



2011

kinetic view

How technology will transform the relationship between people and Out of Home media

The Out of Home industry in the UK is characterised by a long, creatively prosperous history and has adapted well to change in recent years through the application of high investment levels from media owners and attempts to be more accountable, measureable and flexible. It is still delivering all of these elements to satisfy client demand and must now deal with how to effectively embrace technology as consumers get smarter and technology provides a fully interactive experience.

The medium now finds itself at a potential cross-roads. The tide of digital technology has in the last five years caught up with the industry in the UK and in markets around the world. Digital screens are being deployed in increasing numbers and as our report into the Future of Out of Home Media in the UK reveals, this investment will increase the sector's market share.

Kinetic forecasts an even more significant shift in the relationship between media and consumers outside the home. Over the next ten years technology will, in effect, create a new medium in urban environments and a far closer relationship between Out of Home and consumers.

The smartphone will help deliver real change. Media observers have been predicting a "year of the mobile" for some time; many agree that 2012 could be that year, a point where relatively minuscule expenditure on digital mobile display smartphone usage sits at around 45% of UK adults

and our research also finds that mobile devices are now considered far more important to people's lifestyles than PCs or laptops, with 85% of 25-34 year olds favouring mobiles over other devices.

"Smartphones are opening up parallel opportunities for brands and media content owners."

Interactivity

For brands, the environment in which consumers find themselves in will become a platform for engagement and interaction; extending brand visibility into a more lasting sequence of awareness, dialogue and transaction.

It's this nexus between smart device, interactive technology, location and brand message, which Kinetic believes will create a new Out of Home medium for brands, offering a hugely engaging and effective route to consumers while they are shopping, travelling or enjoying leisure time.

Interactivity will become a real driver for the medium and its mobile revolution. Evidence suggests technologies are now superseding text responses and as smartphone penetration and capabilities evolve together, the real opportunity for mobile and Out of Home interactivity intensifies.

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Kinetic has found that half of consumers would interact with screens given the right incentive. This helps point towards the creation of a very different form of Out of Home advertising over the next decade; a new targeted medium that will complement the media's broadcast reach and will broaden the communication offering to advertisers and engage directly with consumers in ways that are directly relevant to their lifestyles and the environments they're in.

The roll out of digital screen networks nationally opens up the opportunity for Out of Home media to extend its traditional broadcast brand communication role by becoming a conduit for sales promotion and information content; delivering data packages instantaneously from poster to handset and driving subsequent consumer/brand actions.

Posters-to-mobile marketing is already an established relationship.

“Text call to action has been an integral part of many Out of Home campaigns, but other mechanisms are now in the mix for consumer acceptance and effective brand communication.”

Interactive screens are now extending the potential for the medium to engage audiences in different environments. Foster's has launched an interactive touchscreen campaign on 6 sheets, incorporating synergies and links with the TV campaign and Facebook. Ford's successful 'C-Max' campaign earlier in the year shows how augmented reality technology has helped make this a reality for mainstream brands.



QR Codes

One of these is a technology-led mechanism where images can be brought to life through a QR code, still not universally accepted or welcomed as a breakthrough technology.

Recent research by Kinetic found that around 40% of consumers are now familiar with the interactive matrix barcodes. 12% have even successfully scanned a QR code; a fifth of all 18-24 year olds.

Both text and QR codes require consumers to make a deliberate effort to interact and involve an action that requires their full attention. In the context of an Out of Home environment this can be difficult to achieve in a low-dwell time location. This effectively discounts the vast majority of roadside poster sites, but those in pedestrian areas create a scope of opportunity that is not being fully realised.

The consumer is still effectively learning the processes; download functionality, time and relevance all hold the key for more effective communication offerings. We estimate that the

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majority of UK OOH panels have relatively high dwell time and that many of those could become locations in which interactive experiences are delivered.

“The potential is high within retail and transport environments, but the technology needs to be made easy, and it is fast transmission technology that will really open up mass communication potential.”

Why NFC?

One scenario that Kinetic predicts will emerge over the coming decade will see media owners deploy national networks of digital screens, capable of rapidly downloading and distributing fresh creative. But many of these sites could also be NFC-equipped to become distribution points for promotional campaigns linked to retailers or products available in the immediate vicinity, downloads or content relevant to consumer type.

Technology that enables a poster site to identify the demographics and emotions of passing consumers is already available and indeed has been tested by Kinetic. Individual identification is not likely to be integrated into digital networks in large numbers; nevertheless, the integration of smart technology into poster networks adds another dimension to the capacity of digital posters to target consumers.

The prospect of Google Wallet and an iPhone 5 equipped with NFC technology - coupled with a burgeoning smartphone market - mean the barriers to a dynamic new relationship between poster and handset could be swept away.

NFC is widely expected to cause a behavioural shift in terms of the way consumers buy products and services, and download content to mobile devices while out and about. The action of tapping your device to transact could, in the coming years, become second nature.

Critically, this technology side-steps the issue of persuading a person to spend time figuring out the technology needed to facilitate physical interaction.

The first trials with brands have begun and Kinetic believes that over the next ten years or so, this combination will enable brands to engage directly with consumers in ways directly relevant to their lifestyles and to the environments that they find themselves in.



A scenario now exists where a national network of shopping mall digital posters sites is likely to be equipped with NFC functionality. Shoppers might stroll through a mall; spot a price promotion on a digital 6 sheet and casually tap the site as they walk by on their way to say Boots or Next. Integrate this with real-time planning techniques linked to retailer stock management or the weather and you have an advertising platform in urban spaces that can deliver highly targeted, highly flexible campaigns.

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Location

We also believe that geo-location based social media such as those provided by Facebook and Foursquare are set to become hugely significant. Our latest Kinetic panel research found half of UK consumers are aware of location services and 45% say that location-based social media already affects their decision-making while out and about, encouraging them to explore their surroundings more.

The study points to growing demand for location-based communications, with 43% saying they are likely to use geo-location information technology more in the future; half said they would use them to meet people, while 26% would make recommendations as well as seek them out for destinations via mobile social media.

Such services will help increase the popularity of mobile marketing where communications are relevant to a person's current location.

“In the future, 44% expect to use location services to access promotional offers relevant to where they are at the time, while a fifth would find location-relevant mobile phone advertising acceptable, soaring to half in the 35-44 age group.”

A promotion or invitation to view content could, for example, be driven via geo-fencing and be redeemable only in that immediate environment. Alternatively, the poster could tell passers-by that a virtual store was available to view with purchases 25% off, but only in a 25 metre range of that panel and on that day.

Social media

Further evidence of a powerful relationship between Out of Home and social media is also emerging. Of Facebook's 800m users worldwide, half access the channel via their mobiles and these users are twice as active. More than two-thirds of those who use Twitter, Facebook or LinkedIn now do so whilst out of home using mobile devices.

We also know from our Social Pioneers study, that traditional media has a more powerful influence over what younger consumers talk about via social media than commercial messages placed in online media or within social media environments.

The role of digital OOH

Digital OOH has made a strong impression within the OOH landscape and although we only expect digital revenues to grow to around 25% of the medium by 2020, more than 100,000 digital screens will be visible across the country. Many screens in shopping malls, high streets, leisure environments and in transport hubs will be linked to the internet and capable of interacting with mobile phones. More than 20,000 retail mall and point of sale sites will be deployed nationwide.

The potential for digital to amplify the basic strengths of simple messaging remains strong, with consumers very positive towards the medium. 57% think that digital screens brighten up their environments, while half think they make shopping malls more interesting and attractive.

Two thirds now expect to see digital screens in city centres and 70% think digital posters are beneficial in high-dwell time locations. This creates real opportunity for technology to leverage real impact; over 60% of people are

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willing to interact with digital screens and 20% even expect posters to recognise them in the future.

There is appetite for interaction and content download across news and television, travel information, film and games clips, even smartphone apps. Digital OOH can deliver live information in a really interesting way and people expect digital posters to be smarter than they currently are, because they are used to dealing with smart screens in their pocket; smartphone technology that continues to develop and evolve. The smartphone will mean every single site is going to be (effectively)digital.

Digital posters are being transformed from a niche opportunity into a distinct medium with a national reach in a very short space of time. There are opportunities to harness the immediacy of this technology in a way that is very similar to online and which is much closer to the trading nuts and bolts of a client's business.

Conclusion

In conclusion, we expect technology to forge a far closer relationship between Out of Home advertising and other media; particularly the opportunities presented by new consumer relationships with technology and social media. Out of Home media revenues will see continued growth over the next decade, reaching £1.15bn by 2020, with digital OOH revenues accounting for a quarter of total OOH revenues by 2020. In this regard, Out of Home will segment into two dual sectors; Broadcast OOH and Targeted OOH, with interactive screen to screen OOH emerging as a tangible medium.

We are not expecting a Minority Report medium overnight or even by 2020 though. The widespread deployment of screens capable of recognising individuals is very unlikely on any

timescale. However, we expect increasing use of screens that can recognise consumer "types" through face recognition software. Digital and interactive posters will enhance environments and create highly engaging visual brand experiences, but people will only expect to interact with posters where it's relevant.

Consumer desire to interact more with digital screens is real and NFC and RFID have the potential to transform the relationship in the short to medium term. Daypart, retail proximity and real-time planning will revolutionise the relationship between Out of Home and advertisers as digital screens in established Out of Home locations will double, with significant impetus given to some roadside and bus 6 sheets after 2015. And far from being a static home-based form of communications, social media will increasingly influence choices and behaviour in Out of Home environments, bring location and redemption opportunities closer to the point of action.

Kinetic's Future of Out of Home study, On the Threshold of Change, began in January 2011 by conducting several interviews across the industry with investors, consultants, media owners, media agencies, creative agencies and manufacturers - whilst adding our own perspective - on what faces the industry over the next ten years

We also conducted consumer research into expectation, technology take-up and the perception of an industry in the process of change. The findings delivered a number of themes, spanning the commercial, developmental and technological aspects of Out of Home. There was consistency of perspective, particularly from within the respective quarters of the industry. There was also much debate and some conflicting expectation.

What we have done is bring that perspective and consensus together into a viewpoint and a forecast of how the industry will change in the next ten years.