

# EFFECTIVENESS OF OUTDOOR DIGITAL DISPLAYS FOR THE CONVENIENCE STORE INDUSTRY

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## OUTDOOR DIGITAL DISPLAYS AND CONVENIENCE STORES

In recent years, brands such as Shell Oil, BP America, Kwik Trip, and Wawa have replaced outdated manual copy boards and incandescent display technology with electronic LED displays. Why? Because "[digital] technology can produce between 2% and 3% lift on impulse, items, and between 11% and 12% increases on frequently purchased consumables," says Steven Keith Platt, director and research fellow, Platt Retail Institute.<sup>1</sup>

Today, digital signage plays a vital role in a c-store's merchandizing efforts. In a recent study involving a national c-store, the retailer reported how effectively signs outside the facility funneled people inside. Once there, in-store displays and loyalty programs convert consumers into customers.<sup>2</sup>

## CONVERTING PUMPERS TO SHOPPERS

73% of customers buy fuel without entering the store.<sup>3</sup> How can c-stores lower that statistic? When the store uses an outdoor LED sign as an advertising medium, it drives consumers inside to pick up a soda, grab a fresh sandwich, use the ATM machine, and buy a bottle of aspirin. Today's convenience stores use message centers to transform a passerby into a loyal customer by promoting inventory relevant to his/her needs.

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- 2012 NACS survey

Since owners face many challenges today, it's important to seize any available advantage. Low in-store traffic is just one of countless challenges c-stores currently face. Fuel margins are weak; swipe fees are high. Dollar stores are competing with c-stores by selling tobacco and alcohol.<sup>4</sup> Also, competition from other c-stores has increased dramatically. 148,136 new facilities opened in 2011, more than at any other time.<sup>5</sup>

## RETURN ON INVESTMENT

What return on investment can a c-store owner expect from a digital display? According to the Small Business Administration, owners of a digital reader board typically see a 15% or more increase in business.<sup>6</sup> Testimonials from digital display owners using Daktronics displays cite increases between 9% and 20%.

The following equation calculates a digital display's return on investment:

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

Assuming a 9% lift, a store with gross sales of \$1.2 million and a 27% gross margin may have a digital reader board return on investment that looks like this:

$$\frac{(\$1,200,000 \times .09)}{\$30,000} \times \frac{\$29,160}{\$30,000} = 97.2\% \text{ ROI}$$

Results will vary depending on a store's existing gross sales and gross margin, as well as the cost of the individual display purchased.

**An LED sign, with effective messages, typically pays for itself within four to 18 months.<sup>7</sup>**

## CONTENT IS KING

The quality of the content the LED message center runs also affects the ROI.

Digital signage expert Keith Kelsen notes, although message centers are a "proven delivery mechanism," the success of a sign to drive sales depends on how relevant and fresh the content is.<sup>8</sup> Because of the critical importance of a variety of good content, LED sign customers should ask their vendors about content support. Some display manufacturers provide product users with professionally created free content, for-sale content, and message creation guides and tips.

## STIMULATING IMPULSE BUYS

An outdoor LED sign broadcasts the c-store's inventory to a constant stream of consumers. And even in this economy, nine out of ten shoppers of all ages admit to buying items not on the shopping list.<sup>9</sup> Fewer and fewer consumers plan ahead—they're busy, stressed out, and looking for bargains.<sup>10</sup> *DrugStoreNews* reports that 61% of shoppers buy one to three items not on their lists. The article goes on to state that "if you reach a particular shopper at the right moment with the right message it can end with that item being added to their basket."<sup>11</sup>

## FLEXIBILITY SELLS

On-the-go viewers notice digital displays because, unlike static signs, they change. They also can be changed instantly to take advantage of external conditions, such as events, the weather, or time of day to boost sales. For example, a c-store can welcome visitors to the city's golf tournament along with a daily special promotion. Record high temps? Run a message about what's in the cold vault. Late afternoon? Post a dinner solution.

Another advantage of an LED sign's flexibility is how a single display can sell a wide variety of goods and services. Owners can use one LED sign to sell products and amenities as different as alternative fuel, energy drinks, cooler items, clean bathrooms, roller grill options, ATM machine access, a car wash, and cigarettes.

C-stores also increase relevancy to their customers with customized messages specific to certain demographic groups. People pay attention to localized messages on digital displays. For example, experts predict that the Latino population's spending power is more than \$1.4 trillion. Hispanics want certain items, such as sugar cane Mexican Coke, pre-paid phone cards, and they appreciate stores with Spanish-speaking employees<sup>12</sup> A message center is the economical solution to attract specific customer groups in the area.

## LOOKING GOOD

C-stores perceived by travelers to be outdated can lose their competitive edge. LED technology improves any facility's curb appeal. Manually changeable signs can appear old-fashioned and messy. Old or discolored copy board tiles are hard to read.

Super America's recent clean-up program shows how important a clean, up-to-date appearance is to this industry. The chain spent \$4 million installing more LED displays, as well as repairing pavement, repainting parking lots, sprucing up islands, and fixing store interiors. The goal of their "Spring Clean Up" launch was to attract more customers.<sup>13</sup>

## DIFFERENTIATE

Many c-stores capitalize on a signature item, such as Kwik Trip's fresh bananas, to stand out from competitors. Signature items are "unbelievably critical," says Jack Cushman, vice president of foodservice for Nice-N-Easy Grocery Shoppes in Canastota, New York. "If you're going to be the same as everyone else, you might as well not get in the business."<sup>14</sup>

Stripes Convenience Stores of Texas, Oklahoma, and New Mexico, use digital billboards to promote their signature item: tacos made in the company's in-house restaurant.<sup>15</sup> An on-premise LED sign is a great way to alert passersby to distinguishing items. More traffic means more profit.

## COMMUNITY AND CHARITY

A digital sign can help a c-store to become part of the community rather than just another retailer. Cenex Zip Trip stores provide an excellent example how to do this. For three years now, they raised money for Salvation Army Backpacks for Kids by asking customers to donate one dollar. Participants then receive a free soda at their next visit. The stores promoted the campaign on their outdoor LED signs, and also posted the amount raised and thank you messages to the community.<sup>16</sup>

**61%** of consumers report they would be more inclined to stop at a store known to support the community.

- 2012 NACS survey

Community involvement stimulates sales. A 2012 NACS survey asked customers what would make them stop and buy from a certain store. 61% said they would be more inclined to stop at a store known to support the community. 39% responded that stores that support youth sports would get their business.<sup>17</sup> C-stores easily and effectively connect with the public using an on-site LED sign.

## FOOD SERVICE

As income from fuel and tobacco declines, c-stores have found food service to be an excellent alternative revenue stream.<sup>18</sup> The NACS "State of the Industry Report of 2011" found food service to be key to a c-store's success and that food sales increased income by 10.5%.<sup>19</sup> The National Association of Convenience Stores reports fast food sales make up 70% of c-store offerings.<sup>20</sup>

Digital displays are particularly effective when used to promote food items. The technology's flexibility makes it easy to day part---promoting breakfast sandwiches in the morning, fresh sandwiches at lunch time, and meals to go at dinner time.

## SOCIAL MEDIA TIE-IN

Social media, such as Facebook and Twitter, have changed the way businesses publicize their goods and services. An LED sign is an easy way to promote social media sites and customer loyalty programs. Some digital display vendors even offer pre-produced social media content to their customers to simplify message creation.

According to the 2012 Convenience Retail Outlook Survey, 60% of the convenience retailers responded that they are increasing Facebook use in 2013.<sup>21</sup> Research indicates that those customers who participate in social media increase their buying by 30%. Engaging customers to interact via social media drives immediate and long-term sales for retailers.<sup>22</sup> An outdoor LED sign is the perfect vehicle to encourage customer interaction with a c-store's social media.

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## TAKE A SECOND LOOK AT THE MARKETING BUDGET

The increasing ineffectiveness of traditional platforms, such as TV, radio, and newspapers, cause c-stores to reallocate funds earmarked for advertising in these media to buying an LED sign.

- **Newspaper** ad revenues have decreased more than 50% in the last five years as readers turn to online sources instead.<sup>23</sup>
- **Radio** ad revenues are also down, with 38% of music lovers using mobile devices. Experts predict this number to double by 2014.<sup>24</sup>
- **Television** can't promise the audience exposure it did in the past. Hundreds of channels and the rise of digital recording devices have weakened TV ad effectiveness.<sup>25</sup>

In contrast to newspapers, radio, and TV platforms, a c-store owns and completely controls its digital display.

An LED sign is an advertising medium that:

- Attracts customers when they can stop and buy.
- Reaches many different customers, not just one broad group.
- Provides new ads quickly and inexpensively.
- Offers a higher return on investment.

## CONCLUSION

Outdoor LED signs empower the convenience store owner to compete in a tough industry and relate to customers in a distinct way. The technology's flexibility permits operators to take full advantage of:

- Changing events
- Wide variety of goods/services
- Diverse demographic groups in the front door audience

In addition, no other method of advertising offers retailers as high a return on investment, while increasing the facility's curb appeal. An LED sign is also a great way to highlight community events and the store's donations to charities. As the traditional media become less effective, the digital display offers c-stores a cost-effective medium that reaches customers at point of sale.

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