Digital Signage: Advertising, Branding and Blended Models

By Lyle Bunn, BTV+

Dynamic Digital Signage provides an opportunity for increased sales and better branding for businesses. The power of this new medium is being harnessed in two different ROI models, and in a blending of the two.

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The "Advertising Model" features ads that are paid for display by suppliers of products or services. This is typically used in retail locations and public displays such as in malls, pedestrian areas and electronic billboards.

The "Branding Model" is used by organizations to promote their own products or services. A retailer might choose to use the display to promote their private label brands. A bank that uses digital signage in its teller lines can expect to generate enquiries for its services, generate transaction volume in savings and investment accounts, and reduce the perceived length of waiting time. This model typically includes providing information such as news, weather, sports, investor, or specialty channels to improve the quality of the visitor's experience.

These two models are sometimes blended (especially if the display screen is split) depending on the volume of display time available and the signage owner's wishes to offset the costs of the digital signage system by receiving non-retail revenues through some paid advertising.

There is great flexibility to enjoy the right balance of content because the display control software used for digital signage allows any images to be displayed in any area of any screen at any time.

There is high value for suppliers of products when digital signage ads appear at the "point-of-purchase", and in particular when the advertising investment is generally much lower than other advertising approaches, such as broadcast television ads.

Advertisers that typically pay for in-store posters and sampling, ads in a weekend flyer, coupons, catalogues or special promotions, view digital signage as an addition or alternative to these promotional approaches.

Sales lifts of 10-30% are typical, with some sales increases reaching as high as 200%. Ad recall can be as high as double other mediums and perceived wait time is typically a 40-60% improvement.

The cost that advertisers can expect to pay may vary. A CPM (cost per thousand viewers) of $6-20 is common, although the sales lift of some displays is commanding CPM rates of $60. This is expected to increase as signage network viewership and performance measures are increasingly clarified.

Ad rates and insert volume determine display revenues. For example, one digital signage owner may charge $300 per month for 30 seconds of ad play on a 30-minute rotation, played 18 hours per day on all eight displays in a public retail area. That translates to 36 impressions every hour on each video display, or 288 impressions on all eight displays each day. At 8,640 total impressions per month (36 impressions x 8 displays x 30 days), the $300 monthly rate breaks down to $.0347 per 30-second display. Factor in the potential of 120 total ad placements per hour for each display, at the rate of $300 per 30-second ad, and the total monthly revenue amounts to $36,000 ($4,500 per display).

In another example, a 100-location store chain may charge a monthly rate of $280 per store for 15-second ads. Depending on the frequency of insertion, a 90-second loop accommodating six ads would yield up to 720 impressions for each ad during an 18-hour day. Under a 3-month minimum contract, the chain could expect a minimum return for each ad of $84,000 per store, or $504,000 for all six ads.

In the advertising, branding or blended models, the locations of the displays included in the digital signage network are typically licensed to the network owner.

The flexibility of digital signage allows stores to display a blend of visual brand reinforcement as well as targeted advertising.

The network owner could be a business unit, a turnkey service provider, or a separate business established for the purpose of operating the network. In each case, location agreements for digital display are exclusive, ad revenues are generated by the network managing group (or contracted out by them), and all elements of the network's operations are managed as part of the service. Profit sharing with location providers is common.

A complete digital signage network, which includes two high quality, 40" LCD or plasma displays, all other hardware, software, installation and operations, can cost less than $600, per location, per month.

Plenty of examples of growing networks exist, such as CompUSA (PlayNetwork), Wal-Mart TV, and Tesco (in the UK). Networks are growing across the commercial landscape, including banking, auto dealers, grocery, apparel, hospitality, entertainment and sport centers, medical offices, C-stores and virtually every retail and service category.

The technology that drives digital signage is stable and advertisers, retailers and service providers are increasingly looking to this visual media to achieve their success while improving the visit experience.

Since a key trend is to leverage infrastructure to maximize business success at each location, anyone interested in digital signage should talk to organizations with a proven record of service in providing media for multi-location business success.

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