On the Threshold of Change

The Future of Out of Home Media in the UK
The industry, consumers and technology to 2020

kinetic

future
of out of home

Kinetic Worldwide
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Introduction and methodology

The Out of Home industry in the UK is characterised by a long, creatively prosperous history and has adapted well to change in recent years through the application of high investment levels from media owners and attempts to be more accountable, measureable and flexible. It is still delivering all of these elements to satisfy client demand and must now deal with how to effectively embrace technology as consumers get smarter and technology provides a fully interactive experience.

Kinetic's Future of Out of Home project focuses on how change can be clearly and successfully implemented by the industry, but also outlines how client, consumer and commercial needs will test the resolve and the creativity of the industry as it adapts to change.

Our research began in January 2011 by conducting several interviews across the industry with investors, consultants, media owners, media agencies, creative agencies and manufacturers – whilst adding our own perspective – on what faces the industry over the next ten years.

We also conducted consumer research into expectation, technology take-up and the perception of an industry in the process of change.

The findings delivered a number of themes, spanning the commercial, developmental and technological aspects of Out of Home. There was consistency of perspective, particularly from within the respective quarters of the industry. There was also much debate and some conflicting expectation.

What we have done is bring that perspective and consensus together into a viewpoint and a forecast of how the industry will change in the next ten years. The road to 2020 will be one that seizes on the considerable change and initiatives already underway. Our view is that we are on the threshold of change now and that this is an exciting time for a media sector that embraces consumer mobility, technology and communication response at its heart.

Nick Mawditt
Global Director of Insight and Marketing
Kinetic Worldwide

Patrick Barrett
Consultant
Simpatico PR

Participants & contributors

Contributors

Jeremy Male
JCDecaux

Matthew Dearden
Clear Channel

Mark Chippendale
CBS Outdoor

Tim Bleakley
Ocean Outdoor

Simon Sugar
Amscreen

Mike Baker
Outdoor Media Centre

Naren Patel
Primesight

Steve Davis
Clear Channel

Tom Goddard
Digicom

Richard Metcalf
Joule

Nigel Gwilliam
IPA

Gill Reid
MediaCom

Russell Davies
Ogilvy & Mather

Neil Morris
Grand Visual

Mark Rose
Mindshare

David Fletcher
MEC

Alun Lucas
MEC

Nicky Cheshire
Digital Consultant

James Copley
Kinetic

Nick Parker
Kinetic

Mark Smith
Kinetic

Colin Bundock
Kinetic

Carolyn Nugent
Kinetic

Mark Adams
Kinetic

2020 Executive summary

- Out of Home media revenues to see continued growth over the next decade, reaching £1.15bn by 2020.
- A re-appraisal of the value of the Out of Home media sector will be justified by robust long-term growth and a rising share of total media expenditure.
- Digital OOH revenues will account for a quarter of total OOH revenues by 2020.
- Out of Home will segment into two dual sectors; Broadcast OOH and Targeted OOH.
- Interactive OOH (iOOH) and Poster to Mobile will emerge as new specialisms.
- Specialist OOH agencies and media owners will embrace mobile, social media, digital content creation and online advertising expertise, reflecting the change in the medium towards lifestyles and environments.
- Consumers do want to interact more with digital screens.
- Daypart, retail proximity and real-time planning will revolutionise the relationship between Out of Home and advertisers.
- NFC and RFID have the potential to transform the relationship in the short term.
- Smart posters capable of recognising and reacting to consumer type will become commonplace.
- Digital poster networks will become more widely visible across at least 30 major cities within 10 years.
- Digital screens in established Out of Home locations will double over the coming decade; significant impetus will be given to some roadside and bus 6 sheets after 2015.
- The total Out of Home advertising universe will increase dramatically with very limited rationalisation of traditional static billboards.

Part 1

Future opportunities and challenges

Posters have been a part of people's everyday experience for centuries and in the UK, posters and billboards have been an organised mass advertising medium for almost 150 years.

Whether as a political medium, an art form or for commercial brand communications, posters or billboards are an established and expected part of urban environments and have carried some of the most powerful and memorable images of the last century.

Out of Home (OOH) media as the commercial poster sector is known, is no stranger to change, its ubiquity in public spaces has meant it has weathered changing consumer trends and the arrival of new media technologies. Posters remained a consistently successful advertising medium through the growth of mass-market newsprint in the late 19th Century and early 20th Century; the arrival of commercial TV and radio and from the turn of the millennium, the staggering growth of online display and search advertising.

Indeed over the last decade as digital technology wrought change across TV, print and radio and huge growth in on and off-line content choice caused audiences to fragment, Out of Home has been pitched as the last broadcast medium.

As well as being subjected to external forces, the poster industry has itself changed dramatically over the last thirty years. In the UK, a patch-work quilt of small media owners offering a bewildering array of options, has been streamlined in-terms of ownership and has become highly refined in terms of capability and quality of delivery.

The last 20 years in particular, have seen media owners consistently invest in upgrading and enhancing their site inventory. New formats have been launched; poster installations have gone hand-in-hand with investments in public utilities, which have helped improve urban environments.

New locations have been brought into the poster sector fold such as shopping malls and transport environments and the presentation and impact of sites at existing locations such as airports and metro systems has been consistently upgraded.

Long-standing issues such as measurement have been tackled with the launch of a new version of Postar, which for the first time puts Out of Home audience measurement on a par with – and even ahead of – other advertising media.

This competitive focus on enhancing the medium has reinforced the sheer reach of poster advertising across the nation and into the daily lives of people out and about. Research that proves the worth of poster campaigns in isolation and studies that show the benefits of mixing poster media with other media activity, make it a consistently attractive element in advertising campaigns.

A series of questions

In many ways however, Out of Home advertising is a medium at a cross-road. The tide of digital technology has in the last five years caught up with the industry in the UK and in markets around the world.

Static paper and paste sites are being replaced by digital screens that are networked together, linked to the internet and capable of showing animated images or full motion video. Digital screens are opening up the opportunity to run more creative and noticeable advertising.

Technology that can link a poster to a mobile phone and can recognise passers-by, is waiting to be deployed. The potential to carry advertising, content, promotions and social media activity from the internet into public spaces and back again via poster-to-mobile campaigns is already recognised by advertising agency planners.

The implications of the creation of national networks of digital posters is dawning on media traders who can see the potential value of using dealing models more akin to online or broadcast media, in the world of poster media.

But hand-in-hand with apparent opportunities come major challenges. When and where is it economically viable for media owners to deploy digital posters? Which technologies will prove durable and which ones will consumers respond best to? To what extent can and should the Out of Home sector become digitised? Is smartphone advertising a threat or a huge opportunity? What are the implications for a medium that could be segmented into digital and non-digital sectors and how will traditional static sites work with digital ones?

In this report Kinetic will argue that within these last two questions sits an opportunity to transform the status and role of Out of Home media.

In the context of the changing relationship between consumers, mobile technology, digitised media and the desire amongst advertisers for reach and engagement; digital technology could in the long-term create two complimentary Out of Home sectors or propositions; highly targeted and engaging advertising via digital and broadcast reach via static posters.

With these external and internal forces at work, the poster industry is now embarking on a process of change perhaps more radical and far-reaching than any period in its long history.

Birth of a medium: The recent history of digital posters

In the context of the history of advertising, Digital OOH media is in its early infancy. The Outdoor Media Centre (OMC) provides a measure of revenues from digital sites as far back as 2003, when they accounted for around 1% of money spent on posters in the UK.

A more meaningful date for the birth of Digital OOH would however be 2007, when CBS Outdoor began the installation of the first large-scale digital poster advertising network in the UK on the London Underground and was followed in quick succession by JCDecaux's launch of an airport-based digital network and the roll-out of digital roadside panels by Clear Channel and JCDecaux.

Within this period, digital screen advertising has undergone massive growth both in terms of revenues, site numbers, new companies selling digital advertising space and experimentation with both visual and interactive technology.

Kinetic estimates that in the first Quarter of 2011, there were around 20,000 digital poster screens in traditional Out of Home environments and a further 50,000 in other places, designed in a myriad of shapes and sizes and installed at around 20,000 locations in the UK.

To put this into context however, it's worth noting that the total number of Out of Home poster sites in the UK stands at approximately 250,000, making digital sites around 5% of the total Out of Home sector in the UK.

An emerging technology sector

It is also clear, however, that the Digital OOH universe is a complex one and displays all the hallmarks of a nascent technology-based business sector. There are approximately 50 different digital formats on offer in the UK in comparison to six main traditional formats (excluding bus formats).

Digital screens can now be found in significant numbers across the Tube network, in most major UK airports, at a growing number of major shopping centres, in retail, leisure and healthcare environments, as well as at a small number of key roadside and city centre locations.

However, only in-store, mall and some transport environments provide anything approaching a national footprint. The bulk of digital sites are concentrated in London and the south east with a few small pockets in key locations in the midlands, the north and Scotland.

Currently advertising media strategies using digital are constructed by piecing together different location-based networks, or even site-by-site. The capacity to buy a national display campaign is limited.

There's not a business on the planet that is not thinking about a digital network.

Tom Goddard
Digicom

A landmark in revenue growth

Even so, Digital OOH has rapidly become a meaningful opportunity for advertisers. Spend on digital sites has more than doubled from £42m in 2007 to £101m in 2010 (OMC). This places Digital OOH at around 11% of all Out of Home advertising spend in the UK, putting it within striking distance of Cinema in terms of revenue scale.

"There is no doubt that we are reaching a kind of inflection point where digital shifts from being a niche consideration to a central one," says **Mike Baker**, CEO at The Outdoor Media Centre. *"When you consider Out of Home is getting on for 10% of all display advertising and around 10% of Out of Home is digital; that already makes digital posters 1% of all display in the UK."*

The OMC measured Out of Home advertising at 9.4% of all display advertising in the UK in 2010. If online classified or "search" expenditure is taken into consideration Out of Home advertising held a 5.7% share of advertising spend in 2010 and is expected to account for 5.8% in 2011 according to GroupM, the media and investment arm of WPP, in its most recent forecast.

In the pre-recession period, GroupM data ranked the growth in expenditure on Out of Home media as second only to growth in online spending. As we emerge from recession and overall economic growth gradually recovers, GroupM predicts Out of Home advertising will once again rank amongst the fastest growing media in the UK.

Out of Home is about the only medium where digital enhances rather than undermines it, because of audience and channel fragmentation and because of the difficulty of monetisation.

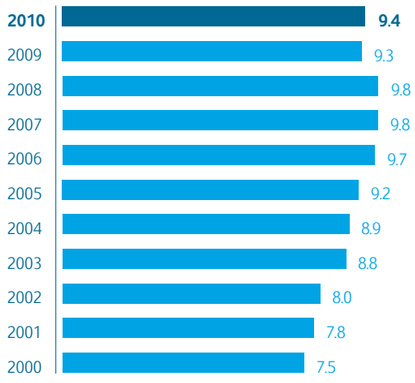
Mark Chippendale
CBS Outdoor

While the digital poster sector continues to grow, it will do so in parallel to ongoing improvements to traditional, static billboards and posters, which will continue to account for the bulk of available poster sites and for the foreseeable future, revenues.

However, Kinetic believes investment in digital poster sites, streamlining of format types and growing alignment of digital poster creative advertising with other digital creative forms, will make the integration of technology, the primary driving force for growth across the Out of Home sector over the coming decade.

This view is underscored by perhaps the most important indicator of the potential for Out of Home to grow as an advertising medium; the attitude and level of expectation expressed by media agency planners who deploy advertisers' media budgets.

Outdoor share of UK display advertising revenue (%)



Source Outdoor Media Centre / WARC

An agenda for change

While the UK's Out of Home media owners have a strong track record in investing in their medium to ensure it remains vibrant and relevant, media agencies already regard Digital OOH not just as the next step in an ongoing series of general improvements to inventory, but as a potential step-change for Out of Home media as a whole.

Mark Rose, Account Director at Mindshare says: *"I think it's fair to say digital and digitalisation is the primary driving force for the future of Out of Home in terms of attracting advertisers.*

"I think its history of ongoing innovation and investment means Out of Home is always front of mind, always a consideration, but I do think that digital innovation is answering a fast emerging requirement that advertisers want from the medium.

"It's not just about the flexibility, it's about things like integration of social media; all successful mediums are all working out how they can actually integrate social media."

David Fletcher, Head of Analytics and Insight at MEC, argues that what digital technology will do for Out of Home media is to effectively plug the medium into brand communications initiatives and innovations that are being planned on the web, therefore opening the door to new revenues.

"Who would have thought that A3 paper escalators panels would become a really interesting medium? Digital technology has made that space into a wonderful canvas and as these opportunities proliferate they will awaken brands and agencies to the potential to implement real-time planning on digital poster networks.

"We've tended not to worry particularly about consistent audience scale in online media; if it is cool we will do it even if it only gets 50,000 unique users because there is an appetite for cool amongst clients. I think what Out of Home has with digital is a relative advantage in its ability to actually do new stuff that's got some real guaranteed scale to it."

Tim Bleakley, CEO at Ocean Outdoor, a media owner that is a relatively recent entrant into the Out of Home market and largely a specialist in digital sites, believes the integration of digital technology will mark a strategic shift in status and capability of poster advertising. *"Because Out of Home is now in the digital space, it offers advertisers an ever-changing, ever-evolving and ever-moving opportunity in the way that our static billboards aren't designed to. You might change the lighting on a static billboard, you might change it to scrolling, but fundamentally it's a billboard. There's always going to be a place for traditional billboards that can broadcast for brands and I think actually the solidity of the traditional side of the medium is even more important in this world where everything's moving all the time.*

"But I think the addition of digital is enabling Out of Home to do more dynamic targeting using new technology. It allows it to compete on an equal footing with what, in effect, are the two mainstream mediums of today; TV and online."

The rest of this section will consider the factors influencing the next stage in the development of Digital OOH advertising networks in the UK; examining the case for investment in Digital OOH sites and forecasting where and when future digital site networks will be added to the media mix.

I think a lot of the people are assuming a sort of linear, nice, comfortable, transition to digital. To me the only certain thing is it's not going to be like that.

Russell Davies
Ogilvy & Mather

Going national:
Exploring the growth of digital poster sites and the challenges for investors

Taken at face value, installing a digital screen in place of a traditional static format should enable a media owner to multiply revenues generated by that site because of the ability of the digital poster to run a reel of ads, compared to just one for a static site.

The desire to drive up the volume of ads a site can carry prompted previous waves of investment in analogue poster technology such as the scrolling billboard, which typically displays three different advertisements in succession. In theory, digital sites can run a limitless series of ads, but in reality reels of six to eight are typical if campaigns are to enjoy effective levels of exposure time.

On top of the ability to increase revenue volumes, digital screens capable of delivering moving images, can also in theory command a premium over static posters. If the investment equation was that simple however, far more poster sites would have been converted to digital screens.

To date, the physical growth of digital sites has largely been orientated to specific locations or destinations. The vast majority of digital sites currently in use are in enclosed environments such as metro systems, shopping malls, airports and retailers.

There are three key reasons why so far digital sites have emerged in these enclosed locations. The first is the safety and environmental regulations enforced by local councils which limit visual movement on posters due to road safety concerns and limit the placing of illuminated screens in areas where they might be deemed to cause light pollution.

The second is the cost of installing screens. Generally speaking, enclosed environments lend themselves to smaller screens which are cheaper and easier to maintain.

The third is the captive nature of audiences in enclosed environments. Railway stations and metro systems such as the London Underground create natural areas where people gather and wait for the next train or their flight. These high dwell-time areas have always been of value to poster companies, but are particularly important to unlocking the future potential of Digital OOH sites. From a commercial perspective, these captive audiences can also be packaged and sold by audience type or activity, which is a vital consideration given the level of capital expenditure required to create Digital OOH advertising networks.

Likewise retail environments are naturally populated by consumers in a particular frame of mind. In theory, digital poster screens actually within shops benefit both from capturing consumers as they queue and in the frame of mind where they might be more likely to make a snap purchasing decision.

The fourth equally important and directly connected reason is that enclosed environment digital sites are free to carry dynamic or animated imagery. Research has already demonstrated that posters carrying animated images, attract up to twice the attention levels of static posters (see Kinetic's Face and Eye Tracking studies in mall and rail environments) and are thus are distinctly more valuable.

If all we do is take paper and turn it into pixels, we've burnt a lot of CAPEX to no advantage.

Matthew Dearden
Clear Channel

Case study:
Face tracking the mall consumer

Kinetic has pioneered unique face-tracking research into consumer mood and engagement with digital OOH in the shopping mall environment. Conducted in partnership with Clear Channel Outdoor, the study revealed new insights into engagement and optimum animation levels of digital advertising.

Cutting-edge face tracking technology from the Fraunhofer Institute – inventors of the MP3 audio format – tracked contact with advertising displayed at the Westfield mall in Tunbridge Wells and later at Merry Hill, a top-5 UK shopping centre. An HD camera was placed on a digital screen, providing contact data from those who passed.

Insights from the study revealed that ad contacts strongly correlated to footfall, particularly at weekends where a more relaxed mindset resulted in much longer duration of contact. In the larger mall environment, we tend to act like we are in a bubble; our engagement varies slightly by day of week and gender, but essentially there is high engagement and long contact; our expressions are overwhelmingly positive.

As our previous research in a rail environment suggests, animated and scrolling copy worked better than static, whilst the degree of animation is crucial to attracting attention. Shoppers were three times as likely to be happy than sad in a mall environment. Younger audiences were more engaged with digital and static advertising; older audiences less so, but they had a greater range of expression.

The research has helped inform improved use of the message and creative and reinforces the point that Digital OOH should be used as a medium in its own right and not as a surrogate for TV commercials.

It's not just about digital. It's environment!

James Copley
Kinetic

Multiple formats

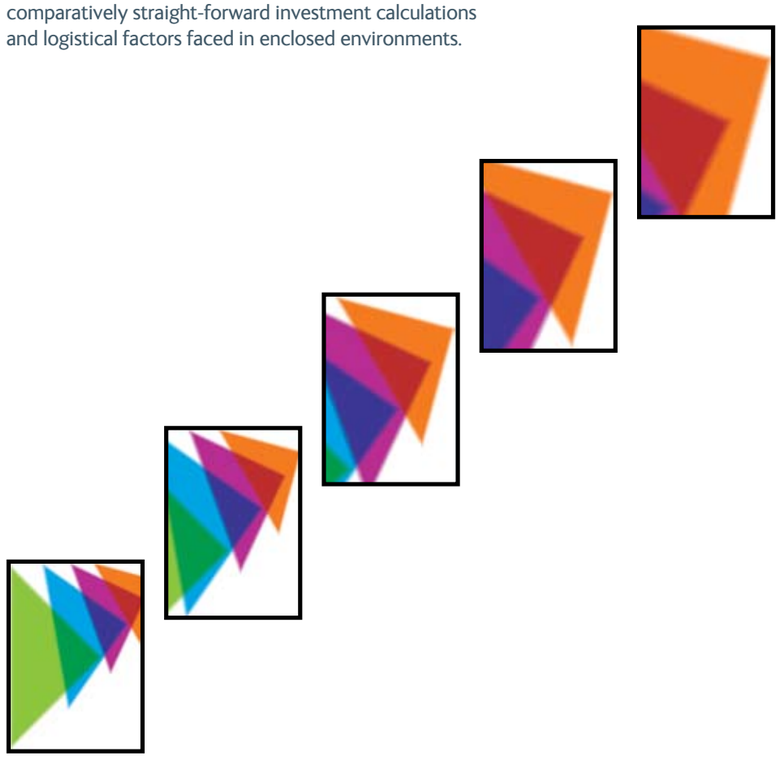
The formats used within these locations have tended to mirror standard shapes, the most abundant being the digital 6 sheet (D6), an evolution of the static 6 sheet in shape and size, although the majority of D6s are capable of delivering moving images or video.

A variety of large-scale, moving image capable digital billboards have also emerged along with smaller formats, perhaps the most notable of which are CBS Outdoor's Digital Escalator Panels (DEPs). 1,264 of these are situated in 18 Tube stations across the capital, providing connected screen runs up and down escalators and enabling creative to travel from screen-to-screen.

The vast majority of all Out of Home sites in the UK are however categorised as roadside. These are a mixture of 6 sheets often located at bus stops, 48 sheet and larger 96 sheet billboards and as yet these sites are almost untouched by digital technology.

The expansion of roadside Digital OOH advertising networks is a more complex process than the comparatively straight-forward investment calculations and logistical factors faced in enclosed environments.

The installation of digital roadside sites has to date been dominated by iconic or large-scale sites situated in a small number of hand-picked locations that deliver large audiences and grab the attention. Media owners operating these sites have been able to justify capital expenditure by the premiums they can charge advertisers based on audience and the quality of the poster display. In many respects they play a role similar to the famous neon-moving image site at Piccadilly Circus, becoming landmarks in their own right.



Urban planning

A primary reason for the restricted growth of digital sites at roadside locations is the enforcement of planning codes by individual local authorities. In the UK there is no uniform national approach to roadside media planning permissions. Instead local authorities apply their own criteria to different zones.

Public safety, particularly for drivers, is a natural consideration in relation to the introduction of moving images. However, in many ways the possibility of introducing digital moving images on roadsides in selected zones where safety concerns are minimal is uncharted territory, as the dialogue between media owners and landlords on this issue is part and parcel of negotiations and pitches for new sales contracts.

Evidence suggests however, that the installation of digital sites is becoming a pivotal issue in tender negotiations and will almost certainly feature in most future tenders. It is apparent that landlords are pressing media owners to commit to digital investment and that financially challenged local authorities in particular, are re-appraising the value of their Out of Home portfolios.

Steve Davis, Development Director at Clear Channel, says the tough economic times and public sector cuts could mean that commercial landlords and public sector organisations with property portfolios, to some extent drive the growth of Digital OOH. *"Cash is king now; businesses and organisations that historically, didn't place Out of Home media rentals particularly high-up on their agendas, have suddenly put a huge onus on them. Obviously anyone who's being forced to cut service budgets or is seeing other revenue sources fall, is suddenly quite interested in the potential of digital to multiply revenues."*

This creates an interesting dynamic and will create some momentum behind the drive towards the conversion of digital panels, particularly bus shelter and proximity 6 sheets, The rate of change will, of course, be dictated by local authority (awareness) and the timing of tender renewals. However this pressure on landlords to increase income, combined with media owner enthusiasm to drive change on our high streets will help precipitate a fundamental shift in the OOH business model. As we will see later, the long-term roll-out of digital poster networks is at least partly bound into the timing of future land owner tenders.

I can see a time fairly soon, when every poster in major shopping malls, railway and metro stations and airports is digital.

Gill Reid
MediaCom

The case for and against capital expenditure on digital networks

In effect then, the Out of Home industry in the UK has grabbed the low-hanging fruit, by developing digital sites where the relationship between audience, investment and revenues is clearest. This pattern of investment is entirely logical given the daunting range of factors at a micro and a macro level that will dictate investment success or a failure to make a return.

Even if planning restrictions are not an issue, the success of capital expenditure depends on variables such as visibility, audience levels, audience measurement, visual context, design and presentation, ease of installation, scalability of technology, maintenance, life-span of the technology, the cost of the hardware in addition to the overall economic conditions and buoyancy of the advertising market.

However, the viability of converting a static poster site to digital reduces to the core relationship between cost, price and demand.

The recession and advertising slump of the past few years have not made for ideal capital expenditure conditions. However, with UK advertising expenditure returning to previous levels and a robust bounce back in Out of Home budgets, media owners may be better placed to realistically judge whether the extra capacity digital sites will deliver can be converted into higher revenue volumes.

With renewed confidence, larger budgets and growing interest in the capability of digital posters, it is clear digital networks will generate larger revenues. However media owners are acutely aware that not all of this will be new money.

A good billboard in an average place can be good business. A good digital billboard in an average place could be very bad business, for everybody.

Tim Bleakley
Ocean Outdoor

Advertisers that have invested with confidence in Out of Home because of its ability to deliver large-scale audience reach are now also being offered engaging digital networks that command a premium. The simple fact is that unless agency planners can see a strategic rationale for including both in a brand campaign, Out of Home's share of the budget will not grow, it will simply be redistributed.

Jeremy Male, CEO UK, JCDecaux says that media owners are investing on the basis that digital will be the primary source of future growth, but getting the balance right requires a complex series of calculations and those should include the degree to which new digital sites will cannibalise income from existing static sites. *"We expect digital sites to reach 50% of the UK population in 2011, giving it a bigger audience reach than national press. In 2012, digital could certainly account for 20 per cent of all Out of Home advertising, making it bigger than Cinema. Obviously part of that growth is being driven by the investment we and others will be putting in over the next couple of years. In effect digital posters are being transformed from a niche opportunity into a distinct medium with a national reach in a very short space of time.*

"Investment in digital is fantastic for Out of Home media because we believe it will drive growth. But in your investment plans you have to accept the fact that not every pound a digital site generates will be new and this makes investment decisions much more complex. As a media owner, understanding what the impact of putting all this new signage in, on the rest of your estate, is quite hard."

Managing demand in relation to the static poster universe as well as the emerging digital one is a critical issue that will influence the pace of digital investments made by existing media owners.

Sustainable pricing

While generating sufficient revenue volumes to match capacity and fighting for additional share of spend is one challenge, finding a sustainable pricing structure for different types of digital site is also one of the critical issues facing media owners as they embark on capital expenditure programmes.

Naren Patel, CEO at Primesight, says a surge in digital supply could cause a re-appraisal of future investments. *"It's basic economics. You have to manage supply, because if it increases too much, prices will fall. So one of the things media owners have to consider, unless they plan to take out all the non-digital sites, is ensuring there isn't excess capacity in the market and that there is enough revenue growth to keep digital prices at a level that supports capital investments."*

Calculating the future prices that can be charged for campaigns is a big challenge for media owners competing to win a tender to manage the poster inventory of major landlords such as city councils and transport networks.

With the economic climate increasing pressure on landlords to drive up incomes from Out of Home advertising contracts and blind-bidding the usual methodology for tenders, it is understandable if media owners over-bid.

Naren Patel of Primesight also says media owners must resist the temptation to over-promise against contracts with landlords involving investment in digital networks, because the prices individual sites and networks can command have yet to find equilibrium. *"There is clearly a premium end to the market for iconic, high-traffic sites and digital should be able to command a premium for other sites, but right now I'm concerned that prices could fall as the market expands and settles. I am concerned about bidding for tenders at current market rates given that you will end up making a ten-year income generation guarantee.*

"You can imagine people making business plans at current market levels that are not sustainable. Look at back-lighting, which cost advertisers £5,000 a face when introduced and the average is now around £2,000; when new products arrive they command a premium, but typically, that does not last."

You'll get other technological developments in screens; you'll get e-ink, you'll get projection and you'll probably get 3D screens. So the contractors are going to have to make some smart bets.

Russell Davies
Ogilvy & Mather

Screen technology costs

The cost of screens is the other core factor weighing heavily in media owner's investment decision making. Average costs of LED components have been falling steadily in recent years (see table). Although events such as the Japanese earthquake and Tsunami can disrupt manufacturing and increase component costs, the overall long-term trend in costs is downward as LED and LCD screen manufacturers increasingly translate established technology into dedicated products for the Digital Out-of-Home market.

Smaller sites such as 6 sheets are of course, far cheaper to install and in general the cost per-screen falls in line with the scale of the installation project. For example the average cost for 65" (digital 6 sheet) single sided screen unit is currently around £13,000 for an order of one, around £11,500 per screen for an order of 10 or £9,200 each for an order of around 100 (source Esprit).

With each screen installation, media owners must factor in the cost of the actual installation (approximately £2,000 per site for 6 sheets) and of course maintenance and running costs. Large format screens can cost hundreds of thousands per site and inevitably have higher installation and upkeep costs.

The lower level of risk, is another reason, why digital 6 sheets in enclosed environments are emerging as the core focus for media owners' immediate capital expenditure strategies.

Falling LED investment costs (prices per sqm)

Constrained by planning permissions restricting moving images, most large-format roadside sites will, at least for the time being, struggle to generate prices that could justify the much larger investment required.

The issue of price also comes into sharp focus when considered from the advertisers' perspective. A site an advertiser had previously bought exclusively must now be shared with say five other brands. This line of thought may continue with the question; what sort of brands am I sharing this space with? The concluding question may be; does digital actually add enough value to my brand to make it worth paying a premium for?

Clearly digital sites need to demonstrate the benefits they promise in terms of flexibility, delivery and improved engagement.

Tim Bleakley, CEO at Ocean Outdoor, says careful thought and evaluation of location, audience and presentation are important to ensuring large-scale investments pay for themselves. *"A good billboard in an average place can be good business. A good digital billboard in an average place could be very bad business, for everybody. You may not get the return on your investment; it may never make a profit and the advertiser won't get the ROI that they thought they were going to get. It'll become a white elephant and sooner or later it'll go back to being a traditional billboard."*

Jeremy Male of JCDecaux underscores the point: *"When you look at the challenge of extracting extra income from any investment, digital is certainly not always the obvious solution.*

"Unless digital can be unleashed and add something significant in terms of, immediacy, creativity, and movement, the transition from static to digital screen presents considerable risk to the investor."

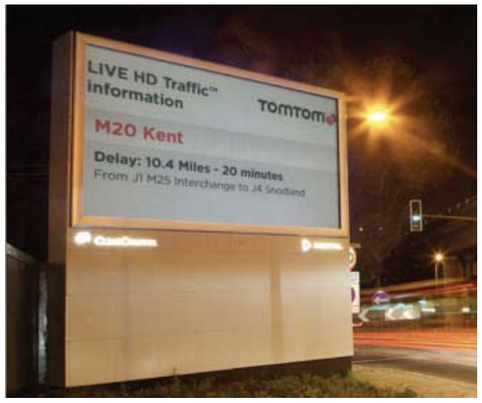
Tapping into new sources of revenue

However, the price of digital networks will be determined, in an increasing number of instances, by more than the quality of presentation and availability. As the Digital OOH sector matures new strengths such as immediacy, targeting by consumer type and higher engagement levels will add value to the medium.

Mark Chippendale, Commercial Director of CBS Outdoor, believes these new capabilities will over time mean that business sectors and brands that haven't previously considered using Out of Home in their communications mix will be drawn to the medium. This, in turn, will sustain occupancy, prices and justify continued investment.

"One way of looking at it is considering the role that other media sectors have played for advertisers and whether Out of Home can begin to do that job and do it better. If you look at where the tabloids make most of their money, a great deal comes from supermarket price comparison campaigns. They use newspapers because they can run tactical daily campaigns in tune with the availability and cost of specific lines and competitor activity. Clearly traditional Out of Home isn't relevant, but Digital Out of Home can be even more flexible and relevant in terms of context than any other medium."

The potential for consumer targeting, interactivity and enhanced flexibility through real-time planning will be explored in Parts 2-3.



In your investment plans you have to accept the fact that not every pound a digital site generates will be new and this makes investment decisions much more complex.

Jeremy Male
JCDecaux

Virgin territory: Investing in new networks

The complex investment issues faced in transforming sites from static to digital are accentuated when the challenge is to create a new screen network from scratch.

Simon Sugar, CEO of Amscreen, one of the companies that have pioneered the creation of nationwide in-store retail and leisure digital screen networks, says the key to successful investment is attention to detail. Choice of venues or stores, physical installation of the screen and measurability are vital elements that must be got right if a new media format is to engage large audiences consistently and win advertisers' faith.

"There have been a lot of mistakes made by investors picking technology that's too expensive and will never pay for itself. Some people think it's as easy as putting a screen on the wall, connecting it to a computer and then you're away. But it's not that easy.

"Our networks are scalable because they use standard computing and mobile technology combined with the internet. Under the hood of each screen is a computer that's connected by mobile signals to what has been a significant investment in cloud servers across the country. The screens are easy to install because there is no cabling and because each screen delivers and monitors its own output, advertisers are assured of what they're buying."

This scalability has enabled Amscreen to rapidly expand its audience reach. The company's network, sold through Digicom has grown to more than 3,000 screens since its launch in 2008, with entire screen networks put in place in a matter of weeks. The installation of 300 screens across BP's national forecourt estate for example, took just five weeks. As a new offering within Out of Home media, Simon Sugar says it was essential for Amscreen to both grow rapidly in terms of screens but also to deliver massive audience reach. To achieve this the business has focussed on retail brands with high footfall across their network of stores or in the case of the convenience store sector, selecting only the top-performing branded concessions.

A combination of EPOS data and eye tracking research using cameras installed in screens has given Amscreen a proposition robust enough to win national brand advertising as well as point-of-sale promotional ads.

It's perhaps the simplest decision; where to locate the screen inside stores that can have a decisive impact on the success or failure of retail-based digital posters. In Sugar's view, one key reason for the failure of Tesco TV, an experiment which saw the retailer introduce full-motion screens into a number of stores, was the position of the screens. *"A flaw in the Tesco offering was simply that the screens were too high up, a critical factor is making sure eyeballs are hitting screens. We have had to ask retail partners to re-arrange queuing systems across entire networks to ensure we get it right,"* he says.

Amscreen's model of focussed investment and strict implementation criteria reveals the spectrum of risk investors face when creating a new network of digital screens.

Really dynamic ideas are uneconomical to deliver if you don't have big networks to play them over and the capability to reach a massive number of eye-balls.

Neil Morris
Grand Visual

Risk and the technology curve

Potential advertiser demand, hardware costs, location, scalability and accountability are primary factors related to capital expenditure, but there are other considerations that could dictate success or failure for new and established media owners. A weather eye must also be kept on the rapid emergence of new technologies which could make conventional screens redundant.

Russell Davies, Head of Planning at Ogilvy & Mather, believes that if there is one certainty in the evolution of digital poster technology, it is its unpredictability. *"We are five, maybe ten years away from the application of digital colour e-ink and e-ink looks beautiful; suddenly your sunlight problem goes away. But then you are going to have contractors with all these really old looking screens they invested quite a lot of money in. It's a real threat. You'll have advertisers saying I don't want my ad on one of those; I want one of these nice shiny new e-ink sites.*

"You'll get other technological things coming in on top of screens; you'll get e-ink, you'll get projection and you'll probably get 3D screens. So the contractors are going to have to make some smart bets, which is going to be quite interesting."

Mike Baker, CEO of the Outdoor Media Centre, believes where the balance between cost, location and demand is right, media owners have a compelling reason to invest now rather than waiting for new or cheaper technology. *"I don't see evidence of people being deterred from investing due to falling technology costs where it makes sense. We've seen a fairly linear acceleration in investment over the last few years as sites are put into shopping malls and transport systems and we are probably hitting the fastest rate of investment around now as this roll-out is completed and media owners consider the potential of the Olympics.*

"Once this stage is completed I think it is likely investment will plateau although it will continue, but perhaps at a lesser rate."

It is also becoming apparent that consumer expectations of what a digital screen can do are changing and that expectations could race ahead of the capability to deliver, in public spaces.

Neil Morris, CEO at digital creative agency Grand Visual, believes there is a danger that media owners will make investments behind the technology curve.

"The London Underground was an extreme environment in which to install digital technology. In some cases screens and cabling were put into walls that hadn't been touched for a hundred years and that all had to be done without disrupting escalators and commuters one iota. But this doesn't mean consumers' expectations are lower.

"When they think of digital screen content they may well have in mind Wii or even Microsoft's Kinect. People's expectations of what they can do in terms of interactivity are sky high, because they can do it in their own home. Which means, at least getting installation right in terms of ensuring that Digital OOH sites work, is imperative.

"I think there is a danger that media owners will build systems that deliver 50MB worth of copy onto the machines overnight and then those ads can sit there and play and play and play. But there's nothing new or dynamic in that. What happens if that simply isn't enough for consumers or advertisers?"

The argument that consumers will seek ever-richer brand experiences could certainly be true for sites in locations where consumers wait or dwell for minutes at a time. However, it is likely to be less of a concern for the vast majority of sites which might be converted to digital as they will continue to play a conventional broadcast advertising role.

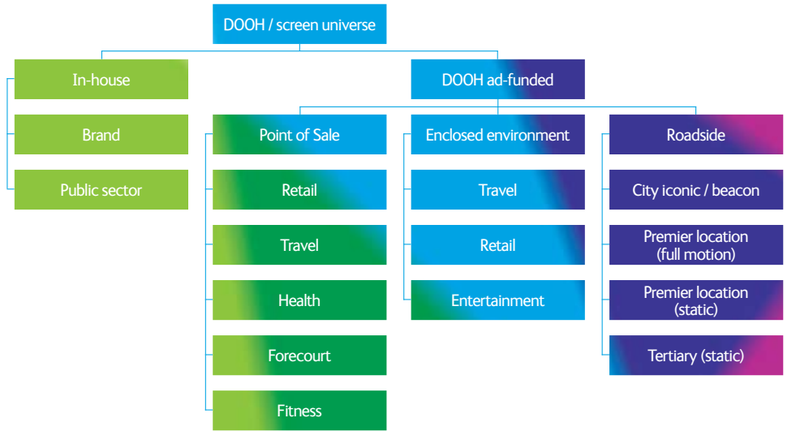
Part 2 will explore how the fusion of digital and posters could change the relationship between Out of Home media and consumers and the potential for the oldest advertising medium to work fruitfully with some of the newest.

The challenge is in finding new locations, rather than simply converting everything to digital.

Carolyn Nugent
Kinetic

A vision of the near future: Predicting the digital footprint

Possible digital Out of Home / screen media sectors



So how digitised might urban environments become? Based on an analysis of published investment plans, future tenders, location analysis and taking into consideration the general economic outlook as well as advertiser spend predictions, Kinetic has forecast the likely growth in format numbers and geographical spread of digital posters. This analysis also embraces likely trends for non-digital formats.

Kinetic expects the vast majority of capital expenditure on inventory will be in digital formats over the coming decade. However, we also forecast that the non-digital universe will remain relatively stable in terms of numbers. While we expect a significant rationalisation of traditional static billboards in the 96 sheet format and a reduction of static sites in enclosed environments as they are replaced by digital screens, in many locations and environments we expect the total number of static sites to either grow marginally or remain stable.

The picture in the digital sector is one of dramatic growth in site numbers. Notably we predict that by 2020 up to 400 48 sheet sites could switch to digital or be installed in new locations.

We also forecast for example that potentially 7,000 roadside/bus shelter sites could adopt digital screen technology, while other enclosed environments will see sustained growth in digital screen numbers.

Taken together, our analysis suggests that rather than replace static inventory, digital screens will grow the total Out of Home universe.

In terms of geographical spread, analysis of potential site locations and destinations capable of sustaining digital posters suggests at least thirty UK cities will see digital sites installed in key locations up to 2020. Major conurbations such as London, Birmingham, Leeds and Glasgow can expect significant numbers of digital screens in multiple formats and locations.

For many city dwellers and visitors, digital poster screens in various shapes and forms will become a normal part of everyday life. Through sheer impact and interactive capability however, many of these screens will provide brands with a level of consumer engagement that will add substantial value and transform Out of Home media strategies beyond recognition.

Multiple formats

Number of standard sites

Format	2011	2015	% change vs 2010	2020	% change vs 2010
Roadside 96s	2,715	2,200	-19.0	2,000	-26.3
Roadside 48s	20,771	21,500	3.5	21,800	5.0
Premium/Iconic	1,598	1,650	3.3	1,800	12.6
Roadside/bus shelter 6s	71,411	72,000	0.8	65,000	-9.0
Retail mall	4,079	4,100	0.5	3,900	-4.4
Retail other (inc POS)	1,273,588	1,300,000	2.1	1,330,000	4.4
Airport	2,673	2,500	-6.5	2,350	-12.1
London Underground	118,546	118,000	-0.5	117,700	-0.7
Rail	10,035	10,220	1.8	10,630	5.9
Other transport	2,400	2,400	0.0	2,400	0.0
Taxis	6,500	6,750	3.8	7,500	15.4
Bus	18,810	19,100	1.5	19,500	3.7
TOTAL	**1,533,126**	**1,560,420**	**1.8**	**1,584,580**	**3.4**

Number of digital sites

Format	2011	2015	% change vs 2010	2020	% change vs 2010
Roadside 96s	–	–	–	–	–
Roadside 48s	31	60	93.5	400	1190.3
Premium/Iconic	31	75	141.9	100	222.6
Roadside/bus shelter 6s	–	200	–	7,000	–
Retail mall	1,359	1,800	32.5	2,000	47.2
Retail other (inc POS)	14,561	16,000	9.9	18,000	23.6
Airport	971	1,050	8.1	1,180	21.5
London Underground	1,407	1,407	0.0	1,600	13.7
Rail	238	350	47.1	380	59.7
Other transport	30	60	100.0	60	100.0
Taxis	1,250	2,250	80.0	6,000	380.0
Bus	–	20	–	750	–
Other environments	52,725	60,000	13.8	70,000	32.8
TOTAL	**72,603**	**83,272**	**14.7**	**107,470**	**48.0**

Kinetic view:
Complex challenges; huge opportunities

- Digital poster networks will become more widely visible across at least 30 major cities within 10 years.
- Kinetic forecasts that digital screens in established Out of Home locations will double over the coming decade.
- Kinetic predicts the total Out of Home advertising universe will increase dramatically with the addition of digital sites and rationalisation of traditional static billboards will be limited.
- The vast majority of roadside poster sites will remain static for the foreseeable future, with a more aggessive digital transition to 6 sheets and bus shelters after 2015.
- The vast majority of poster sites in enclosed environments such as retail, travel and leisure locations will switch to digital.
- Media owners must consider carefully whether the technology they choose will have an acceptable lifespan and whether a site could be easily upgraded with emerging technology options.
- Price depreciation is inevitable as site numbers grow.
- Media owners must seek to offset canibalisation by using the flexibility of Digital OOH networks to target a wider spectrum of advertisers and campaign types.
- Digital OOH is emerging as a distinct media sector in parallel to traditional Out of Home media. Digital OOH networks offer huge flexibility and enhanced consumer engagement and must be marketed and positioned as complementary to static networks which offer broadcast reach.
- Urban planning restrictions are a major impediment to Digital OOH growth, but much greater flexibility around installation restrictions is anticipated as revenue-seeking local authorities look to monetise their estates.

Part 2

Consumer interaction, technology and content

Consumer interaction, technology and content

The shift from printed static image to moving digital screen is as big a shift for the Out of Home industry as the switch from black and white to colour was for television. Arguably, it is a more significant change.

Digital posters bring the capacity to carry moving images, to run a reel of different campaigns over the same time period thus increasing site yields and enhancing the ability of Out of Home media to target consumers with relevant content either according to the time of day, location or current events (the news, the weather, a price promotion), or a combination of all three.

As has already been suggested, if this combination of capability is utilised effectively by media owners and advertisers it has the capacity to transform the profile and role of Out of Home media.

However, the digitisation of posters is not a parochial trend that is happening in isolation within the confines of the Out of Home sector. The arrival of digital posters can and should be seen as part of and in the context of the massive growth in internet connectivity, mobile communications and the digitisation of other media.

The impact of digital posters and the implications for consumers, advertisers and media owners must be viewed as inextricably bound to trends in the advertising business, social communications, mobile technology and the consumption of content.

They're out and about on their way somewhere or more significantly, waiting for something to happen. It's this time that posters can fill, because they can potentially add value to people's daily lives.

David Fletcher
MEC

iOOH: The potential for mobile interactivity

Perhaps the starting point when considering the possible future relationship between Digital Out of Home and consumers is to consider the significant growth in the number of people who spend time outside of their homes. Kinetic's Moving World studies identify the trends that contribute to us spending more time on the move and being more in tune with communication in that space, as follows:

Urbanisation has created a population more comfortable with their surroundings, as planning and architectural improvements have contributed to greater accessibility to urban locations. Travel environments and infrastructure have improved beyond measure, creating greater and longer journeys and more dwell time in transport environments. Our leisure and shopping habits have intensified as we seek escapism, participation and aspirational experiences in the context of these activities. Shopping malls create a bubble of consumer engagement and like other environments have successfully integrated digital communication opportunities and seem ready for location and technology interaction. Finally, the role technology has played on releasing the consumer to greater mobility and interactivity creates opportunities across the Out of Home landscape.

The second key factor in the potential growth and opening up of digital Out of Home is the rise and rise of mobile phone reach and capability. Kinetic's own consultation with industry experts reveals that most stakeholders regard the interactivity between digital posters and smart phones as the single biggest opportunity and challenge for the industry in the years ahead. Consumer familiarisation with the PC, mobile phone, smartphone and now tablet and other devices has created a tipping point for accessibility to more meaningful communication.

If the Out of Home industry can develop a consistent and effective approach to poster-to-mobile brand campaigns, it could spawn a new segment within the medium, interactive Out of Home (iOOH).

According to Ofcom's 2010 The Communications Market report there are 80 million mobile connections in the UK, double the number reported in 2000.

It is the massive growth in mobile computing, whether in the form of smart phones or tablet computers that is perhaps the pivotal development. Research by Nielsen suggest the number of people aged 15+ accessing the internet on mobiles has more than doubled from 5.7m in Q1 2008 to 13.5m in Q1 2010.

Meanwhile, ComScore puts smartphone penetration in the UK at around 34% (Kinetic's own research conducted in May suggests 45%) and figures released by Vodafone in February suggest UK consumers are ahead of other European markets in demanding smartphones. Almost half of Vodafone's contract customers have a smartphone (49%) and 70% of new customers joining Vodafone UK opt for a smartphone, compared with 43% across Europe.

A recent report by Enders Analysis estimates that by 2015, 75% of consumers will carry a smart phone and 28% of time spent online will be via a mobile handset. Consumers also appear to be accessing the internet via their mobiles frequently. A study published by Essential Research in March 2010 suggested 38% of smartphone users are using their handsets to access the internet every day and according to research by MobileSquared, 56% of smartphone users are under 35.

Figures released in March this year by the Internet Advertising Bureau and PricewaterhouseCoopers put advertising spend on mobile platforms including display and search at £83m in 2010, representing 116% year-on-year growth.

70%
of new customers joining Vodafone UK opt for a smartphone

56%
of smartphone users are under 35

Source Kinetic May 2011

Connecting OOH to mobile

Most stakeholders consulted by Kinetic were doubtful about how wide-spread the implementation of interactive technology would be in the short term. Uncertainty, about which specific technology will unlock mass-market interactivity between smartphones and posters, is also notable.

When and where will consumers be willing to interact with posters is a key question. Will they be willing to do so passively; picking up brand messages on their mobile as they pass a poster, or will interaction work only when a conscious decision is made to down load content? Will significant numbers of consumers be willing to interact directly with a poster?

Two critical factors influence the potential for engaging consumers with interactive poster experiences. The first is dwell-time, the industry term used to define the average length of time consumers stay in a location and are exposed to a poster. The second is the speed at which the installed technology can download or receive data from a consumer's handset.

Clearly selecting specific locations based on dwell-time and matching those locations with the appropriate technology, is essential.

The vast majority of roadside poster sites are not high dwell-time locations, but bus-shelters and many 6 sheets in transport and shopping environments have higher dwell-times, whilst some retail, airport and transport (cross-track) have considerable engagement times.

Clearly only sites where consumers spend time deliberately or are killing time while they wait to travel or for a service are those that will be able to engage consumers directly in a rich media experience or capture their attention or participation for any length of time.

Kinetic estimates that the majority of panels have a medium-to-high dwell time and that many of those could become locations in which interactive experiences are delivered. Sites that can deliver content instantaneously to a mobile handset might prompt interaction even if dwell time is negligible.

This is particularly true for retail and some bus shelter and transport environments, where a high footfall is combined with physical proximity to product and multiple poster sites equipped with fast transmission technology, could work in combination.

There is no reason why people won't expect to swipe their phones rapidly with a poster if it's offering something attractive.

Richard Metcalf
Joule

Which flavour of interaction?

The key to unlocking successful mass-market poster-to-mobile campaigns will depend largely on the mechanism used to exchange data. Systems that can deliver data instantly as consumers pass or touch their handset to a surface could become viable in low-dwell time but accessible locations. Others that require a deliberate pause or a more time consuming action only have a future in high-dwell time locations.

Of course interactive poster campaigns are already common. QR codes; a visual matrix barcode readable by camera phones which deliver a text message, URL or other data has been use in static Out of Home campaigns in the UK as well as other media and on product packaging. Most mobile handset brands also offer users QR code reader apps to download for free. While so far QR codes use in the UK has not matched levels in countries such as Japan, awareness and understanding of this technology is rising fast, as smartphone usage accelerates and we become more familiar with interactive technologies.

Our own recent research indicates that nearly half of us have seen a QR code in situ and that 12% have actually used one – 20% among 18-24s. Most of these have been used on a product and in a media context (both 41%). 37% also see the value of QR code interaction, with information and voucher redemption popular options.

44% say they have seen a QR code image before

13% are not sure

43% are sure they have not

only **39%** think they know what to do with it

37% of people think QR codes could be useful to them

35% are still not sure

QR codes a visual matrix barcode readable by camera phones which deliver a text message, URL or other data.

Things people would like to get from QR codes:

- Get more information on the brand or product **(49%)**
- Get a voucher for the brand **(49%)**
- Take you to the website of the brand **(42%)**
- Get access to exclusive content **(26%)**
- Get directions to the shop or company **(20%)**
- View a video or make the advert interactive **(12%)**

Source Kinetic May 2011

Which flavour of interaction? continued

Bluetooth, the proprietary open wireless technology standard, for exchanging data over short distances has also been used in a number of interactive poster campaigns, but again the technology requires consumers to have activated their Bluetooth signal and actively participate, and, unlike text messaging, proactively using Bluetooth to receive data, has not become a commonplace activity.

In contrast, posters carrying a promotional mobile phone text number have been used in a large number of campaigns and are an established part of the landscape. With consumers in the UK sending 11 million text messages an hour (Mobile Data Association), it's easy to see why texting has become the default choice for poster campaigns carrying a direct response mechanism.

While UK consumers use text messaging in vast numbers, it's likely that it will continue to be used in conjunction with static posters. However, other established and newer technologies offer the prospect of far richer and more seamless poster-to-mobile interaction.

The installation of mobile transmitter nodes for specific mobile operators into posters would enable mobile brands to reach subscribers with offers relevant to the visual creative being delivered. Mobile signals could also be used by mobile brand operators to identify their customers when they approach a site and selectively target consumers with promotions. However it is possible that planning restrictions will limit the integration of mobile transmitters with posters to a few isolated large-scale sites.

People's expectations of what they can do in terms of interactivity are sky high, because they can do it in their own home.

Neil Morris
Grand Visual

Meanwhile, the growth of Wi-Fi in public spaces raises the prospect of web-based interaction. As technology costs fall, the prospect of Wi-Fi hot spots being installed in sites with high dwell times such as bus stops, at train stations or airports, seems logical. Using a Wi-Fi enabled poster as a gateway sign-posting the opportunity to access exclusive content, a new App or a money-off promotion for a nearby retailer could create a hugely lucrative connection between the Out of Home sector and online revenues.

Although the concept of a poster as the access point to web content has not been widely considered outside of media and advertising circles, it's clear that the prospect of using a poster in this way is beginning to dawn on consumers.

Recent research suggests that the volume of traffic to websites from mobile devices increased from 0.002% in September 2009 to 8.09% in January 2011 and iPhone traffic accounts for 4.5% of all UK website traffic (Source: Tecmark).

The arrival of 4G smartphones, the successor to third generation of cellular wireless standards that drives most handsets currently in use, promises to transform the experience of the mobile web by delivering broadband to handsets. 4G therefore opens up the capacity for delivering richer interactive communications to smart-phone users and will significantly speed up the transfer of data and improve the user experience.

Alun Lucas, Account Director at MEC Manchester, comments: *"The greatest future opportunity for Out of Home in terms of getting more share of budgets, is the growth in smartphone numbers and the potential to fuse mobile and poster campaigns. Posters create visible brand amplification and deliver a prompt; mobiles enable action or (handheld) engagement."*

An augmented world

Another current technology that is already in use in digital marketing, mobile Apps as well as poster advertising campaigns is augmented reality (AR). In its more basic form AR creates a 3D image, when an AR code is viewed through a mobile phone camera or PC webcam.

In February this year for example, Ford launched an AR Out of Home campaign which enabled consumers to watch as its new C-Max model appeared in the palm of their hands. In this case however, Ford used a site with an in-built camera to track the viewer's movement and project the image.

The 3D depth imaging technology campaign ran on mall 6 sheets in the UK. The interactive technology allowed people to handle and explore mini 3D virtual models of the cars on screen and in the palm of their hands. The user interface was based on natural movement and hand gestures allowed any passerby to immediately start interacting with the car's features. The video can be viewed on the Kinetic YouTube channel.

More sophisticated screen-based AR techniques overlay additional visual information on top of the view of the real world, which can be relayed onto mobile phone screens via the handset camera, or onto the lenses of glasses made with integrated AR systems.

For example, experimental campaigns have already run in the US where consumers have been directed to locations via social media and, using an augmented reality app, been able to view and shop at "virtual stores". The same technique has created virtual celebrity hot spots, where fans can pose and take pictures of themselves with augmented reality celebrities. It's easy to picture the signposting role Out of Home media can play in a new augmented reality marketing world.

Lynx recently launched a large format augmented reality campaign; Lynx Angels seemingly fell from above and onto the Transvision screen at Victoria Station. The feed from the camera was augmented with falling angels that interacted and engaged with people in a high dwell-time environment. The video achieved over 1m views on YouTube, plus an amplification of social media interaction.

Nigel Gwilliam, Head of Digital at the Institute of Practitioners in Advertising (IPA), sees AR in the long-term both as an opportunity and a threat to Out of Home media. *"When augmented reality makes the leap from novelty 3D image to a head-up display projected onto your designer glasses and when that becomes mass-market it opens up a range of interesting and challenging possibilities.*

"On one level you could reach a point where people are walking around and seeing other people's Facebook profile details bobbing around over their heads, which they can swap or even flirt with. In a foreign city you'll see directions to the airport, or if you're on a night out, you'll get recommendations for restaurants.

"Now in a sense what that does is create alternative ways for consumers to see commercial messages. In another, it's possible, Out of Home media almost becomes a blank canvas for AR projections which could be tailored to individuals."

Information swipe

The technologies that may have the biggest impact on mobile interaction with posters in the medium to long-term are Near Field Communications (NFC) and Radio Frequency Identification (RFID). Both use short-range wireless technologies, typically operating over a distance of several centimetres, which opens up the possibility of hassle-free transmission of information from Digital OOH sites to mobile handsets with one swift swiping action.

Evolving RFID technology means that the cost of transmitter tags has fallen to a few pence and they're becoming small enough to insert into almost any surface, prompting predictions that many objects and surfaces in public surfaces will become mobile interactive.

NFC which is more versatile than RFID, is expected to enable consumers to use their mobiles to purchase goods in-store as an alternative to credit and debit cards. Applied to a poster in a mall, NFC systems would enable consumers to easily collect a promotional offer flagged by the site or to download content and ultimately to make a purchase. Critically, while consumers make a positive decision to interact, the experience takes seconds to complete and could be done without stopping.

The system could also register and recognise each individual consumer interaction. NFC poster sites could also be programmed to react to an interaction.

Because NFC transmission is so quick, it's easy to imagine consumers walking past a poster carrying a promotion or attractive content, pausing momentarily or swiping as they pass, to download the content. That content can then be instantly passed from handset to handset by momentarily touching phones together, opening up the potential for a vast range of viral, social, location-based, interactive marketing experiences.

NFC and RFID enabled sites are not likely to arrive en masse in the short term but have significant long-term potential as handset manufacturers incorporate the technology. A Google handset is to become the first to carry an NFC reader and Apple's next generation smartphone, the iPhone 5 is widely expected to feature NFC capability.

However, like all technologies, we cannot assume immediate or universal take-up. Media owners will be alive to the possibilities and may make investment projections on this technical feasibility rather than true capability. Some recent reports have over-inflated the likely rate of proliferation of such technology. Our view is that adoption will be cautious and still dependent on potentially years of further research. Technology will be a great driver for Out of Home to connect with the consumer by location and in real time, but the real shift from one-to-many to one-to-one communication will be a conservative one.

There is an opportunity to capitalise on the literacy of the IT generation.

Steve Davies
Clear Channel

Changing consumer behaviour

In many respects digital technology has already changed the experience of being away from the home, or other base locations like the workplace. It is less than twenty years since the vast majority of consumers did not carry a mobile phone.

The next ten will see the majority carry a handset combining a personal computer, phone, camera and GPS device all of which will provide instantaneous direct communications and location-based social media interaction.

Consumer's expectations of what they can do in public places have changed and are changing. If we are surprised now when we cannot find a good mobile signal in an urban environment, it is likely that within ten years we will be surprised when we cannot use that same mobile device to instantly download information from a surface that looks like it should offer it.

The propensity of people to share information or to register their approval through systems like Facebook's 'like' function could also be changing. According to Facebook, its average user is linked to 80 community pages and creates and shares around 90 pieces of content a month. It is possible that generations growing up with Facebook functionality and ingrained social media habits, will share their location and rate their experiences as a matter of course.

Arguably, as more brands, retailers and content channels use various interactive formats to engage consumers, people will gradually become more used to and willing to share and interact with content and commercial messages in different ways and in different places. It will, in other words, become second nature.

Richard Metcalf, Business Development Director at Kinetic's sister mobile marketing agency Joule, points out that UK consumers have already adopted en masse, one form of mobile interaction. *"Text short codes were made popular by reality TV shows like Big Brother which offered viewers the chance to participate, voting people off the show. When they were first used for Big Brother three, Channel 4's expectations were low, but at the first try something like 10 million people texted the show.*

"The big reality TV shows effectively launch short code texting, it entered the consumer psyche and became a common behaviour and brands were then able to use that too.

"Consumer awareness is growing about different ways of using your smartphone. Instead of reality TV shows the real influences on consumer behaviour now are probably things like Google and Facebook. If the proposition is right, if it's seamless and easy, it's almost inevitable consumers will begin to interact in large numbers."

The concept of swiping a card over a reader to exchange information was first made commonplace by the Oyster card system across London's transport network, which uses RFID and has already made the transition into mobile phones.

Chiltern Railways recently announced the launch of a national mobile ticketing system enabling users to buy tickets online and then use their mobiles to wave a 2D barcode over ticket gates at stations.

Consumers are already being encouraged to use their mobile to cross-check prices in retail environments. In November 2010 for example, Amazon launched an application for the iPhone, called Price Check, which allows users to compare in-store product prices by scanning barcodes with those from Amazon.com and affiliated merchants.

Changing consumer behaviour continued

Richard Metcalf at Joule believes the primary driver of behaviour change will be "mobile wallet" applications enabling cashless transactions.
"It's a few years away because people have to have the handsets and the handsets need to have the capability, but it's easy to imagine using a banking application on your handset, which would offer you the choice of your different debit and credit cards to use as you reach the checkout. You'll make your choice and simply swipe you phone to make the payment.

"That simple physical action will become commonplace and it will be applicable to many different surfaces and scenarios. There is no reason why people won't expect to do that rapidly with a poster if it's offering something attractive."

Gill Reid, Head of Outdoor at Mediacom, believes Out of Home media owners will embark on a period of evaluation and refinement to identify which current or new routes to mobile phone interaction work best.
"I think everyone recognises that the synergies are there but which technology? The potential to enable consumers to interact and communicate one to one with a campaign on a poster site and continue to do so after they've even left the vicinity of that particular site is a powerful prospect; because then that branded communication lasts longer and it could become a more personalised thing for them."

Mike Baker, CEO of the Outdoor Media Centre, believes that cracking the opportunities that interactivity might create is the most significant next challenge for Out of Home media. *"Somewhere there will be a coming together; a sort of convergence that's similar to online and television, or online and mobile, in the Out of Home sphere. People are beginning to clock the fact that there is linkage between social media, instant web access, 3G mobile, location and brand or retail proximity and that outdoor has got a potentially significant role to play in that,*

"Right now I think everybody is trying to understand how this might work. While we work this out I do slightly worry that Out of Home media will be overtaken by the rapid development of mobile; which has a screen that is carried out and about. It's a question of whether people feel that the mobile-delivered brand messages are as effective as the impact and reach of well-presented digital and static posters. I do think that the combination of the two could be incredibly important."

Unleashing the potential power of poster-to-mobile marketing will not be as simple as installing the right kit however. If the Out of Home industry and advertisers are to successfully fuse posters with mobile internet marketing, they must be mindful of the sensitivity of consumers to poor quality communications.

Digital marketing practitioners, content developers and public relations experts are now very much aware of the thin line between success and failure when it comes to the execution of campaigns and the potential for an internet backlash. This is particularly true with social media.

You only have to look at the arrival of search advertising over the last decade to see how massive changes can happen very rapidly or even how digital technology has transformed TV in terms of the number of channels and the share of audiences.

Nigel Gwilliam
IPA

So do people want to interact with digital screens?

In order to gain a clearer picture of consumers' attitudes towards digital posters and their propensity to interact with them, Kinetic conducted consumer research including 1,000-strong representative panels in London and nationally in February.

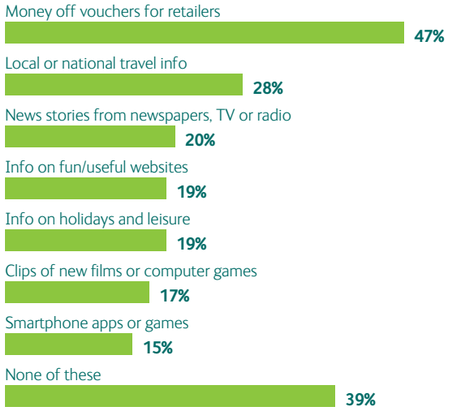
The results provide strong indications that not only do most people like digital posters, but they can already see the potential for entertainment, information and interaction at digital poster sites in spite of the fact that just 27% of the national sample had seen a digital poster in the week prior to the research and 30% of Britons say they have never seen one (50% of Londoners had seen a digital poster in the previous week).

The potential to be entertained or to access retail promotions are the two most immediate attractions to digital posters. The research revealed around half of consumers (47% nationally; 51% in London) said they would download money off vouchers for retailers from digital sites to their mobile phone.

The study reveals the potential for a profound shift in the traditional role of posters, from that of broadcast medium to a medium that actively or passively engages consumers either directly or via their mobile phones.

The research confirms predictions that consumers would be very likely to interact with posters in high-dwell time environments. Kinetic's research found that 69% of consumers (rising to 75% in London) think digital posters could be beneficial to people in locations where they are waiting to travel or for services, while 40% said interacting with posters would be a great way to pass the time while travelling.

Ways in which people would interact with digital screens (%)



Over **60%** of people are willing to interact with digital screens

52% would be more likely to react to digital poster ads that tell them a special offer is immediately available in a retailer nearby

50% of Londoners have seen a digital screen in the past week and **23%** of people outside London

Source Kinetic May 2011

Great expectations

The potential power and usefulness of digital poster communications is also illustrated by consumers' attitudes to digital posters and their future expectations when it comes to mobile interaction outside the home.

Kinetic found 66% of consumers expect to see digital posters in most city centres in the future (71% of Londoners) and 71% (75% of Londoners) agreed moving digital posters were more likely to catch their attention. The study showed that 47% of consumers (rising to 56% in London) think that digital posters made shopping malls more interesting and attractive and 58% agreed they enhanced transport environments (60% in London).

At the same time 74% of Britons (79% of Londoners) expect that in the future most people will carry a smart phone or a tablet computer, while 57% (58% of Londoners) expect in the future they'll be able to access the internet wherever they are outside the home.

Small but significant numbers of consumers already see the potential for a deeper level of interaction with poster sites.

Approaching 20% said they expected in the future, some digital poster sites would be able to recognise who they were and 26% (28% of Londoners) expect posters to be able to target them with ads or information relevant to what they were doing at the time. Around 20% of consumers (21% in London and 19% overall) already expect that they will be able to interact with most advertising in the future.

However, just 11% said they expected to buy a product or service directly from an interactive poster, suggesting that while the public can see the potential of posters as conduits for content and useful messages, there is a longer journey to travel before posters become a direct sales mechanism.

Kinetic's research highlights a critical issue bound to the success of interactive Out of Home (iOOH) media; consumers must perceive the experience to be beneficial.

45% currently own a smartphone and 17% are thinking of getting one in the near future

11% are thinking of getting an eBook reader, iPad or other tablet in the near future

57%
of people think that digital screens brighten up otherwise dull environments

71%
of people say digital posters are more likely to catch their attention

Source Kinetic May 2011

Engaging the consumer: Can posters become a conduit for promotions, content and social media?

Setting aside the technological capability of Digital OOH sites to interact with people, there is already evidence that when the context is right Facebook and other social media channels could be a natural partner for Out of Home advertising in the same way that YouTube has extended the reach of TV commercials.

Joint research by Kinetic and JCDecaux carried out in late 2010, tracked how a group of 16-24 year olds used social media and shared content. It showed traditional media has a more powerful influence over what younger consumers talk about via social media than commercial messages placed in online media or within social media environments.

The study pointed to a growing synergy between social media and traditional media. It found that while word of mouth approval from close friends is the most powerful influence over brand affiliations, traditional media is playing a significant role; by boosting brand visibility it adds credibility and acts as a conversation starter.

The Social Pioneers study found that what younger consumers see while they are out and about, is influencing their Facebook conversations via mobile apps and they are actively seeking to interact with OOH media via their mobile phones, particularly to access entertaining content.

It also showed the group was spending 8.5 hours per day out of home, which is 90 minutes more than the average consumer.

Separate research carried out by Kinetic in 2010 found nearly half the UK population now access their social network pages on the move: 46% log on to Facebook outside the home, and 48% access Twitter while on the move.

Kinetic's quantitative consumer research carried out in February confirmed the long-term potential for posters to become a focal point for other forms of content.

The study found 20% of consumers (25% in London) would download content from newspaper, TV or radio brands, while 28% (34% of Londoners) anticipated accessing local or national travel information; 17% (21% of Londoners) could imagine accessing content clips from new films or computer games, while 15% (26% in London) would potentially download smart phone apps or games and 19% (21% in London) would look for information about fun or useful websites.

Kinetic's consultation with agencies points to the importance of Facebook as the primary vehicle for social interaction in the UK and the potential for synergies between Digital OOH and Facebook as well as location-based social media such as Facebook Places and Foursquare.

Facebook's own statistics show that its 250 million mobile Facebook application users are twice as active as non-mobile users.

Richard Metcalf at Joule believes social media content based campaigns particularly those that are location-based will naturally begin to flow across poster networks. *"Every mobile orientated campaign now is integrated with Twitter and Facebook and linking in Out of Home as a promotional and potentially interactive driver to that activity makes complete sense whether that's connected to Facebook Deals or a location based application.*

"Checking for deals on your mobile when shopping or going out to lunch is becoming a really noticeable behaviour now whether that's through Vouchercloud, Groupon or Facebook. Because of its proximity Out of Home clearly becomes relevant in that equation."

People are beginning to recognise the link between social media, instant web access, 3G mobile, location and brand or retail proximity and that outdoor has got a potentially significant role to play.

Mike Baker
Outdoor Media Centre

Engaging the consumer: Can posters become a conduit for promotions, content and social media? continued

Clear Channel for example is experimenting with the location-based social network Foursquare, by setting up one of its billboards as a location and enabling consumers to become 'Mayor' of the billboard. Meanwhile, Nike's Grid campaign, launched last year, saw participants race between phone boxes marked by Nike posters and chart their performance via Facebook against other competitors.

Such exercises may be experimental or represent a tiny minority of campaigns, but in the context of the growth in location-based social media and live campaigns, the potential to use billboards as landmarks in experiential or social campaigns could become attractive to brands.

Facebook matters to Out of Home because over half of us are now using this and other social media on the move. The same proportion are logging on daily and we are now using Facebook on our mobile phones more than Google. With UK consumers downloading more mobile apps and games than any other European market, the potential for Out of Home media to link into this activity is vast.

But how should poster-to-mobile campaigns ranging from social media to a simple promotional mechanic be pitched to consumers?

The clear consensus emerging from the industry is that interactive campaigns, whether they are pushed at a consumer or require the consumer to act, must carry an incentive and therefore fall at least partly into the sphere of direct or transactional marketing.

This form of communications is largely new territory to the Out of Home sector and could be seen as distinct from purely visual campaigns that play a branding role. In this sense developing networks of interactive digital poster sites could be less likely to cannibalise revenues from sites playing a broadcast role.

I think the key will be location-based opportunities. You point your phone at a screen or poster as you walk into a shopping centre and it downloads vouchers for stores within 100m of where you're standing. That is where Out of Home and interactivity gets very interesting. It won't be the fact that the screen can do something. It will be all about your location.

Mark Smith
Kinetic

Case study: Nike grid

Nike used Out of Home and social media amplification to change young Londoners' perception of running.

In general, young people are too busy building their social life; where you're from influences that – giving a sense of belonging, of community. Whilst only a declared 13% of 17-22 year olds claim to run, qualitative research suggested that there were in fact a large number of those who did in fact run, but just wouldn't consciously identify themselves as "Runners". The campaign sought to shift perception of the sport amongst these young "Unconscious Runners" by engaging them in a new and surprising way.

Nike sought to augment the running experience and with Nike Grid, turned running into a game, and London into the game board. The game was not about running but scoring as many points as possible. As real engagement comes from manipulating existing environments, surprising your audience, and giving a sense of ownership, phoneboxes were identified as a perfect location to amplify the message.

Using London's phoneboxes, Nike publicised and promoted the game itself via ads and delivered a way to actually log runs and reward players through the phones themselves. They became entry and exit points for the game, identifiable game board markers, using an interactive phone system and branded content outside and in.

Sign-up was at Nikegrid.com, but Facebook.com/NikeGrid was the digital nerve-centre. Nike conversed with players, delivering real-time updates heightening game-play. Individuals shared tactics and information. Progress was monitored using leaderboards via online and digital roadside 48 sheets, supported by daily data visualisation films on Facebook. Players were motivated by points and fame – winners were celebrated on local phoneboxes as "Kings" – still the Facebook profile image for many.

The results

74% of players were 17-22 years old.

In the neighbourhoods where GRID was played, and with no other running marketing,

"Innovation" scores amongst runners went up 11 points, keeping the brand No1.

Nike's No1 "Cool Brand" status rose 3 points, compared to drops amongst competitors.

Other highlights included a 1,015% increase in visits to Nikegrid.com at an average of 5 minutes.

The campaign ably demonstrated the power of Out of Home to connect with audiences in situ and through a genuine affinity with social media.

Social media integration and relevance

When thinking about conversing with the mobile consumer, we can learn from the strides made in online media. Internet advertising took flight when Google realised the potential for paid search advertising, showing relevant ads when people have shown an interest in a particular topic.

These advertisements delivered far higher click-through rates compared to banner advertising (a stunning 34 times more likely to elicit a response according to comScore, 3.4% from search versus just 0.1% from online display ads). Consumers had learned to ignore the latter after irrelevant commercial messages being presented time and again alongside the content they were actually looking for.

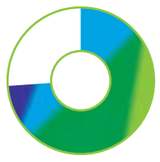
We're now at a closely analogous tipping point. Lifestyle and environment media's ability to deliver relevance – and not just reach – is increasing exponentially, thanks to technology and our ability to harness data. Advertising in people's lives away from home is morphing from something akin to branded wallpaper – the *spammy* online banner ads of old – into a platform with amazing innate knowledge: who's seeing what, how they're likely to feel, where they probably came from and even where they're heading.

Increased relevance would be expected to have a knock-on effect on the people's desire to act upon each movie trailer, test drive and free sample offer that we place in front of them. Ad messages will seem uncannily able to increasingly say the right thing at the right time, making action only logical, as with the paid search advertising people are happy to respond to online. Advertisers wanting to capitalise on this must therefore cater to the appetite they've created, by making the interaction as smooth as possible, leading people to other parts of the campaign.

Current indications are that people are willingly heading towards this interaction.

Where in-home media and shopper marketing influence the start and end of the process of moving from familiarity to paying customer, Out of Home appears ideally placed to remind and create advocacy in the consumer's increasingly mobile lives.

The opportunity for advertisers is to recognise how and where people are using technology in their evolving media day, and start conversations that create value for both the advertiser and prospective customer. With the nascent tools currently at our disposal, advertisers have a tremendous opportunity to refine their on-the-go marketing by targeting mindset, interest and behaviour to increase relevance. The benefits of this can then be realised when mobile interaction is facilitated and encouraged, to create a seamless and enjoyable experience.



74%
of Londoners uses Facebook regularly

75%
increase of twitter use in the past 10 months

It's not just about the flexibility, it's about things like integration of social media; all successful mediums are all working out how they can actually integrate social media.

Mark Rose
Mindshare

Out of Home entertainment and editorial

Out of Home has thrived on reach and by and large has remained the only mass advertising medium that functions without an editorial context.

Content-based advertising media have naturally argued that attention-grabbing editorial ensures effective delivery of commercial messages. For Out of Home, however, the medium has always been the message and in a world where ad avoidance is now aided by technology, the universal presence of posters in daily life, is a fact that is difficult to ignore.

The arrival of digital technology blurs what was once a clear-cut divide between editorial and poster sites. The inclusion of content into the advertising mix on digital poster sites is emerging as a significant trend. In high dwell-time locations, it has come to be regarded by some as a vital element if consumer's attention is to be captured and held.

Digital screens linked to the internet naturally lend themselves to broadcasting information and live updates as well as brand messages and a growing number of advertisers are already using digital sites to deliver their own time-sensitive branded information or 'infotainment'.

More recently, various media owners, including Clear Channel, JCDecaux and Amscreen/Digicom created a branded content partnership with vehicle satellite navigation brand TomTom to broadcast live traffic news, localised to roads in the area surrounding the forecourt screen on which it appears. In this sense brand communications make the leap from advertising to service.

Likewise, Ocean Outdoor teamed up with Hello magazine to deliver live images of the Royal Wedding in April via Ocean's 'Two Towers' sites either side of London A4.

Nicky Cheshire, Digital Consultant for CBS Outdoor, suggests editorial content mixed advertising running on higher-dwell time sites could become the norm.

"I think there is a huge role for content to play in the right environments and the right screen networks but it isn't happening yet to any great extent. I would like to see more content partnerships within the outdoor sector. For example if you have a network in a retail location, you could be producing content with say the British Fashion Council. Surely there is scope for convergence with content providers like the glossy magazines.

"Out of Home should be working more closely with some of the big newspaper groups which have got huge issues in terms of how they monetise their content going forwards? If you are going to put fashion content or a style magazine behind a pay wall then you need to find a suitable way of promoting it. Digital outdoor could do that perfectly."

This potential for convergence; promoting magazines, newspaper and TV content via Out of Home and indeed transmitting content from digital posters to handheld devices, will come into sharper focus as the digitisation of other media progresses. As the different mediums; newsprint, glossy paper and broadcast signals are removed, the potential for a far more fluid relationship between media is enhanced. By being, in effect, content neutral, posters become a natural conduit for other media content.

Thirdly, as has already been noted, interactive systems provide the opportunity for posters to become content distribution sites. If NFC or similar technology is able to influence consumer behaviour sufficiently, the opportunity for OOH media to act as a channel for information and entertainment will stretch far wider than high-dwell time sites.

Digital OOH can deliver live information in a really interesting way.

Russell Davies
Ogilvy & Mather

The digital canvas: A creative opportunity?

Within the advertising agency business the dramatic rise in online and search advertising expenditure has resulted in a new agency landscape. The wholesale integration of digital creative skills into conventional agencies as well as a reverse integration of TV, press and poster capability into the wave of new digital agencies that have emerged as major players over the last decade means the old concept of the advertising agency is becoming redundant.

This increasing fluidity of creative thinking across media channels means that it is becoming the norm for campaigns to translate to or from the web. This ready-made industry of digital creative practitioners is potentially of huge benefit to the Out of Home sector if it can engage advertising creatives in the potential of the medium and of hooking digital posters onto broader digital strategies.

An immediate concern however is encouraging the creative community to embrace the opportunities that existing screens and the rapidly expanding enclosed environment digital poster networks offer.

Challenging agencies to consider location relevant campaigns and to develop campaigns tailored to maximise the potential impact that day-part, interlinked, moving-image poster networks can deliver is a priority for the Out of Home sector especially as digital networks expand in size.

The evidence that digital billboards are an effective creative platform is already emerging. Kinetic's Face Tracking research confirms the immediate benefits of digital creative over traditional static sites. Its study using eyeball tracking technology on posters at London Bridge station in February 2009, showed that on average consumers were twice as likely to look at a digital screen and for 60% longer than a static equivalent.

But encouraging and enabling creatives to manipulate the massive leap forward in flexibility and immediacy Digital OOH sites deliver on a consistent basis, is vital to future success and should be a focus for all elements of the industry.

While there are a growing number of highly creative campaigns pushing the capabilities of digital poster sites to their current limits, it is a fact that many campaigns running on digital posters are little different to the static images run on conventional sites or are a re-edit of TV commercials. Campaigns using time-relevant messages are also a small minority.

There is not enough creative work that actually targets people in the way media buyers are targeting people.

Nicky Cheshire
Digital consultant

Engaging advertising creatives

Russell Davies of Ogilvy & Mather believes a combination of issues means many creatives have so far failed to grasp the potential that Digital OOH media offers. *"I wouldn't be surprised for instance, if most of the creatives making ads for digital posters don't ever actually see their work in situ before it goes live. Most won't have a digital 6 sheet in their office that they can play with."*

Neil Morris, CEO at Grand Visual, believes part of the problem is that just like consumers the imaginations of advertising creatives are racing ahead of current technology.

"People will come to expect a certain amount of intelligence from these things; they're not just a sheet of paper. There's no reason technologically why a screen shouldn't know how many people are standing in front of it, what time of day it is, what the weather is like, it should have all this context, which it can serve up and do clever things with.

"Perhaps people expect digital posters to be smarter than they currently are, because they are used to dealing with smart screens in their pocket and at home. So screens on the underground ought to show that they know that they are under ground. Or a screen on a bus sort of ought to show that it knows it's on a bus. Because we expect a certain amount of intelligence from these things, they are not just a bit of paper."

The apparent slowness of the creative community to get to grips with digital posters and to a degree media owners' reluctance to sell them in the most flexible possible way, in part stems from the fact that a large proportion of investments made in digital inventory coincided with the recent economic crisis. Advertisers that might normally have been more adventurous and demanding in terms of creativity are perhaps more likely to opt for safer media and creative strategies when budgets are tighter.

Tom Goddard, Executive Chairman of Digicom, comments: *"I don't think creatives are deliberately avoiding Digital OOH. I think they are unwittingly not supporting it and I think it's partly down to time pressure and a focus on traditional channels, which means media owners get too much creative to work with that's designed for other media. The medium is being held back at the moment in my view because we're adapting creative instead of originating creative.*

"Also where you have media owners with a massive amount of traditional inventory and some digital inventory, you naturally have a conflict of interest because you're negotiating with agencies at a time where budgets have never been tighter. So perhaps one is sacrificed for the other and you haven't got that kind of absolute focus. They need now to specialise more and re-focus on digital."

The medium is being held back at the moment in my view because we're adapting creative instead of originating creative.

Tom Goddard
Digicom

The quest for quality advertising

Nicky Cheshire, Digital Consultant with CBS Outdoor, says that using familiar formats and engaging creative people directly with the technology, were critical to the success of the installation of CBS Outdoor's network of digital sites on the London Underground.

"I think installing formats creatives are used to, such as 6 sheets is key. The other lesson learnt was very much about engagement with the creative community. We appointed a creative head to actually go out, talk to them, inspire them, make sure they understood how to use the medium and how and when to use moving images."

But Cheshire says that it has become increasingly clear that advertising creatives still tend to automatically think about broadcast campaigns, rather than campaigns orientated to locations.

"There is a huge opportunity for digital poster advertising to become far more creative if campaigns were actually produced specifically for that format. What you get at the moment tends to be re-cut TV work, but it's clear that the campaigns done from concept specifically for digital sites are so much stronger.

"There is not enough creative work that actually targets people in the way media buyers are targeting people. So there is little creative work that is actually trying to tap into people's mindsets by location, time of day, day of week, what they are doing. Mind you, you don't see a lot of it elsewhere either, on TV for example."

Russell Davies, Head of Planning at Ogilvy & Mather, warns that encouraging creative excellence, as digital posters become more visible across the country, is a critical challenge.

"From the advertising creative's perspective, digital posters have enormous possibilities and are already enabling us to create brand experiences that speak directly to people in a context that's hard to achieve on the sofa.

"But I think there's a real danger that the Out of Home industry will make the same creative mistakes made by online advertising. There's a danger a lot of digital posters ending up being like the web banners in the real world. If they're bad for the first two years of their life and everyone trains themselves not to look at them, it will be hard to break back into people's consciousness. I have a recurring nightmare about digital posters. It's a nightmare in which we end up in a Blade Runner scenario brought to you by Cillit Bang."

Neil Morris at Grand Visual argues creative interest will build with the growth of digital posters as a national platform. *"Really dynamic ideas are uneconomical to deliver if you don't have big networks to play them over and the capability to reach a massive number of eyeballs. Say you're hooking up digital posters with a campaign that has got some kind of Facebook link in it; you need a large numbers of responses to make that work.*

"I think you could argue that further investment will generate the kind of reach that makes more creative campaigns viable. if a network isn't national, it's hard to argue the case."

The OMC's recently launched initiatives to engage creative with the art of producing great posters, notaby the Hall of Fame, showcased what it considered the best 100 posters of all time. The web initiative saw more than 10,700 votes cast and 100,000 pages viewed and was a pertinent reminder of the immense creative and imaginative potential of the medium.

Case study:
Face tracking in a commuter rail environment

In February 2009, Kinetic, managed and implemented a study to measure the real impact of Digital Out of Home in comparison to traditional static posters.

The research study, using inventory from then media owner Titan Outdoor, specialist digital creative services agency Grand Visual, utilised leading-edge, non-intrusive eye-tracking technology from Tru Media and delivered some key findings that demonstrate the value of digital in the context of the wider Out of Home medium. 154,062 people/contacts were tracked over an 11 day period at London Bridge station.

The results demonstrated that digital posters attract more attention for longer periods of time than printed posters, adding further value to the already impactful medium. Twice as many people were found to look at a digital poster for an average of 60% longer than its static equivalent. This means that digital OOH proves its market trading value, while attracting more people (eyeballs) and longer duration viewing.

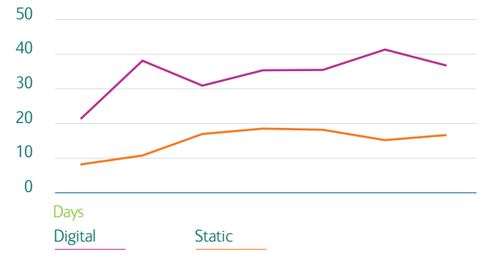
The average proportion of individuals looking at the digital panel was twice that of the static panel, averaging at one third, but rising to 40% on quieter days. The viewing propensity for digital is up to three times that of a static poster at its peak.

Across the day, there were clear differences both during off-peak times and during the evening commuter peak vs the morning. The average off-peak differential rose to a factor of three when looking at numbers interacting with the digital panel vs static. Morning peak behaviour differed from evening peak - a possible combination of mindset and concentration of travel behaviour restricting attention.

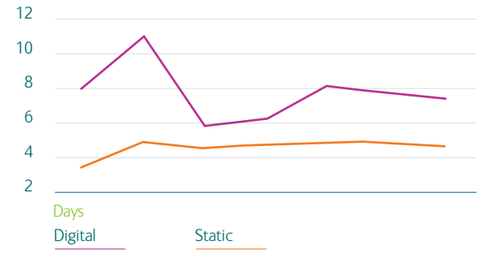
There was also a general difference between weekday and weekend behaviour. The weekend audience had a much higher interaction with digital panels (nearly 50% on average) as fewer people engaged with the digital panels for longer.

Additional observations showed that while basic, non-animated digital copy performs well, the animation of basic digital copy increases attention by 28% and after a certain level of animation, additional creative movement appears to have no additional effect on attention levels.

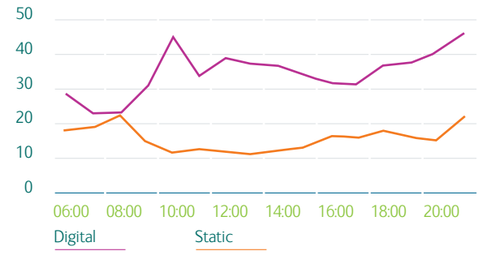
View as % of footfall



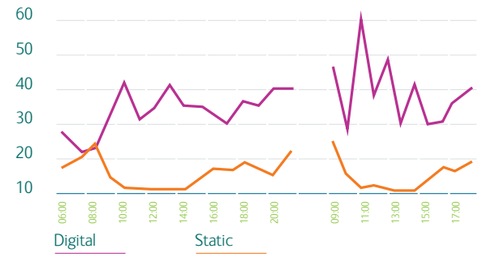
Average duration in seconds by day



View as % across day



View as % across weekday / weekend



Smart posters

New technology is rapidly creating the opportunity for advertisers to embark on far more intimately targeted campaigns. What if a poster was capable of recognising an individual and delivering a specifically tailored message?

This scenario was famously brought to life in the film Minority Report starring Tom Cruise. In the film, posters repeatedly identify and speak to Cruise's character, for example suggesting: "You could use a Guinness right about now."

While this scenario might seem the stuff of science-fiction, the technical capability to deliver personalised poster advertising pitched at an individual is almost with us.

Both NEC and IBM are understood to be developing individual facial recognition systems and NEC has conducted trials in Japan using posters capable of calculating the age and gender of individual passers-by. Kinetic has conducted its own facial recognition research in partnership with German research institute Fraunhofer-Gesellschaft's IIS, using screens capable of identifying the age, gender and mood of shoppers and commuters. The potential is now there to change simple messaging for basic gender or expression differences and some advertisers are expected to trial these systems in the near future.

However, even when individual face-recognition technology becomes more widely accepted, Kinetic believes that it is unlikely to be deployed widely in the short-term and may never appear in countries where privacy protection is widely enforced.

To become a feature of the advertising environment, posters using such technology would need the consent of local planners, the approval of consumers and brand advertisers and may provoke intervention by legislators.

Matthew Dearden, CEO of Clear Channel UK, is unequivocal about the dangers of advertising that encroaches too far into consumers' lives.

"I think consumers are very tolerant of advertising that doesn't intrude upon their lives so they have no objection to billboards because if they don't like them or if they are not relevant they just look somewhere else. It's not stopping their lives, it's not cluttering their inbox, and it's not getting in the way.

"So nobody minds them; in fact all the research says consumer feel posters often add something to an environment. But location based, or individual identification advertising if it is pushed too hard could be quite intrusive for the user. Done right, it is both acceptable and powerful. But done wrong, there's a danger that it's got more affinity with spam and the perception of intrusion is potentially dangerous to brands."

Augmented Reality systems receiving images and audio information from digitised posters may prove in the long-term the key to unlocking Out of Home advertising that targets the individual, due in part to the fact that consumers will be able to opt-out or switch off the interaction if it becomes annoying.

A far more likely scenario in the medium term is the widespread deployment of consumer-type recognition capability, but even this capacity could only be viable in locations where a sufficient concentration of similar consumers in high-dwell time locations, made the management of such a system viable.

Nevertheless, Kinetic predicts that demand from advertisers for consumer-type recognition technology will be considerable and that the technology will be in widespread use in the UK within five to ten years.

We are a couple of years away from an explosion in connectivity between what brands and retailers do on the street and what's happening with people's mobile devices.

Tim Bleakley
Ocean Outdoor

Business rationale: New technology means new models

While at first glance the opportunity to run mass-market interactive Digital Out of Home campaigns across thousands of sites might seem compelling, the reality is, based on analysis of likely sites and investment scenarios, interactive posters are unlikely to appear in large numbers within the next five years.

While the availability of high dwell time sites is one limiting factor, another will be the ability of Out of Home media owners to run different, profitable business models based around different site capabilities and falling into a new sector; iOOH.

Tim Bleakley, CEO of Ocean Outdoor, puts it succinctly: *"We've got to run a business and make money. An interactive site is actually a very different beast to one that's running a reel and actually that means two different income structures; two different business models."*

Naren Patel, CEO, Primesight, argues that interactive campaigns will need to prove their value to advertisers if they are to become a lasting feature and media owners will be challenged to define and price exposure to consumers in completely new ways. *"Any interactive content requires sponsorship or interlinked advertising or a well-researched and prepared promotional mechanic. The question is how often will someone pay for that, will it work and will they come back to run another campaign? You will always get advertisers to run something as a stunt once, but the second time around it is no longer a stunt."*

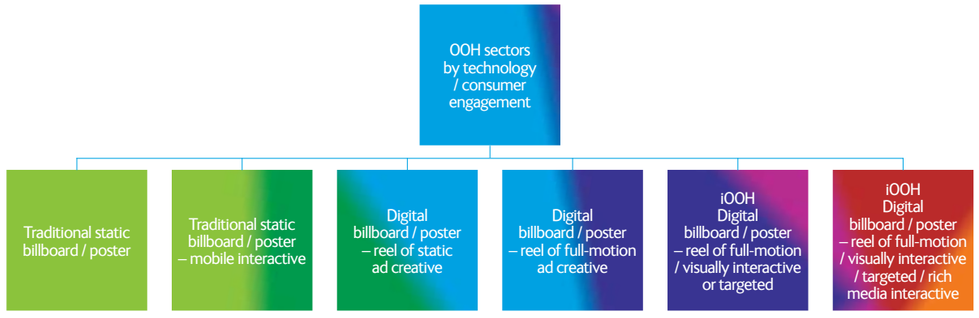
Creating sustainable business models for poster-to-mobile advertising and ensuring consumers want to interact with commercial messages from posters is a major challenge for the industry and may only be solved gradually over the coming decade. However the impact of mobile computing and changing consumer behaviour should not be underestimated.

For this reason, within a ten year time scale Kinetic believes that interactivity and smart, recognition-capable sites will become commonplace, however such technology will still only account for a relatively small proportion of overall sites and revenues. With this in mind it is highly likely that another layer will be added to the Out of Home planning matrix in the shape of networks and individual sites categorised by interactive capability (see below).

From an investor's point of view, **Matthew Dearden** at Clear Channel believes that while the long-term changes to the medium could be massive, it's easy to over-predict the extent to which interactive technology will be integrated into Out of Home media in the short term.

"Bill Gates said that people overestimate change in two years and underestimate change in ten years and I think we saw that proved with the first dotcom bubble. Some of the businesses that went bust should have gone bust, but they were onto something, they were just ten years before their time. Now of course digital brands are transforming the way people live and interact.

Possible Out of Home Sectors by Technology



Business rationale:
New technology means new models continued

"You can see this in Out of Home right now where people are pitching ideas that are certainly going to be big; the question is when.

"Consumer behaviour is at the heart of it. I'm not sure consumers are ready for some of this; when they are, we will do it with gusto. But just because we can do it doesn't mean we should do it."

Again it is clear that media owners and other investors face a complex set of calculations when assessing how these new technologies can be applied commercially to poster sites.

Mike Baker, CEO at the Outdoor Media Centre, points out that the history of Out of Home media is littered with technological failures as well as success. *"There are lots of exciting technologies out there like flexible screens that you could imagine wrapped around columns and different surfaces, but will they make millions of pounds in revenue for their investors?*

"Sometimes there's the risk of pursuing technology for technologies' sake. Look at tunnel advertising (posters visible through the windows of underground metro trains), it was tested in major cities in a number of countries but it was never consistently appealing to advertisers."

Nigel Gwilliam, Head of Digital at the IPA, thinks collaboration may be one way to investigate the potential of new technologies. *"The poster industry must be open-minded and it needs to try to embrace the changes that are coming, because there is nothing that can be done to stop it. Perhaps what the industry should do together if that's possible is to create a research programme; an Out of Home 'Skunk Works', where research and development on new hardware and consumer interactions could be filtered and explored in greater depth."*

An interactive site is actually a very different beast to one that's running a reel and actually that means two different income structures; two different business models.

Tim Bleakley
Ocean Outdoor

Kinetic view:
Consumer interaction, technology and content

- The mobile phone is a critical component in the long-term future of Out of Home media. Not every poster will be interactive, indeed the vast majority won't be, but the creation of interactive networks in key locations will unlock new revenues and see the creation of a new iOOH sector.
- Consumers will want to interact with posters and in the long-term will expect to interact with many different surfaces including convenient poster sites.
- Smartphones carrying NFC and RFID technology will facilitate interaction in low dwell-time poster locations, but mass use of interactive posters will not be a reality in the short to medium term.
- The Out of Home industry should work fast to capitalise on the potential for targeted, flexible promotional campaigns supporting retailer's product launch and sales strategies.
- Collaboration on developing uniform interactive technology formats and standards for interactive brand campaigns could help facilitate new sources of revenue growth.
- Some posters will become 'smart'. Kinetic believes advertising campaigns using consumer-type recognition will become common. The ability to deploy posters that can recognise an individual is close, but even in the long-term their use is unlikely to be large-scale.
- The Out of Home industry should make a concerted effort to re-engage with the creative advertising community.

Part 3

Targeting, measurement and trading. How Out of Home can revolutionise its proposition

Targeting, measurement and trading. How Out of Home can revolutionise its proposition

Kinetic's consultation across the advertising and Out of Home sector reveals a clear consensus that digital technology is now the primary driving force behind investment and future growth in poster adverting revenues and market share.

While this is so, static roadside Out of Home media will continue for the foreseeable future to make up the majority of sites, deliver the greatest reach and account for the bulk of revenues.

It is also clear that agencies and media owners alike understand that the full potential of Digital OOH will only be unlocked if digital technology is used and traded in a way that adds significant value to the consumer experience and to the level of engagement delivered to advertisers.

If Digital OOH is empowered to become a distinct and complimentary sector alongside static billboards and posters, it will enable Out of Home media to deliver both broadcast reach and highly targeted and engaging communications. This flexible, engaging and targeted capability will also unlock the potential to fuse digital posters with online, social and mobile brand communications.

This transformation, if unleashed, creates a range of opportunities and challenges for agencies and media owners.

What could amount to a huge evolutionary step forward for Out of Home media is also happening in the context of the impact of digital technology on other traditional media. The print and television sectors have found that technology can be a disruptive force as well as a beneficial one, especially when it comes to defending revenues and business models.

While digital technology has created the opportunity to dramatically increase content output for both of these sectors, it has also eroded revenues and fragmented audiences. Long established business models are being challenged by changing consumer behaviour.

A new media ecosystem

TV has adapted well to the fragmentation of audiences across a multiplicity of new digital stations and successful media owners have used valued content to win subscriptions and even drive incremental revenues through bundling a range of other communications services together with TV content.

However, the core advertising model based on commercial ad-breaks faces long-term erosion due to a gradual shift away from scheduled TV viewing towards recorded or on-demand content.

Newspapers and magazines also face the ongoing transition of audiences from print to digital. While digital offers a wealth of new ways to engage consumers with editorial content, the value of advertising engagement via digital is rated as substantially less than that delivered by the print version. At the same time print media has not so far conclusively solved the challenge of whether to charge consumers to view content online and appears split on the issue.

Mark Chippendale, Commercial Director at CBS Outdoor, suggests that while Out of Home does face big challenges in managing digital technology, these are largely based on how best to integrate and market the opportunity. Unlike other media he says, Out of Home does not face audience fragmentation. *"Out of Home is about the only medium where digital enhances rather than undermines it, because of audience and channel fragmentation and because of the difficulty of monetisation.*

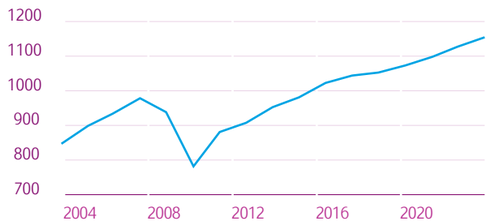
Technology allows Out of Home to compete on an equal footing with what in effect are the two mainstream mediums of today; TV and online.

David Fletcher
MEC

"Out of Home audiences are not fragmenting. If you transform your estate from traditional to digital, what you're doing is you're making it more efficient, because of delivery. You make it more memorable, because of the type of content you've got. And you're making it more flexible, because you can serve time of day, day of week. You don't have to send a guy round with a load paper and a bucket of paste."

This section will explore how the poster industry can respond to the changing requirements of advertisers, how the growth of a digital poster sector might create new trading models, how media owners are likely to adapt their sales and marketing strategies and look at the potential for Digital Out of Home revenue growth and its impact on Out of Home media's overall market share.

All OOH revenue 2004-2020



Source Kinetic May 2011

Ones, noughts and cash: How much will digital posters be worth?

The large number of variables influencing the potential growth of Digital OOH in the UK makes predicting future revenue growth for this emerging sector a complex challenge. Analysis in 2010 by Kinetic and the Outdoor Media Centre estimated Digital OOH revenues would reach around £160m by 2016 or 15% of total Out of Home media spend. A steady and consistent growth – and an enhancement, certainly – but nothing that has promised to radically restructure the medium.

Before looking at the potential for future revenue growth, it is worth considering the recent past and the performance of Out of Home through the recession and gradual recovery. Percentage year-on-year growth figures from GroupM show that while revenues during 2008 and 2009 dropped they did not fall as far as many other media and bounced back strongly in 2010. In fact only TV and interactive media (including display and search) saw a stronger return to growth.

Industry consultation reveals a wide spectrum of views on what proportion of total Out of Home revenues Digital OOH will account for within a five year time frame. Earlier this year, JCDecaux published estimates suggesting digital poster revenues could reach the £200m mark as early as 2012, whilst Clear Channel has suggested that digital revenues in major markets and formats could reach 90% of OOH by 2020. Beyond the medium term, revenue predictions and market share estimates for Out of Home media become less certain.

Kinetic's projections take into account these views and our own intimate knowledge of developments, consumer and advertiser demand. Importantly, they consider the whole industry. Based on a set of criteria including the rate of Digital OOH roll-out, the likely impact of future tenders on investment, overall economic conditions, client and agency application and consumer demand, Kinetic now publishes its Digital OOH revenue estimates to 2020.

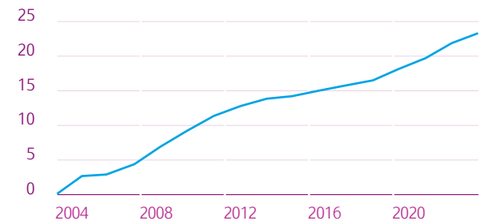
Kinetic's analysis suggests it is very likely that Digital OOH revenues alone will pass Cinema within two years and Radio within five.

We predict continuous growth in digital revenues through the short to medium term and an acceleration in revenues towards the end of the decade with DOOH becoming a £200m medium around 2018.

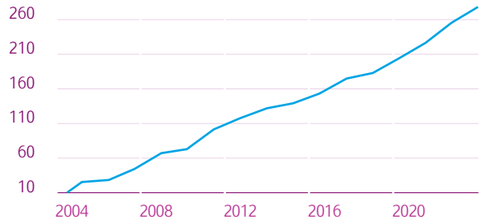
We forecast that total Out of Home media spend will break the one billion pound mark before 2014, with digital posters' share of income rising rapidly in the latter half of the decade to reach 25% in 2020. This particularly reflects a likely proliferation of digital roadside 6 sheets and bus shelter sites.

Our analysis also reflects the inevitable time-lag between planning, actual deployment of technology and the growth of complementary technologies that could enhance revenue generation. We suggest that it is in the long-term that digital technology will have a significant positive impact on the status of Out of Home media.

Digital OOH as % of all OOH 2004-2020



Digital OOH revenue 2004-2020



Source Kinetic May 2011

Estimated revenue split by category £000's

All Out of Home

Year	Transport	Roadside	Retail & Leisure	Digital	Total
2004	295	454	98	0	847
2005	292	473	106	25	896
2006	315	486	103	28	932
2007	330	507	94	44	975
2008	320	472	80	66	938
2009	256	378	75	73	782
2010	279	421	78	101	879
2011	284	427	79	117	907
2012	295	442	82	132	951
2013	303	453	83	140	979
2014	313	470	82	153	1018
2015	318	477	83	165	1043
2016	321	474	82	173	1050
2017	323	472	80	195	1070
2018	325	473	81	216	1095
2019	325	473	81	246	1125
2020	326	474	82	268	1150
2010	**32%**	**48%**	**9%**	**11%**	
2015	**30%**	**46%**	**8%**	**16%**	
2020	**28%**	**41%**	**7%**	**23%**	

Digital Out of Home

Year	Transport	Roadside	Retail & Leisure	Digital
2004				
2005	25	0	0	25
2006	26	1	1	28
2007	32	4	8	44
2008	48	7	11	66
2009	50	10	13	73
2010	51	28	22	101
2011	57	34	26	117
2012	63	40	29	132
2013	64	45	31	140
2014	68	49	36	153
2015	74	53	38	165
2016	75	57	41	173
2017	80	72	43	195
2018	88	81	47	216
2019	94	96	56	246
2020	99	106	63	268
2015	**45%**	**32%**	**23%**	
2020	**37%**	**40%**	**24%**	

Olympic landmarks

The 2012 London Olympics will be near the top of the agenda for many elements of the Out of Home industry over the coming year, but what impact will the games have on the industry?

Research conducted by Kinetic in March this year correctly predicted that tickets would be significantly oversubscribed, but also indicated the Games will dominate life in the capital in the run up to and during the event.

Aside from those who have now secured tickets, 34% of UK consumers said they would consider attending free Olympic events staged in London. More than half of those who said they plan to visit the Olympics next year will do so not because they are keen sports fans, but because they consider it to be a once in a lifetime experience. Meanwhile, 45% of those planning to visit London to witness the games said they will visit other attractions while in the city.

With the capital's population during the Games swelling by millions, it's clear that Out of Home media will play a leading role in the Olympic marketing mix. **Mike Baker**, CEO of the Outdoor Media Centre believes *"analysis of media expenditure during past Games suggests the uplift in OOH media revenues over the course of an Olympic year, could be in the order of 18-20% for media owners within the host nation."*

The auction process for Out of Home media space – introduced by the London Organising Committee for the Olympic Games – was naturally designed to ensure Olympic sponsors are protected on OOH packages in the vicinity. While it has created a structured timeline for the sale of inventory and restricts the sale of sites within the proximity zone surrounding the Olympic Park to sponsors, ultimately the whole of central London will become a platform for exposure to Olympic audiences and inventory not sold to sponsors will be available on the open market throughout 2011 and 2012.

Kinetic predicts that in the context of a sluggish economic recovery, OOH revenues during 2012 will increase by around 15% year-on-year as a result of the Olympic and Paralympic Games.

However, the lasting legacy of the games for the media industry will be significant investment in new digital inventory, enhancing the ability of OOH to reach and engage consumers on the move.

Transport systems, retail environments and primary thoroughfares across the capital have become development hotspots. The first wave of pre-Olympic investment in OOH was announced as far back as 2007, with the launch of CBS Outdoor's digital sites and paste-free static poster formats on the London Underground. Many of the principal roadside developments reflect the expected uplift in traffic for the games and provide a lasting quality imprint on the landscape of London.

More recent evidence that media owners are investing in inventory includes CBS Outdoor's installation of digital screens as part of its contract to manage the Westfield Stratford City shopping centre, located close to the Olympic Park. Further significant iconic digital and non-digital sites have been developed by Clear Channel, Ocean Outdoor and JCDecaux along major road arteries. The most recent example is JCDecaux's digital screen on the Cromwell Road dubbed the 'I', which in a non-Olympic year reaches 1.6 million consumers a fortnight.

While the Olympics will prove an important milestone for the development of OOH media in London, these investments sit within a far broader context of sustained national revenue growth and the evolution of the medium through digital technology.

34%
of UK consumers said they would consider attending free Olympic events staged in London

45%
of those planning to visit London to witness the games said they will visit other attractions while in the city

Source Kinetic May 2011

Ticking all the boxes: Posters and the new world of strategic planning

The Out of Home industry just like every other medium, is subject to the macro trends that are affecting the advertising industry; trends that are in many respects the result of the wider digitisation of media, the emergence of new forms of advertising such as search and the creation of digital advertising distribution and trading systems.

Advertisers are increasingly dividing their communications strategies into three categories. They are asking agencies to build awareness of a brand; build response and sales and now with the emergence of social media, agencies are being briefed to build a community around brands. Sometimes the requirement will cover one or two of these criteria, but increasingly the brief is a combination of the three.

In response, agencies assess the capacity of media channels to deliver against these challenges. In this context it is clear why the evolution of the poster industry into parallel sectors offering on the one hand reach and on the other increasingly sophisticated targeting capability, is seen as critical to the future prospects of the medium.

From a brand-building point of view the ability of Out of Home to deliver reach will remain a compelling argument for its inclusion in campaign strategies. Advertisers understand the need to both minimise risk and extend reach in campaign plans, which is why posters have been a consistent feature in many brand building campaigns and in the context of continued broadcast media fragmentation and the dilution of print audiences through digitisation, will continue to do so.

Alun Lucas, Account Director at MEC Manchester, argues that with improving proof of effectiveness the role of posters as a broadcast medium based largely on static sites will continue to grow, regardless of digital.

"Out of Home media's strength is that it is simple, it delivers reach, it's complimentary to other media and it looks good because of the investment that's gone into sites and the culling of poorer locations that has happened. It's important to remember that digital will remain a premium option for advertisers for some time and while it may be attractive and add to the richness of campaigns, the core reasons for using posters will remain."

Nicky Cheshire, Digital Consultant for CBS Outdoor, is unequivocal about the long-term importance of the creation of a dual offering from the poster industry. *"Whether you like the phrase or not, Out of Home is the last broadcast medium. It is not as selective, but it can deliver huge audiences, and in the context of the dramatic fragmentation we see in other media audiences I think Out of Home can be the glue that pulls it together.*

"I think the challenge for the medium is to deliver against clients' ever-growing need to have a deeper relationship with their customers. So, the ability of digital posters to broadcast rich content and to broadcast it to a large enough number of people and absolutely offer greater consumer engagement is important.

Digital technology has made that space into a wonderful canvas and as these opportunities proliferate they will awaken brands and agencies to the potential to implement real-time planning on digital poster networks.

David Fletcher
MEC

Street targeting: The potential for real-time planning and the power of daypart

So, can posters now begin to play the second key advertising role; driving direct response communications and sales?

Evidence of Out of Home media's ability to drive direct consumer response has been accumulating for years. Research conducted by Kinetic during the autumn of 2010, into how the proximity of poster advertising to retail outlets affected in-store footfall showed that people were prepared to walk further in response to advertising for some product categories than others. For example, the optimum distance for advertising for personal finance brands was 0-150m compared to 0-300m for health and beauty products and mobile phones or 0-500m for fashion brands.

Digital poster networks, linked through internet-based operating systems transmitting creative to point, enable advertisers to connect with consumers using ads that are sensitive to location, time of day and live events. This feature is already integrated into most ad-funded networks operating today.

Daypart advertising in which a brand will run campaigns at selected times of the day with tailored creative relating to its service or product, is a massive leap-forward in capability. For example, a news brand flagging tomorrow's exclusive or a fast food brand running a promotion for a breakfast line can achieve far more saliency to the consumer's daily experience through smart timing.

However, to grasp this opportunity requires not only the provision of meaningful audience reach through screen networks, but a shift to a form of trading more akin to TV or online ad serving as well as the participation of creative agencies and communications planners (See Part 2).

I honestly do not believe that clients think in helpful fortnightly blocks like we do. They just swear slightly and fit themselves around the nearest one we can offer them.

Matthew Dearden
Clear Channel

A closer connection to sales

The deployment of flexible digital screen networks clearly has huge potential for retailers to use interactive posters to deliver timely and well-targeted promotions to consumers to entice them into stores.

One of the reasons for the rapid growth of online display and search is the attraction of direct link between campaign activity and sales. Smart use of digital networks creates a powerful answer to this requirement.

Rapid and flexible posting of promotional retail campaigns connected to selected product inventory and facilitated with redeemable digital vouchers or codes through mobile phones, could make poster networks a powerful retail promotion and direct sales channel. For Out of Home this means securing and growing income that otherwise would just have leached away.

David Fletcher, Head of Analytics and Insight at MEC, comments: *"There's potential for example to develop significant benefits around distress inventory. I can imagine airline promotions designed to fill flights or shift end of season fashion stock. I can imagine Next running a specific one-off promotion for its remaining winter stock on digital bus stop screens because it's a particularly cold day. For a supermarket, you can imagine in the future what we will have is ten offers available in store that the traders want to promote from, but we will only put six into the display press ads and with the rest we will work regionally or even locally on a time sensitive basis with digital posters, built around the weather.*

"So there are lots of opportunities to harness the immediacy of this technology in a way that is very similar to online and which is much closer to the trading nuts and bolts of a client's business. It's much more than just communications strategies; it's an extension of inventory management."

Micro-targeting audiences using established technology is fast moving from theory to reality. Kinetic believes that the blend of real-time information and consumer data will become one of the essential components of future Digital OOH strategies.

Neil Morris, CEO of digital creative agency Grand Visual, recently used JCDecaux's mainline station digital format Transvision, which carries a combination of content and advertising to trial highly targeted advertising for the NHS. *"We cross-referenced NHS Choices data which is basically user ratings for hospitals with train timetable data. This meant we were able to target consumers waiting for specific trains with messages relevant to their likely local hospital and we were able to do that instantaneously for one group of consumer after another as they waited on the concourse.*

"The only equivalent to that level of relevancy is tracking consumer's browsing behaviour online, but there is something about the physicality of Out of Home that I think makes the impact of a truly relevant message all the greater."

Kinetic's consumer research found that targeted digital advertising tailored according to the consumer type watching, the location, time of day, or circumstances is valued by consumers.

Nationally, 43% of consumers (47% of Londoners) said they would think more favourably of brands that offered something relevant to their daily experiences or location. It also found that 52% of all consumers (53% of Londoners) say they are likely to react to digital poster ads that show a special offer is immediately available at a nearby retailer.

Integrating Social Media into OOH planning

A combination of massive reach through largely static roadside sites and national digital poster networks built up of urban, retail and transport environments, tick the first two boxes on advertisers' triumvirate of strategy requirements: brand building and response generation.

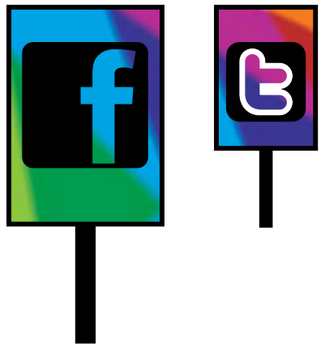
As was shown in Part 2, Kinetic's Social Pioneers research with JCDecaux presents early evidence that from the consumer's point of view posters could become a conduit for poster-to-mobile content exchange. But from the planner's perspective, can Out of Home really connect with social media?

David Fletcher at MEC believes digital posters do have the potential to claim a role in social media strategies, by in effect taking Facebook and Twitter onto the high street. *"When it comes to building communities for brands through social media, we agencies will have to ask how each medium can provide real-time social engagement, interaction and a positive personal experience. Can it facilitate the downloading of extra content and how does that sit with people's everyday lifestyles?*

"The connection between Out of Home and social media may not at first seem immediately obvious, but the introduction of interactive technology opens this door for one very powerful reason; the context in which people experience a poster. Posters are usually encountered by people in what might be called 'dead-time'. They're out and about on their way somewhere or more significantly, waiting for something to happen. It's this time that posters can fill, because they can potentially add value to people's daily lives.

"This opportunity to fill dead-time is relatively unique in comparison with say the more private time spent reading a magazine or the secondary activity of listening to radio or being at home watching the telly, where social media might be done in parallel to media consumption as much as a result of it.

"The relationship between an interactive poster, social media and the person waiting for a bus or the train is an intriguing and potentially very useful opportunity."



Given that everyone in five years' time will be walking around with a computer in their pocket – a smartphone – every single visual stimulus is or could be an interactive site.

Nick Mawditt
Kinetic

Measurability and driving accountability

Running across the branding, response and social strategic imperatives, is an increasing demand from advertisers for more immediacy, flexibility and proof of effectiveness from their campaigns.

Networked digital posters clearly open up the potential for media and creative agencies to take advantage of daypart flexibility, where that is available and perhaps in the longer term, to implement one of the buzz-phases of the moment; real-time planning.

Real-time or organic planning alludes to the ability to rapidly change or tailor advertising campaigns according to their results through data analysis. In theory, established digital poster networks hooked up to online content management systems could enable planners to test different creative or react to events and rapidly review the results, thereby optimising campaigns in real time.

Taking a long-term view, it is reasonable to assume that connecting posters to the internet and online management systems will raise expectations that elements of Out of Home media should come to be optimised in a way that's not dissimilar to online advertising optimisation.

In many respects however, 2011 marks a watershed for Out of Home media regardless of impact of digital technology. The sector's measurement currency Postar has been upgraded to encompass every aspect of what is a hugely complex, physical medium.

When released, this will sit alongside some significant strides made in the medium's accountability, covering calls to action, econometric measurement, validation of proximity planning and increasingly available metrics recording social media uptake.

For us, it's less about development, more about effectiveness.

Alun Lucus
MEC

The ability of Postar to compare multi-format and environment audiences and cross match that data with TV, print, radio and internet audiences, is an enormous benefit.

For the first time, Out of Home media will in effect compete on a level playing field when it comes to audience measurement, whilst offering a far more accountable measure of contact from those of other media.

The new Postar will naturally create opportunities for Out of Home to compete for revenues and prove its worth. Digital sites will come under the Postar umbrella, but integrating posters with mobile technology, web-linked cameras and cross-referencing campaigns with other data sources such as epos, opens up additional means to prove the return on investment poster campaigns deliver to advertisers.

Outside of the scope of Postar, media owners are keen to reiterate investments made in evaluating the campaigns they carry. Amscreen has for example developed its own set of measurements to determine advertisers' return on investment.

"From a sales point of view we are able to demonstrate campaign effectiveness with 100% accuracy through Epos data," says **Simon Sugar**, CEO of Amscreen. *"From an audience perspective, we are able to calculate accurate footfall figures, based on transaction data within stores and cross reference this with regular eye tracking research using in-screen cameras to gauge how many people look directly at the advertising.*

"We know for example that on average 90% of consumers that enter an Amscreen retail venue look at our screens. The Epos data also provides a detailed insight into how campaigns can be optimised by day-part or according to the weather or other circumstances and we can help brands, as for example we've done with Red Bull, create a bespoke structure to their campaigns by analysing when people buy things.

"All this means, we could look at a different way of trading if the industry was ready."

Other players in the markets, specialists, media owners, and the Outdoor Media Centre are now highly active in demonstrating advertiser effectiveness, particularly across new opportunities.

Case study:
New Postar at a glance

In 2008, a new POSTAR contract was awarded to IpsosMORI, working in conjunction with other research partners including MGE Data and the University of London. The premise of the new research will be the following;

- **Embracing technology**; for the first time, using GPS measurement technology to measure people's movements as part of an integrated approach to the research. This will provide more accurate and passive measure of people's actual journeys.
- **Greater coverage** of OOH media, featuring roadside, London Underground, rail, bus, taxis, leisure, retail and airports. 450,000 sites incorporated versus 120,000 on the current system.
- **A bigger sample**, trebling from its current base to 20,000 people.
- A sizeable **£10m investment** in research and measurement by the UK Out of Home industry.
- The potential to **integrate** much better with other media research, like TGI and Touchpoints.

The contract has also been structured to anticipate the growth of OOH including digital by incorporating new formats as they enter the market.

New technologies are being invested in to improve the way data is collected. For example; using GPS will give access to more accurate and detailed information on how people move about in their day-to-day lives; new eye scanning techniques will add further to our understanding of how people see Out of Home media.

New POSTAR will deliver accountability ahead of other media by applying a unique combination of coverage and visibility. The survey will for the first time segment audiences by daypart, opening up enhanced flexibility and targeting possibilities when planning digital OOH formats. New POSTAR will also open up the possibilities of better exploring optimum campaign duration and effective phasing. For the first time advertisers will be able to see the cumulative effect of using a muti-format, multi-touchpoint OOH campaign. This is likely to lead to a reduction in single format OOH usage and provide a push towards traditional roadside formats being enhanced by the inclusion of transport and other location media within OOH campaigns.

Over the medium to long-term, the enhanced data delivered by the new system may provide the first step towards audience-led pricing models for the industry, bringing OOH ever closer to the trading structures of other media and further enhancing accountability for advertisers.

The industry is now waiting for the data to arrive in a usable delivery system. The complexity and scale of the measurement data will ensure a new dawn in Out of Home commensurate with other developments in the industry.

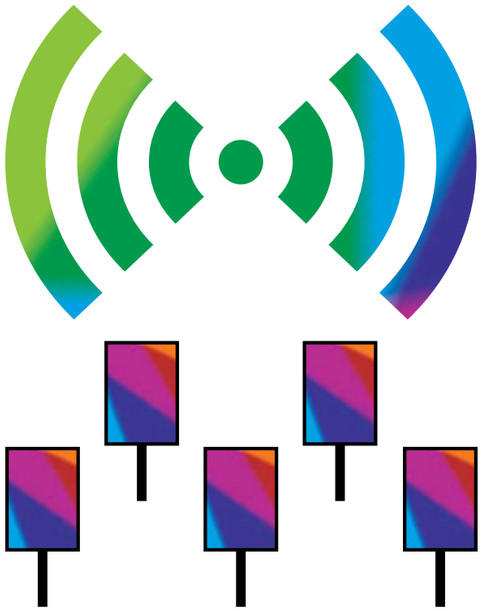
Trading Out of Home

Audience measurement, location, size, quality of presentation and availability are the key ingredients that have determined how static Out of Home media is traded. The arrival of digital posters and in parallel the evolution of poster audience measurement system Postar, begs the question whether this system will remain desirable or relevant.

The next ten years is likely to see parallel trading models emerge catering for static and digital networks coupled with a significant shift in the way poster time can be bought.

Currently the vast majority of billboard and poster campaigns are bought in two week packages; a model that is derived from the logistics of paper and paste.

Digital, of course, immediately removes the logistical hurdle of installing a campaign across multiple sites. Instantaneous transmission of a campaign to sites via the internet or via mobile signals potentially enables digital posters to be packaged and sold on a spot basis similar to TV or to adopt an ad serving system.



Trading will require a different mindset from agencies, from the media owners and also from the auditors in terms of how that is all going to be analysed and accounted for.

Gill Reid
Head of Outdoor, MediaCom

From two weeks to two hours

The shift from rigid two-week packages to an infinitely flexible model, is a huge change. Although Ocean Outdoor and Digicom report that more than half the campaigns they currently run are using daypart blocks of exposure, many digital networks are still mainly trading longer time period packages.

The reluctance to unleash the full flexibility of digital networks can be seen in part as a result of lower demand caused by the recent economic slump and fears that repackaging sections of the day will create dead-zones when footfall is lower.

Nicky Cheshire, Digital Consultant with CBS Outdoor, says that the experience of selling Digital Escalator Panels shows there is a clear demand for day-part campaigns, but demand is concentrated around peak travel times. *"The challenge for whatever reason is the daytime slot, the hours of ten and four. You have lower audience numbers outside of peak travel, but in contrast to the rush of peak-time, you are catching people in a mood where they are thinking about shopping and socialising, snacking, lunching or whatever. But this time slot is a challenge for us."*

Kinetic's eyeball tracking research clearly suggests that quieter times of the day see digital posters attract a higher level of attention, implying that there is a defence against budgets being focused entirely on peak times. The huge leap in audience analysis that new Postar brings should also enable media owners to create a broader range of opportunities to target specific audience groups.

Tim Bleakley, CEO Ocean Outdoor, believes a move to more flexible trading systems is essential if digital is not to become another commodity element in the Out of Home format mix and will be a key factor in the sector claiming a greater share of overall advertising spend. *"In a market of few buyers and few sellers competitive advantage is held for a very, very short period of time generally. So we have to be, I think, very careful that the industry, because of its natural competitive and unusual structural dynamic, doesn't decide to homogenise.*

"The difference between static posters and digital posters could be like the difference between radio and television. In 1950s everyone bought their TV set and they put it in the place in the front room where the radio had been. The TV was in the same place, delivered the same consumers, but it was a totally different medium and a totally different experience. Nobody just put the sound on the TV. My worry is our industry decides the best thing to do is the easiest thing."

I think it's got to happen for the health of the industry. It has to happen. You can't keep selling it on price and location; it doesn't make sense.

Nick Parker
Kinetic

From two weeks to two hours continued

Gill Reid, Head of Outdoor at MediaCom, believes Postar will start the process of change that will answer this challenge. *"Elements of the Out of Home universe should be allowed to be very much more flexible and may be almost bought on a spot basis potentially or bought across the piece as we do with some TV models where we are literally buying audience. That does require a different mind-set from agencies, from the media owners and also from the auditors in terms of how that is all going to be analysed and accounted for.*

"That's the way to ensure the media owners get proper payback for the investment they're putting in. And it's traded more in a cost per thousand basis than on anything else. I think digital more than anything else can be traded on a cost per thousand basis as long as we've got the audience analysis right in the first place and that we feel comfortable with the base audience that we're trading on."

Kinetic's consultation with media owners also reveals a growing understanding and desire to evolve the way the medium is traded and packaged. **Matthew Dearden**, CEO UK at Clear Channel, suggests that a shift towards more flexible trading in the digital sector will encourage more original thinking in the way static sites can be used. *"The use of fortnightly packages is based on commercial imperatives and operational imperatives. What I don't understand is why we don't stagger them. I honestly do not believe that clients think in helpful fortnightly blocks like we do. They just swear slightly and fit themselves around the nearest one we can offer them."*

Mark Rose at Mindshare believes advertisers will place increasing pressure on Out of Home media to deliver short-term flexibility and the sector should respond rapidly. *"In the short term there will be a continued migration away from the static standard two week posting to more flexible means of using outdoor to which digital lends itself well. Also I think some of the contractors are trying to apply that principle to the rest of their formats as well.*

"I think in some ways this should have probably happened a few years ago, and you look at brands and how they do react to short-term campaigns, we want that degree of flexibility."

Counting with CPM?

So what kind of trading structures are likely to emerge?

The deployment of the new comprehensive Postar system is, over time likely to stimulate serious appraisal of a shift to a cost per thousand (CPM) trading model.

Likewise, when digital poster networks are established and delivering national reach and audience levels comparable to say a prime-time TV show or major internet brand, a shift to trading digital posters on a CPM model becomes viable.

However, media owners would need to be sure that such a change would not damage revenues from either sector.

A key question in any shift towards a CPM system is the role of site location or context. The context of delivery has always been a key factor in setting the price of sites or packages of sites in combination with audience levels. For example high-profile or iconic roadside sites command a premium because they capture people's attention through prominence and scale.

Location specific site networks in shopping, travel or point of purchase environments are naturally orientated to specific categories of advertiser or types of campaign. The physical location is a critical link to effectiveness.

A shift to a pure CPM model whereby an advertiser simply bought a pre-set level of exposure without considering the context would seem unlikely. A more refined model based on distinct networks of site categorised by likely consumer type or response is more likely.

Likewise the deployment of ad-serving systems is unlikely to follow a course similar to the long-tail ad-network approach used online. Ad-serving would naturally be more tightly defined to specific digital poster network types defined by likely consumer behaviour, mindset or location.

Poster-to-mobile campaigns do also open up the prospect of payment by performance structures. Pay per click (PPA) or cost-per-action (CPA) systems prevalent in online advertising, could become viable if and when advertiser demand for such integrated campaigns justifies it.

A change to Out of Home trading is almost inevitable during the coming decade, but it is unlikely to be wholesale. Change will come when it is sustainable and justified.

All this means, we could look at a different way of trading if the industry was ready.

David Fletcher
MEC

Joining the dots:
The implications for agencies

The evolution of posters from static images and copy, to moving images and dynamic campaign timeframes, to poster sites delivering content, interactive experiences and branded social media content, requires a step-change in the way agencies not only think about the possibilities digital posters offer, but where they sit in the media mix.

The role of posters in the broad transition of all media into the sphere of digital has already been discussed, but these changes will also require continued evolution in the way that agencies think and operate.

Within the next decade it is probable that media agencies will shift to planning systems that will integrate all screen media. The integration of Out of Home expertise with experts in online, TV, Radio and print within media agency planning and buying teams, is becoming the norm.

However, clear distinctions should remain between the creative execution of campaigns via different channels. Engaging a consumer watching video-on-demand TV, surfing the web, or reaching a pedestrian in a shopping mall via a digital poster will continue to require different creative approaches.

It is therefore clear that teams involved in developing campaign strategies that reach across multiple digital platforms and involve Digital OOH will need to demonstrate an understanding of and ability to influence the complex dynamics that will apply to advertising and content consumed in a wide variety of scenarios out of the home.

For example, how and where would magazine content translate best from digital poster to iPad? Can digital roadside deliver a price promotion voucher to shoppers on-route to a supermarket? How can poster to mobile interactions be best deployed in a shopping mall?

A key challenge for advertising strategists over the coming decade will be determining the future role of broadcast media in relation to targeted media channels and social media platforms.

Kinetics' industry consultation suggests the advertising industry will continue to focus attention on targeted communications over the coming decade, but for many brands reaching consumers with broad brush stroke campaigns that build brand appeal or awareness will remain a fundamental requirement.

Mark Rose at Mindshare says the fusion of digital channels will ultimately lead to a wholesale reshaping of media planning teams. *"At the moment we have an AV team, an online team, a mobile team, and an outdoor team. I think in the future we'll have a screen team and they will consider a cross track projection in the same way they consider a home site takeover on Sky, in the same way they consider a 30 second spot on ITV. So I think from a structural point of view the boundaries will blur and there'll be a team that looks after screen media."*

From a media owner perspective, this exposure to or integration with other digital channels could open up attractive new revenue streams.

Nicky Cheshire, Digital Consultant for CBS Outdoor, believes the Out of Home industry should proactively pitch integrated multi-channel screen campaigns and begin to own some of this territory. *"I think the challenge for us as an industry is not to think just in terms of posters anymore, but to think about how we can tap into viral budgets, online display and mobile strategies and bring those campaigns into Out of Home environments. We need to build new relationships and expertise that can argue effectively why social media or web-based activity can translate onto our screens. We have to be facing in the right direction to do that."*

Kinetic view:
Commercial challenges

- Ongoing investment in inventory and deployment of new technology will stimulate ongoing robust long-term growth and a rising share of the media expenditure. This in turn will justify a re-appraisal of the value of the Out of Home media sector.
- Total OOH revenues will continue to grow significantly over the next decade, reaching approximately £1.15bn by 2020.
- Digital OOH revenues will reach close to £270m by 2020 and account for around 23% of total OOH revenues.
- Over the coming decade, Out of Home will segment into two broad sectors; Broadcast and Targeted. Broadcast will be comprised of large number of well-positioned static billboards and quality digital sites; Targeted will include highly flexible networks defined by location and retail proximity. With this evolution the medium has the potential to develop a far more comprehensive proposition covering advertisers' three key communications planning criteria: branding, sales and community.
- Media owners and specialist agencies will need to adopt an outward facing stance and embrace relevant skills and knowledge sets such as mobile, social media, digital content creation and online advertising if new revenue streams and advertising sectors are to be tapped effectively.
- The combination of day-part, retail proximity and real-time planning utilising sales and inventory data, has the potential to revolutionise the relationship between Out of Home media and retailers.
- The Out of Home industry must build a strategic consensus on the future of trading based on the evolution both of Postar and the growth of digital networks. It is likely however, that elements of the Out of Home universe will be traded on a cost per thousand basis within the medium term.

Part 4

Conclusion: Building the Future

Conclusion: Building the future

The Out of Home industry in the UK and across other markets is entering a transformative period. While on the one hand it is perhaps easy to over-estimate the impact of digital screens on the poster advertising business in the short-term, it is likewise possible to underestimate the impact of technology in the long-term.

The next ten years will see a series of waves of investment in screens rolling through enclosed environments such as shopping malls, transport networks, in shops, gyms and other leisure environments.

We are already in the midst of the first and arguably fastest phase of deployment, which by the end of 2012 will see Digital OOH become a true national medium although focused largely on specific locations.

In parallel, the largest proportion of the billboard universe; what is currently categorised as roadside will initially see far slower digital development. Over the next five years in this sector we can expect to see perhaps no more than a couple of hundred high-impact bespoke sites appear in major conurbations. However in the medium to long-term, say from 2015-2025, far more significant levels of deployment is possible.

Digital 6 sheets are likely to become ubiquitous in pedestrianised city-centres and digital technology in screen-form and hosting technology enabling poster- to-mobile interaction could spread rapidly across 6 sheet networks on major thoroughfares.

In the long-term, perhaps approaching 2020, media owners and new entrepreneurs may be enabled by falling screen costs to tackle the deployment of large format digital screens in the roadside environment. By necessity, the majority of these will be static, but the opportunity to drive sales volumes and offer advertisers infinitely greater flexibility could by this stage make this deployment viable.

The clear implication of these physical changes in inventory is that the poster industry will diversify. Alongside its traditional broadcast role, digital networks (particularly in proximity to retailers) can develop a dynamic response-based proposition.

Along this road towards a radically different industry, the poster business must wrestle with how, when and what it should investment in given the fluid state of the economy, emerging technology, changing consumer behaviour, demands from landlords, pricing and the risk of cannibalisation of revenues.

At what stage can digital poster networks be optimised to offer advertisers, creative and media agencies a dynamic, flexible medium capable of delivering brand-building reach, direct response and social engagement?

How can the poster industry position itself and enhance its expertise to enable it to capitalise on the fact that most people will be carrying a powerful mobile computer wherever they go? Can poster-to-mobile marketing become a lucrative proposition?

An as yet unquantifiable, but already undeniable influence on the evolution of the poster industry and indeed all media will be the emergence of a new generation of young adults immersed in social-media and on-demand content. How will they behave and where and how can the industry engage these consumers through content?

The structural, operational, sales, marketing and trading changes that will need to occur if Out of Home media is to capitalise on a diversified proposition are likely to be as big a transformation as the physical roll out of digitised sites.

Another clear implication of the fusion of posters and technology is that Out of Home media must no longer play the role of separate island state. The opportunity to tap into and indeed to actively play a part in creating web-based strategies should be embraced.

The long-term evolution towards a technology-based business may also bring the industry into the orbit of other technology businesses. Where for example will the business synergy between digital posters and mobile companies or internet advertising companies begin and end? The digitisation of posters may have interesting consequences for the industry's corporate ownership.

The next generation of poster media sales and marketing executives may come to look back of the pre-2015 period where most billboards were analogue and packages were sold in two-week lumps, with incredulity and consider how lucky they are to be able to offer brands such a flexible dynamic medium. To achieve this position and to increase advertising market share, the poster industry must develop coherent strategies to tackle the multiple changes and challenges to its current business structure that are emerging.

Change is challenging, but it is clear the poster business already has its eyes fixed on the future.

About Kinetic Worldwide

Kinetic Worldwide is the global leader in understanding how brands can connect with people's lifestyles and the environments they engage with when away from the home. Our expertise and insight allows us to deliver solutions for our clients that achieve brand and marketing goals.

Fully owned by WPP and part of the tenth avenue performance marketing division, Kinetic's expertise and insight helps deliver solutions for clients that achieve ambitious brand and marketing goals.Digital screens are now an important communication opportunity to supplement roadside posters, travel and leisure locations and all kinds of interactive experiences. Some of these may involve mobile phones; others, simple calls to action or time and location-based messaging.

We have an ongoing commitment to understanding and engaging with people on-the-go. Kinetic has developed centres of excellence in digital and aviation media, research, insight and data, mobile marketing and OOH printing and production. We seek to maximize the impact of our clients' investments through strategic thinking, proprietary tools, and the intelligent application of scale.

Kinetic's network reaches across the globe. From offices in 33 cities in 23 countries, we offer dedicated expertise in consultancy, planning and buying solutions and have developed strong partnerships with clients, agencies, suppliers, media owners and technologists.

Our specific connection to digital OOH extends to unrivalled expertise and objectivity in this expanding environment in our medium across the UK and Europe.

For more information about Kinetic, please go to www.kineticww.com.

kinetic
121-141 Westbourne Terrace
London W2 6JR

T +44 (0)20 7544 4600

www.kineticww.com