

# iPopped<sup>TM</sup> 2011



## Game Changer - digital signage

Media's emerging source of sustainable business value.

A SMITH-TRG perspective - prediction by Richard D. Smith, CEO

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about transformation . . . from  
**old school** to **new value**



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- MEDIA's 'Perfect Storm' LANDSCAPE
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*introduction*

iPopped™  
Digital-Media

The global digital-media consulting and  
venture development arm of SMITH-TRG

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We're About: putting you – the client

**in the value creator's seat**

Enabling client visions to become reality and  
their ideas to achieve '*business value*' results.

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# OUR value view . . .

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"Achieving consistently superior value growth is the single accomplishment that most clearly distinguishes great companies from all others. It is the hallmark of exceptional leaders. In our experience, a focus on value is our key to helping clients' achieve superior performance, and it therefore forms the basis of everything we do."

- Richard D. Smith, CEO, SMITH-TRG

**WHAT** we believe . . .

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"Vision is the art of  
seeing the invisible."

# OUR work . . .

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the bi-product of  
our work can be  
found behind the  
world's coolest . . . .

smartphones, tablets,  
networks, commercial  
buildings, and retail  
outlets!

media's 'perfect storm' landscape



# 2010

the year we

# Stopped Talking

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233 million people in America  
used wireless devices!  
one-third of those are "smartphones".

Steve Jobs Introduces iPad

creates product category



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## iPopped™, *the 2010 paradigm shift* –

led/driven by Apple's Steve Jobs as change agent with iPhone (Smartphones) and iPad (tablets) as catalysts for digital-media & enterprise transformation.

Googleopoly

vs. Apple Centric age



open system

vs. closed system

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# Millennials

aged 18-33, 95% active web users,  
rule the web when it comes to social  
networking, instant messaging, and  
wireless internet usage on laptops  
and mobile phones.

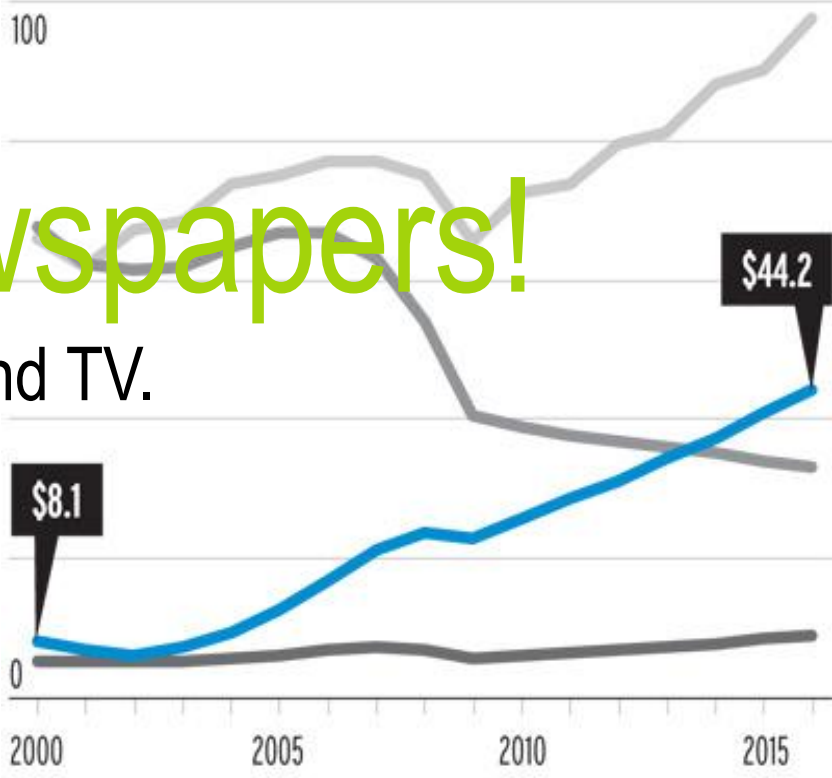
# Gen X

aged 34-45, engage in visiting government websites and checking financial information more than young adults with 94% of all web users using Internet to check email and 87% to search.

### MAGNAGLOBAL: U.S. MEDIA ADVERTISING, 2000-2016

MagnaGlobal said internet passed newspapers in 2010 ad revenue, moving internet to No. 2 ad medium behind TV. Its figures show internet ads topped magazines in 2007 and will pass overall print media' in 2014.

\$ in billions ■ INTERNET ■ BROADCAST ■ PRINT ■ OUT OF HOME



Internet ad spend  
**passed newspapers!**  
now #2 ad medium behind TV.

Android

10.9 million

U.S. smartphone subscribers as of August



Twitter an Internet phenomenon with

175 million  
registered users,

introduced several types of  
self-serve advertisements and is courting  
big business to remain relevant.



smartphones now

# know more personal details

about people, phone numbers . . .



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... current location, often the owner's real name — even a

unique ID

number that can never be changed or turned off.



# FREE/Wireless/Apps

"If you are not paying for it,  
you're not the customer,  
you're the product."

Apple's Jobs  
Announces  
iAd



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four year old Millennial Media is third  
in U.S. mobile display  
advertising with 15.4%  
market share behind Google's 19%  
and Apple's 18.8%.

QR codes, a smartphone and mobile  
innovation, are **linking to**  
**everything** from instant  
promotions to just-in-time "how to"  
**videos** are storming the marketing  
hills.

smartphone camera scanned

QR codes - small

barcodes/decals can

pull up text, photos and videos enabling  
businesses to connect with mobile  
customers on the fly.

Jobs Introduces new **Apple TV** at  
\$99 and strictly for streaming -- from iTunes  
and other sources, such as Netflix, Flickr and  
YouTube



first iAd for iPad for Disney's  
'Tron Legacy'

like iPhone & iPod Touch  
the **first iPad iAd** is  
chock-full of the rich graphics, touch  
navigation and video native to apps.

for first time *in any iAd,*  
users will also be able to send email  
straight from within the ad!

15 million  
iPads sold  
in 2010

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which included . . .



**7.33 million iPads**

**sold** in the quarter ending 12/25/10!

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and . . .



**16.24 million iPhones**  
sold in the quarter

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Apple's app store nears  
**10 billion**  
downloads!



# 4G

networks – 4 operational U.S. carriers



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# Home Depot new mobile app . . . allows consumers to order merchandise via their iPhone or iPad



*"I can't wait until the day when I have my credit card loaded up on my smartphone, and I don't even have to carry my wallet—just walk around with my phone,"*

- Carol B. Tomé, CFO, Home Depot



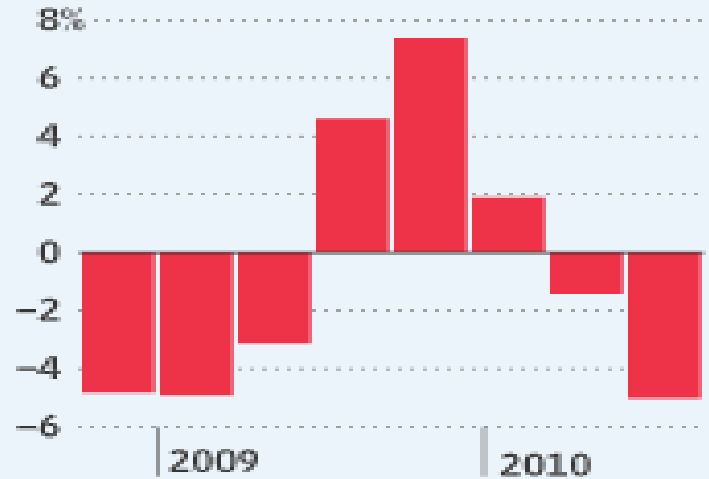
Best Buy

revenues  
decline 1%

U.S. stores, call centers and  
websites dropped 5%  
compared with a year ago.

### Losing Ground

Quarterly comparable U.S. store sales for Best Buy



Note: Compares sales at stores open at least 14 months with the same period a year earlier  
Source: the company

but . . .

# Profit Margins Jump

thanks to strong smartphone  
sales!



## 2011 game changer – digital signage



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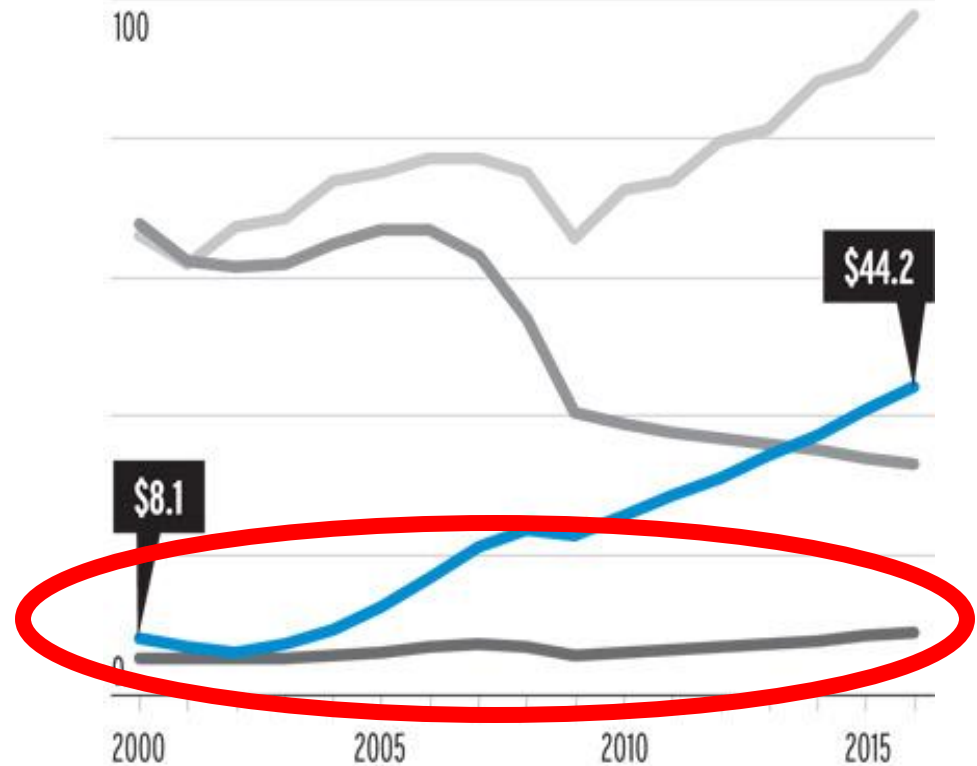
# Ad Spend

Digital out of home (DOOH) networks steady trend up

## MAGNAGLOBAL: U.S. MEDIA ADVERTISING, 2000-2016

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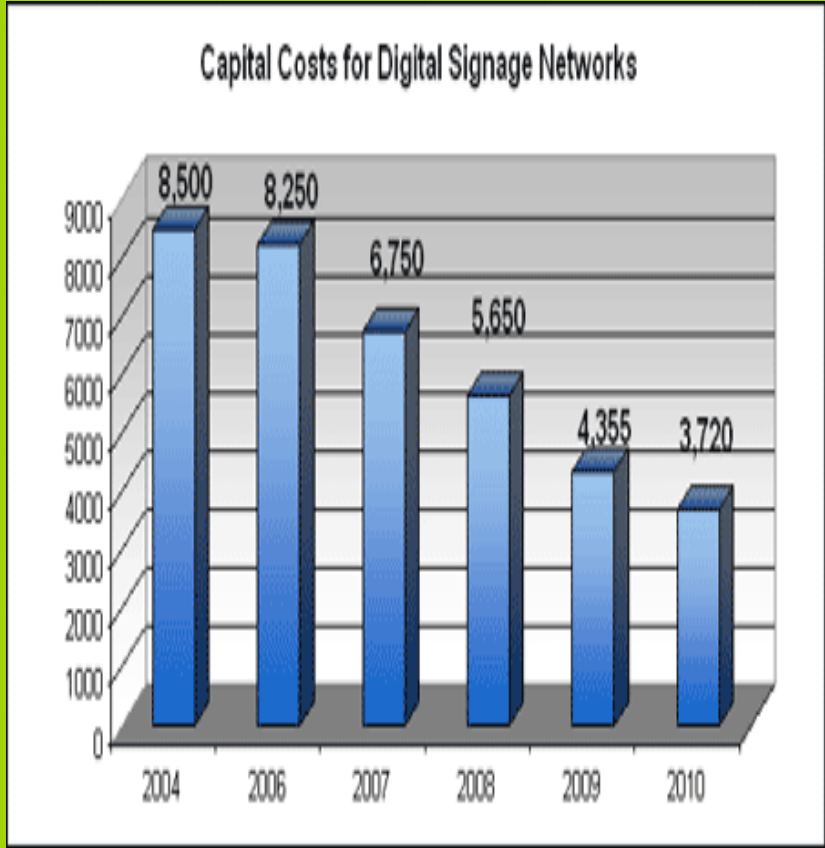


globally DOOH ad revenue is the fastest  
growing of all media - **close to**  
**35 percent** of out-of-home  
spending in the U.S.

today, over **2 M digital**  
**signs in U.S.** - growing  
to 7 million over the next 5 years.

Source: Windows Embedded, Marketing, Barb Edeson

from 2004 to 2010 a  
**60% capital  
cost decline**

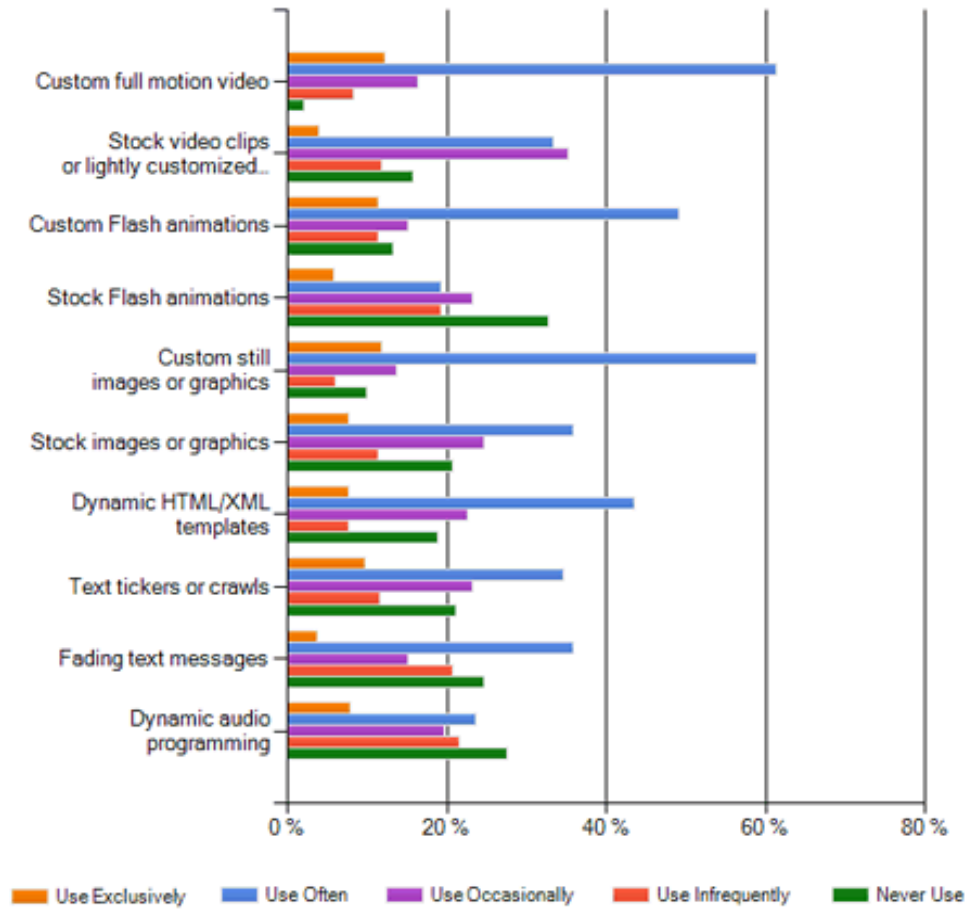


Source, Bill Gerba, CEO, Wirespring Tech. Inc.

a "typical" 100-screen network  
costs about \$497  
a month per screen to  
operate after salaries are factored in.

custom videos, images  
dominate **Digital**  
**Signage**  
playlists . . .

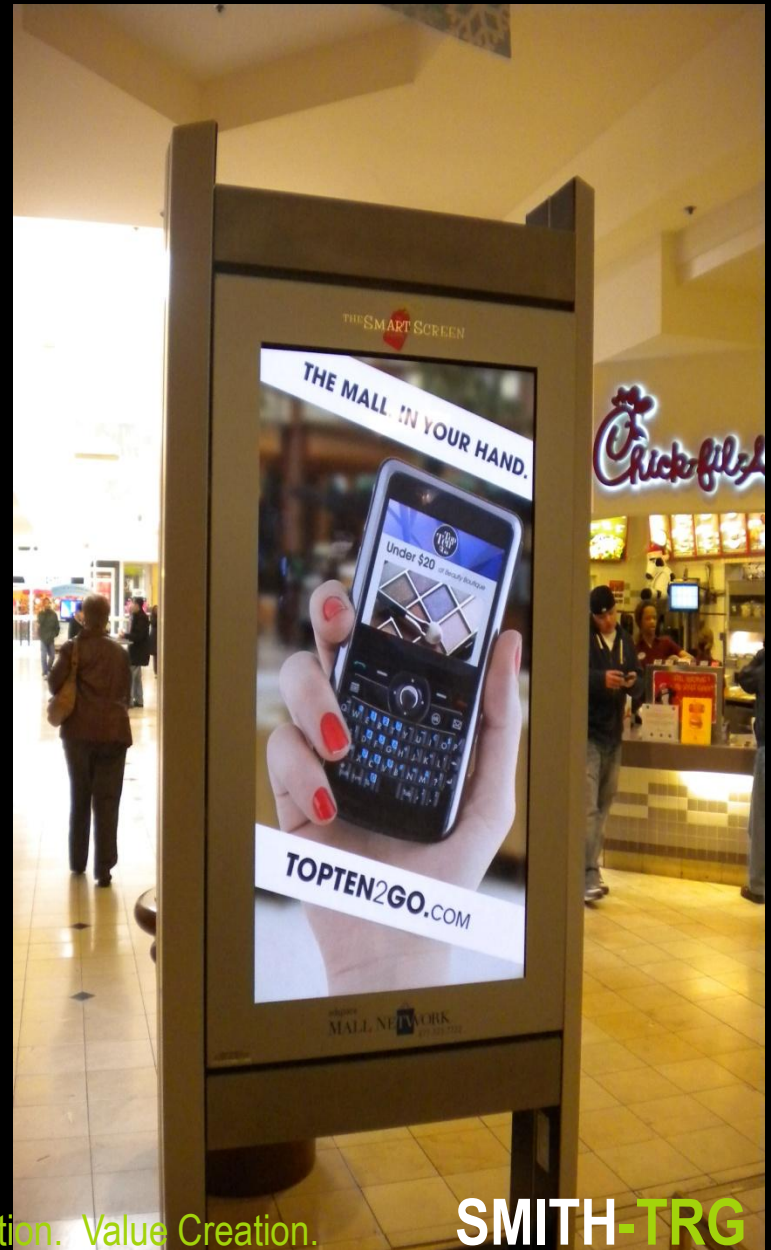
What content do you use on your network?



retailers are changing their  
models to be more  
inclusive of  
different paths to purchase.

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path's to purchase so complicated,  
**technology so**  
**incongruent,** retailers  
are seeking integrated digital  
signage solutions . . .

solutions that include social, desktop, in-store, and interactive that will help customers buy something immediately.



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example . . .

97% of the U.S.

population lives within 25

miles of a Wal-Mart, with 53% -- over

150M people living within 5 miles of one.

Wal-Mart's online media program delivers

**1 billion per month**

**ad impressions** to an

audience of 32 million monthly unique

visitors. Those visitors spend an average

of 15 minutes on the site each visit.

Wal-Mart's new "digital media  
program," **ties together**

**the in-store** Smart

Network digital signage platform with  
the ad and creative space available on  
Walmart.com.

When that program is coupled with the Smart Network the digital media program has a monthly reach between **one-half and one-third** of the U.S. population.

Source: Smart Network general manager James Beck

# value impact

for Wal-Mart . . . ?

## sales lift by department

- Electronics: 7%
- Over-the-counter: 23%
- Food: 13%
- Health/beauty: 28%

## sales lift by product type

- Mature items: 7%
- Newly-launched items: 9%
- Seasonal items: 18%
- Items on rollback: 6%

point in a product's life cycle  
when the network seemed to be  
most effective

DOOH M&A

does size matter?

from the **investor's**  
**perspective** drive  
towards scale makes sense

companies, sitting on piles of cash,  
**like buying**  
**more** of something that they  
**have and understand**, rather than  
creating a "new value" that wasn't  
there before

Zoom and RMG (formerly Danoo) have  
gained scale by purchasing  
**smaller network  
operators** (or just their  
assets) and adding them together

most of the perceived value of  
**DOOH**  
**acquisitions** still  
lies in pursuit of scale, not  
synergy

time to

**THINK**

strategic value creation!

do you want to become

**Google,**

a Googleopoly?

or create a digital-signage

Apple,

a DOOH version of Apple Centric age?

Googleopoly vs. Apple Centric age

a January 2011 market capitalization comparison

\$197.88 B vs. \$316.65 B

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RMG (formerly Danoo)

vs. Niche, High Value

Googleopoly

vs. Apple Centric age

Largest (scaled, low prices)

vs. Niche, High Margin

U.S. retail industry of nearly  
**1.1 million**  
**establishments**  
and annual sales - \$4.5 trillion.

As retailers struggle in today's  
economy, digital signage is  
**finding its place**  
as branding and merchandising  
tool near point-of-sale.

as a branding and  
merchandising  
tool alone, it no longer cuts it!

**some evidence . . .**

November 1 to January 1, SMITH-TRG DOOH research

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# 300 DOOH networks

in - mega-malls, regional malls, chain stores

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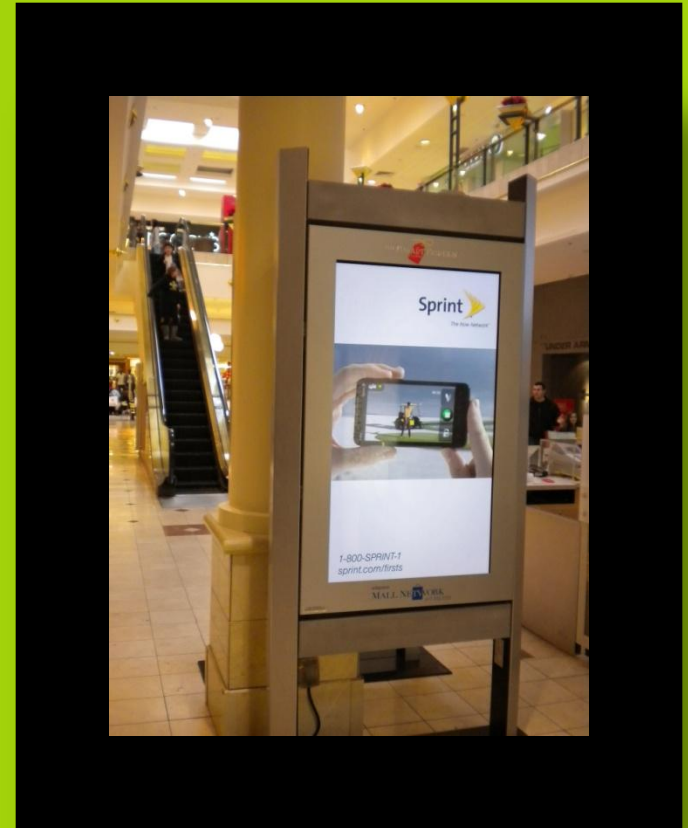
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# 99 percent

in-mall/in-store screen content did not  
directly engage consumer, solicit real-  
time response to a brand offer

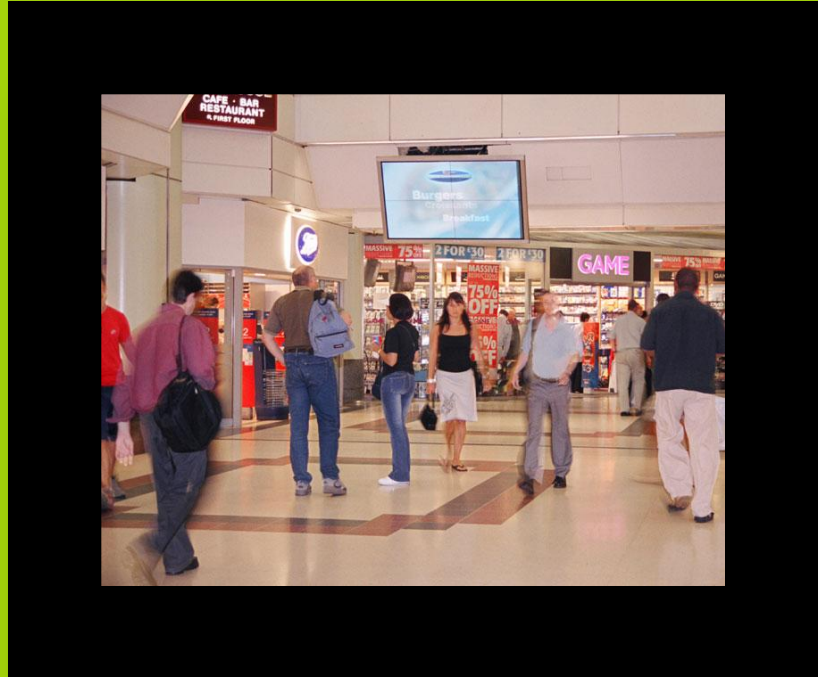
# 81 percent

of 100 mall shoppers surveyed said,  
“they ignore mall digital signage  
screens – they’re just fixtures”



# 64 percent

of screen video content was  
6 to 12 months old (according  
to mall or store employees)



# why ACT now?

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# advertisers dilemma?

the consumer information **they have**  
is not the information **they want**

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the consumer information they want  
is not the information they need

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the consumer information **they need**  
is not the information **they can obtain**

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consumer information they can obtain  
costs more than they want to pay . . .

until . . . **they discover** how to  
directly and interactively engage  
**their targeted consumer!**

# game changer

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# a next generation

21<sup>st</sup> Century digital-signage network

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# maximize value

with a multi-media 'path's to consumer' platform

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# enable DOOH viewers

to real-time interact with on screen content

any time

any where

on any screen

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make the world's first digital-signage  
network service desk **with**

**anywhere/anytime**  
**customer service**

think Apple Store's Genius bar across  
multiple channels . . . aided by better  
measurements

brands will **come to**  
**appreciate** that efficiently  
answering consumer questions and  
solving problems not only pays out,  
but **leaves a viral media annuity!**

to create greater business value -

One does not have to be  
first to create,  
just first to innovatively  
perfect,  
what has been created.

- Richard D. Smith, CEO, SMITH-TRG

how can we help  
change your game?

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put our work . . .  
behind yours?

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questions or comments. . .  
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