

POP TIMES®

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NARROWCASTING

P-O-P is on the Air



Lower costs, more awareness boost narrowcasting networks, but retailers and marketers grapple with how best to use the new medium.

In-store networks have buzz. Intrigued by media stories and well-publicized pilot programs, marketers and retailers are taking a closer look at these systems that broadcast content and advertisements to customers in the aisles. Although only a few systems are now operating, most experts agree that within the next 18 months, consumers will see this technology everywhere.

Certainly, the publicity given to the introduction of Wal-Mart TV by Premier Retail Networks (PRN), San Francisco, has raised awareness of this medium among marketers and retailers nationwide. The firm operates networked broadcast programs for more than 6,000 retail stores around the country, including Best Buy, Circuit City, Costco, Pathmark, Ralphs, Sam's Club and Sears. "The tide has turned on gaining interest for these systems," says Sean Moran, chief strategy officer.

But installing, operating and maintaining such a system isn't a slam dunk. Circle K Inc. has tried four narrowcasting services in its chain of c-stores during the past five years. Its most recent system, which operated in about 60 stores, was installed in April. In September, the company providing the service went out of business.

"It was not a winner for us," says Chris Wilson, marketing director for the Western Region of Circle K. "[The provider's] salesforce could not persuade advertisers to support it. The cost of equipment is so high that it's difficult to make it work. The technology continues to improve, but the company couldn't sustain the costs." Even so, he adds, he isn't giving up. "We're looking at another option now. There are possibilities for it, and certainly the revenue options are there. But it hasn't worked for us so far."

Costs are Dropping

Several suppliers note that hardware manufacturers have indicated prices are about to drop again on screens. "If the price of plasma screens comes down much more, many retailers will be able to make the case for installing a network," says Nikki Baird, senior analyst with Forrester Research in Cambridge, MA. "It's already a close calculation for many of them. We're seeing a lot more systems all the time."



Marketers are understanding the potential in reaching an audience that is in the mood to shop at the point at which many final choices are made. "Viewer recall and retention are very high, and a large percentage of the people we've interviewed indicate that they would prefer to get their product information from digital signage," says Gene De Libero, CEO of Ambient Media Inc. in Mt. Sinai, NY, a digital-signage network operator.

Some retailers view the systems as a savings simply in labor and distribution costs, notes Baird. It frees staff from having to unpack, remove and hang signage, and also eliminates the potential liability costs of having employees stand on ladders to change P-O-P. "Digitizing signage can be effective just from the point of view of that cost and time savings," she says.

A New Revenue Stream

Perhaps most persuasive is the potential to create a new revenue stream for retailers by selling network time to suppliers. "We only pitch the systems as a revenue stream where none existed before," says Ambient Media's De Libero. "That's how you get their attention. That's what's in it for them beyond neat technology on the wall." Mike Whaling, business development manager for InfiniSys Inc., Daytona Beach, FL, adds, "It's a multi-level opportunity, because it can drive product sales but it also is a separate revenue stream."



In fact, some retailers view narrowcasting networks as the same as any other media source -- a way to reach a specific demographic of consumers that might be of interest to advertisers of all types. The Circle K system, for instance, was selling advertisements to Las Vegas casinos, recreational-vehicle companies and other consumer goods that weren't sold in the store. "This creates a natural outlet for marketers," says Real Digital Media's Goldberg, especially for narrowly focused retailers, such as The Gap. "Providing a readily identifiable demographic that comes to your stores can have potential for other advertisers."

But do these ads work for marketers? As quoted in the *P-O-P Times Trends Report* Michael Harris of Marketing Drive Worldwide, New York, counters: "Brand marketers are placing ads on these networks, but they hate them. They see it as a way to influence the retailer to provide them with more display space."

Also from the Trends Report, Chip Hoyt, executive vice president of 141 Worldwide, New York, says, "It's not because they are effective in motivating shopper behavior. In fact, they can be downright irritating. When people avoid watching them at home, why would they want to watch them while they're shopping? It's a profit center for the retailer, another way to gain access to brand marketer advertising dollars. Some retailers are even selling exclusivity at premium prices."

Some retailers are combining systems, using several approaches to reach shoppers in different parts of the store. "Some are testing multiple systems to find which are most effective," says Real Digital Media's Goldberg. "I'm a fan of putting the message near the merchandise and of changing behavior while the shopper is in decision mode. That's the magic of narrowcasting."

Boise, ID-based Albertsons, for example, launched a two-pronged program in April, featuring 15-inch flat-panel LCD screens at each checkout and 42-inch plasma screens in select areas in the store. PRN manages the checkout system, while SignStorey, Rocky Hill, CT, operates the interior network. The program is being run in Albertsons stores in San Francisco, Jewel-Osco stores in Chicago and Shaw's and Star Market in Boston. "We are always looking for new vehicles through which we can build stronger relationships with our customers," says Paul Gannon, Albertsons chief marketing officer.

Content Drives Success

A system's effectiveness relates directly to what message is broadcast on the narrowcast systems, and that depends entirely on what the store wants to achieve, like generating product lift, providing customer education, reminding customers of free services, providing lifestyle images or even making waiting in line seem bearable.

"Every client wants something different," says Greg Hurt, vice president of sales and marketing for Microspace Communications Inc., Raleigh, NC, a provider of digital signage networks. For example, he cites a program the company produced for Hollister Co., a southern California lifestyle retailer that erected video screens on two facing walls to show scenic beach views. "They didn't want any products or branding, they simply wanted to set the tone for their environment."

Type of content depends on placement, however. Overhead and in aisles, messages must be limited to about 15 seconds to have a chance. "Fifteen seconds is the Golden Rule for us," says Ambient Media's De Libero. "But in restaurants or bars, two to five minutes may work to make a different statement." The message can extend to several minutes even in supermarkets at locations where customers linger, such as the deli counter or pharmacy.



Fashion marketers are learning that lesson in department stores now, says InfiniSys' Whaling. "The bigger fashion names are looking for sales, but they don't want to be intrusive. They are reinforcing the brand name."

PRN, like other network operators, works with advertisers to customize their content. "We want to show them that this touchpoint in the retail space is a little bit different from other home media," says Moran. "We have to match the shopping experience to the media. Some long-time clients are at a very strategic stage of developing programming, but every year we have new people with little information about what they need."

PRN can broadcast different messages to different stores across the country, even within a particular market, to customize the systems to a particular audience. In that way, it can gear winter-preparation products to the appropriate system. In some locations, it features Spanish-language messages and tie-ins with Telemundo. "We're exploring how to break the systems

down by ZIP code and take it to the store level," says Moran. "Our goal is to target messages to the individual shoppers."

"The technology is neat and economical and reliable, but what is being shown is critical to the success of the network," says Greg Weaver, manager of digital signage at Microspace. Adds Forrester's Baird, "There will be a learning curve around content, but marketers realize they can't just use their 30-second spots from TV."

Obstacles Remain

There are still challenges holding back the expansion and success of narrowcasting systems. At the top of the list are investment costs. No matter how low hardware prices go, a retailer outfitting hundreds of stores will require significant funds to take the plunge.



"One of the barriers we see is that advertising agencies don't understand the power of these systems and the value," says Forrester's Baird. "The agencies that do understand it and embrace it are better positioned to take on in-store marketing." InfiniSys' Whaling agrees: "Agencies need to understand and get behind these systems. Some companies outside of the U.S. understand it better than here, because they're further ahead in adopting it."

Installing the systems also produces challenges, even in deciding who should be in charge. "The function may not exist in the company," says Real Digital

Media's Goldberg. "Is it IT, marketing or store operations? Or is it a combination?"

Richard Russo of Hybridia Design, Clifton, VA, a company that specializes in retail design and in-store planning, has created technology showrooms for the National Retail Federation. He says the functional needs are important, if a wireless system is going to be used to beam signals. "The layout may preclude you from using it unless you build around it. You have to fit the system into the store without rebuilding the store completely."

Measurements Needed

The key obstacle to gaining universal acceptance is measuring effectiveness. "There are only limited ways of measuring effectiveness of narrowcasting right now," says Ambient Media's De Libero. "Advertisers, retailers and brand managers are skeptical. The systems are expensive, but compared to what? You're reaching a captive audience that's very qualified and ready to buy."



"Results are a tricky thing to measure," agrees Karen Meleta, a spokeswoman for the Shop Rite supermarket chain in Edison, NJ. The retailer has run a system for about one year in 140 stores with PRN. "We've received positive feedback from our customers." During an initial pilot program, 84% of customers said they enjoyed the information they saw, she notes. "The system gives us the opportunity to control our own messages." Community-service messages and store services and benefits, such as fresh quality, are highlighted.

For its part, PRN has relied on third-party viewership

studies by ratings companies, measuring brand recall and similar responses used with other broadcast media. "The Holy Grail is to show that the message influences behavior," says Moran, "and these retail environments are very highly measured. But the data is very proprietary to those advertisers and retailers, and we can't share it." Adds Forrester's Baird, "The 'recall' number in surveys is the most significant. The use of 'eyeball' totals has to be taken with a grain of salt."

Moran says, "In the future, there are opportunities to use other metrics, but there is such a huge amount of traditional media dollars that are moving right now [in an effort to find effective media], that we're very satisfied to make this an easier step for advertisers to take and base it on the metrics they understand. Over time, we can move to new metrics."

Marketers are talking about what they want to get out of the systems and what program should be developed to do that. People are talking about it with suppliers, and there's enough momentum right now that things will start popping soon.

Downsizing Digital Displays

As narrowcasting networks add a new level to the use of digital signs, marketers and retailers are making more use of small screens, installing them in aisles or in freestanding, kiosk-type placements. These systems offer greater capability for interaction and therefore greater understanding of customers, say industry observers.

IBM is working with Stop & Shop stores in Boston to test digital screens attached to shopping carts, notes Mike Whaling of InfiniSys. As the cart approaches particular items, information about those products appears on the screen. "What companies are doing now is putting up catchy, flashy messages that draw attention, but that's not a large window of opportunity," he says.

The goal is to combine technologies to create greater synergies. "It is much more effective when the display is integrated with an inventory-management system, real-time traffic monitoring, price scheduling or more interactive systems such as touchscreens, RFID systems, credit-card readers or an automated text-messaging program," he says.

One area of great potential with small, personal screens is in broadcasting to the customer's cell phone, says Nikki Baird of Forrester Research. The brand provides access for products of interest, and as the shopper approaches those items, information or even bar-coded coupons can be broadcast for review or scanning at checkout.

Tying such information to loyalty-card purchases offers great potential for customizing the shopping experience, says Gene De Libero of Ambient Media, but it must be voluntary. "There are privacy issues involved. People are uncomfortable with this level of contact and not ready for it yet."

Many options exist for using these networked screens, notes Jennifer Davis of Planar Systems. "A slim form factor and integrated platform can allow the device to be mounted on a display slatwall, merchandise counter or other floor display. Utilizing interactive signage, often in the form of a sleekly designed kiosk deployment, provides additional value for the customer and allows the device to accomplish more. It can attract the user to consider the product, but it also can educate them on features and benefits, allow them to opt-in for future communication and provide feedback that may influence future product or marketing decisions."

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