

DIGITAL EARNS DOLLARS:

A report on the effectiveness of digital reader boards as an advertising medium for quick-serve restaurants.

Prepared by Daktronics, Inc.

EXECUTIVE SUMMARY

On-premise electronic reader boards are a cost-effective and potent form of advertising for quick-serve restaurants (QSR). As the effectiveness of traditional forms of advertising diminishes, on premise digital signage provides a powerful tool for boosting impulse sales while yielding a high return on investment. They reach the right target audience, at the right time, for a fraction of the cost of television, radio or print advertising.

QSR acceptance of digital reader boards increases every year. Restaurant operators have given strong endorsements of the technology based on the results they have seen in their stores. There are many aspects to developing an effective digital sign program and QSRs should choose a financially strong partner-supplier that can provide the full range of products and services required for success.

Advertising Is Changing

Traditional media's usefulness for brand promotion is declining. DVR use allows viewers to pre-record television programs and fast forward through the commercials. Traditional radio listeners avoid ads by using iPods, streaming Internet audio, or satellite radio. And publicly traded American newspapers have lost 42% of their marketing value in the past three years.¹

So what marketing tool can quick-serve restaurants use to reach their targeted demographics?

A digital reader board provides the solution for the following reasons:

- Digital reader boards are cost effective.
- People look at them because they change.
- They attract attention 24/7.
- They effectively drive impulse buys.
- They can promote many different products and services.
- They promote the right products at the right time of day.
- They reach different demographic groups at different times in the day.
- Digital reader boards are more attractive, safer and quicker than changeable copy boards.

Return on Investment

According to the Small Business Administration, owners of a digital reader board typically see a 15%-150% increase in business.² Daktronics has received testimonials from digital reader board owners who cite an increase between 9%-20%.

While this is a wide range of return on investment, return is proportional to the content quality displayed on the digital reader board and its integration into a marketing campaign. The better the content and the more appealing the message, the more people will stop at a store and purchase.

The following equation helps to determine what return on investment may look like for an individual store:

$$\frac{(Gross\ Sales \times Projected\ Lift) \times Gross\ Margin\ \%}{Cost\ of\ Investment}$$

As such, assuming only a 9% lift, a store with gross sales of \$1.175 million and a 68% gross margin may have a digital reader board return on investment that looks like this:

$$\frac{(1,175,000 \times .09) \times .68}{30,000} = \frac{71,910}{30,000} = 239.7\% \text{ ROI}$$

Results will vary depending on a store's existing gross sales and gross margin, as well as the cost of the individual display purchased. Again, content and message appeal can affect the projected lift increase. A digital reader board with effective messages typically will pay for itself within four to 18 months.

An Effective Advertising Medium

Return is also related to the cost-effectiveness of digital reader boards, especially when compared to the decline of advertising success in newspapers, radio and television, particularly with young people.

Frequent QSR customers are young males, ages 16 to 24. About 26% of both Millennials (born between 1982 through 2000) and Gen Xers (born between 1967 through 1981) visit a QSR once a week. And kids and teens in the household who are also currently part of the Millennial generation influence older QSR customers.³

With Millennials' heavy spending power and resistance to marketing, QSRs need to reach this group in unique, technology-savvy ways.⁴ Consider the following:

- Since 2004, newspapers have been the least preferred media source for young people.¹
- Young DVR users skip the most ads. A typical DVR user watches only 41% of television shows in real time and views only 8% of the commercials. Thus, the DVR user is exposed to only 46% as many commercials as an ideal viewer.⁵
- Most of the early adopters of online music download services have been young radio listeners.⁶
- As avid gamers, Millennials most enjoy interactive, full-motion multimedia with colorful graphics and images.⁷

Digital reader boards, with their ability to show color graphics and images as well as motion, appeal more to younger audiences than newspapers, TV or radio ads. And they're also cost-effective. The table below shows digital reader board costs compared to other media:

MEDIA AND COST⁸	
Newspapers	\$5,200 per month
Television	\$6 million for one, 30-second daily commercial
Direct Mail	\$1,500 for 1,000 4"x6" postcards
Online	\$1,200 to \$1,800 per month
Daktronics digital reader board	\$300* per month

**Monthly cost over the display's 10-year lifetime*

The chart below shows media costs from a specific area, in this case, Seattle, Washington:

MEDIA AND COST PER THOUSAND EXPOSURES <i>Seattle, Washington⁹</i>	
<i>The Seattle Times</i>	\$22.52 - \$26.73
KOMO 97.7 radio	\$1.80 - \$5.10
KIRO (CBS) TV	\$5.14 - \$6.08
Daktronics digital reader board	\$0.35

Catching Impulse Buys: Selling to Your Front Door Market

Since impulse buying accounts for nearly 40% of restaurant business, catching potential customers' attention is important.

Viewers notice digital reader boards. After driving by a static sign over and over again, consumers quit looking at them. On the other hand, they always look at a sign that they know changes. Since a typical family may travel on a certain street during their daily routine more than 50 times during a month, QSRs need a sign that they'll keep noticing.¹⁰

Digital reader boards also make more sense than other advertising media, not only because they are cost-effective and people notice them, but because they broadcast their messages to a constant stream of potential customers. Americans travel an average of 302 miles in seven days.¹¹ Outdoor media reach 96% of these drivers and passengers.¹² And with a digital reader board, operators easily change messages to appeal to different demographic groups and to promote different goods and services.

Also, think about the effect of a digital reader board upon motorists when you consider the following statistics:

- Customers exposed to advertising for a longer time are more likely to buy.
- Two-thirds of customers buy on impulse.¹³
- High-mileage commuters spend less time reading a newspaper or watching the news.¹⁴
- 34% of high-mileage consumers have incomes of more than \$75,000.¹⁵
- 45% of high-mileage consumers have children in the home.¹⁶
- 40% of people decide to stop at a store on the way home from work.¹⁷

Finally, many QSRs have been replacing their manually changeable copy boards with digital reader boards. One reason is that all the details of a facility's appearance affect the way consumers perceive a business.¹⁸

While copy boards appear old-fashioned and messy, digital reader boards convey a cutting-edge, sleek image. Digital reader boards also contribute to employee safety. They eliminate the chance of an accident occurring when an employee updates a copy board's message. With all the occupational injuries reported annually and fourteen different OSHA guidelines for the use of a portable ladder, a digital display makes good safety and economic sense.¹⁹

Embracing Change: QSR Digital Reader Board Use Grows

A strong testimonial that proves digital reader boards work is their increased use within the QSR industry. The chart below shows Daktronics sales to QSRs for the company's past four fiscal years:

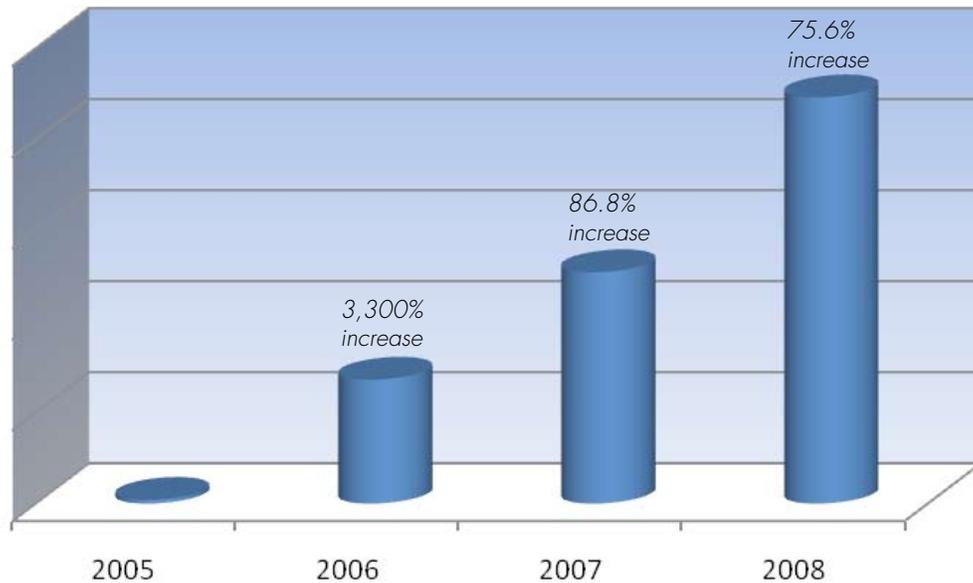


Chart 1: Digital Reader Board Sales to QSRs²⁰

In addition, several QSR owners who operate multiple restaurants and have bought a display for one particular store have repeated their purchase and bought displays for their other restaurant locations. According to Daktronics' sales data, 24.6% of displays purchased for QSRs are repeat purchases made by QSR owners who already use Daktronics digital displays.²¹

Customer Testimonials: Digital Reader Boards Work

"I've installed digital displays in 90% of my stores, and I absolutely will put them in my other locations. We've received very positive feedback from the public. I chose Daktronics based on the company's reputation, and the displays I use have excellent image quality. It allows us to specifically target customers at different times of the day."

—Tom Walsh, Jr., Burger King franchisee

"We experienced a 9.2% overall business increase these past six months, and I would definitely attribute that to the display. We have had tremendous feedback from our customers; they've had nothing but good things to say of the display."

—Jerry Briggs, Little Caesars franchisee

“Unlike radio or print ads, you can program unique messages to reach diverse audiences at different times of the day. The display is so versatile and has been very successful in reaching a broader range of customers. Without a doubt, we have seen an increase in business since the installation of our new display. I estimate that 20 percent of our business is from customers that see our sign driving by and decide to stop on impulse.”

—Rex Wolff, Junction Sports Bar & Grill owner

“The managers at all three stores participating in the survey reported a significant increase in sales when the electronic message centers were used to advertise the Fruit & Walnut salad.”

—Greg Luring, McDonald’s owner/operator

“Our business is up, definitely. When we put up a help-wanted ad for example, people will apply. Especially since many of our locations are on busy roads, the sign is a great way to talk to people. We see it as an important way of leveraging the money spent on our locations.”

—Gene Duenow, KFC owner

“This type of advertising was the next generation medium that we needed to implement for our store to stay competitive in the flooded restaurant market.”

—Mark Levine, McDonald’s owner/operator

“I like the sign because you can really tailor your advertising toward the customer’s specific needs rather than one message all day long. For example, if there’s a blizzard you can say, ‘Warm up with a bowl of chili,’ or if it’s hot out you can say, ‘Cool down with a TCBY treat.’ And it takes me less than a minute to change the copy.”

—Eric Luther, Burger King franchisee

“I like to be on the technological forefront. I’m thrilled with the new displays and several other owners/operators have asked me about them. We love what they’re doing for us and people are paying attention.”

—Greg Luring, McDonald’s owner/operator

Let Daktronics Help You Get Started

As the world’s leading provider of digital displays, Daktronics can help you to roll out a program that meets the needs of your franchise.

Why Choose Daktronics?

We want to be your digital display partner, not just a vendor. We’re a financially strong and debt-free company, publicly traded on the NASDAQ, with more than 40 years of experience. Our products are rigorously tested in our Reliability Lab and are made in the U.S.A. We support our customers with ongoing service-after-the-sale, including installation assistance, award-winning creative services, and a nation-wide network of technicians.

For *franchise owners* interested in purchasing digital reader boards for your store locations, call Daktronics representative **Sean Binker at 888-325-7446, ext. 56219 or e-mail Sean.Binker@daktronics.com**. He can assist you with a free sign code analysis or help you determine the return-on-investment for your locations.

For *corporate QSRs* interested in launching a digital reader board program to their franchisees, contact Daktronics representative **Vic Wenner at 888-325-7446, ext. 57309 or e-mail Vic.Wenner@daktronics.com**. He can provide you a best practices guide and give you a free consultation to help you develop your brand’s sign strategy.

By working together, Daktronics can help your business earn dollars through digital reader board advertising. Contact Daktronics, and we’ll get started today.



Resources

- ¹ Alterman, Eric. "Out of Print," March 31, 2009. *The New Yorker*.
- ² Small Business Administration. "Frequently Asked Questions about EMCs," October 14, 2003, <<http://www.sba.gov/smallbusinessplanner/start/pickalocation/signage/emcfaq.html>>, accessed on July 1, 2009.
- ³ Gale, Derek. "Heavy Influence," *Restaurants and Institutions*, Vol. 117, No. 10, July 1, 2007, p. 93.
- ⁴ Millwood, Abigail B. "The Young and the Restless," *Nation's Restaurant News*, Vol. 41, No. 5, January 29, 2007, pp. 132-133.
- ⁵ Bernoff, Josh. "The Mind of the DVR User: Media and Advertising," Forrester Research, Cambridge, Massachusetts, September 8, 2004, pp. 4-10.
- ⁶ Lin, Carolyn A. "Predicting Satellite Radio Adoption via Listening Motives, Activity, and Format Preference," *Journal of Broadcasting & Electronic Media*, Vol. 50, No. 1, March 2006, pp. 140-159.
- ⁷ Sweeney, Richard. "Millennial Behaviors and Demographics," New Jersey Institute of Technology, Newark, New Jersey, December 22, 2006, pp. 4-5.
- ⁸ Wells, James. "The Value of SEO in Your Marketing Budget." September 12, 2007. Retrieved October 21, 2008, from <<http://www.articlesbase.com/seo-articles/the-value-of-seo-in-your-marketing-budget-213173.html>>
- ⁹ Statistics gathered by Daktronics Commercial Business Marketing, August 2009.
- ¹⁰ Taylor, Charles R., Thomas A. Claus and Susan L. Claus. *On-Premise Signs as Storefront Marketing Devices and Systems*. 2006, page 8.17.
- ¹¹ "The Arbitron Outdoor Study," 2001.
- ¹² Ibid.
- ¹³ Young, Scott. "What Shoppers Say—and What They Do," 2008. *Perception Research Services, Marketing at Retail*. Retrieved on September 11, 2008, from <http://www.marketingatretail.com/publish/shopperEngagement/What_Shoppers_Say_printer.php>
- ¹⁴ "The Arbitron Outdoor Study," 2001.
- ¹⁵ Ibid.
- ¹⁶ Ibid.
- ¹⁷ Ibid.
- ¹⁸ "Recapturing Store Image in Customer-Based Store Equity: a Construct Conceptualization," 2003. Hartman, Katherine B. and Rosanne L. Spiro. *Journal of Business Research*.
- ¹⁹ "Occupational Safety & Health Administrations," *Small Business Handbook*.
- ²⁰ Statistics gathered by Daktronics Commercial Business Marketing, July 2009.
- ²¹ Ibid.