



High-tech digital video displays that carry ads are seen by many shoppers at malls throughout the country.

through 2014. On the worldwide stage, the third annual *PQ Media Global Digital Out-of-Home Media Forecast* reported that 2009 spending would reach \$6.69 billion.

The PQ Media study said that digital billboards will be the fastest-growing segment, posting year-over-year gains of 9.1 percent in 2009 and 13.2 percent the following year. And the Asia/Pacific region, the report said, will be the fast-growing area, rising 10.7 percent this year, to \$2.18 billion.

As Quinn sees it, there are three distinct phases that occur with all successful new media: the "gold rush" phase, in which many entrants find success, the "shakeout" phase, in which lesser players drop out of the field, and the "breakout" phase, in which those still standing develop a mature, lucrative marketplace. Currently, digital OOH is in the second phase, he says.

"The digital out-of-home business is in the second phase and likely will be into 2010," said Quinn, president and CEO of PQ Media. "This is actually a good thing as it will defragment the industry and create a landscape of strong operators offering better scale, more relevant content and cohesive metrics. This is, of course, if the industry can weather strong economic headwinds, technological shifts and changing consumer behaviors. But our research suggests that brands and investors see digital out-of-home as the next frontier in media, similar to the early days of radio, cable and the Internet."

One of those players that stands an excellent chance of making it through what Quinn calls the "shakeout" phase is EYE USA, the company behind a rapidly growing collection of high-tech digital video displays called Eyalites. The company is building a network that includes about 70 state-of-the-art, ad-carrying screens in 10 shopping malls around the country. The firm also has more than 3,500 digital panels in 250 U.S. shopping malls.

David Gibbs, EYE USA's chief executive officer, says he's starting to see a "structural change" in the way advertisers view digital OOH. And while the recession has bedeviled nearly all business sectors, he also sees positive signs ahead.

"We as an industry also suffered as a result of the global recession," Gibbs admits. "But we've noticed some fundamental differences. People are putting more of their TV budgets into less traditional media such as out-of-home. And as out-of-home draws more advertising dollars, we think digital out-of-home is going to be a big part of that. We don't think digital is anywhere near its maturity level at this point."

Stephen Freitas, chief marketing officer at the Outdoor Advertising Association of America, would agree: "I would definitely say that digital out-of-home has not peaked yet.

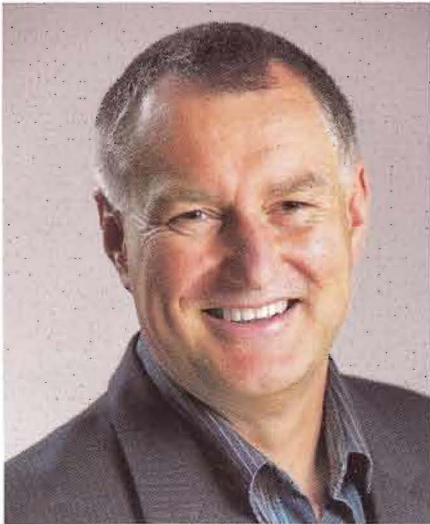
# THERE'S NO PLACE LIKE DIGITAL OUT-OF-HOME

The rapidly expanding digital OOH category is altering the retail environment

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**L**ET'S GET ONE THING STRAIGHT RIGHT FROM THE START: Patrick Quinn likes digital out-of-home advertising. He likes it a lot.

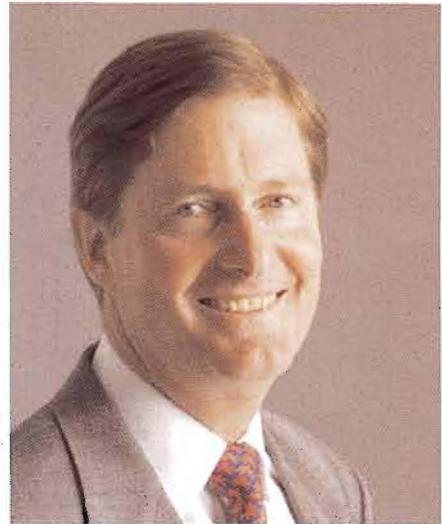
In November, Quinn's Stamford, Conn.-based PQ Media, which describes itself as a leading provider of media econometric research, released a study forecasting that spending on digital OOH would hit \$2.47 billion in the U.S. this year and then would take off at a compound annual growth rate of 9.4 percent



David Gibbs, EYE USA



Patrick Quinn, PQ Media



Bill Ketcham, Adspace Networks

***“What’s really nice, from an agency standpoint, is how nimble and flexible digital out-of-home is. With these types of campaigns, advertisers can get information that is measurable and actionable virtually in real time. It’s that ability to change your content on the fly in many cases that is so appealing.”*** — Stephen Freitas, *Outdoor Advertising Association of America*

It’s still showing a lot of growth. It’s a very vibrant area, and we think it’s going to remain that way, particularly as we head out of the recession.”

And there’s plenty of evidence out there that Gibbs and Freitas are absolutely right. In a recent study, Arbitron reported that a full 67 percent of U.S. residents 18 and older recalled seeing a digital OOH display of some type at one of 17 measured location types during the past month. Of those occurrences, 31 percent, representing nearly 72 million shoppers, were at shopping malls. Other top categories on the digital OOH list were grocery stores, with 30 percent (69.6 million U.S. adults), large retail or department stores with 29 percent (67.3 million), gas stations, with 22 percent (51 million) and movie theaters, with 21 percent (48.7 million).

Furthermore, the study found that in the all-important shopping mall venue, 55 percent of the audience for digital OOH displays were men between the ages of 18-34, precisely the same age demographic that advertisers covet on more mainstream media, such as television. Arbitron found that digital OOH audiences in malls also are reasonably well off: 28 percent said they earn between \$25,000 and \$50,000 annually and 24 percent said they make between \$50,000 and \$75,000.

With those kinds of demographics at stake, EYE USA certainly isn’t the only digital OOH

player in the mall environment. During the past five years, New York City-based Adspace Networks has crafted a network of 1,400 in-mall digital billboards in 105 shopping centers in the top 39 markets around the country. While EYE USA has so far made a conscious effort to keep its screens free of audio, Adspace has embraced the engagement potential of video and sound in one sleek package.

The growing Adspace network, which expects to add another 25 malls in 2010, features a mix of editorial and promotional content, including the company’s most popular component, Today’s Top Ten. Each week, Adspace asks mall retailers for their top deals for the upcoming week. The company’s editorial staffers then pick 10 of those submissions and produces 12-second commercial videos for each. Those 10 spots, which are replaced every Thursday, run on a loop that serves as a guidepost for shoppers. Advertisers’ commercials are aired in between the content elements.

The formula has worked so well, in fact, that Bill Ketcham, the company’s executive vp/chief marketing officer, says advertisers are beginning to see Adspace as a cost-effective addition to a TV advertising schedule, a dynamic that was particularly true during the worst of the recent recession.

“Our business actually did quite well during

the recession,” he says. “Our [ad] sales are up about 50 percent from last year, and I don’t see that changing. With the combination of our scale and our lower CPMs, we’re an interesting way for advertisers to complement their TV buys.”

For those in the digital OOH business, all of that adds up to a promising future for the emerging media platform. Freitas of the OAAA points out that many larger agencies now have in-house units dedicated to the OOH space and sometime even free-standing units that concentrate solely on digital OOH.

“What’s really nice, from an agency standpoint, is how nimble and flexible digital out-of-home is,” he says. “With these types of campaigns, advertisers can get information that is measurable and actionable virtually in real time. It’s that ability to change your content on the fly in many cases that is so appealing.”

In the future, Freitas believes, digital OOH likely will migrate on to new platforms as well. One area could be mobile phones, which, he says, “there is still some question about whether this is digital advertising or digital out-of-home... so there’s a bit of a land grab right now.”

And, for his part, Gibbs of EYE USA, says the digital OOH industry is limited only by the always-moving vanguard of technology. Asked whether digital OOH could ever make use of 3D innovations currently all the rage among HDTV makers, Gibbs initially laughed. But after thinking for a short time, he reconsidered.

“Well, right now that would be prohibitively expensive,” he says. “But I suppose it could be a possibility for the future. If you asked a lot of people five years ago if what we’re doing today would be possible they would have said ‘no.’ But with this industry, there’s really no telling what the next wave of technology will enable.”