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# in-store digital media

How to Reestablish Retail's Role as a Mass Consumer Medium

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## EXECUTIVE SUMMARY key insights

- In North America, retailers created the first mass commercial medium – the Department Store – during the 19th century. Merchants such as Marshall Field and John Wanamaker created this medium prior to the emergence of mass-circulation newspapers, radio and outdoor advertising.
- Today the shrinking and fragmentation of the mass audience for newspapers, network TV and radio creates a big opportunity for retailers. Digital media technology has sparked an explosive growth in online shopping. North American retailers now have an opportunity to incorporate shopper-friendly digital media technologies (audio and/or video) into their stores and reclaim the historic role of the retail store as the leading mass consumer medium.
- Retail anthropologist Paco Underhill describes the retail store as a “three-dimensional TV commercial” and a “walk-in container for words and thoughts and messages and ideas.” In order to avoid confusing shoppers, Underhill notes that “Every store is a collection of zones, and you’ve got to map them out” before producing any messages for shoppers.
- When retailers bring digital media networks into their stores, they can avoid many of the early mistakes that were made with online retailing during the 1990s. Today retailers can test the waters by developing version 1.0 of their in-store networks in pilot mode at a small number of stores. These pilots can provide retailers with validation that in-store digital media networks really can engage shoppers in their stores.
- When planning an in-store digital media network, retailers should ask themselves two questions: “Why do we want a network?” and “What are our goals for the network?” To plan the network, the company should complete a comprehensive Business Planning process. Next the company needs to select the right software to control the network and recruit a competent media production house to produce audio/video content for the network. This foundation is the key to any good infrastructure; well-thought-out networks today will ROI quickly.
- Chief Marketing Officer (CMO) should own and control the messaging and branding that is delivered to shoppers on the in-store digital network. When creating the in-store media network, it is inevitable that the marketing department will find itself in conflict with other departments. These conflicts can be managed successfully if senior management understands the issues and provides effective leadership to the company and local store managers.
- In-store pilots of digital media networks work best if they last about 90 days and are staged in about ten stores located in two distinct local markets. Within each store, shoppers

need to see the network screens in three types of store zones where shoppers find themselves in a different mindset or “mode.” These are the “pass-by mode,” the “dwell-time mode” and the “interactive mode.”

- **The critical factor of any in-store digital media network – whether it’s in pilot or in a full nationwide deployment – is creating the right content that meets shoppers’ needs.** To develop that content, retailers should start by reviewing the company’s brand/style guide. Next they should work with the company’s creative agency to create a brand/style for the in-store network that dovetails with the company’s overall brand and style.

- **To evaluate the in-store pilot, retailers should recruit a research team to survey shoppers in order to learn what they think about the network and its content.** This research will address three questions: Are shoppers aware that the network exists? What do shoppers like and dislike about the network? Has the network successfully changed shoppers’ behavior in ways that meet the needs of the business?



By Bill Collins and Dorothy Allan

during the 19th century, department store retailers created the first commercial mass media.

During the middle of the 19th century, newspapers and magazines were read by only a small, literate minority. Safe, fireproof electricity in people’s homes (and therefore radio and TV) was not to be imagined.

It was at that time that the first commercial mass communications medium emerged in the rapidly growing big cities of Western Europe and North America. That new commercial mass medium was the department store.

As this new retail medium developed in the USA, department-store barons such as Marshall Field in Chicago and John Wanamaker in Philadelphia built retail palaces that communicated to the native-born and immigrant masses both the practical utility of ready-made, store-bought consumer goods and the allure and glamour of what today we might refer to as the “mass consumer culture.”

In the USA of 1880, the retailer's mass engagement with hardworking urban consumers began with the highly competitive department stores showcasing their latest and most glamorous consumer goods behind large, illuminated plate-glass windows that were visible from the crowded city streets. [1] When working people timidly entered these palatial retail emporiums, what unfolded before them, department after department and floor after floor, was intense engagement and consumer education – live and in color – with the consumer goods and with the consumer lifestyle that they rarely, if ever, witnessed in their own modest neighborhoods.

For many Americans of that day, the department store medium was experienced much like a rare window into what today we might call the “Lifestyles of the Rich and Famous.” That concept – the store itself as a communications medium – was powerful, it was engaging and it was ultimately more successful than any other communications medium deployed by retailers before or since.

enter the 20th century:

mass media expands beyond retail

By the beginning of the 20th century, the retailers' monopoly on mass consumer media via the brick-and-mortar department store had faded. As literacy increased and the technologies for printing, electric power generation and transportation matured, U.S. newspapers and magazines were transformed. These printed mass media transitioned from low-profit and often eccentric personal vehicles for political/social commentary (much like today's online blogs) prior to the Civil War into the popular, low-cost, home-delivered news-and-advertising services of 1900 that were corporate owned and highly profitable.

As these new print-media outlets emerged, the U.S. department-store barons were more than happy to leverage their new capabilities for graphically attractive, full-page advertising in order to bring more shoppers to their stores. [2] The department stores needed the newspapers and magazines to reach more customers, and the press needed the advertising revenue from the department stores. As a result of that partnership between commercial mass media and department-store retail, the American mass consumer culture began to emerge.

When the 20th century ended a few years ago, it was still the department stores, other retailers and the manufacturers whose products were sold in retail stores that were paying most of the freight for all of the mass communications media – newspapers, magazines, radio, broadcast TV, cable TV – that existed at that time. Ironically, even though it was the department stores and

other retailers who had, in effect, started this 20th century mass-media explosion and maintained it decade after decade, the ability of the retailers to influence and define this media universe located outside of their own store locations declined significantly during the course of that century.

By the end of the 20th century, the mass-media scene was no longer dominated by the leading retailers of that time, such as Federated Department Stores, Walmart, The Home Depot, Sears, Dayton-Hudson, Kmart and Best Buy. Instead, the media scene outside of the brick-and-mortar retail stores was largely controlled by highly profitable mega media corporations and advertising holding companies such as Time Warner, News Corporation, Gannett, the Walt Disney Company, GE/NBC, Omnicom and The WPP Group.

## digital technology and the “disintermediation” of mass media create a new digital media space for retailers

In our new 21st century, this high concentration of media power in the hands of the mega media corporations is clearly in flux. This change, sometimes referred to as a “disintermediation” of media power (it’s also described as just “eliminating the media middleman”), [3] is occurring partly because of the rise of consumer-friendly digital media technologies such as Internet and mobile-phone search, digital video recorders (DVRs), email spam blockers, social-networking websites and other digital innovations that consumers are using to empower themselves at the expense of conventional mass-media channels.

Many of these “disintermediation” trends are ultimately being driven by changes in U.S. family life. Today both parents of school-age children typically work outside of the home. Many young adults remain single into their 20s and 30s, older adults are living longer, and millions of employed men and women work longer than 40 hours per week while also commuting round-trip to their jobs for 60 minutes or more every working day.

In this environment, marketers are finding it increasingly difficult to reach key groups of consumers, such as young men and working mothers, through traditional media channels (newspapers, network TV, etc.). Thus, it is no mystery why marketers are embracing out-of-home media (both digital and static). It is also easy to understand why retailers and brands are investing in quality point-of-purchase (POP) advertising, colorful in-store signage and other in-store media (collectively, these in-store media are often referred to as “Shopper Marketing”) that is influencing purchasing decisions at the point of sale far more today than was the case during the “Golden Age” of network television in the 1960s and 1970s. [4]

As these social trends and media dynamics unfold, this emerging “disintermediation” of mass media is being pushed by the inexorable power of digital technology to impact every facet of human activity that it touches.

Just as digital technology has transformed such industries as banking, business communications, telecommunications, manufacturing technologies and the “back office” function of U.S. retail itself, advanced digital media technology will inevitably make its presence felt by shoppers in powerful and effective new ways at the physical point of sale, where studies suggest that about 70 percent of all purchasing decisions are made. [5] Because this change at retail is inevitable, it will occur with or without the involvement of the mega media corporations.

As this happens, the shopping experience on the floor of U.S. retail stores will change in ways that are just beginning to emerge today (see the sidebar on page 19-20: *Digital Media Network Technologies at Retail: A Short Primer*). If retailers accelerate this process by embracing digital media networks that influence consumer decisions at the point of sale, they can channel this disintermediation of mass media in ways that increase their profit margins and drive shareholder value even during the current retail downturn which started in late 2008.

## how will U.S. retailers leverage in-store digital media?

What will this 21st century disintermediation of mass media mean for retailers and for the concept of the retail store as a medium? As U.S. retailers start to host and invest in digital media networks, they will surely:

- Use digital media technology and content-creation tools to enhance the unique branded experience of their stores and differentiate them from the competition. They’ll do this by crafting sound-and-motion content that’s visible on in-store digital screens and that engages, educates and motivates shoppers to take action. This content will focus on products (especially new products), customer service and the in-store experience itself.
- Design digital media networks into the real-world social space of brick-and-mortar stores as new stores are built and existing stores are remodeled. Digital screen networks in retail stores will be successful only insofar as they complement and enhance a retailer’s proven approaches to store design and architecture, three-dimensional visual merchandising, sensory experience and colorful store signage. [6]
- Repurpose content from traditional mass media advertising that retailers and product marketers will continue to employ (although most likely at lower spending levels than today). [7] These brand messages viewed via newspapers, direct mail, magazines, TV and radio (along with the new media of the Internet and mobile media) will be reconfigured for

the in-store media networks, thus strengthening these messages wherever and whenever a consumer encounters them during the course of her day.

- Leverage their investment in all of the customer-facing digital techniques that the U.S. retail chains have embraced during the last few years. These ongoing retail innovations include online retail, database-driven shopper-loyalty programs, digital printing of store signage, Radio Frequency Identification (RFID) technology, and the promising early experiments with the mobile phone as a shopping tool.
- Micro-target many of their marketing messages to connect with hard-to-reach groups such as working mothers and young men. By micro-targeting these groups at specific times of the day and in specific parts of their stores, retailers will boost sales to those demographic/psychographic groups and create more of a cultural bond between their retail brand and those groups.
- Tap into new sources of revenue to fund these digital media network implementations. A recent study by Deloitte called *Shopper Marketing: Capturing a Shopper's Mind, Heart and Wallet* shows how brand dollars are now beginning to shift away from trade-promotion spending (in-store product sampling, buy-one-get-one-free offers, etc.) and toward various forms of in-store marketing (including in-store digital media networks). The goal here is to build brand equity for those consumer brands (as opposed to brand promotion) directly at the point of purchase. [8]

## the challenge of Walmart and the web, plus the age-old lessons from Marshall Field

As U.S. retail executives consider the implementation of in-store media networks, the two most daunting long-term challenges that they face today are Walmart and the Web. Because prices at Walmart are almost always cheaper than they are at any other store, today's brick-and-mortar retailers seldom win discounting competitions with Walmart. And because consumers find direct-to-consumer online shopping to be so convenient, [9] executives at U.S. retail chains now understand that, beyond a certain point, building new stores in more and more locations buys a diminishing amount of convenience for their shoppers.

Because Walmart and online shopping are two of the key challenges that U.S. retail executives face today, retail leaders will embrace in-store digital media networks and develop strategies for them only when they feel confident that the networks can influence shoppers' behavior by:

- First, attracting their attention,
- Second, by educating and engaging shoppers regarding new products and services, and

- Third, by moving shoppers to action that results in sales, customer satisfaction and repeat store visits.

Retailers need to understand that they are no longer in the business of simply selling products; they are now in a business of theatrics. They must leverage their space to provide the best experience and the most relevant products for their customers, making their stores a unique experience and highly “shoppable” for their clientele with the right assortment of merchandise based on segmentation.

As Marshall Field is credited as saying in his heyday, good retail practice can be summarized in two simple statements. The first statement is “Give the lady what she wants” and the second statement is “The customer is always right.” [10] When in-store digital media networks enable modern shoppers to feel that they are being treated right and getting exactly what they want, then this new technology and new-media content will integrate itself seamlessly into the retail landscape.

## successful networks: it’s a matter of good planning

U.S. retailers cannot and will not develop world-class digital media for their brick-and-mortar stores “on the fly.” Just as American retailers needed planning and good project management to build profitable online retail sites and to develop effective logistics/supply chain infrastructures, they’ll need to incubate their in-store media networks with a similar degree of effective project management and attention to detail. Yes, good planning and good leadership alone do not guarantee success, but poor planning and ineffective leadership will surely guarantee failure of any digital media project. [11]

It’s easy to understand why, in the early days of online retail, many U.S. retailers made the same planning mistakes that many are making now in 2009 with their in-store screen media networks. During the 1990s, retail executives had no way of knowing whether online retail was a fad doomed to fizzle or whether it would emerge as an essential touchpoint to strengthen the relationship between stores and shoppers. As a new breed of online direct-selling retail websites gained traction in the 1990s – led by Amazon.com and eBay, which were not started by brick-and-mortar retailers – U.S. retailers in many sectors came to understand that the future of their brick-and-mortar retail stores was at risk. To quarantine that risk, retailers began to step up their online retail sites by assigning some of their best talent to enhance their online storefronts. Today, with the advent of in-store digital media networks, retailers are facing

challenges that parallel the ones they faced with online retailing during the 1990s. We see two trends emerging that could challenge retailers' ability to tap into the potential of in-store digital media and defend their profit margins.

1) More and more brands – i.e., Sony, Apple, Nike, Dell, Target and the mobile-phone service providers – understand the power of directly controlling their brand message to the consumer at the point of sale. To exercise this control, they are either operating their own retail stores or selling mostly direct and/or online. Because these brands are often both digital media savvy and tech savvy, we can assume that they will embrace in-store digital media (Nike and several of the mobile-phone service providers such as Verizon Wireless have already done so in their company-owned stores) as part of their strategy to capture margin that would otherwise shift back to the brick-and-mortar retailers. In effect, these brands are trying in their own way to “disintermediate” the retail “middlemen” who own and operate brick-and-mortar retail stores in the U.S.

2) Major consumer-product brands are shifting money out of TV and other traditional media advertising. [12] Although these brands feel compelled to shift money out of TV and other traditional media for all the obvious reasons (again, they understand the disintermediation of mass media just as retailers do), many brand managers are still not completely satisfied with the results that they have achieved to date by advertising on some of the large third-party, in-store digital media networks that operate on models inspired by network and cable TV. [13]

As a result, some brands are beginning to show increasing interest in starting their own interactive kiosk networks or other digital media networks in retail stores. Of course, if some brands decide to deploy their own in-store networks, U.S. retailers will have the option of assessing co-op fees back to the brands for the use of their real estate. However, the larger question here is whether it's wise for retailers to cede too much control of their in-store environments and thus undermine their margins over the long run by handing over control of in-store digital media networks to third-party media companies and to consumer-product brands.

It's important to remind ourselves again that it was pioneer American retailers such as John Wanamaker and Marshall Field – not third-party media companies – that created the department store as the first mass communications medium. Here in the 21st century, the issue is not whether retailers should be media owners. They are media owners and have been media owners ever since they invented the department store during the 19th century. The pertinent question today is whether U.S. retailers will extend their existing ownership and creative

control of in-store media (point-of-purchase advertising, visual merchandising, store design, and in-store signage) to embrace digital media technology. This paper argues that they can and should embrace in-store digital media networks for solid business reasons [14] and offers some practical advice on strategic planning and implementation.

## the point-of-purchase industry opens the door for all in-store media

In his book, *Why We Buy: The Science of Shopping*, the leading retail research professional, Paco Underhill, explains exactly when and how U.S. retail stores began to reemerge by the turn of the 21st century as a powerful mass medium. Writing in 2000, Underhill attributes this reemergence of the store as a mass communications medium to the rise of the modern point-of-purchase (POP) industry, which today is often described as a key part of what is sometimes called the “shopper marketing” or “in-store marketing” industries. Underhill writes:

*From supermarkets and drugstores to home centers and auto showrooms ... POP ... has come a long way in a short time. POP materials have existed since forever, of course, going back to the first cigar-store Indian or the red-and-white striped barbershop pole. But since the early 1980s, POP has really become a player, and now commands a seat at the selling table right next to marketing's.*

*Until then ... merchandising was the stepchild of the marketing trade. The marketing geniuses called all the shots for how a product would be presented to the world, and the boys in merchandising were left to work out the petty details of how it would work at the retail level – the in-store signage and displays.*

*Then, the two sides began to change places. Suddenly, retailing realized that to a growing extent, shoppers were making their buying decisions on the floor of the store. ... Surveys showed that more than half of all supermarket purchases were unplanned.*

*And, all this happened as marketing's influence was coming down from its peak – the monolithic TV networks gave way to many viewing options and consumer devotion to brand name yielded to a more skeptical, independent-minded shopper. That all added up to more dependence on merchandising, which led the industry to grow from a \$5-billion-a-year pushcart to a \$25-billion-a-year roller coaster almost overnight. [15]*

As retailers begin to plan their in-store digital media networks, it's useful to read how the retail anthropologist Underhill describes the purpose, function and planning of the mass communication media that is embedded in every retail store. In *Why We Buy*, he describes the retail store as a “three-dimensional TV commercial” and a “walk-in container for words and thoughts and messages and ideas.” Continuing his store-as-media-container metaphor, Underhill writes,

*People step inside this container, and it's telling them things. If everything's working right, the things they are told grab their attention and induce them to look and shop and buy and maybe return another day to shop and buy some more.*

*They are told what they might buy, and where it is kept and why they might buy it. They're told what the merchandise can do for them and when and how it can do it.*

*And just as if scripting and directing a TV commercial, the job is to figure out what to say and when and how to say it.*

*First, you have to get your audience's attention. Once you've done that, you have to present your message in a clear, logical fashion – the beginning, then the middle, and then the ending. You have to deliver the information the way people absorb it: a bit at a time, a layer at a time, and in the proper sequence. If you don't get their attention first, nothing that follows will register. If you tell too much too soon, you'll overload them and they'll give up. If you confuse them, they'll ignore the message altogether. [16]*

## every store is a collection of zones where in-store media serves a distinct purpose

In order to produce in-store messages that don't confuse shoppers or overload them, Underhill explains how “every store is a collection of zones, and you've got to map them out” before producing any messages for consumers who find themselves standing and browsing in those in-store zones. In *Why We Buy*, Underhill recommends that retailers:

*Get up and walk around [the store], asking yourself with every step: What will shoppers be doing here? How about here? Where will their eyes be focused when they stand here? And what will they be thinking about over there?*

*In this zone, people will be walking fast, so a message has to be short and punchy – arresting. Over there, they'll be browsing around, so you can deliver a little more detail. In this area they'll be thinking about – oh, let's say we're standing near the motor oil shelf – so they'll be thinking about their cars. So*

*maybe it's a good opportunity to tell them something about replacement windshield wipers.*

*Over here by the registers they will be standing still for a minute and a half, a perfect window for a longer message. And then they'll be on their way out of the store, but you can use the exit path to give them a thought for the road. [17]*

Embracing the concept that retail stores are, in effect, a “walk-in container” that functions like a “three-dimensional TV commercial,” [18] it is easy to see that during the next 10-15 years, in-store digital media networks will strengthen this notion that the retail store is indeed a mass communications medium.

Now that we've established that U.S. retailers *should* develop in-store digital media networks, [19] we'll turn our attention to the question of *how* retailers can plan and implement networks that will successfully engage shoppers at the point of purchase.

## fast-forward the development of your network with an in-store pilot at a few locations

When today's U.S. retailers plan and implement version 1.0 of their in-store digital media networks, they enjoy advantages now that they did not enjoy ten years ago in the early days of online retailing.

With online retailing, a retailer's freshman mistakes were painfully apparent to any of their customers coast to coast who had access to the World Wide Web. Today retailers can test the waters of in-store digital media on a local basis, by developing version 1.0 of their in-store digital media networks in pilot mode at a small number of stores in just one or two local markets. By taking this local-pilot approach, a successful retail chain can, in effect, fast-forward the development of the new in-store medium by tweaking it in pilot mode much more rapidly and cheaply than it would take to modify the network during a full-scale rollout.

This careful approach can ensure that the in-store digital network enhances the unique and attractive store experience that the retailer has worked so hard to create for its shoppers. It can also ensure that the new digital media network located in the brick-and-mortar store will leverage key consumer insights that the retailer has gained from online retailing during the last 8-10 years. [20] This planning process can be achieved by:

- First, defining “success” for the in-store network,

- Then planning version 1.0 of the network in-house before the pilot network becomes visible to consumers in the stores,
- Next, piloting the network in a small number of store locations,
- Wrapping solid consumer research around the pilot test,
- Then leveraging the insights from the pilot to make adjustments to the network plan,
- Rolling out version 1.0 of the network nationally across the entire retail chain only when the value proposition of the network has been proven clearly to shoppers, store executives and perhaps (if applicable) to the brands that will advertise on the in-store network, and
- Finally, repeating this step-by-step process improvement, as needed, in order to change or fine-tune the network over time.

## the pilot and pre-pilot planning

When retailers decide to develop an in-store digital media network, the first question they face is not *whether* to pilot-test a network, but *how* they should pilot the network. In their book, *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media*, in-store digital media consultants Laura Davis-Taylor and Adrian Weidmann suggest that retailers complete two distinct process steps before any consumer (or competitor) sees the digital media pilot in store. [21] After those two internal process steps – which the consultants call **Discovery** (Phase 1) and **Business Planning** (Phase 2) – are completed, they urge retailers to leverage their learnings from Phase 1 and Phase 2 for some additional planning before they purchase the hardware and services from vendors that will be deployed in the in-store pilot. Davis-Taylor and Weidmann define **Discovery** and **Business Planning** as follows:

- 1) **Discovery** is a process to help retail executives answer two questions:
  - Why do they want to produce an in-store digital media network, and
  - What are their goals for the network?

During this Discovery process, the retailer’s in-store digital media project team should meet with every department or group of employees within the company that can potentially benefit from the project or be affected by it. These would include Marketing, Retail Merchandising, Visual Merchandising, Store Operations, IT, Human Resources (to assess the potential of the network to boost employee training), Store Design/Construction and Research.

As Davis-Taylor and Weidmann describe it, these meetings will provide the project team with information that allows them to write a project brief for the in-store digital media network. This project brief should articulate both the retailer’s company-wide goals for the network as well as the business case for the network from the perspective of each

department or group of employees that will be impacted by the network or can contribute ideas to make it successful.

In answering the question “What are the company’s goals for the in-store digital media network,” the project team will need to consider such questions as the following: [22]

- Is the network primarily designed to create excitement in-store and enhance the brand?
- Does the company want to create advertising revenue from the network?
- Will the network be expected to boost same-store sales in general or perhaps boost sales in specific departments?
- Is staff training a goal for the network?

2) **Business Planning** is a process that Davis-Taylor and Weidmann say can be completed in no less than 8-12 weeks. Working from the project brief that is created during the Phase 1 Discovery process, Davis-Taylor and Weidmann suggest that the project team develop an initial strategy for the network that answers more detailed questions such as the following:

- What is the creative brand strategy for this new medium?
- How does this creative brand strategy fit with the retailer’s outside-store and inside-store creative?
- How will the in-store network integrate with the retailer’s media and promotional calendar?
- What will a successful in-store digital media network look like, and how will the retailer measure the success or failure of the network?
- What will the network’s typical content loop or screen creative look like?
- How much money should the retailer pay for this screen creative on a per-spot and per-second basis?
- Based on requirements, what will this network cost?
- How will the network make money, and how will it be evaluated?
- How many channels will be deployed, and in which store zones will the network be deployed?

After the project team assimilates the knowledge gained from the Business Planning process, the next mission for the team is to address a key set of practical planning issues before the in-store pilot is implemented (Davis-Taylor and Weidmann describe this Phase 3 as the **Activation** process). Before reviewing this Phase 3 process, it’s important to emphasize here that two issues – the **selection of the control software** that will drive the digital media network and the **recruitment of a competent media-production house** that can implement the network’s creative strategy – can make or break the network for years to come.

Remember that selecting the control software is not a business-as-usual technical decision that should be farmed out to the IT department. At a point 3-5 years in the future, even the

robust software functionality identified during the Business Planning process could be tapped out if the project team selects an inferior software product. As the in-store digital media network proves its value to the retailer in the coming years, the software that controls this network needs to have the ability to be upgraded and enhanced seamlessly without disrupting the ongoing operation of that network.

Another point to remember here is that screen media content at retail never works effectively if it is driven by DVD players. Some retail managers will diligently manage the DVD players in their stores, but many won't. In-store digital media networks are a corporate responsibility because they help define the retailer's brand. That's why the screen media must be controlled centrally, and why powerful, reliable control software is critical for the success of those networks.

Davis-Taylor and Weidmann describe this Phase 3 [Activation](#) process as follows (for this White Paper, we have slightly amended their written description of this Activation process in order to provide more details):

- Define the processes and workflows that the company will use for the pilot and the eventual full-scale rollout,
- Develop a budget for the project that reflects those processes and workflows,
- Create specifications (for hardware, software, creative content and consumer research) that will guide vendor selection,
- Select and manage those vendors,
- Create content and programming for the pilot (working here with the content house that is selected during the vendor selection process),
- Design the consumer research for the pilot (working here with the consumer-research vendor that is selected during the vendor selection process),
- Complete the site surveys and site selection for the in-store screens and audio equipment,
- Install and test the in-store hardware and software to be used in the pilot, and
- Switch on the pilot network in the stores and begin the consumer research to evaluate its effectiveness.

## the project team: learn as you go, heuristically

To create this new medium, the retailer's project team will need to continuously mine the significant internal knowledge and shopper insights that are fixed in the minds of their fellow employees. To mine this retail intelligence, management will need to recruit experienced, retail-savvy staff people for the project team and give the team sufficient time and authority

to create the in-store media network in the type of structured, iterative way that has been described here. However, to supplement and accelerate this careful, structured approach – an approach that is similar to the Six Sigma techniques for process improvement that U.S. retailers are starting to adopt [23] – the team will also need to work in a heuristic manner for the duration of the project. A heuristic process is defined as:

*“a method to help solve a problem, commonly informal. It is particularly used for a method that often rapidly leads to a solution that is usually reasonably close to the best possible answer. Heuristics are ‘rules of thumb,’ educated guesses, intuitive judgments or simply common sense.” [24]*

By working in a heuristic manner, the project team members will bounce ideas off each other and learn as they go while also tapping into the many creative ideas that they glean from their fellow employees (including sales associates). The results of a structured project management approach, coupled with intense information sharing, will allow the team to fast-forward the development of both the network pilot and the nationwide rollout to follow. In the end, the retailer will create a new digital medium in-store that enhances the retail store’s role as a commercial mass medium as it was originally crafted in the 19th century by department store barons such as Marshall Field and John Wanamaker.

## the medium delivers the message, and the chief marketing officer owns that message

Before management appoints the project team, the CEO needs to communicate to the entire company that the Chief Marketing Officer (CMO) will own and control the messaging and branding that is delivered to the shoppers. To enforce this ownership, the CEO and CMO need to collaborate on the appointment of a senior staff person from the marketing department to chair and lead the project team.

Beyond the marketing department, the project team will need to include representatives from departments such as Merchandising, Store Operations and IT. Davis-Taylor and Weidmann suggest that the team also include, when possible, representatives from other departments such as Visual Merchandising, Store Design/Construction, Research, Legal, and Strategic Procurement (during the vendor selection process). [25] Selecting the members of the project team is relatively easy. The hard work starts when the project team pushes the various departments within the company, as well as outside agencies, to collaborate closely across the usual bailiwicks.

In retail, it's important to remember that a wide variety of professional disciplines – Buying, Logistics, Store Operations, Merchandising, Marketing, Finance, IT, Legal, Design/Construction, etc. – are hired on to make the corporation successful. Because the skills and experience of the people working in these various departments are so different and distinct, they may not be in the habit of collaborating across departments to the degree that is required to build a successful in-store digital media network.

## conflicts are inevitable, and they can teach important lessons

When creating an in-store digital media network, conflicts arising out of this retail culture are inevitable, but they can be managed successfully if senior management understands the issues and provides effective leadership to the project team and local store management. Below are some potential conflicts to watch out for and learn from:

- Store associates work full-time on the floor of the store. So, for them, the store is not a retail experience. It is a workplace. During the pilot and later during the full-scale rollout, it's important for the project team to listen to store associates when they have feedback and ideas about the audio volume of the network, the repetitive nature of the on-screen content or any other issue that degrades their working conditions and disrupts their ability to provide shoppers with good customer service. Store associates can and often do benefit from these networks, especially when the in-store digital media educates them about the products and services sold in the stores. Therefore, the project team should solicit creative ideas from store associates and shoppers, never allowing them to feel that they are being bombarded with sound and visual images that could actually undermine the store experience and create staff turnover.
- For an in-store digital media network, the Marketing department's role is bigger and broader – day in and day out for many years to come – than is usually the case for projects that are executed inside the brick-and-mortar store. As the pilot network is activated and later when the network is implemented across the retail chain, Store Operations will control the installation of the hardware infrastructure (i.e., placing the servers, deciding where the electrical drops can be done safely, etc.). However, because this is a communications medium and not an HVAC unit or a set of light fixtures, Store Operations should not be allowed to place the digital media screens in locations that are most convenient for them. These are strategic decisions, and Marketing should ultimately make those decisions with input from Store Operations. Plus, as the research and ongoing data-gathering built into the network redefine the in-store digital medium over time, Marketing will be continually experimenting with different screen placements, new display hardware, different types of audio speakers, etc. – again with appropriate input from Store Operations.

- Because an in-store digital media network is a new and unfamiliar medium, the Marketing department – as the lead department – will inevitably become the depository within the company where insights about in-store digital media are harvested and siloed to give the retailer a competitive advantage. Because Marketing will lead the new in-store medium, this will ruffle the feathers of the advertising agency people who are normally empowered to lead much of the retailer’s media planning and execution work.
- The IT department will probably be assigned much of the responsibility to monitor and maintain the in-store digital media network on an ongoing basis. However, the creation and design of this audiovisual and information-technology system will be the responsibility of the project team, which is, in turn, led by the Marketing department. Here it’s important to note again that the IT department should not be allowed to make a unilateral decision about which brand of control software will be selected for the network. Also, the IT department should not be allowed to make a decision about which type of digital asset management (DAM) software will be utilized to efficiently catalog the company’s content/creative assets. Once again, these decisions about the command-and-control software that will schedule and drive network content require thoughtful consideration by the entire project team. The success of the network depends on it.

## the pilot: try it in ten stores, in two local markets, for 90 days

There is no magic formula to make a pilot of an in-store digital media network effective or successful. However, experience gained over the last several years suggests that pilots work well if they are staged in about ten stores over approximately 90 days in two local markets. This is because:

- Two local markets provide broader feedback than just one. If the network is tested in only one metro area, then local economic conditions, weather or local advertising and promotions on TV, radio and the newspapers might bias the response to the pilot. Also, if the pilot is staged in three or more locations, the travel required to monitor the pilot can become a burden to the project team and its vendor partners.
- Staging the pilot at multiple store locations within each metro market allows consumers to see the network at stores within the same local market that have different demographic/psychographic profiles. This variety among the store locations boosts the accuracy and confidence level of the consumer research that will gauge the consumer reaction to the network pilot.
- A 90-day term for the pilot covers one typical sales season. This allows for seasonal merchandise changes and the inevitable vagaries of the weather, which can impact store traffic. Beyond 90 days, a network pilot can begin to feel stale. Also, the research team is not likely to gain any additional insights if the pilot is extended another 30 or 60 days beyond the 90-day term.

# Digital Media Network Technologies at Retail: A Short Primer for Retailers

Below is a short list of in-store digital media network technologies that are now in play for retailers. The most developed and prominent of the technologies listed here are for Digital Signage Networks. During the next few years, as these in-store technologies become more sophisticated, retailers will be integrating these and other technologies into their stores to enhance the shopping experience.

In-Store Display Technology	Current Technology in Play Today	Future Promise
<h2>Digital Signage Networks</h2>	<p><b>Digital Signage Networks</b> are the most common in-store digital media network technology being implemented in stores today.</p> <p>They are comprised of sound-and-motion content that is visible to shoppers on electronic screens (typically LCD or plasma), both large and small.</p> <p>The most powerful capability of <b>Digital Signage Networks</b> is their ability to target messages to shoppers at exact locations in the store (aisle by aisle, department by department) and at exact times of the day.</p>	<ul style="list-style-type: none"> <li>• Interactivity with <b>Digital Signage Networks</b> will allow shoppers to gather information of their choosing.</li> <li>• Real-time results measurement will track shoppers' engagement with the screens and collate those results with electronic point-of-sale (EPOS) data. This will empower retailers to know what <b>Digital Signage</b> content works best to stimulate sales.</li> <li>• <b>Digital Signage Networks</b> will contain digital intelligence to recognize individual shoppers (assuming that this shopper provides appropriate permissions to the retailer). This will allow the networks to deliver customized offers and information to individual shoppers based on their stated preferences and/or buying patterns.</li> </ul>
<h2>Interactive Suggestive Selling on Networked Kiosks</h2>	<p><b>Interactive Suggestive Selling</b> is particularly effective for grocery, home furnishings and other product/service sectors where shoppers buy multiple products that complement one another.</p> <p>To date, the best examples of <b>Interactive Suggestive Selling</b> are at supermarkets where a shopper can, for example, scan a turkey at a kiosk station and receive on-screen info. Then the shopper can print a recipe showing how to cook that turkey, along with a grocery list of other products and supplies needed to cook with that recipe.</p>	<p>As retailers integrate databases for their various in-store digital-media technologies, <b>Interactive Suggestive Selling</b> may occur via <b>Digital Signage Networks</b>, via <b>Personal Interactive Devices</b>, via <b>Mobile Phones</b>, etc., depending on the preferences expressed to the retailer by individual shoppers.</p>
<h2>Personal Interactive Devices Attached to Shopping Carts</h2>	<p><b>Personal Interactive Devices</b>, which are provided to shoppers as they enter the store, attach to shopping carts, displaying on screen a shopper's personal savings coupons and shopping history aisle by aisle. This makes it easy for a shopper to locate the products she wants and navigate the store efficiently. It also allows a shopper to keep a running total of her purchases, and scan and bag items as she shops for quick checkout</p>	<ul style="list-style-type: none"> <li>• This <b>Personal Interactive Device</b> technology will be tied in with <b>Digital Signage Networks</b> to facilitate personal content on the Digital Signage screens.</li> <li>• This interface with <b>Digital Signage</b> technology will happen as/when the Digital Signage and other in-store devices are equipped with wireless intelligence that recognizes the <b>Personal Interactive Device</b> and thus, the shopper herself.</li> </ul>

## Digital Media Network Technologies at Retail: A Short Primer for Retailers

In-Store Display Technology	Current Technology in Play Today	Future Promise
<b>Virtual Sales Associates</b>	<p>Similar in concept to videoconferencing, a <b>Virtual Sales Associate</b> is a product expert who resides off-site, but assists shoppers in real time as the shopper shops the store.</p> <p>A shopper accesses a <b>Virtual Sales Associate</b> by approaching an interactive kiosk that connects her, via a teleconference screen, to that <b>Virtual Sales Associate</b>. Because virtual associates specialize in particular product types, retailers will employ different virtual associates to serve different parts of their stores.</p> <p>The <b>Virtual Sales Associate</b> can present product information, photos, or other graphical or text information to the shopper to assist her as she makes product/services selections in the store.</p>	<ul style="list-style-type: none"><li>• This technology allows a retailer to develop sales experts off-site who can service many stores.</li><li>• It promises to improve customer service, enabling retailers to provide shoppers with the same depth of information on products and services that they have come to expect online.</li><li>• In the future, data from a shopper's interactions with the <b>Virtual Sales Associates</b> (assuming this shopper provides appropriate permissions to the retailer) will become part of the digital-media database that allows <b>Digital Signage</b> and other in-store networks to offer shoppers content that is customized for them.</li></ul>
<b>Interactivity via Mobile Phones: Payment, search, and control of other in-store media.</b>	<p>Today, a swipe of a shopper's <b>Mobile Phone</b> can be used in some retail locations to pay for goods (a virtual credit card, if you will).</p> <p>Also, technology is now being deployed which allows shoppers to dial a local number and take direct control of a Digital Signage screen. In this situation, a shopper punches 1, 2, 3, etc. on her phone – similar to corporate voice mail systems — to select among various content options that are presented to her on-screen.</p>	<p>In their book on in-store digital media, <i>Lighting Up the Aisle</i>, consultants Laura Davis-Taylor and Adrian Weidmann write, "Not only can mobile ... be used to quickly follow through on promotional calls-to-action, but ... [also] for virtual rain checks, instant coupons [and] social networking ... One of the more exciting applications is ... 'local search,' where a shopper can text in a [mobile phone text message] to download promotional offers. . . . Even better, users can dig into the product promos [using mobile phones] to check price and store availability." [26]</p>

## test the network's content in pass-by mode, dwell-time mode and interactive mode

Pilot networks need to be deployed, if possible, in at least three types of store zones where shoppers find themselves in a different mode or frame of mind. Those shopping modes are sometimes referred to as the:

- **Pass-by mode**, where a shopper might be walking down a main, wide aisle that allows her to move quickly from the front of the store to the rear of the store. Because this shopper is moving, she is open to way-finding messages that draw her into various departments.
- **Dwell-time mode** or pause mode, examples of which are the checkout line at a pharmacy or the produce department of a supermarket, and
- **Interactive mode**, another type of pause mode where a shopper would see the value of pausing to interact with an interactive kiosk. Examples of this interactive mode are the wine/spirits section of the supermarket, the self-service photo-printing section of a pharmacy or the games section of an electronics store.

The media content shown on the network will, of course, vary dramatically across the store, even when shoppers find themselves in a similar shopping mode. Obviously, if a 39-year-old working mother passes by a children's clothing department in pass-by mode, she might be attracted by imagery fashioned around style, color and fit. On the opposite side of the store, a 25-year-old single man walking past the electronics department – also in pass-by mode – would respond to a very different kind of visual and auditory stimulus. So, if the pilot budget allows it, a retailer should test out the network not just in three locations, but in all of the store locations where the project team needs to validate the network in the pursuit of the project goals that they identified during the Phase 1 Discovery process.

## creating content: it's the heart of the network pilot

Like much of the organizational work described in this White Paper, crafting content for the network screens during the in-store pilot is a careful, structured, step-by-step process. It starts with a review of the retailer's brand/style guide, continues with a review of the shopper segments they will be addressing and an understanding of where the message will be displayed in-store, and it ends with the pilot content being screened in the test stores when the pilot is switched on. Additionally, they should review the findings of three key studies released in 2007: Pioneering Research for an In-Store Metric (PRISM) by The Nielsen Company, Marketing at Retail Initiative (MARI) by Point-of-Purchase Advertising International, [27] and Shoppability by Dr. Ray Burke and Dr Neil Morgan of the Kelly School of Business, sponsored by TracyLocke.

Above all else, remember that the sound-and-motion content shown on an in-store digital media network should never look like a 30-second TV spot. The MARI study revealed a tremendous amount of information, but two facts that stand out as relating to in-store behavior are: 1) they determined that the pace of shopping in a typical grocery store (using Dominick's as their test store) is roughly 582 feet in just over 19 minutes, 30 feet a minute or 1/2 foot per second. Because people see this content inside the store and not while passively watching TV at home, the content shown on these in-store screens needs to move quickly.

A typical brand has 3 to 5 seconds to communicate its point. Put this in the context of shooting an actual commercial. A video house will exhaust 35 frames a second to capture full motion. Your message has no more than 175 frames to tell your story; that is 1/10th of a typical thirty-second spot. Depending on the objective of the spot, the content should drive home a clear branding message or a strong call to action, or communicate an outstanding relevant value over and over again during the entire time that the consumer can view the message on screen.

The second MARI finding identified that moving people read static messages, and static people read moving messages. This is why it is so important to understand the zones discussed earlier in this paper. An example of how this might play out in-store is to consider a screen over a particular category. In this example, we will use candy. If the objective is to drive shoppers to the candy aisle, the best message might be a static logo that provides illuminated direction.

Architecture 101 will tell you that people look up for direction, and horizontally and down for information. In testing, you may find that a static offer, depending on the objective, has a higher return than the best moving message you can design. Keep in mind that the reason retailers have instituted clean store policies is to remove clutter from the shopper's perspective. Digital Signage can be seen as clutter too, so the principle here is less is more. Be targeted. Know who you are talking to. You can't communicate all things to all shopper segments. It won't be relevant, and retailers are not interested in a one-size-fits-all messaging strategy today.

This content-creation process in pilot is also heuristic, in ways that we discussed earlier in this White Paper, because it also involves some of the same types of "rules of thumb, educated guesses, intuitive judgments or simply common sense" that represent the collective retail intelligence of the company. Keep in mind, however, that a good content partner will already have a process of aligning the key constituents and will leave little to second guessing and judgment calls. They should be able to guide you in identifying insights into barriers and drivers at the shopper level within a particular retailer and to create messaging that can either hurdle the barriers or leverage the drivers. More important, it isn't about selling creative to your partners; it's about presenting insights and the best way to leverage the collective learning that adds

value to the shopper. Again, it's important to remember that this collective retail intelligence resides in the minds of the project team and their fellow employees who the team has been dialoging with throughout the project. Tapping this retail intelligence, and tapping into additional consumer knowledge during the pilot via the research process, is what will ensure the success of the network in less time than many retail executives expect.

When creating this sound-and-motion content for the network pilot, it's important to remember that:

- Content on the network will always focus on one of three things:
  - Products/services (i.e., Marshall Field's mantra, "Give the lady what she wants."),
  - Customer service (i.e., "The customer is always right," as either Mr. Field or his associate Harry G. Selfridge first said), and
  - Enhancing the overall customer experience (This can include entertainment, information or whatever other types of creative content would please shoppers.).
- These types of in-store networks are new. Therefore, retailers do not have in their possession a reservoir of canned screen-media content that is ready for them to screen in-store. Yes, the retailer has paid good money for TV commercials, but TV content is not created with the in-store shopper in mind. Creating suitable content for these networks is an upfront cost that needs to be budgeted for. Plus, retailers need to understand that the job of repurposing existing media content (including newspaper ads, POP, TV and radio spots) will be much easier if the company invests in a digital asset management (DAM) system for the cataloging and easy retrieval of the media content that the company has already paid for.
- Because we are working in a new medium and most U.S. creative agencies have little or no experience with sound-and-motion content that consumers view in-store, the retailer's project team should handle the company's incumbent media/advertising agency with care. When a retailer's incumbent creative agency produces effective newspapers ads, newspaper inserts, radio and TV spots, direct mail, etc., this occurs because that agency has developed over time a solid understanding of the retailer's brand and business. However, despite this considerable strength that an experienced incumbent agency brings to the table, a retailer should think long and hard before awarding in-store digital media creative work to its incumbent agency unless that agency has developed specific expertise in the creation of sound-and-motion content for in-store screen media networks. Designing for print vs. web (vs. interactive, vs. digital) is different, and although the principles of good design apply across the board, how shoppers and consumers read or perceive information is entirely different, and understanding the difference is a key to success. A study by Smart Revenue revealed that consumers look for brand, price and attribute messaging; shoppers, on the other hand, look for attributes, price and brand. You are dealing with a different mind-set, and brand aspiration messaging in-store does not align with the shopper's hierarchy of choice. [28]

If the incumbent agency does not have this requisite experience in the creation of in-store digital media messaging, the retailer's Marketing department will need to either recruit another creative agency that understands this new in-store medium or develop an in-house creative team within the Marketing department that will handle the creative for the in-store digital media network for at least 1-2 years.

## creating content for the pilot: a step-by-step guide for the creative team

When the creative team assigned to the network starts to create media content for the network pilot, the first thing it should do is review the retailer's brand/style guide. The brand/style guide will specify which colors and fonts should communicate the retailer's brand and what voice and attitude that brand allows for all the company's consumer messaging. Next, the creative team needs to coordinate closely with the company's existing creative agency of record on the various technology issues (i.e., screen resolutions, color calibration data rates, in-store lighting and screen locations) that will impact the fidelity of content that will be shown in-store on the LCD screens and plasma screens or via projection technology.

With this information, the creative team can begin to develop a style guide for the in-store digital media network. This will, in effect, create a brand for the in-store digital media network that dovetails with the store brand. If the team finds that the colors that work effectively for the brand in print or online don't appear crisp enough on the in-store screens, they'll need to identify and specify appropriate substitute colors that also fall under the brand umbrella.

After the color and technology issues are sorted out, the creative team should develop some initial sample content for the network in MPEG1, MPEG2, MPEG4, JPEG, GIF or whatever industry-standard software formats work best with the network's control software. Next, the creative team should show this initial sample content to the project team and to other stakeholders (for example, the company that produces the control software and the consumer research team) in order to get feedback from them to tweak the content at this early stage. At this point, the project team should take the sample content through a "test drive" exercise by driving it, via the control software, to the hardware (LCD, plasma, projection, etc.) in such a way that it simulates in-store conditions as much as possible. This exercise is often done in a conference room and is sometimes referred to as the "conference room pilot."

Before taking this content into the store for a controlled test with consumers, it's important here to stop and remember that the pilot will look very different inside the stores than it looks

during the conference room pilot. If the content looks a bit intense in the conference room, it may look really frenetic and bombastic inside the store where shoppers are making buying decisions.

At this point, if a few adjustments need to be made based on this frenetic/bombastic test, the creative team should take the time to revise the content as needed before any consumer sees it in-store.

The next-to-last step in this process is consumer-testing the network content inside the store in a controlled environment. To do this, it is not necessary to install all of the hardware and software that has been specified for the pilot. Technically, what's needed here is a simulation of the in-store digital media network in enough store locations and technical configurations so that it looks credible to a cross-section of the store's shoppers who are recruited and paid cash to participate in this research.

This controlled consumer testing, which will be led by a research group that the project team has recruited for the pilot, can be done in just one or two local stores early in the morning (before the stores open or, if one of the stores is open 24/7, before that store becomes crowded). During the controlled consumer test, the shoppers are shown a representative sample of the network content and asked for their opinion about the look and feel of the content and the "ease of use" issues re: the interactive screens.

After the controlled consumer test of the network content, the creative team will wait for the consumer research team to compile its results and then modify the content to reflect the input gained from consumers during the controlled in-store test. Then this last edited version of the content will be ready to show consumers in-store during the 90-day pilot.

## when the pilot goes live, shopper research for the network is job #1

During the 90 days of the pilot, the project team's work moves into the field in what we'll call a "PR, maintenance and evaluation" mode. In this mode, the project team:

- Continues its friendly relations (PR) with local store management to make sure that the pilot is understood by store employees and disrupts their work in the stores as little as possible,
- Stays in close touch with the technology maintenance team that keeps the digital media technology running smoothly in the stores, and

- Visits the pilot stores regularly to observe and sometimes directly participate in the shopper research that is evaluating the pilot.

Maintaining good PR with local store management and employees should be a fairly straightforward exercise, assuming that the team has cultivated these relationships before the pilot goes into the field. Tracking the technology maintenance team (this maintenance crew usually works with or for the software vendor whose software controls the network) should be manageable enough if the project team has chosen a reputable technology partner.

The shopper research is a different matter. The field research work conducted at the pilot store sites – i.e., interviews with shoppers, evaluations of the sales receipts in test and control stores, and perhaps electronically tracking of shoppers while they shop – will identify and quantify the successes and shortcomings of the network pilot. Insights derived from this research will guide the project team as it enhances the in-store digital media network in preparation for the nationwide rollout to follow.

Below are some suggestions about how to select a research organization that can provide the project team with the kind of solid insights that it needs to move the network forward through the pilot and rollout phases.

- This research organization needs to bring two key competencies to the project: the most effective research methodologies used today in shopper research and an understanding of the unique nature of digital media networks that are being deployed today in retail stores and in other out-of-home venues.
- Management may decide to assign the company's in-house research team to this project. However, chances are that the in-house team will not have much experience with in-store digital media. Also, most retailers' in-house research teams don't have enough staff or resources to properly plan and execute research of this type.
- If management allows the project team to recruit an outside research organization, the project team should recruit an organization that – like the content-creation team that we discussed earlier in this White Paper – understands in-store digital media through many years in the field.
- The biggest names in media research are Nielsen and Arbitron. Research from Nielsen and Arbitron is very effective at interviewing media viewers and then crunching the numbers to determine the size of the audience that views that medium and recalls specific advertising messages broadcast on it. However, that type of media research, which is called *advertising awareness and recall research*, is not the kind of research that the project team needs at this stage in order to evaluate the network pilot. (Later, if/when the network is rolled out to a large number of locations and if the in-store network is financed through the sale of advertising, then this type of awareness/recall research will be very important.)

## what does the pilot research need to measure?

When a retailer pilots an in-store media network, the first concern that the CEO and CMO will express after the pilot is completed is: Do we know whether the network is upsetting shoppers, and, if so, do we know if the network will cause any of those shoppers to stop shopping in our stores?

Besides answering this most basic question (“first, do no harm,” in other words), the research should answer such questions as:

- Are shoppers aware of the network? Before the project team can determine whether the network enhances the store experience and moves shoppers to take positive action, the team first needs to know if the network is being noticed, and if so, by how many shoppers.
- What do shoppers like and not like about the content on the network and the placement of the screens? Also, do they feel that the interactive screens are useful and easy to interact with?
- Is the network changing shopper behavior in the way that the retailer wants? At this point, the research should be providing answers that speak to the stated goals of the project that were articulated in the Phase 1 Discovery process. As per Phase 1, the retailer’s main goal may be to boost sales, but the network might be designed more to build the retailer’s brand, reduce perceived wait times at checkout/cash-wrap or improve customer service.



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## endnotes

[1] **ROBERT D. TAMILIA AND SUSAN E. REID** “Technological Innovation and the Rise of the Department Store in the 19th Century,” *International Journal for Technology Marketing*, Volume 2 Number 2, 2007: 119-139.

[2] **JOHN N. INGHAM** *Biographical Dictionary of American Business Leaders* (Westport, Connecticut: Greenwood Press, 1983), 1543.

In the entry on the innovative Philadelphia department store owner John Wanamaker, it states, “He had pioneered in full-page advertising in newspapers, starting in 1879, and within 10 years his ads were appearing regularly. Other department stores followed, and big-city dailies all over the country profited. He also inaugurated national advertising for his store in 1882 with an ad in the *Century Illustrated Monthly Magazine*. ... The fundamental purpose of Wanamaker advertising became ‘not to sell but to help people buy.’ As a result, Wanamaker advertising was written from the consumer’s point of view, not the seller’s.”

[3] **JOHN BATTELLE** “Are You Becoming Irrelevant to Your Customers: Why Marketers, Agencies and Media Execs Need to Understand Disintermediation,” *Advertising Age*, 22 July 2005: <[http://adage.com/article?article\\_id=46255](http://adage.com/article?article_id=46255)>, 9 December 2007.

[4] **News Out There** from *Mediaweek* and *Adweek*, January 19, 2009, <[http://www.mediaweek.com/mw/content\\_display/news/out-there/digital/e3ie53ceefa152782efaacb9d7b938be63c?pn=1](http://www.mediaweek.com/mw/content_display/news/out-there/digital/e3ie53ceefa152782efaacb9d7b938be63c?pn=1)>.

In this report, *Mediaweek* and *Adweek* write, “If you want to see one of the reasons why shopper marketing has been carving off an ever-bigger slice of the marketing pie, just compare the number of weekly shoppers at major retail chains with the number of Americans who tune in to top TV shows. Take *Dancing with the Stars* and *American Idol*, for example. While 21 million people waltzed over to their sets to watch an average episode of *Dancing* last year, and *Idol* cast its spell on still more (35 million for the season finale), those audiences pale when compared to the crowds that pack the aisles of the big-box retailers. *Costco*, *Walgreens*, *Safeway* and *Kroger* boast weekly shopper counts of 20 million, 30 million, 44 million and 68 million, respectively. Passing through the revolving doors of *Wal-Mart* locations across America each week are 150 million people.

Now consider this: While TV’s audiences have been fragmented by the addition of hundreds of new channels, retail has been concentrating its consumer base via consolidation. Ten to 15 years ago, the top 10 retail accounts of the typical packaged goods manufacturer represented 20 percent of sales. No more, says Peter Hoyt, executive director for the *In-Store Marketing Institute*. ‘Due to consolidation and the rise of megachains,’ he says, “those top 10 customers now represent as much as 80 percent of sales-more, in many cases.’

It’s the confluence of these economic forces over the past decade or more, says MEC Retail partner David Sommer, that has allowed shopper marketing to truly come into its own. ‘The dynamics have changed, and now the one place you can still aggregate a mass audience is in-store,’ he says. ‘That’s a big media buy, and if you hit shoppers with an ad message, ‘This is relevant,’ you’ll get a response that can be measured via a sales lift.’

No wonder, then, that shopper marketing (the in-store appeals that take the form of shelf talkers, end-aisle displays and the newest: in-store video networks) is getting more attention than ever from retailers,

manufacturers and ad agencies alike. According to a study by the Grocery Manufacturers Assn. and Deloitte Consulting, the number of manufacturers and retailers that have significant shopper marketing organizations of more than 20 people has jumped from 29 percent in 2007 to 60 percent in 2008. The study also found that over the next three years, in-store marketing activity will grow at a higher rate than any other marketing tactic. A Booz & Co. survey of consumer packaged goods marketing executives found that 95 percent plan to either maintain or increase investments in retail store media.”

[5] [Supermarket Industry News](http://www.progressivegrocer.com/progressivegrocer/content_display/supermarket-industry-news/e3i20304a-e39f30fae8e156e948379ef84b) from Progressive Grocer magazine, September 30, 2008, [http://www.progressivegrocer.com/progressivegrocer/content\\_display/supermarket-industry-news/e3i20304a-e39f30fae8e156e948379ef84b](http://www.progressivegrocer.com/progressivegrocer/content_display/supermarket-industry-news/e3i20304a-e39f30fae8e156e948379ef84b).

In this report, Supermarket News writes, “30 percent of shoppers around the world wait until they’re actually in the store to decide which brand they’ll buy, according to a new global study released by the Ogilvy Group.

The study was based on more than 14,000 shopper interviews conducted in 700 retail outlets across 24 markets worldwide, said Ogilvy. It spanned five retail channels across six product categories, to examine how shopper decisions differ across channels, product categories, and brands; and also how those decisions vary by nation and shopper profile.

Ogilvy Group said its report, “Shopper Decisions Made In-Store,” goes beyond the old statistic that 70 percent of purchase decisions are made in store. Its findings include:

- \* One in 10 shoppers change their minds in the store and buy a different brand than the one they had planned to purchase.

- \* Almost 20 percent of shoppers will buy from categories they had no intention of buying from before entering the store.

- \* In the United States, almost one in five shoppers leaves a product they planned to buy on the shelf and walk away empty-handed, representing tens of millions of dollars in new purchases up for grabs by marketers. The study is endorsed by Harvard Business School Professor John Quelch and the In-Store Marketing Institute, it added.

New York-based Ogilvy is part of the WPP Group, one of the world’s largest communications services organizations.”

[6] [PACO UNDERHILL](#) [Why We Buy: The Science of Shopping](#) (New York City: Simon and Schuster Paperbacks, 2000), 218.

The retail anthropologist and retail researcher/consultant Paco Underhill writes: “Let’s get human. Can you smell a ripe peach online? ... Can your best friend goad you into buying that red silk suit in an online apparel shop? There are three big things that stores alone can offer shoppers: (a) touch, trial or any other sensory stimuli, (b) immediate gratification and (c) social interaction.”

[7] [RICK WALSH](#) “[Migration of Ad Dollars to the Internet Accelerates](#),” Online Media Daily from MediaPost, 8 Nov. 2007: <[http://publications.mediapost.com/index.cfm?fuseaction=Articles.printEdition&art\\_send\\_date=2007-11-8&art\\_type=13](http://publications.mediapost.com/index.cfm?fuseaction=Articles.printEdition&art_send_date=2007-11-8&art_type=13)>.

“The migration of ad dollars from traditional media to the Internet continues to accelerate. ... According to a new eMarketer report released Wednesday, ... research from TNS Media Intelligence showing that the top 100 advertisers spent \$230 million less in 2006 than 2005 on the top four traditional media categories – television, radio, magazines and newspapers.”

[8] **DELOITTE** “Shopper Marketing: Capturing a Shopper’s Mind, Heart and Wallet,” White Paper based on research commissioned to Deloitte by the Grocery Manufacturer’s Association (New York City: September 2007).

The Deloitte study reported that U.S. product marketers plan to reduce traditional trade promotion spending (i.e., sampling, temporary price reductions, special merchandising displays, off-invoice and bill-back allowances, etc.) at retail by two (2) percent annually over the next several years. The Deloitte study, which was commissioned by the Grocery Manufacturer’s Association, also reports that product marketers plan to increase spending on in-store marketing (both conventional and digital) by 21 percent annually for the next three years. This spending on in-store marketing (or “shopper marketing,” as the Deloitte study calls it) will include spending on digital media networks, as well as the more established brand-building, in-store media such as printed advertising messages on the shelf and on the floor, other in-store signage and point-of-purchase displays. Going forward, the market is still sorting out the question of how much of this in-store marketing spending will go toward digital media networks and how much will go for the printed and three-dimensional forms of in-store media.

It’s also not yet clear how much of this brand spending on the digital networks will go to networks produced by retailers (such as the new in-store network being rolled out in 2009 by a major U.S. electronics retail chain, and the Walmart Smart Network, the new version of in-store digital media in Walmart stores which Walmart owns outright), and how much will go to media companies like Thomson’s PRN Corporation (the producer of the old Walmart TV Network, an in-store TV network at Walmart which the retailer is phasing out) that own and operate third-party networks at retail. In addition, it’s also not clear how much the brands will want to spend directly on interactive kiosk networks or other in-store digital media networks that they produce themselves.

[9] **CLIVE ROUX AND BRIAN REGIENCZUK** *The Future of Shopping: An Investigation into the Changing Nature of Shopping, White Paper* (Atlanta, Georgia: Philips Design 2004), 9.

The authors, executives at Philips Design, a division of Philips Electronics N.V., write: “What is so compelling about online shopping? Is it the amount of information available, the ease of use, the efficiency of comparing? When we look at examples, like Amazon.com, it is clear that the ability to customize, personalize and deliver relevant content suggestions each play a large role. A simple device – the cookie – is enabling this process. The real world [of retail] needs similar solutions ...”

[10] “**Marshall Field**,” Wikipedia, 30 Nov. 2007, <<http://www.wikipedia.com>>.

According to Wikipedia.com, the historical record is clear that Marshall Field coined the phrase “give the lady what she wants.” However, Wikipedia reports that the statement “the customer is always right” was articulated first by one of two people: either Marshall Field or his junior partner, Harry Gordon Selfridge. Selfridge later moved to London and established Selfridges, a department store chain that still operates today in four locations in the United Kingdom.

[11] **LAURA DAVIS-TAYLOR AND ADRIAN WEIDMANN** *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media* (Deephaven, Minnesota: Relevant Press, 2007), 47.

The authors describe the results of poor planning and ineffective leadership by the digital media project teams that retailers and brands assigned to develop their early websites in the late 1990s: “Although the early Internet team was meant to be cross-functional, they were often completely incapable of looking

past their own departmental agendas. ... The Steering Committee leader usually didn't help matters much, as he or she was typically responsible but not empowered to mandate a decision, nor were they Internet-savvy. Without an empowered leader who knew what they were doing, it was an excruciatingly painful process to innovate. We were all new to the Internet. [Davis-Taylor here is writing from her own personal experience developing websites for retailers and brands during the late 1990s]. ... Because clients had little appreciation for this, miscommunication, intolerance and overzealous expectations reigned supreme. The result? Almost every website 1.0 we created was a boring e-brochure reflecting each of the team members' agenda but offering little value to the customer."

[12] [Online Media Daily](http://publications.mediapost.com/index.cfm?fuseaction=Articles.printEdition&art_send_date=2007-11-8&art_type=13) from MediaPost, <[http://publications.mediapost.com/index.cfm?fuseaction=Articles.printEdition&art\\_send\\_date=2007-11-8&art\\_type=13](http://publications.mediapost.com/index.cfm?fuseaction=Articles.printEdition&art_send_date=2007-11-8&art_type=13)>.

[13] These in-store screen networks – sometimes referred to as “in-store TV networks” – are hosted by retailers in their brick-and-mortar stores but are operated by media companies. These media companies – such as PRN Corporation (a division of Thomson, which operates networks at Sam's Club and Costco), CBS Outernet and In-Store Broadcasting (which began as an operator of in-store radio/audio networks) – generate revenue by selling what is called “endemic” advertising to brands whose products are sold in the stores. In most cases, these media companies own the in-store networks and thus save retailers the big cash outlays that are required to install and operate the networks. To compensate the retailers, these media companies share a portion of their advertising revenue with the retail chains.

[14] [Why We Buy: The Science of Shopping](#), 201

Paco Underhill writes, “Retailers must accept the fact that there are no new customers. The [U.S.] population isn't booming, and we already have more stores than we need. The usual figure is that 80 percent of a store's sales will come from 20 percent of its clientele. So, if stores are to grow, it will be by figuring out how to get more out of existing customers – more visits, more time in the store, more and bigger purchases.”

[15] [Why We Buy: The Science of Shopping](#), 205-206.

[16] [Why We Buy: The Science of Shopping](#), 62.

[17] [Why We Buy: The Science of Shopping](#), 63.

[18] [Lighting Up the Aisle: Principles and Practices for In-Store Digital Media](#), 6-7.

Some knowledgeable practitioners of in-store digital media characterize this medium as a hybrid of television and printed in-store signage. Laura Davis-Taylor and Adrian Weidmann take a slightly different view of this issue than Paco Underhill. In their book – which was published seven years after Underhill's *Why We Buy* – they argue that the retail store functions in media terms more along the lines of a three-dimensional walk-in website. They write, “In-store digital [networks] are a hybrid of many things. ... Thus, our opinion is that the closest model for its potential place [in retail] ... is actually not television, but the Internet. Why? Due to the flexible nature of it, we can use it for many things [such as] entertainment (delight your shoppers); awareness (show advertising impressions); response (entice them to touch,

download offers, pull a coupon, etc.); engagement (motivate them to explore a product or sample); purchase (stimulate a buy); and loyalty (engage them in dialogue).

[19] **NIKKI BAIRD, WITH CARRIE JOHNSON, SEAN MEYER AND BRIAN TESCH** “How Digital Media Transform In-Store Marketing,” Forrester Research, 26 April 2006. In this report, Forrester Research predicted that 90 percent of U.S. retailers will have implemented some sort of customer-facing, in-store digital media network by 2011.

[20] Most consumers now expect the World Wide Web to provide them with abundant product information from various sources: online retailing websites, consumer product websites and from independent websites that allow consumers to post their own reviews of products and services. As this expectation for detailed product information grows, retailers will be compelled to provide this information digitally on the store floor, via their in-store digital media networks, in order to “give the lady what she wants,” as Marshall Field once said.

[21] *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media*, 42.

[22] *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media*, 104.

[23] **MICHAEL MARX** “Six Sigma Companies” blog, 19 May 2005, 8 December 2007, <<http://www.sixsigmacompanies.com>>.

[24] “Heuristic,” Wikipedia, 9 Dec. 2007, <<http://en.wikipedia.org/wiki/Heuristic>>.

[25] *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media*, 48-49.

[26] *Lighting Up the Aisle: Principles and Practices for In-Store Digital Media*, 28.

[27] *Marketing at Retail Initiative (MARI)* by Point-of-Purchase Advertising International – 2007. Please note that in January 2009, The Nielsen Company announced that it is discontinuing the PRISM initiative.

[28] *Smart Revenue*, 2007.

