



RETAIL ADVERTISING EDGE:

A report on the effectiveness of digital displays as an advertising medium for retail businesses.

Prepared by Daktronics, Inc.

EXECUTIVE SUMMARY

On-premise electronic displays are a cost-effective and potent form of advertising for retailers. As the effectiveness of traditional forms of advertising diminishes, on-premise digital signage provides a powerful tool for boosting impulse sales while yielding a high return on investment. They reach the right target audience, at the right time, for a fraction of the cost of television, radio or print advertising. Retail acceptance of digital displays increases every year. Retail managers have given strong endorsements of the technology based on the results they have seen in their stores. There are many aspects to developing an effective digital sign program and retailers should choose a financially strong partner-supplier that can provide the full range of products and services required for success.

Advertising Is Changing

Traditional media's usefulness for brand promotion is declining. DVR use allows viewers to pre-record television programs and fast forward through the commercials. Traditional radio listeners avoid ads by using iPods, streaming Internet audio, or satellite radio. And publicly traded American newspapers have lost 42% of their marketing value in the past three years.¹

So what marketing tool can retailers use to reach their targeted demographics?

A digital display provides the solution for the following reasons:

- Digital displays are cost effective.
- People look at them because they change.
- They attract attention 24/7.
- They effectively drive impulse buys.
- They can promote many different products and services.
- They promote the right products at the right time of day.
- They reach different demographic groups at different times in the day.
- Digital displays are more attractive, safer and quicker than changeable copy boards.

Return on Investment

According to the Small Business Administration, owners of a digital display typically see a 15%-150% increase in business.² Daktronics has received testimonials from digital display owners who cite an increase between 9%-20%.

While this is a wide range of return on investment, return is proportional to the content quality shown on the digital display and its integration into a marketing campaign. The better the content and the more appealing the message, the more people will stop at a store and purchase.

The following equation helps to determine what return on investment may look like for an individual store:

$$\frac{(Gross\ Annual\ Sales\ x\ Projected\ Lift)\ x\ Gross\ Margin\ \%}{Cost\ of\ Investment}$$

As such, if we estimate a conservative sales lift of 5%, a store with gross sales of \$1.175 million and a 30% gross margin may have a digital display return on investment that looks like this:

$$\frac{(1,175,000 \times .05) \times .3}{30,000} = \frac{17,625}{30,000} = 58.75\% \text{ ROI}$$

Results will vary depending on a store's existing gross sales and gross margin, as well as the cost of the individual display purchased. Again, content and message appeal can affect the projected lift increase. A digital display with effective messages typically will pay for itself within four to 18 months.

An Effective Advertising Medium

Return is also related to the cost-effectiveness of digital displays, especially when compared to the decline of advertising success in newspapers, radio and television, particularly with young people.

An emerging demographic retailers must connect with is Millennials, those customers born between 1982 through 2000. At 60 million members, this generation collectively spends \$136 billion annually. But their spending power doesn't stop there; older retail customers spending are influenced by their kids and teens in the household.³

With Millennials' heavy spending power and resistance to marketing, retailers need to reach this group in unique, technology-savvy ways.⁴ Consider the following:

- Since 2004, newspapers have been the least preferred media source for young people.¹
- Young DVR users skip the most ads. A typical DVR user watches only 41% of television shows in real time and views only 8% of the commercials. Thus, the DVR user is exposed to only 46% as many commercials as an ideal viewer.⁵
- Most of the early adopters of online music download services have been young radio listeners.⁶
- As avid gamers, Millennials most enjoy interactive, full-motion multimedia with colorful graphics and images.⁷

Digital displays, with their ability to show color graphics and images as well as motion, appeal more to younger audiences than newspapers, TV or radio ads. And they're also cost-effective. The table below shows digital display costs compared to other media:

MEDIA AND COST⁸	
Newspapers	\$5,200 per month
Television	\$6 million for one, 30-second daily commercial
Direct Mail	\$1,500 for 1,000 4"x6" postcards
Online	\$1,200 to \$1,800 per month
Daktronics digital display	\$300* per month

**Monthly cost over the display's 10-year lifetime*

The chart below shows media costs from a specific area, in this case, Seattle, Washington:

MEDIA AND COST PER THOUSAND EXPOSURES <i>Seattle, Washington⁹</i>	
<i>The Seattle Times</i>	\$22.52 - \$26.73
KOMO 97.7 radio	\$1.80 - \$5.10
KIRO (CBS) TV	\$5.14 - \$6.08
Daktronics digital display	\$0.35

Catching Impulse Buys: Selling to Your Front Door Market

Since nearly 90 percent of consumers occasionally make impulse purchases and impulse buying accounts for 30 to 50 percent of all sales¹⁰, catching potential customers' attention is important.

On-premise signage takes advantage of recency theory, the belief that advertisements and promotions are most effective when consumers experience them immediately prior to purchasing. According to the theory, ad exposures' influence decline between the time the consumer sees the ad and actually purchases.¹¹ Digital displays as an on-premise medium reduce the time lapse, making consumers at your front-door more likely to buy on impulse when they see an advertisement.

What's more, viewers notice digital displays. After driving by a static sign over and over again, consumers quit looking at them. On the other hand, they always look at a sign that they know changes. Since a typical family may travel on a certain street during their daily routine more than 50 times during a month, retailers need a sign that they'll keep noticing.¹²

Digital displays also make more sense than other media, not only because they are cost-effective and people notice them, but because they broadcast their messages to a constant stream of potential customers. Today's consumer is mobile, spending more time out of the home than in the home.¹³ Americans travel an average of 302 miles in seven days.¹⁴ Outdoor media reach 96% of these drivers and passengers.¹⁵ In addition, message overload has created clutter, making it difficult for brands to get noticed by consumers who now have the power to choose what ad content they will accept. As such, outdoor advertising is growing in presence because it reaches highly mobile audiences day and night.¹⁶ And with a digital display, operators easily change messages to appeal to different demographic groups and to promote different goods and services. Why not take advantage of on-premise outdoor advertising space and reaching the front door market by using a digital display?

Consider the following statistics when thinking about the effect digital displays can have on motorists:

- Customers exposed to advertising for a longer time are more likely to buy.
- Two-thirds of customers buy on impulse.¹⁷
- High-mileage commuters spend less time reading a newspaper or watching the news.¹⁸
- 34% of high-mileage consumers have incomes of more than \$75,000.¹⁹
- 45% of high-mileage consumers have children in the home.²⁰
- 40% of people decide to stop at a store on the way home from work.²¹

Finally, many retailers have been replacing their manually changeable copy boards with digital displays. One reason is that all the different details of a facility's appearance affect the way consumers perceive a business.²² While copy boards appear old-fashioned and messy, digital displays convey a cutting-edge, sleek image. Digital displays also contribute to employee safety. They eliminate the chance of an accident occurring when an employee updates a copy board's message. With all the occupational injuries reported annually and fourteen different OSHA guidelines for the use of a portable ladder, a digital display makes good safety and economic sense.²³

Embracing Change: Retail Digital Display

A strong testimonial that proves digital displays work is their increase use within the retail industry. The chart below shows the estimated number of display installs at retail businesses for the past four years:

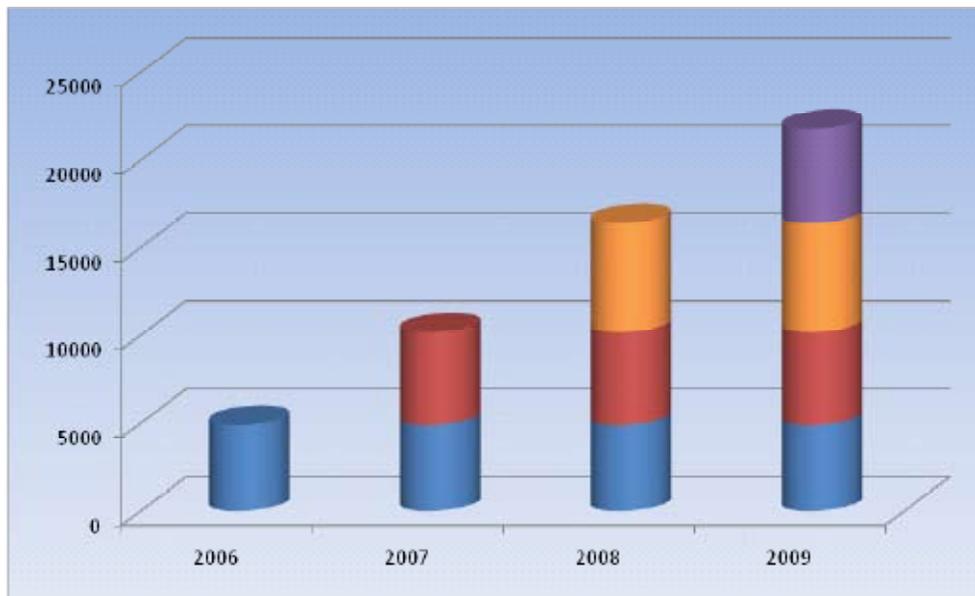


Chart 1: Digital Display Installs at Retail²⁴

In addition, several retail owners who operate multiple stores and have bought a display for one particular shop have repeated their purchase and bought displays for their additional retail locations.

Customer Testimonials: Digital Displays Work

“After 23 years of business we were seeing recent growth at a rate of 3%. But, last year our increase in sales was 12%. We think we can attribute 9% of that to the new sign. Our 2008 sales are still growing at more than 12% over 2007!”

—David Toedte, owner, Goodies Handmade Candies

“The sign has changed our approach to advertising 100%. We’ve completely switched our advertising. We invest in our sign instead of radio or TV. Last year, I spent \$150,000 in TV advertising. This year we’ve only advertised on our sign, and we have more customers.”

—Fred Bonilla, president, Spa Crafters

"I think it's more effective than almost any media we've ever used. The display is on the job 24 hours a day and I have a captive audience in our area, not just a broad range where it's hit and miss. With other advertising mediums you can spend thousands of dollars and maybe get one customer. That little sign keeps our store popping."

—Fred Bonilla, president, Spa Crafters

"The sign has helped us reach out to a whole new market."

—Todd Krauser, store manager, Metro Builders Supply

"People come inside asking about our Stihl outdoor products because they see it advertised on our display that we offered them. If it wasn't for the display, they probably would have never known. If someone came in and asked me if they should invest in a digital display, I would say absolutely."

—Paul Hamilton, owner, Johnson's ACE Hardware

"The Internet and new technology are critical to success in the current real estate community, and a digital display seemed to fit in with that trend."

—Gerry Schuetzenhofer, president, Coldwell Banker Brown Realtors

"It is unbelievable. When we need to hire new people, we put it up on the sign and we get calls. When we have specials posted, we get calls, when we want to promote our parts and services, we put it up and we get calls. I'm very, very happy with the sign."

—Steven Wolf, general manager, Helfman Dodge

"The feedback we have received has been very positive. I think that it is safe to say that the sign has contributed considerably to stimulating our business, especially during these past few months."

—Linda Connelly, manager, Dollar Boots and Jeans

"After the move, we experimented with displaying our different services. We would ask customers how they knew we did certain things and they always mentioned that they saw our electronic display. We honestly feel that this has been our best use of advertisement funds ever. The Daktronics display attracted our customers' attention and led them to our front doors for business."

—Tammie Smith, owner, The UPS Store

Let Daktronics Help You Get Started

As the world's leading provider of digital displays, Daktronics can help you to roll-out a program that meets the needs of your retail locations.

Why Choose Daktronics?

We want to be your digital display partner, not just a vendor. We're a financially strong and secure company, publicly traded on the NASDAQ, with over 40 years of experience. Our products are rigorously tested in our Reliability Lab and are made in the U.S.A. We support our customers with ongoing service-after-the-sale, including installation assistance, award-winning creative services, and a nation-wide network of technicians.

For retailers interested in launching a digital display program to their stores, contact Daktronics' representative **Erik Dahl** at 888-325-7446, ext. 56609 or e-mail Erik.Dahl@daktronics.com. He can provide you best practices strategies and give you a free consultation to help you develop your brand's sign plan.

By working together, Daktronics can help your business earn dollars through digital display advertising. Contact Daktronics and we'll get started today.

Resources

- ¹ Alterman, Eric. "Out of Print," March 31, 2009. The New Yorker.
- ² Small Business Administration. "Frequently Asked Questions about EMCs," October 14, 2003, <<http://www.sba.gov/smallbusinessplanner/start/pickalocation/signage/emcfaq.html>>, accessed on July 1, 2009.
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- ⁴ Millwood, Abigail B. "The Young and the Restless," Nation's Restaurant News, Vol. 41, No. 5, January 29, 2007, pp. 132-133.
- ⁵ Bernoff, Josh. "The Mind of the DVR User: Media and Advertising," Forrester Research, Cambridge, Massachusetts, September 8, 2004, pp. 4-10.
- ⁶ Lin, Carolyn A. "Predicting Satellite Radio Adoption via Listening Motives, Activity, and Format Preference," Journal of Broadcasting & Electronic Media, Vol. 50, No. 1, March 2006, pp. 140-159.
- ⁷ Sweeney, Richard. "Millennial Behaviors and Demographics," New Jersey Institute of Technology, Newark, New Jersey, December 22, 2006, pp. 4-5.
- ⁸ Wells, James. "The Value of SEO in Your Marketing Budget." September 12, 2007. Retrieved October 21, 2008, from <<http://www.articlesbase.com/seo-articles/the-value-of-seo-in-your-marketing-budget-213173.html>>
- ⁹ Statistics gathered by Daktronics Commercial Business Marketing, August 2009.
- ¹⁰ Hausman, Angela. "A multi-method investigation of consumer motivations in impulse buying behavior," The Journal of Consumer Marketing, Vol. 17, No. 5, 2000, p. 403.
- ¹¹ Outdoor Advertising Association of America, Inc. "Recency Theory." Retrieved September 28, 2009, from <<http://www.oaaa.org/marketingresources/factsandfigures/recencytheory.aspx>>
- ¹² Taylor, Charles R., Thomas A. Claus and Susan L. Claus. On-Premise Signs as Storefront Marketing Devices and Systems. 2006, page 8.17.
- ¹³ Outdoor Advertising Association of America, Inc. "Consumer Behavior." Retrieved September 28, 2009, from <<http://www.oaaa.org/marketingresources/factsandfigures/consumerbehavior.aspx>>
- ¹⁴ "The Arbitron Outdoor Study," 2001.
- ¹⁵ Ibid.
- ¹⁶ Outdoor Advertising Association of America, Inc. "Consumer Behavior." Retrieved September 28, 2009, from <<http://www.oaaa.org/marketingresources/factsandfigures/consumerbehavior.aspx>>
- ¹⁷ Young, Scott. "What Shoppers Say—and What They Do," 2008. Perception Research Services, Marketing at Retail. Retrieved on September 11, 2008, from <http://www.marketingatretail.com/publish/shopperEngagement/What_Shoppers_Say_printer.php>
- ¹⁸ "The Arbitron Outdoor Study," 2001.
- ¹⁹ Ibid.
- ²⁰ Ibid.
- ²¹ Ibid.
- ²² "Recapturing Store Image in Customer-Based Store Equity: a Construct Conceptualization," 2003, Katherine B. Hartman and Rosanne L. Spiro. Journal of Business Research.
- ²³ "Occupational Safety & Health Administrations," Small Business Handbook
- ²⁴ Statistics gathered by Daktronics Commercial Business Marketing, October 2009.