

# 5 Out-of-Home Advertising

## On the road to new technologies

### Summary

The out-of-home market in the Netherlands expanded by 4.9 percent in 2007, a more moderate advance following two years of high single-digit growth. The medium is being propelled by rising audiences and new technologies. With respect to audiences, exposure to out-of-home advertising is increasing. People are spending more time commuting to and from work, pedestrian traffic in urban areas is growing, and airline travel volumes are still rising. Logically, billboards along roads and highways, street furniture in central cities, and displays in airline terminals are exposed to a greater public. In contrast with most other media that are experiencing audience fragmentation, out-of-home media are experiencing audience growth.

Out-of-home is a mass medium that is used in conjunction with other advertising media. A popular venue for out-of-home advertising is at transportation centers such as train stations and airports and on buses. These venues reach a large number of commuters on a daily basis and the audience is generally consistent and measurable. Of course, the effectiveness of such advertising can be disrupted when there is a transit strike, which was the case in the spring of 2008.

Although the out-of-home market in the Netherlands continues to be dominated by traditional technologies, a number of new technologies have been introduced. The principal development is the use of digital billboards and digital networks. Digital billboards connected to digital networks allow displays to be changed electronically from a central location. A single digital display can accommodate multiple advertisers simultaneously by displaying ads sequentially, thereby generating multiple revenue streams. The transformation to digital billboards expands the revenue potential of the out-of-home inventory without adding to clutter.

Digital displays also allow out-of-home advertising to be as timely as radio or television because ads can be inserted from a central location virtually instantaneously. Out-of-home can now for instance be used to promote movie premieres, TV and radio shows, store sales and any other time sensitive activity. Digital billboards also allow ads to be sold like they are on television or radio. Instead of buying the display for a two-to-four week period, advertisers can buy time slots. They can adjust the ads on a daily or even hourly basis, providing different information to morning commuters and evening commuters.

The video quality of displays is also improving. High resolution full motion video ads in full color are now available through billboards that incorporate light emitting diodes (LEDs). This technology allows for huge digital displays that provide a spectacular impression. DHL, for example, has a 200 meter long billboard—the longest in the Netherlands—at its terminal in Amsterdam that depicts a Formula 1 auto racing pit lane. DHL is a sponsor and logistics partner of Formula 1 and the display can be seen from the train between the Sloterdijk and Zaandam stations.

Interactive television screens have been added to displays that expand the impact of the ad. A special lens sends a different message to people viewing the display from different angles. As people pass the display, the message changes. Thus, the same display can provide several messages simultaneously to different people who view the display from different angles. Contact with the consumer is multiplied and engagement is increased. Beiersdorf is one of the companies that use this technology from JCDecaux.

Innovative use of space is another hallmark of the out-of-home market in recent years. Hillenaar, the Clear Channel representative in the Netherlands, has niche boards located along the road between Prins Claus Square and in The Hague city center. The boards are in niches of buildings

parallel to the road and have three illuminated displays that are easily visible. Another revolutionary development is floorcasting which was introduced by CBS Outdoor in 2008 — through infrared cameras and projectors this interactive medium displays ads on floors in train stations, malls and at the Schiphol Airport.

Out-of-home ads can also be targeted to certain demographics. Panels located at airports, office building parking garages, financial centers, and restaurant chains frequented by business travelers primarily reach business people and are sold as such. Displays in museums have their demographic signature and ads in malls and carparks reach shoppers with a specific demographic profile. Posters in schools reach school children and there are even ads on basketball backboards for advertisers seeking to reach male teenagers. The ability to provide ads on a digital networked basis means that a national network of out-of-home ads with specific demographic breakouts can be sold as part of an overall national advertising campaign.

The latest development in the market is the use of interactive advertising in which displays communicate directly with mobile phones of passersby. Virtually everyone in the Netherlands has a mobile phone and interactive displays allow advertisers to reach these people who are often using their mobile phones on the street. Using Bluetooth technology and high-speed wireless networks, people can download information transmitted from the billboard itself.

One of the fastest growing components of the market is street furniture, an attractive option for advertisers because it gives them access to central cities. Providers offer well maintained amenities such as public rest rooms, bus shelters, and information boards in return to the right to sell advertising. The city gets a lifestyle improvement and the advertiser gets the opportunity to reach areas with a lot of traffic.

Indoor and ambient advertising is another growing component of the market. In addition to schools, museums, and car parks, ads can now be found in elevators, banks, supermarkets, and airline terminals.

An appealing feature for advertisers is that out-of-home ads are unavoidable. In other media, there is no guarantee that the ad will be seen because consumers can avoid them. People can switch channels or leave the room during TV commercials or skip commercials when playing back a recorded program. People do not necessarily read every page of a newspaper or magazine and do not necessarily read the ads on pages they do read. With out-of-home advertising it is almost impossible for consumers to avoid exposure to an ad if they are in a location where a billboard, street furniture, or video display is located. With audiences in other media becoming increasingly fragmented, the ability of out-of-home ads to reach their target audience is becoming more valued by advertisers.

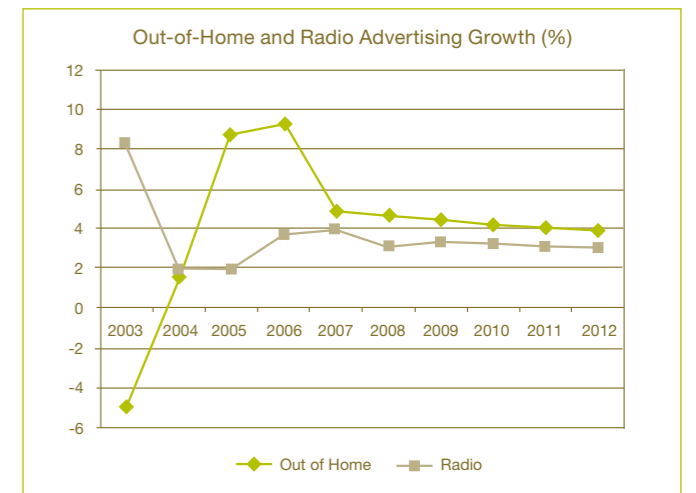
### The Outlook for Out-of-Home Advertising

Although the market continues to be dominated by two or three major companies, local companies are making the market more competitive. In addition, as several 10–15 year contracts come up for renewal, there will be increased competition for these lucrative long-term deals.

While new technologies create excitement, out-of-home will continue to be dominated by traditional technologies. The emphasis is on reaching the largest number of people and displays that achieve that goal will receive the most money. Consequently, we do not expect interactive displays to be the principal drivers. Likewise, television screens in supermarkets, ads in taxis, and ads on trucks are not expected to become important components of the market because the focus of out-of-home remains on broadcasting instead of narrowcasting. On the other hand, new eye-catching displays, such as a large screen planned by

CBS Outdoor at the Utrecht central station, will expand the market even further. Out-of-home principally competes with free newspapers and television—other mass media. The circulation of free newspapers surged during the past two years, although slower growth in this market is expected during the next five years as the market stabilizes. Free newspapers are buttressing overall print newspaper advertising. Print newspaper advertising will grow faster during the next five years compared to the past five years, making them a stronger competitor for advertising. The television market will be buoyed by the introduction of high definition programming which should make viewing more attractive to consumers and more appealing to advertisers.

A stronger newspaper advertising market and the continued expansion of television will cut into out-of-home growth. We project out-of-home advertising to expand at a 4.3 percent compound annual rate. Spending in 2012 will total an estimated € 212 million from € 172 million in 2007. We look for similar expansion in out-of-home advertising throughout Western Europe during the next five years and the Netherlands' share will remain stable at 3.0 percent.



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Out-of-Home Advertising (€ Millions)											
Netherlands	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2008-2012 CAGR
Out-of-Home (€ Millions)	136	138	150	164	172	180	188	196	204	212	
% Change	-4.9	1.5	8.7	9.3	4.9	4.7	4.4	4.3	4.1	3.9	4.3
Netherlands as a % of Western Europe	2.8	2.8	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	

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