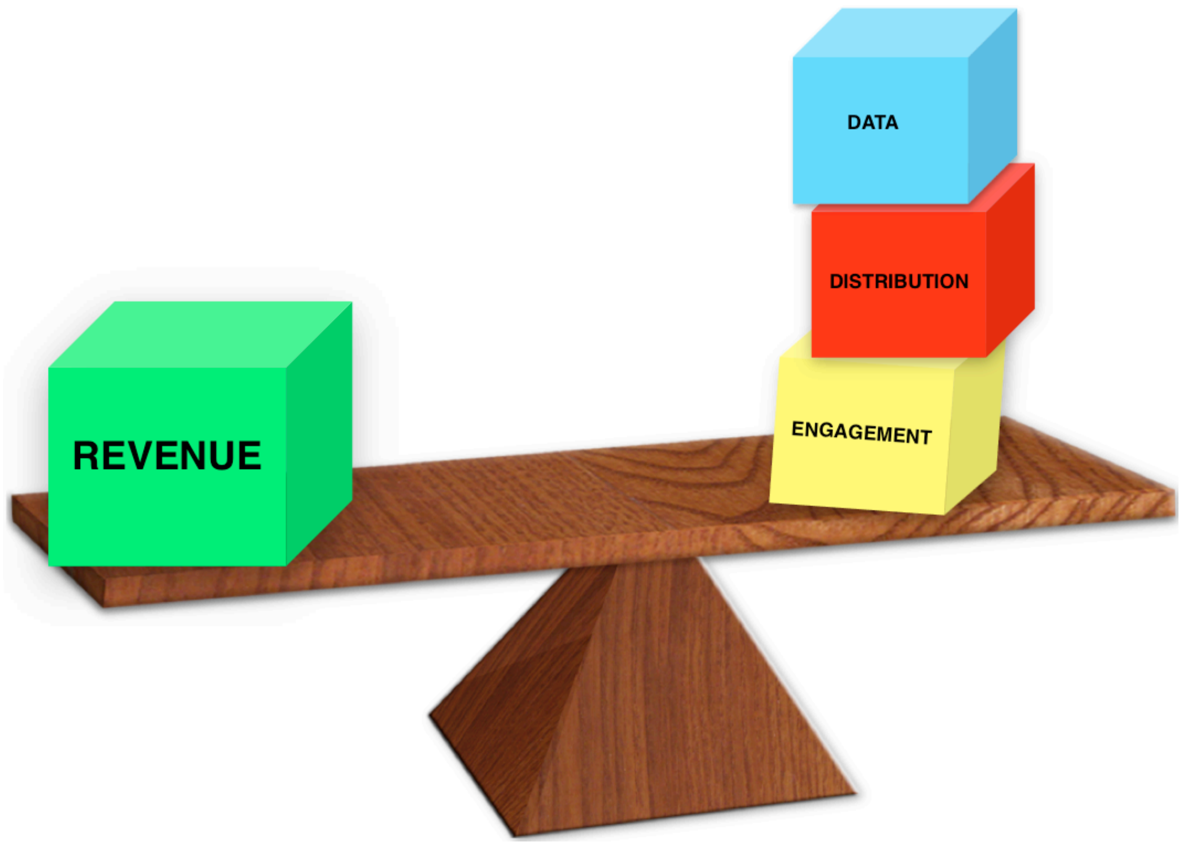
THE DOOH TIPPING POINT

Stephen Randall, January 2010.



Summary: Lessons can be learned from the web and the mobile industry to help Digital Out of Home reach its "tipping point." Those lessons reinforce that media needs to be more measurable and more engaging, and networks need to offer less friction to brands and agencies wishing to reach their audiences across multiple channels.

There is ample evidence that the Digital Out of Home market is at a tipping point (which Malcolm Gladwell defines as "the levels at which the momentum for change becomes unstoppable") – but it has not tipped yet. There is some excellent analysis stating that despite a poor economy, DOOH is one of the fastest growing media marketplaces (e.g. PQ Media's *Global Digital Out-of-Home Media Forecast 2009-2014* and BIA/Kelsey's *Digital Out of Home: Hyperlocal and Hyper Growth*). These reports support the growing confidence in the industry, but that confidence does not yet translate into robust businesses for many parts of the DOOH value chain. It therefore behooves DOOH stakeholders to address the fundamental challenges of turning that confidence into sustainable results.

To that end, I suggest we can learn from examples of how other successful media marketplaces at their respective tipping points faced and met similar challenges.

Lesson #1: Advertising needs compelling content.

Because many DOOH networks remain broadcast mediums, let's first look at the embattled broadcast TV industry. When we used to rush home to watch TV, we didn't do so to watch advertising, we rushed home to watch compelling content (e.g. *Friends* or the Superbowl). Remove or lessen the importance of compelling content and the ecosystem collapses. According to the National Cable & Telecommunications Association, the cable industry's total revenue in 2008 was $86.3 billion, of which advertising revenue accounted for $26.6 billion.

It therefore goes without saying (but I'll say it anyway) that DOOH content has to be engaging. Commoditized content (news, weather, events) cannot alone make a screen interesting. Real time, social media combined with that content makes a critical difference. For example, seeing that Blue Man Group is playing locally, together with filtered Twitter messages about the experience of seeing Blue Man Group, provides a far more contextually interesting and engaging experience.

Lesson #2: Advertising and content need to work across channels.

With so many broadcast TV channels, advertisers are faced with a fragmented market and audience. For media buyers, the aggregation of audiences requires that media can run on multiple networks. Imagine an advertiser being told that her commercial will run perfectly on CNN and FOX but is technically incompatible with ABC! However laughable that might sound, it is unfortunately where DOOH stands today. Few, if any, networks collaborate to ensure content on network A will run on network B. They compete for ad dollars, when in many cases they hurt themselves and the market in that process. Advertising and content standards enable competitors to compete, or – put another way, the lack of advertising and content standards does not help competitors compete.

We can look to the web to see if any of the above examples are exceptions that prove a rule. Not so long ago, before the web became what it is today, a few large incumbents were set on keeping the Internet a proprietary experience and focused on increasing the height of their walled gardens. Today, we know how the strategies of AOL, Prodigy, CompuServe, et al played out. It took a much smaller company, Netscape, to create a level playing field when they enabled their browser to run on different networks – effectively kick-starting the web.

The DOOH market is in a very similar position today to the pre-web era of the Internet. It's already established within the DOOH industry that like the web, media must be measurable. Data is one of the largest benefits of being digital. The "D" in DOOH has to be fully leveraged or we will be no better (and arguably worse) than TV. Furthermore, like the web, a DOOH lingua franca can only help media flow across networks and enable new and engaging applications to flourish. Adobe's Flash can accelerate the opportunity for a DOOH development environment. Let's hope Adobe clarifies its licensing terms and makes it as freely available as it is on the web –

perhaps the threat of Microsoft's Silverlight and/or Apple's Quicktime, or HTML 5.0 will force that to happen soon.

Lesson #3: Catalyze content distribution via a DOOH App Store

There can surely be no larger or fragmented market than the mobile industry. The handset companies have thus far failed to create standards around the user experience or platform operating systems, and have been slow to agree messaging and wireless protocol standards. These failures helped to prevent the kind of frictionless market that catalyzed the web. The carriers with all their self-interests at stake kept the walls of their gardens high. It took Apple, ironically with a closed operating system, to show the market a way out of its deadlock on one of those fronts. Apple's App Store is as much a platform as the iPhone. In many ways, it might be more valuable and disruptive than the iPhone. The App Store is not perfect, but it is so much better than anything than went before it that it transformed an industry within 18 months – enabling over 100,000 apps to be developed by November 2009 and over 3 billion downloads worldwide by January 2010 (Source: Apple, Inc).

Apple makes it easy for developers AND end users to transact. But "ease of use" is not the key. Rather it's ease of distribution and business model that has fueled their strategy. Make it easy for media to flow from developer to screens, and magic happens – app and content developers spring up and make the Apple platform even more attractive to end users and other developers. This encourages innovation and new business models, and advertisers immediately start to get interested – advertising networks help to monetize apps and present a cohesive marketplace to brands and advertisers. Everyone is happy. Apple's iTunes Store, and other similar stores such as Amazon's Kindle store, further establish this one-stop shop distribution strategy as critical to tipping new media marketplaces.

Similarly, a DOOH app store could help tip the DOOH market by serving as a central clearing house for apps, advertising, and market data. For the sake of full disclosure, LocaModa is focusing on strategies that catalyze and platformize the DOOH market and a LocaModa App Store is part of our plans. But like the mobile industry and web, we do not think we will be alone with this strategy (in fact, if we are, we are either in the wrong market or have the wrong strategy!) We believe our industry needs this. We believe the tipping point is close, but it needs a push.

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