWORKS TO THE MARKETING & MEDIA MIX

Understanding and realizing the potential of emerging out-of-home digital advertising networks and their role in your marketing plan

If you are a marketing or media executive, or are responsible for planning and executing national media campaigns at a major agency, this research report is the best single source of in-depth insight on how to plan, buy, measure and advertise on out-of-home digital advertising networks. This comprehensive analysis provides:

- The top business issues, opportunities and risks marketing and media executives face as they shift their media spend into alternative digital media platforms based in retail, office, medical, cinema, gas stations and cell phones.
- A ranking of a dozen national networks that have ‘crossed the chasm’ and deliver national reach and measurable value to marketers today.
- An analysis of customer behavior research to documents customer acceptance, viewership and response to these out-of-home advertisements.
- An outline of the top thirty organizations that can help you company take advantage of these valuable and effective media today.
- Best practices for valuing and measuring this new media to assess how and where to use them in your marketing and media allocation model.
- Guidelines for modifying content and advertisements to suit these networks.
- A forecast of how these networks will change how marketers allocate media resources, staff account teams, and conduct customer research.

This report is designed to help marketing and media executives understand the potential of out-of-home digital advertising networks, provide the basic knowledge to start deploying these channels in their upcoming plans, and identify the best sources of assistance so they can take action. It is based on original research by profitable channels, including:

- Primary interviews with 50 executives with direct experience with out-of-home digital advertising networks from marketing, agency and research companies, as well as executives from leading out-of-home networks.
- An analysis of the leading players in the out-of-home digital advertising marketplace.
- Research on customer acceptance, behavior and response to out-of-home digital ad media, including focus groups, sales-impact analysis and customer surveys and traffic audits conducted by Arbitron, MASI International and Nielsen New Media Research.

Report Price: \$500

How to Order

To learn more about this report, and order your copy of the report call us at 203-227-6020 or e-mail your request to us at sdiorio@profitablechannels.com. You can also fax your order to us at 203-341-9427

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