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PS

News and comments on the outdoor industry from Posterscope

Forum

Small can be smart but it might not always be enough

Niche players need to strengthen their positions

As the UK Out-of-Home market has consolidated into fewer major companies – 3 companies account for c. 75% of spend and 5 account for around 90% - the growth in niche players has exploded (currently there are more than 200 companies accounting for the other 10% or so of spend). The presence of big companies generally, but not exclusively, means investment, whereas small companies denote the exploitation of new avenues and opportunities for impact. This sounds like a healthy mix, and in a market that is growing steadily it probably is. However, in quiet periods with higher voidage have all these companies got the funding to survive?

The Media Vehicle, a quite well respected operation in supermarket trolleys, baskets, floors etc and 30% owned by Clear Channel, has just gone into administration. Is this a signal that the smaller media-owners need to consolidate with like minded partners to offer security as well as ingenuity to advertisers? Will some of the best be swallowed up by the majors as they diversify?

Jon Wilkins, partner at Naked Communications, says clients value the opportunities presented by niche Out-of-Home media operators. “Marketing directors are increasingly looking to connect with audiences out of home in an engaging and experiential way and these small operators are the way to do that,” he says. “It’s because they offer you the bespoke solution that it allows you to be creative out of home. But the market is fragmented which can be a problem. The lack of scale of niche operators causes problems for both the contractors and the specialists. Media planning is about both creativity as well as trading, but no one has any volume in the market to make themselves a ‘must purchase’”.

It’s an issue that’s being highlighted in the fast growing Out-of-Home screens sector and Wilkins argues that the chances are these will ultimately end up in the hands of the majors.“Screens may well become part of the inventory that the majors have to sell,” he says. “They will trade it up front on their annual deals. All media sales points have a portfolio of opportunities and they know how to mix the value of that portfolio. They know how to trade off the stuff that’s high demand with the stuff that’s low demand.”

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> Jon Wilkins , Naked
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> “No one has any critical mass”
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> Andy Bolden, GSK
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> “The biggest problem is the lack of research”
>
> Jeremy Found, COI

His message to the small contractors is to find a way to make it easier for clients to buy. “Get the logistical side right, make it easier for people, and that will facilitate the creativity.”

Jonathan Naggar, joint managing director of Admedia, says his company has thrived by being clear about what it does.“We’ve totally focused the business on products that we completely believe in and that stood out from the crowd and then we’ve worked hard to prove their worth,” he says. Being focused does have its downside but he says the discipline brings stability. ‘We have to turn a lot of sometimes quite interesting opportunities away because we’ve seen too many companies go by the wayside because they’ve lost focus,” he says. “We do not want to bite off more than we can chew - we know how hard it’s been to get to where we are now.”

Andy Bolden, media director at GlaxoSmithKline, says that while research and structure is less critical when it comes to media such as napkins and sandwich bags, he’s particularly concerned about the lack of cohesion in the new digital screen market.

In addition to his belief that consumers aren’t really ready for it quite yet, he also believes the lack of standardisation and knowledge means that consolidation must come. “I don’t really think that, right here, right now, people are making the transition from TV in their home to TV in supermarket aisles. It won’t be long

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but right now I don't think they're paying attention," he says, adding that there are signs that younger consumers will look at the relevant messages.

Scale is one requirement but there's also a need for central knowledge about what works and what doesn't. "My concern outside the big five is how on earth they can gain their own credibility when you know that next door to them is someone selling the same kind of mall in a different location," he says. "No one has any critical mass."

Marc Mendoza, chief executive of Media Planning Group UK, says ownership is not a problem that bothers most media agencies specifically, as long as the opportunity has come through a specialist."It is just taken for granted that if a media opportunity has been vetted by a specialist then it's kosher," he says. In almost all cases, he says, such opportunities are treated as a white label service. Few clients are interested in who the media owner actually is. "In my experience we would tell them that a media opportunity had come up in this area, whatever it might be - a screen projection or whatever," he says.

"Who it's through is not a question that's ever asked, but maybe there will need to be greater concentration on this as the opportunities continue to explode in number".

Malcolm Brasseur, managing director at BlowUp Media, points out that the giant poster sector has already come together with the demise of Mega Profile and the purchase of Megaposter by BlowUp's German parent company Stroer. "We've seen consolidation in our niche of the Out-of-Home market," he says.

As to whether the big boys of outdoor will start to buy up smaller players, Brasseur is sceptical. He points out that many of the new outdoor opportunities are based on shorter-term deals than 6 sheet contracts. "These guys have boards and shareholders; they like five, ten, fifteen year contracts," he says.

Jeremy Found, head of media at COI, acknowledges that the small operations face a difficult struggle to both fund research as well as expand from a small geographical base to provide national cover.

"The biggest problem is the lack of research and obviously it's difficult for lots of small enterprises to fund bits of research into their own bit of the medium," he says. "Quite often people will start in a very small area but the problem is building up something big enough to have that critical mass across the country if clients are looking to advertise nationally." The COI, he says, will use ambient but only if it fits. "We do use a reasonable amount of ambient but it's got to have some sort of synergy with the campaign; an example might be car park barriers for car crime," he says. "The key issue for any media-owner, no matter what its ownership, however, is having thought through the benefits of its offering: who's it delivering, what's it delivering and how it can work for advertisers. I think that's the missing bit more often" he says " People might have ideas, make basic assumptions that it will reach young people and not necessarily think through how people are going to consume or take notice of the medium".

Toby Roberts, Head of Strategy at OMDUK, argues that logistical issues are the key to encouraging advertisers to use innovative outdoor in order to upweight in specific locations such as OMDUK's recent campaign for Vodafone at Canary Wharf. "A decent 'package' needs to be put together; not just a selection of piecemeal opportunities - shopping centres would be a good start. All too often we are approached with ideas that are cute, but too small in scale, or too regional," he says. "If we are to encourage clients to focus their budget into tighter locations, turning up the volume on 'impact' at the potential expense of coverage, the industry needs to present some pretty compelling research to help us with that sell. Interestingly, the locations where this does happen - the underground, airports and train stations - are all sold by the big contractors."

He adds that when it comes to dealing with the ups and downs of demand smaller contractors will more often than not lose out to the big players. "Short-term selling means that agencies and clients have to divert budgets from elsewhere on the plan and this involves quick decisions on creative work. A broadcast 6 sheet campaign is therefore much more likely to be picked up because it can be justified almost entirely on a CPT benchmark, you don't have to go through the 'strategic' rationale for using the medium, as you would for some of the smaller opportunities. Ultimately, the smaller contractors will probably have to consolidate to survive if they are to fight their way onto plans. They will need decent audience research, something that a larger business partner would afford them - and they will need to be packaged up as part of larger campaigns if they are to be regularly and viably sold. A good start would be to see a solid set of case studies from the smaller contractors, to give agencies and clients some more confidence in their offerings," he says.

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Case studies

Client:Reckitt Benckiser
Project:Gaviscon Cool

Launching any brand extension runs the risk of disenchanting shoppers with the primary brand, which may appear dated or less exciting unless it is expanding consumer choice, Gaviscon Cool is Reckitt Benckiser's response to Gaviscon trialists and users who enjoyed the product benefits but wanted a cooler taste. The advertising campaign was to reiterate brand properties while promoting the Cool name and ultimately driving sales.

The media choice was TV and roadside billboards, a combination of 48 sheets and 96 sheets. Strong production values on the television commercial, ending with the pack shot, combining with the billboard creative of the pack shot plus strap line, delivered high recognition scores. The media multiplier effect of the Out-of-Home activity on the television added 11 points.

Media agency: OMDUK

Client:Diageo Project:Smirnoff Norsk launch

Posterscope recommended Ultraviolet 96 sheets to add impact to the launch campaign for Smirnoff Norsk. The technology was a perfect match for the brand, bringing out the blue tones of the liquid, the bottle and the landscape featured in the creative execution, and helping to underline Norsk's positioning. The Ultraviolet posters appeared on major routes into and out of key city centres, as part of a campaign that also employed several other formats, including backlit 96 sheets, Golden Squares and LED screens. The client described the effect as "impressive and unexpected – great creativity".

Media agency: Carat

Client:Ubisoft Project:Prince of Persia-Warrior Within

Ubisoft sought a strong high street presence for the launch of Prince of Persia Warrior Within to reach shoppers in the run up to Christmas. A conurbation Superside campaign targeted both 18-35 year olds gamers (who might buy the product themselves) and also potential gift buyers. The campaign successfully raised awareness of the new game and achieved impressive levels of ad recognition and likelihood to purchase amongst both target audiences.

Media agency: MJMedia

Client:Marks and Spencer Project:Your M&S

Posterscope's recent work for Marks and Spencer was designed to change opinions of the store among their core consumers, the City and the media.
The high quality campaign used large formats and a high percentage of illuminated sites, running for four weeks, backed up by Mega Rears and Transvision. Multiple executions kept the campaign fresh.
Research suggests that it has worked well, particularly against young and upmarket consumers, and effectively communicated the desired brand messages, including: M&S is changing for the better; M&S is more in touch with its customers than it has been before; and M&S sells better quality products than other retailers.

Media agency: Walker Media

hyperspace

A snapshot of interactive Out-of-Home communications

25 Interactive 6 sheets nationwide were used to allow the public to vote who they thought would win the battle of Alien vs Predator for the theatrical release. Each site measured an average of 1000 votes per day.

As technology helps the Out-of-Home market evolve, our Hyperspace division looks at some of the opportunities for consumer interaction Part of the appeal and effectiveness of OOH media results from the way it is passively consumed; by definition it is everywhere and consumers need not make any effort to receive such messages. The last few years however have seen OOH develop into a more multi-dimensional marketplace, allowing an element of consumer interaction to be included in campaigns. Increased interactivity has a number of benefits to advertisers, including the opportunity to involve more of the five senses, potentially resulting in communications that deliver a more emotional reaction with increased memorability. In addition we can now communicate more in detail or add value to consumers with the aim of further developing brand affinity.

Technology has been the main driver of this interactive revolution and here we focus on such resulting developments, excluding the traditional forms of consumer interaction such as sampling or product demonstrations. For simplicity we have segmented opportunities and do not intend to be exhaustive.

Push buttons are one of the most basic forms of interactivity but are still helping to transform traditional outdoor formats, with posters dispensing a burst of perfume or snippets of music. More recently this approach has been used to canvas opinion with on the street voting units

Touch screen opportunities take this a step further, allowing consumers to ‘click through’ to areas of richer content with more details of an advertiser’s product or zones of entertainment or education. Such screens are becoming prevalent in hair salons, pubs via gaming machines and juke boxes, street based internet kiosks and units integrated into bus shelters.

Mobile phones are obviously primarily designed to enable OOH communication, so it is no surprise that we can now incorporate these into OOH advertising. Many people are aware of systems like Hypertag which beam content directly from posters to mobile phones via infra-red (which recorded over 12,000 interactions over a 4 week period on the underground using just 25 sites). Other technologies are now on the market enabling bluecasting (the transfer or streaming of large files such as video clips, or music from posters to phones via Bluetooth); vouchering (turning the phone screen into an electronic scannable redeemable voucher), or text to action mechanisms (where the consumer makes immediate changes to the advertising display e.g the opening of a curtain on a poster, or taking part in an on-site game).

Optical recognition systems are yet to make a huge impact but can produce amazing results, such as the ability to tailor advertising when a particular type of person approaches it (based on age, sex, race etc), or depending on the distance between the screen and the consumer (hence copy could become more detailed or the amount of animation could increase).

Bespoke products are also, in most instances, perfectly plausible. In the past we have installed mobile phone chargers in taxis and sent picture messages from phone to screen, so in principle advertisers could incorporate most forms of consumer technology or add sensors that react to virtually anything – the key with all of this is our imaginations.

Clearly the world of OOH interactivity is changing at a fast pace and the constant development of new technologies is such that even the immediate future is difficult to predict. However, we can be sure that personal communication devices such as phones and Blackberrys will play an increasingly pivotal role in peoples lives, making the OOH medium key to enabling consumer engagement.

Interactive Juke Box

IVU hair salon screen

Redeemit Box

Opinion

2004:Another strong year in Out-of-Home

Even in a year of recovery in all media, OOH still stayed ahead

Out-of-Home had another strong revenue performance year in 2004. When the final OAA figures are confirmed, we expect to see revenue of between £845 and £850 million and therefore year over year growth of 7-8% - this good growth was achieved in spite of a relatively quiet last quarter, after Q1-3 had achieved almost 10% growth. Coming on top of 12% growth in 2003, this is a very commendable result.

Again Out-of-Home looks to have outperformed display advertising as a whole, where Aegis have forecast that growth will be closer to 6%. So what about the magic 10% share? Since the Advertising Association redefined display to include cinema (fairly insignificant), internet (growing rapidly) and direct mail (massive), calculations have become academic. However, if we revert to their original definition (TV, press, radio and outdoor), Out-of-Home will have achieved comfortably above 9% (probably 9.2 - 9.3%).

All of the five largest contractors (the 'big 3' plus Maiden and Primesight) had good revenue years – all of them are claiming to have achieved at least the same or more than the overall 7-8% but then again they are sales operations! Street furniture did well, as did giant (bigger than 96 sheet) posters,

> AGAIN, OUT-OF-HOME LOOKS TO HAVE OUT-PERFORMED DISPLAY AD SPEND AS A WHOLE

transport and the ever developing digital and 'new Out-of-Home' sector. Billboards (48s and 96s) are rapidly becoming two markets – premium backlit sites are continuing to sell well, but the more conventional sites are underperforming the market.

So how did all of this effect prices? Prism Benchmark showed that, in total, across the year 6 sheet prices were 2% lower than in 2003 – although demand meant a significant increase in occupancy, fierce competition meant that overall prices marginally dropped. In the 48 sheet market, prices overall increased by 2%, reflecting the increased numbers of premium backlights being marketed. 96 sheets, some of which are not without their problems as we said earlier, showed an overall price increase of 12% year over year – again driven by the increased development of backlights and the consistent demand for higher unit price London presence.

2005 has got off to a very strong start for us and, at this stage, we are forecasting another +7% year on year growth – this compares with the Aegis overall display forecast of closer to 4.6%. If achieved, this would result in 9.4 – 9.5% share and edging ever closer to the 10% threshold.

News

Maiden Outdoor has issued a pre-close update for trading to 31st December 2004.

Retail - Sales have increased significantly despite a 25% reduction in sites, reflecting premium pricing and higher occupancy

Rail - Tenders have been won for 89% of above ground rail revenue, although rail rental rates have been effected by the timing of the tenders.

Billboards - have delivered below expectations, within a sector of the market which has underperformed relative to the rest of the UK Outdoor Market.

Pre Tax profits before exceptionals and goodwill are not expected to be < £7.0m Looking to the 1st quarter of 2005 Maiden have announced that by the 3rd week in January they had already taken 93% of their revenue at last year's Q1 out turn.

JC Decaux has reported its trading figures for 2004. These showed an increase of 5.7% over 2003 to E1,631.4 million. Organic revenue growth (excluding acquisitions and foreign exchange) was up 6.2%. The figures are reported against three segments. Street furniture - up 5.7%, benefiting from particularly strong growth in the UK and Portugal. Billboard - up 1.4%, where the Portuguese. Italian and Central European markets mostly achieved double digit growth. Transport - up 12%, after 2 difficult years. Jean-Charles Decaux, Chairman of the Executive Board, said "The group's revenues for the year exceeded our expectations"

It is reported that The Media Vehicle has ceased trading following its placement into administration. The company provided a range of in-store opportunities at Supermarkets, including trolley posters and floor advertising. The company is 30% owned by Clear Channel.

Freight Media, a company specialising in lorry advertising units, has been bought by one of its competitors Mobile Media.

The market

As we enter 2005 the Out-of-Home market is more diverse and dynamic than ever. A huge range of opportunities exist, to deliver tightly targeted campaigns, or truly broadcast displays. This means that whilst overall trends can be applied, real perception is in the detail. PRISM Forecast reports a 20% increase in the demand for 6 sheets vs this point in time last year, and certain segments of the 6 sheet market are substantially ahead of this. The position on larger formats is more varied, with the broadcast market performing in line with 2003, but some segments consistently outperforming the mass market. Bus advertising is currently attracting particularly strong demand, and, once again, it is certain site types that are driving this performance.
Overall the market is expected to deliver real growth for Quarter 1 in the region of 6% - 7%.

Unit price index (Jan - Dec 2004)

6 sheet	-2%
48 sheet	+2%
96 sheet	+12%

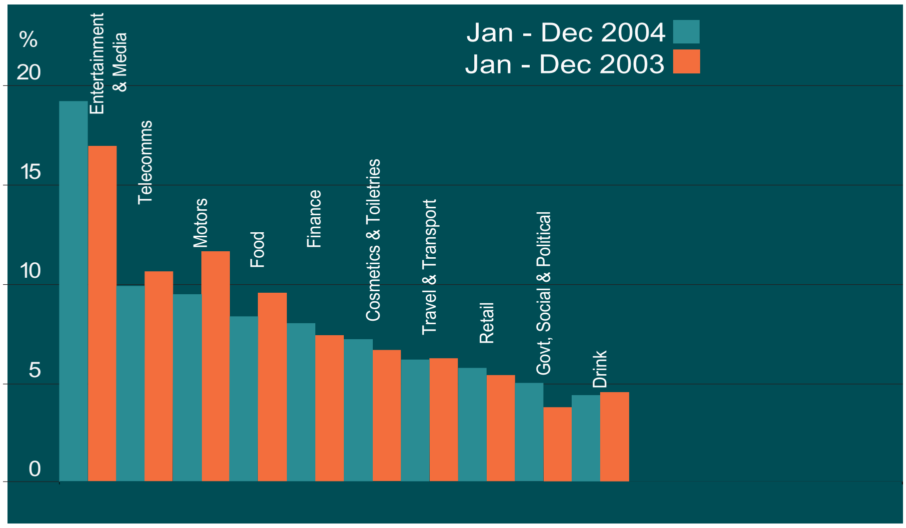
Source PRISM

Percentage of revenue by format 2004 and 2003

Bus	12.7%	12.2%
Tube	14.2%	13.5%
6 sheets	35.0%	32.7%
48 sheets	19.1%	22.1%
96 sheets	8.2%	10.2%%
Specials	10.8%	9.3%

Source: Nielsen Media Research

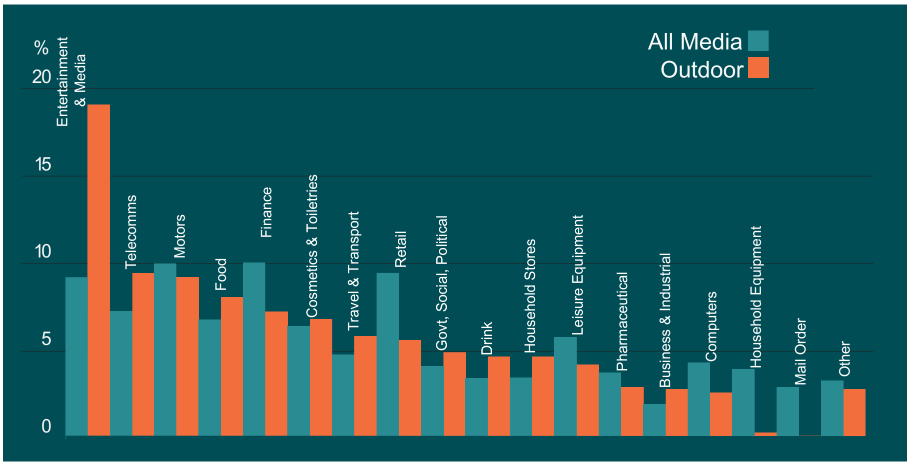
Outdoor expenditure by sector (year on year)



Source: Nielsen Media Research

Entertainment and Media's share of the outdoor medium increased again year on year, now accounting for 19% of spend. This is double the share the category accounts for across all media. Television channels, and film releases - from cinema launch through to DVD/Video promotion - accounted for two thirds of expenditure. Growth in the TV sector came from increased activity from BSkyB through the promotion of Skydigital and their flagship channel Sky One. Finance, Cosmetics and Retail, along with Government & Political, all increased their share of the outdoor cake in 2004. A General Election is forecast for 2005 and if advertising strategy from recent elections is repeated, there will be significant growth again in the Government & Political sector.

Outdoor Expenditure vs. Total Media Expenditure Share by Category 2004



Source: Nielsen Media Research

Growing the Out-of-Home medium

Posterscope is the UK's leading OOH communications agency.

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