



Strategic Review of US Retail Market & Future Trends

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1. The Brief

- To understand the current retail trends within the US market
- To review impacts of current global downturn
- To specifically identify changes to business models being applied
- To identify sectors which are bucking the trend and why
- To review specifically Fashion Retail sector and dynamics for next 12 months
- To meet with existing US clients

2. Interpretation of the Brief

The brief from Evado stated the need to meet with two existing US consulting clients to help expand possibilities of a future relationship. Along side this, it was also necessary to define the scope of Evado Ltd's services whilst understanding resource requirements to meet their future needs.

The two main areas of focus were looking at the Digital Marketing opportunities and store design within the retail fashion sector. It was important to gauge from this what types of in-store and external digital marketing were being used and to what level of effectiveness, but also look into innovative store designs not yet seen on the UK retail market, to be considered as potential opportunities for Evado.

3. Retail Analysis

Although it was not possible to look at the retail market in the US as a whole, by visiting New York it was possible to get an in-depth view into the retail market at its most innovative and fashion forward. Many designers and brands are based in New York so its considered to be one step ahead of the game compared with many other American cities (as well as many countries outside of the States).

Many once deprived areas within the city (such as Harlem) are becoming more wealthy due to large governmental cash injections and grand scale gentrification projects are improving the appearance of these communities. Because of this, large chain stores (such as global retailing giant, H&M) who as a rule stuck to more central locations or clinical shopping complexes within MEDC cities, have begun to open stores here.

Even though H&M is not a mid-price designer brand, many of its products are considerably more expensive than the low budget, un-labelled clothing of the usual stores found in these types of areas. This shows firstly a shift in peoples allocation of disposable income (favouring fashion as a more important aspect of life than in previous years) but also a retailers understanding of a large market not yet being fully tapped into. Shoppers often do not want to have to travel large distances for everyday items (something that fashion over the last decade had become, rather than a special purchase) and so are more likely to spend their money in a closer proximity to their home. If a larger variety of ways to spend their money are available in this area, then are more likely to part with it. The setting up of new amenities also has a multiplier effect; the core or first amenity acts as a nucleus for which other things can set-up around. More facilities attract better and more varied facilities and this continues until its hits a point of stagnation.

Due to increased competition from stores such as 'Primark' in the UK and 'Forever 21' in the US, many stores are not increasing price points and profit margins as they usually would on an annual/bi-annual bases relative to the increasing strength of the economy. The recent economic downturn and housing crisis on both sides of the Atlantic has also affected this, with the view that the two ends of the market (low price and high end designer goods) will do well and mid-price high street labels may suffer.

This became very apparent throughout all the main shopping centres in Central Manhattan, where in mid-end June most stores had a substantial amount of stock in sale sections. Even with peak tourism season close and a huge influx of visitors about to descend on the city, many of the large fashion conglomerates are having to reduce the price of their garments in order to shift the large quantities of merchandise within stores.

The main type of store observed throughout the city were large fashion multiples – many brands being high streets being undistinguishable from shopping areas in London, Paris or even Asia.

Stores are on a repetitive basis, with many of the same stores just a block or two away from each other (showing the importance again of locating stores conveniently to as many people as possible when trying to target a large consumer base) and were generally large and imposing. Few boutique or one-off stores featured in the main shopping districts of 5th avenue and Time Square, but were more prominent in the hippy, bo-ho chic areas of Greenwich, Soho and China town – where vintage and independent stores attract a very different crowd with their equally different products.

3.1 Foreign Brands

There is a large trend of small- to medium-size foreign specialty retailers opening stores Stateside. While these chains may be popular in their home countries, they have little or no name recognition here. Nonetheless, mall operators have embraced the newcomers at a time when many American retailers are closing stores or scaling back expansion plans. American consumers are considered to be much more demanding than Europeans, so it is highly important for any newcomer not to underestimate the range of choices available to US consumers, making it essential to gear products to what they want.

Underestimating American consumers has been the downfall of some foreign retailers that retreated. After acquiring the Dutch brand Mexx in 2001, Liz Claiborne opened 11 stores in the U.S. The brand never resonated with consumers and all 11 Mexx units closed between early 2006 and July 2007. Sold in 66 countries, Mexx failed to replicate in America its success in Europe, particularly in France. "Mexx does not have the brand recognition here," said Jill Granoff, group president for direct-to-consumer, last July.

Some foreign retailers have taken their time expanding. Reiss, a U.K. chain, opened a 5,000-square-foot flagship on Manhattan's West Broadway in 2005. The company has been relatively quiet since, studying the market. Now Reiss is getting ready to open 20 stores in the U.S., acquiring a new American director who knows the market.

One other reason for the new influx of foreign chains opening is that all mall operators are looking for unique and innovative retailers to add to their tenant mix that will differentiate them from other centres. It requires much less of an investment for a tenant to go into a mall than to open a store on the street. Malls tempt tenants with lower installation and build-out costs and none of the hassles with permits. They are getting a significant tenant allowance from landlords. Robert Michaels, Chief operating officer of General Growth Properties was quoted saying "I think you'll continue to see more foreign chains, mainly because chains such as Mango, Zara and others are out of expansion possibilities in most of Europe." (1)

3.2 E-Commerce in the Retail Sector

The increase and penetration of online use in the US increases the potential market size for E-Commerce on an annual basis. A large share of the expected growth in Internet commerce can be attributed to the increase in the online population:

- U.S. online population estimated to increase nearly 50%, from 141.5 million in 2001 to 210.8 million by 2006 (CAGR of 8.2%). (see Figure 2)
- U.S. online retail sales will grow from \$47.8 billion in 2002 to an estimated \$130.3 billion in 2006
- There are 2.3 million small companies in the U.S.; with 16% of these in the retail trade and 60% of all small companies have an online presence – potential market size for our service is upwards of 200,000 companies.
- Annual spending per buyer will increase from \$457 in 2001 to \$784 in 2008.
- This is forecast to continue increasing at a similar rate til 2009

When considering e-retailing, especially to foreign markets, a company's website is an integral part of its strategy to attract attention in markets anywhere in the world. It is the first port of call for anyone trying to find information about the company.

The Internet does make global marketing of products and services easier, but it is questionable whether companies in English-speaking countries making enough effort to communicate internationally, and whether this is having a detrimental effect on their business.

Addressing potential international customers in their native language maximises a company's marketing efforts and shows that it is interested in them and their culture.

Five years ago, if you asked what the predominant internet language was, the resounding reply would have been English as it accounted for the content of 75% of global websites. Today the answer would be very different, however, with several other key languages coming to the fore and quickly superseding English as the most widely used languages on the web.

Businesses are increasingly finding that being a 'dot com' is no longer enough. Greater advances in technology and marketing expectations mean that people expect companies to communicate with them in their own language – this applies

both for business-to-consumer and business-to-business alike. Now, almost 80% of all internet traffic is from non-English speaking countries, with only 21% of websites written in English and a massive 79% in other languages.

Winning business in foreign markets is more important today than ever before but the message and strategy must be right. A simple translation is often not enough – the design, imagery and style of a website, or any communicative material, needs to be tailored to appeal to each individual country or market. The promotion of a website and the entire marketing approach should also be considered, as these are likely to be different from one country to another.

International consumer electronics retailer, Best Buy, launched a Spanish version of its website in September 2007 and now reports that customers are spending roughly double the amount of time on the Spanish site as English-language customers.

Besides the immediate boost to sales generated by localising a website for foreign markets, there is significant long-term value in reaching out to customers in multiple languages. A multilingual website is an excellent way to test new markets and open the door to international trade. Having a fully localised website shows appreciation and respect towards a foreign culture, and ensures that you can be found in the most popular search engines in each specified market, country or language.

Many US and UK businesses are slow to adopt foreign languages: those that do embrace the global marketplace reap the benefits almost immediately. An international website adds prestige to a business and will make you stand out, head and shoulders above competitors.

With the current economic downturn occurring in the US and spreading to the UK, reaching out to foreign markets can only help to improve a firm's bottom line with minimal financial outlays.

Offering a multilingual site will not only provide a short-term competitive advantage, but also stand a company in good stead for the future, when multilingual websites become the rule and not the exception.

The fuel crisis has been adding yet another log on the internet's fire by thrusting centre stage the woes of the petrol age. As people and businesses cast around for alternatives to motor traffic with its relentless burdens of cost, congestion and pollution, their thoughts turned inevitably to electronic channels and how these might help. While the fuel crisis was a commercial disaster for most businesses, some online merchants made large gains from the many consumers who used delivery vans' petrol rather than their own to go shopping. Problems associated with the rapidly dwindling stocks of fossil fuels can only escalate, so what opportunities might e-retailers wrest from the resulting turbulence?

The primary relevant effect of the fuel crisis was to oblige people to examine new ideas and try new methods. The strikes, themselves mobile phone-enabled phenomena, triggered surges in all forms of network traffic across Europe, with a tripling of conference calls and video conferences, and internet traffic through the roof.

During particular fuel crisis', panic buying has often spread from fuel to food and supermarkets – for example, Waitrose.com was just one of many online merchants soon forced to suspend business when its carriers became unable to honour new orders.

Argos was not the only e-retailer that formed a crisis group in an attempt to ensure its home delivery services could continue. Another major retailer who enjoyed a sharp rise in sales commented, "...as we own our own fleet [of delivery vans] I believe we were on the roads longer than most." However most online merchants' delivery services relied on local petrol supplies rather than a central reserve, so they quickly ran into problems.

It follows that e-retailers who can ensure that their online orders will be able to get through and be delivered when other methods fail will create for themselves a clear market advantage.

Tesco, now with home delivery services available from 240 stores covering 90% of the UK, its own fuel supply business and half a million online grocery customers appears to have a distinct advantage over most competitors in this regard. As if to press home the point, Tesco, as part of a £7m investment in e-retailing developments that is creating 7,000 new jobs, massively expanded its range in September by introducing 1,000 new electrical lines, complete with a free delivery service. Currently, Tesco.com is taking some 60,000 orders per week worth £5m - an average order value of £83 - and moved into profit with sales of £85m in its first-half of trading. Tesco isn't revealing how it fared during the fuel strike, but none of the online orders tracked by the IMRG during the period were rejected, and all booked home deliveries arrived on time.

Look Group, Thorntons and Marks & Spencer were typical in reporting losses within their mainstream retail operations due to the fuel crisis, however, many e-retailers advised of sharp rises in sales and website traffic as well as evidence of significant increases in first-time visitors. It's not easy to get people to change their behaviour, so this out-of-the-blue situation pressing large numbers of people to consider or even try e-retailing could only help the industry. Experience shows that when a mass of people try new methods such as shopping online, activity peaks and then falls back, but to a higher than previous level, thereby ratcheting up the median.

Oil is the biggest single source of the world's energy and we are constantly told that we're not about to run out of it overnight. But the shocking fact is that virtually the entire reserves of world petroleum will have been consumed within the next couple of decades. There is no genuinely independent assessment of world petroleum reserves and the OPEC countries and oil companies grossly overestimate their reserves to justify their oil quotas or share prices. We are hopelessly dependent on fossil fuels, and its cheap availability may be more limited than we think. As we hunt oil to extinction, fuel shortages and price rises can only force people to seek alternative energy sources and greater efficiencies - and e-retailing has much to offer in respect of the latter.

Any serious e-retail practitioner will admit that, currently, much of the core e-retail proposition is full of holes, promising far more than it can consistently deliver. But nothing's perfect, including traditional shopping with all of its incumbent hassle and cost for the consumer. All it will take is reinvention of the standards by which physical goods are delivered direct to consumers for e-retail to consolidate its robust challenge to traditional retailing. Shippers will increasingly offer, for a price, delivery to (and collection from) whatever secure location and timeframe the customer selects. As a result, e-retailing will be there at every fuel crisis and price rise obliging consumers to ask themselves, "Is that journey really necessary?"

3.3 Sales

Retailers in July clearly felt the impact of the economic downturn, raising concerns over this month as stores get serious about back-to-school and fall selling.

Wal-Mart Stores Inc. set the tone, missing analysts' estimates with a 3 percent same-store sales gain in its U.S. discount stores in July and tempering expectations for August with a projection of a 1 to 2% gain.

Even Wall Street felt it, with retail sales sluggish and crude oil rising on Thursday, the Dow Jones Industrial Average fell 224.64 points, or 1.9 percent, to 11,431.43, while the Standard & Poor's Retail Index fell more sharply, contracting 2.1 percent to 359.70.

Since April, consumers, bearing the burden of higher fuel costs, have pocketed roughly \$100 billion in tax rebate checks, but because the last checks were mailed out early last month, few believe retailers saw much benefit this period. (See figure 1)

Retail sales in the US fell by 0.1 per cent in July, recording their first drop in five months as the effect of the government's \$100bn round of economic stimulus cheques to consumers began to

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wear off. The data was roughly in line with economists' expectations, driven lower primarily by a 2.4 per cent drop in sales of cars and car parts, which were down 10.5 per cent on a year-on-year basis. The effect of the dwindling fiscal stimulus, which was launched in May and carried through until June, was felt in slower growth of retail sales excluding the auto sector, which rose 0.4 per cent. This was significantly lower than the 0.9 per cent gain recorded in June and slightly below economists' expectations of a 0.5 per cent increase.

Though not disastrous, the data could bolster fears that consumer spending is in the midst of a rough third quarter, as the housing crisis and energy and food costs continue to put severe strains on the balance sheets of American households. There are some hopes, however, that the recent decline in the price of crude oil could help alleviate some of the pressure and free up more income for discretionary spending. Meanwhile, import prices rose last month by 1.7 per cent, on the back of the weak dollar and rising energy prices – which have both been partially reserved recently and could lead to a moderation in the measure going forward.

3.4 Effects of The Credit Crunch on the US Economy

The Credit Crunch is having a clear impact on all aspects of the economy. Although it is not directly or solely retail being hit, everything that changes in the economic climate has a knock on affect. Therefore it is important to understand other areas being affected to see why retail (especially fashion) is currently under pressure. US wholesale prices rose twice as fast as expected last month as new home construction plunged, government data showed on Tuesday, offering little reason for optimism on the outlook for either inflation or the ailing housing market.

US producer price inflation Annual % change



Source: Thomson Datastream

The producer price index, which was forecast to jump by 0.6 per cent in July, instead gained 1.2 per cent, disappointing economists looking for signs of a quick easing in inflationary pressures. The data echoed the release of the consumer price index last week, which also increased twice as much as expected – by 0.8 per cent.

At the core level, which excludes volatile food and energy costs, the jump in wholesale prices was even more surprising. The index increased by 0.7 per cent, more than three times as much as the 0.2 per cent gain predicted by economists.

At an annual level, the headline PPI was up 9.8 per cent, the highest since 1981, while core PPI was up 3.5 per cent, the most since 1991.

The Federal Reserve is expected to keep interest rates on hold at 2 per cent through the end of the year at least, but may be forced into raising rates if high inflation persists.

Alan Ruskin of RBS said the figures "will be taken as a sign that underlying price pressures [are] hitting the finished goods stage, and the recent decline in commodities may not save the day completely on the inflation front".

However, both the CPI and the PPI for July were measured too early to take into account the decline in the price of crude oil and many economists and policymakers hope that the discouraging readings on price pressures for July will mark a peak in inflation for this cycle.

Meanwhile, housing starts dropped by 11 per cent to a seasonally-adjusted level of 965,000 units - slightly better than expectations, but still the lowest reading since 1991.

New home construction had been lifted sharply in June by the implementation of a new building code in New York last month, leading to a flurry of housing-start activity in multi-family homes. However, economists were expecting those gains to be reversed last month.

3.5. The Effects of the Credit Crunch on the US Fashion Retail Economy

The breadth of the slowdown in discretionary US spending was underlined by quarterly results from Home Depot, the home improvement store, Target, the mass discounter, and Saks, the luxury fashion retailer. Saks saw its shares fall over 8 per cent to \$10.29 at the New York close after it reported a \$31.7m loss on softening demand for its luxury -clothing, shoes and accessories.

Saks also predicted flat or falling comparable sales for the second half of the year. Over the first six months of the year Saks comparable store sales have increased just 2.7 per cent, compared to the high-single digit growth it saw before the economic slowdown started to hit higher-end consumers at the end of last year. Steve Sadove, chief executive, said that the retailer had "experienced a softening across nearly all geographies and merchandise categories" during the quarter. He also said that the retailer had seen price increases of between 10 and 15 per cent in the cost of some of its European brands which it would pass on to customers in the coming weeks, reflecting the weakness of the dollar over much of the current year.

The retailer said sales commissions from its leased departments, which include Louis Vuitton handbags - were unchanged from the previous quarter

The retailer reported a net loss of \$31.7m, or 23 cents per share, while revenues fell 3 per cent to \$669m, a fall due in part to the shift of a spring clearance sale to the first quarter.

Target, the mass -discounter which aims at a more prosperous customer than its market rival, Wal-Mart, also reported a fall in profits and sales, with net earnings down 8 per cent to \$634m.

While new store openings pushed total revenues to \$15bn, sales at stores open at least a year fell 0.4 per cent.

3.6 Measures Taken

Dunnhumby, the consumer insight company majority-owned by Tesco, has signed a deal with Macy's, the large US retailer, to analyse its sales data with a view to increasing turnover and customer loyalty at the department store chain. The company that tracks the shopping habits of 250million consumers are currently under high demand from many retail companies struggling to boost sales.

The tie-up could enhance the existing loyalty scheme at Macy's, which is similar to the Tesco Clubcard, Dunnhumby's flagship scheme that helped transform the supermarket into the UK's largest retailer.

Dunnhumby USA, a joint venture between Dunnhumby and Kroger, the US retailer, will collect and crunch sales data from Macy's 850 department stores.

Edwina Dunn, Dunnhumby's co-founder, said that the company will analyse Macy's pricing, ranges and store layouts.

4. Retail Conclusion

It seems that like many aspects of the economy at the moment, the fashion industry will consider to suffer. While peoples disposable income is often not decreasing, their faith in being better off in the future is. With rising interest rates on mortgages and loans adding much greater potential debt, the large percentage of the population affected by this will be considering how they spend their money a lot more carefully. Throw away fashion, that has dominated the market for the past few years, can no longer be considered economically nor environmentally viable and a greater pressure on retailers should start to see this trend die out. People are looking for clothes to last them longer, as well as conform to the social standards we now expect in the production of our textiles, and this is likely to hit budget retailers hardest.

Mid-price designer brands will be the worst to suffer however, as unlike low end stores who's unbeatably low price will always attract certain customers (no matter what the other prices to pay are), their average quality products with high price tags based upon their label will no longer seem necessary or possibly even viable.

High end retailers will continue to do well as they are geared towards a very narrow spectrum of the market, a market that is unlikely to really suffer in the current economic climate. Their high quality products offer value for money and a level of prestige that most people can only aspire to – something that luxury brand customers are unlikely to want to give up.

Large chain stores or multinationals will also be able to hold their position better in the marketplace because of their huge financial backing, investor support and often incomes from other industries. Smaller chains without these advantages are likely to continue to feel the pinch throughout the next few months, and the mid-season sales could start to be common place. As for boutiques and independent stores, they rely on a certain, loyal and fashion savvy crowd who are willing to pay well for innovative and original or retro clothing and may not need to be included in the general opinion that the fashion industry will continue to experience lower sales and a hard 2008.

As a whole, discounters are still doing well, It's really a story that value and convenience are the driving forces behind retail demand right now.

4.1 Recommendations

This week, Sterling Commerce and Deloitte LLP today announced the creation of the Cross-Channel Retailing Consortium. The Consortium was founded to discuss the potential for cross-channel retailing, defined as consumers conducting their research, selection, purchase and return shopping activities across channels. The Consortium will also work to help retailers deliver the cross-channel experience by identifying the operational, organizational and technological hurdles that retailers face in orchestrating their Web, catalog, phone and in-store operations.

The inaugural meeting of the consortium was held on September 14, the Consortium consisted of representatives from leading retailers such as Borders Group, Best Buy, and Victoria's Secret, and industry analysts and other retail thought leaders. This group of influential retail professionals discussed the evolving trends of cross-channel customer behaviour, approaches

to creating a seamless and differentiated brand experience, and strategies to maximize shareholder returns in a multi-channel environment.

True multi-channel integration will mean different things to different companies over the next few years, the aim is that this consortium will deliver forward thinking that will help retailers no matter their approach – whether it's a complete transformation of the business model or a one-step-at-a-time evolution from a product-centric world toward a customer-centric one.

One can expect 2009 to be the year of cross-channel retailing consumer expectations are there, and retailers are starting to close the gaps in delivering on those expectations as they find ways to integrate best practices across multiple channels and lessen their focus on the 'hard-wiring' of the physical locations.

More and more business are beginning to understand the importance of e-commerce as valuable commerce sector. With the investment of financial powers this year, who are likely to increase over the following, 2009 looks to be the year of e-commerce.

It is still a relatively un-exploited area of the retail sector, as many brands are yet to tap into its potential. With increasing coverage, however, this is unlikely to be the case for long. Those who truly wish to make the most of internet retailing need to begin really utilising the breadth of possibility provided by the internet as a source of retailing.

With ever increasing financial uncertainty, e-commerce provides a business platform that can reach a wide audience without the large set up costs of physical retailing. It also provides a convenience that with increasing working hours (due to 'credit crunch' panic) could be thoroughly beneficial to both customer and retailer.

The main issue that could pose a threat to the e-retailing industry in 2009 is the prospect of continually rising fuel costs. This could pose both a positive and

negative threat; consumers may be more careful with their unnecessary trips and prefer using the internet for delivering goods, however, fuel costs could impose on profit margins for e-retailers and the threat of petrol strikes can affect sales, profit and brand image (if unable to deliver).

5. Digital Marketing Analysis

Digital hardware displaying digital software (in the form of both on-screen content and software control systems), featured on screens that are thin and come in many sizes, offering constantly changing and refreshed content, often shown on many regions of a single screen, capable of delivery instantaneously via satellite and the Internet, from a server or personal computer (PC), close by or on the other side of the globe, intended to be particularly relevant and helpful to consumers aimed largely at out-of-home audiences who are frequently moving from place to place, yet are often held "captive" by a particular situation, event, or environment.

There are 2 different forms of digital marketing, each of which has its pros and cons.

Pull

Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content. Web site/blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

Pros:

No restrictions in terms of type of content or size as the user determines what they want.

- No technology required to send the content, only to store/display it.
- No regulations or opt-in process required.

Cons:

- Considerable marketing effort required for users to find the message/content.
- Limited tracking capabilities – only total downloads, page views, etc.
- No personalization – content is received and viewed the same across all audiences

Push

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

Pros:

- Can be personalized -- messages received can be highly targeted and specific to selected criteria – like a special offer for females, 21 years old or over and living in California.
- Detailed tracking and reporting – marketers can see not only how many people saw their message but also specific information about each user such as their name as well as demographic and psychographic data.
- High Return on Investment (ROI) possible – if executed the right way, push messaging can help drive new revenue as well as brand reinforcement.

Cons:

- Compliance issue – each push messaging technology has its own set of regulations, from minor (RSS) to heavily controlled (email and text messaging)
- Requires mechanism to deliver content – the marketer has to use an application to send the message, from an email marketing system to RSS feeders.
- Delivery can be blocked – if the marketer does not follow the regulations set forth by each push message type, the content can be refused or rejected before getting to the intended recipient.
- Consumers are generating everything from their own entertainment to their own advertising (and often they are one in the same). All these messages are highly personal, driven by the passion of individuals. More than ever, the personal side of ad:tech is about marketing for the people, by the people – and what role professional marketers have to play in this.

6. Digital Marketing Conclusion

Digital signage has progressed from being a relatively niche marketing tool to a mainstream merchandising and information facility in under 5 years. Driving this trend has been significant fall in the cost of the hardware itself (LCD screens, networking systems and servers which were once high cost to manufacture) and the wider availability of the software and skills required to install and maintain a digital signage system in the retail and wider marketing environment.

In many ways, these changes mirror the early evolution of the PC, which was unveiled to a diffident public back in the 1980's. It took a significant fall in price and software to turn the PC market into the mainstream and commoditized world that it is today. The same thing is happening with digital signage, with the result that the range of systems and content delivery is evolving quite rapidly.

In the early days of signage, most content was distributed via CD-ROM and DVD discs sent through the mail. But arrival of low-cost broadband and internet connections, satellite and 3G data channels has changed the picture significantly.

Despite this, the current demand for high definition content and the fact that live transmissions can be subject to outages means that most content systems operate on a digital store-and-forward basis. Typically, this involves the installation of a digital video recorder (not dissimilar from the Sky Box, found today in many homes) however, is remote controlled from a central computer.

Remote control over the internet is becoming increasingly popular for digital signage, thanks to the economies of scale that it offers.

There are 4 main forms of screen content in the modern signage environment: pure informational; mixed information and advertising (as seen at airports for example); mixed information and marketing (eg. Pharmacy and hospital); and pure advertising/marketing as seen on many out of home applications. Although the differences are subtle, each one applies strictly to a different audience, industry and sector.

In order for digital signage to be used effectively in digital marketing, it is paramount that the correct content is selected in order to maximize the effect of the target audience.

When large scale digital marketing is used in a retail environment . pure marketing/advertising has the highest impact. And this is what the American consumer needs – high volume, aggressive advertising, in prime locations with the ability to attract the attention of a large target audience. Whether this be on the sides of buildings, buses or in retail store environments.

There is without a doubt a large opportunity in the current market place for more digital marketing, as the credit crunch puts more and more pressure on every industry. Companies struggle to stay a-float, amidst huge competition from other like-brands and the use of any form of promotion is paramount to finish on top. Although cut backs are very publicly being made, it is in the interest of any retailer to carry on pushing their brand image at the consumer to maintain their market position and make themselves more desirable than their competitors.

In an economic crisis, as being experienced currently, priority spending both for businesses and consumers change; the latter no longer want to dispose of income frivolously and businesses need to cut back in order to allow for this drop in spending.

It is often overlooked, however, how much a cut back in certain areas can actually have a greater detrimental effect than planned (such a staff cuts resulting in poor customer service and a muddled brand image) or lack of promotion seeing a brand fall at the wayside of its competition.

6.1 Existing Companies in the Marketplac

In July 2007, ImageXpres Corp announced that it has entered into a distributor sales agreement with a downstate New York advertising signage company, Message In Motion, to market and sell ImageXpres' LitePix Digital Signage products in the NYC region, that includes New Jersey, Philadelphia, PA and Washington, D.C. markets.

6.2 SWOT Analysis

Strengths:

- Digital signage is deployed today on over 500,000 U.S. flat-screen monitors, and for the year just ended, The Carmel Group estimates almost \$1 billion was generated, toward an estimated \$2.5 billion as of year-end 2010. Moreover, this says nothing about the money that will no longer be spent in traditional advertising for shot-gun-like scattered ad messages – aimed at masses of consumers wherever they travel or reside – as ad agencies and their clients realize the importance of sending pin-pointed pitches to precise pods of people.
- It is considered that as computers get more advanced, getting into the digital signage business is going to get easier and easier. It's a great way to diversify. We already have a lot of the content, and we're familiar with the basic equipment and the key players – ad agencies and advertisers – it just makes a lot of sense to work in digital signage.
- Because local broadcasters and multichannel operators typically already have local production, facilities, and teams in place, their ready ability to grow that into a viable local digital signage business is evident.

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- Chapters as well as many charts and photos in the book capture the where, how, when and who of a business that is finding its way today into malls, kiosks, information displays, at retail (i.e., in supermarkets, department and drug stores, as well as in Gas Stations and convenience stores), on streets and freeways (i.e., billboards), at trade shows, in cinemas and theatres, in hotel and motel lobbies, in vehicles (such as buses, taxis and airplanes), in travel centers (i.e., customer terminals, airports, subways and train stations), and in elevators (and waiting areas in front of elevators), in stadiums and arenas, in public buildings and places (e.g., in hospitals, at DMV's, in public authorities and municipal crossroads), in houses of worship, in amusement parks, in gambling and gaming centers, in restaurants, in banks, in health facilities (e.g., in salons, health spas, doctors', veterinarians', and dentists' offices), in factories and manufacturing and, in short, in any place selling digital screens, which should be using digital signage (and using inventory on the floor in the form of digital signage).
- For broadcasters, multichannel operators, and related industry vendors, digital signage offers an attractive prospect, because it offers an answer and an alternative to the business they are losing to the depletion of traditional advertising assets.
- Effective message communication
 - Enables flexibility of incorporating? changing market developments
 - Enables control? & monitoring of content
 - Enables improved customer service and productivity of store? personnel
 - Provides cost savings
 - Provides profit opportunities

Weaknesses:

- No widely accepted standards for measurement
- Lack of formatted standards for content
- Lack of acceptance with agency and advertisers
- Multitude of small individual networks makes planning and buying complex
- Size of US market makes cost of entry prohibitive compared with non-US markets

Opportunities:

- With the new-found ability to avoid ads, especially those that are thrown at the masses in a typical CPM-fashion, consumers are instead reacting to content, including commercial messages, that help them and is relevant to their lives. A typical consumer today can use satellite radio, an MP3 player, a Digital Video Recorder (DVR), or any number of other tools to duck the ads thrown at them via the traditional media. As but one further example, as they drive, consumers can chose to ignore the same vinyl sign that they pass every days for weeks or months on the way to work.
- But take the same consumer and give him or her a specific message that conforms to what he or she wants to buy, and do it on a bright display that is easy a quick to read, and he or she will even accept a limited incursion into their privacy (and what makes them tick), in order to capture that helpful information. Once advertisers find out what individual consumers like and want, more and more doors open to that consumer, especially if the delivery and the message is sensitive and apropos. Digital signage has the greatest potential to be this step forward in re-capturing the
- Another opportunity for those in the digital marketing industry is to build and invest in the operational sides of the new business, buying up and leasing digital signage infrastructure, which they then populate and run, in their own communities. In addition, content delivered to digital signage flat-screen monitors can be specifically adapted to special audiences in special venues, run by special clients, more and more economically and flexibly.
- Emerging LCD markets

Threats:

- Clear issues that could industry growth include the lack of sufficient capitalization, potential government regulation, and the privacy concerns related to audience measurement.
- Low entrance costs to the market attracts new market players

To sum up, digital signage deserves a much closer look by cable casters across the U.S. and Canada, and beyond those borders, as well. The world is moving toward the mantra of "Relevant Content," and the match between them is largely there and ready to become more.

6.2 Digital Innovations

Many digital signage programmes are designed by technology companies that have little background in the retail store environment, so the technology may be brilliant but the message sometimes remains unstructured, and lacking impact.

Retailers, marketers and brand managers should start by meeting known consumer needs, and by using digital signage to actually enhance their shopping experience rather than force-feeding them with irrelevant messages.

With up to 75% of purchase decisions being made at the point of sale, Watt says that truly consumer-centred and carefully executed in-store communication is a powerful tool that can help retailers increase sales and productivity, and improve brand recall.

As mentioned above, relevant digital marketing is the most key factor that comes determines whether a campaign is successful or not. Digital marketing acts like any other marketing – solely relying on how well it engages and connects with the consumer for increased profitability. The novelty value of having marketing on screens as opposed to posters is no longer enough and the content, positioning, location, additional concepts are paramount.

One way to ensure suitable content for customers is to analyse whether digital signage would give better results if changed depending on time of day/even etc. It goes without saying that at different points of the day or week (sometimes even season) the consumer varies greatly. This means that if you want to appeal to a young, professional market it is unlikely to be successful if shown on a weekday afternoon when they are at work. This time would be more suitable for families with children, students or retired citizens – who's needs and disposable income are very different.

By taking into account the need for variation in the digital marketing in order to meet different target groups desires and capture the attention of the correct audience, a brand can expect a much more positive response to the campaign. This careful investment of time and money into customer research could greatly benefit a company in the long run and ensure good brand perception.

Another recommendation could be to make the link between store and website more prominent as well as important. It is not a rare occurrence that a garment/product is unavailable in a certain colour or size in store but actually in stock in other locations or on the stores website. However, this usually is not displayed and so often can result in the loss of a sale. If digital signage (particularly interactive marketing) could alert potential customers to the availability of stock online, it could lead to internet purchases rather than lost sales to a competitor.

Often a customer willing to buy a particular product would be more interested in receiving this product through different means rather than having to find an alternative. If they are interested enough to check whether they can get the product online, the likeliness is that they will. This could reduce the loss of sales through space issues within a store, and increase customer loyalty to the brand as an online retailer.

Interactive localised digital signage could also be beneficial for upselling purposes – for example, recommending items that would compliment the nearby garment and lead them to it within the store. This could increase additional purchases by clearly alerting customers of things that may interest them is the like a certain product. Online, this is regularly done (by retailer such as Amazon.com and Asos.com) by using sections such as "If you like this you might also like..." or "Customers who bought this item also bought.." which leads the consumer to other items and potentially other purchases. This is something that has not been fully exploited in store, as the few retailers who do invest in this often use small and unexciting signs or tags which do not grab the shoppers attention successfully enough to ensure (or at least increase the likeliness of add on purchases).

For those really prepared to move forward in the digital signage market (particularly within the retail sector) the Magic Mirror concept is a very interesting investment. The concept of this, is that when a consumer touches a product (for example a fashion garment) the image of a catwalk model wearing it plays on the screen. This gives them an immediate idea of that the garment looks, moves and feels like and allows them much more quickly to see whether its for them or not. Additionally to this, because it's a very new and innovative creation, it comes with a certain level of prestige and intrigue that attract customers sometimes solely for that reason.

In a world ever increasingly looking for the easiest, newest and most exciting way to shop, investing in technology has never been more important. Distancing oneself from the competition is not only possible – its essential. Advances in digital technology are being made constantly, and it looks set to stay this way – not accepting this would be to detrimental company hoping to compete for the long term.

6.3. Real-world Innovations

Technology should not be the only aspect considered when moving a business forward and working towards a higher level of brand perception. There are physical changes that can be made to ensure a larger customer base or an improvement within its existing one.

Loyal customers to a brand often feel neglected or that their custom is unappreciated if they are not rewarded, this can lead to a negative perception of the brand and a disheartened consumer. With the implementation of simple schemes such as loyalty and discount cards, a customer's relationship with a brand can greatly improve. Their perception has shifted from that of being a customer to that of a valued customer. Marketing experts say that brand loyalty is the biggest driver of sales. Studies show that loyalty cards are one of the most cost effective ways to build brand loyalty and improve customer retention. Not only this, but the information provided in order to gain a loyalty card can prove very useful to a company – allowing them to identify their core customers and spending habits much more easily.

Managers and business owners understand the importance of their sales staff and the money that it can bring in. It is important for a business to understand that bringing in customers is the one way that a business can stay on top. When sales staff use the right techniques it will help the business to become as successful as it can. Its important to make sure that the staff are knowledgeable on the best techniques in the sales business. The training that sales staff receive is the way to guarantee that they will understand how to sell products. New customers are the reason that a business will stay on top, current customers will need a reason to come back again and again. The owner of a business must find a way to give the tools to the staff so that they can bring the business where it needs to be. This is a simple transition for a business to make and doesn't always have to be costly. A greater investment in time and money into staff training will almost always be reflected in turnover and profit, because as with a loyalty card, the customer needs to feel valued to want to return.

A final physical recommendation, especially in this time of economic uncertainty, would be to consider the brands position in the market place. As discussed earlier, mid-price bands are often those who suffer as they do not offer the consumer an exciting or different purchase.

They are not cheap enough to be bought on a whim, but are not valuable enough to be considered an investment. If a brand is perceived more high end as opposed to high street, the consumer base shifts dramatically as can pricing. Profit margin and price do not always correlate, and especially with online retailing where outputs are considerably lower than in traditional retail environments, there is clear potential for money to be made. Providing a product provides a higher quality, experience or interest then a higher price can nearly always be applicable. This however, does rely on a good brand perception which can be achieved often by using the points above.

7. Appendix

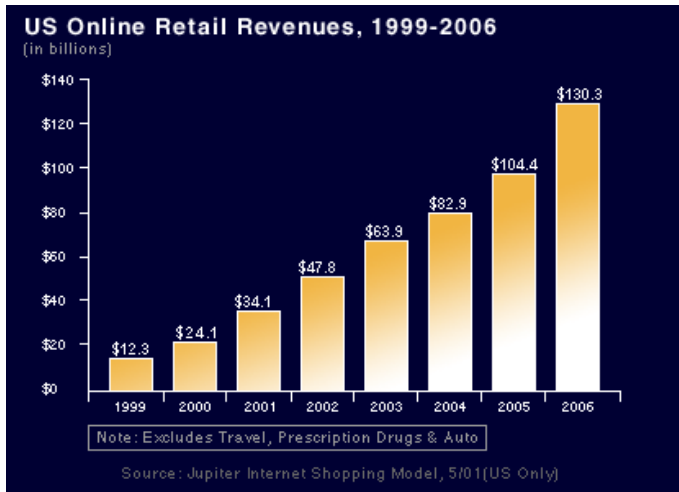


Figure 1: Online Retail Revenues from 1999 - 2006

	JULY		JUNE		MAY	
	2008	2007	2008	2008	2008	2008
	% Change		% Change		% Change	
DEPARTMENT STORES						
BON-TON	0.7	-7.6	-6.5	-9.9		
DILLARD'S	2.0	-6.0	-5.0	-7.0		
GOTTSCHALKS	-2.1	-3.9	-9.5	-8.6		
KOHL'S	-10.4	0.0	2.3	-7.2		
NEIMAN MARCUS	-2.0	8.3	-2.4	0.2		
NORDSTROM	-6.1	9.4	-18.6	10.9		
J.C. PENNEY	-6.5	10.8	-2.4	-4.4		
SAKS	-5.3	14.9	1.9	-8.7		
STAGE STORES	-6.2	-1.7	1.2	0.1		
AVERAGE:	-4.0	2.7	-4.3	-3.8		
SPECIALTY CHAINS						
ABERCROMBIE & FITCH	-7.0	-4.0	-3.0	-1.0		
AEROPOSTALE	13.0	-11.9	12.0	6.0		
AMERICAN EAGLE	-7.0	-6.0	-11.0	-9.0		
AMERICAN APPAREL	14.0	N/A	16.0	24.0		
BANANA REPUBLIC	-8.0	1.0	-5.0	-5.0		
BATH & BODY WORKS	-5.0	-2.0	-8.0	-11.0		
BUCKLE	20.9	7.6	28.9	34.7		
CACHE	2.0	6.0	6.0	5.0		
CATO	-1.0	-5.0	4.0	2.0		
THE CHILDREN'S PLACE	0.0	-1.0	16.0	10.0		
CHICO'S FAS	-18.5	-6.7	-12.9	-16.9		
GAP (U.S. STORES)	-6.0	2.0	-5.0	-7.0		
HOT TOPIC	-2.1	-7.4	-0.3	-0.2		
MOTHERS WORK	2.8	-5.4	0.8	4.3		
OLD NAVY	-16.0	-9.4	-10.0	-25.0		
PACIFIC SUNWEAR	-4.0	-4.6	3.0	-3.0		
RITE AID	1.2	1.6	-0.4	1.3		
VICTORIA'S SECRET	-6.0	-4.0	-12.0	-4.0		
WALGREENS	4.1	7.2	3.4	3.9		
WET SEAL	-8.2	-7.2	-2.9	-2.0		
ZUMIEZ	-1.4	9.7	-3.4	0.2		
AVERAGE:	-1.5	-2.0	0.8	0.3		
MASS MERCHANTS						
BJ'S WHOLESALE CLUB*	16.7	1.5	8.3	6.8		
COSTCO	10.0	6.0	9.0	7.0		
ROSS STORES	4.0	1.0	8.0	7.0		
STEIN MART	-8.7	-3.4	-7.7	-12.4		
TARGET	-1.2	6.1	0.4	-0.7		
TJX COS.	3.0	5.0	5.0	2.0		
WAL-MART (U.S. DISCOUNT)*	3.0	1.3	6.1	4.0		
AVERAGE:	3.8	2.5	4.2	2.0		
TALLY:						
UP	14	17	18	21		
FLAT	1	1	0	2		
DOWN	22	18	19	13		
TOTAL	37	36	37	37		

*Excludes fuel sales SOURCE: COMPANY REPORTS

Figure 2: July US comparative sales (2007-2008)

8. Bibliography and Useful Links for Evado

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