

A new direction: is **digital signage** a potential goldmine?

Like many service market firms, telecoms companies are looking for new growth areas as revenue streams dry up. Although digital signage is itself a relatively small market, it represents a great chance for telecoms companies to gain experience in targeted advertising – helping them to understand how they can monetize their large customer bases to open more substantial opportunities.

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A new direction: is digital signage a potential goldmine?

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Telecoms firms are seeing traditional revenues from phone calls and mobile data decline under increasing price pressure from a competitive market. As a result, they are looking for new sources of income. In particular, they are seeking new ways to generate revenue from their extensive customer bases.

In this article, we look at how the digital signage (DS) market could present major opportunities for telecoms firms. Although the market does not offer huge revenues in its own right, it does give telecoms operators the chance to learn a great deal about targeted advertising to their customer bases. And this will, in turn, open the door to much more substantial revenue streams.

A missed opportunity

In fact, a number of telecoms companies are already operating in the DS market. But typically they are providing digital signage as an add-on to existing packages; for instance, selling digital screens to small businesses on top of basic communications services. But currently, this is a small

market for big firms, with low margins and little potential for growth. The leaders of national or international telecoms businesses are not interested in the DS market and, as a result, do not dedicate time or resources to it.

But EY's industry experience suggests that many telecoms companies are missing out on the potential of digital signage. With only a small outlay of manpower and money, opening or expanding a digital signage offering could lead telecoms businesses into markets that give many times the revenue of the DS market itself.

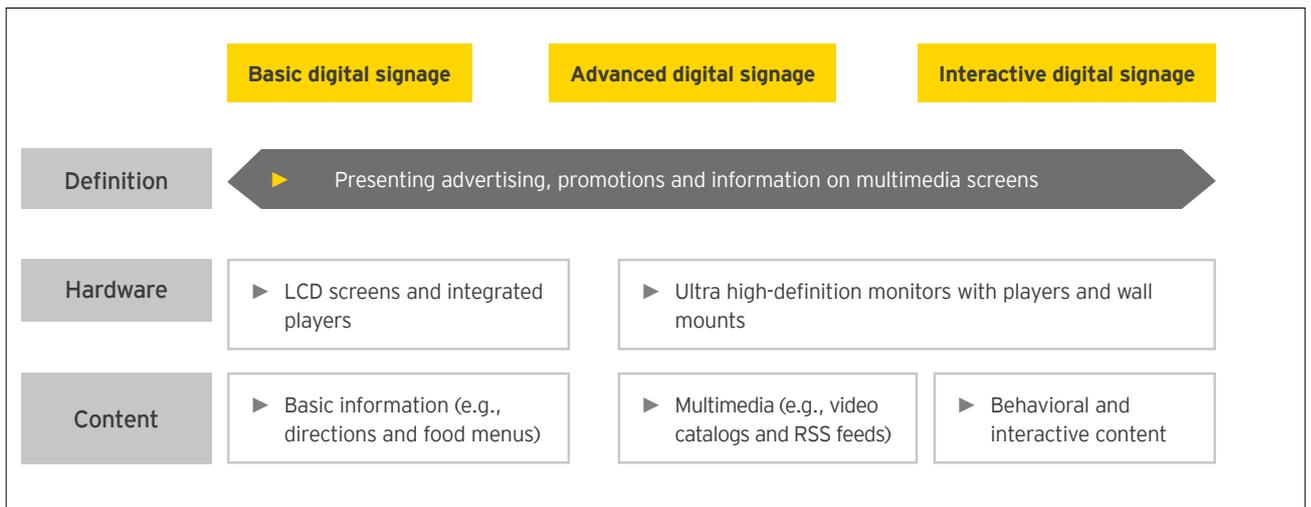
The digital signage market

Digital signage is simply the use of multimedia screens to present advertising, promotion and information. These displays are usually found in shops or other sales locations, but can of course be situated away from points of sale (digital billboards, for instance).

Our experience has suggested that, among businesses already employing digital signage, there are typically three levels of development: basic, advanced and interactive. Figure 1 explores this in more detail.



Figure 1. Three stages of development in digital signage



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Telecoms businesses are in an ideal position to exploit their ability to send advertising to customers at any time and in any place.

Figure 2. Use of digital signage by industry

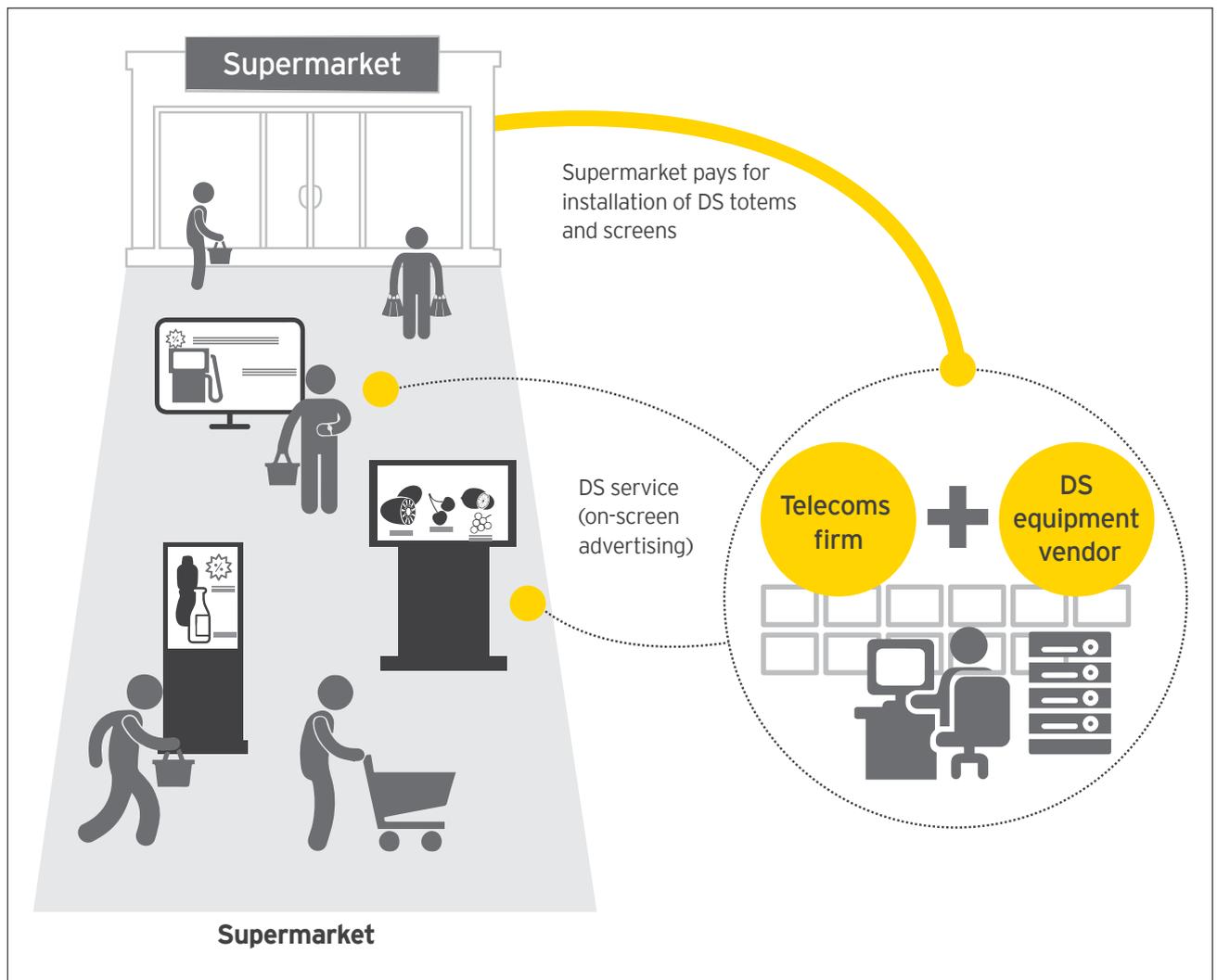
Industry	Use of digital signage
▶ Banking	▶ An add-on to cash machines (ATMs)
▶ Clothing and fashion	▶ Virtual shop assistants and digital dressing rooms
▶ Electronics	▶ Offloading staff capacity
▶ Food and groceries	▶ Advertising and promotion, now improving customers' in-store experiences
▶ Furniture and furnishings	▶ From digital catalogs to virtual in-store assistants
▶ Hotels, restaurants and cafés	▶ Big hotel brands have advanced DS; many smaller businesses are approaching the interactive stage
▶ Transportation	▶ An early adopter of DS, especially within large hubs

As businesses progress from the basic to the interactive service, digital signage can provide more and more sophisticated functionality. On the basic level, you usually see simple LCD screens displaying information and other content (transmitted via a local or cellular network) for customers or other viewers. Companies that have progressed to advanced DS services typically use more complex screens and sometimes video walls that provide more carefully tailored information to viewers; content is frequently multimedia and can include live television, newsfeeds or other inputs. Once the interactive DS phase is reached, organizations can present dynamic and personalized content, often presented on high-definition screens, perhaps even in three dimensions.

Digital signage has something diverse to offer every sector and each industry can make slightly different use of its potential (see Figure 2).

The maturity of the DS market varies considerably by sector. Banking, fashion and transport have some of the most well-established DS markets. Meanwhile, the market is less mature in other sectors, including electronics, food and groceries, and furniture and furnishings. The hotels, restaurants and cafés sector (hotels in particular) provides an interesting example, as it is currently making the transition from a fairly basic use of digital signage, to something more advanced and interactive. The first hotels to adopt DS used it to help cut down on check-in and check-out queues and some other basic processes. Now, more advanced digital signage is being used in

Figure 3. A basic digital signage system



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a number of hotels to provide additional services, such as helping customers to make reservations in restaurants, book transport and other more complex tourism-based interactions.

Internationally, the digital signage market is currently valued at about US\$12.5b, and is expected to be worth US\$17b by 2017. Europe accounts for a substantial portion (currently around one-quarter) of this global market.

Why should telecoms firms be interested in digital signage?

As we've seen, a number of telecoms firms already have some kind of DS presence. However, DS is not a priority for the C-suite, because the market is not able to generate the kinds of revenues that big telecoms firms want to see: in essence, the potential revenues do not provide a sufficient return on investment (ROI) for larger businesses.

It's true that, on the face of it, basic digital signage (the provision of screens and associated hardware) does not have a lot to offer telecoms companies. This is the domain of specialist firms that typically sell the DS equipment to clients. Although some telecoms operators do offer DS hardware as part of broader communications packages, such basic contracts do not offer a great deal of growth.

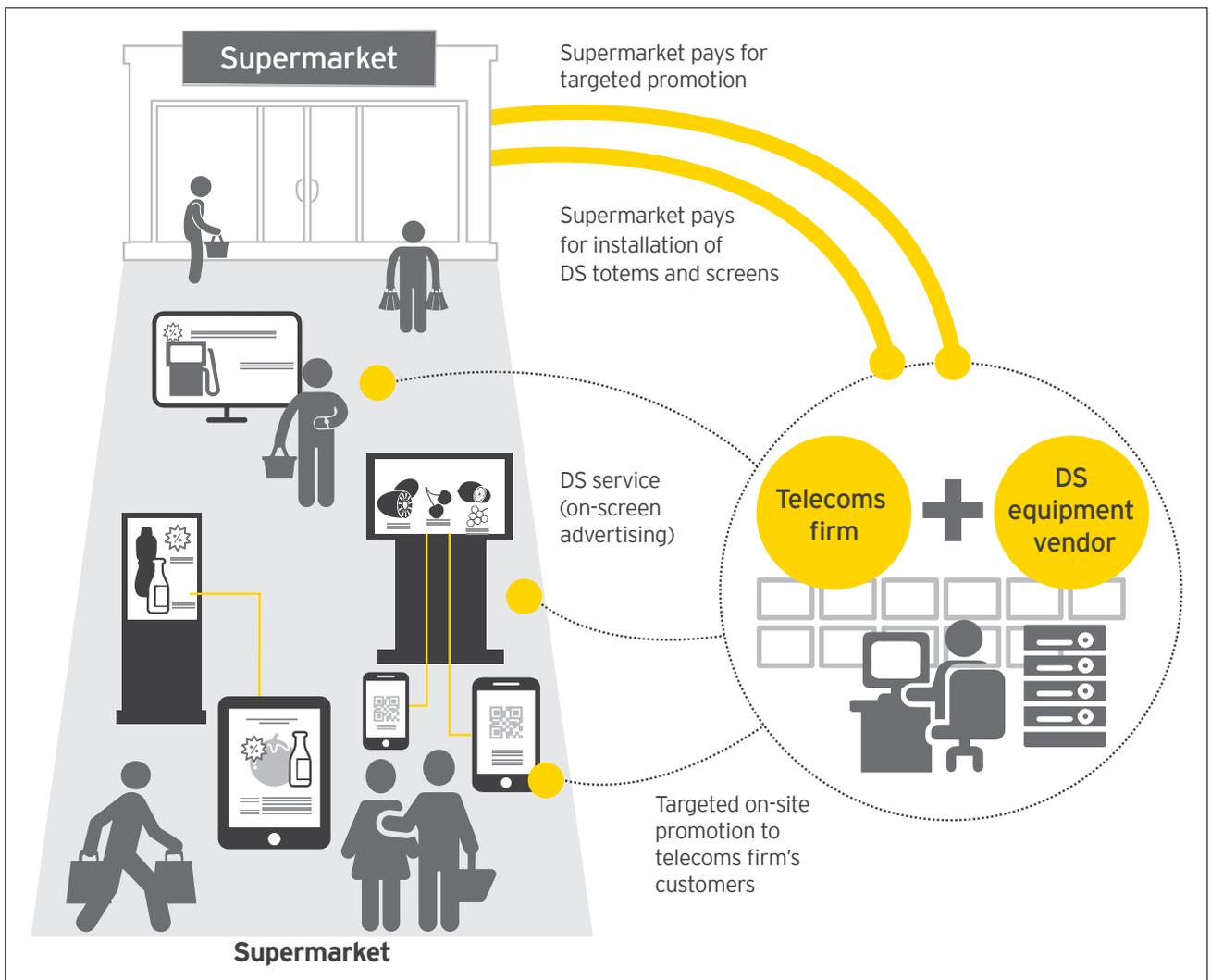
However, a more sophisticated version of digital signage does involve telecoms operators directly. In these more advanced systems, the screens and hardware remain in place at a point of sale. And, on top of the basic physical signage, a telecoms firm then also provides targeted on-site "proximity marketing" (i.e., promotions and advertising) direct to their customers' mobile phones. These services might work via a Bluetooth connection or another local triggering system.

This simple progression significantly enhances the digital signage provision. In return for providing access to its customer base, a telecoms business would expect to be paid a small fee for each communication sent to mobile phones.

Beyond the technological requirements, this might seem like an obvious service for a telecoms business to provide, so why is it so important? This is because it is the critical first step toward making more serious revenues from monetized customer bases. The key point is that clients are willing to pay a telecoms operator for targeted promotions to its customers. This is a real change to many telecoms' business models, as clients are paying for advertising space and promotion rather than for goods and services directly.

Some telecoms companies are already providing services along these lines and most are aware of the possibility of proximity marketing. However, the majority choose not to invest in it (or do so only half-heartedly) because they feel that the margins are too small. This is certainly true: there is not a great deal of direct revenue potential even in this expanded digital signage offering. However, taking this step opens the door to much bigger revenues for telecoms operators – changing business models so that customer bases are fully monetized.

Figure 4. Digital signage with proximity marketing



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“Our future is in services, not products. Data monetization is the next frontier for us and we need to find a way to make profit out of it without endangering our current revenues. While new, internet-based communications operators (e.g., WhatsApp) have no ‘heavy baggage’ to deal with before moving to next-generation revenue models, we still have to cope with our legacies. This makes us very slow and cumbersome. Digital signage might be the key to make data monetization a viable reality for us.”

Chief technology officer, a leading European mobile operator

Proximity marketing builds the right skills and experiences

Although the returns are modest, telecoms firms that provide proximity marketing with digital signage will nevertheless generate some income. But, at the same time, the real ROI will be gaining a great deal of new experience that will lead the way to completely new revenue streams.

Being involved in proximity marketing and promotion, a telecoms firm will learn about:

- ▶ What messages clients want to distribute to their customers
- ▶ The value of these messages
- ▶ How telecoms customer bases will react to these messages

In addition, pursuing proximity marketing via digital signage will give telecoms tangible experiences. Companies will be able to build real-life case studies with a track record of objectives and results from their work in proximity marketing. This means that, if they want to approach new clients for a broader targeted marketing to their customer bases, they will have a valuable set of metrics and key performance indicators to support their case. Hence, they will be able to prove that proximity marketing – and any other type of value-added service – is actually yielding good results. The experiences will also help telecoms firms to develop an internal structure that is directly relevant to more sophisticated marketing to their customer bases. This structure might take care of



administrative tasks, monitor messages and marketing feedback, or perhaps even measure ROI.

This real-world experience is not only useful for dealing with potential clients. In many telecoms firms, the key challenge for initiating targeted marketing to customer bases will be convincing leadership to invest in it. Starting out with digital signage helps in this cause because it involves very little financial outlay and yet allows relevant teams to build credentials based on real-life case studies. This makes it much easier to convince executives to invest in marketing and value-added services. If leadership can see that, for instance, a large supermarket will pay a telecoms operator to deliver messages via digital signage, they not only understand what messages can be delivered and the amount of money that comes from this service, but the example of the large supermarket makes it much easier for them to see the case for investing more broadly in marketing.



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As well as building experience and expertise, offering DS means telecoms operators will also be able to assemble the necessary internal infrastructure for more advanced targeted marketing to their customers. Currently, although telecoms firms do have the infrastructure in place to gather data from clients and customers, they don't have the analytics software required to process that data and establish useful conclusions. Proximity marketing will help firms to establish these systems. In addition, if telecoms operators want to make the transition to a business model that includes new services, such as targeted marketing, they also have to invest in a new infrastructure for their people. They might need to create new subdivisions and business units, or hire experts and project and account managers who can develop new services, pursue business development and handle new areas, such as adverts, campaign results and customer management. Again, experience in proximity marketing will help businesses to set up these structures.

In short, proximity marketing with digital signage is small scale, easy to achieve and cheaper than broader targeted, customer-based marketing. As far as management is concerned, it builds real-world support to the case for a broader marketing offering.

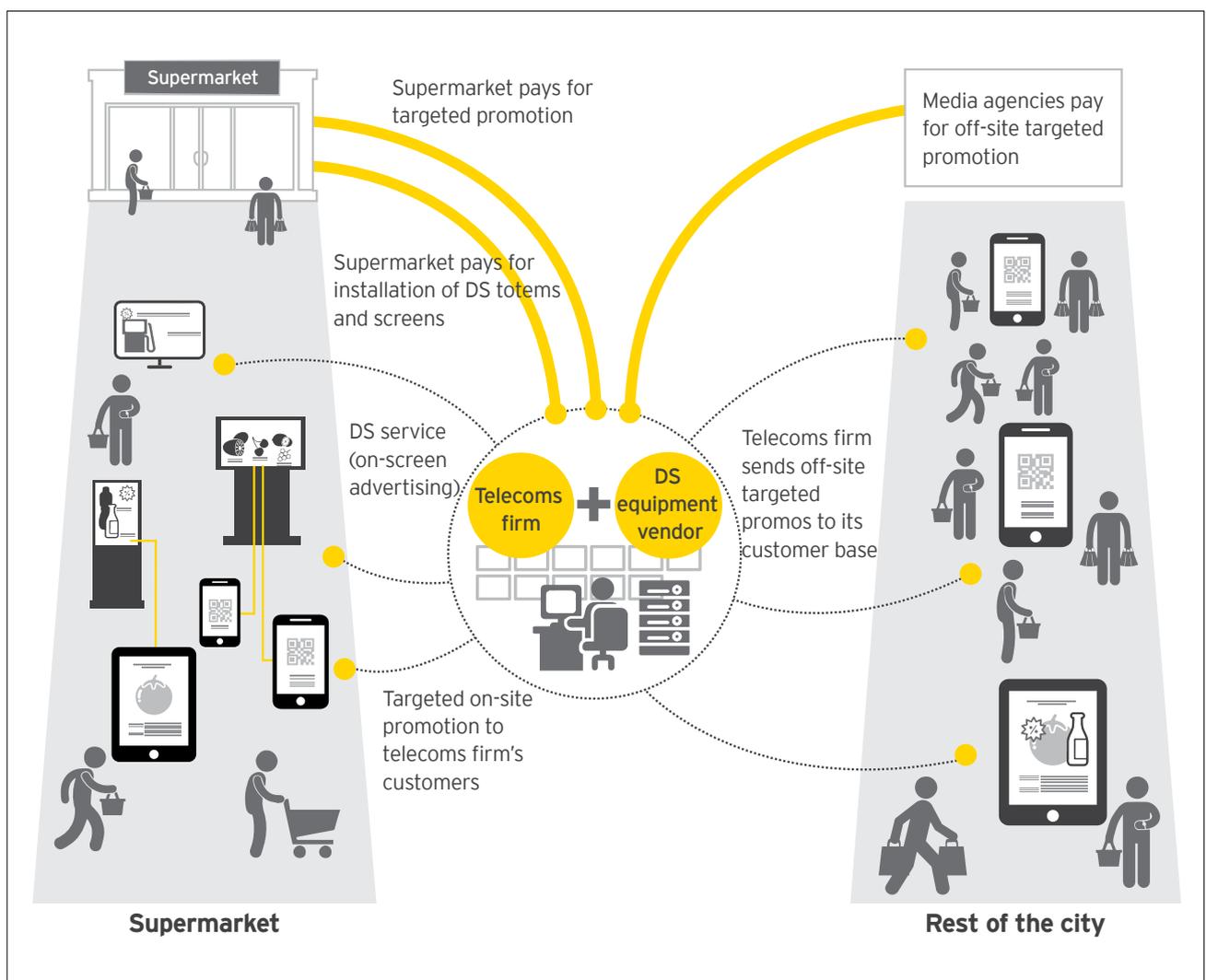
Unlocking real value through expansion

Faced with convincing evidence from the experience of proximity marketing with digital signage, it will not take an astute telecoms leader long to realize that targeting their customer base does not need to be limited to promotions triggered by walking past a digital sign. Telecoms businesses are in an ideal position to exploit their ability to send advertising to customers at any time and in any place. This expanded service can easily be sold to clients that are already paying for DS-based proximity marketing. This would mean that the client's advertising would be being targeted appropriately all over a city, not just at a point of sale.

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In short, by taking DS seriously, and taking on board the lessons it has to offer, telecoms businesses would be able to expand potential revenue significantly.

Figure 5. Targeted advertising to a telecoms firm's customer base



Furthermore, there's no need to limit this advertising service to existing clients. After going through this process, the telecoms operator would be well placed to approach advertising agencies that represent a large number of businesses.

Once this step has been taken, telecoms firms' business models are fundamentally altered. They are no longer simply making money through providing communication services, they are now able to generate substantial revenues by selling advertising space as well. The fact that this advertising can be so carefully targeted – since telecoms firms have so much data on, and knowledge of, their customers – it should be highly valuable space to advertisers.

In short, by taking DS seriously, and taking on board the lessons it has to offer, telecoms businesses would be able to expand potential revenue significantly: supplementing their traditional operations with business models that – until now – have been more familiar to commercial television stations or online companies. ■

How will telecoms customers be affected by targeted advertising?

Once a telecoms operator develops the capabilities to monetize its customer base through advertising, mobile phone users will start to see significant changes in the way that mobile phone contracts are sold to them.

It is likely that many operators will employ a multi-tier, opt-in and opt-out model. So, for instance, you might be able to buy exactly the same mobile phone contract in terms of handset, minutes, data and so on, for two different prices: one would include targeted advertising and the other would not.

Essentially, this strategy is broadly the same as models in operation for a number of online businesses, where customers pay a premium for an advertising-free service. Some online music-streaming companies use these models, for example.

The key difference for telecoms operators is that they can provide clients with highly accurate geographically targeted advertising; for instance, if a customer is walking up a high street, their phone might receive promotions from the shops they pass by.