



Digital Signage: Has The Time Come for Retailers to Adopt this Emerging Technology?

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Numerous retailers are experimenting with this new messaging technology. This includes McDonalds, Bank of America, AT&T Wireless, J Sainsbury, and Macy's West, among others. And the preliminary results from store deployments are encouraging in terms of both increased store traffic and a positive lift in sales. However, evidence of an acceptable ROI has yet to be demonstrated, which is limiting widespread retail adoption.

Flexible messaging delivered through digital signs can have a positive impact upon the retail customers' shopping experience, stimulate demand, and reduce store operating costs such as those associated with implementing a signage program and the rapid execution of price changes, for example. However, even though the hardware costs associated with digital signs are dropping, retailers will also need to invest into integrating their overall marketing program and portions of their information technology systems to realize the full benefits such a system can offer. In the final analysis, the success of a digital

signage deployment will be measured in terms of its ability to stimulate demand, on the one hand, and to reduce store operating costs, on the other.

As a starting point, we define the Digital Media Networks ("DMN") that support these digital signs as the electronic display system that is networked via a central controller to deliver messages that are individually addressed to several or thousands of locations real-time. Messages carried by a DMN can be targeted to achieve any of the following objectives: the pricing and promotion of merchandise; providing product, store and other information; the entertainment of customers; enhancing in-store décor; and, branding and related messages, for example. Propriety retail networks, such as the Advance Auto Parts Network and Wal-Mart TV, are not within this definition of DMN because these applications are aimed at mass broadcasting, rather than delivering messages that are tailored to specific stores, day-parts, and/or customers.

Some of the major benefits that a retailer can gain from deploying a DMN include the following:

1. **Flexibility:** Through DMN's, a retailer can cost effectively make real-time changes to messages that are shown in thousands of retail outlets instantaneously. Messages can be tailored to appeal to specific customers at different times of the day (day-part), and the message can enhance the ability to promote specific offerings in single or multiple stores. In addition, a store's environment can quickly and inexpensively be altered through the ability to change the graphical/store presentation. This enhances a retailer's ability to react to changing market conditions and competitive pressures by rapidly launching new products and services or ramp-up promotions, for instance.

2. **Customer impact:** DMN's dynamic content attracts shoppers and has greater

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Digital Signage (continued)

impact than static signage. This results in greater awareness of the message due to the nature of the presentation. In addition, the ability of DMN to target messages to a specific customer demographic increases a message's impression. Sales can be positively influenced due to a variety of factors including promotional tie-ins, enhanced cross selling, and the ability to change/alter the message and the merchandise mix to fit a specific customer profile, all with the impact of immediate and measurable results.

3. Centralized management and distribution of promotional messages: As compared to some traditional media, DMN can reduce costs, ensure promotional distribution and utilization, and increase chain-wide brand consistency.

4. Other benefits: reduce store clutter from excessive signage; an effective way to co-brand; positive reinforcement of retail brand DNA due to the impact of the message on the retailer and the merchandise; and, the ability to deliver instructional messages and greetings and store staff education, among other things.

Ultimately, large-scale retail adoption of digital signage requires a quantifiable impact upon the customer experience to prove an acceptable ROI. To impact a customer's store experience will, in turn, require DMN be integrated into both the store environment (both physically and content wise) and into a retailer's overall marketing communication program.

Integration into a store's environment encompasses several ideations, including the physical design of the digital sign and the content and its management, as enhanced by various information technologies. Clearly, the look and feel of the digital sign should complement a store's décor. Simply attaching a plasma screen or LCD to the wall, as has been seen in various supermarket tests and upscale retailers such as Neiman Marcus, do not enhance and may, in fact, detract from a store's environment and brand. In addition, content and its management can have an important impact upon a customer when it is coordinated with a retailer's POS, CRM and supply-chain information technology systems. By integrating DMN into the POS, for example, a retailer will get immediate

feedback, in terms of revenue lift, if a particular promotion is having an impact on customers in the aisles. If the desired result is not being achieved, the message can immediately be altered. Further, communications with customers can be enhanced to the extent that a retailer understands customer needs as isolated through its CRM system. Finally, a retailer may be in a position to maximize its inventory management, for example, through instantaneous price adjustments to its in-store inventory by tying its DMN to its supply-chain management system.

The necessity to integrate DMN into a retailer's overall marketing communication plan refers to the coordination of the various components of the marketing mix, such as newspaper, catalog, on-line and other general advertising. As part of a well-coordinated program, the impact of DMN in the store will result in stronger message consistency and greater impact. On the other hand, disjointed messages displayed on DMN may not result in a sustainable impact upon consumers.

Much research and testing needs to be accomplished before the various attributes of digital signage will support such an investment. In the interim, retailers should stay current on this evolving technology.



Comments, Questions, Suggestions, Article Submissions?

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Reducing Shrinkage (con't.)

personal autonomy in performing their daily tasks. There is no "big manual" of corporate policies that in the typical company merely sits on a shelf and collects dust.

Training at The Container Store is constant and extensive. Super Sales Trainers (SSTs) mentor other employees to rapidly bring fellow workers up to speed. Where most retailers average seven hours of pre-employment training, at The Container Store a first-year, full-time employee receives 235 hours of classroom training. It is no surprise that The Container Store received the 1999 Retail Innovator's Award presented by the National Retail Federation.

The company's employee pay scale is 50 to 100 percent above the industry average. In fact, ten percent of store sales go to payroll. In addition, both part-time and full-time employees enjoy a 40-percent merchandise discount, can earn both team and individual sales incentives, receive both health and dental benefits, and can participate in a 401(k) savings plan with matching company contributions.

Consequently, sales associate satisfaction is high and turnover is remarkably low. Its turnover is 20% to 25%, while most retailers these days experience well over 100 percent turnover annually. Even more important, managerial turnover is 5.3 percent compared with an industry average of 33.6 percent. In fact, many employees like their jobs so much that they recommend The Container Store to their friends. According to the company, 41 percent of new hires come from current employee referrals.

With shrink numbers this low, virtually no employee theft, minimal turnover, constant growth, and high sales, it is not surprising this company has been financially successful. Sales for the years 2000 and 2001 are expected to exceed \$232 and \$262 million, respectively. In short, this remarkable company has achieved a compounded annual growth rate of 20 to 25 percent for more than twenty straight years.

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