

Measuring Retail Electronic Digital Signage's Return on Investment

Here's how to validate your digital-display investment

Steven Keith Platt

Dr. Steven Keith Platt is the director of the Platt Retail Institute (Hinsdale, IL), a retail think tank that focuses on bridging the academic and retail communities. Here, Platt discusses retail electronic-digital-signage (EDS) systems and details several methods for measuring an EDS system's return on investment (ROI).

Retail electronic digital signage (EDS) is slowly gaining acceptance as an effective in-store marketing medium. Financial institutions, in particular, are recognizing the many benefits retail EDS offers. In fact, the Bank of America, a company that owns grand-format LED displays in several sports stadiums, worldwide, also has installed retail EDS displays in numerous banks, plus the Los Angeles Staples Center and Chantilly, VA's Dulles Expo Center.

FYI: EDS ROI

This information assists you when selling EDS units, because, in many cases, a strong ROI justifies the purchase. Although it's easy to measure a production machine's ROI — 20,000 donuts, sold at a 50-cent gain, equals the \$10,000 needed to pay for the donut cooker — measuring the ROI on retail-advertising expenditures is much more difficult.

Platt says you must consider more than the one EDS-motivated purchase a customer may make. He relates, in fact, that an offsite EDS unit could have motivated the purchase. Platt says it's also difficult to gauge other, same-visit purchases, but these must be in the ROI mix. For example, a customer with a toothbrush coupon may also buy toys or tissues, or may return later for subsequent purchases.

Truth is, in business, nothing has value until it's measured, and, even then, the measurement is valueless until it's compared. When measuring retail merchandising's worth, Platt says you should consider a customer's total revenue and lifetime value. Still, he adds, "In the final analysis, the investment must eventually cause a customer transaction, or the purchase isn't worthwhile."

— Darek Johnson

However, only marginal independent research validates retail EDS' return on investment (ROI). This data deficiency, caused by various factors, is attributable to a lack of a uniform measure of system effectiveness. Unfortunately, market researchers see EDS/ROI appraisals as a challenging and inexact science. They compare it to measuring ROI in such areas as training, innovation, IT and marketing.

They add that involving (a customer's) cause-and-effect actions, plus filtering extraneous influences (other purchasing stimulators, for example) complicates the process. Worse still, EDS systems include both the participation and budgets of a firm's IT and marketing departments, and these departments' actions, opinions and costs affect the final system. Thus, they must appear in the evaluation.

ROI analysis

ROI analysis considers the financial relationship between an investment and the discounted cash flow it generates to determine the investment's cost as it relates to estimate future cash flows. This can simply be illustrated as R/I , where "R" is the return the investment is anticipated to generate, and "I" is a project's net investment. In this context, "revenue" is the proceeds a retail EDS investment is projected to generate, less the associated costs. This gives you a starting point from which to derive a return.

Often, revenue generated to determine an investment's ROI (the research-generated numbers) focuses only upon quantitative measures, while qualitative factors are, at best, approximated. When applied to retail EDS, this approach may understate retail EDS' true return.

John Ryan, chairman and CEO of John Ryan Performance, said, "The unique value in dynamic [EDS] media is the immediately available, and virtually unlimited 'shelf space' it affords product marketers."

As noted by G.V. Iyer, Bank of America's senior project manager, innovation and development, "It is a challenge to quantify the intangible benefits of retail EDS in the ROI assessment. The inherent advantages of retail EDS enable the implementation to align and extend a company's retail strategy."

When considering a retail EDS investment, ROI-analysis misapplication can cause ROI-analysis shortcomings. First, many analysts only consider a current cause (a stimulus, such as a retail EDS



(Above) NikeTown, the shoe manufacturer's Beavertown, OR headquarters, adopted hometown Planar Systems Inc.'s DS15 interactive, electronic digital signage (EDS), flat-panel display to capture customer data, manage purchases, deliver promotional and tradeshow content, and train employees. Planar's self-service technology schedules and displays interactive content coordinated with a specific promotion. (Left) AlivePromo's (Minneapolis) AlivePulse™ fulfillment process allows content to be remotely changed in this climate-controlled, weatherproof kiosk at the Zona Rosa Town Center in Kansas City, MO. The kiosk's 40-in., NEC 4000 LCD directory displays maps, legends and pop-up advertisements. AlivePromo creates and administers kiosk content; Communication Arts (Boulder, CO) designed the structure and Ad Vico Signs Inc. (Mechanicsburg, VA) fabricated it.

message) and effect (a purchase). Thus, if a sale is generated at another time or location, retail EDS' impact on the sale may not be apparent. Further, analysts may focus upon a single, or a series of, purchases, rather than the total revenue potential of a customer.

For example, an analyst might know how much revenue a sale generated, but can't measure the effect that the product's brand and customer loyalty exerted on the sale. Second, the analyst might not adequately measure (or measure at all) the display's impact upon the customer experience and customer loyalty. To be effective, ROI analysts must consider how intangibles impact consumer buying behavior and perceptions. So that the examination system doesn't focus on single transactions, consider retail EDS' cross-promotional impact.

Assume that a chain-drug retailer distributes a discount coupon for toothbrushes. The retailer knows that the coupons generate tooth-

brush sales, but may not consider the impact upon the consumers' buying behavior (such as buying toys or tissues) during the same, or subsequent, store visits.

Meaningful ROI measurement

When introduced into the ROI equation, customer-lifetime value, or the net value of profits derived from one customer over a period of time, more accurately measures retail EDS ROI. An analyst can examine a customer's total revenue potential for a class of retailer over a reasonable timeframe.

For example, a bank wants to install two displays at a branch location at a total net cost (for hardware and on-going content) of \$100,000 over a three-year project. Also, 100 checking-account holders secure new mortgages, which are heavily promoted on the bank's displays, generating a \$750 return [profit] per mortgage, or \$75,000 in the first year. At this point, the bank appears to have lost money on the investment.

However, during the second year, the branch sells an additional 75 mortgages, and the bank earns, over two years, \$31,250 (the \$131,250 return minus the \$100,000 investment), resulting in a positive return. You can expand this example to include the impact of other retail EDS-promoted services, such as insurance and investments, which would similarly impact ROI.

An electronic display's time and place shouldn't limit the ROI-measurement method. Many qualitative factors, which may take time to materialize, affect customer-lifetime value: consumer longevity, average annual customer expenditures, product or service margins, and acquisition costs.

Hopefully, consistent application of an industry-wide standard will, in time, generate an accurate method of comparing retail EDS to other marketing investments, as well as create a relevant, point-in-time index for measuring retail EDS' effectiveness. ■