



platt | retail | institute

LEVERAGING THE IMPACT OF RETAIL DIGITAL SIGNAGE
ADVERTISING THROUGH BEHAVIORAL MERCHANDISING

Steven Keith Platt, Director and Research Fellow, Platt Retail Institute, John Greening, Associate Professor, Northwestern University, and Bill Pennell, Mediawide UK Ltd. and formerly of Tesco Media Services

WORKING PAPER NO. 3

September 2005

**LEVERAGING THE IMPACT OF RETAIL DIGITAL SIGNAGE
ADVERTISING THROUGH BEHAVIORAL MERCHANDISING**

CONTENTS

Introduction

Discussion

- A. Overview
- B. Retail Digital Signage Attributes as a New Marketing Medium
- C. Mass Customized Advertising Messages
- D. RDS Advertising Effectiveness
- E. Behavioral Merchandising to Build Customer Relationships
Through Effective RDS Content Strategy

Conclusions

The authors appreciate the comments received from Professor Edward J. Fox, Southern Methodist University, and Professor Barton Weitz, University of Florida.

This report is not to be reproduced or published, in any form or by any means, without the express written permission of the Institute. This material is protected by copyright pursuant to Title 17 of the U.S. Code.

Copyright (c) PLATT RETAIL INSTITUTE 2005. All rights reserved.

Hinsdale, IL
www.plattretailinstitute.org

INTRODUCTION

A long-embraced truism of the American advertising industry was advanced in the early part of the last century by John Wanamaker, the Philadelphia merchant who will forever be memorialized for his observing that “half the money I spend on advertising is wasted; the trouble is I don't know which half.” The significant aspect of this statement is that it is generally as true today as it was in the last century¹. This fact is causing advertisers to seek more effective, alternative media outlets.

Advertisers are aware that traditional mass communication channels are less relevant than they once were, and that marketing spend decisions have been plagued by a lack of adequate methods to gauge their impact upon consumers. In addition, both retailers and consumer package goods manufacturers (“CPG”) have been hindered by an inability to effectively communicate with consumers in the store.

Retail Digital Signage (“RDS”) offers an important new media platform that addresses these issues. This is due to its location in-store, as a result of its message flexibility, and because of the ability to quantify its impact upon consumer shopping behavior. In addition, effective content strategy that is formulated through Behavioral Merchandising (“BEM”) and delivered by RDS is uniquely capable of building customer relationships by facilitating retailer and/or brand differentiation in the store.

This Working Paper details the benefits associated with RDS, and introduces the methodology of Behavioral Merchandising. The objective of BEM is to stimulate the consumer buying process by mass-customization of targeted messages. This systematization is significant for advertisers because it resolves how to most effectively develop and deploy RDS content.

¹ According to the Addressable Advertising Coalition, “80% of the money invested in U.S. TV advertising each year is wasted.”

DISCUSSION

A. OVERVIEW

Diminishing audience reach is impacting advertising effectiveness in traditional mass media². In addition, persistent problems associated with gauging the impact of most forms of advertising have not adequately been resolved³. These realities are taking a toll on advertising spending for traditional forms of mass communications. In fact, spending on new forms of advertising that can be monitored and measured are outpacing growth in older forms of media. To illustrate this, consider that while overall growth in advertising spending is forecast at 5.7%⁴ in 2005, Internet advertising is expected to grow by 25%⁵ and cable TV is expected to grow by 9.5%, while network TV is forecast to grow by only 1.1%⁶. This fragmentation and lack of adequate metrics is causing marketing dollars to be redirected to new channels. One such channel is the retail store itself, where the consumer, the product, and the sale converge.

Retail stores are an underutilized marketing channel, with outstanding potential to impact shopping behavior⁷. Messages delivered via a retail digital signage system may be individually addressed to several or thousands of locations real-time, and can be day-parted to adjust to various environmental factors.

RDS is defined as “visual content displayed in a retail environment, delivered digitally through a centrally managed and controlled network.”⁸ The key benefits of RDS are summarized as follows:

1. RDS messaging is dynamic, possessing the capability to display complex graphics and videos, resulting in attention garnering-messages.

² See “Television Networks in the 21st Century,” Deloitte Touche Tohmatsu Global Technology, Media & Telecommunications Industry Group Report, 2005.

³ A recent survey by the Association of National Advertisers found that 61.5% of respondents felt it important to define measures and take concrete steps in the area of advertising accountability, but only 19% were satisfied with their ability to take those steps.

⁴ Source: Universal McCann revised 2005 estimate as of 30 June 2005.

⁵ Spending on internet advertising is forecast at \$11.5 Billion in 2005 and \$19.2 Billion in 2010. Source: Sanford C. Bernstein & Co.

⁶ Source: TNS Media Intelligence.

⁷ “Another promising new media site is the store itself.” Philip Kotler, *Marketing Management*, Millennium Edition, 2000, p. 589. “For every four minutes a customer spends looking at an ad, he spends forty minutes inside a McDonalds,” Bill Lamar, SVP, CMO, McDonalds.

⁸ “Implications for Retail Adoption of Digital Signage Systems,” PRI Working Paper #1, October 2004, Platt, Sinha, Weitz, Hellberg, Iyer and Myers.

2. RDS messages are capable of rapid deployment systemwide, storewide or in a single store aisle, and can leverage specific regional and store conditions, such as customer demographics, weather conditions, promotions, and educational content, combined with the ability to be fractionalized into day-parts.
3. RDS can be centrally monitored, ensuring that systemwide, brand-compliant messages are deployed. This represents a major advantage over other forms of in-store communications, which are plagued with questions of store-level compliance.
4. Digital signage assists customers in locating the merchandise they are looking for in the store, and can provide in-depth information and product demonstrations to influence the purchase decision.
5. RDS enables timely and accurate measurement of a message's impact upon a consumer. Measurement occurs through the integration with a retailer's legacy systems, such as POS, merchandise and supply chain, with the result that RDS has the ability to immediately gauge the impact of a message and adapt the message to changing retail dynamics.
6. RDS technology facilitates the delivery of messages that both retailers and CPGs can leverage to build customer relationships.
7. Relative to existing forms of product and promotional testing, CPGs can quickly and relatively inexpensively experiment with new product concepts and advertisements to determine consumer impact.

In addition to the noted benefits, RDS possesses outstanding attributes as a new medium.