

**From the First Quarter 2009 Issue of Platt Retail Institute's Quarterly Retail Analytics:**

**Follow The Money:  
Out-of-Home Media is a Hot Investment**

by Alan L. Klein, Global Insights Consultant, The Marketing Agency

If there is no better indicator of the vitality of an industry than the degree to which investors are willing to risk capital, then the out-of-home (OOH) media industry is poised for serious activity in 2009 and beyond. There has been a non-stop flow of investment by both large and small players in the past 12-18 months. The underlying signs identify rational, solid reasons why OOH media, especially in-store media, will be a hotbed of acquisitions, joint ventures and alliances.

**In Spite of the Economy...**

The investment climate for OOH Media has been positive throughout this period of economic distress and uncertainty. It has been driven by a number of factors, including an overdue recognition of the value of the in-store media by both advertisers and retailers, and the need by major broadcast networks to recapture eroding audiences and advertising revenue streams.

**Forecast: In-Store Media to Lead the Investment Parade**

We are expecting investments in OOH media, with emphasis on in-store media specifically, to accelerate as the economic recovery begins to take hold. While the recovery is not expected by most economists to even begin before the second half of 2009, the more serious investors may be jumping in sooner. Look for two to three purchases of OOH media by networks before the end of June 2009, especially by the networks that are strategically bound to stay ahead of the curve in regaining lost audiences.

In summarizing the investment activity for all OOH media in 2008, Peachtree Media Advisors Inc. notes there were 18 strategic acquisitions involving a change of control and 13 capital-raising transactions. This includes all OOH media, from static billboards and digital signage to transit and place-based media. The total value of mergers and acquisitions was \$556 million.

But in forecasting the investment climate for OOH media in 2009, Peachtree identifies in-store video and other place-based media, from doctors' offices to bars and resorts, spas and gyms, as being the most attractive to investors. These targeted networks build revenue streams from endemic advertisers, that is, brands and services which are relevant to the location of the screens.

One very probable and significant transaction expected during the first half of 2009 is the acquisition of Premier Retail Networks. Parent Thomson announced at the end of January 2009 its intent to divest both PRN and the 50% share of ScreenVision that Thomson holds.

Industry experts think PRN's suitors are led by CBS and NBC, but don't rule out a well-financed dark horse like Google.

### **A Dual Challenge to the Networks**

Broadcast media, both network and spot, are experiencing an erosion of their viewing audiences. This is resulting from two different challenges. The first is reduced viewing of advertising, as people increasingly view commercial-free, on-demand programming and DVDs (including the emerging HDTV Blu-Ray segment). In addition, others are viewing pre-recorded commercial programming via DVRs but with the option to fast-forward past the advertising.

The second challenge is posed by the increased fractionalization of the viewing audience, as more and more cable channels appeal to specific viewing interests, spreading the viewing audience across hundreds, soon to be thousands, of alternative channels. It is not surprising that two of the major broadcast networks, CBS and NBC, have been very active. Can ABC and FOX be far behind? CBS and NBC in recent months have conducted outright acquisitions as well as joint ventures and partnerships that enable the networks to expand OOH coverage at lower cost.

### **CBS Outernet Marches On**

It is less than 18 months since CBS propelled itself into the serious ranks of out-of-home media players with the acquisition of SignStorey, an in-store media network concentrated in supermarkets. With SignStorey coming on board, CBS established the concept of CBS Outernet as the umbrella for all OOH media. This was quickly followed in January 2008 when CBS Outernet formed a partnership with Ripple, an up-and-coming small company that had created a video network in community gathering locations.

In October 2008, CBS invested in three of its Outernet properties, with expansion of digital installations of GameStop TV in major national markets, expansion of Grocery TV's offerings with thematic content to allow advertisers to align their messages with high shopper interest subjects. CBS is now selling advertising on AutoNet TV, where it had already been a provider of content, and earlier in 2008, CBS Outernet transacted to bring digital video programming to Game Stop's 4,000 retail locations. In all, In 2007-2008 CBS established serious contention for leadership of the OOH media industry, while stopping along the way to also acquire CNET, to bolster its online presence.

### **NBC Everywhere – Cautious But Active**

NBC, while less prolific an acquirer than CBS, was actively investing in ventures that would extend its audience. NBC Everywhere was formed to cover OOH audiences and is expected to register 3 billion impressions in 2008.

Its NBC@Supermarkets service is playing a sales role in support of Premier Retail Network's supermarket-based Checkout TV Network. NBC is also partnering with IdeaCast, enabling NBC to provide programming content to 900 fitness centers nationwide. A transaction with University Network is extending NBC programming to 181

campuses. NBC has formed a strategic alliance with the FuelCast Network, with screens on gas station pumps in about 500 service stations (FuelCast merged with Boothan in 2008).

Keeping active in transportation video, NBC is also operating NBC in Taxi. Over 5,000 New York City taxis are equipped with video monitors that provide information and entertainment to passengers. NBC in Taxi is a joint venture with Clear Channel Taxi Media, which began installing the screens in 2007. This rolling network reaches over 14 million passengers monthly, and appears to have a fairly “captive” audience.

### **The Growing Appeal of In-Store Media**

Media investors – some of whom are the very broadcast networks facing the erosion – are looking closely at out-of-home media, with a particular interest towards in-store video. It’s a new type of TV, in an environment where purchase decisions are made.

While debates rage over what percentage of purchase decisions are actually made in the store, there is consensus among advertisers and retailers that at least some purchase decisions can be influenced by in-store stimuli,<sup>1</sup> and there is no more persuasive stimulus than the sound and motion of video, with its ability to demonstrate, differentiate and motivate.

### **A Super Bowl Every Week**

In-store video media is looking impressive to investors when they consider that the equivalent of the Super Bowl audience is surpassed every week by the 150 million potential viewers of the Walmart Network. Arguably these shoppers are in much more of a brand-buying mindset than the partying Super Bowl audience members.

Adding the other major retail chains with in-store video networks – supermarkets, electronics retailers, bookstores, cafes and the giant club outlets – the potential weekly audience may exceed 300 million within 1-2 years.

In net, a larger, aggregate audience, less fractionalized, being exposed to advertising for products and services in an environment where there is a close correlation between exposure to the advertising and the ability to respond to the advertising.

### **Satisfying Consumers and Retailers**

An added benefit of in-store media is that marketers advertising via this medium are collaborating with the retailers upon whom they depend, since the retailers share in the in-store media sales revenues. Retailers further benefit when incremental brand and category sales are generated.

---

<sup>1</sup> “The 70% Rule Revisited,” Platt Retail Institute’s *Quarterly Retail Analytics*, Fourth Quarter 2008.

Marketers are on to this. According to a study by the Grocery Manufacturers Association and Deloitte, in-store marketing overall will be the fastest-growing tool in the marketing arsenal. Booz & Company learned from a survey of marketing executives that nearly all plan to maintain or raise their investments in in-store media in the future. The reason for the strength of OOH media is the simple, time-tested principal of return on investment, and these returns are running above average.

### **Other Activity in 2008**

In addition to activity among the broadcast networks, the following transactions that occurred in 2008 provide further evidence of investment appeal in the OOH media industry:

- Titan Worldwide announced that it will spend \$90 million over the next 36 months rolling out digital signage networks across its bus, rail and subway portfolio, beginning with Chicago and London.
- Sports Retail Network, SeeSaw Networks, Adcentricity, Captive Media, ECast, and Channel M made smaller investments, in the \$2-\$10 million range.
- Acquisitions in the North American industry included Helius (\$31 million) by Hughes, MISC by Scala, ClubCom (\$25 million) and InSite Advertising.
- Smart One Media, a Canadian network with a young adult audience, is being courted for acquisition by Zoom Media, a U.S.-based digital signage network.
- AccentHealth was acquired by M/C Venture Partners and Banc of America Capital.
- Barfly was bought by TouchTunes Corporation, and Mason Media Networks was bought by Ariel Way.
- Traffic Comm Plus was acquired by Neo Advertising, which has had five acquisitions in the past three years. Transit Television Network came under control of IdeaCast.



Alan L. Klein is Global Insights Consultant at The Marketing Agency, where he specializes in rapid, responsive research to help advertising, retailing and media professionals think conceptually.