

# **Store as Media – The state of play in Europe and the US**

David Muir, CEO, The Channel



# Uncertainty still reigns

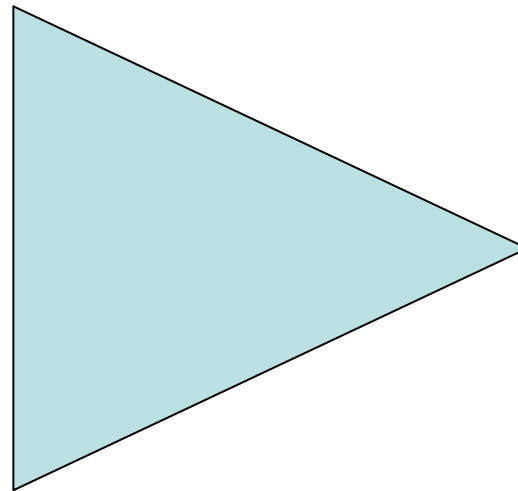


# Discussion today

**Drivers**

**Barriers**

**Players**



**Implications for Asia**

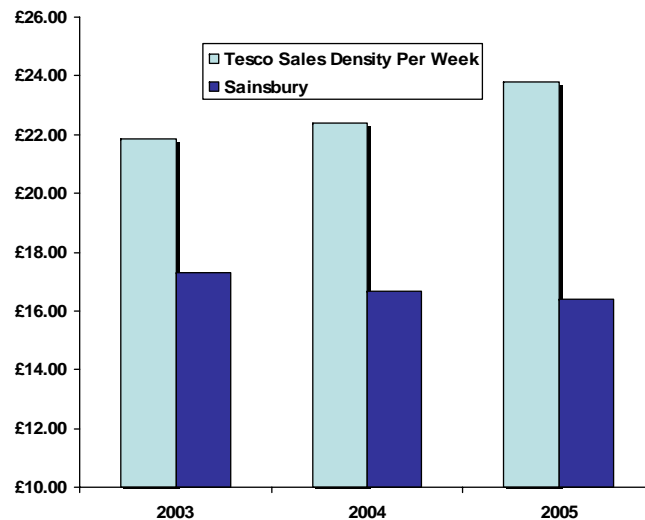


# **Drivers of In-store TV – Supply side**



# Drivers of in-store TV – Pressure on retailers

*Tesco and Sainsbury Sales Density 2003 -2005*

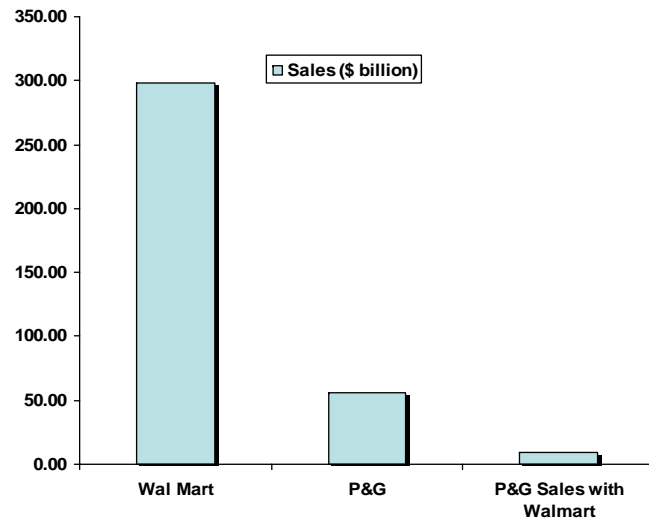


Source: Tesco and Sainsbury company accounts

- Retailers pressured to improve asset turns (sales/assets) and increase sales density.
- Major issue for UK retailers who are boxed in on planning regulations
- This may explain why Instore TV has not been taken up at the same rate in the rest of Europe



# Drivers of in-store TV – Retailer power



- Retailers can strongly encourage their partners to invest in this new media.
- 16% of P&G's global sales are secured with Wal-Mart – makes saying no difficult

Source: SEC Filings / Management Ventures Inc.



# Drivers of in-store TV – To drive differentiation

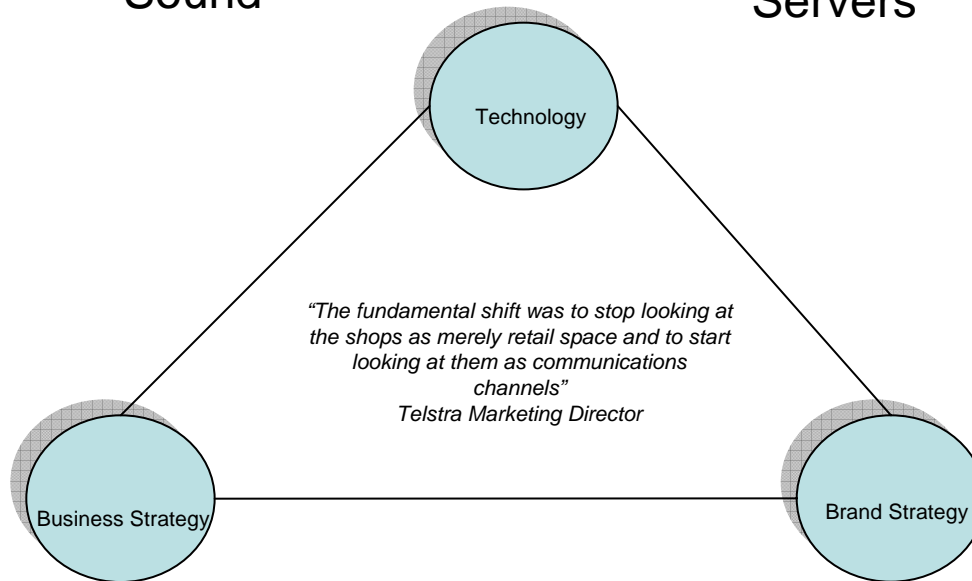


Source: Nike

- Nike with BeamTV have used instore TV less as a direct sales tool
- More to do with creating compelling brand experience



# Drivers of in-store TV – Cost reduction



Source: Telstra

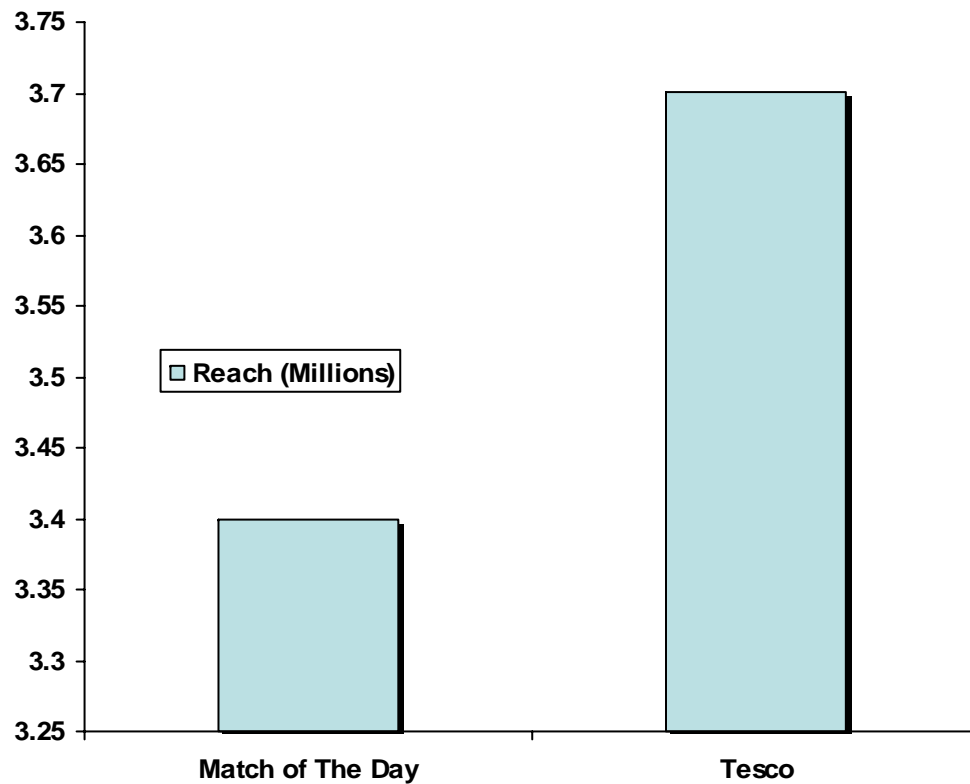


# **Drivers of In-store TV – Demand side**



# Drivers of in-store TV – Retailer reach

## *Any given Saturday – Reach*



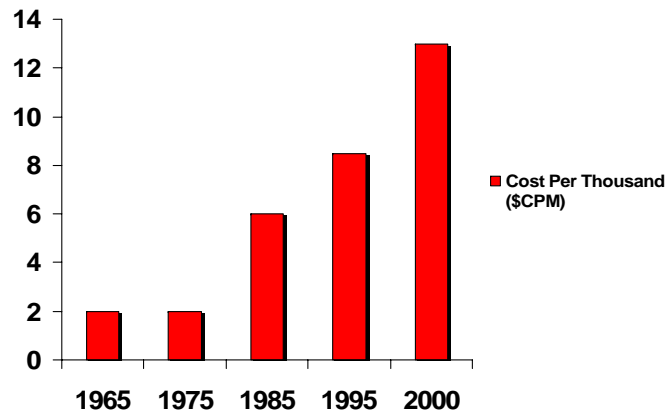
- In the UK Tesco delivers more “impacts” than the landmark Premiership programme, Match of the Day

Source: BARB/BMRB TGI

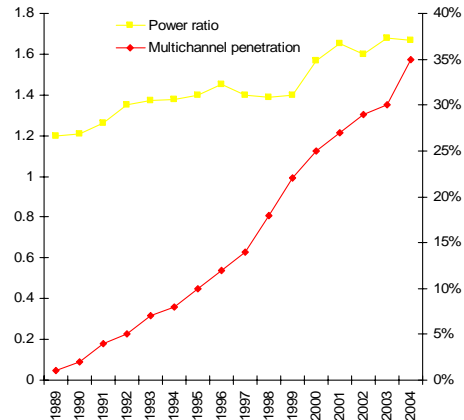


# Drivers of in-store TV – Cost Per Thousand

*US CPM are rising*



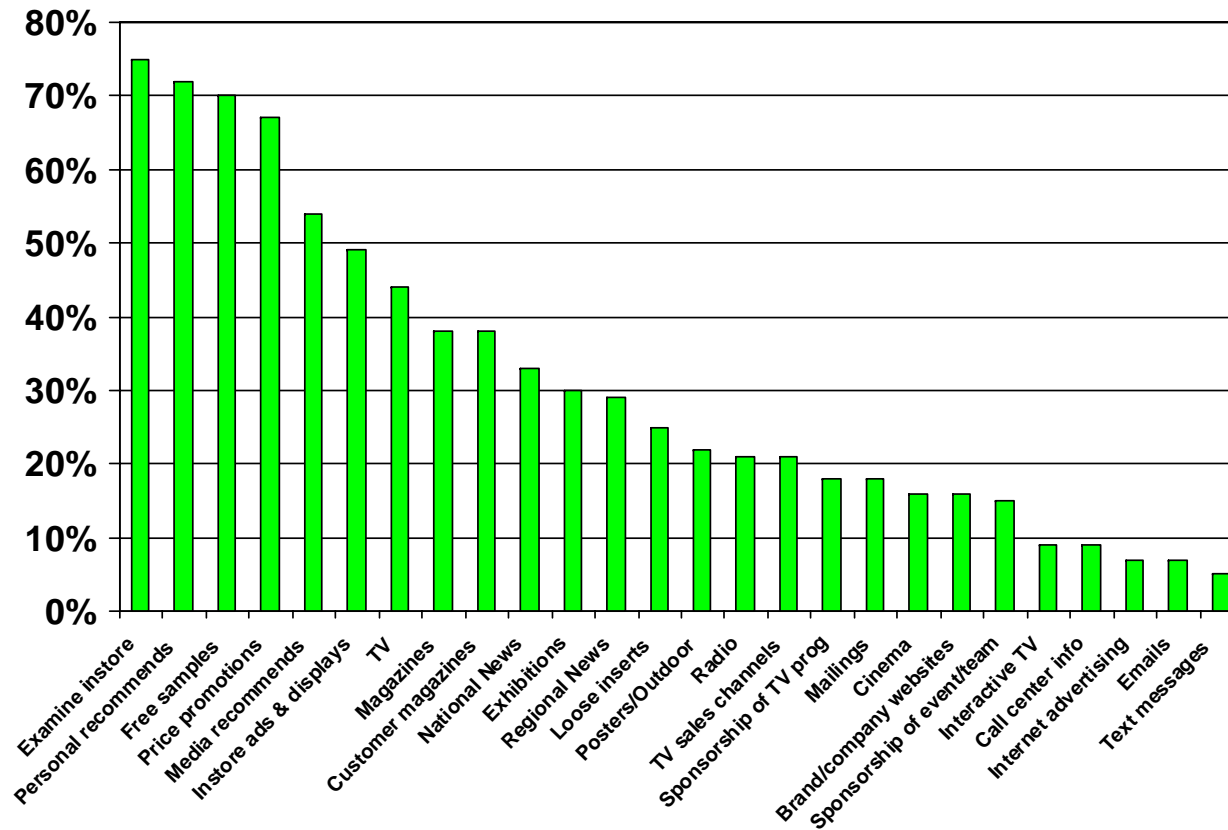
*TV Value erosion rises with digital*



Source: Veronis Suhler/Enders Analysis/WPP



# Drivers of in-store TV – Better metrics



Source: BMRB COMPOSE



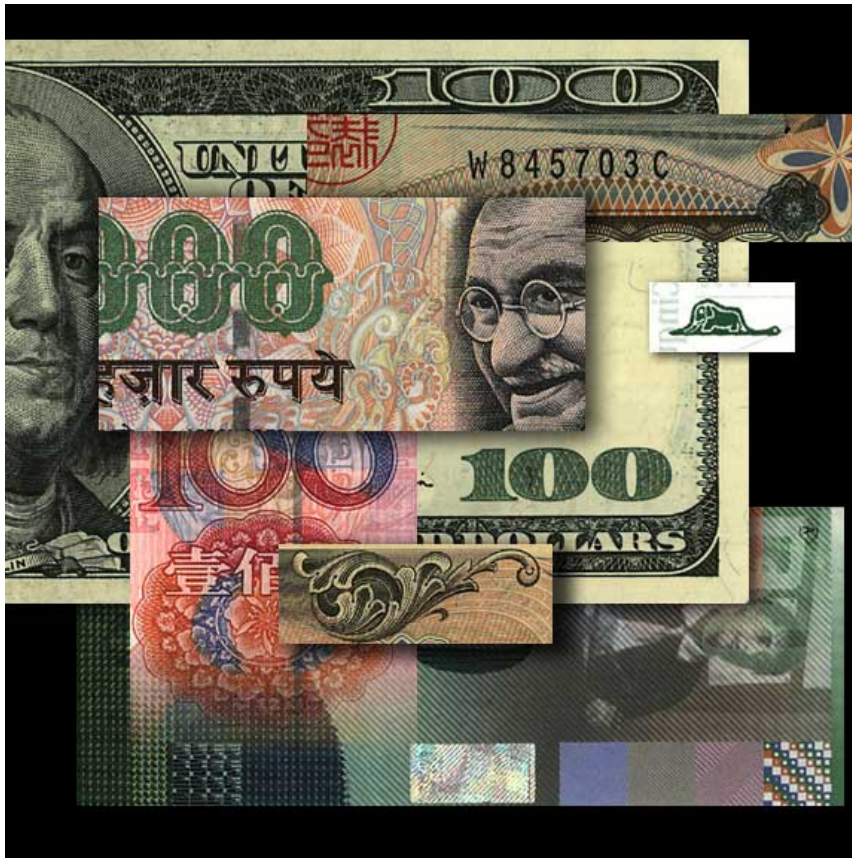
# Barriers to in-store TV



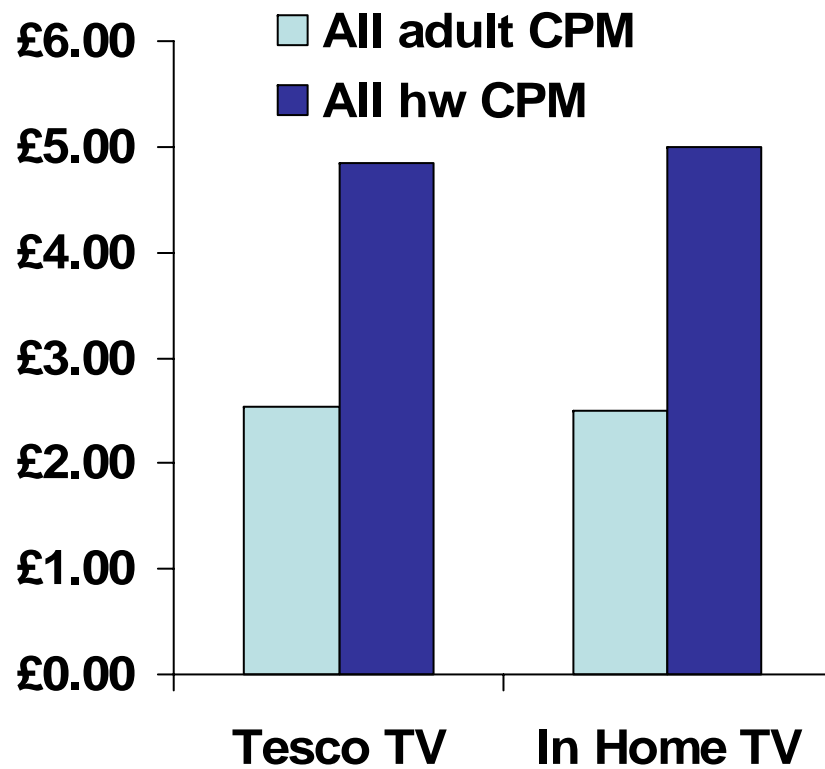
# Barriers to in-store TV – Retailer mindset



# Barriers to in-store TV – Lack of tradeable currency across the medium



# Barriers to in-store TV – Poor value?



Source: JC Decaux



# Barriers to in-store TV - Execution



- Positioning remains an issue in store – something which has been an issue with Tesco



# Barriers to in-store TV - Creative

[Insert Lynx advert]



**Key players**

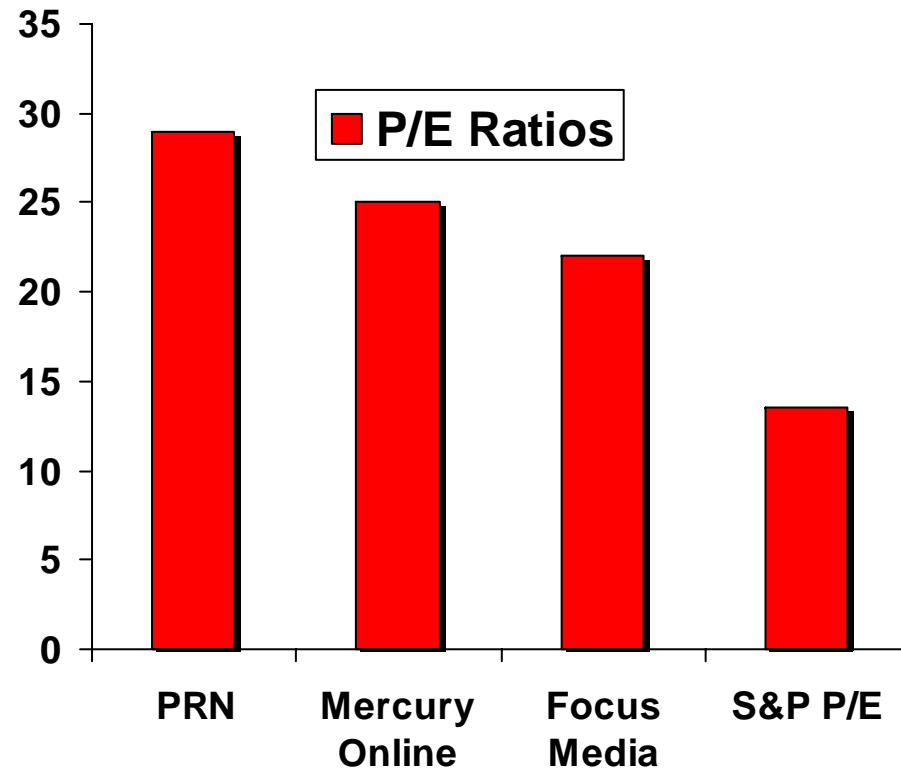


# Key players

- PRN
- Mercury Online Solutions
- IQ Control
- Adspace Networks
- TescoTV
- Focus Media



# Sign of an emergent sector – deal activity



Source: Company Accounts/Bloomberg



# PRN

- Recently acquired by Thomson at \$285 million all cash deal
  - Current sales of \$112 million
  - Net income of \$10 million
- 85% of current revenues are driven by Wal-Mart
  - 34% directly from revenue
  - 54% advertising revenues for Wal-Mart stores
- Developing business with leading retailers:
  - Albertsons, CostCo, Best Buy, Shoprite, Shaws



# Mercury Online Solutions

- Produced all digital signage for AT&T Wireless
- Recently acquired by 3M in order to drive international sales outside of the US



# **IQ Control**

- British base end to end supplier from technology through to ad sales
- Responsible for highly successful trial with convenience retailer Spar.
- Now doing Cash&Carry TV for Nestle and Salon TV
- Now doing Jacksons trial



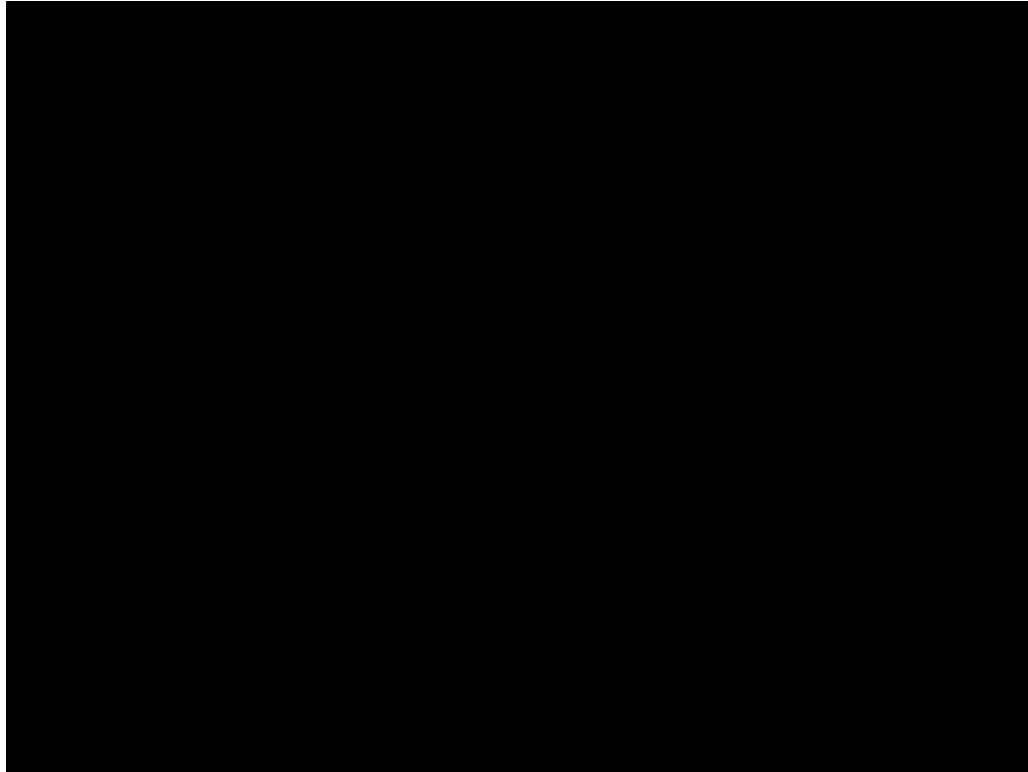
# **IQ Control - Spar**



- Overall sales uplift in stores c 7.5%
- High sales uplift in beer/wine 22%
- Frozen foods 14%



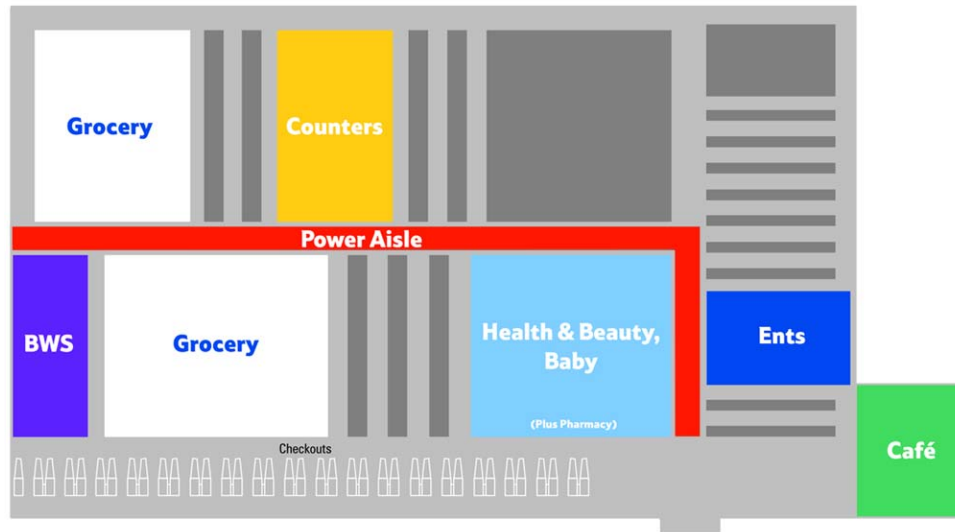
# Adspace Networks



- 500+ screens delivering weekly audience of 150 million
- Primarily mall driven
- Developed instore TV for Macy's focussing on new ranges and upsell



# Tesco TV



- An alternative model where retailer keeps close control
- Some initial early success – but lots of problems



# Tesco TV – Established overall uplift of 10%



10 second advert

Product benefit

Commercial made for TTV

+5%

+4%

+3%

Sound in commercial

+4%

Price led

+5%

Branding/Packshot

+5%



# Focus Media

- Mainland Chinese player recently floated on Nasdaq. Market cap of \$704 million
- 10,000 commercial locations , 400 retail stores in 44 cities
- Currently \$43 million in revenues, suggesting each screen is earning \$125 a month
- Segmented product offer
  - Golf club TV
  - Beauty salon
  - Prestigious locations



# **In store TV – Implications for Asia**



# Key determinants of instore TV

- Publicly owned retailers
- Retailer power
- Declining TV effectiveness
- Clear currency
- Cost effectiveness



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