



Targeting 21st century consumers, Part 3 of 3

Ken Borruso contributing writer

• 05 Sep 2008

*Ken Borruso is the CTO of www.visualincite.tv. **Visual Incite** is a provider of collaborative marketing media and change management solutions.*

"Targeting the 21st-century consumer" is a three-part series that will run on Fridays in September.

:: The real-estate owner who recognizes that broadcasters can make money on this network has an opportunity to earn income from either leasing the space to the broadcaster to mount his screens, or he can build his own network and produce his own content as an alternate profit center and charge the broadcaster a fee to place content as a micro-franchise. The real estate owner can buy or download content produced from other venues to create his own private broadcast channel.

:: Big box retailers can benefit two times from building a network within their store. One, they can sell the time on screens to their merchandise manufacturers for in-store and in-aisle promotions. Two, unlike a doctor's office, the grocery or retail store can benefit from an increase in shelf velocity or throughput of screen-promoted items.

:: This double income potential of selling time on their in-store network, like shelf-space to manufacturers who can use it to sell their products faster, can lead to larger buying power and a higher net profit than, say, a third-party network owner-operator selling time alone.

:: This brings our discussion back to the real winners in this market, the property and digital-rights owners of the space where items are purchased. No matter how the network is capitalized, no matter what technology is used, no matter how it is managed, the real-estate owner holds the keys.

:: This is true for many industries where merchandising opportunities are still a relatively untapped market. Owners of grocery stores, retail franchises, restaurants and entertainment venues all have the potential to earn income for network time they sell to broadcasters, network operators or their private narrowcast network.

:: Instead of looking at the hardware and network as expenses with a local cost and a local benefit, the real-estate owners should be thinking of the bigger picture and where the digital television networks of tomorrow are heading. The new technology lowers the entry barrier so that almost anyone can become a network and a broadcast company.



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:: There are network incremental one-time costs, but when combined with the right messages, they have the potential to increase net profits. Real-estate owners should be thinking of digital television networks as the most economical way to speed up the decision-making process in-store. They need to keep a focus on increasing ticket velocity and use this technology as a tool to influence purchasing decisions and increase ticket size.

ROI and your EBITDA

:: Given the modest investment of a digital signage network (about \$3,000 an end-point), if a single store operator earning \$2 million dollars in sales with an EBITDA of \$200,000, with a modest 10 percent increase in sales (2.2 million) can double the EBITDA to \$400,000 with little or no additional fixed costs. This means it is possible to double the value of your business with a modest 10-percent increase in sales using the resources you already have in place and a relatively small investment in digital signage.

Dilemma 1

:: A large restaurant chain buys time on major networks to get people into its stores, yet when the people go to them, they see large televisions surrounding the bar or waiting room showing competitors' commercials. This may seem like a normal concept to provide a form of entertainment to guests, but often times this strategy works against increasing your ticket size or speed. It allows the same broadcast networks to air competitors' commercials to the right people (who you paid network broadcasters to bring you in the first place) at the right time and in the wrong place (your place).

:: This may be avoided, and the real-estate owner can turn this into a promotional opportunity if the restaurant owner chooses to invest in a digital signage network, or the entire television industry changes their business model.

:: In a future world, the content may be the same, but the commercials will be different. In a future world, a restaurant chain may buy a plan that replaces all the commercials with their own locally inserted specials or regional promotions and nothing but their own approved information is displayed.



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:: While this presents some short-term technological, legal and financial hurdles for everyone from the television sports franchise compensation of their intellectual copyrights to the local cable operator and broadcasters, this can be resolved.

:: Today Bloomberg Television has such an offer and is providing a working business model to financial institutions.

Dilemma 2

:: The market for alternative narrow casting models of hardware and software is beginning to reach a critical mass of acceptance, and this is upsetting the broadcasters' appletart.

:: To hedge the future potential of the private screening and access to consumers out of their home, broadcast networks are beginning to take action from selling pre-packaged content to existing network operators, acting as sales agents for narrowcast operators, to the outright acquiring of networks in desired demographic markets.

:: Discovery Holdings, owner of over 12,000 displays in medical offices, is the largest holder of out-of-home media and one of the first major media companies to hold the digital rights inside these locations. CBS has acquired SignStorey and has provided content and advertising to many other network operators, while ABC is directly marketing advertising for Meijer stores and gas station television networks.

:: The message to real estate owners is clear: You own the digital rights to permit or deny access to the content and messages seen and heard on your properties, and the value is going up.

:: This one-time cost has to be compared to the value of the site where the message is displayed verses the shift in value from a broadcast television CPM to your location.

:: Doctor offices, for example, represent a fixed demographic of consumer and an ideal location for medical related messages, such as through healthy living shows. However, seasoned broadcast network executives recognize the space is an alternate location to market their existing pharmaceutical clients.



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:: It is almost as if the broadcasters have to literally buy the network transport, place a set-top player and television screen on top of the real estate to display their messages so they can offer their clients alternate media placement to counter the erosion of the net value in their broadcast network air time.

Dilemma 3

:: Fragmented early adopters create a need to standardize on narrowcast networking technologies. This micro economic model of asset-owned narrow cast networks has created fragments to permit simple consolidation entity owned and managed digital media to outsourced, leased space media provider and the creation of OVAB. Members of OVAB and non-members alike from Simon Properties – OnSpot, a JV with Publics and Simon, to Macerich outsource networks to EYE, the market is filled with mini-network owners and operators using diverse technologies to deliver, essentially the same thing — rich high definition media.

:: The challenge for the media buyers and network operators is much like the same challenge seen in the cable switching networks with ad insertion for different markets. Middleware service bureaus, like SeeSaw and others, are created to help mitigate the common ground. The network advertisers and out-of-home media network operators experimenting with digital signage software packages have not yet agreed on a standard, let alone enhanced the media rights as may be implemented in MPEG 4 copyright protection.

:: There are many challenges for the media to reach the target market in our market-driven economy, but real estate owners are the ones who stand to gain independent of the technology.